

The Ukrainian Week

International edition

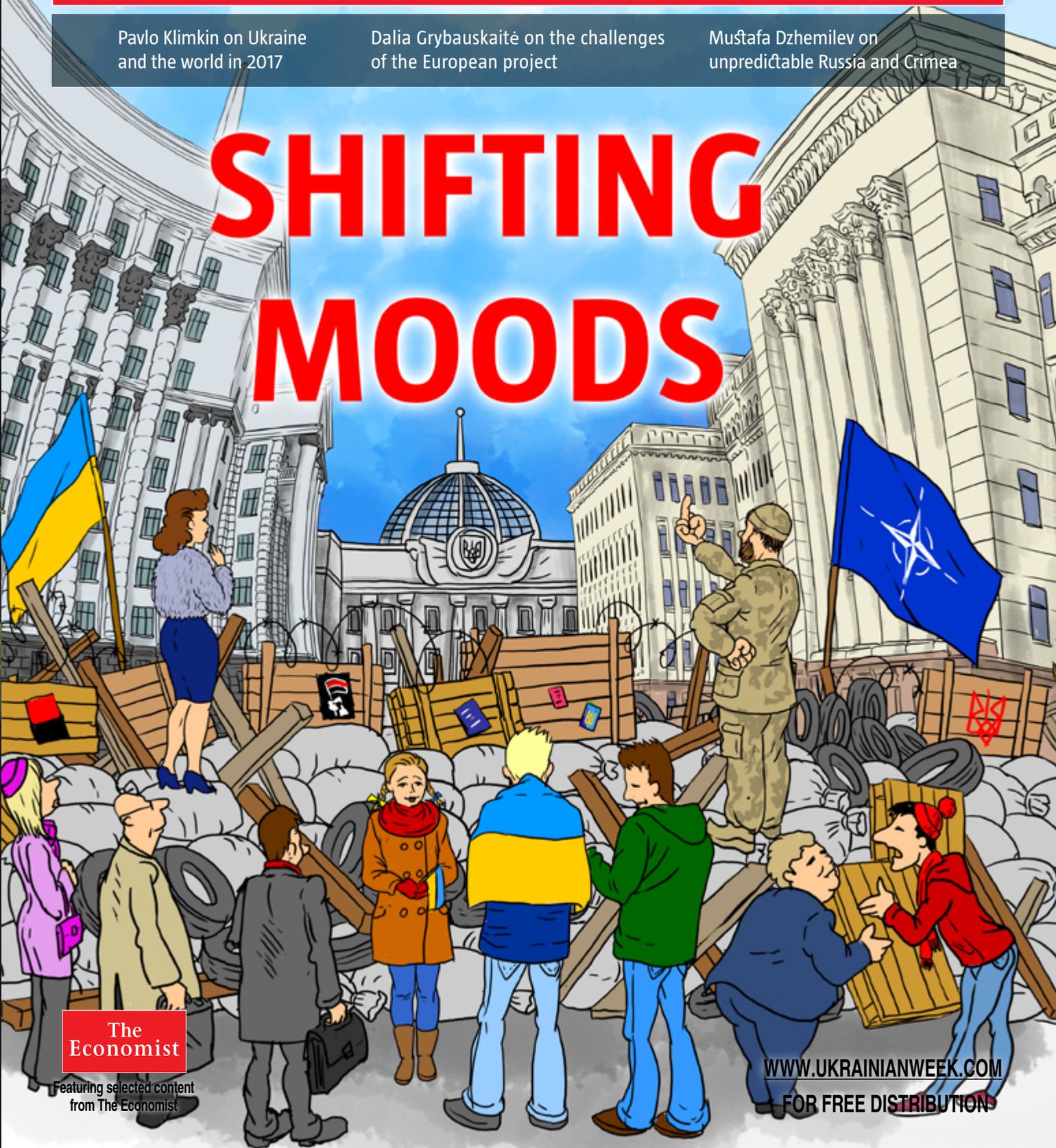
#12 (106) December 2016

Pavlo Klimkin on Ukraine
and the world in 2017

Dalia Grybauskaitė on the challenges
of the European project

Mustafa Dzhemilev on
unpredictable Russia and Crimea

SHIFTING MOODS



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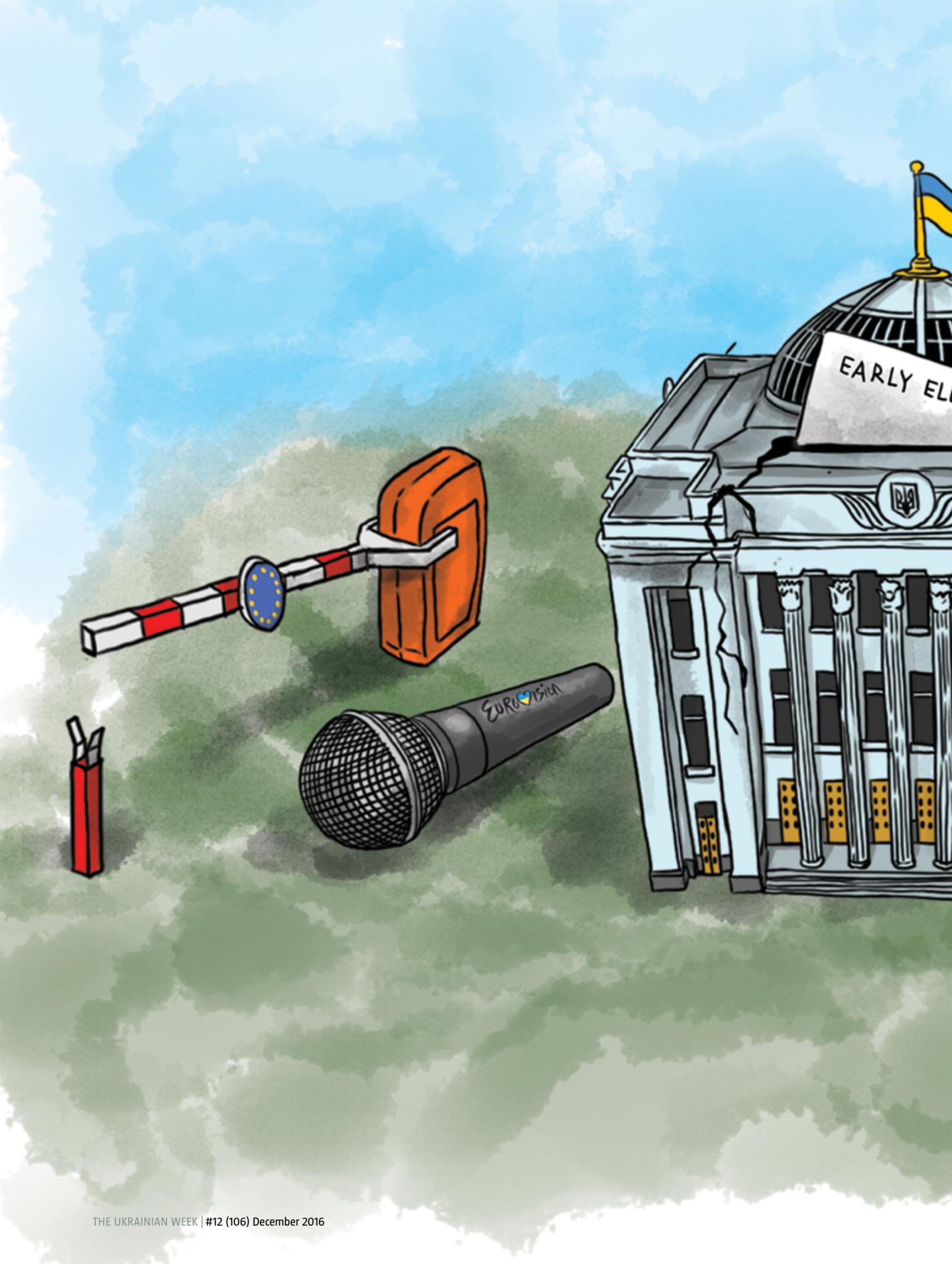
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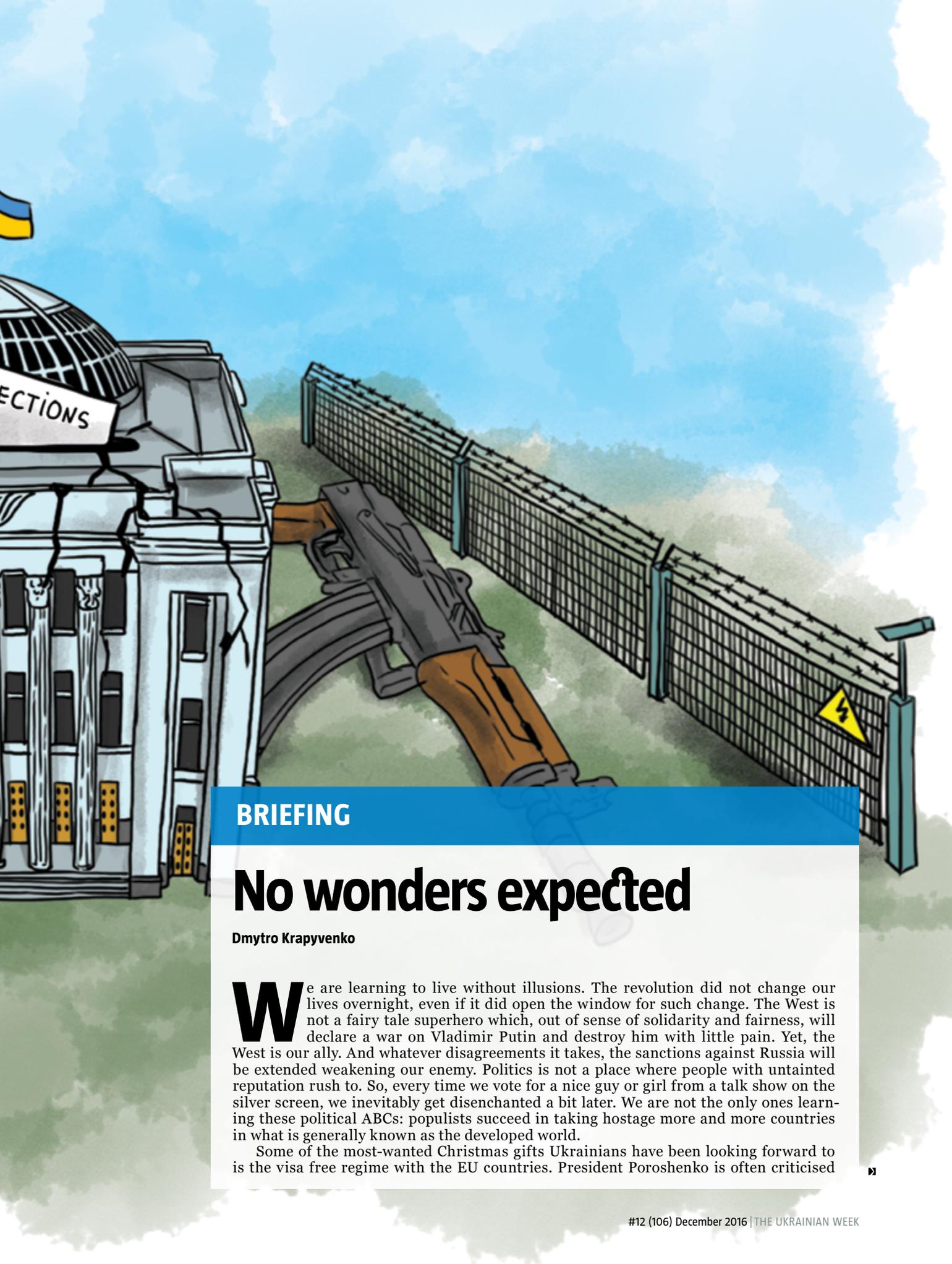
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BRIEFING

No wonders expected

Dmytro Krapyvenko

We are learning to live without illusions. The revolution did not change our lives overnight, even if it did open the window for such change. The West is not a fairy tale superhero which, out of sense of solidarity and fairness, will declare a war on Vladimir Putin and destroy him with little pain. Yet, the West is our ally. And whatever disagreements it takes, the sanctions against Russia will be extended weakening our enemy. Politics is not a place where people with untainted reputation rush to. So, every time we vote for a nice guy or girl from a talk show on the silver screen, we inevitably get disenchanted a bit later. We are not the only ones learning these political ABCs: populists succeed in taking hostage more and more countries in what is generally known as the developed world.

Some of the most-wanted Christmas gifts Ukrainians have been looking forward to is the visa free regime with the EU countries. President Poroshenko is often criticised

for giving new deadlines every now and then. Yet, much of this criticism seems ungrounded: it's up to our European partners to make the move now. A little political will and solidarity in Brussels, and the visa wall should fall. Then what? There won't be miracles, euro coins will not clink in the pockets and potholes in Ukrainian roads will remain just where they are today. We will simply be invited to pay a brief visit to the club of civilised countries: we will be expected to behave and not look for any membership prospects, at least in the short run. Yet, to dismiss that invitation would be to cherish our barbarianism and create more grounds to be considered as "Russia's orbit of influence". This is a symbolic, yet a very necessary step, if we truly aspire for European values, not a primitive fairy tale about hefty pensions, perfect bureaucracies, and high living standards.

Anyone who wants to survive in 2017 should shed all illusions. The war will not be over just because "everyone is fed up with it," because Putin will change his mind or because politicians will agree on something. Even without pockets and breakthroughs on the frontline, the death of every soldier is a heavy loss; every day of trench warfare depletes resources; every meter of the "grey zone" is a potential threat where fighting can resume any



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IN 2017 SHOULD SHED ALL ILLUSIONS.
THE WAR WILL NOT BE OVER, ELECTIONS WON'T
SOLVE OUR PROBLEMS, THE KREMLIN WON'T GIVE UP
ON ITS PLANS**

minute. Therefore, we will still need professional servicemen, as well as new equipment (we can't upgrade our old arsenal without limit), and volunteer help, – now in a more technological dimension than in 2014.

Also, it makes no sense to count on elections. The procedure as is will not solve any problems. Quite on the contrary, it will deepen and aggravate them. And nobody seems willing to improve election mechanisms in Ukrainian politics. So, an illusion of elections is the worst-case scenario – as much as the illusion or imitation of elections on the temporarily occupied territories. Everyone seems to get this in Ukraine. Even the cynical politicians with no moral principles, purely instinctively it seems, feel that elections in the Donbas make no sense and talking about them means playing against own ratings. In 2017, Ukrainian diplomats will have to invest enormous efforts into persuading our Western partners that an illusion of peace means war, one that is not postponed till tomorrow, but just a continuation of the current war under a slightly different legal definition.

The enemy's teeth were dented a bit in the Donbas, but it will definitely not drop further plans to bring Ukraine into submission. For that, the Kremlin has many options. First of all, a political revanche of its loyalists no longer seems like an impossible option. Sociological surveys point to the

fact that economic troubles drive the popularity of pro-Russian forces up. This growth is irrational and emotional: it's how people "show their grudge" against those in power. Moreover, pro-Russian forces will disguise themselves as forces rallying for pacifism and "stability" in the years to come.

Meanwhile, the Kremlin seems to be diversifying its scenarios for political destabilisation in Ukraine. Apart from organisations well-known for their pro-Russian stance, another destructive force seems to be rising. The recent visit of Nadia Savchenko to Minsk has shown that the official Ukrainian delegation in talks with the occupied territories seems to be having a competitor. And the arrival of this competitor does not seem very random. Currently MP and formerly a prisoner of the Kremlin, Savchenko tries to present the state unilaterally in causes of prisoner exchange; she pledges to show the result of her efforts any time soon. It costs the Kremlin nothing to play along, but potential benefits are huge: a figure is rising in Ukrainian politics that discredits the official Kyiv strongly. If a popular political party emerges around this figure, those seeking to sow divisions in Ukraine will have even more reasons to rejoice.

Second of all comes a revanche through culture: virtually three years of war have proven not enough to wipe out illusions of "common content" and "strong ties", and subsequently, vast space for the Russian soft power. Countering such scenarios is easy and difficult at the same time. It's homework for the government in 2017: those in power have to make sure that the space for manoeuvre for the Kremlin's proxies shrinks; the political forces qualifying as democratic in Ukraine should not struggle with each other in attempts to demonstrate which one of them is more open and European while sacrificing their yesterday's allies to that. Civil society must formulate its slogans in such a manner and put such pressure on the government that it is noticed and not lost in the laments of populists and those who will be destabilizing the country professionally. As to the visits of "the fathers of Russian democracy", celebrities and any export of Russia's cultural product to Ukraine, the recipe is simple: if the demand for this sort of entertainment (whether natural or manually stimulated in previous times) fell to zero, all hostile strategies to fight for our minds and hearts would be in vain.

Is bringing back Crimea, the occupied parts of the Donbas and all our hostages held in Russia in 2017 an illusion? There are few rational arguments against "No" as an answer. Yet, getting at least some of those people released, exchanging them for arrested separatists, and making sure that our "voices" (meaning Ukrainian media) are better heard in the occupied territory, is perfectly realistic. And that is a step towards victory. As Mustafa Dzhemilev puts it in his piece for this issue, Russia is unpredictable, and irreversible change can start there as quickly and unexpectedly as it did in the Soviet Union back in the 1980s. So, Western sanctions and our own struggle can undermine the Kremlin's walls. How long it takes will depend on their resistance and our perseverance. ■

Year of the human

Pavlo Klimkin, Minister of Foreign Affairs

In the aftermath of the Brexit vote and the US presidential election, the traditional forecasters will find themselves pondering for some time before they make their next predictions. In the end, 2016 has only added to the uncertainty: trust has declined all over the world, international law no longer seems to work as it should, and military might is once again on the rise. People and states seem disoriented, wanting to protect their identities or to simply not do anything at all, lest things get even worse.

Sometimes we even hear people at a loss and disenchanted. Multilateral platforms and international organizations that should be offering humanity visions of a better future have failed to become more effective. They are incapable of even reforming themselves. Will we be able to solve any of these problems in 2017? My honest response is No. Is there a chance that we will get closer to resolving them? Yes.

Under these circumstances, I see three key objectives that offer a kind of guidepost for Ukraine in the upcoming year:

1. *Keep building a democratic and open society based on the principles of European democracy and respect for human rights.*

The fact that we have achieved more progress in the last three years of government reform than for the entire period of independence is only the first step towards this goal. We will not be able to survive in the modern world without proper deregulation, decentralization by transferring the most functions possible to the local level, pension reform, comprehensive reforms to education and healthcare, and radically increased transparency in all processes. I believe that for us to achieve real success, we need less government and more opportunities for individuals. Where the state is absolutely necessary—national security, defense, foreign relations—, it should remain but perform better. The rest should be turned over to the citizenry.

2. *Maintain solidarity with the civilized world and the transatlantic community in order to fend off Russian aggression.*

Our diplomatic successes of the last few years would not have been possible without arranging real partnerships, not only with the major democratic countries of the world and international organizations, but also with the Ukrainian community abroad, NGOs, and leading think-tanks. Just these last months, two exceptionally important decisions went our way in combating the aggressor: a positive result in the vote on a resolution of the Third Committee of the UN General Assembly regarding the human rights situation in Crimea, which condemned Russia as an occupying force, and the annual report of the prosecutor in the International Criminal Court, which established that there is an international armed conflict between Russia and Ukraine.

We will continue to find support, but only if we are strong enough ourselves and able to withstand Rus-



sia's hybrid war. Help only comes to those who help themselves.

3. *Develop Ukrainian society and business as a global hub between Europe and the Middle East, between the Mediterranean and Asia-Pacific regions.*

This is not about Ukraine's foreign policy priorities or the long-forgotten multi-vectoral concept. I'm talking about the building of a successful, flourishing European Ukraine: a strong state with confident business and free, prosperous citizens. I am confident that this kind of Ukraine, having carried out all the necessary reforms despite the daily battles against Russian aggression, can and will be an integral part of the new world.

In 2017, the world will be defined by three key terms: leadership, populism and human values.



IN 2017, THE WORLD WILL BE DEFINED BY THREE KEY TERMS: LEADERSHIP, POPULISM AND HUMAN VALUES

Many surprises are likely in store, some of them not so pleasant. The challenges of migration are likely to become more far-reaching. Demographic processes will lead to a growing inflow of refugees in developed countries. Outbursts of radicalism will lead to new acts of terrorism. Elections in Europe will result in growing populism, the dilution of European values, and stronger centrifugal trends within the EU.

Ordinary people have lost faith in their elites—or in those whom we tend to call this—, and in their capacity to take us all forward. Referenda and massive anti-government demonstrations are a clear indication that people are no longer willing to accept mechanized, politically correct policies. They want to see, and sometimes to demonstrate, where the real ambitions of their countries lie, their emotions, and their life choices and how they fit in the general political direction of their state and the international community. Amidst all these trends, threats and challenges, the main thing is not to forget the significance of the individual and the human. If the person stands at the core of a country's foreign policy strategy or the political platforms of parties, this will change the direction of the negative spiral that us all wound up lately.

In 2017, people will once again elect their leaders. I believe that those politicians who promise to uphold the lifestyle that dominates today will have little or no chance. Henry Kissinger once said that the job of a leader is take people from where they are to where they have not yet gone. I would change that to: "to where they thought they could never go."

A real leader is that person who can offer a path forward, even if it is not a simple one. I favor moving forward. ■

Council of Europe in 1949, and then the European Community in the 1950s, the precursor of the European Union. At that time, the NATO security zone was also formed, running from Western Europe to the US, Canada. Based on their statutory documents, these geopolitical organizations were underpinned by the same four principles of the dignity of the individual, human rights, democracy and rule of law.

In terms of security, these liberal values played a dual role in the post-WWII period. On one hand, dignity and human rights, democracy and rule of law were goals, ideals for whose sake it was important to support peace and security. On the other, they became the instruments for maintaining peace and security through, among others, free elections, accountable governments and a fair judiciary.

The EU and NATO made it possible for post-war democracies to distinguish themselves from countries under totalitarian rule that, led by the Soviet Union, were also members of the United Nations. Unfortunately, freedom and dignity became the dividing line in a bipolar world while the threat of the totalitarian, soviet camp only strengthened the faith of democracies in these declared values.

TEMPTATION

The collapse of soviet ideology became a serious test of just how dedicated the West really was to its ideals.

Despite the coming down of the Berlin Wall, the western alliance was quite happy to see a weakened Soviet Union survive. A speech by George Bush Sr. in August 1991, made within the walls of the Verkhovna Rada of the Ukrainian SSR, confirmed that the West was comfortable with viewing all the soviet republics, including those who were pushing for independence, through the prism of Moscow's interests. What we heard from President Bush was that "freedom is not the same as independence" and that our desire for independence was "a suicidal nationalism based upon ethnic hatred."

And so, when the Soviet Union fell apart, all attention, both pragmatic and romantic, was focused on Russia. Its territory and people meant new markets, while its nuclear weapons and geopolitical position, especially its proximity to China, were new security priorities. What's more, this was terra incognita, the bold and brash new kid on the block whom everyone was eager to befriend and protect, to forgive all his mistakes and make a big deal of his least success. Other former soviet republics were viewed as poor little brothers under Russia's patronage.

Instead of assessing the real and potential threats posed by "Russia the eternal Empire" and to build relations with this clearly in mind, western countries preferred to stay within their comfort zone in dealing with the newcomer and to build the myth of "democratizing Russia." What's more, nothing could veer them from this course: not, Russia's unilateral declaration that it was replacing the USSR in all international organizations and taking over all soviet assets abroad. Nor were they disturbed when Russia violated the basic principles of ownership, goodwill and proportionality. On the contrary, they helped Russia take away Ukraine's nuclear arsenal, knowing that it continued to maintain a military base and its fleet on what had become Ukrainian territory. In signing the Budapest Memorandum in 1994, the heads of state involved understood this as a check that was not supposed to be cashed as former US Ambassador to Ukraine Stephen Pifer put it.

Russia soon became a member of the Council of Europe, yet the latter began to help it to institute the ideology of the "Russkiy mir" or "Russian world," demanding from Ukraine, in particular, that it "protect the rights of the Russian-speaking population." It didn't seem to matter that, according to European standards, a "population" does not have rights: only an individual, minority, nation, or state does, while knowing the state language is the requirement of citizens in any country.

Western media set up regional offices in Moscow and never even noticed that they had become part of the Russian propaganda machine, reporting events in the post-soviet region mostly through the prism of Russia Today. The OSCE did not appear notice the absence of democracy in Russia's election without a choice. International human rights institutions and the countries who were the bulwarks of human rights and freedoms held their noses but swallowed the two Chechen wars and the genocide against the Chechen people, the restriction of freedom of speech and murders of Russian journalists, the dismembering of YUKOS, and the poisoning of KGB whistleblower Aleksandr Litvinenko.

