

The Ukrainian Week

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What President Poroshenko said
in annual address to Parliament

How exports to the EU
change Ukraine's economy

How Russia uses private
military companies abroad



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ТИЖДЕНЬ





BRIEFING

Third time's a charm: The state of the nation address to the Rada

Andriy Holub

Applause, ovations, more ovations, laughter in the sessions hall, one or two challenges, and applause at the end. That's more-or-less the picture of reactions among MPs in the Verkhovna Rada to the President's annual State of the Nation address. Despite its official name, "The President's Annual Address to the Verkhovna Rada," the President spoke and the legislature "responded" not at all for each other's benefit. Both sides were addressing Ukrainian voters. Voters will give their response to what they heard and saw only two years from now—provided, of course, that everything goes well for today's speaker.

The President spoke for a long time, a speech that contained 9,340 words, compared to 2016's 5,885 and 2015's 7,603. During his 90-minute address, President Poroshenko covered almost everything that involved the country. The question is whether he was able to place the right accents and underscore the most important details. After all, this is what makes a speech a call to specific actions and not just a collection of words.

Poroshenko earned his first applause when he mentioned the new challenges that face Ukraine. "One of the most dangerous challenges is populism," he said. "The electoral niche vacated by the communists did not stay empty for long: a number of parties that not so long ago were part of the pro-European coalition very quickly took it over. The blue-and-yellow flag waves above their headquarters, but their social slogans have been borrowed from the files of the communist and progressive-socialist parties. Presenting themselves as 'defenders of the people,' they look fairly convincing until you take a look at their election promises," the President said to loud applause.

Interestingly, this is the second time that Poroshenko has made this comparison. "Decommunization, when it comes down to it, is not just about taking down monuments," he said in his first annual address in 2015. "Communism has to be aired right out of our heads. Unfortunately, I see too many in this hall who are quite happy to take over the hopefully dead Communist Party of Ukraine and its leftist slogans."

After this first applause, there were two standing ovations in the hall. But not for the president himself. The first time the hall took to its feet was after he said, "The reason why the line of contact is near the Siver-

presidents have called on the Rada to finally institute a free market and every year, the reform has been postponed. "Why, then, do we allow people to sell apartments?" Poroshenko asked, using an interesting parallel. "Somebody could buy them all up, too." Then he added that here he had to depend on public opinion, which he said, was currently "shaped by the populists" and won't therefore push for reform. Still, he asked the MPs to approve "at least by your words, in your minds and your hearts, a policy in its favor" and set a date in law for the market to be introduced, even if it is delayed. At this point "radical" leader Oleh Liashko tried to protest this and to make it very clear that he was firmly against.

The next ovation. The President appealed to Constantinople Patriarch Bartholomew to recognize a national church in Ukraine. "May the leadership of the Ecumenical Patriarchate also hear us," he said. "Once more, I'd like to draw the attention of His Holiness to the seriousness of our intentions. There is genuine political will among Ukraine's leadership to resolve this problem, which has unfortunately been on the agenda since 1991. Ukraine has the right to a native church and we must defend this right." The room of deputies stood up and applauded.

The next time deputies reacted vocally was when Poroshenko called for the scandalous laws on e-declarations for civic activists to be rescinded: "Instituting declarations for this group was our joint mistake and mistakes need to be corrected." Here and there, you could hear a voice saying "No, no, no."

The President's speech can be looked at from the point-of-view of language. If we count how many times he used certain phrases and words in his speech, then we see little that is unusual. As in most of the previous speeches, the most frequent word is "Ukraine." With Poroshenko, we also see a lot of use of the word "Russia," which is clearly not surprising. This year, in contrast to his two previous addresses, the words "weapons" and "army" figured somewhat less. Still, one striking point is that the President used the term "unfortunately" three times more often: 17 times compared to 6 times in the previous two annual speeches.

"Unfortunately," Ukraine remains in deadly danger to this day. "Unfortunately," there is enormous evidence that Russia is getting ready for a big war. "Unfortunately," the aggressor country is still ahead of us in terms of modernizing its army. "Unfortunately," the country's leadership under Yanukovich can only be sued in absentia for now. "Unfortunately," many Ukrainian MPs are working to chill relations between Ukraine and the US, not on improving them. "Unfortunately," the story of the fight against corruption "has no happy ending" in the form of sentencing and imprisonment. "Unfortunately," Ukraine ranks only 20th out of 30 countries in a survey of successful reforms in Central Europe and Asia. And so on and so forth.

Of course, for every "unfortunately," the President had an explanation for why things were so, but he did not propose concrete steps to resolving those problems. Sometimes it was just a matter of stating a fact. In other cases, the President called on deputies to deal with well-known issues. For instance, when it came to fighting corruption, he asked for the State Bureau of Investigation and the special Anti-Corruption Court to be set up.

THE PRESIDENT SPOKE ABOUT LAND REFORM. THE ISSUE OF SETTING UP A LAND MARKET COMES UP IN ALMOST EVERY PRESIDENTIAL ADDRESS. YEAR AFTER YEAR, DIFFERENT PRESIDENTS HAVE CALLED ON THE RADA TO FINALLY INSTITUTE A FREE MARKET AND EVERY YEAR, THE REFORM HAS BEEN POSTPONED

skiy Donets River and not along the Dnipro is largely thanks to the Armed Forces of Ukraine. They are the real guarantors of our freedom." The second time was after he mentioned the head of the Defense Ministry's Special Intelligence Reserves Maksym Shapoval and awarded Shapoval the title of Hero of Ukraine posthumously. Shapoval was killed when a bomb blew up his car in Kyiv in June.

The one moment that seemed the most genuine on both sides was when President Poroshenko called on the Rada to remove deputy immunity, a move that has been promised over and over again since the Orange Revolution but never actually been acted upon, adding: "In order to make it easier for you to take this step, so that you don't feel that it's aimed specifically at you all, I propose a very simple solution. Let's approve this and have it come into force on January 1, 2020, for the deputies who are elected to what will then be the new Rada." At this, the deputies all began to laugh and the President laughed at their response. "Maybe this will be more effective," he added, between laughs.

Next, the President spoke about land reform. The issue of setting up a land market comes up in almost every presidential address. Year after year, different

In the case of the army, a really important phrase came up. Poroshenko acknowledged that most of the equipment that the army was given in the last three years was “physically new but technically outdated” and served only to provide for the most basic needs. The President then announced a program to modernize the army to “bring Ukrainian weaponry to the level of the 21st century.” The purpose is clear and understandable. Now we need to hear the details of this program and how the objective will be reached. In addition, there is someone who is responsible for it all if things go wrong or the announcement turns out to be a fake.

As it turned out, however, there were very few clear and understandable goals in the rest of the President’s speech. He spoke about the goal of membership in the EU and NATO. He even named the steps needed to move integration forward, but he said nothing about how to persuade many existing members of these alliances who in principle do not wish to see Ukraine join them. A referendum on NATO membership? The President “does not exclude this option,” but he mentioned no timeframes.

As Poroshenko himself put it, “Finally, we come to the main point. About peace and the prospects for returning Donbas and returning Crimea.” He spoke about occupied Donbas and once again emphasized the need to implement the Minsk accords. “Unfortunately,” there is no

peace because of Russia’s complete recalcitrance, while Ukraine is not strong enough to fight off its army, said the President, stating the obvious. He returned to the idea of “blue helmets, without explaining how to get around Russia’s position on this issue. Meanwhile, he offered no word about the currently debated bill on the occupied territories, which is regularly announced but not brought up in the Rada.