Seeing that it was being given a free hand, Moscow began to explore the possibilities and to demonstrate its brutality more and more openly: "We don't care about your democracy, your human rights or your rule of law, but you will fear and love us." This impunity was cemented by that which does not smell: Russian gas and Russian money. Russia produced plenty of natural gas and even more money that it deposited in banks and property, civil society organizations and think-tanks, in media and political parties. And so everyone feared and loved it.



TO DEMAND THAT UKRAINE SHOULD ACKNOWLEDGE THE WAR IN THE EAST AS AN INTERNAL CONFLICT AND GRANT SPECIAL STATUS TO THE OCCUPIED TERRITORIES IS TO PUNISH THE VICTIM AND DEBASE THE DIGNITY OF 40 MILLION UKRAINIANS

Moscow did not need to bring down barriers for internal purposes. Its goals were restoring empire and sharing global power. The Russo-Georgian War of 2008 was a rehearsal for the hybrid war machine of the Russian Federation and a "test drive" to see how the political engines of the Council of Europe, the EU, NATO and UN would respond. Without any doubt, the Kremlin was pleased with both. The results of its hybrid war was two Russian enclaves in Georgia: Abkhazia and South Ossetia. The Council of Europe pointed out to Russia that that was not how one defended "compatriots," while the EU decided that Georgia had "provoked" the war; NATO decided that both sides were at fault; and the UN tried its best but came to no decision at all. This was a clear green light: the more brutally Russia operated, the more silent liberal values became.

From that point on, a Russian war against Ukraine was inevitable. Ukraine was, after all, a key component in Russia's project to restore empire. An independent Ukraine represented any number of threats: the Black Sea with the Russian BS Fleet, the vast network of plants in the former soviet military-industrial-complex on which Russia was dependent, and Ukrainian history even, which was a never-ending witness to Russia's lies and despotism. But

most of all, a successful Ukraine would spoil the myth of the greatness and success of Russia.

After the collapse of the Soviet Union and Ukraine's declaration of independence, a national identity was lacking in a large portion of its population and its political elite, as well as experience in freedom and statehood, and the sense of worth necessary to stand up for the national interest. Instead, the country suffered from an inferiority complex as the purported "younger brother," a status that had been drummed into it through centuries of colonization and unconscious but profound terror based on large-scale genocide: artificial famine and the massive russification of ethnic Ukrainians. This offered ideal conditions for the Kremlin to confirm its inexorable presence in Ukraine's economic, political, media and cultural environments and to prepare the ground for a new "reunification of two fraternal nations."

Still, both attempts to get such a "reunification" off the ground, in 2004 and 2013, led to the opposite outcome. In less than 25 years of independence, Ukrainians had undergone a catharsis and became aware, not only of their Ukrainianness, but of their capacity to be the bearers of the values of freedom, human rights and democracy, and that they had to demand respect towards these values from their government, and that those who lived beyond their eastern borders were living according to very different values and were not brothers in any sense of the word. And so the only option left to Russia to enact this "reunification" was through occupation.

THE BURDEN OF CHOICE

Russia's occupying march on Ukraine began in February 2014 with Operation "Krym Nash" (Crimea is ours – Transl.), which was necessary to guarantee the security of the Russian Black Sea Fleet and its continuing presence "in the right position." While shocked Ukrainians looked in hope towards the guarantors of the Budapest Memorandum, these leaders asked Ukraine's government not to bother the "little green men" and make the situation worse. The democratic world officially "saw" Russia's presence in Crimea only when Russia itself announced this after the March 16 referendum. Then everyone quickly declared that they would never recognize the annexation of Crimea and would always support the territorial integrity of Ukraine—and immediately turned back to their own affairs.

"Worse" was not long in coming. In contrast to Crimea, however, the "little green men" in DNR and LNR were not supposed to turn into Russian soldiers but to stay in the background and run the process of legitimizing Russia's presence in Ukraine and to disintegrate the country from within. This was to be helped along by elections on the occupied territory and the provision of special status to them.

Nearly 12% of its territory occupied, more than 10,000 killed, tens of thousands injured, 1.5 million IDPs, the massacres at Ilovaik and Debaltseve, nearly 100,000 hectares or a quarter million acres of mined territory, massive destruction of infrastructure and residential buildings, entire MIC enterprises packed up and moved to Russian territory—and that is just a partial list of the tragic aftermath of nearly three years of Russia's operation against Ukraine.

But the democratic world somehow still cannot "see" that the Russian Federation is in occupied Donetsk and Luhansk Oblasts, despite the presence of thousands of soldiers and heavy military equipment of Russian origin. It seems its vision is seriously hampered by its reluctance

to take sides in a military conflict with Russia, which continues to deny its presence in eastern Ukraine, in contrast to Crimea: "We can't say that what's going on in eastern Ukraine is the result of Russian aggression because Russia denies this." If we acknowledge that Russia is a bloody occupying force in Europe in the 21st century, then how can we live with this? How can we sell French potatoes, German cars or London properties to Russians? How can we keep going to sumptuous receptions at Russian embassies? How can we accept astronomical Russian fees? How can we live with the destruction of the myth of the "democratization of Russia" and the fact that we weren't entranced by a "successful, powerful country," but by a run-of-the-mill power-hungry despot? How can we overcome our fear of Russia's vengeance? All over some place called Ukraine?

And it is because of this fear and shame in the distinguished international community today that mentioning Crimea is considered in bad taste, invitations to international events are accompanied by firm requests not to bring up Russia or the war, and any attempt to discuss the situation generates angry responses. International organizations want to talk about human suffering, but not about its causes, about the territorial integrity of Ukraine, but not about why it is being violated. Ukrainian politicians who are not prepared to be silent about the causes and consequences of the Minsk accords are not in favor among their supporters. Some European politicians have paid for a similar position with their political careers.

In 2017, Ukraine will be a major test of conscience that will force democratic countries to an uneasy choice among values.

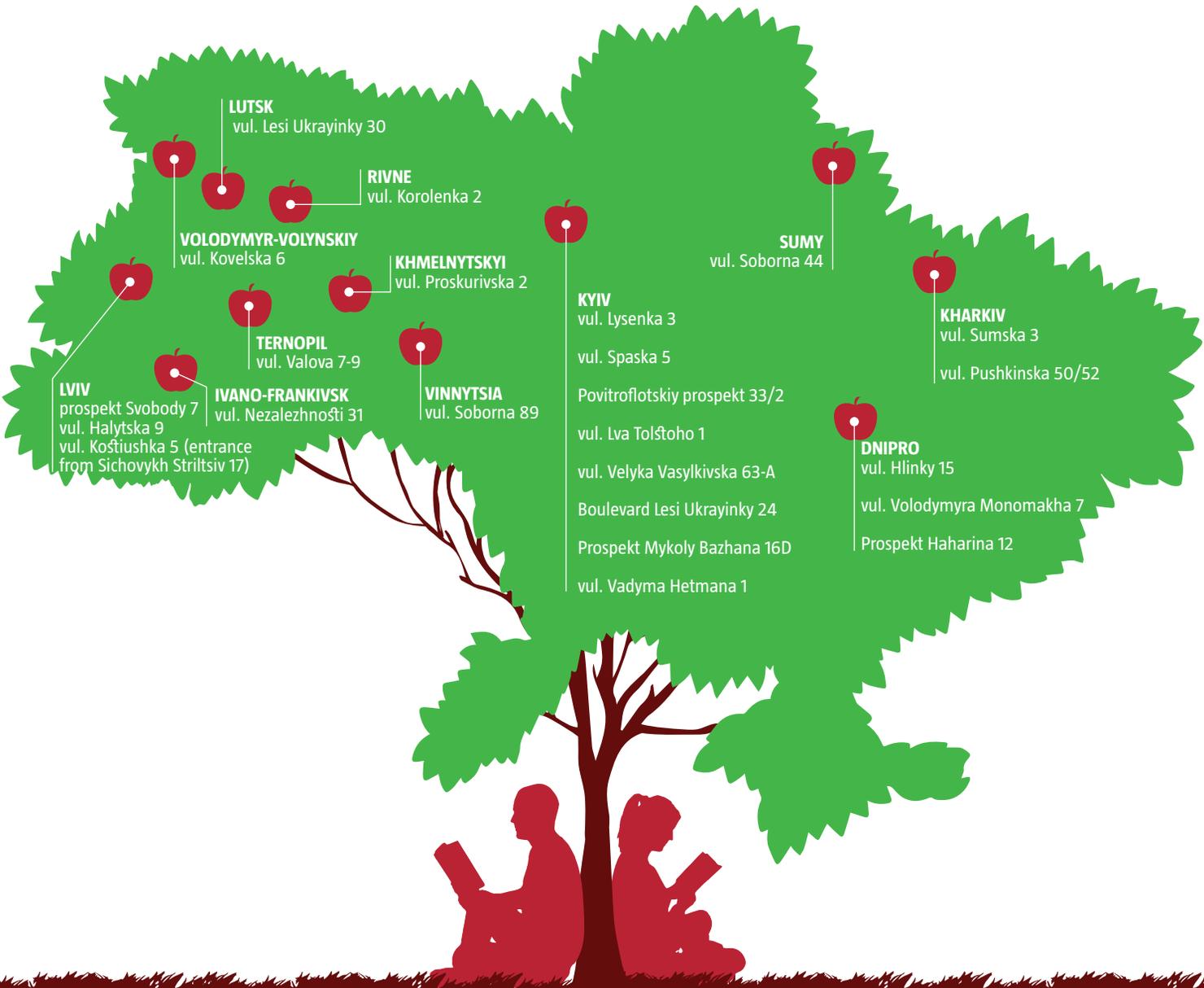
Punishing the victim is a form of torture and a debasement of human dignity. And so, to demand that Ukraine should acknowledge the war in the east as an internal conflict, offer amnesty to the perpetrators, hold elections during occupation by a foreign power, and grant special status to the occupied territories is to punish the victim and debase the dignity of more than 40 million Ukrainians. Western states can continue to pressure Ukraine in this way, but then they have to admit that, for them, the fundamental principles are not human rights, democracy and rule of law but force, fear and the balance of trade. What's more, to push Ukraine into Russia's grip will simply affirm that country's impunity, spurring it to new aggressions and new conflicts. This is the path to the complete corrosion of all international organizations in which Russia is a member, which means the bankruptcy of the current legal and security order in the world.

If, on the other hand, the principles of the dignity of the person, human rights, democracy and rule of law are to remain values, the West still has a chance to try and realistically perceive Russia and the threats it represents. Dialog with the Russian Federation should take place, not as if with a "peacekeeper in the process of democratization" but as with an aggressive, manipulative and despotic player. In that case, there is still hope that the global security and legal order can be rebooted and with it at least some of the international organizations, by relegating Russia to its proper place.

In the end, a commitment to the principles of freedom and dignity means accepting Ukraine as a state that already exists and that does not have to prove its right to exist to anyone. This kind of re-think will make it possible to see Ukraine, with its admittedly dramatic but unique experience of relations with its northern neighbor, as the key to resolving many security issues. ■



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Dalia Grybauskaitė:

“Lithuanians have always been among the biggest euro-optimists”

Interviewed
by Zhanna
Bezpiatchuk,
Anna Korbut

The *Ukrainian Week* spoke to the President of Lithuania on how her country changed over the periods of integration and membership in the EU, on some of the key aspects of a state that is not vulnerable to the ruinous external influences, and on where Europe is heading amidst new geopolitical challenges.

Much has been said of the Russian threat in terms of its military and security component. How can you describe its political, economic, social influence – soft power – in Lithuania?

We are living in the unconventional battlefield. The Kremlin seeks to expand its influence by eroding people's trust in their state, future and one another. Propaganda, cyber warfare, economic and political pressure are integral parts of confrontational foreign policy. Lithuania has experienced it too.

From the very first days of independence, we faced economic blockade, followed by numerous export restrictions. The Kremlin actively tried to sabotage our strategic energy projects by meddling in political decision-making, blackmailing our business and politicians, waging a wide-spread disinformation campaign. But for Lithuania, every obstacle became an additional incentive to strengthen our sovereignty, economic and energy independence. We found new export markets, built an LNG terminal, disman-

tled Russian gas monopoly – eliminating major instruments of the Kremlin's economic and political influence.

The work is not over. It is a process. Cyber-attacks, weaponisation of social media are low-cost and hard to detect, but they can have a very negative effect on our societies. It is crucial to stay vigilant and prepared. As threats are evolving, so must our defence.

Being part of the EU: how has it changed Lithuania's ability to resist Russia's influence? Have you been working on strategies to improve your resistance capacities – if so, what could this strategy involve?

For Lithuania, the European integration process itself helped to boost resilience. The Kremlin's influence is the strongest when it can exploit existing vulnerabilities – corruption, crime, inequality. Building accountable institutions, increasing transparency and the rule of law makes it much harder for outsiders to discredit state policies and orchestrate protests.

In the era of hybrid warfare any weakness or inaction will be used against you. We are working consistently to raise public awareness and inform people about threats. We deconstruct lies and provide alternative, reliable sources of information. And we have also ensured that those who spread disinformation and hatred are held accountable under the law.

Born in 1956 in Vilnius, **Dalia Grybauskaitė** studied at the Leningrad University, then defended her thesis at Moscow Academy of Public Sciences and received doctoral degree in economics. In 1992, she completed a special six-month program for senior executives at Georgetown University in Washington, and in 1993, the Research Council of Lithuania granted her an academic degree of doctor of social sciences. After Lithuania restored its independence, Grybauskaitė served in various positions at the Ministry of International Economic Relations and the Ministry of Foreign Affairs. From 1996-1999, she acted as Minister Plenipotentiary at the Lithuanian Embassy in the US. She then returned to Vilnius to serve as Deputy Minister of Finance. From 2000 to 2001, she served as Vice Foreign Minister, and from 2001 to 2004 as Finance Minister. In 2004, Grybauskaitė was appointed EU commissioner responsible for financial programming and budget. She was elected President of Lithuania twice, in 2009 and 2014.

If we look at the period in which your society has been exposed to the EU – through open borders, migration, traveling, economic interaction (both positive and negative) – how has Lithuanian society changed in the way it perceives European/Western vs Russian policies and practices?

We never questioned what our path was. Lithuania always belonged to Europe and even 50 years of occupation could not change that perception.

To escape post-communism means to live with the idea that you are free. For Lithuania European integration was a strategic goal. We saw it as the only way to secure our independence, values of freedom and human dignity which the soviet occupation denied.

Lithuanian people have always supported EU membership. Today more than 80% of Lithuanians agree that it is beneficial for our country. People feel the difference in their lives – more economic opportunities, ability to live, work and travel freely in Europe.

But most of all, for us commitment to Europe means commitment to our own free future.

What is your opinion on claims by European policymakers about the European Army – what would it mean for Lithuania (a positive prospect or a threat)? Would you interpret this idea as a useful parallel initiative to NATO, or as an undermining one?

NATO is the strongest and most effective defence alliance. It provides concrete, capabilities-based security guarantees. European efforts must only complement, not duplicate NATO.

In the current geopolitical environment, it is important for Europe to take more responsibility for its security. That means – meet the commitments for defence spending, increase resilience against unconventional threats, strengthen cyber security, ensure better protection of external borders.

How do you see prospects and challenges for the European project now? How do you expect the project itself to change?

Geopolitical changes affect everyone, including Europe. The EU has to deal with global economic and migration challenges, security threats, spread of international terrorism.

The situation is changing everyday. To respond, the European Union will have to change as well, just like it has in the past 60 years. The ability to evolve and meet the challenges while maintaining its fundamental values, has always been the EU's greatest strength.

Each crisis forced the EU to make difficult decisions, but it was always able to find the best solution for everyone.

Euro-optimism and pessimism – where do you see reasons for each of these? What are ways to overcome pessimism?

Many people in Europe are losing trust in political elites. Slow reaction to economic and security issues, persistent unemployment and social exclusion in some of the member states are driving the popularity of populist parties, and with it – Euroscepticism.

People want to see concrete actions which would improve their lives, ensure security, create more economic opportunities. To overcome pessimism, politics and politicians need to become more responsible and responsive to the needs of the people.

Lithuanians have always been among the biggest euro-optimists. We remember well, the life before the European Union and how difficult it was to return to the European family. For Lithuania, Europe is much more than financial support – it means security and opportunities for us and our children. We know that Europe and its values cannot be taken for granted.

How much room is there in the EU for a compromise with Russia in the short- to mid-term prospect?

There is no compromise on the occupation of Crimea. Europe understands what is at stake. Boundaries of European commitment to freedom, principles of sovereignty and territorial integrity are tested in Ukraine.



“FOR LITHUANIA, EUROPE IS MUCH MORE THAN FINANCIAL SUPPORT – IT MEANS SECURITY AND OPPORTUNITIES FOR US AND OUR CHILDREN. WE KNOW THAT ITS VALUES CANNOT BE TAKEN FOR GRANTED”

Open communication channels with Russia are needed to reduce the tensions. But possibility to cooperate on global issues, such as fight with international terrorism, cannot come at the expense of Ukraine and our values.

Lithuania in the period of accession to the EU and Ukraine today: How would you describe differences in their positions?

It is impossible to compare Lithuania few decades ago and Ukraine today. It was a different historic period with different geopolitical circumstances. Ukraine's position is more difficult because you have to deal with occupation and open military aggression in your territory.

Levels of corruption in Ukraine – which means stealing from the people and country's future – also make the situation more complicated. Ukraine must continue its efforts to root out corrupt practices.

There are, however, important similarities. In our path to EU membership Lithuania felt the support of European partners. Today, we support the Ukrainian people. We see your determination, hard work and we stand by you. ■

Unpredictable Russia and Crimea

Mustafa Dzhemilev

Ways to de-occupy Crimea



"In order to properly assess the human rights situation on the peninsula, there has to be a permanent mission"

Not long ago, Russia was acknowledged in the international community as an occupying force, a step that was long overdue. This is specifically the result of Ukraine's diplomatic efforts, whose success has become very visible lately. Such accomplishments include the PACE Resolution that declared Russia an occupier, the ruling of the International Court of Justice in The Hague, and, last but not least, the UN Resolution of November 15 that clearly referred to Russia's occupation of Crimea. Such decisions are also the basis for extending sanctions against the Russian Federation, not to cancel them, as this is the only path to liberating Crimea and ensuring the integrity of the country. Of course, Russia will not fulfill any of these res-

olutions, but they are nevertheless necessary. We will continue to act as though we are dealing with a civilized country, while the Russian Federation will continue to show its real nature.

Meanwhile, the UN was planning to launch a mission in Crimea, but a number of problems immediately arise. First of all, it will have to enter the peninsula through mainland Ukraine and agree the crossing with the Ministry of Foreign Affairs, because Crimea is Ukrainian territory as far as the UN Resolution is concerned. But Russia is unlikely to agree to this. It has already refused entry to many international organizations. Russia simply says "Nyet! This is our land! You have to agree your mission with Moscow."

What's more, to enter the peninsula and confirm the state of human rights is extremely difficult. If you go out in the streets with a microphone and ask people, "Are things good since the occupation?" they will either tell you how happy they all are or will avoid answering altogether. If someone dares to say they want Crimea to return to Ukraine, this constitutes a crime that is called "threatening the territorial integrity of the Russian Federation."

In order to properly assess the human rights situation on the peninsula, there has to be a permanent mission. It's not a matter of two or three days. So the action plan of such missions is to meet with the occupational government, with some collaborators, including Crimean Tatars, and to write a report.

This means that the work of the UN mission will depend entirely on whom it selects. At one point, we met with a representative from the OSCE who, in all seriousness, proposed organizing parliamentary meetings and discussions between the Russian Duma and the Ukrainian Rada, although this same Duma voted to annex Crimea!

Aside from that, we will likely to run into the "soft" conclusions of the mission. In 2015, Turkish human rights activists came to Crimea. Russia counted on the fact that its cozy relationship with Turkey would lead to a suitable report on the work of this mission. But the results did not meet its expectations. The Turkish observers wrote 23 pages about the situation as it really was. Moscow was not amused and, predictably, these human rights activists would not be allowed into Crimea again.

Things turned out somewhat differently with a Council of Europe mission. When they finished their mission, the CoE officials said that they could not fully report on the situation because then they would not be allowed back and it would become even more difficult to defend human rights on the peninsula. The Turkish delegation had faced the same dilemma, but, unlike the CoE representatives, it did not soften its conclusions.

In their report, the Europeans noted that there were violations in Crimea, but that they were neither systematic nor deliberately targeted. However, not long ago, Russia banned the Crimean Tatars' representative body, the Medjlis because, according to RF law, the Medjlis was an "extremist organization," even though it is an elected, representative body. And now, belonging to it is a crime. Those who elected it are also criminals. Since nearly the entire adult population of Crimean Tatars participated in the election of the Medjlis, it seems that now the entire Tatar nation is criminal. In what way is this not systematic?

Still, there are also reasons to feel somewhat optimistic about the Crimean situation. When we traveled abroad, especially to the US, we met with both Republicans and Democrats. The last such meeting was in Istanbul

with Robert Turner. There, we were discussing our concerns about the future of Crimea, as president-elect Donald Trump said a number of strange things related to recognizing the peninsula as a part of Russia. The general position of all of those with whom we spoke was that this was campaign talk, while Trump's actions as president would be different. Turner said that he was quite confident that support for Ukraine would be stronger under Trump than it was under the Democrats. What's more, the US Administration has plenty of food for thought, now that Crimea has become a Russian military base.

From our own sources, we know that the Russians have revived the nuclear silos and have moved nuclear missiles into them. NATO and Ukrainian intelligence say that this is quite possible, but no precise details are available. In any case, it's clear that Russia's nuclear arsenal, not to mention one in Crimea, has raised considerable concern in the international community. Because Russia with a nuclear arsenal is like a monkey with a bomb. It doesn't



AS TO CRIMEA, THERE IS NO WAY TO COUNT ON RUSSIA'S INTERNAL FORCES. SO THE MAIN SOURCE OF PRESSURE REMAINS EXTERNAL. THAT MEANS SANCTIONS

quite understand what's what and is likely to toss the bomb somewhere. And what's going on in Crimea is not so much an expansion of its military presence an attempt to make a show of force.

Right now, it's difficult to predict whether it will be possible to liberate Crimea in 2017. Russia is the kind of country where something could happen one evening and the next day it will have to figure out how to move its forces off the peninsula. This could happen a week from now. Or Lord knows when. When I was in a labor camp in Magadan in 1986, I was forced to sign a pledge to not hold anti-soviet opinions. I was told that the soviet government had broken even tougher people than me before, and that I wouldn't be released without signing that paper. Five years later, there was no Soviet Union.

Today's Russia is not as powerful as the USSR was. The soviet camp has scattered and some of those countries are long part of the West. Under the circumstances, puffing out its cheeks and making like it's an empire capable of anything is beside the point.

As to Crimea, there is no way to count on Russia's internal forces. Alternate opinions and opposition figures are suppressed there. So the main source of pressure remains external. That means sanctions. This is what Crimean Tatars will work towards. ▣

Mustafa Dzhemilev

is a leader of the Crimean Tatar movement, human rights advocate and dissident. He was Chair of the Crimean Tatar Medjlis from 1991-2013, and currently serves as Presidential Ombudsman for Crimean Tatar Affairs.

Returning the hostages

Maria Tomak

Freeing the Kremlin's prisoners as our main assignment for next year

Another round of negotiations in the Normandy format in November, which the relatives of hostages always wait for with bated breath, again made no fundamental changes towards releasing illegally detained persons.

An "all for all" prisoner exchange sounds no less utopian than, for example, "the restoration of Ukrainian control over the uncontrolled part of the border". Besides, Russia continues to deny that Clause 6 of the Minsk Accords provides for the return of Ukrainian citizens convicted in Russia and the temporarily occupied Crimea. Moreover, Moscow demonstratively rubs Kyiv's nose in the "Russian citizenship" for Oleh Sentsov and Oleksandr Kolchenko, which was forced onto them as residents of Crimea at the time when it was occupied.

The general veil of hybridity, uncertainty and understatement of the Russian-Ukrainian war applies, in particular, to the issue of hostages and prisoners. Just as in the war, the victims of this seemingly "hybrid" problem are very real people who are deprived of freedom and the right to a fair trial, subjected to torture and ill-treatment, and used by the Kremlin as a bargaining chip and "human shield" for their negotiating positions.

Despite isolated "happy endings", the general trend is more like "one step forward, two steps back": as three people are released, another six are "charged".

We must realise two things: firstly, there will be prisoners as long as a part of Ukrainian territory remains occupied and Russia continues to conventionally or unconventionally wage war against Ukraine. Secondly, the first point does not mean that Ukraine can afford to sit idly by. Quite the opposite – it demands that an effective response to the problem be found.

We have prepared a selection of trends that can be observed in 2016 events concerning the Kremlin's prisoners.