The President moved on to Crimea. “Unfortunately,” Russia will not leave the peninsula of its own accord and taking the territory back by force is not an option. Poroshenko then listed what Ukraine has done in this arena: lawsuits in international courts, pressure through the UN and UNESCO. But no new ideas came up. The President also said nothing about the fate of an earlier idea he had proposed of changing the status of the peninsula in the Ukrainian Constitution and establishing a national autonomy of Crimean Tatars.

On the other hand, is it really possible to offer a society a clear goal in a single speech? Probably not. Especially if we take into account that the electorate is tired of this government and does not trust, which the President himself mentioned in his address. This state of affairs can only be changed by deeds, not words. At this point, Petro Poroshenko proposed yet again that Ukrainians all unite and “keep Ukraine from falling apart.” At the end of the speech, he repeated the now-traditional “Slava Ukraini!” Applause. ■



President

Working group

Engages experts, gathers proposals, analyses the material received, submits to President. The speechwriter drafts the address

Proposals

Executive and legislative branches, academic institutions, NGOs, experts, National Institute of Strategic Research, advisors to President

Who contributes to the President’s Annual Address to the Verkhovna Rada On the Domestic and International State of Ukraine

In a number of words

The annual speech of the President outlines accomplishments and failures. Over the course of modern Ukrainian history, the addresses have painted the image of the country's every leader and his era in politics

Andriy Holub

This year's address of the President to the Verkhovna Rada is the third for the current leader of the state. The text was prepared in summer.

The Constitution of 1996 defines the annual addresses of the President to the Parliament as a duty. They are always a noticeable event in the media. The Constitution does not define the format and content of the speeches, other than one requirement: it should notify the Parliament on the domestic and international state of Ukraine. This leaves some space for creativity for every president.

The address of 2000 stands out among all others. Freshly reelected for his second term, President Leonid Kuchma decides to cover the entire decade in his speech. His address analyzed his first term in the office and defined the goals for the second one. The title reflected the grand scale: Ukraine. March into the 21st Century. A Strategy of Economic and Social Policy for 2000-2004.

Compared to the speeches of his successors, that address was probably the most optimistic in Ukraine's history. Time played into Kuchma's hands. The peak of impoverishment and the crisis of the 1990s were already behind, the political turmoil caused by the murder of journalist Georgiy Gongadze and Kuchmagate were to come.

In his address, Kuchma spoke of the "fateful accomplishments" Ukraine obtained in the 1990s with its independence. GDP was already growing, privatization had been implemented, the financial system reformed. Things were positive on the international arena: Kuchma mentioned the nuclear disarmament and the ways Ukraine gained from it. "Ukraine established itself as a full-fledged entity of the European and global community, gained international guarantee of security, signed friendship and cooperation treaties with all of its neighbors, and became an important factor of stability on the European continent."

"All this serves as a ground for the much needed social optimism, the confidence in tomorrow, the belief that the path Ukraine chose in 1991 and with which it enters the 21st century is the only right one," President Kuchma summed up.

Kuchma's speech of 2000 stands out of the annual addresses by his successors in one other aspect: the economic accent featured in the title was not mere words. The frequency of the words used in the speeches of different presidents shows that the word "Ukraine" and derivatives are the most used ones. In Kuchma's speech, by contrast, "economy" and derivatives were the most often used words. "Economy" first, "Ukraine" second: this formula sums up both terms of Kuchma's presidency well. The other most frequently used words make a good election motto of the 1990s: social, development, state, market, growth, production, system, formation.

In its content and structure, the speech of Ukraine's second president describes the time when Ukraine's politics had not yet fully broken ties with the communist epoch, but was already trying to adapt to the new time. On one hand, it spoke about the

"post-industrial vector of civilization development". On the other hand, it appeared as a report with many economic indicators from various industries, and a praise of the potential of Ukrainian aircraft, spacecraft and car industries. President Kuchma spoke at length about the need to continue reforms. One aspect was to introduce the land market. Ukraine is still trying to do that, to no avail so far.

Kuchma ended his 2000 speech with the key task for his next four years: "to speed up the development of the economy along the trajectory of sustainable growth through deep structural changes and the deepening of the course for market reforms, active and consistent social policy... As it enters the new 21st century, Ukraine has everything to implement these aspirations of ours into reality."

In February 2006, Viktor Yushchenko during his first annual address to the Rada spoke about the previous government and its accomplishments: "We received a country with the signs of economic decline. Ukraine lived with an oligarchized, extremely energy insufficient, energy-dependent, unbalanced and uncompetitive economy which, in essence, has exhausted its resources. Budget deficit started unfolding from UAH 12bn already, the macroeconomic situation was deteriorating."

Yushchenko can be considered an innovator, at least in the cause of addresses to the Verkhovna Rada. His (or his speechwriters') twist was an affection for the quotes of famous people. The third president of Ukraine in his speeches went from quoting the emperor and great reformer Napoleon, through the controversial Hetman Bohdan Khmelnytskyi, to "one Spanish philosopher" whose name the address drafters never specified.

2007 stands out in his presidency: it was the year when Yushchenko ignored his duty to deliver the address at the Verkhovna Rada, and the Parliament passed a resolution to "point the President's attention to the fact that he has not fulfilled his duties."

In terms of the frequency of words, Yushchenko's speeches did not stand out as very original. Still, they had some interesting nuances. In 2006, "politics" was used more often than "economy": this could be because of the permanent political crisis that marked his entire presidency. Surprisingly, the word "reform" only appeared among top 10 most used words in 2008. The words "European", "Euroatlantic" and derivatives made it into the top 10 in 2009, in Yushchenko's last address. At that point, he was preparing to get the NATO Membership Action Plan and to launch the dialogue on the cancelation of Schengen visas for Ukrainians.

In terms of the content, the third president of Ukraine knew how to put the right accents. "Our international position is secure, yet vulnerable to numerous new risks. The key threats come from the corrosion of international legal standards, from the overall worsening of atmosphere in international affairs, from Ukraine's energy dependence, and the dangerous, ruinous and shortsighted attempts to use force to solve disputes or conflicts," Yushchenko said in his 2009 address.



"In my view, the failures of the past years were caused by the lack of understanding of own resources and possibilities, the undertaking of wrong goals, the superficial self-posturing in the world. We have a situation where the South and East of Ukraine could no longer do without Russia while the West was dozing and dreaming about Europe. Kyiv has turned into a center of struggle for power. That lasted until the nation united and decided the fate of its country," he said in his first address of 2006. Also, Yushchenko was the first one to raise the issue of Holodomor, the need to establish the unified Orthodox Church in Ukraine and to shape national consciousness.

Other than that, the accurate accents in Yushchenko's speech were offset by almost complete inaction. In 2008, he stated that the then debt on wages had to end "for good" that same year. "Unpaid wages have almost doubled from October 2008 till January 2009 to UAH 1.6bn," he said in the address of 2009. This, however, was taking place with the global financial crisis in the background. It was the major environment of the last year of Yushchenko's presidency.

In his very first address, President Yushchenko spoke about seven key reforms: from courts to countryside. He also said that a new Constitution had to be passed after the 2004 change brought in chaos between the Constitution and the overall legislation. Virtually all of these things were repeated year over year. In his last address, Yushchenko suggested to amend the Constitution, including on the creation of the two-chamber parliament. Also, he kept calling on everyone to stop "the craze of the political infighting" every year. The infighting intensified.