ONE STEP FORWARD: INDIVIDUAL RELEASES

Over the past year, three prisoners have been returned to Ukraine through political negotiations: Nadiya Savchenko (in May), Hennadiy Afanasyev and Yuriy Soloshenko (both in June). They had been sentenced for "prohibited means and methods of waging war", "terrorism" and "espionage", respectively. In addition, Yuriy Ilchenko, accused of extremism and inciting ethnic hatred, managed to escape from house arrest in Crimea. Cases in which negotiations were successfully completed are, unfortunately, the exception and not the rule. Moreover, due to the obvious and unconcealed par-

ticipation of the odious Viktor Medvedchuk in the negotiation process, the price of his mediation remains unclear.

TWO STEPS BACK

● New captives

Meanwhile, the total number of prisoners continues to grow. October 2016, for example, was marked by a number of new arrests. The most high-profile was the case of UkrInform news agency journalist Roman Sushchenko, who, according to his lawyer Mark Feygin, was lured to Moscow by Russian special services, detained and accused of espionage. Due to the classified nature of this category of cases, we will not be able to find out the details of proceedings now or after conviction.

In that same month, another series of searches swept Crimean Tatars' homes in Crimea and ended with five new arrests (Emil Dzhamadenov, Rustem Ismayilov, Aider Saledinova and the Abdullayev brothers) and a fourth "case of the Crimean Muslims".

Earlier, in August, the FSB reported the detention of a so-called subversive group in the Crimea. The transportation of two defendants, Yevhen Panov and Andriy Zakhtiy, to Moscow's Lefortovo Prison, demonstrates the seriousness of the FSB's intentions. However, activists from the Ukrainian Helsinki Human Rights Union have stated that there is evidence Panov has been tortured, which is, in fact, a common denominator in most political cases against Ukrainian citizens.

All these FSB and Investigative Committee stories indicate that, despite the relative calm on the line of contact, the war is continuing.

● New old prisoners revealed

Mykola Shyptur, a Maidan activist who went to Crimea in March 2014 to support the civil resistance to the occupation, was captured by the self-proclaimed Sevastopol self-defence and subsequently sentenced to nine years in prison for alleged attempted murder – de facto in self-defence against pro-Russian activists. Even a superficial legal analysis of the case shows that the verdict was politically motivated. In addition, the circumstances of Shyptur's detention, as well as those of other Maidan activists, the extensive media coverage with the "correct emphasis" ("the Banderites are invading") and attempts to force the prisoner to state that he is a member of "Sentsov's Group" leave no doubt that the lion's share of criminal cases against Ukrainians are intended to be used solely for propaganda purposes.

However, this story is surprising for another reason: Shyptur's case remained unnoticed in Ukraine for almost three years, despite the fact

Maria Tomak is a journalist, activist and coordinator of the Media Initiative for Human Rights

UKRAINIAN PRISONERS IN RUSSIA AND TEMPORARILY OCCUPIED CRIMEA





Diversiionist case: wave one

Rydván Suleimanov, Volodymyr Prisch
– current location unknown

Diversiionist case: wave two

Dmytro Shtyblíkov, Oleksij Bessarabov, Volodymyr Dudko

Diversiionist case: wave three

Oleksij Stóhnyj, Hlib Shabliij

Cases against Crimean Tatars

Yalta Case

Emír-Husein Kuku, Vadym Siruk, Enver Bekirov

Muslim Aliev, Arsen Dzepparov, Refat Alimov

Bakhchysarai case

Zevri Abseitov, Ruštem Abiltarov

Remzi Memetov, Enver Mamutov

Detainees from October 2016 Simferopol case

Teimur Abdullayev, Uzeir Abdullaev

Ayder Saledinov, Emil Dzheradenov, Ruštem Ismailov

The 26th February case

Akhtem Chyigoz, Ali Asanov, Mustafa Dehermendzhy

Persecutions of Maidan activists

Mykola Shyptur 9 years

TEMPORARILY OCCUPIED CRIMEA:

AT LEAST 27 PRISONERS



that his wife reached out to all possible public institutions. In the chaos at the end of the revolution, the occupation of Crimea and the beginning of the war, Shyptur may not be the only overlooked victim. One can only guess how many more such cases were missed by Ukraine.

● **New categories of victims from the war and occupation that were previously unknown, but should also be taken into consideration**

When we talk about the Kremlin's prisoners, we mean those held for political reasons in Russia and Crimea, as well as civilian hostages, and Ukrainian servicemen in the DNR/LNR-controlled territory. In fact, the scale of the disaster is even larger.

Indeed, thousands of Ukrainian citizens have been moved from detention facilities in the temporarily occupied Crimea in order to serve their sentences in Russian prisons. Generally, Russia is guided by its own logic and "Crimea is ours" worldview, but in terms of international humanitarian law, these prisoner transfers are not only illegal, but could also be a war crime. Unlawfully displaced persons are not, of course, political prisoners, but their rights are being seriously violated in the same way.

Another problem, which has so far remained in the shadows, is the massive implication of Ukrainians in the Russian illegal drug trade through deception, coercion, threats and intimidation. Ac-

cording to our estimates, there may be about 2,000 such cases, although for various reasons it is extremely difficult to determine the exact number. Many of those in Russian detention centres on the corresponding charges (or sentences) potentially can – and should be – considered the victims of human trafficking and labour exploitation crimes.

CRIMEA AS NO1 ZONE OF RISK AND THE MAIN SOURCE OF NEW POLITICAL PERSECUTIONS

Russia is trying to assert its authority and put fear into Crimeans not only by flooding the peninsula with intelligence agents and large police vans, but also by politically persecuting those who disagree with the "party line". Above all, this means Crimean Tatars. Today, they make up the largest number of the Kremlin's prisoners (23 out of 37).

The risks are also rising due to the presence of two repressive trends in Crimea: the general Russian one (the civil rights and freedoms situation is deteriorating on an almost daily basis in the RF) and a specific Crimean one, which is directly aimed at the subjugation of the peninsula (e.g. the prohibition of the Mejlis).

However, the arrest of journalist Roman Sushchenko in Moscow shows that Ukrainian citizens cannot feel safe not only in the so-called grey areas, but also in Russia itself. Moreover, the risk linked to "Ukrainian cases" also applies to Russian citizens. Moscow journalist Ksenia Babich, a citizen of the

Russian Federation, has been summoned for police questioning and had her flat searched several times due to the fact that she once studied in the same year group as Right Sector press secretary Artem Skoropadskyi. Criminal proceedings are continuing regarding this organization, which is prohibited in Russia.

THE LACK OF SYSTEMIC WORK IN UKRAINE

Ukrainian officials assert that they bring up the release of hostages and illegally detained persons at all possible negotiations. At the same time, while seeing the inefficacy of the "Minsk and Normandy formats" in the context of bringing prisoners home, Ukraine fails to devise and initiate other possible formats devoted to this humanitarian issue. It is clear that the people themselves are not valuable to the Kremlin and that the purpose of forming a group of hostages is to squeeze serious political concessions out of Ukraine and the West (perhaps they will be lucky enough to get some stars of transnational crime, arms trade and drug trafficking, ideologically close to the Russian regime, out of Western prisons). But neither this circumstance, nor the necessity of classifying a large part of the negotiation process negates the need for Ukrainian officials to report any progress on the exchange issue to the relatives and lawyers of prisoners.

Fragmentation and a lack of systematic thinking also concerns the introduction of sanctions and their promotion outside Ukraine. These sanctions should cover the authors of fabricated cases and those who torture and intimidate Ukrainian prisoners. The Savchenko-Sentsov list must without fail be extended with the names of those responsible for fabricating

the Karpiuk-Klykh case and refusing medical care to Stanislav Klykh and Oleksandr Kostenko, as well as the dreamers from the Investigative Committee who thought up "war criminal Lytvynov", the "terrorists" Zeitullayev, Saifullayev, Primov, Vaitov and so on.

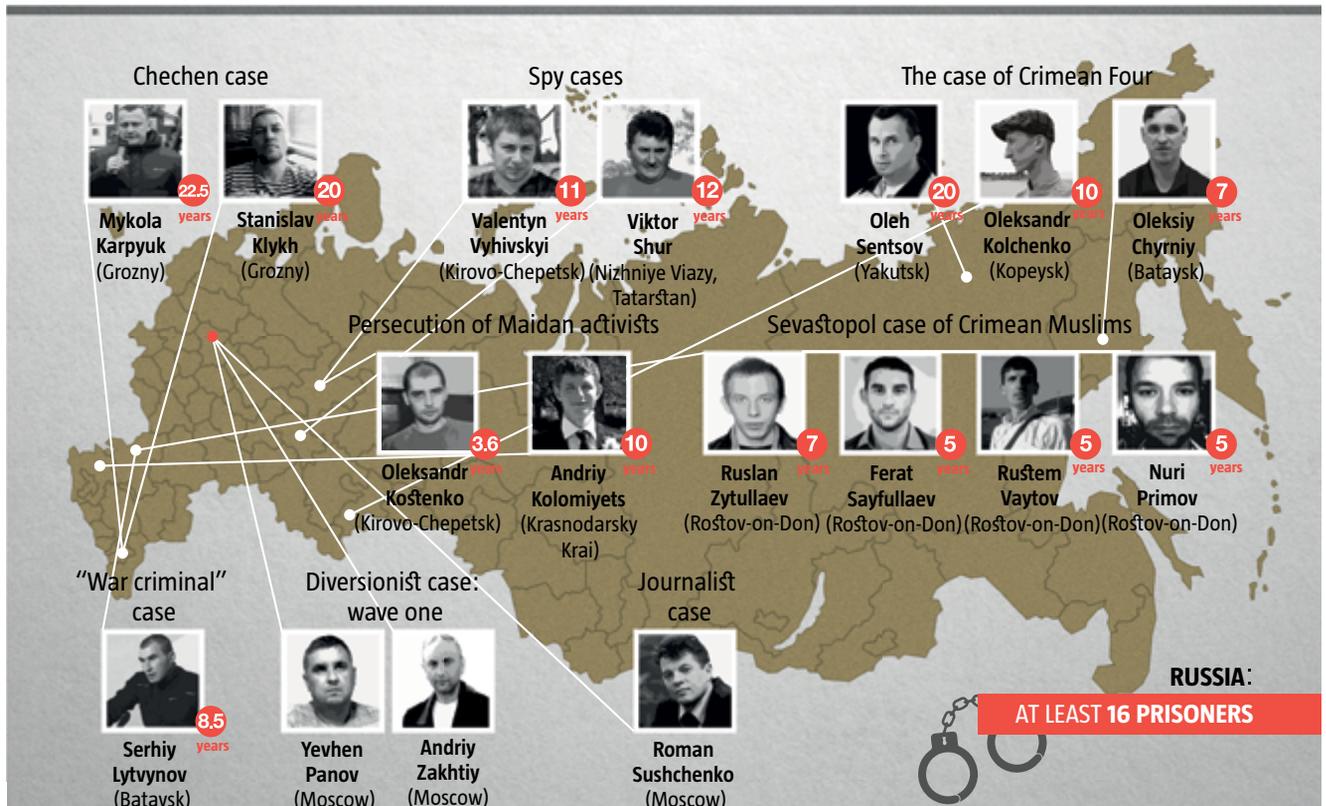
PREDICTIONS

Perhaps, this should be seen as our main assignment for the next year. While we are hardly able to influence Russia's hostage taking within the occupied territories, we simply must develop an effective system for responding to this problem. It must stand on two pillars: a coordinated response inside the country (from the provision of proper legal aid to the opening of criminal proceedings



RUSSIA IS TRYING TO ASSERT ITS AUTHORITY AND PUT FEAR INTO CRIMEANS NOT ONLY BY FLOODING THE PENINSULA WITH INTELLIGENCE AGENTS AND LARGE POLICE VANS, BUT ALSO BY POLITICALLY PERSECUTING THOSE WHO DISAGREE WITH THE "PARTY LINE"

against the perpetrators of repression) and effective foreign policy pressure on Russia, which should not only be based on outraged statements from Ukraine, but also backed up by targeted sanctions against the people in uniforms and judge robes who, while faking cases against Ukrainians and practicing the most advanced sadistic methods, spend their holidays in Paris and on the Spanish coast. ■



Enchained by anti-reason

Viktor Shyshkin

The concept of the judiciary reform was approved back in 1992, and its implementation began as soon as the Constitution was adopted. The Constitutional Court was established immediately afterwards, and the High Council of Justice was created in 1998. The Constitution provided for certain changes to how the courts of general jurisdiction were organised, following the framework of specialised courts and the new rules of the judiciary procedure. In 2001, Ukraine implemented the European system of appeal and cassation. For the judiciary, this meant that we joined the EU, that is, Ukraine introduced the European legal system.

The most tragic and unfinished issue from then has been the procedure to select, appoint and form the judiciary, as well as the bodies that enforce its accountability. No government and no reformers have offered the necessary changes ever since, even though this problem was defined as a priority back in the mid-1990s. Solving the staffing issue requires over a decade. It covers many aspects, from the extent of knowledge of law to psychological and moral capability, and more. This issue ought to be addressed systematically and gradually, not hurriedly and haphazardly.

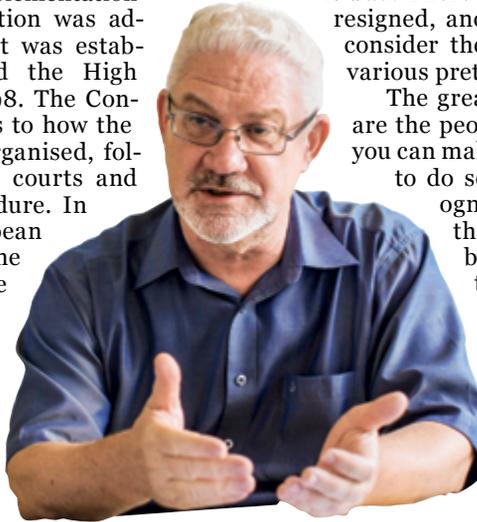
This year, Ukraine has changed the Constitution in the sphere of justice and jurisprudence. This was a big mistake. The Constitution should not be changed in the times of war. Justice can definitely be reformed without amending the Constitution. You just have to find other ways to do it. Under the new rules, the High Council of Justice is made up of judges by over 50%. While the whole purpose of the judiciary reform was to overcome the clan system, which, as widespread opinion holds it, has cultivated itself within the judicial system.

Comprehensive measures to change public attitude to the judiciary are needed. The primary task of the authorities is to stop the stigmatisation of judges. Journalists, NGOs and citizens have the right to criticise, because they are not limited in any way. However, judges are also harassed by the authorities: Prosecutor General, MPs, government officials, and representatives of the Presidential Administration. When an official leaves public office, he or she can say whatever. But not while in office.

I support just criticism of judges. But it's wrong to say that all judges are bad because there are some bad examples. Think of the Maidan. There were doctors who hid the wounded from the authorities and operated them in secret. But there were also those who obeyed the orders and handed the activists over to the authorities. Similarly, there is a category of unscrupulous judges, let's say,

30%, but it's wrong to say that the whole judiciary is bad. There are those who protested, those who resigned, and those who acquitted or refused to consider the cases of Maidan protesters under various pretexts.

The greatest obstacle to reforms in Ukraine are the people, not the law. Even with bad laws you can make positive changes when there is will to do so. In 1990s, French consultants recognised Ukraine's procedure of forming the High Council of Justice (HCJ) to be "the most democratic." At that point, the HCJ was selected and approved by representatives of seven branches of public and legal spheres. Still, the same French experts added: "Yes, this is a great step towards building a democratic society from the theoretical point of view, but will you not get trapped in your own roseate assumption that your so-



I SUPPORT JUST CRITICISM OF JUDGES. BUT IT'S WRONG TO SAY THAT ALL JUDGES ARE BAD BECAUSE THERE ARE SOME BAD EXAMPLES

ciety is ready to live up to these theoretical principles?" So far, as it turned out, the French were absolutely right.

I can see no prerequisites for a rapid change for the better any time soon. During the year and a half after my retirement from the Constitutional Court, I visited a number of court hearings and HCJ meetings. What I saw is appalling. Those dealing with criminal cases ignore the constitutional aspect of law. My impression is that they never read proof theory or studied systems analysis. A judge can use a legal provision out of context and consider the matter resolved with it alone, while forgetting that one provision cannot be applied in its pure form to some legal relations, since it overlaps with other categories of relations.

Next, we can leave out the provision ensuring that 50% of the HCJ is made up of judges and move to the selection process. I would be ready to grudgingly accept an option where NGO representatives and human rights activists with training in law convene and elect candidates from the judiciary. But, since HCJ members are elected by the Conference of Judges, how can we fight the clan system? Just recall that Oksana Tsarevych, accused of abuse of justice in cases of Maidan activists, was elected delegate to the latest Conference of Judges. As a result, it comes out that a "clan" gets to elect a "clan." ■

Viktor Shyshkin served as the first Prosecutor General of the independent Ukraine in 1991-1993, MP in three convocations of the Verkhovna Rada in 1990-2002, and judge at the Constitutional Court in 2006-2015

Simulation of change

Roman Malko

Ukraine's election system needs a serious and urgent overhaul. The available one is outdated and not in line with the Constitution. Yet, prospects of that reform seem meagre in the near future



How much longer? According to the Venice Commission, a new election code should be passed at least a year before the next election to make the implementation smooth and stable

There is no shortage of bills that have been submitted to the Parliament and could in theory provide the basis for a new election law. At least two Electoral Codes and four bills proposing new models of parliamentary elections have been registered. Ideally, it would help to set up the Election Code that would summarise all the election legislation and thus finally make it stable. This could change the practice of changing

the laws before every new voting. This would also provide a level playing field where no political force could amend laws to its own benefit when in power. The Venice Commission, as well as all observation missions, have long been advising this, but to no avail so far.

In general, the array of election bills submitted to Parliament is rather motley. Some of them propose preserving the current electoral system. Oth-

ers, like those sponsored by Yulia Tymoshenko's Batkivshchyna, suggest returning to the old closed list system.

Behind the scenes in the Parliament, one can often hear that Ukraine's Western partners are very unhappy with the progress of the election law reform. Some even believe that the next important requirement following the launch of e-declarations would be the adoption of the Election Code. However, this is probably an exaggeration. Had there been such a requirement, the code would have been adopted long ago. After a working group established under the Verkhovna Rada Speaker and including representatives of all factions and of some election monitoring NGOs paid a visit to Strasbourg, the process of bills harmonisation somewhat intensified. According to Taras Pastukh, the group member from Samopomich faction, the main task of the group is to develop, using the existing bills, the best model that will stand a good chance of passing through Parliament. "Six meetings have already been held, where all proposed models were presented. We agreed to take a break for six weeks to discuss them with our factions. I personally made a proposal, which was supported, that the factions hold a preferential vote on their next preferred project they will be ready to support in case their own bill fails, and tell how many votes they can give. In this way, we can determine mathematically which proposal stands the best chance of being approved".

Despite some efforts, however, it is still too early to talk about a consensus. Today's Verkhovna Rada is not capable of bringing about any changes. Both MPs and experts involved in the process admit this. The problem is not the ideological differences that make it impossible to find a common denominator, but personal ambitions, fears and the lack of political will.

Those currently in power see the available model as something they know well and find predictable. With it in place, a party or a candidate does a rate survey, adjusts it to the available system and figures out whether it makes sense to run in the elections. If it does, the candidate can also figure out what campaign techniques should be used and where.

This helps explain why those in power fret about implementing a new system, however democratic and sophisticated. Untested by them before, its outcome difficult to predict, it is too risky to use. It is easy to understand personal fears: the current mixed system is very handy for those who don't want to join party ranks but dream of an MP seat. Obviously, some single-member candidates do work with their electorate in the constituencies and earn their support in a fair manner. But a more widespread practice is to persuade constituencies with handouts.

"The Venice Commission insists that we adopt an electoral law that would comply with our Constitution," says Volodymyr Arieiev, an MP with the Petro Poroshenko Bloc faction. "Because my status, for instance, of an MP who came to the Parliament from a single-member constituency, is questionable from the Constitution's standpoint. But how

can we implement it? We can't approve an election code through a referendum or a court verdict. And the Parliament simply won't give enough votes in support because many majoritarian MPs don't want to change the current system. For them it presents a chance to get into Parliament. What was done by Yanukovich will be extremely difficult to change. MPs with constituencies that elect them for handouts will not vote against themselves now. A part of MPs elected at single-member constituencies, me included, will vote in support of the change since they understand the importance of the moment, but their number will be negligible."

 **THE COALITION AGREEMENT PROVIDES FOR A TRANSITION TO A PROPORTIONAL SYSTEM WITH OPEN REGIONAL PARTY LISTS. BUT MPs CLAIM THERE ARE NO CHANCES THAT THE CURRENT PARLIAMENT WILL PASS IT**

Some experts argue that introducing "regional party lists", as suggested by several registered bills, could provide a compromise and dispel the fears of MPs elected in single-member constituencies. According to experts, this would help reconcile majoritarian MPs with parties: they would know how many seats are allocated to their region and could slice and dice their spheres of influence in their constituencies through agreement rather than competition. This is not the case where you one can be his own boss, but it's still better than the system of closed lists whereby a candidate can be shovelled into the tail of the closed list and get no seat in Parliament eventually.

The Coalition Agreement made when the current convocation of the Parliament started its work provides for a transition to a proportional system with open regional party lists. Arseniy Yatseniuk's People's Front, Andriy Sadoviyi's Samopomich, Yulia Tymoshenko's Batkivshchyna, Oleh Liashko's Radical Party and even the Opposition Bloc seem to agree on this principle. However, agreeing does not mean reaching a consensus, because we all know that the devil is in the detail, and everyone seems to see those details differently.

According to MPs, there are no chances that the current Parliament will pass the proposed system. No one wants to make more than a step forward until their arms are twisted. Even if we assume that out of this variety of bills, all stakeholders will find it possible to choose and agree on one or two proposals with the most realistic chances of being adopted, it doesn't yet mean that these proposals will be passed at least a year before the next election, as recommended by the Venice Commission "in order to stabilise the election law." Actually, today would be the right time to do this. There is still time before both the presidential and parliamentary elections, which are more than two years away. Unless, of course, early elections are held. However, this scenario for 2017 would be extremely detrimental, given the current election law. ■

Old goals, new methods

Andriy Levus

The Kremlin's hybrid aggression against Ukraine

Since Ukraine gained independence, Russia has constantly tried to restore its influence over the country. This is due to several reasons. The first is phantom pains for its powerful empire, the myth of which has been cultivated for centuries. Russia's establishment sees the empire as incomplete without Ukraine. Ukraine, where Kyivan Rus was born, is seen as an integral part of Russia in the Russian conscience.

The second reason is geopolitics. In Russia's "great game", Crimea and the entire territory of Ukraine has great military importance as an outpost to counter the West.

The third cause of permanent Russian aggression, overt or covert, is the fear that Ukraine, linked to the Russian Federation through many family economic and political ties, could make a breakthrough towards the West and demonstrate progress, which would affect the situation in Russia itself, as its own citizens would see that it is possible to live in a civilised, democratic and affluent society.

That is why, after the ousted president Victor Yanukovich came to power, all of Russia's intentions were focused on occupying core economic assets and the media scene, destroying or refocusing security structures and eradicating the middle class as a bearer of progressive ideas. Yanukovich was a tool for the policy of turning Ukraine into a colony.

The triumph of the Maidan made Russia's President Vladimir Putin feel the threat of losing Ukraine forever, when society turned against dictatorship, toppled the criminal regime and declared the inevitability of Euro-Atlantic integration. Accordingly, both the annexation of Crimea and the war in Donbas are part of the Russian president's defensive war for his power and the values of the Eurasian civilisation that he represents: despotism, tyranny, totalitarianism and a slave mentality.

Putin believed that the "Russian Spring" operation would destroy and fragment Ukraine. A significant part of the country was supposed to join the RF or be a part of "Novorossiya", and the rest was to become a buffer zone. However, this did not happen. Thanks to the international community, sanctions imposed by the West and, above all, the resistance of civil society and the actions of Ukrainian intelligence services, Putin has realised that he cannot overcome Ukraine with direct military aggression.

That is why the Russian president and his entourage chose a new way to colonise Ukraine. It involves the comprehensive destabilisation within our country by discrediting the government through a variety of conflicts and scandals, the disruption of parliament's operations and, perhaps, mass protests.

The tools for this destabilisation are media outlets controlled by pro-Russian oligarchs, as well as corrupt politicians in the ranks of both the revanchist and "democratic" opposition.

Preparations for the collapse of the state are continuing throughout Ukraine: attempts are being made to create so-called special status regions and pseudo-territorial communities. In addition, the Russian oligarchs who control natural monopolies could use their power and resources, especially tariff policy and social benefits, to create social revolt.

Social instability, "anti-corruption" scandals, protest activity, the operation of quasi-separatist associations and governmental indecision could coincide to reach a peak, and at that point it would be difficult not to lose the state itself.