Yushchenko's successor, Viktor Yanukovich, was far less accurate in his forecasts and attended the Verkhovna Rada rarely. In 2010, he decided to address "the people" rather than the Parliament, and filled Ukrayina Concert Palace for that. In reality, it was filled mostly with his partners in government. The Verkhovna Rada was sent a written version of the address. Yanukovich would later use that practice two more times in 2012 and 2013. His only speech in Parliament took place on April 7, 2011.

His most used words were nothing new. The accents were on "development" and "reforms". President Yanukovich's view of foreign policy at that time was the most interesting aspect: "The latest developments in North Africa, Middle East have once again proven that the period of political and economic transformations in those parts of the world will be difficult and dramatic. But I am confident that there will be no return to the time of global conflict. This is hampered by the generally considerate and responsible policies of the world's leading states and the entire democratic community." That was how Yanukovich explained the need for Ukraine's non-aligned status. He signed the respective law in January 2011.

Petro Poroshenko decided to personally choose the key word in his first address to Parliament in 2015. "Reform is the key word in my address today". The most used word, however, was "Russia". He used the word itself and derivatives 41 times, while his predecessors mentioned it from one to six times per speech. The reason for this change is obvious. It is equally obvious why President Poroshenko often mentioned "weapons", "Armed Forces", followed by "reforms" and "corruption".

The text of the speech was delivered to MPs in 2015 on flash cards, not paper. This was to signify "not only concern over environmental problems, but a transfer to e-government". Also, President Poroshenko mentioned a threat of political split in 2015: "Decommunization... is not about removing monuments alone. Communism should first and foremost be removed from the minds. Unfortunately, I see many people in this session room who are willing to take over the leftist slogans of the Communist Party of Ukraine". The 2016 speech showed that the political struggle has grown more acute: "I am confident that we are on the right path historically and strategically. But I see a risk whereby the press of political destabilization can crush the first sprouts of social-economic revival brought forth through the suffering of the entire people, for which such a high price was paid. It is internal turmoil that the external enemy places its key bet on." ■

How commoditized is Ukraine's economy, really?

Assertions that Ukraine's economy continues to evolve as a raw materials one as a result of reorienting itself on trade with the European Union do not reflect reality

Oleksandr Kramar

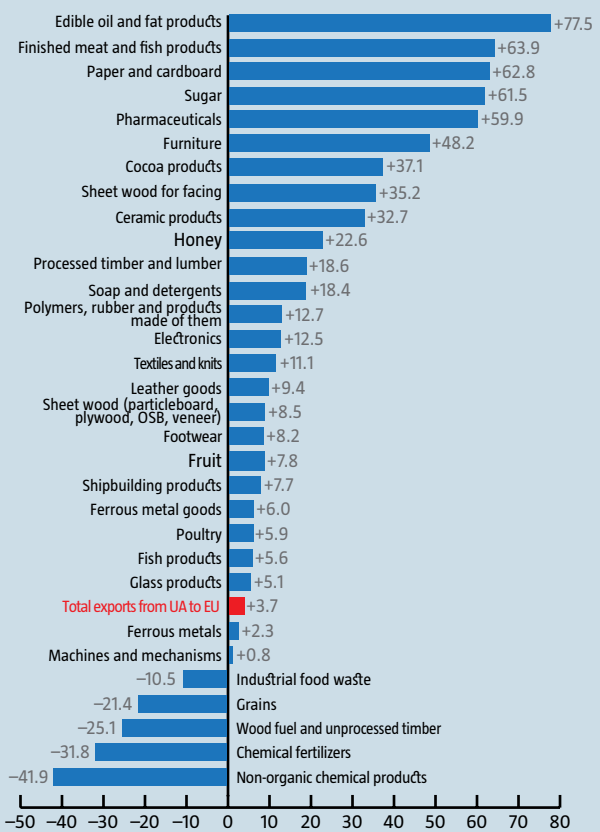
Over the last few years, messages about the reorienting on trade with the EU and shedding Ukraine's traditional FSU markets—meaning mostly the Russian market—as a disaster in the making for the country have persistently and consistently been injected into the domestic media field. They implied that the result has been an even deeper commitment to being a raw materials supplier. Skepticism about the competitiveness of Ukrainian goods on European markets has been common even among those who are completely against a return to Russia's orbit.

Meanwhile, the real trends in trade with the EU contradict claims that Ukraine's economy is becoming more concentrated on producing and supplying raw materials because of its strong orientation on the European market. Nor is there any basis for concerns that Ukrainian-made goods are uncompetitive and that Ukraine's market will be flooded with cheap European goods. First of all, most European goods are significantly more expensive, even with the current UAH/Euro exchange rate. Moreover, Ukraine's currency will most likely continue to slip in value compared to the Euro.

In fact, quotas and restrictions do limit the delivery of domestic products to the EU. Still, they affect a relatively narrow range of commodities that are sensitive for European manufacturers and mostly con-

Non-commoditized trends

Increase/decrease in exports of Ukrainian goods to the EU, % 2016 vs 2015



THE TENDENCY TO GROWING EXPORTS OF FINISHED PRODUCTS IS CLEAR WHILE SALES OF RAW MATERIALS AND SEMI-FINISHED PRODUCTS ARE SLOWLY SHRINKING. THIS IS LOGICAL, GIVEN THAT THE MAJORITY OF FINISHED INDUSTRIAL PRODUCTS ARE CURRENTLY NOT RESTRICTED BY ANY QUOTAS

cern those goods that critics of eurointegration call raw materials. Even if we look at the changes in trade with the EU over 2013-2016, it turns out that there has been a marginal shrinkage in Ukraine's overall export—from €12.5bn to 12.2bn or 2.4%—precisely because of a reduction raw materials and semi-finished products. For instance, exports of unprocessed ferrous metals fell more than 20%. By contrast, exports of finished products have increased severalfold,

from sugar, processed meat and fish, and butter to furniture, glassware and even shipbuilding products. Deliveries of electronics, equipment and machinery, and consumer goods have increased by double-digit percentages.

2016 turned out to be the first year after the economic part of the Association Agreement with the EU and the DCFTA came into effect. The trend for exporting goods to European countries has become stronger

and demonstrates more and more clearly that there are positive changes in its composition: from raw materials and semi-finished products to finished goods representing a broad range of sectors in the Ukrainian economy.

These changes in deliveries of specific domestic products to European markets are pretty demonstrative (**see Non-commoditized trends**).

Although overall Ukrainian exports to the EU grew only 3.7% in 2016, according to official dollar figures from Derzhstat, a slew of non-commodities increased severalfold and even exponentially.

Thus, after the economic part of the Association Agreement came into effect, at least three key branches of the machine-building industry showed significantly higher growth as overall exports to the EU expanded: electrical engineering, shipbuilding and equipment and mechanism manufacturing. What's more, the strongest growth was in electrical engineering: US \$1.6bn in 2016, compared to US \$1.4bn in 2015, putting it in first place.

Growing exports in the steel and chemicals industries also illustrates that finished products made in Ukraine are successfully finding a place in European markets. For instance, ferrous metal product deliveries grew 6% in 2016, whereas exports of raw materials and semi-finished products grew only 2.3%.