**IN THE FIGHT AGAINST THE KREMLIN,
UKRAINE NEEDS FULL SUPPORT OF THE WEST.
WE EXPECT THAT OUR PARTNERS
WILL SET THE CORRECT PRIORITIES ON UKRAINE**

Russia's main goal is to destroy the Ukrainian power vertical, producing complete distrust in it. Then Ukraine, according to the plans of the RF, would start to disintegrate into various artificial formations and, most importantly, a politician would come to power in Kyiv with whom the Kremlin will be able to reach a compromise. Representatives of revanchist forces and the populist opposition are suitable for Russia as part of this scheme. If you look at the statements of both on the situation in the country, they are virtually identical, synchronised and broadcast on the same TV channels at the same time. Yes, they have slightly different connotations, because they are directed towards different social strata, but they have the same goal.

I would also like to mention the situation with the Minsk agreements. The Minsk process is full of contradictions, but allows Ukraine to reform and create a foothold for liberating Ukrainian lands and realising the goals of the Revolution of Dignity. It gives us some respite between battles. The problem is that the negotiations are conducted behind closed doors. This gives rise to different interpretations of the results, which, in turn, breeds distrust of Ukrainian authorities. There is an active smear campaign about President Petro Poroshenko betraying or giving up Ukrainian territory.

The demands of some EU representatives to engage in direct dialogue with the "Donetsk/Luhansk People's Republic" terrorist groups and hold elections before Ukraine regains control over the border create

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PHOTO: UNIAN

Destabilization from within. Russia's main goal is to destroy the Ukrainian power vertical, producing complete distrust in it

tension among patriotic citizens, military personnel and participants in the Maidan. The Kremlin uses this. It acts according to its main ideological and conceptual paradigm of hybrid war – fomenting any sort of discontent.

If we observe the aggravation of the situation in Ukraine itself, it is possible to notice the cyclic character and synchronicity of social protests, political crises, smear campaigns, anti-corruption scandals and incidents at the frontline. These cycles have already happened five times in the last two years. Obviously, it should be expected in 2017 too.

To stop the implementation of this destabilisation plan, Ukrainian authorities should:

1. Resume dialogue with people. Above all, the active part of society, which took part in the Euromaidan and the Anti-Terrorist Operation (ATO) – those whose deeds proved their commitment to independence and democracy. The floodgates of government offices should be opened to them. If the government manages to get this dynamic minority on its side, positive changes will be irreversible and the following two points are also sure to be realised.

2. Rigorously remove Russian agents of influence from the economy, politics and the media. It is naive to talk about progress and reform without the destruction of the oligarchic pro-Russian mafia that manipulates political processes in Ukraine.

3. In spite of public pressure, continue the policy of unpopular but necessary reforms for Ukraine: this means medical insurance, judiciary reform, reform of the oil and gas industry, further decentralisation and

pension reform. The government should not be guided by popularity rates and the cries of populists on oligarch-owned channels.

In the fight against the Kremlin, Ukraine needs full support of the West. We expect that our partners will set the correct priorities on Ukraine. Our country is the shield and spear of the civilised world. We must do everything to make the shield strong and the spear sharp. So rather than listening to the populists who delight the ears of certain European officials with talk about anti-corruption activities first and foremost, it probably makes more sense to focus on the fundamentals that the defence of the West is based on. Human rights, transparency, equal opportunities and freedom of expression are all sacred and important values for us. But these are often manipulated by pro-Russian oligarchs, who do not allow Ukrainian authorities to clean up the media scene, nationalise property stolen by representatives of Yanukovich's regime, confiscate their property and assets, and put the people who are chopping up our country in prison.

The timetable for reforms should be put together with consideration for all of the above factors.

Our Western partners should understand we are doing work that aims to protect Western democracy. I am sure that Ukraine will find a way out of the traps set by Russia and its oligarchs. Every day, we become stronger than we were. If we are able to hold onto the state, clear out the home front and carry out strict reforms, this will trigger irreversible democratisation processes throughout the entire post-Soviet territory. ■

New species

Stanislav Kozliuk

The progress in new law enforcement and anti-corruption agencies

The establishment of new law-enforcement bodies fell on 2015, although much talk of the need for them preceded. Especially given the fact that, as of 2014, Ukraine ranked 142nd out of 175 countries in the global Corruption Perceptions Index. This confirmed the fact that, despite the revolution, the country remains corrupt. What's more, Kyiv's international partners, including the International Monetary Fund and European Union, insisted on the launch of new anti-corruption authorities. The same thing was spelled out in the coalition agreement between the parties of the parliamentary majority. Now, the abbreviations NAZK (National Agency on Corruption Prevention), NABU (National Anti-Corruption Bureau), SAP (Specialised Anti-Corruption Prosecutor) and DBR (State Bureau of Investigation) are already being used by Ukrainians at the same rate as the good old PGO (Prosecutor General's Office) and SBU (Security Bureau of Ukraine). The new entities cannot boast a large number of achievements due to their short history: some, such as the NABU, started work only in spring 2015, while others, like the DBR, have not even been created yet.

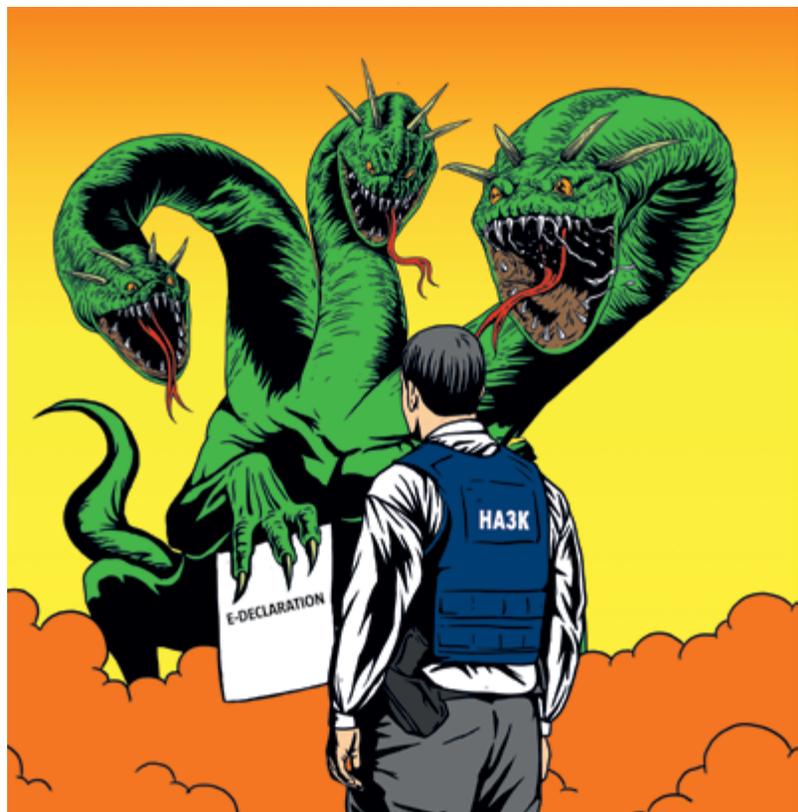
The law on the State Bureau of Investigation or, as it is usually known in its Ukrainian abbreviation, the DBR, was passed in November 2015. From the beginning, it was expected that the remit of the DBR would be similar that of the American FBI, but while the bill was being discussed in parliament, the powers of the not yet established body were cut in half. Nevertheless, even with its current set of features and functions, it is capable of being rather powerful. Its purview includes the investigation of crimes committed by MPs, ministers, judges, police officers and civil servants. In addition, the DBR is intended to expose corrupt acts by the leadership of the National Anti-Corruption Bureau and Specialised Anti-Corruption Prosecutor.

The main change that the DBR will bring to the customary system of law enforcement agencies is the removal of the investigative functions from the Public Prosecutor. Consequently, the prosecutor will retain only those of procedural oversight (over the DBR, in particular) and courtroom representation. The transitional provisions of the Constitution assign the Public Prosecutor with preliminary investigation functions "until the formation of a pre-trial investigation system and the enactment of laws to regulate its operation". However, it appears that this moment is still far away. At first, the law on the DBR sat on the president's desk for a long time waiting for his signature, and then there were problems with the active phase of the competitive selection process for the post of DBR head and deputy heads. As of 9 November, only two rounds of testing have been completed. After the first elimina-

tion, 49 candidates remained, including the head of the Military Prosecutor's Office, Anatoliy Matios. Despite the fact that the selection of contenders to occupy the position of DBR head has been set in motion, it is not worth expecting a rapid appointment.

"We do not make long-term forecasts about dates. The commission can only talk about things in the near future. In other words, the next stage of selection. For example, the date set for the tests. As regards the exact day when the SBI director will be appointed, there isn't one," Roman Maidanyk, chair of the competition commission, explains.

There is still quite a long way to go. The competition itself consists of polygraph tests and integrity checks. Two rounds of interviews are also required. The results of the latter one, during which candidates will be rated by members of the commission, will determine the head of the DBR. Then it will be up to the Cabinet and president to approve the candidacy. According to optimistic estimates from members of the competition commission, this will happen no earlier than February 2017. However, the central office of the DBR and heads of its regional offices will still have to be appointed. Accordingly, a complete launch of the entity cannot be expected any earlier than November 2017. And the first results of its operation, provided that the leadership is independent, will most likely come closer to the middle



of 2018. MPs have already been requested to adopt changes to legislation that will extend the timeframe of a number of investigations to 2019 for the Public Prosecutor. This refers in particular to the Maidan cases, which the Prosecutor General's Department of Special Investigations is currently working on.

Things are somewhat better for the NAZK, National Agency on Corruption Prevention. The law regulating the creation of this entity was adopted in October 2014 and came into force on April 26, 2015. The NAZK itself was created on March 18, 2015. It is entrusted with taking pre-emptive measures in the field of corruption prevention. The NAZK is designed to analyse statistics on bribery in Ukraine, develop strategies to counter corruption and approve the anti-corruption programmes of government authorities. However, the NAZK is better known to the general public thanks to electronic declarations, because this agency should ensure the operation of the Unified State Register of Declarations. In addition, its employees have to verify the published income statements. Just recently they got a lot more work to do. As of November 9, 131,000 declarations have been collected on the NAZK website. According to procedure, it is first necessary to check if they were submitted on time (the deadline was the night of October 31). Only then should its staff look at the figures given by MPs, ministers, judges and public prosecutors. In addition, the NAZK has the right to selectively scrutinise the lifestyles of declaration submitters.

NAZK Deputy Chairman Ruslan Radetskyi commented to *The Ukrainian Week* that as of early November they are examining whether the reporting was timely or not.

"The timing of submissions is currently being reviewed. Then we will investigate the data, especially figures, that individuals specified in their declarations. As for possible criminal proceedings... we'll do our job first and only then talk about it," he said. However, on a Ukrainian TV channel he predicted that the first criminal proceedings resulting from the audit could be opened no earlier than January 2017.

When identifying administrative offences during checks, the NAZK will draw up a report on the violation. If criminal elements come to the surface, the NAZK is obliged to write a substantiated conclusion and hand it over to law enforcement, namely the NABU.

The National Anti-Corruption Bureau and Specialised Anti-Corruption Prosecutor should be looked at together. The NABU was created on April 16, 2015 and Artem Sytnyk became its head. The main task set for the bureau is combating criminal corruption offences that threaten national security. Alongside familiar law enforcement functions, such as crime detection and pre-trial investigation, there is a new integrity check for civil servants, state officials and members of local governments. The parliamentary Committee on Combating Organised Crime and Corruption monitors NABU's activities. At the same time, the SAP supervises the operational investigative activities of the NAB. It was formed by decree of Prosecutor General Viktor Shokin on September 22, 2015. The Anti-Corruption Prosecutor operates within the structure of the PGO, but is nominally independent. Besides oversight of the NABU, the SAP should also support the public

prosecutor in NABU's proceedings and represent the interests of citizens in cases related to corruption. Nazar Kholodnytskyi is in charge of the SAP.

In fact, the NABU can boast the biggest successes out of all anti-corruption agencies. In particular, it is currently working on the "black accounts" of the Party of Regions. In terms of recent arrests, on November 8 NABU detectives detained a former official at Elektro-VazhMash, a state-owned heavy machine plant, who is suspected of causing the company losses of UAH 37mn (\$1.4m).

At the same time, the conflict between the NABU and Prosecutor General gained the most media attention. It became public knowledge this summer. The bureau's special ops unit was conducting surveillance of a suspect when three prosecutors tried to get into the room where detectives were working, apparently thinking that they were the ones being tracked, according to the NABU press office. It came to blows. The NABU subsequently announced that that the PGO had arrested and tortured two members of its support staff. Earlier, the PGO came to search NABU employees as part of a case involving "illegal bugging". Then, according to Prosecutor General Yuriy Lutsenko's press secretary Larysa Sarhan, a number of documents were seized from the NABU. The conflict was only resolved following the intervention of both structures' leadership. Then in October, the Prosecutor General's Office started proceedings against NABU Director Sytnyk.

THE STILL UNREFORMED JUDICIARY PLAYS INTO THE HANDS OF THE OLD SYSTEM. THE REFORM OF IT KICKED OFF THIS SUMMER, BUT THE REORGANISATION OF THE COURTS HAS BEEN SOMEWHAT DELAYED

"The PGO has filed another case against me. Regarding a flat in Kupyansk that I didn't declare and which doesn't belong to me. In my opinion, Yuriy Stoliarchuk (Deputy Prosecutor General – Ed.) registered this case," Sytnyk told reporters. In addition, he said that there have been attempts to deprive his first deputy Gizo Uglava, a Georgian, of Ukrainian citizenship.

Such events could indicate a serious conflict between "old" and "new" law enforcement authorities. We can assume that there will be even more such conflicts of interests following the creation of the DBR (and the selection of a candidate independent from the PGO to chair it). The still unreformed judiciary plays into the hands of the old system. In fact, the reform was kicked off this summer, but the reorganisation of the courts has been somewhat delayed. In particular, due to the absence of a dedicated law concerning the Supreme Council of Justice, which is to replace the High Council of Justice. Parliament approved the respective bill in its first reading, but MPs complained that the it needs significant improvement. All that remains now is to monitor the work of existing agencies and hope that they will maintain their independence from the leadership of the Prosecutor General's Office and government institutions. Otherwise, there is a very real risk of them turning into punitive agencies to be used against "undesirables". ■

Kharkiv vs Donetsk

Denys Kazanskiy

What's the purpose of the new Rabinovych-Murayev party?



Playing at a "real" opposition. The founders of the Zhyttia (Life) party are hoping to take a chunk of the one-time Regional electorate for themselves

Just a few years ago, the Party of the Regions seemed indomitable and almighty. Built on the oligarchic clans of Ukraine's southeastern oblasts, all the opinion polls showed it as the clear leader. Regionals, as they were called, could afford to spend limitless amounts on election campaigns and spared no cost to promote themselves.

THE PARTY'S DEAD, LONG LIVE THE PARTY!

But after the Euromaidan ended in February 2014 and Viktor Yanukovych fled Ukraine, the PR monolith simply fell apart before everyone's eyes. Within a matter of weeks, the party's main activists abandoned it and the well-established brand turned into a curse that everyone quickly tried to distance themselves from. With this disaster on their hands, the clans that previously clustered around Yanukovych broke up into a handful of smaller groupings, none of whom wanted to pick up the old blue-and-white banner, which was now associated with killings in the heart of Kyiv.

Most of the old Regionals continued their political careers under the banner of the newly-formed Opposition Bloc. And, in fact, it is generally seen as the heir to the Party of the Regions in the current Verkhovna Rada. Still, some splinter groups also decided to go their own ways, and so Ukrainians saw the *Vidrodzhennia* or Rebirth group form in the

Rada under the leadership of Vitaliy Khomutynnyk, a veteran PR man and Makiyivka homeboy. After the defeat of the Donetsk clan, he not only did not lose influence but even expanded it by joining forces with PrivatBank owner and former Dnipropetrovsk Governor Ihor Kolomoyskiy. Today, Khomutynnyk is considered the star of the new Ukrainian oligarchy.

In the last VR elections, former PM and one-time owner of PrivatBank Serhiy Tihopko tried to also gain some seats with his *Sylna Ukraina* or Strong Ukraine party, but failed to reach the threshold of 5%. The Presidential Administration also joined the electoral field by forming a party called *Nash Krai* or Our Country, which mostly included former members of Party of the Regions.

Nor was this the end of the splintering. A few months ago, yet another political party appeared out of the ashes of Yanukovych's party. A group of deputies headed by Yevhen Murayev and Vadym Rabinovych broke away from the Opposition Bloc, announcing that their new party would be called *Zhyttia* or Life. Like their predecessors, they are also oriented on the pro-Russian voter and have been using pro-Russian rhetoric.

RABINOVYCH AND RUMOR

Rumors that the Opposition Bloc was breaking up have circulated for some time. From the very start, it was evident that there were two conflicting centers of power: Yuriy Boyko's people and Rinat Akhmetov's people. But the break happened in a completely different place. Rabinovych and Murayev left in May-June 2016, accusing the Bloc that it wasn't properly an opposition and was playing "Let's make a deal" with the current administration.

Initially, few took this seriously. But soon opinion polls were showing that the new political party was picking up in popularity, even though it is currently still largely on paper. The constant presence of both Murayev and Rabinovych on television has done its job. The result of a joint poll by Razumkov and KIIS suggests that *Zhyttia* could already pass the 5% threshold. In some presidential ratings, Rabinovych is even beating his rival Yuriy Boyko of the Opposition Bloc.

What makes this even stranger is a reminder of some well-known details from Rabinovych's bio. Back in soviet times, this Ukrainian media owner and politician was taken to court for "theft of soviet property" and spent six years in a maximum security prison.

According to his Wikipedia entry, "from late 1980 to early 1982, Rabinovych ran an underground factory producing crystal dinnerware, calendars and wooden doors. He was then arrested again, this time

accused of embezzling state funds in particularly large quantities. He later admitted that, after being arrested, he simulated insanity for over a year. On February 10, 1984, he was sentenced by the Kharkiv Oblast Court to 14 years in prison in a high security rehabilitation and labor camp, with the confiscation of all assets and a ban on engaging in professional activities for five years. The prison was not far from Kharkiv.”

These and other details of 63 year-old Vadym Rabinovych's biography were also published in a book by German author Jürgen Roth called “Oligarch.” Presented in Berlin in 2001, the book was dedicated not so much to Rabinovych as to his exposé of Ukrainian oligarchs and politicians. At the time, another Ukrainian oligarch, Oleksandr Volkov apparently offered Roth DM 600,000 to buy out the entire print-run, according to press reports, because he wanted to keep some details of his own biography out of the public eye.

Another curious detail is Rabinovych's dual citizenship, which hasn't stopped him from sitting in the Rada as an elected deputy. Back in the 1990s, he was granted an Israeli passport. In 1999, this allowed the Ukrainian government to ban him from entering Ukraine as an Israeli citizen for five years. According to the SBU, the decision to ban was made on June 24, 1999, based on information that Israeli citizen Vadym Rabinovych was involved in “activities that have led to substantial losses to the Ukrainian economy,” and “in order to safeguard national security.” Not long before, at the end of 1998, the SBU had issued entry bans for a similar term to Rabinovych's partner and also an Israeli citizen, Leonid Wolf, who was fingered as a notorious criminal boss. Both bans were dropped not soon afterwards.

Whatever else might be said, an individual with such a spotty background would unlikely be able to have serious political ambitions in a normal democracy. But Ukraine's voters are known to be willing to forgive their politicians a good deal. In the Rada corridors a sad joke is already going around that Yanukovich supporters aren't capable of voting for someone who hasn't done time, so Rabinovych is guaranteed to succeed.

MURAYEV AND MISINFORMATION

Yevhen Murayev, on the other hand, the co-founder of the new party, has a far less scandalous reputation. Given his relatively young age—he turned 40 on Dec. 2—, Murayev never managed to take part in the gangland tugs-o-war of the 1990s, so his biography is not tainted by any criminal episodes. This makes Murayev a potentially more dangerous politician and less vulnerable to rivals than Rabinovych.

After the start of the Russo-Ukrainian war in 2014, Murayev became one of the few domestic politicians who were neither afraid nor ashamed to fairly openly take the side of Russia and its proxies. In contrast to many other former members of the Opposition Bloc, who thought it better to answer questions about the war evasively or not at all, Murayev openly supports forces against Ukraine. It suffices to point out that this past summer, he declared on Channel 112 that Mariupol was liberated

from DNR forces by American mercenaries working for Greystone and Blackwater, private military companies that actually no longer exist under those names. Similar nonsense that had no basis in reality was widely disseminated in Russian media in 2014.

Having taken such a radical and provocative position, Murayev is clearly counting on garnering votes from the most pro-Russian electorate, primarily supporters of the Communist Party of Ukraine under Petro Symonenko, which disappeared from the political scene after the Euromaidan.

So, how did Yevhen Murayev get in to big politics in the first place? Different stories have been told. The best-known version is that this 40 year-old is either the nephew or some other relative of Mykola Azarov, but there is no evidence of this. Murayev's links to Rabinovych are more obvious, as both of them are from Kharkiv.

Murayev's success can be attributed largely to Oleh Taranov, one of whose daughters, Valeria, is married to him. An influential Kharkivian, 61-year-old Taranov had top positions at the big industrial enterprises of the city back in soviet times. In the early 1990s, he began his own business. By 1994, Taranov had become a member of the Council for Economic Reforms under the Office of the President of Ukraine and in 1996 he was even briefly a deputy minister in the Lazarenko Government. Local legend in Kharkiv has it that Taranov met Rabinovych back, when the future oligarch was running his underground workshop and had not yet been jailed. Taranov's connections and reputation, thus, were instrumental in helping Murayev launch his political career in Party of the Regions and eventually to launch a more ambitious project with Rabinovych.



MURAYEV IS COUNTING ON THE MOST PRO-RUSSIAN VOTERS, MAINLY SUPPORTERS OF THE NOW-DEFUNCT CPU UNDER PETRO SYMONENKO

So far, Murayev has done well. Thanks to his family connections, he avoided getting mixed up in dubious schemes and was able to get into business at a young age, and then into politics. Today, he's the owner of one of the most popular Ukrainian channels, NewsOne, which generously promotes its owner and his political party. Nor is Murayev tight-fisted with his asset. Still, little is known about the source of the money that is supporting this television channel.

Whatever the case may be, the party formed by Rabinovych and Murayev has a good chance of not only gaining seats in the Verkhovna Rada during the next election, but also putting a serious squeeze on the Opposition Bloc's electoral hopes. Both Kharkivians know how to speak effectively in public, which contrasts strongly with most seemingly tongue-tied former Regionals. If this happens, then the Donetsk clans will soon be replaced by Kharkiv in Ukrainian politics. Finally, the “first capital” of soviet Ukraine will gain a role as one of the key political centers of Ukraine. ■

Riding the wave of anger

Michael Binyon

How European political leaders plan to respond to the competitive populists and frustration from the voters?



Ready, steady, go! Shortly after Italy launched attempts to fill in the niche in the EU's decision making vacated by the post-Brexit UK, Premier Renzi was forced to resign. Changes in France will come next

A resounding referendum defeat for the government. Italy's prime minister resigns. The pressure mounts on Italy's cash-strapped banks. The euro falls sharply in value. Europe's leaders take fright. Is the wave of right-wing populism sweeping across the West now unstoppable?

It crashed into a small barrier in Vienna in November: Austrian voters did not pick a far-right politician as their new president. But a substantial minority supported Norbert Hofer of the Austrian Freedom Party, and there were real fears that the country of Hitler's birth would elect its first head of state from the far right since the Second World War. Despite Hofer's defeat, the Freedom Party, founded by former Nazis, now looks set to play a leading role in any future coalition government after elections that are expected as early as next year.

In Italy the shock is more immediate and severe. One of the biggest, and weakest, economies in Europe may go into freefall. Voters have thrown out proposals for constitutional reform to make the country more governable. Investors, taking fright at Italy's huge national debt – the biggest per head after Greece – may start pulling out their money. Leading banks, crippled by a mountain of bad debt, may default. Opposition parties, seizing on the resignation of the Matteo Renzi, the centre-left prime minister, are pushing for fresh elections, promising an unrelenting campaign to pull Italy out of the euro. And the opposition leader Beppe Grillo, a comedian and euro-sceptic founder of the Five Star Movement, is riding a wave of populist nationalism not seen in Italy since the fall of fascism.

For months, Europe's established politicians have been looking with alarm at the inexorable rise

of the right. Eastern Europe has already elected right-wing governments in Poland and Hungary. Both campaigned strongly on nationalist and anti-EU themes: a refusal to accept Syrian refugees and other migrants, opposition to Brussels and further European integration and a contempt for the tolerance and press freedoms of liberal social democracy.