Exports of Ukrainian fertilizers fell 31.8% over 2015, down to US \$106.5mn, while non-organic chemical products dropped 41.9% to US \$56.6mn. Instead, chemical products exported from Ukraine to the EU with a higher added value and greater energy efficiency grew: pharmaceuticals rose to US \$14.0mn, up 59.9%, while soaps and detergents rose to US \$14.6mn, up 18.4%. A clear positive dynamic was seen in exports of plastics, polymers and products made of them, going from US \$94.2mn to US \$106.2mn, up 12.7%.

Despite the active battles over the export of timber from Ukraine, exports of processed logs to the EU noticeably increased, while exports of unprocessed timber shrank: where deliveries of fuel wood and unprocessed timber fell from US \$169.1mn in 2015 to US \$126.7mn in 2016, deliveries of processed lumber and boards increased from US \$224.8mn to US \$266.6mn. Even more impressive has been the growth of exports of Ukrainian furniture to EU countries, which brought in nearly 50% more in 2016 than they had in 2015: US \$272.4mn vs US \$183.8mn.

Other wood products from Ukraine grew modestly, but still several times faster than overall Ukrainian exports to the EU: sheet wood for facing went from US \$99.1mn to US \$107.1mn, while particleboard, plywood, OSB and veneers went from US \$100.9mn to US \$109.5mn. Domestic pulp and paper products also continue to successfully win over European markets: in 2016, exports jumped 62.3%, from US \$52.5mn to US \$85.4mn.

Ukraine's light industry is also confidently moving ahead. For instance, sales of textiles and knits to EU countries grew 11.1%, from US \$508.5mn to US \$562.2mn; leather goods went up 9.4%, from US \$32.4mn to US \$35.5mn; and footwear rose 8.2%, from US \$116.0mn to US \$125.5mn. EU countries are exhibiting greater demand for Ukrainian-made ceramic products, which grew 32.7% from US 20.6mn

to US \$27.4mn, and glass products, which rose 5.1%, from US \$64.7mn to US \$68.0mn.

Food exports are no exception. Products with lower added value are losing position. For instance, grain exports went from US \$1.63bn in 2015 to US \$1.28bn in 2016, while food wastes and other products to feed livestock went from US \$490mn to US \$440mn. But sales of sugar to EU markets have jumped 61.5%, from US \$32.9mn to US \$53.15mn, vegetables have gone up 67.8% from US \$11.9mn to US \$20.0mn, honey has gone up 22.6% from US \$59.8mn to US \$73.3mn, processed meat and fish have jumped 63.9% from US \$4.0mn to US \$6.5mn, and poultry meat has gone up 5.9% from US \$64.8mn to US \$68.7mn.

Exports of oils and fats skyrocketed 77.5%, and 2016 was a breakthrough year for deliveries of milk to the EU. In the first year since the economic part of the AA came into effect, exports of creamery butter to European markets were worth US \$2.6mn; earlier Ukraine's dairy products never even made it there. Meanwhile, the number of certified dairy exporters in Ukraine keeps growing steadily.

The fact that commodities still dominate Ukraine's exports to the EU is not the result of the Association Agreement or of Ukraine's reorientation from Russia to the EU, but simply the persistence of past tradi-

AFTER THE ECONOMIC PART OF THE ASSOCIATION AGREEMENT CAME INTO EFFECT, AT LEAST THREE KEY BRANCHES OF THE MACHINE-BUILDING INDUSTRY SHOWED SIGNIFICANTLY HIGHER GROWTH AS OVERALL EXPORTS TO THE EU EXPANDED: **ELECTRICAL ENGINEERING, SHIPBUILDING AND EQUIPMENT AND MECHANISM MANUFACTURING**

tions. Thanks to economic integration with the EU, the tendency to growing exports of finished products is clear while sales of raw materials and semi-finished products are slowly shrinking. This is completely logical, given that the majority of finished industrial products are currently not restricted by any quotas.

Moreover, Ukraine is slowly integrating into the production chains of major transnational corporations. Their parts manufacturing plants are beginning to pop up in western oblasts. Still, if officials and business managers in other regions were to exert the necessary effort, this trend could easily spread to other parts of the country. This includes the southeast, which is going through difficult times as its hopelessly outdated manufacturers die off. A much larger share of Ukrainian-made products could be entering the European market and see its export volumes grow if not for the inertia of the management at many companies, who were too used to depending on "traditional" FSU markets.

Even though the EU share of overall Ukrainian exports is already around 50%, Ukraine is quite capable of increasing that tenfold, because the EU market will remain one of the most solvent and sophisticated markets in the world for a long time to come. For instance, total imports to EU countries were €4.7 trillion in 2016, hundreds of times more than what Ukraine exported to the EU in 2016—€12.1mn. To win over even a few percentage points of this huge market would mean multiplying deliveries by several times for Ukrainian producers. ■

A 180° exchange course

Lyubomyr Shavalyuk

What's going to happen to the hryvnia on the currency market

"When's the dollar finally going to go up again?" asks a friend, nervously pulling on his cigarette. He started building, something that needs constant funding, moreover in hryvnia. But he's been keeping all his savings in dollars, so the last few months, as the hryvnia slowly picked up strength, he has constantly been faced with a choice: keep up the dollars or the pace of construction. And with trembling heart, he has chosen the latter, changing the bigger part of his hard-earned bucks into hryvnia and buying building materials.

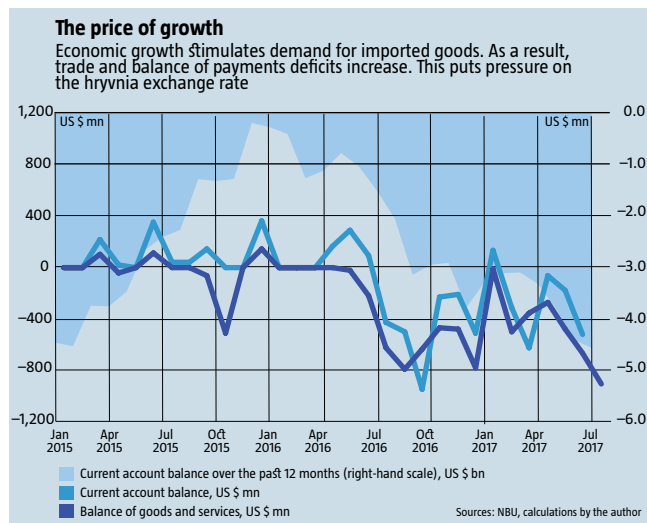
My friend's system for making financial decisions is part of the arsenal of millions of Ukrainians. The entire period of independence has shown that our currency sooner or later loses value. The NBU recently calculated that the hryvnia has devalued to the dollar something like 15 times since it was first introduced in 1996. Even a brief period of revaluation, such as in the spring and summer of 2008, was inevitably followed by a much longer and steeper devaluation. People who have gotten used to this tend to keep savings in hard currencies, especially those who hang on to savings over the longer term and have neither the time nor the skills to regularly track the dynamics of the hryvnia's exchange rate and projections for it.

Over the last three years, the hryvnia has been floating almost freely. In this situation, the dollar has tended to recoup its records every fall and winter. This has only confirmed for ordinary Ukrainians that the hryvnia will only continue to lose value. These days, even housewives can be heard to say, "The dollar's going to go up." Moreover, they say this in a tone much like that of the old prophets when they pronounced their visions.

Under the circumstances, the slow and steady, if not overly significant—under 10%—strengthening of the hryvnia this year was an unpleasant surprise for many. The nadir came on January 1, when the hryvnia fell to UAH 28.80 to the dollar—a hryvnia cheaper on the interbank currency exchange. After that, the hryvnia grew in value all the way to the end of August. Many of those who decided to buy dollars last fall or winter regretted it. Some lost their patience and even fell into a panic: these were the ones turned in their dollars or euros, fearing that they would grow even cheaper. But is there an economic basis for this kind of worry? What's going to happen with the hryvnia's exchange rate in the next while?

A SHAKY FOUNDATION

When a national currency has a floating exchange rate, its value is determined by the market and it's determined by income and payments in foreign currencies. The National Bank of Ukraine regularly tracks these flows and consolidates these figures in the balance of payments, which it publishes monthly. The numbers that are included in the balance of payment are directly connected with fundamental trends in the domestic economy and are essentially its numeric representation. Given that trends generally last more than a month and often even longer than a year, analyzing them makes it possible to figure out where in general the currency market is likely to go and, with it, the hryvnia exchange rate.



Today, there are several key trends. One of them is the growing current account deficit or CAD, whose main components are the export and import of goods and services, wages and salaries, interest and dividends to foreigners, and monetary transfers (see The Price of Growth). In the last 12 months to the end of July, the CAD has grown US \$4.6 billion, higher even than it was in 2014, although GDP is considerably smaller now. The pace of growth of the deficit is striking: just a year ago, it was one third of what it is now, while one or two months actually posted a surplus. This trend is worrying, because if a country has a deficit on its current account operations, it means it's taking in less hard currency than it is spending. At that point, the country either finds sources for financing this deficit, usually foreign investment or credits, or the deficit leads to a lack of hard currency on the domestic market and slowly exerts downward pressure on the local currency. If the CAD grows too quickly, the need for external financing becomes urgent and there is a growing risk that that investors and creditors will refuse to provide capital. In other words, a high deficit goes hand-in-hand with a currency crisis and often turns into one.

Again, the key factors in a current account deficit are exports and imports. Exports are in a healthy state in Ukraine right now: in the first half of 2017, exports of goods grew 24.2% and exports of services grew 9.6%, although their total volume is considerably smaller. Exports of goods grew thanks to growing prices for key products, an average of 10-15% almost every month for the previous half-year. Physical volumes grew as well, especially for agricultural products. In other words, exports grew not only because of better prices on world markets for raw materials, but also in higher demand for Ukrainian-made products. In short, it's possible to expect exports to continue to grow, which, in and of itself, is a good thing.

Unfortunately, against this accelerated growth in exports, imports grew even more quickly: In the first six months, imports of goods jumped 29.9%, plus services another 7.1%, although here, too, volumes were relatively small. This is what determined the sharp growth in the CAD.

What's important is that Ukraine began to import much more, not in the way of consumer goods, but of goods that are used for production and manufacturing, from fuels and mineral fertilizers, to various kinds of machinery and equipment. This has two positive aspects to it. Firstly, an economic recovery demands that businesses replenish stores of raw materials and supplies. Because many of these are imported, the inflow of such goods grew. But the minute the volume of industrial supplies is restored and becomes enough for the planned volumes of output, imports of those categories of goods will become steadier. This could eventually lead to a reduction in the current account deficit.

Secondly, a significant share of these imports is investments. For four quarters in a row now, starting in QIII of 2016, capital investments in Ukraine have been growing 20% and more. It's clear that most equipment and machinery is not made in Ukraine and needs to be brought in. The negative impact of this kind of imports on the CAD is temporary and limited, given that capital investments generate production, and this production will either increase exports or replace imports. This is why the hard currency spent and the goods imported for investment purposes soon pay themselves off because the current account will improve permanently.

It follows from this that, although the CAD has been growing sharply and putting pressure on the hryvnia, it is a positive trend and thus, unlikely to remain at this high level for too long. If this is indeed the case, then this will not jeopardize the stability of the hryvnia and Ukraine will be easily able to finance it.

A MATTER OF FINANCES

Regardless of the nature of the CAD, however, it has to somehow be financed. In other words, the country needs to attract money to its balance of payments account, and that means getting money from equity or portfolio investors and lenders—not a simple task. Over the last three years, when Ukraine's economy was in the doldrums, the main sources of external financing were IMF lines of credit and assistance from other international donors. This was enough for a while, when the CAD was not overly large and restructuring gave the country breathing space on paying back its debts. But time stops for no one and the situation has changed.

Over 2017–2019, the Government alone will have to pay back US \$8.9bn, not even counting the “Yanukovych debt” of US \$3bn. The peak of payments comes in 2019, an election year. Payments are also going to go up in the private sector, where a slew of businesses restructured their external debts together with the Government. Given the growth of the CAD, there already isn't enough to even cover international donors during this period—even if Ukraine keeps receiving funding in the planned quantities, which no one can guarantee. The question arises whether there are alternative sources of external financing that might supplement international financial assistance or even substitute the lion's share of it? Indeed, there are some hypothetical options.

Traditionally, the healthiest source of external financing is foreign direct investment (FDI). In 2016, Ukraine received US \$3.4bn. But most of this sum was only on paper being actually the transfer of the foreign debts of banks into capital as part of NBU's requirement to recapitalize financial institutions. Very little came in as live money. Moreover, this can be seen in the

indicators for 2017, reflecting the low level of recapitalization this year: for the first 7 months, US \$1.3bn in FDI came to Ukraine, not even close to enough to cover the country's needs. This is fully 48% less than FDI for the same period of 2016, but this time there's more “live” money. It's a seemingly positive trend, but the quantity of high currency gained through FDI is immeasurably less than what is actually needed. Even if this amount grows steadily over the next few years—and there's no guarantee it will—it will still be too little. Ukraine needs to be looking for other source of financing.

The situation with private credits is very similar. Over January–July, net inflows of hard currency from the issue of eurobonds to non-financial corporations added up to US \$283mn, with another US \$322mn from other external credits. These sums are much larger than in 2016, when almost nothing was drawn on. But this is miniscule compared to what Ukraine needs to pay back. It's important that this year, Kernel and Myronivskiy Khliboprodukt both also placed eurobonds that garnered them US \$500mn each. But this money does not figure in the balance of payments, meaning that this money went to managing companies registered somewhere on Cyprus. If these kinds of placements were to grow and the money came to production companies located in Ukraine, the country's balance of payments would be far healthier. Right now, this isn't the case, so the risks remain.

Finally, state borrowings on global financial markets might also help ensure significant hard currency inflows. In its April memorandum, the IMF predicts that this item will bring Ukraine a billion dollars this year and two billion each in the next two years. Again, however, things are not so simple. Ukraine has not gone to international lending markets since the Euromaidan revolution. Meanwhile, the rapid pace of reforms has become a real stoplight for many potential investors and will complicate this option for the foreseeable future. Experts say that real demand for government eurobonds is not especially high today. Although announcements by MinFin officials suggest that the Government is preparing for another eurobond placement and has already hired a number of big name international banks to handle it, there's serious doubt that this will attract the billions that the IMF has projected.

The confiscation of US \$1.4bn of the Yanukovych Family's money that was on Oschadny Bank accounts was a pleasant surprise for the Budget

In short, it turns out that Ukraine does not have iron sources of financing today, sources that would allow it to smoothly go through the next two years of increased external debt payments, in combination with a serious CAD. Under the circumstances, the only sure thing, realistically, is IMF credits. But even to get them, the government will have to put in some sweat equity.