Now those movements are gathering pace in the West. The Brexit vote in Britain unleashed forces of nationalism, xenophobia and isolationism long seen as marginal in British politics. Donald Trump's upset victory in the US presidential election legitimised and encouraged the anger of Europe's dispossessed, the marginalised and those "just about managing", in the words of Theresa May. Already there is talk of Geert Wilders, an openly racist and far-right politician in the Netherlands, winning power in the coming elections. And Marine Le Pen, leader of the powerful National Front party in France, is likely to find herself a finalist in the race to be French president in May.

The European left is reeling. In several countries where it long held sway, it has fragmented into bickering factions. In Britain, the opposition Labour party has lost all cohesion and political authority, as it moves sharply to the far left under its ineffectual new leader, Jeremy Corbyn. In a by-election in London last week, the Labour party candidate won so few votes that he lost his deposit – a humiliation the party has not suffered for years. In France, President Hollande's popularity rating of a derisory 4% has persuaded him not to stand again for the Socialist Party, and his Socialist ministers are now quarrelling over who should contest the presidential election for their party.

Europe's mainstream politicians are desperately searching for ways to stem the anti-establishment tide which threatens to throw them all out of office. Some have tried to embrace the mood. In Britain, Theresa May, who became prime minister after the Brexit vote, recognised in her first speech on assuming office that millions who voted to leave the EU did so because they were angered by the remoteness of London politicians, felt marginalised by globalisation and were worried by high levels of immigration. She promised to listen to their voices and act on their concerns. But so far, apart from taking a very hard line on immigration, there is little sign that she has done so. The government is being torn apart by disagreements on what Brexit means. And it has been preoccupied by a legal challenge over whether parliament should have a say in negotiations with Europe – an issue that went all the way to Britain's Supreme Court on Monday.

Throughout Europe, political leaders have been toughening their stance on immigration – largely in response to the huge influx of migrants last year. They are hoping to assuage voters' anger by being seen now to take a tough line – erecting border fences, reintroducing passport controls and demanding immigrants learn the local language and accept Western values. Nowhere is this more urgent than in Germany, where the influx of more than a million refugees severely dented the popularity of

Chancellor Angela Merkel, boosted the right-wing Alternative for Germany party and came close to causing riots in some cities. The authoritarian prime minister of Hungary, Viktor Orban, held a referendum to underpin his refusal to accept refugee quotas imposed by Brussels, losing only on a technicality. Even left-wing parties, in Britain, France, the Netherlands and Sweden, are taking a tougher line on migration to counter the challenge from the right.

It is on the issue of the European Union where the battle lines are now being drawn. Almost all EU citizens are now disillusioned with the European project, angry at Brussels bureaucracy, opposed to greater political integration and demanding a return of national sovereignty and even an exit from the Eurozone. Those countries such as Germany, at the heart of the EU, are deeply concerned – and are now openly criticising such polarising figures as Jean-Claude Juncker, the president of the European Council, for his aloofness, lack of imagination and arrogant assumption of privilege.

Insisting that "more Europe" is the answer is seen as a disastrous policy. Europe has failed to cure the economic woes in Greece, dithered on immigration, shown no response to the Trump challenge, done little to boost employment and has failed to inspire the younger, often unemployed, generation. But political leaders dare not question the very basis of the EU for fear that the whole project will unravel. That is why they are so fearful of both Brexit and the Italian referendum result – both of which challenge the EU's very existence.



EUROPE'S MAINSTREAM POLITICIANS ARE DESPERATELY SEARCHING FOR WAYS TO STEM THE ANTI-ESTABLISHMENT TIDE WHICH THREATENS TO THROW THEM ALL OUT OF OFFICE

Trying to accommodate the new right, while sticking to the postwar framework, is proving difficult. Many on the far right have a strong admiration for the decisiveness and strong-man image of President Putin – and in turn he is happy to indulge them. This is anathema to Atlanticist establishment politicians who believe NATO should stand up to Putin. And tinkering with formulas to improve the EU satisfies no one – as the British government is finding in its current fumbling to find a way to remain inside the single market but outside EU structures.

The populist wave has clearly not yet reached its height. The big test will come next year in France. Should Le Pen win and holds a referendum that leads to an exit from the euro, the EU is as good as dead. Some politicians therefore insist that they need to fight back hard. And by backing Francois Fillon, a tough conservative who has stolen many of Le Pen's populist ideas, the French may yet halt the march of the right. But it will be a tough challenge – and President Trump will be a visible alternative for all European populists to follow. ■

Marina Kaljurand:

“We haven't done anything that is contrary to our national interests”

How Estonia's position on the European political arena changed ever since it regained independence? How vulnerable does Estonia feel to the challenges in its neighbourhood? How vulnerable is it to the rising euroscepticism in the EU? *The Ukrainian Week* spoke about this to Marina Kaljurand, Estonia's former Minister of Foreign Affairs and ambassador to multiple countries, including Russia and the US.

Amidst the new international environment, with the problems faced by the EU, the uncertainty over the future US policies, and Russia's behaviour, how do you see threats and priorities for Estonia externally?

I prefer to call these international challenges. Concerning changes in the European security order, with the occupation of Crimea and Russia's military actions in Ukraine, – there is nothing new about this. We in Estonia are following this closely and it worries us. But I'm happy that we have a unified position of the EU about how we build our diplomatic contacts with Russia. This means that we don't return to business as usual with it, but we talk to it on matters of our mutual interest. I think it is very important that the EU has kept unity on restrictive measures, sanctions. Because each and every country violating international law and order has to understand that they are accountable for their actions.

In the history of the EU, we haven't yet faced so many problems at the same time as we are facing now. Here, again, I see unity and solidarity, whether it's on sanctions, security, terrorism or migration, as key.

As to the sanctions against Russia, we are in November (the interview was taken on November 20 – Ed.) and I don't see this policy changing in the next two

Interviewed
by Anna
Korbut

months after which the review of the sanctions is due to take place. Recently, there have even been discussions on introducing extra sanctions if Russia does not cooperate in Syria.

Or take what we call the migration crisis today: the EU has 500mn of the population. We received 1.5mn refugees in 2015. This is less than 0.5% of the population of the EU. This means that we can and have to handle it, and have to look at various ways of dealing with the situation simultaneously. This includes external border control, fighting organised crime in the Mediterranean, and doing a fair share in receiving refugees. Estonia is a very strong supporter of solidarity. Because we remember what happened in 1939-1941. And we expect solidarity from other allies in EU and NATO.

I would also like to mention the importance of Eastern Partnership Policy. We find it very important and are fully committed to it. As we are also committed to our Southern neighbours. Our support to eastern partners has to be firm, strategic and sustainable if we want to have results. On behalf of Estonia, I can assure that we will support all eastern partners as long as you are on the course of democratic reforms.

From the NATO perspective, the challenges have not changed: Russia is unpredictable, it takes provocative actions – violation of air space, military exercises on our borders. We see all this. And here I'm happy with the Warsaw Summit: NATO once again reinforced there messages that it's a defence alliance, that collective defence is the corner-stone of the alliance and that Art. 5 is crystal clear and stands firm as a rock. NATO's defence and deterrence policy has to be serious and strategic. That was exactly the message of the Warsaw Summit.

Yet, every nation also has to take their share seriously. Estonia is spending more than 2% of GDP on defence. We all have to do our part and after that we can rely on allies. We can face today's challenges together and be efficient if we cooperate.

As to the US elections, we have to give time to the president-elect. As we see historically, the statements made during campaigns are not 100% the one that actually make into policies. Even in the recent days, we've heard more balanced statements from president-elect. And President Obama comes to Europe with positive statements on the president-elect's future policies. We shouldn't panic or make conclusions before we see what the policy of president-elect Trump is, before he appoints members of cabinet and staff, political leadership at the State Department, the Pentagon, and before we've had a chance to meet with him and talk to him in person. But, of course, we have to take into account that some policies which were natural to president Obama might need additional explaining for Mr Trump.



PHOTO: REUTERS

The countries that joined the EU and NATO in the 2004 wave are often referred to as new member-states, while Western European ones are called the core countries. How has the weight and position of Estonia in the EU and its decision-making process changed since it joined the club?

I don't agree that the EU has any special policy towards new member-states. And the membership is not that new: 2004 was 12 years ago, after all. From the moment we joined the clubs, there hasn't been any policy towards us – we have been shaping policies, together with all partners and allies.

But you have to act like a reliable state if you want to be regarded as one. On behalf of my country, I can say that we have taken very seriously our commitments and being listened to as any other ally in both organisations. We have learned to defend our national position and interests, but we are also ready to find compromises. So far, we haven't done anything that is contrary to our national interests.

If you look at EaP, Baltic States and Eastern European countries have a huge role in having discussions on Ukraine, Moldova and Georgia so often.

It's not solely because of us, but our countries do have an interest in the topic and in putting it on the EU's table. And I'm happy that all other EU member-states are very supportive.

Some speak of weariness from the fact that Eastern European and Baltic States raising the issue of Russia threat and EaP countries in Western member-states. As an insider, can you say it's true?

Look at facts. We've been discussing Russia and EaP regularly. That's what matters. As much as I participated in these discussions, they have been really constructive. Last spring we agreed on five principles in our relations with Russia.

It's true that there have been some setbacks: I'm not happy the way we handle visa liberalisation with Ukraine or Georgia because we have to live up to our promises once you've done your part. I'm not happy with the referendum in the Netherlands: my firm belief is that it doesn't really have much to do with Ukraine, but was a no-confidence vote on Europe or its own government. But these are minor things. If you look at the EU policy towards EaP countries – it's united, strong, sustainable, and we'll take every effort to keep it that way.

In the context of the Dutch referendum: we often see negative reactions of many political forces in EU member-states to EU policies or decisions, as well as manipulation around them out of political self-interest. This negative rhetoric in turn affects the way their societies perceive the EU and its authority. Has there been any change in the way Estonian society perceives the EU over the years of membership?

Our support to the EU has been very strong. When Estonia was voting in the referendum to join the EU, the yes vote was at around 67% – fairly low compared to other countries that joined at the same time. Ever since, however, trust and ties towards the EU have become stronger. Estonian people do believe in the EU and have high support for it.

Marina Kaljurand was born in 1962 in Tallinn, Estonia. She received her LL.B. from Tartu University in 1986, Professional Diploma in International Relations from the Estonian School of Diplomacy in 1992 and M.A. in international law and diplomacy from the Fletcher School of Law and Diplomacy in 1995. Kaljurand served in different positions at the Press and Information Department, International Treaties Division, Estonian Embassy in Helsinki and the Legal Department before becoming Ambassador to Israel in 2004. After that, she served as Ambassador to Russia, Kazakhstan, Canada, Mexico and the United States. She served as Minister of Foreign Affairs from 2015 to 2016, and ran for presidency in the 2016 election. She is currently adviser on security-related questions at the MFA.

As to EaP countries, we feel sympathy and friendship about them. After all, we had 50 years of common history, whether we wanted it or not. I would say that our relation towards EaP countries differs a lot from that of countries which don't have a personal touch. Everyone in Estonia is very supportive and wishing you all the best, wants to see your country reformed as quickly as possible and integrated more closely with Europe.

How do you see any threats or challenges from Russia's soft power?

The majority of our Russian-speaking population follows Russian media, especially in the north-eastern part of the country. We do have our national broadcasting channels in Russian, but still we see the influence of Russian media, propaganda. We are taking care of that: introducing additional programs in Russian so that the Russian-speaking population has access to information, facts. We don't think that closing Russian TV and/or radio channels in Estonia is the right way to act. But we are responsible for providing objective, based on facts information, so that people are properly informed.

We are also aware that there can be provocations from the Russian side. However, that is the concern of the whole NATO and EU, not just the Baltic States. We have to take it seriously, we have to prepare ourselves and be ready to act. So we are not afraid that Russia can attack us specifically because of Article 5 and its clear security guarantee.

How has Estonia been shaping its image on the international arena?

First of all, we are very much integrated with all international organisations we wanted to be integrated with, including the UN, OSCE, NATO, EU, Schengen, euro zone, OECD. For us, it is important to be together with the states with whom we share the same democratic values and principles. Together we can influence global politics and change the world.

On the more global scale, we want to be speaking for the cybersecurity (e-democracy and e-governance) and democracy. We are currently running for non-permanent membership of the UN Security Council for 2020-2021. After 25 years of regained independence, we are ready to take more responsibility to speak for democracy.

Also, we think that regional cooperation (with the three Baltic States and five Nordic States) is very important, and we will continue to focus on that as well. ■

Poland as a regional power

Agnia Grigas

As the military conflict in the east of Ukraine nears its third calendar year, chances of a peace settlement between Kyiv and the Russian-separatists seem increasingly remote. Meanwhile with NATO and the EU experiencing expansion fatigue and internal difficulties, Russia demonstrating greater assertiveness, and the next US administration leaning towards isolationism - the prospects for European and Ukrainian security do not appear particularly bright. However, there are positive signs as well. Ukraine's western neighbor, Poland, is emerging as a new leader in Europe's security landscape.

Poland is one of the few countries on the old continent that understands Russia's threat and has reasons to be worried.

First of all, Poland faces immediate security concerns due to Russia's recent steps to further militarize the Kaliningrad enclave. A month ago, Moscow has decided to permanently deploy the Iskander-M missile complex that has the capacity to launch tactical nuclear warheads in the range of around 500 kilometers. A couple of weeks later, the Kremlin has said that it will also station its state-of-the-art anti-shipping Bastion missiles in Kaliningrad, which will further strengthen its anti-access denial capabilities in the Baltic region.

Second, Poland understands that Russia could potentially destabilize the region by attacking the narrow piece of land connecting it and Lithuania - the Suwalki Gap. If hostile forces would capture this tiny 100 kilometers wide land strip in the Polish Sejny district, which borders both Belarus and Kaliningrad, they would cut off the three Baltic States from other NATO member states, and jeopardize Poland's security.

Third, Poland shares a long border with Belarus, which remains Russia's closest ally. Over the last decades Moscow and Minsk have participated in numerous joint military exercises, one of which even simulated a nuclear strike against Warsaw. Most recently, evidence has surfaced that Russia plans to deploy a colossal military presence to Belarus. While this troop buildup might coincide with the Zapad 2017 military drills, the thought that Russia might consider to establish a permanent military base in Belarus, causes jitters across Poland.

Given the security threats that Poland faces, it has consistently viewed defense as a serious matter. Unlike most NATO member states, Warsaw kept its military expenditure at an average of around 1.9% of its GDP for the past two decades. However, these numbers alone do not shed enough light on Poland's defense efforts. In recent years Warsaw has pursued a number of wide ranging policies designed to increase its military might. In



2012, it announced a military modernization program, which, by 2022 will have invested almost \$62bn in high-tech military hardware. The budget partly be used to acquire modern tanks, aircraft, missile systems and ships.

Earlier this year Poland has also declared that it will double its army size. This reform will increase Poland's professional army from approximately 80 to 150 thousand in the forthcoming years. According to Poland's Minister of Defense Antoni Macierewicz this number of troops "is the minimum which is necessary to respond to military threats." After this initiative is completed, Poland will



POLAND IS ONE OF THE FEW COUNTRIES ON THE OLD CONTINENT THAT UNDERSTANDS RUSSIA'S THREAT AND HAS REASONS TO BE WORRIED

be not far behind Europe's great powers like the UK, Germany and France, whose armies number 162 thousand, 180 thousand and 200 thousand respectively.

In addition to its huge professional army buildup, Warsaw has declared last month that it will also build a territorial defense contingent of 53 thousand volunteers by 2019. Poland's government has stated that a force of three thousand to five thousand volunteers, who will undergo military training, will be deployed in each of Poland's sixteen regions. Priority will be given to eastern provinces that are considered the most exposed to Russian threat - Podlachia, Lublin and Podkarpacie.

Poland has also demonstrated unwavering commitment to the EU's Eastern Partnership countries, particularly Ukraine, Georgia, and Moldova. Over the years it has been one of the leading voices both in Brussels and beyond, where it supported initiatives ranging from visa-free travel, relaxation of trade restrictions and even direct military support.

Warsaw's leadership in the region can also be seen through its past and present military initiatives. In 2011, Poland has announced that it will lead the creation of the Visegrad Battlegroup, which will be joined by Hungarian, Czech, Slovak, and later by Ukrainian troops. This military unit will adhere to the EU's Common Security and Defense Policy, and will operate independently of NATO. Finally, by contributing the majority of the fighting force, in 2016 Poland has led the creation of the Lithuanian-Polish-Ukrainian brigade, reinvigorating cooperation between these three historical allies. ■

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Bridging the gap

A 25m-year dark age known as Romer's gap is dark no longer

One of the most important steps on the journey to *Homo sapiens* was that made by the first fish to crawl onto dry land. It was both a metaphorical and a literal step, but knowing exactly when it happened is tricky. It depends, for one thing, on the definition of “dry land”. Scrambling over the mud from one pool to another, assisted by fins that had evolved to walk along the seabed in the way modern coelacanths do, was probably going on by 385m years ago.

By 375m years ago, the descendants of these first-footers had evolved four limbs clearly recognisable as legs. They were no longer fish, but “tetrapods”. Their legs, though, could have as many as eight digits each, and do not look capable of supporting an animal properly when it was out of the water. Some might thus argue that even by this stage, the step onto dry land had not been truly made.

All of these events occurred during a period called the Devonian when, though the oceans teemed with organisms no less varied than today's, life on the continents was just getting going. Vascular plants (those bigger than mosses and liverworts) had evolved only recently. Insects were evolving fast, too. But there were no large land animals. Occupying the new habitat thus looked like an evolutionary open goal for the tetrapods. But then, 359m years ago, in a mass extinction as big as that which did for the dinosaurs, the Devonian came crashing to an end. For 25m years after this the tetrapods more or less disappear from the fossil record. When they re-emerge, in what is called the Lower Carboniferous period, they do, indeed, live up to their potential. They are now proper terrestrial animals, possessing five-digit limbs powerful enough to support them without the assistance of water's buoyancy. But how they got there has been a mystery.

WALKING AND EGGSHELLS

This 25m-year dark age is known as Romer's gap, after Alfred Romer, an American paleontologist of the 20th century, who was the first to notice it. But it is dark no longer. A team of fossil hunters led by Jennifer Clack of Cambridge University has been collecting and analysing material from Lower Carboniferous outcrops in Scotland. As they report in *Nature Ecology and Evolution*, Dr Clack and her colleagues have identified and named five hitherto-unknown species of tetrapod from the gap, and gathered material from seven other, as-yet-unnamed ones. This suggests the gap is a product of in-



complete collecting in the past rather than an actual hiatus in animal history brought about by the Devonian mass extinction.

The team's discoveries range from species the size of newts to ones the size of crocodiles (pictured in the artist's impression above). Crucially, some were clearly adapted to be able to walk for long periods on land in a way their Devonian ancestors had not been. Romer's gap thus seems to be the time when tetrapods became unequivocally terrestrial.

But that is not all. One of the team's most intriguing findings came as a result of an analysis of the fossils' anatomies, to determine how they were related to each other and to earlier and later animals. This concluded that a great evolutionary split, between the amphibians and what are known as the amniotes, probably happened during the gap. The amniotes are those animals (including modern reptiles, birds and mammals) that have complex eggs surrounded by a membrane which cushions and protects the developing embryo. It was amniotes that evolved the eggshell, a development which let them sever all connection with the water by laying their eggs on land.

Romer's gap, in other words, now seems bridged—and this, in turn, bridges not only the gap in understanding of when tetrapods became terrestrial, but also that concerning when the amniotes evolved. And since, as mammals, human beings are also amniotes, that, from a human point of view, is an evolutionary twofer. ■

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Cautious optimism

Oleksandr Kramar

What are the prospects for Ukraine's economic recovery in 2017?

In 2016, the collapse of Ukraine's economy came to an end and a slow recovery began. Compared to the same period of 2015, GDP inched up 0.1% in Q1'16, further to 1.4% in Q2, and by Q3 it was up 1.8% over Q3'15. According to NBU forecasts for 2016, growth should add up to 1.1% for the year, while the IMF and EBRD predict 1.5%. Based on current dynamics, the more optimistic forecasts of IFIs look more likely to be right.

SLOWLY RECOVERING, A WAYS TO GO

Forecasts for 2017 put growth at around 2.0-2.5%, but as the new year looms, projections have been gradually adjusted downward. Recently, the NBU cut its forecast from 3.0% to 2.5%, similar to the IMF, whereas the EBRD has pegged it at only 2.0%. Meanwhile, for Ukraine's economy to even return to 2013 levels, GDP would have to grow 17.5% more in 2016, industrial output by 22.5%, and retail sales by 34.0%. Agriculture is probably the only exception, where 2013 indicators have already been reached and even passed in some parameters this year. Moreover, food processing is also looking solid, where output need only increase 6-7% to reach 2013 levels again.

Unlike previous years, one of the key factors driving economic recovery should be an increase in real household incomes. They will continue to be distant from European levels and even the levels of other post-soviet neighbors, not to mention below 2013 levels. However, there is reason to believe that as the minimum wage is aggressively increased, public sector pay scales and a review of average pensions will lead to positive growth in household incomes, even if inflation proves higher than anticipated.

Retail sales in comparative prices began to pick up already in 2016 as well. Using stable prices compared to the same period of 2015, sales grew 1.6% in Q1, 2.3% for H1, and by the end of 10 months, they were up 3.0%. With plans in place to continue to increase basic incomes in 2017, retail sales should continue to grow apace. This will also be helped by the low baseline: because of the steep decline over 2014-2015 retail volumes would have to grow nearly 50% to reach 2013 levels again.

Given the uncertain situation on external markets, this means that domestic consumer demand is likely to be one of the key factors driving economic recovery in 2017. This will be boosted by the recent removal of price controls on "socially significant" goods, meaning basic consumer goods coupled with a steep increase in the minimum

wage and public sector pay scales. Put together, all these factors should provide a solid stimulus for both growth in purchasing power and impulse to increase internal output of domestic goods and services that are popular among poorer consumers.

THE PRE-CRISIS CRISIS IN MANUFACTURING

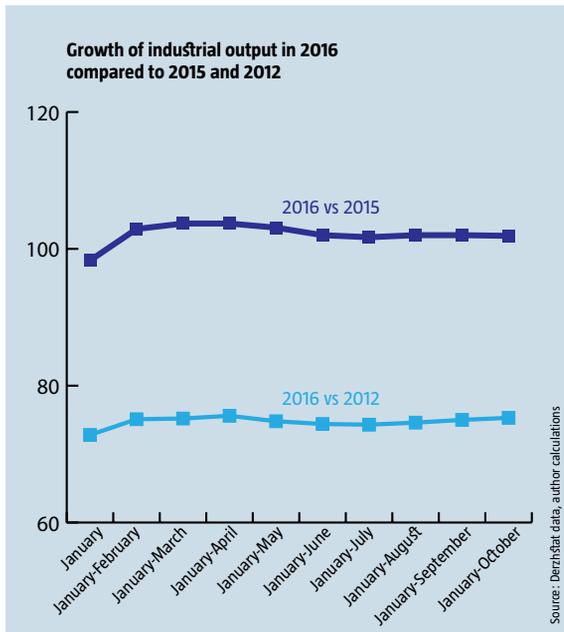
Despite politically-motivated speculation among a slew of politicians and "experts," the crisis in Ukraine's manufacturing sector has been a long-term trend that is not primarily connected with the disruption of economic ties with Russia, the Euromaidan, the war in Donbas or the change of government. A major decline in Ukraine's industrial sector began back in August 2012, and output continued to shrink month after month until the beginning of 2016. The reasons are much deeper, starting with the objective loss of competitiveness in the older drivers of Ukraine's economy such as the steel and chemicals industries, and the fact that a good part of the country's machinery is simply uncompetitive outside the former Soviet Union.



A KEY FACTOR DRIVING ECONOMIC RECOVERY SHOULD BE AN INCREASE IN REAL HOUSEHOLD INCOMES AS THE MINIMUM WAGE IS RAISED, PUBLIC SECTOR PAY SCALES AND AVERAGE PENSIONS ARE REVIEWED

Only in February 2016 did output begin to recover, mainly thanks to the generally low baseline due to a decline that was already long and became very steep over Q1-Q3 of 2015. However, a deeper look at monthly industrial trends suggests that the impulse to recover has been fading as the baseline grows. For instance, growth was 7.6% in February, 4.8% in March, 3.5% in April and a marginal 0.2% in May. Over June and July, output actually declined slightly compared to the same period of previous years. Over August and September, output picked up once again, by 3.4% and 2.0%, only to slip back to a marginal 0.8% in October, compared to the same months of 2015.

The result was that the growth of industrial output slowed from 3.7% over January-April to 1.9% for January-October compared to the same periods of the previous year. A longer comparison, to 2012, shows that this amounted to a decline of 24.5% and 24.7%, effectively the same for both periods, while the decline in industrial output since May 2016 after more impressive results



for February–April was mostly the result of the different baseline for those months of 2014–2015. By extrapolating the trend towards recovery in previous periods over all of 2016, we can expect a minimal increase in industrial output of no more than 1%.