All this comes down to the reality that this year offers only a misleading, even false, impression of hard currency stability. On one hand, the peak of external debt payments has not started yet, and although Ukraine paid the IMF back US \$500mn in August, this did not place much pressure on the FOREX market. In a sense, this makes 2017 a mere continuation of the previous few years.

On the other hand, a certain increase in inflows from direct, portfolio investments and private debt did have a positive impact on the balance of payments. For one thing it created a surplus of hard currency on the market, which lasted for several months (**see Watch the interventions**). As a result, the NBU

regularly intervened in the FOREX market, buying up hard currency and strengthening the hryvnia. The impression, thus, has been that everything's just fine in Ukraine. However, the minute serious foreign debt servicing begins, it will be clear that these inflows to the balance of trade account were really marginal compared to what was actually needed. And the deception will be exposed like a September fog under the warm noon sun. If the country doesn't have any spare sources of financing at that point, there will be no way to avoid the return of hryvnia instability.

A TASTE FOR RISKS

The strengthening of the hryvnia has lasted for some time, but it's a passing phenomenon. By the end of the year, the risks will remain at today's levels, because no serious debt payments are planned. This means that there's also unlikely to be any sharp movement in the hryvnia. Moreover, the currency could gradually depreciate simply with the seasonal influx of growing imports, and with them, a growing current account deficit.

Still, this devaluation is unlikely to be more than 10%, because the balance of payments will remain relatively balanced. The NBU has enough instruments in its financial arsenal to smooth out any local deficit of hard currency on the market. That this is likely can be seen in NBU interventions: over August, the Bank largely bought up hard currency, i.e., there was a surplus and the hryvnia kept inching up, but between August 31 and September 5, the regulator was forced to sell hard currency, which led to a noticeable improvement in the dollar, over 50 kopyikas within a few days. Soon, interventions involving the sale of hard currency are likely to grow in frequency, a clear indicator that the hryvnia exchange rate has begun to depreciate.

At the beginning of 2018, risks will begin to grow significantly because the question of where to find external

The fall will bring a seasonal depreciation of the hryvnia, as a result of which the hryvnia should not go down any further than about **UAH 28.00/USD**

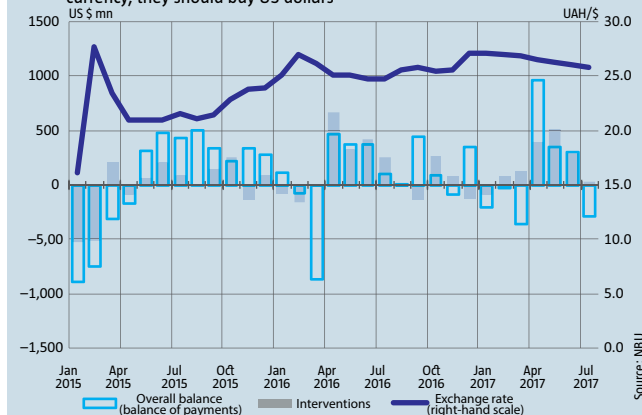
financing to cover the country's needs will loom ever more strongly. At that point, the equilibrium of the FOREX market could disappear and the amplitude of fluctuations begin to increase.

There is only one market factor that could prevent this scenario, and that is a stir on global financial markets due to surplus money, similar to what preceded the 2008-2009 financial crisis. The thing is that economic indicators have been improving around the world in recent months and uncertainty has subsided. As a consequence, the appetite for market risks has grown and capital has been glowing to developing countries. It's possible to say that, in some cases, there has been real interest in assets in undeveloped countries. There are plenty of indicators of this, such as the fact that most currencies have grown stronger against the dollar lately, especially the currencies of poorly developed countries, while yields on government bonds in these countries have, in some cases, fallen to record lows.

Since the beginning of 2017, the euro has gained nearly 15% against the dollar, while the currencies of Ukraine's western neighbors—Poland, Czechia, Hungary and Romania—, whose economies are closely tied to the eurozone, have grown against the dollar almost to the same extent. The currencies of many developing countries have

Watch the interventions

The policy to smooth currency fluctuations currently conducted by the NBU leads to the following conclusions: when the central bank purchases foreign currency, people should stick to the hryvnia; when it sells foreign currency, they should buy US dollars



strengthened by 7-10%. Even the Chinese yuan has gained 5% against the dollar. Yields on Bulgaria's government eurobonds are now down to 1.67%, compared to 8% less than a decade ago, which is what Ukraine's bonds are at now. There are plenty more such examples.

If this trend were to maintain for at least a few quarters, it would be clear that the capital that is currently actively looking for places to work in these countries would partly also come to Ukraine. All the more so as a recent survey by Institutional Investor covered 214 fund managers, 32% of whom said that, given a choice of Europe, the Middle East and Africa, their first choice would be to go to Ukraine, in order to study market opportunities. This kind of capital might even suffice to finance Ukraine's demand for foreign currency. The question is whether this stir on global financial markets will last long enough, and for that there is neither certainty nor guarantee. And, even if there were, this form of capital inflow is very volatile: tomorrow, it could equally swiftly be standing in line to exit, having caused more harm than that from which it might save us today.

NON-MARKET FACTORS

There are two more non-market factors that could potentially shift the balance of payments over 2017-2019 and thus have a significant impact on the hryvnia exchange rate. The first has about a zero percent likelihood, whereas the second is almost 100%. But each of them could potentially be decisive.

The first is the Yanukovich money. The confiscation of US \$1.4bn of the Yanukovich Family's money that was on Oschadny Bank accounts was a pleasant surprise for the Budget. Now there's information about a half tonne of Yanukovich gold that investigative agencies have tracked down to Switzerland. On one hand, it's hard to count on the money stolen by that regime, because the process of finding and returning them to the state could drag on for years. On the other, the Prosecutor General's Office has reported that the total stolen by the Yanukovich clique was nearly US \$40bn. This cannot possibly all be in cash: a large proportion is in gold and possibly in tangible material assets such as property or ownership shares in businesses.

None of this is a needle in a haystack. It should be fairly straightforward to track these assets down and eventually confiscate them in favor of the state. Even if only a tenth of

this were returned to the budget, it would provide serious support for public finances—most importantly for the balance of payments. If Ukraine's investigative agencies continue their efforts steadily and persistently, they could return fairly substantial sums. This element in the stability of the hryvnia exchange rate needn't be discounted, although when and on what scale it can be brought into play is something nobody knows for sure.

The second factor is the political cycle. Although Ukraine's next elections come up only in 2019, barring a snap election, the campaigning has already begun, even if unofficially. This can be seen not only in the actions of the Poroshenko Administration, which is already actively searching for ways to ensure their boss is elected to a second term and eliminating potential rivals and the opposition: who are the more highly rated potential nominees and how often they show up on television. Election campaigns are for the Ukrainian politician what crushes are for the teenager: both sides lose their heads and behave in irrational ways.

In this situation, a rational approach means recognizing that the only definite source of external financing is support from the IMF and other international donors. But in order to qualify for it, the Verkhovna Rada must vote for the bills that will allow various reforms to go ahead. But how likely is it that the legislature will support reforms initiated by the President and a Cabinet that is friendly towards him, if all the election rhetoric of the multi-colored opposition is focused

on criticizing this Administration? It's much simpler not to vote for the necessary changes, get the IMF to stop lending, cause a currency crisis, and then blame the current government for everything in order to boost their own ratings. Even though this line of action is obviously aimed against the people and their country, it's the shortest path to the top position in the land. Given that among Ukraine's top politicians, very few act responsibly, the most likely scenario is that the Rada will be blocked and cooperation with the IMF stopped. The outcome—a hard currency crunch, hryvnia devaluation and the entire bouquet of problems that goes along with that—is something that most Ukrainians remember all too well from the not-so-distant past.

To sum up, the general picture looks like this. The fall will bring a seasonal depreciation of the hryvnia, as a result of which the hryvnia should not go down any further than about UAH 28.00/USD. The Government might get one more tranche from the IMF or portfolio capital will begin to come to Ukraine in greater volumes, including for the purchase of newly-issued government eurobonds. These factors will extend the period of relative equilibrium in the FOREX market for a few more months, but they will not eliminate the problem of financing for the next year or two.

What happens next is a good question. The only thing we can be certain of is that FOREX risks will grow and the hryvnia rate will fluctuate more sharply, whether it goes up or down. However, this is only next year. For now, Ukrainians can sleep peacefully.. ■

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From saving to prosperity

How energy efficiency helps energy security and saves for the future

Blerta Cela, UNDP Ukraine's Deputy Country Director



Fields of fuel. Every year, up to 60-70 million tons of straw are left unused in the fields of Ukraine, while they could be used to produce biomass and generate energy

One of the least energy efficient countries on the planet, Ukraine has adopted a pattern of high-energy, carbon-intensive consumption. Its energy intensity (calculated as units of energy per unit of GDP) is three times higher than the EU average. The country is not even on track to meet its own national target of a 9 percent improvement in energy efficiency by 2020. Despite having the 63rd largest GDP in the world, Ukraine is the 27th largest emitter of greenhouse gases.

Ukraine's outdated energy infrastructure is in dire need of major upgrades. Most of the country's thermal power stations have never been refurbished since their creation, on average 40 years ago. Ukraine's housing and municipal sector is four times less energy efficient than in the average Western European country, and devours almost 45 percent of the country's energy. Inefficient central heating systems waste an enormous amount of gas — with 22 percent of its energy wasted during production, 25 percent during transportation and 30 percent during distribution (including by end users). Updating and rehabilitating Ukraine's energy infrastructure will require billions of dollars of investment.

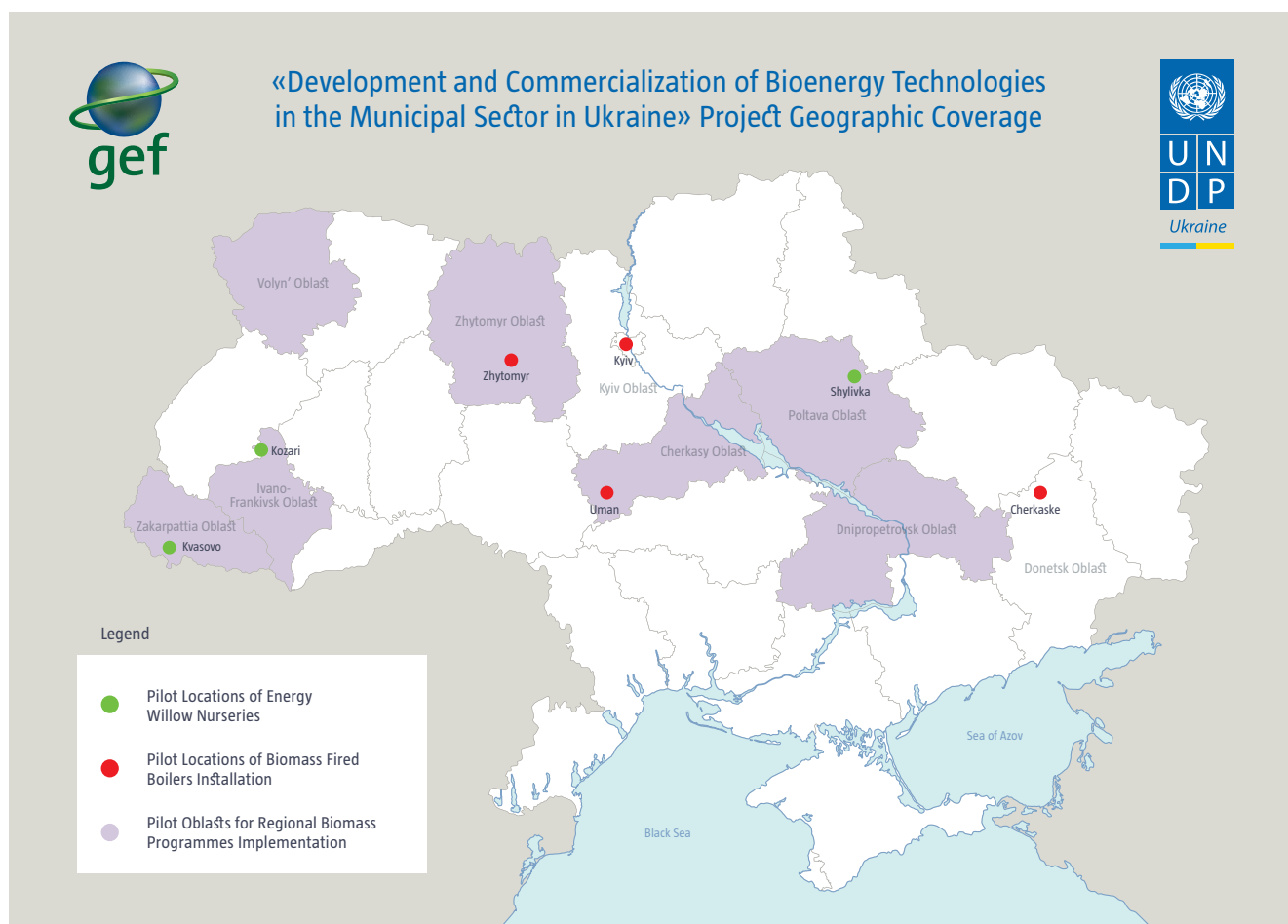
HOW TO MAKE ENERGY EFFICIENCY A REALITY?

For this to change, a modern legislative framework is needed. The government needs to address the legislative and procedural issues that slow or prevent investments in energy efficiency. It has taken its first steps by passing laws on the energy efficiency of buildings, on commercial metering, for the market development of private energy service companies (where private investors provide technical and financial solutions for energy-efficiency investments) and establishment of the Energy Efficiency fund. Planned legislation is expected to strengthen the energy efficiency regulatory environment, bringing it closer to European standards.

But as important as these steps are, much more needs to be done to make these laws fully operational. A significant cultural shift is needed. Policy and legislative efforts must be combined with initiatives to raise awareness of citizens and public servants on energy consumption. Households and public buildings (the most substantial sources of energy waste in the country) will require special support and guidance, including clear explanations of a range of financing opportunities. The potential of the private sector to invest in energy efficiency should be tapped further and the right incentives need to be created through regulatory frameworks. Policy instruments are essential to create such demand and reduce the risks of investments. Policy measures should focus on removing the barriers to investments in energy efficiency and supplementing these with direct financial incentives, such as tax breaks or price premiums.

Effective market mechanisms will be essential to improving energy efficiency in Ukraine. These can in fact provide the right signals, enable better investment decisions and ensure more certain returns on investments. To unlock financing for energy efficiency, the financing and banking sector need to demonstrate their strong engagement, including lowering interest rates and increasing long-term finance opportunities.