Moreover, the revival of industrial output in 2017 will not be even. With world prices for natural gas on the slide in 2016, chemical production picked up pace in Ukraine, although prices for chemicals were also slipping. Ukraine’s producers managed to improve their competitive edge over producers in other countries because of their considerable surplus stock of hydrocarbons. As both gas and oil prices kept falling across the globe, the gap between domestic and world prices benefited Ukrainian chemical companies. This trend could continue if forecasts hold true and natural gas prices do not increase sharply, let alone if hydrocarbon prices dip below current levels again.

On the other hand, although its decline ended and some segments have seen significant growth, overall Ukraine’s machine-building sector stagnated over 2016. Where Ukraine could well see growth continue in 2017 is in domestic pharmaceuticals, furniture, light industry and electronics.

However, prospects seem the least promising in the steel industry, especially in exports of iron ore. The slight pick-up seen at the beginning of the year was the result of an upward adjustment in world prices that fairly quickly ran its course. Compared to 2015, the pace of renewal of industrial output in the steel industry slowed from a very promising 12.5% in April to a mere 4.0% in October 2016.

GOOD-NEWS, BAD-NEWS DYNAMICS

As *The Ukrainian Week* predicted in its forecasts, economic indicators have been supported mainly by positive trends in the domestic farm

sector, which has been slowly expanding its share of exports and the economy as a whole. This year, the harvest will likely be a record one for a number of key cultivars grown in Ukraine, to 65.5–66mn t of grain and 18.6–18.8mn t of oilseed—numbers that outdid even the most upbeat projections. What’s more, this harvest came despite a decline in planted acreage, meaning that yields are improving.

This suggests the options for continuing to expand crop harvests include both increasing yields and expanding sown acreages to the levels of previous years. Growth in the farm sector will also bring changes to the shape of Ukraine’s farming, which is reorienting on more profitable niche cultivars.

What is supporting this dynamic growth in the agro-industrial complex is active investment in the sector. Capital investment in farming skyrocketed to UAH 29.2bn for the first three quarters of 2016, and is catching up to capital investment in processing industry, which was UAH 36.1bn over this same period. But while all capital investment in the economy for the first three quarters of 2016 grew 16.4% and 15.5% in processing, the increase in the farm sector was a hefty 64.3%.

Physical volumes of exported foodstuffs are likely to grow even more quickly than production as Ukraine’s livestock farming stagnates and the number of domestic consumers shrinks. The share of food in the overall volume of exported goods was 40.6% for the first 10 months of 2016, compared to 37.1% over the same period of 2015. Despite a significant strengthening of the US dollar compared to the currencies of most countries and a bigger decline in world prices for Ukrainian foods than had been anticipated, exports of foodstuffs still led to growth of 1.9%, even in dollar terms: US \$11.81bn vs US \$1.60bn last year. In Euro terms, the growth was even more significant.

There’s reason to believe that in 2017 livestock production will also pick up as domestic demand grows. More rapid growth of incomes among poorer Ukrainians will change the shape of demand towards more consumption of meat and dairy products. The extremely low baseline will also result in growth in egg production after declining significantly in the last two years, and even to reach 2014 levels, the figures for 2016 will have to improve by at least 30%.

In QIV of 2016, exports also began to recover. Compared to October 2015, exports inched up nearly 0.4% in dollar terms in October 2016, from US \$3.2284bn to US \$3.2398bn, but 2.1% in Euro terms, from €2.935bn vs €2.876bn. It’s likely that these trends will hold for the last two months of 2016 and continue into 2017.

At the same time, imports continue to do better than exports, and so the balance of trade has been growing noticeably more negative. With the nominal incomes of Ukrainian household growing significant while the hryvnia continues to be propped up—the 2017 Budget has written in a deeper devaluation with an exchange rate of UAH 27.2/USD—, imports are likely to continue to grow while exports languish. ■

Stalking the NBU Governor

Vitaliy Melnychuk and Lyubomyr Shavalyuk

What's behind the discreditation of Valeria Hontareva and demands for the NBU Governor to resign

The recent campaign to discredit and dismiss Valeria Hontareva appears to be based on speculation, rumor, fear-mongering, unverified “facts,” open manipulation, and half-truths. It all started with a pamphlet entitled “Gontareva: A threat to the economic security of Ukraine,” which was distributed by MP Serhiy Taruta, the co-owner of the Industrial Union of Donbas (ISD), at the annual meeting of the IMF in October in Washington. From there, the epicenter of the campaign moved to Ukraine. Within a few weeks, a considerable number of articles appeared in public containing both reasonable arguments “pro” and “con,” and purely emotional rants. Now that all the sides have had their say, it's time to analyze the arguments.

FORCES MAJEURES AND MORE

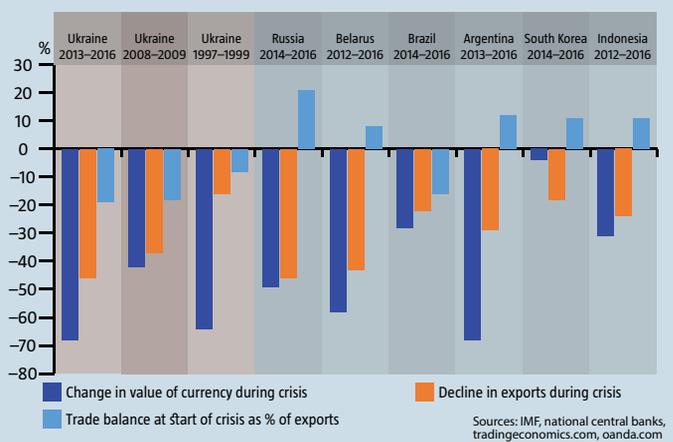
After the Euromaidan and the Revolution of Dignity, a series of tectonic changes took place in the country's economy, most of them with negative consequences. Many of them are now being blamed on the NBU and its governor, Valeria Hontareva. The biggest charge is over the steep devaluation of the hryvnia. Ukraine's Constitution does make the National Bank responsible for the stability of the national currency and its latest decline affected absolutely all Ukrainians, without exception. But is the NBU at fault for this devaluation?

The exchange rate is based on the interaction between supply and demand on the currency market. The supply of dollars is determined by dollar earnings, primarily from export operations, and to a lesser extent from repaid credits, direct investments, transfers from migrant workers, and so on. Over 2014-2015, Ukraine's exports plunged by 46% compared to 2013, and the country lost nearly US \$40 billion in annual dollar earnings (**see Far from the worst**). Nearly US \$12bn of that is the loss of exports to Russia and another US \$2-3bn losses of exports to other CIS countries because Russia blocked their transit.

The annexation of Crimea and the occupation of parts of Donbas cost another US \$5-6bn, and if we include the disruption of production links, this amount probably doubles. In other words, from half to two thirds of the loss of exports in the last three years is directly due

Far from the worst

The triple devaluation of the hryvnia since the Euromaidan corresponds to the initial trade deficit and the pace of decline of exports. If Ukraine were a developed economy, the devaluation might have been smaller. Countries like Russia, Belarus or Argentina would have seen an even greater devaluation.



to Moscow's actions, for which Ukrainians can thank Vladimir Putin and his fifth column in Ukraine, not Governor Hontareva.

Since 2014, prices for commodities have been falling on global markets, which has eaten up about US \$4-5bn of the remaining amount. And world trends are not something the National Bank of Ukraine has a lot of influence over. Finally, the country inherited a trade deficit of about US \$15.6bn from the Yanukovich regime, which meant that the hryvnia exchange rate was inflated even before the Euromaidan and needed to be adjusted downward.

All told, Ukraine suffered an unprecedented decline in exports and this meant that dollars were in short supply on the domestic money market. Capital flight, money taken out of the country by members of the previous regime who figured they were unlikely to be able to enjoy their ill-gotten gains at home in the future, and the panicky actions of contractors who were afraid of the war and of the losses that it would bring, all led to a steep rise in demand for hard currency. The supply shrank as demand grew.

These are the factual reasons why the hryvnia lost value: they did not depend on the NBU and the Bank could not have done anything

to prevent them. The only thing it might have done—and eventually did—, in this situation, was to institute strict controls over the currency market. Even so, some quarters complained about these controls and about their side effects, blaming the central bank and Hontareva personally.

DAMNED IF YOU DO, DAMNED IF YOU DON'T

What about the size of the devaluation—was it too steep? If Ukraine's balance of payments crisis of the last three years is compared with other countries (**see Far from the worst**), it appears that it was not. The Russian and Belarusian rubles collapsed by more given their initial trade surpluses and the size of the foreign exchange reserves of the Russian central bank. In developed countries, devaluations were relatively lower, but even their systems weren't much more stable. The devaluation of currencies in countries that went into unexpected default, such as Argentina in 2014 and Ukraine at the turn of the century, was more substantial.

Ukraine was able to avoid a collapse in its currency because of the rapid response and negotiating skills of the Ukrainian team at the time, some of whom were from the NBU, with foreign creditors. Over 1997-1999, the newly-minted hryvnia also devalued by two-thirds, going from UAH 1.76/USD to UAH 5.00/USD and Ukraine managed to restructure its public debt successfully. The then-governor of the NBU, Viktor Yushchenko was appointed Premier at the end of 1999 and no one even considered blaming him for the devaluation of the hryvnia that he had so successfully introduced in September 1996.

In short, with the national currency losing value for external reasons, the NBU did what it could, which was to establish strict controls, increase the interest rate and so on. By not succumbing to provocations and numerous calls to print more money to finance government bonds, it managed to prevent a far worse situation from developing.

In terms of the exchange rate, there are two factors that can be laid at Hontareva's feet. The first was artificially propping the rate prior to the Rada elections in October 2014 when the war in Donbas was going full-force. The second was specific statements that there would be "no further devaluations" and that the dollar would "stop"—first it was UAH 12, then UAH 16, and then UAH 20. But neither of these factors had much of an impact on the overall result of devaluation.

The NBU governor is also being blamed for the sharp rise in inflation, although inflation is a direct consequence of the devaluation of the hryvnia, because the proportion of imported goods, from medicine and clothing to fuels and so on, is high. Devaluation also affects the value

of utilities, whose rates are set by the Cabinet. If the hryvnia were stronger, rates would be lower, so blaming the Bank is simply wrong.

Indeed, the National Bank can be thanked for the fact that, in just one year, it was able to bring consumer inflation, which had peaked at 60.9% in April 2015, down to 10%. Appropriate, strict monetary policy gave the necessary results. Without that, inflation would continue to trample the wallets of Ukrainians. The NBU simply did what it could in very difficult circumstances that it found itself. Yet Governor Hontareva is also being blamed for the decline in household incomes and in the standard of living—both of which are the plain arithmetic result of inflation and devaluation.

CLEANING THE AUGEAN STABLE

One major accusation against the central bank is the removal of more than 80 commercial banks from the market. Is this a large number or not? According to the FDIC, the US deposit insurance fund, 25 financial institutions left



WITH THE NATIONAL CURRENCY LOSING VALUE FOR EXTERNAL REASONS, THE NBU DID WHAT IT COULD, WHICH WAS TO ESTABLISH STRICT CONTROLS, INCREASE THE INTEREST RATE AND SO ON

the market during the crisis of 2008, another 142 closed down in 2009, a further 157 in 2010, and 92 in 2011. Of course, the US has over 5,000 banks, but the system is much better regulated and reliable, and the Federal Reserve works more systematically and effectively. Moreover, the crisis of 2008-2009 was not nearly as deep as what Ukraine has experienced. And even so, cleaning up the fallout from the crisis took more than three years.

According to Russia's central bank, 76 banks lost their licenses in 2014 alone, as well as a dozen non-banking lending institutions. Another 102 lost their licenses in 2015 and a further 81 were stripped during the first three quarters of this year.

A total of 600 remain, which means a third of the sector has disappeared. True, Ukraine's share of bankrupt banks is larger, because, after the 2008-2009 crisis, Russia's regulator cleaned out the system, shutting down 137 banks over 2008-2010. Had the NBU done its job after the crisis rather than preserving pseudo-banks and the status quo, it would have had a lot less work to do today. The fact that Hontareva took this task on, without any pressure from the IMF, simply honors her.

But there are two minor quibbles. Firstly, the NBU supposedly could have saved about a dozen of those banks. Perhaps so. But how would that have changed the overall picture? At

the current stage, the regulator needs to demonstrate enough firmness that the country's bankers will believe in its integrity and resolve to make the banking sector better. And this occasionally means resorting to draconian methods. The second complaint is that the insolvent banks lost about UAH 30bn in refinancing and over UAH 100bn belonging to individuals and businesses. This particular side-effect is society's inevitable price for the clean-up.

One more accusation is that domestic banks have supposedly stopped lending since Hontareva became the NBU governor. Yet the NBU kept lowering the prime rate over 2015 and 2016: from 30% in March 2015 to 22% that September, then to 19% in April 2016, and 14% in November. And in the last 6 months, banks are enjoying record levels of liquidity (see **Balance sheet liquidity**).

The reason they aren't lending, however, is because of the crisis. At the moment, it's more profitable for them to make 12-14% on certificates of deposit or 16-18% on government bonds than to lend money that might never be repaid, even at 20%. In Q1'09, banks also stopped giving out both commercial and personal loans, but that crisis was short-lived and by the third quarter, commercial lending had picked up again. Individuals, however, are still paying off personal loans from that time. In fact, loan portfolios have not grown during crises in Greece or other problematic European countries, either, because it's too hard to assess the cash flow of potential borrowers. Ukraine is no exception in that.

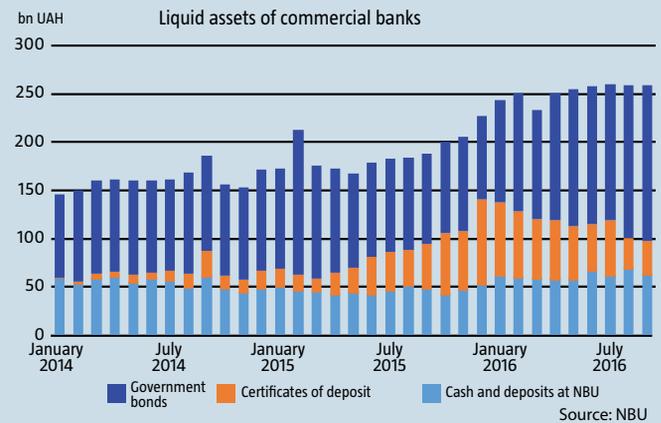
TARGETING THE SOFT SPOT

More serious accusations against Valeria Hontareva derive from her pre-NBU years. For instance, she ran Investment Capital Ukraine (ICU), a company that is criticised for helping the Yanukovich "Family" to rob the state. Recently published documents shed some light on this situation. ICU was involved in the schemes publicized recently that were used to embezzle from state banks on the Perspektyva stock exchange, which the Family controlled. ICU acted as the official intermediary between a state bank and the "pocket" money-laundering operation known as Fondoviy Aktyv (FA) or Equity Stock and was paid a standard commission for its services, not a cut of the deals. Both FA and the Perspektyva exchange, and the supervisory boards and top management of the state banks belonged to the Donetsk clans who were happy to enjoy this windfall and had no intention of sharing it with anyone.

Could Hontareva and the company she ran have not taken part in these schemes? Without any doubt. At the time, the company was one of the leaders in this segment of the market and professional market players were needed as an intermediary, in accordance with the law.

Balance sheet liquidity

The triple devaluation of the hryvnia since the Euromaidan corresponds to the initial trade deficit and the pace of decline of exports. If Ukraine were a developed economy, the devaluation might have been smaller. Countries like Russia, Belarus or Argentina would have seen an even greater devaluation.



In fact, such schemes could not have been carried out without companies like ICU, although what ICU itself did involved absolutely legal operations. Did Hontareva know about the entire scheme and its possible consequences? Apparently, yes. The publicized documents show that ICU not only bought and sold T-bills, but also participated in driving up prices on these bonds, that is, deliberately overpricing them so that the Family wheeler-dealers could take advantage of them later.

Ultimately, this is a moral issue. Knowing the nature of these schemes and their ultimate purpose, an honest person should have refused to be involved. In recent years, many companies were involved in driving up prices for shares and bonds, including junk bonds, in an effort to plug the holes that had appeared in their balance sheets after the 2008-2009 crisis. Whether ICU's willingness expose stock exchange schemes will have a positive impact on the market remains to be seen.

A much more damaging accusation is that money was taken out of Delta Bank by Hontareva's relatives prior to the bank being declared insolvent. Whether this accusation is based on fact or not, Ukrainian banks are known for this widespread practice: insider knowledge is used to remove money from a bank that is about to go into temporary administration. Typically the bank's biggest clients are offered deals to recover their money for a cut, sometimes as much as 50% of the cash. The problem is that the National Bank is structured in such a way that it is very easy for certain individuals to buy the information they need. And it is a problem Hontareva had better deal with without delay.

One accusation concerns the removal of assets from the NBU's Corporate Non-state Pension Fund (KNPF). The purchase of junk stock

and government bonds of a company called Svizhachok and others like it with the knowledge of NBU management took place at least five years prior to Hontareva's appointment. In fact, she initiated an investigation into this affair when she came to the Bank.

As governor of the National Bank of Ukraine, Hontareva must now look at changing the system to make it impossible for money to be withdrawn on a massive scale and effectively embezzle the Fund to Guarantee the Deposits of Physical Entities (FHVFO). Results won't be immediate and will need the cooperation of the Fund itself and of the Verkhovna Rada. The same goes for the NBU's Corporate Non-State Pension Fund, which should operate in a standard manner and not be hand-managed by the Bank. Criticisms of the NBU's flawed system are fair, and hopefully Hontareva is prepared to do something about it.



THE OLIGARCHS HAVE NOT BEEN HAPPY WITH NEW PEOPLE WHO HAVE COME TO GOVERNMENT, ARE TAKING REFORMS SERIOUSLY AND ARE WORKING TO ESTABLISH RULE OF LAW

"FOSTERING A RUSSIAN EXPANSION"

Hontareva has also been blamed for allowing the expansion of Russian banks into Ukraine. Today, there are seven Russian institutions in Ukraine: the state savings bank Sberbank Rosiyi, Alfa-Bank, Prominvestbank, VTB, VS Bank, BM Bank, and Forward Bank, formerly known as Russkiy Standart. According to NBU data, their share of assets among 182 banks operating in Ukraine was 10.8%. By mid-2016, with only 101 banks operating, their share had inched up to 12.2%. Recently, UkrSotsBank/Unicredit was bought or merged with Alfa-bank, which would raise their share to 16.3%

Still, given the serious decline in the number of banks on the Ukrainian market, the Russians should have gained a lot more market share if they were expanding. For instance, PrivatBank has increased its market share from 16.8% to 21.4%, while Oschadny Bank has increased its share from 8.1% to 14.7%. After the Euromaidan, Ukrainians began to massively boycott Russian goods—and Russian banks felt the hit as well, losing deposits at the fastest rate of any other domestic banks.

There is, of course, the question why no Russian banks have lost their licenses, although Prominvest and VTB bank are known to have plenty of problems and gaps in their balance sheets. Others are probably also less than ideal. It's hard to know whether these banks are simply staying within the law or whether the issue of Russian capital in Ukraine was one of the unpublicized components of the Minsk talks. In

any case, it's an issue that would be better addressed to the National Security Council or to the President rather than the Governor of the National Bank.

JOB 1: CREDIBILITY

One odd item in the Taruta brochure is the statement that trust in the NBU governor is only 2.8%. Given the threefold decline in the hryvnia against the dollar, this is hardly surprising, but in fact, the reasons for the devaluation are something at most 10% of Ukrainians actually understand. And it hasn't been helped by massive criticism aimed at Hontareva on oligarch-owned television channels and the months-long pickets of "deceived depositors" in front of the NBU and Parliament.

Clearly, she has stepped on some big toes of Dmytro Firtash, Kostiantyn Zhevago, Oleh Bakhmatiuk and Serhiy Arbuzov, one of her predecessors, as well as other Family members, by withdrawing the licenses of many of their banks. Ihor Kolomoyskiy has probably joined their ranks now that the regulator is forcing him to stop using PrivatBank to finance his other businesses. So it's no surprise that many television channels have little good to say about the NBU these days, because that might increase confidence in both the hryvnia and Hontareva.

Meanwhile, certain politicians are trying to make populist hay out of the situation and piling on the criticisms. But confidence is not just an official "measure of popularity." The NBU today has a proper team of professionals and is working to institute best world practice in its administration. Indeed, international and independent Ukrainian experts say that the National Bank is one of the leading reforming institutions in Ukraine today and give it high marks for its work. So, when the Rada submitted a series of bills intended to reduce the NBU's powers and make it more amorphous, the IMF and others came to the defense of the independence of the central bank.

The NBU's first female governor has certainly made her fair share of mistakes, both before being appointed to the Bank and since. But those mistakes pale in comparison to what Hontareva has accomplished and the major problems she has managed to avoid. At this point, it makes more sense to let her to carry through the reforms that she has begun rather than pushing for her to be dismissed. The oligarchs have not been happy with the slew of new people who have come to government, are taking reforms seriously and are working to establish rule of law—and the populists and fifth columnists are quite happy to jump on this bandwagon. At a time when the country is slowly but surely crawling out of an economic black hole, however, preserving the credibility of the central bank should be a priority. ■

Sleeping with the enemy

Oleksandr Kramar

How Ukrainian business operates in the occupied territories to the detriment of the rest of the country

For three years running, now, the owners of businesses in ORDiLO, the occupied parts of Donetsk and Luhansk Oblasts, and some members of the government continue to justify support to opportunities for such commercial activities as being in Ukraine's economic interests. The argument is that the country will otherwise face even deeper economic decline and shrinking hard currency revenues from exports. Such economic concerns and, even more so, the energy security of the state supposedly justify the delivery of millions of tonnes of coal from territories controlled by terrorists every year to supply Ukraine's power industry.

ROBBING PETER TO PAY PAUL

But a more careful analysis of the corporate reports of the owners of the biggest assets operating in the territories run by Russian proxies paints a completely different picture. It turns out that total and export earnings from the sale of their products are almost the same as they would earn by more fully using the capacities of their businesses in the rest of Ukraine. Instead, we are seeing a deliberate reduction in output at companies operating in Dnipro Oblast or the unoccupied parts of Donetsk Oblast in order to continue operating those that remain on the occupied territory, such as Yenakieve, Makiyivka and Alchevsk.

In most cases, this directly harms other enterprises in the respective industries and even those same corporation's operations in the rest of Ukraine. So, while pretending that they are "concerned over hard currency earnings" and "preserving economic potential," corporations like Metinvest, DTEK and ISD are actually participating in an economic confrontation between Ukraine and the Russian proxies—on the side of the terrorists.

Moreover, after restricting the delivery of a slew of predominantly consumer goods across the demarcation line, the government is ignoring the hundreds of millions of dollars being sent across that same line by companies that are formally registered in Ukraine.

WHY YENAKIEVE INSTEAD OF MARIUPOL...

Let's start with Metinvest, the steel company owned jointly by Rinat Akhmetov and Vadym Novinsky. The corporate report for the first

three quarters of 2016 shows that all the corporation's enterprises together produced 6.31 million tonnes of steel and 6.61mn t of pig iron. Fully 1.46mn t of that steel and 1.38mn t of the pig iron were produced at the Yenakieve Steel Plant (YMZ), located in occupied Donbas, while the remaining 4.88mn t and 5.23mn t were produced at two plants in Ukrainian-controlled territory, Mariupol's AzovStal and the Mariupol Steel Plant, MMK. Continuing operations at YMZ led to additional cutbacks in output in Mariupol, which alone had produced 7.28mn t of steel and 6.67mn t of pig iron back in the same three quarters of 2013.

This same report provides comparative data for all of 2013, when the Mariupol plants produced 9.5mn t and 8.91mn t, and 2015 when output was cut back to 5.85mn t and 6.4mn t. In fact, the annual capacity of AzovStal and MMK is actually 10mn t of pig iron and 9.9mn t of steel, which amounts to 7.5mn t and 7.4mn t for three quarters. This is far more than is currently being produced by all Metinvest enterprises combined, including the Yenakieve plant that is in occupied territory.

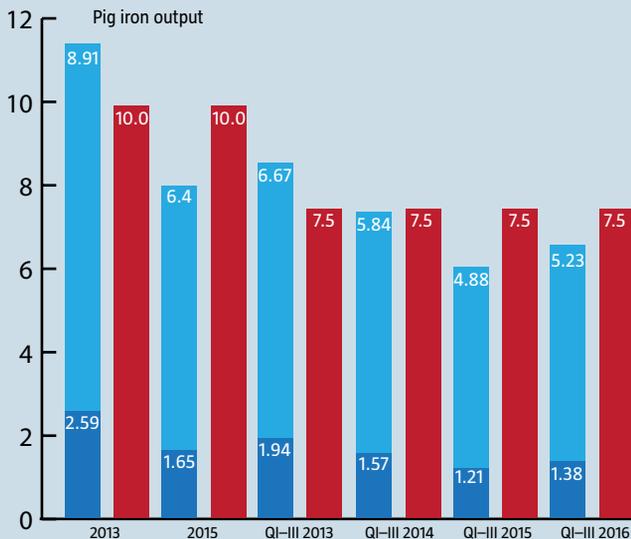
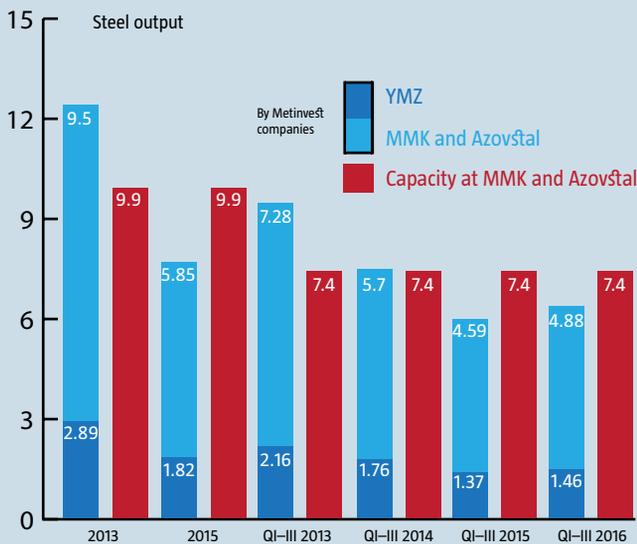


WE ARE SEEING A DELIBERATE REDUCTION IN STEEL OUTPUT AT COMPANIES OPERATING IN DNIPRO OBLAST OR THE UNOCCUPIED PARTS OF DONETSK OBLAST IN ORDER TO CONTINUE OPERATING THOSE THAT REMAIN ON THE OCCUPIED TERRITORY

If Metinvest were to shut down the Yenakieve plant and all of the corporation's production took place at its Mariupol plants, the company could improve its numbers to 7.61mn t of steel and 8.05mn t of pig iron (see Distribution of steel) and nothing would suffer: not Ukraine's economy, not its export revenues, and not Metinvest's income. Instead, free Mariupol would gain while occupied Yenakieve and Makiyivka, where a subsidiary of YMZ operates, would lose because companies that are critically important for socio-economic stability in the region would stop functioning. However, this did not happen and for nearly three years now, the Ukrainian government has failed to block the supply of steel products from ORDiLO and iron ore to it in order to force Metinvest to shift the YMZ production capacities to the Mariupol plants.

Distribution of steel

Real output vs capacity for main products made at Metinvest facilities in Ukraine-controlled territory and the occupied parts of Donbas, mn t



Source: Metinvest annual corporate reports, author calculations

SALES: IF NOT TO RUSSIA, THEN WHERE?

According to the YMZ annual report, the company sold product worth a total of UAH 12.13bn or more than US \$500mn, most of it on the domestic market—which is not typical for Ukraine’s export-oriented steelmakers. In fact, the share sold in Ukraine in 2015 was 58% in tonnage and 41.7% in value. As a result, a steel company situated in occupied territory made UAH 5.6bn in Ukraine in 2015 and another UAH 6.68bn in 2014. The main buyers for this steel were domestic construction, machine-building, metal processing, power, and transport companies. Note that YMZ’s export sales also grew in 2015 over 2014, going from 0.63mn t in 2014 to 1.05mn t in 2015. Most of the company’s produc-

tion is shipped to European countries and almost nothing to the Russian Federation.

This activity could easily have been stopped given sufficient political will among Ukraine’s leadership without costing either the economy or the country’s exports anything. This much is evident from the corporate reports of YMZ itself, which states that its main competitors for finished steel products on the country’s domestic market are ArcelorMittal Kryvyi Rih, the Kramatorsk Steel Plant, the Dnipro Steel Plant (DMK) in Kamiansk—formerly Dniprodzerzhinsk—, and a slew of other Ukrainian enterprises. To put it another way, the production output of YMZ could easily be switched to companies on Ukrainian territory that is governed by Kyiv.

Instead, the Yenakieve plant is not only operating but, based on corporate statistics, is actively expanding its output and launching new types of products intended primarily for Ukraine’s domestic market. Its capital investment program for 2016 contains projects worth more than UAH 50mn, including one in cooperation with France’s Air Liquide.

Yet another Metinvest enterprise on the occupied territories is the Khartsyzk Pipe Plant (KTZ), whose production could also easily be shifted to facilities on non-occupied territory. In 2015, this plant produced 67,800 t of large-diameter piping worth UAH 714.4mn, a steep decline from 245,200 t worth UAH 3bn in 2014. Only 3.1% of its output was sold in the Russian Federation and 0.9% in 2014. Meanwhile, 11% worth UAH 85mn was sold in Ukraine in 2015, compared to 9.2% worth UAH 207.2mn in 2014.

In fact, there are no prospects for Ukrainian pipes on the Russian market, where at least three major competitors operate: the Cheliabinsk, Izhorsk and Volga pipe plants. The main customer for Ukrainian-made pipes was Turkmenistan, which bought 62% in 2014 and 48.3% in 2015. On the Ukrainian market, according to the company itself, the Khartsyzk plant’s main competitor is the Novomoskovsk plant in Dnipro Oblast. In other words, should KTZ shut down, overall output in Ukraine would not only not be reduced but might, in fact, even grow substantially in non-occupied Ukraine.

Despite notices in the press that the Khartsyzk pipe plant was planning massive layoffs—nearly 1,100 workers—and even a shutdown of its facilities or their sale to Russian entities, in September 2016, the Metinvest Group’s General Manager Yuriy Ryzhenkov announced that KTZ was renewing operations thanks to orders from Ukraine. Rumors about a possible sale turned out to be mistaken: “The plant will continue to work. It was in operation last month and this month... the situation is normal, the mood among workers is upbeat, everything’s in good shape.”

...OR ALCHEVSK INSTEAD OF KAMIANSK?

Meanwhile, on the occupied territory of Luhansk the Alchevsk Steel Plant (AMK) is still in operation, an enterprise belonging to the Industrial Union of Donbas (ISD). The owners are

one-time Donetsk Governor and now Member of the Verkhovna Rada Serhiy Taruta, and Russian investors linked to EurazHolding and the state-owned Vneshekonombank. The Alchevsk Steel Plant is potentially the largest producer of metal products and employer in this branch on the occupied territories. Its capacity is 5.5mn t of molten steel, 5.3mn t of pig iron and more than 3.6mn t of rolled steel. And so it's now a source of income for de facto terrorist authorities.

Despite considerable downtime, AMK managed to sell product worth UAH 14.9bn in 2014 and UAH 7.9bn in 2015. The coke it used was prepared at the Alchevsk Coking Plant, which is located nearby and also provides both jobs and incomes for many locals. Shutting down this

The Alchevsk plant in ORDiLO had **12,300** employees in 2015, amounting to a payroll bill of **UAH 590.3 million**

company would apparently be a serious blow to the socio-economic state of Alchevsk itself and on outlying areas that border on free parts of Luhansk Oblast and are a source of constant artillery fire.

According to corporate reports, the enterprise produced 630,000 t of rolled steel and 50,000 t of pig iron. Such volumes could easily be compensated for at the Dnipro plant, DMK, which also belongs to ISD but is located on Ukraine-controlled territory, in Kamiansk, Dnipro Oblast. In the DMK reports, the Alchevsk steel plant is actually named as one of its key competitors!

However, the DMK corporate report also shows that its own output is being artificially limited, just as Akhmetov's Metinvest is doing with its Mariupol plants. According to the official report from the plant, its planned steelmaking output of 2.76mn t in 2015 was fulfilled only to 84.2%, while its planned output of 2.97mn t of pig iron was fulfilled only to 75.9%. This represented reductions from 2014 production of 3.27mn t of steel in 2015, and 3.07mn t of pig iron. Although the planned output for rolled steel was 800,000 t in 2015, in fact only 55% of that was actually produced.

This shows a colossal underproduction of metal products at DMK at the same time as considerable volumes are being produced at the Alchevsk steel plant, its direct competitor. The only explanation for this seems to be that ISD, which is controlled by Russian entities, is determined to allow the plant in occupied Alchevsk to continue to operate and to support the socio-economic situation in terrorist-run LNR.

FAVORING TOWNS IN ORDILLO

The continuing operation of these nominally Ukrainian companies on the occupied territory is a major factor in the financial and commercial support sustaining the terrorist statelets of DNR and LNR, and postponing their socio-economic collapse. For instance, on the pretext of supplying companies on the occupied territories that

are registered in Ukraine and “pay taxes,” enormous amounts of electricity are being provided by the Luhansk TES, a regional co-generation plant, most of which no one is paying for.

What's more, the continuing operation of companies that are nominally registered in Ukraine and their unhampered movement of the necessary raw materials and finished goods across the demarcation line ensure large scale inputs into the retail trade sector of ORDiLO and funding for its social infrastructure.

For instance, according to its corporate report, the Alchevsk plant (occupied part of Luhansk Oblast – **Ed.**) had 12,300 employees in 2015, amounting to a payroll bill of UAH 590.3 million. As of Dec. 31, 2015, the Yenakieve plant (occupied part of Donetsk Oblast – **Ed.**) employed 6,940 and was spending UAH 458mn on payroll per annum and another UAH 184.6mn on social benefits. It's worth pointing out that in both cases these large towns with populations of no more than 100,000 each, and such a number of jobs and financial inputs are extremely significant for them. But the same can be said for the Khartsyzk pipe plant (occupied part of Donetsk Oblast – **Ed.**), which, according to its official report, employed 2,330 in 2015 and had a payroll of UAH 120mn—down from UAH 138mn in 2014. In 2015, another UAH 23.5mn went into current and capital repairs at the plant, down from UAH 33.3mn in 2014. The town of Kamiansk—formerly Khartsyzk—has a population of only 50,000.

Meanwhile, KrasnodonVuhillia (occupied part of Luhansk Oblast – **Ed.**) which extracts coking coal for Metinvest, has 11,230 employees and spent UAH 645.6mn in 2015 on payroll, compared to UAH 915.2mn in 2014, and wages were properly paid out twice a month. Moreover, Metinvest has been investing substantially in the company, with UAH 90.6mn allocated in 2015, compared to UAH 231.5mn in 2014, and in local infrastructure: social, medical and sports facilities, street lighting and more, all of which is fulsomely written up in the association's page of the Metinvest site. In Krasnodon alone, the company renovated the neurological department at the Central Municipal Hospital at a cost of UAH 1 million.

It is these multi-billion injections of capital into a “Ukrainian company” that make it possible to support a completely satisfactory socio-economic environment in the areas where these plants are located and to provide the necessary conditions for retail trade, services and related industries to develop. And, indirectly, to fill the “budgets” of the militants and provide money for their criminal activities at Ukraine's expense. This reduces the level of dissatisfaction with the LNR and DNR gangs, which might otherwise rise sharply if these channels for funneling cash were closed off.

FAVORING MINES IN ORDILLO

In the coal industry, it's more difficult to determine whether companies operating in the occupied zone are receiving preferential treatment

that harms other companies in the industry operating in the rest of Ukraine, or not. Still, it's harder to deny that coal from ORDiLO is being purchased in growing volumes because it's not available elsewhere. The way to understand this is to start with some bits from the DTEK corporate report for 2015: it shows that the company took every possible opportunity to continue to support extraction at company mines in the occupied areas while cutting it back at company mines on free Ukrainian territory.

"Over January-September 2015, the company's miners increased the extraction of various types of gas coal," the DTEK report states. "This made it possible to provide for TESs operating on these types of fuel to increase their output and partly offset the reduced power output of stations operating on anthracite. In QIV'15, surplus capacity in Ukraine's United Energy System (OES) restrained the further extraction of coal."

This effectively refutes a previous explanation in the report: "... Moreover, in the second half of 2015, our companies increased coal extraction by 59.5% or 1 million t, compared to H1, thanks to the August 2015 renewal of operations on the Mykytivka-Mayorske railway switch, which had been destroyed during military action in 2014. Restoring rail movement made it possible to increase extraction and for TES to build up stores of anthracite for the heating season."

In fact, one group of DTEK cogeneration plants operates using gas-type coal, which can be extracted in abundance on non-occupied Ukrainian territory—including the company's own mines in western Donetsk and eastern Dnipro Oblasts. A second group uses anthracite for fuel, which really is available only at surface mines operating in occupied Donbas. However, as these two fragments of the DTEK report make clear, as Ukraine's power grid required less electricity, instead of increasing the output levels at the two blocks that operate on gas-type coal, the company used any excuse to begin increasing the extraction and shipment of anthracite coal from the occupied territories.

The report clearly shows the reason why DTEK rejected the tactic of substituting power generation at blocks that use anthracite from the occupied territories to power generation from blocks that operate on gas coal that is plentiful in Ukraine was that it had a chance to restore full-scale deliveries from the occupied territories through Mayorske. In August 2015, when the Mykytivka-Mayorske switch was restored with the help of DTEK, the extraction and shipment of coal was increased at DTEL Sverdlov-antratsyt, DTEK Rovenkyantratsyt, and DTEK Shakhhta Komsomolets Donbasu [Donbas Komsomol Mine]. Over July-December 2015, the DTEK Energo cogeneration plant received 2mn t more coal than in the same period of 2014.

This trend became even more noticeable in 2016. The DTEK report on production indicators for the first three quarters of this year demonstrated that the practice of preferring coal extraction at the company's mines in the

occupied territories while reducing coal extraction at company mines in the rest of Ukraine has continued. Anthracite extraction has increased 63.6% or 2.1mn t at the three mentioned mines, which are referred to as "Ukrainian mining companies" although they are all in occupied Donbas. Deliveries of this type of coal to DTEK cogeneration plants increased 33% or 0.9mn t, to 3.4mn t, all at the expense of reduced extraction of gas-type coal in the rest of Ukraine by 9.0% or 1.5mn t. In QIII, DTEK TESs that operate on gas coal increased the burn rate of coal from QII by only 29%, while those operating on anthracite burned 41% or 0.41mn t more

In short, a kind of "import substitution" is taking place between coal extracted in free Donetsk and eastern Dnipro Oblasts and coal extracted in occupied Donbas. Among others, this has led to losses at mines in the rest of Ukraine worth at least US \$70-80mn and similar gains at mines in ORDiLO. Deliveries of coal from DTEK's Ukrainian mines in the ATO zone are pegged at 13,000 t per day, which, calculated on a steady basis for a year could reach 4.7-4.8mn t of anthracite worth several hundred million dollars.



A KIND OF "IMPORT SUBSTITUTION" IS TAKING PLACE BETWEEN COAL EXTRACTED IN FREE DONETSK AND EASTERN DNIPRO OBLASTS AND COAL EXTRACTED IN OCCUPIED DONBAS IN FAVOR OF THE LATTER

In its 2015 corporate report, DTEK complains, "The established rates for TES don't cover production cost of generating power using imported coal. So, in QII the company did not buy coal abroad. This meant that our first task was to restore rail links and look for alternate routes for delivering anthracite from Ukrainian mines in the ATO zone." Still, the current formula for setting rates based on AP12 (Rotterdam+) provides the conditions for substituting anthracite from the occupied territories with coal from RSA, Australia and other countries. Instead, DTEK is increasing deliveries from those areas controlled by terrorists.

What's more, DTEK is stubbornly sabotaging the transfer of TES blocs working on anthracite from mines in occupied Donetsk and Luhansk Oblasts to gas coal. Moreover, lately the company has renewed active efforts to extend the life of those of its power blocks that use anthracite. For instance, the capacity of the #1 power unit at the Kryvyi Rih TES is slated to be expanded from 282MW to 315 MW. Even during this reconstruction, no consideration has been made to shift it to operating on gas types of coal, which can easily be extracted in sufficient quantities at DTEK's own mines on free Ukrainian territory. For better or for worse, it looks like Rinat Akhmetov has decided to throw in with the Russian proxies once and for all. ■

Shifting moods among Ukrainians

Andriy Holub

In three years since the Euromaidan, what has changed among ordinary Ukrainians? What trends suggest the direction Ukrainian society is moving in? A recent poll provides some answers to these questions.

Articles about how the convictions of Ukrainians have changed since the events of 2013-2014, dividing Ukraine's history into "before" and "after," appear with predictable regularity. One of the more obvious consequences is the maps that sociologists use when presenting their results: the labels "Northeast" and "Southwest" that divided Ukraine before have disappeared entirely. "The concept of a Southeast is already a myth," pollster Yevhen Holovakha told *The Ukrainian Week* back in 2014. "At one time this made sense, based on electoral and political orientations. Now, everything has changed profoundly."

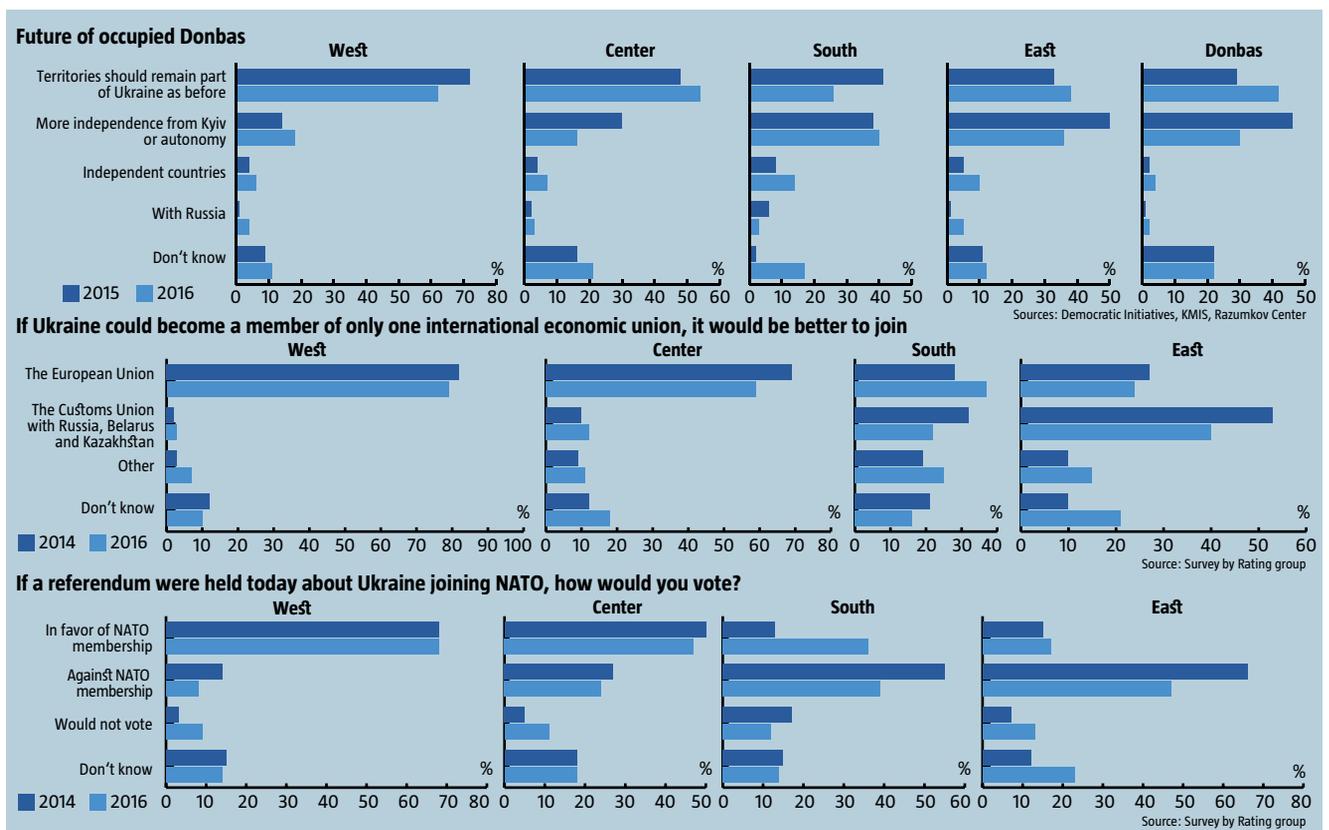
DEMOCRACY VS AUTHORITARIANISM

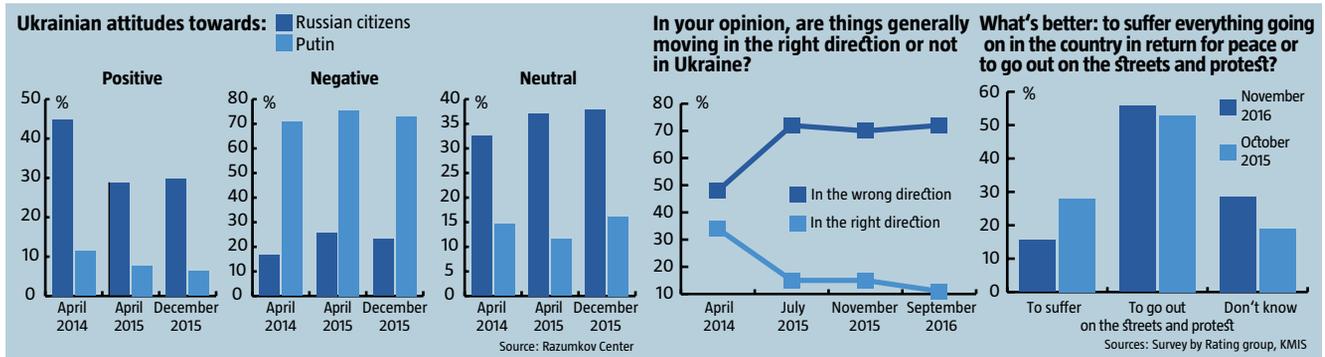
It's three years and already the question arises, have the changes that took place been sustained, and where can they be seen? In June 2016, the Razumkov Center published a large-scale study of the changes in self-identification among Ukrainians called, "The identity of Ukrainian citizens under new circumstances: current state, trends

and regional differences." The study was based on a survey at the end of 2015 and a comparison with previous survey results.

One of the driving factors that led to the Euromaidan's Revolution of Dignity was widespread anger at the use of force and the unwillingness of the Yanukovich regime to take the public mood into account in its actions. Afterwards, war began with Russia. Visits to news sites during the Euromaidan and at the beginning of the war broke all records. Because of this, Ukrainian society became highly politicized. A survey by the Razumkov Center showed that 12% of Ukrainians were very interested in politics and another 67% were somewhat interested. Only 21% were completely uninterested.

A majority of those surveyed, 51%, defined democracy as the most desirable form of government for Ukraine. But 18% were convinced that an authoritarian regime might be acceptable under certain circumstances and another 13% thought the question was meaningless. Still, the number of supporters of the idea of democracy has grown since





2012, when they represented 47% of those surveyed, and the number of those who favored authoritarianism was much higher, at 24%, while the share of those who were indifferent was 17%.

The share of those who favor democratic values has grown, despite noisy debates and even the occasional call for a “strong hand” to bring order under the current circumstances. Yet when asked to assess the current government, few noted serious changes. In 2012, at the peak of Viktor Yanukovich’s regime, Ukrainians gave the government a 4.97 points, where 1 is dictatorship and 10 is democracy, in December 2015 they gave the current government only 5.24 points.

THE FADING SOVOK

The pollsters decided to also look at the way Ukrainians understand the values of equality and freedom, the founding principles of democracy that are most popular in Ukraine. At 54%, the concept of “equal opportunities for every individual to develop their skills” was favored over the concept of “equal incomes and standards of living,” which was preferred by 36% of those polled.

Still, more Ukrainians, at 48%, said they would prefer to live in a society where the government regulates everything but there aren’t major social gaps. Another 35% preferred a society with individual freedom, where people were responsible for and took care of themselves. The first of these indicators was seen as a reflection of a tendency toward paternalism in Ukrainian society that remains quite strong, even 25 years after the collapse of the Soviet Union. To some extent, this indicator flies in the face of the stereotype that western Ukraine is populated by “Europeans,” while the east is dominated by homo sovieticus or “sovoks,” as they are popularly called. The desire to hand over responsibility for a slew of areas in daily life is high across all regions, although the gap between the two indicators was a lot smaller in the West—44% to 40% (**see Paternalism vs responsibility**).

In July 2016, Razumkov Center Deputy Director Yuriy Yakymenko commented on these results for *The Ukrainian Week*, saying that there was no reason to see this as some kind of catastrophe. “We aren’t looking for a ‘good tsar,’ that’s for sure,” Yakymenko explained. “The way to look at this is that more people would like to see their society organized as a democracy. As for this other aspect, we presented two questions. The first was to define whether equality meant equality of opportunity, in which the burden of using it is on the individual, or equality of material status. Most chose the first interpretation. With the second question, we asked what kind of society people would like to live in: in one with personal freedom but people taking

care of themselves, or in a society where everything is regulated by the state, but there aren’t any serious social gaps. That’s a different situation. This is not quite paternalism, but rather the desire for the state to carry out a regulatory function to smooth inequalities.”

Yakymenko thought that these views were driven by the low standard of living among most Ukrainians and lack of trust in the state and its institutions.

THE SHARE OF THOSE WHO FAVOR DEMOCRATIC VALUES HAS GROWN, DESPITE NOISY DEBATES AND EVEN THE OCCASIONAL CALL FOR A “STRONG HAND” TO BRING ORDER UNDER THE CURRENT CIRCUMSTANCES

IDENTITY AND SELF-PRIDE

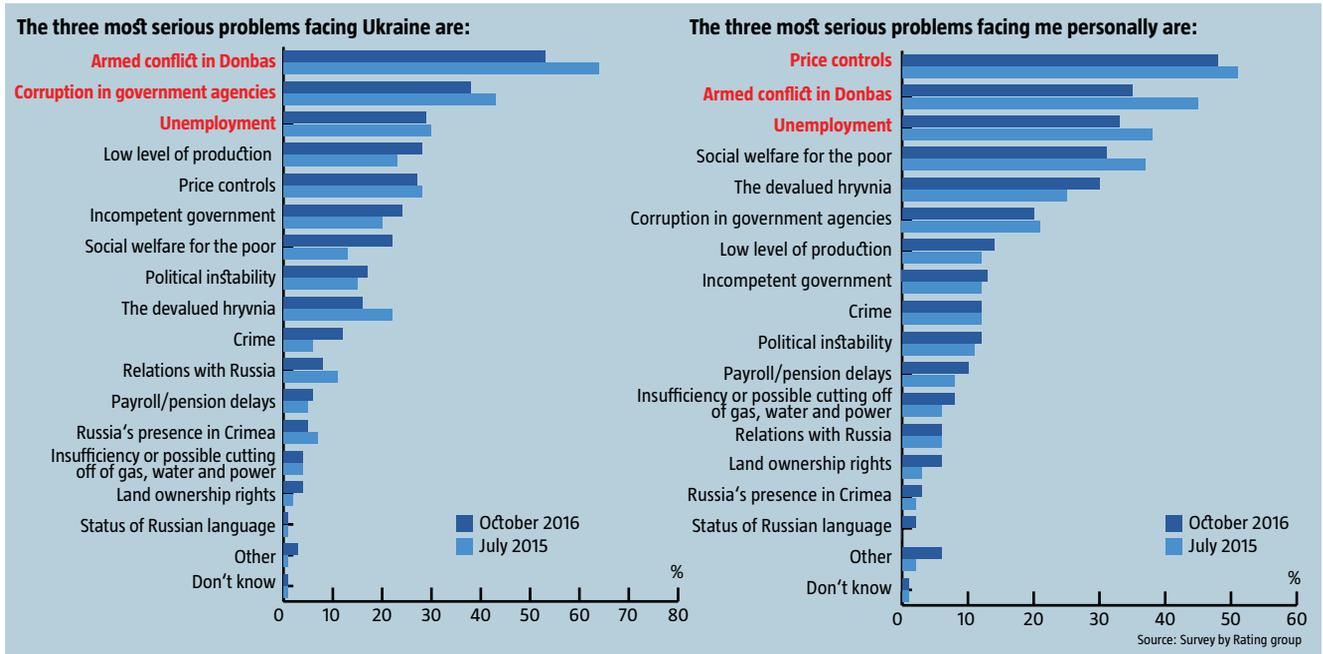
Overall, the Razumkov study encompassed a much larger period than just the Euromaidan, as it goes back to 2005, after the Orange Revolution. Changes in the identity of Ukrainians over the last decade are clearly substantial say sociologists. Among others, they noted the growing role of a national identity over a local or regional one, and a “growing sense of the value of one’s own country and a sense of self-respect for themselves as a nation, and an expanding Ukrainian national and cultural component in their identity, even in the East and South.”

What’s more, Ukrainians continue to take great pride in their achievements in sports, music, literature and so on. “So far, the political form of the state and socio-economic achievements still don’t offer enough of a source of pride,” the report notes.

The authors are also cautious about drawing overly-optimistic conclusions about the present time: “The risk of conflict emerging within Ukrainian society and growing serious remains, based on noticeable differences among residents of different regions about the further geopolitical direction the country should move in. There are also serious problems connected to restoring Ukraine’s territorial integrity and the model of coexistence with those living in the regions that are currently occupied, how to reach reconciliation and mutual understanding.”

UKRAINIANS AND THE WORLD

Various sociological agencies more-or-less regularly publish the results of their public opinion surveys. Many statistics are already freely accessible even for 2016, which is coming to an end. Of course, there is always a risk that data will be misinterpreted. To reduce this risk, this article



primarily focuses on comparing the results of polls taken by one and the same organization commissioned by the same client. The purpose is not to evaluate the accuracy of particular results, as to see the trends. Sociologists warn that changes in the overall mood that are within 10% should not be treated as a serious trend as many factors can affect such a result. This is especially true when making comparisons across several years.

One of the direct consequences of the Euromaidan and Russia's military aggression was a strengthening of the western outlook in international cooperation. Still, the prospect for integration with the EU appealed to Ukrainians before these events took place. The previous government played a not insignificant role in this by promoting its successes in preparing the Association Agreement with the EU. This was one of the pillars of Viktor Yanukovich's strategy for being re-elected to a second term—a strategy that he himself wrecked when he suddenly altered Ukraine's foreign policy orientation.

40% of Ukrainians believe in sanctions as a way to force Russia to sue for peace. **15%** believe in resolving the situation by force. More than **50%** of Ukrainians support a partial or complete isolation of the occupied parts of Donbas

Joining the EU remains a strong desire among a majority of Ukrainians. In September 2016, 51% of those surveyed by the Rating Group put integration with the EU ahead of joining Russia's Customs Union or some other association. Still, in Rating's September 2015 survey, 57% of Ukrainians did so, and in September 2014, 59% did. This noticeable decline could be the result of a number of factors. For one thing, the Association Agreement did not have a noticeable impact on the standard of living of most Ukrainians. Many Ukrainians are also upset at what they see as the European Union's limp response to Russia's aggression against their country. And the way the granting of a visa-free regime to the EU has been dragged out for years

and the obvious internal squabbles among the Union's members have also left their imprint on Ukrainians.

Interesting that, according to these same polls for 2014-2016, while the popularity of the European Union has slipped in the West and the Center, it has grown in the South—although we should take into account that Dnipropetrovsk Oblast was shifted from the East macro-region to the South one.

The most striking and surprising changes that have taken place with the occupation of Crimea and the start of the war in Eastern Ukraine are the change in attitudes towards NATO and Russia. In the last two years, support for NATO among Ukrainians has grown steadily: in Rating's poll, it went from 38% in April 2014 to 43% in April 2016, while those against have shrunk from 40% to 29%.

With Russia, the situation is not so obvious. Despite three years of war, Ukrainians still don't equate the people of the Russian Federation with their leadership. In the eyes of many Ukrainians, the main, and often the only guilty party in this war is Vladimir Putin himself. The Razumkov survey, positive attitudes towards Russians among Ukrainians fell from 44.9% in April 2014, to 29.9% in December 2015, while negative ones rose from 16.6% to 23.1%. Only 6.3% of Ukrainians feel positive towards Putin, while 73.1% feel negative.

Similar attitudes towards Putin were seen in other sociological services. However, KIIS showed that between February and June 2016, attitudes towards Russia actually improved slightly. In commenting on these results, KIIS Director Volodymyr Paniotto said it was important not to connect this exclusively with the release of Nadia Savchenko, which happened in May.

"It's possible that we are getting accustomed to the state of war, that it's becoming routine, and so Ukrainian attitudes towards Russia are returning to their traditionally positive position," Paniotto explained. "Still, in contrast to how this event was portrayed in Russia, the death of people in the East of the country is a constant, daily topic in all the news. Maybe Ukrainian media are reporting less on the presence of Russian soldiers in Donbas, especially

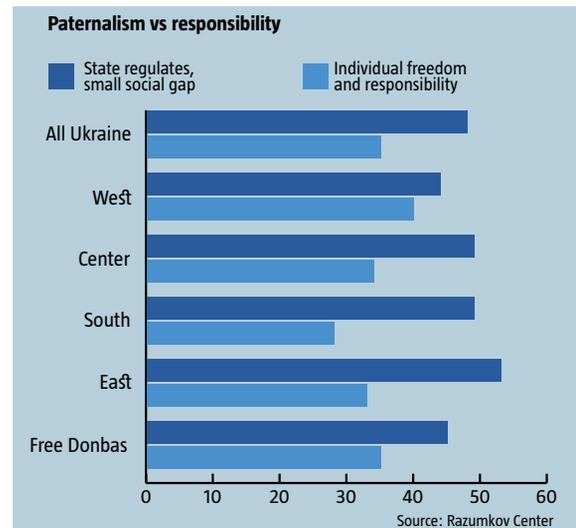
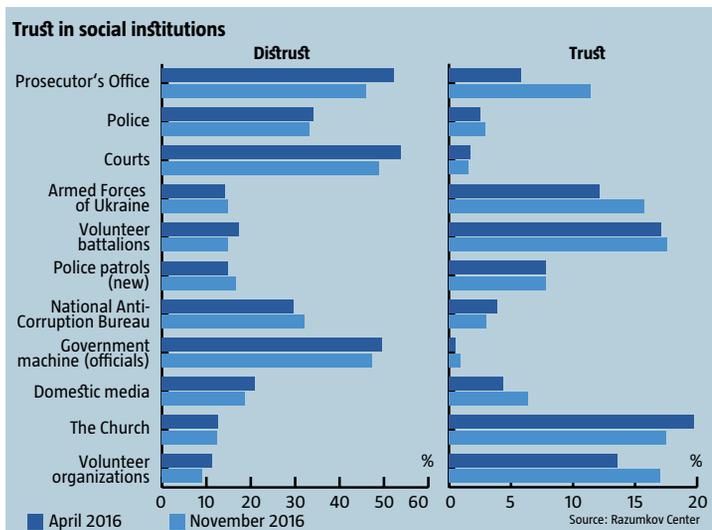
rank-and-file, and so people are slowly connecting these military actions less with Russians than before. This would need to be studied a bit more.”

PROBLEMS AT HOME

Gradually, we are seeing changes towards occupied Donbas as well. The Democratic Initiatives Fund (DIF) ran two polls in 2015 and 2016 in which respondents were asked about the future of DNR and LNR, the two pseudo-statelets (see **Future of occupied Donbas**). Nearly 50% in both surveys said that the territories should return to Ukraine in the same condition as before the conflict. Still, there were noticeable shifts in the responses between the two surveys, especially looked at from a regional perspective. In the West and South, fewer people were interested in returning to the pre-war status quo, while in the Center and East, more were. Among others, within a half-year, the number of those who believe in sanctions as a way to force Russia to sue for peace grew by 5% and this is by far the most popular response to the question of what pathways to peace would be best. The remaining indicators changed within the margin of error. Only about 15% of Ukrainians believe in resolving the situation by force.

At the same time, the number of Ukrainians who believe in the likelihood that a compromise can be reached that will satisfied all sides in the conflict slid from 54% to 47%. The number of those who believe in “peace at any price” inched up but not significant, as did the number of those who, on the contrary, are convinced that peace will only come if one of the sides wins. Depending on the situation, more than 50% of Ukrainians support a partial or complete isolation of the occupied parts of Donbas.

An indication that Ukrainians may have somewhat lost interest in the war in Donbas can be seen in the way they prioritize the most important problems facing them, an issue that the Rating Group monitors. In their survey, they ask respondents to name the three most important issues facing Ukraine and, separately, those facing them, personally. The armed conflict in Donbas always ended up in the top three. However, whereas the war remains the #1 problem for the country as a whole, in the personal ratings, Ukrainians ranked it only third. Moreover, the number of people ranking it at the top shrank from 63% to 53% between July 2015 and October 2016 for Ukraine as a whole, and from 45% to 35% for themselves personally.



Among other issues that Ukrainians keep bringing up are corruption in government agencies, unemployment and rising prices. Among the problems facing the country, Ukrainians are more often bringing up social welfare for the poor, the low level of industrial production, and crime. Among personal issues, they name the devaluation of the hryvnia. Clearly, these responses are tied primarily to economic adversity.

THREE YEARS AFTER THE REVOLUTION, THE GOVERNMENT AND ITS AGENCIES HAVE NOT MANAGED TO IMPROVE PEOPLE'S PERCEPTIONS OF THEM

One attitude in Ukrainian society that does not seem to change is continuing lack of trust in public institutions. Three years after the Revolution, the government and its agencies have not managed to improve people's perceptions of them. Double-digit ratings—albeit below 20%—of complete trust are enjoyed only by the volunteer battalions, the church, volunteers and the Armed Forces. According to the Razumkov Center, there is a difference between the way Ukrainians perceive the “old” militia and the “new” police: the former enjoy complete trust among only 2.5% of Ukrainians, while the latter enjoy it among nearly 8%. The leaders for complete lack of trust, leaving out elected bodies and the Government, traditionally remain the courts, the government bureaucracy and the prosecutor's office.

Still and all, Ukrainians aren't prepared to suffer just anything just to maintain peace and order in the country. According to various surveys, more than 50% of them are more than prepared to take to the streets again rather than suffer. Moreover, the number of Ukrainians who are convinced that the country is moving in the wrong direction has nearly doubled since the Euromaidan. Under the circumstances, the lack of big demonstrations on the downtown streets of various cities is not a reflection of the wisdom of those in power but the lack of a clear and understandable reason to protest—and the eternal hope of Ukrainians that things will get better, after all. ■

Sociologists:

“In a war, even those who are the most frustrated with the government refrain from protest”

Interviewed by Stanislav Kozliuk

The Ukrainian Week asks public opinion researchers about the leaders of trust and mistrust, foreign policy preferences and the vision of state among Ukrainians

Yevhen Holovakha, Deputy Director at the Sociology Institute, National Academy of Sciences



If you take general data, public trust for the army has grown significantly since 2013. This is the outcome of the situation in the country. Earlier, the Armed Forces were never in the spotlight of the public. And that, too, had a negative impact: those in power were gradu-

ally disintegrating the Army. The military existed formally, but when it came down to military action, a few thousand turned out to be capable of fighting out of the nominal 200,000 personnel. We had more than 5,000 generals and officers alone – what more can one say here?

However, in two years, the army has shown the ability to fight. Subsequently, it's one of the few state institutions today that has more trust from the public than mistrust. As of 2016, 12% of Ukrainians didn't trust it fully, 16% didn't trust it predominantly. 37% trusted it fully and 15% trusted it predominantly. This means that around 42% of the population trust the Army. In 2013, it was quite different: 22% trusted the Army fully or predominantly, and 42% didn't trust it.

The situation for the police is worse. Only 12% of the population fully trusts it. 61% don't. In 2013, the balance was 7% vs more than 73%. Let's compare the figures and slight progress will appear. Also, trust rose in 2015 when the “new police” reform was launched. Then, around 25% trusted the police. But then a number of scandals followed where law enforcers proved helpless. A criterion of trust is not so much the appearance of the cop, but the levels of crime. In 2015, they increased and the potential was lost. One important thing to note is that we don't differentiate between the patrol police and policemen. If we did, we would probably have a gap.

If we talk about the Church, the level of trust for it is traditionally high. I don't think that the conflict between the Ukrainian Orthodox Church

of Moscow Patriarchate and Kyiv Patriarchate somehow affected this. People generally don't distinguish between churches. In the eyes of society, it's all an element of spiritual life. I would say that here the conflict is more political, than it is spiritual. And people prefer to not see the Church as a political institution.

As to the foreign policy vector, the moods in favour of European integration dominate in Ukrainian society, while support for the Russian vector has diminished significantly. In 2013, more than half of those polled saw possible re-integration with Russia as a positive thing. Now, almost 2/3 of the population see Russia as an enemy. Meanwhile, Ukrainians are critical about the slew of developments in their own country. Nearly 3/4 of the population believe that Ukraine is not moving in the right direction – that was the case in 2013 as well. This improved slightly in 2014 but slid back to previous indicators in 2016.

In addition to that, society perceives war in different ways. Southeastern regions see peace as the priority. Western and central regions have a different view. But this is understandable: the closer you people live to war, the more they want it over.

How happy Ukrainians feel? In this, by the way,

IN TWO YEARS, THE ARMY HAS SHOWN THE ABILITY TO FIGHT. SUBSEQUENTLY, IT HAS BECOME ONE OF THE FEW STATE INSTITUTIONS TODAY THAT HAS MORE TRUST FROM THE PUBLIC THAN MISTRUST

we aren't that different from the rest of the world. Young people are happier than older people; men are happier than women; educated people are happier than the uneducated. The only thing that is different in Ukraine is the impact of the political factor. When people see someone they voted for in power, it affects their overall happiness. Yet, despite all difficulties and problems, nearly 56% of Ukrainians believe that they are happy. Don't be surprised by that. Based on polls in the world, the happiest people live in Nigeria and Columbia. The countries that have been through wars.

Mykhailo Mishchenko
Deputy Director of the Sociology Department,
Razumkov Centre



Compared to 2013, people feel slightly less negative about law enforcement agencies. In July 2013, 19% trusted the militsia and 75% didn't. As of November 2016, 24% trust the police and 64% don't. We see changes, but they are not big. Moreover,

our questions focused more on the patrol police that has undergone the biggest reform. Based on November survey data, 44% of Ukrainians feel positive about it, and 37% feel negative. Overall, however, attitudes towards law enforcement agencies have changed insignificantly.

Meanwhile, the attitude towards the Army has changed. In July 2013, 41% of Ukrainians trusted it fully or largely, while 43% didn't. This is within the margin of error, so we can speak here of virtually equal parts of the population. As of 2016, 57% trust the Armed Forces and 31% don't. However, I wouldn't say that the attitude has changed towards servicemen. We haven't conducted specific surveys, but it's safe to say based on the available data that the level of trust for generals hasn't grown. Only for the soldiers.

In July 2013, 67% trusted the Church and 23% didn't. Today, the balance is 59% vs 27%. When people answer this question, they obviously mean the confession or church they go to and feel more sympathy for, including for political reasons. Broken down by different churches, 20% of all those polled in 2013 trusted the Ukrainian Orthodox Church of the Moscow Patriarchate, and 18% preferred to trust Kyiv Patriarchate. This is also within the margin of error. Based on the survey we published in November, 15% stated loyalty to the UOC Moscow Patriarchate, while 26% preferred Kyiv Patriarchate. This signals a change in the perception of churches. And it started in 2013. Overall, our surveys show that Moscow Patriarchate was most trusted in 2010. That's when 24% of those polled counted themselves as its parishioners; while 15% preferred Kyiv Patriarchate.

In the moods on foreign policy, European integration dominates. Based on a survey in September 2016, 46% said relations with the EU are a priority. In 2013, it was 43%. A number of those prioritising relations with the US has increased from 1% in 2013 to 5% now. Fewer people state relations with Russia as a priority: 13% in September 2016 compared to 34% in December 2013. But we must remember that we now poll only people on the Kyiv-controlled part of the Donbas and don't hear Crimea.

When asked about whether the country is moving in the right or wrong direction, most people are unhappy. In November 2016, 17% of those polled said the country is moving in the right direction while 67% didn't. In October 2013, the

balance was 15% vs 65%. One thing to remember here is that people tend to have different interpretations of what is "right" and "wrong". But it is safe to say that this attitude towards the developments in Ukraine as a state is normal. Most surveys of the past decade show that those who think the country is going in the wrong direction prevail. The only exception was 2005 (following the Orange Revolution – Ed.). Back then, 43% claimed that the country was moving in the right direction and 31% said the opposite. A similar spike in optimism was when Viktor Yanukovich won the presidential race in 2010 (around 35%). So a group of the population was happy about that outcome. It's easy to guess what group it was. We also saw a spike in March 2014: 32% thought that the country was moving in the right direction, and 41% thought the opposite.

And on mass protests. This is always a possibility. Projecting when they can erupt is a whole different matter. Potential readiness for protest does not always stand for the actual eruption. When we did a "Are you ready to take part in protests" survey, the highest "yes" moods were in 2008 when talk of the beginning of the eco-

Based on a survey in September 2016, **46%** prioritised relations with the EU and **5%** with the US (from 1% in 2013). Fewer people sympathise with Russia: **13%** in September 2016 compared to **34%** in 2013

conomic crisis was in the air. When the crisis processes actually started in the economy, the share of those ready to protest decreased. This means that expectations of upsetting developments can be more mobilising in terms of protest moods than the actual crisis. This is true for economic triggers.

Mass protests didn't happen in 2008 or 2009. But sociologists failed to project the protests in the late 2013 based on their surveys. Because it doesn't always take readiness of the entire population to spark a protest. An active minority participates in rallies. And their activity is what matters. Plus, you need a group of factors for a protest: the readiness of an active minority to join rallies, a certain trigger effect – an event that would mobilise the development. In 2013, the trigger was Yanukovich Government's refusal to sign the Association Agreement with the EU after a period of telling people that it would do so. When it didn't, mass frustration took place. Then, the beating of the students was the final shot for Yanukovich under those circumstances.

When talking of the situation today, we must remember the external aggression: it is a restraining factor for the active minority. Even the share of the population that is not happy with the government and the situation will only take it to the street with anti-government demands and slogans under a huge trigger which I struggle to think of. Maybe, if it turns out suddenly that Ukraine's entire government switched to Putin's side. The trigger should be extremely powerful. ■■

From December 15

Christmas with the Cossacks

**Mamayeva Sloboda
(2 vul. Dontsia, Kyiv)**

Cossack Mamay's hamlet offers authentic Ukrainian experience in history, traditional celebration, food and fun. As the winter break from school starts in Ukraine, the park invites kids and their parents to walk the paths of the Cossack village, take a horseback ride with the Cossacks, and taste *kulich* – the hearty wheat and corn stew cooked on fire. While the kids play outside, the parents can keep warm in the village's restaurant with its traditional food and shots of liquor infused with cherry, herbs or cranberries.



December 22, 7p.m.

Xmas Latin Jazz!

**National Philharmonic of Ukraine
(2, Volodymyrsky Uzviz, Kyiv)**

A special gift for anyone in town: the Philharmonic Theatre will host the Kyiv Sax Quartet. Led by soprano Yuriy Vasyl-evych, the band will play legendary tunes from Antônio Carlos Jobim, Jean Françaix, Anton Webern, Darius Milhaud, Dave Brubeck and more. New Year and Christmas themed melodies are on the program as well. In addition to that, the quartet experiments with Ukrainian folklore, classic and contemporary music, as well as jazz songs.



January 9, 4p.m.

The Legend of Holy Christmas

**St. Sophia Cathedral Square
(24, vul. Volodymyrskya, Kyiv)**

The team behind this open-air event will mesmerise the audience with century-old rituals of Ukrainian Christmas reproduced in new visualisation technologies. In addition to the *vertep* – the carol singing masquerade, and *shopka* – the place where Baby Jesus was born, the guests will find many more entertainments and surprises. All this amidst the mouthwatering aroma of the foods around and a huge choice of handmade decorations.



January 10-11, 7p.m.

**Christmas Walks the World
International Culture and Arts Centre
(1, Aleya Nebesnoyi Sotni, Kyiv)**

There can't be a winter holiday without a proper choir concert. The well-known Hryhoriy Veriovka National Folk Choir will perform for Kyiv's residents and guests shortly after Christmas with its new program. Its vocalists will put a modern twist of arrangement on ethnic tunes. These include the legendary *Shchedryk* – the Ukrainian folk song which most people around the world know today as Carol of the Bells, as well as the best holiday songs from all over the world.



January 14, 7p.m.

**Vołosi
Tchaikovsky National Music Academy
(1-3/11, vul. Arkhitekтора Horodetskoho, Kyiv)**

The holiday-themed tour of this Polish String band around Ukraine will start in Kyiv: the musicians will present their new program *Nomadism*. It's a virtuoso mix of styles, masterful arrangement and inventive improvisations. The musicians call the program "an attempt to break free from stereotypical thinking and behaviour". This year's tour will cover Kharkiv, Severodonetsk, Bakhmut and Kramatorsk in Eastern Ukraine.



Through Jan. 29

**Hutsul Christmas
Andrey Sheptytsky Museum
(20, Prospekt Svobody, Lviv)**

You have a chance to visit an authentic home and experience traditions of Hutsuls, an ethnic group of the Carpathians. The museum will feature various elements of holiday interior used by these mountain people, as well as give you a chance to plunge into the ambience of their Christmas celebrations, mystique, naughty and sacred at the same time. In older times, the Hutsuls made detailed preparations for the winter holiday season, century-old rituals followed meticulously. Some have lived to this day and will be presented in Lviv.



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