The United Nations Development Programme (UNDP) is building on its cooperation with the International Finance Corporation to provide significant support and technical assistance to a new energy efficiency and renewable energy financing mechanism. Launched in partnership with Oschadbank, the mechanism will provide new commercial banking products and services for biomass projects and (in a second stage) energy efficiency projects. The mechanism helps municipalities respond to legal and procedural challenges, and will provide vital technical assistance and support for business plan development, feasibility studies and loan applications. Its success will greatly enhance and expand investments in



energy efficiency and renewable energy in Ukraine. This mechanism will be replicated and scaled up after it successfully finances a number of pilot initiatives.

Another key to success is increasing the use of alternative energy sources, such as biomass.

Every year, up to 60-70 million tons of straw are left unused in the fields of Ukraine, while they could be used to produce biomass and generate energy. Agricultural biomass shows great potential in Ukraine — it is relatively inexpensive, easy to scale up and creates an ecologically friendly fuel. Replacing natural gas with energy from straw will save money while improving Ukraine's environment. Working with local administrations and NGOs, UNDP is piloting the establishment of energy crop nurseries in Ivano-Frankivsk, Poltava and Zakarpattia oblasts. These plots of land are dedicated to cultivating crops purely for energy production, and are used as a proof of concept to promote biomass as a viable business opportunity for local farmers and land owners.

UNDP is also expanding its work on energy efficiency in the conflict-affected areas of Eastern Ukraine. For example, in Donetsk Oblast, UNDP is helping install straw-fired biomass boilers that provide heat and hot water services to key public buildings (including a secondary school, family clinics and a cultural and recreation centre). This fall, a better indoor environment is expected for school children and teachers, as average classroom

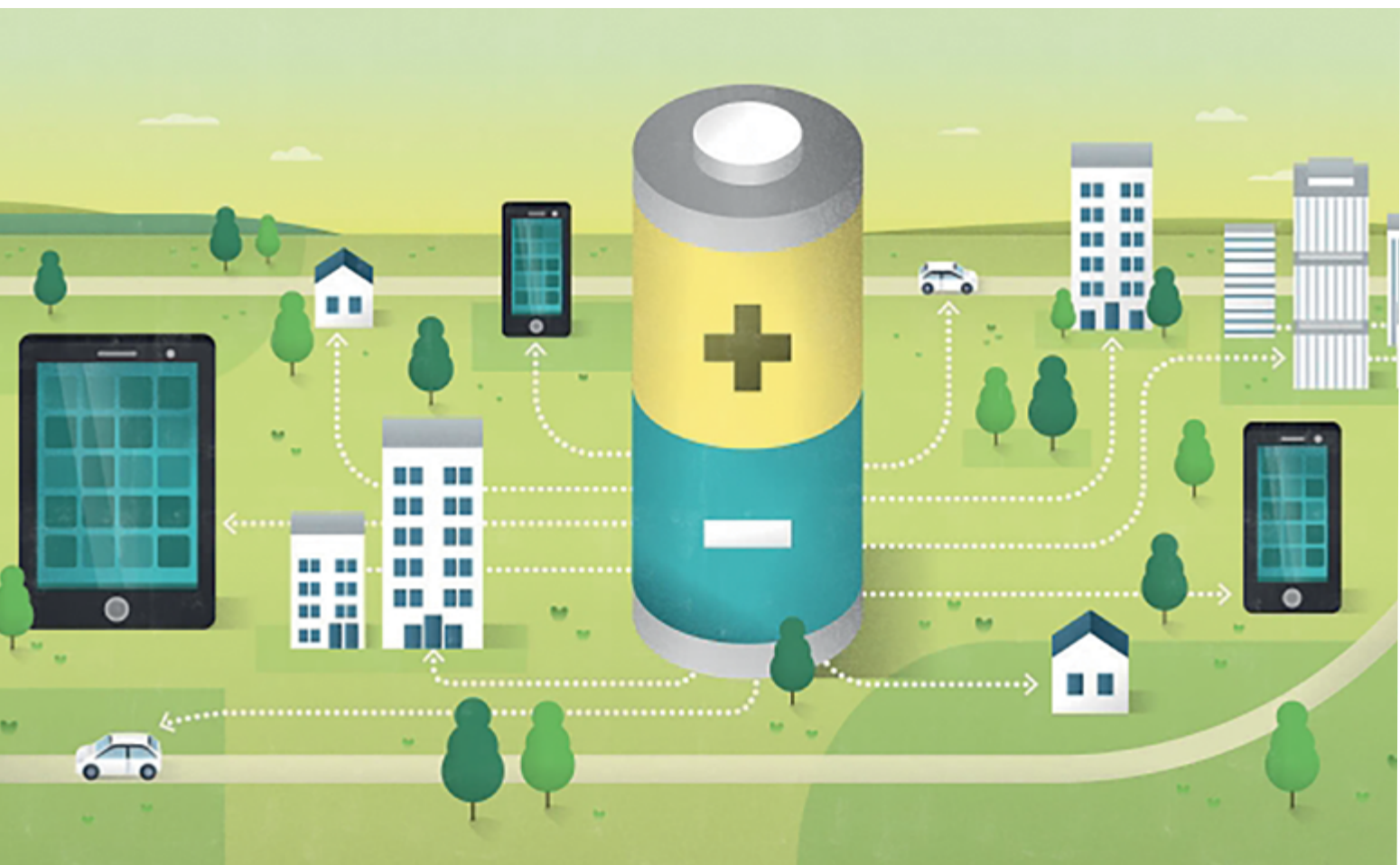
temperatures will rise from an uncomfortable 15-18C to 20-22C. The new boilers are expected to reduce the local communities' gas bill by 80 percent. These pilots have demonstrated that biomass planting is a realistic and financially feasible endeavour that can be commercially scaled up throughout the country. Over time, biomass initiatives could play a significant role in helping Ukraine meet its energy and heating needs.

COLLECTIVE ACTIONS ARE URGENTLY REQUIRED FROM THE GOVERNMENT, PRIVATE SECTOR, CIVIL SOCIETY AND COMMUNITIES. A CULTURAL SHIFT NEEDS TO HAPPEN THROUGHOUT THE COUNTRY TO SAVE ENERGY AND REACH ECONOMIC PROSPERITY

Excessive energy consumption brings great, unnecessary costs and poses unwarranted risks to energy security, trade balances, economic and social activities and health and environmental quality. There is vast potential to improve and achieve an impact in these areas. Energy efficiency affects everyone, from businesses to families keeping their homes warm. Collective actions are urgently required from the government, the private sector, civil society and communities alike to bring forward the energy efficiency agenda both nationally and in every single village, town and city of Ukraine. ■

Electrifying everything

After electric cars, what more will it take for batteries to change the face of energy?



About three-quarters of the way along one of the snaking production lines in Nissan's Sunderland plant, a worker bolts fuel tanks into the chassis of countless Qashqais—the "urban crossover" SUVs which are the bulk of the factory's output. But every so often something else passes along the line: an electric vehicle called a Leaf. The fuel-tank bolter changes his rhythm to add a set of lithium-ion battery packs to the floor of the Leaf. His movements are so well choreographed with the swishing robotic arms around him that he makes the shift from the internal combustion engine to the battery-charged electric vehicle look almost seamless.

Until recently, it was a transition that many found unthinkable. The internal combustion engine has been the main way of powering vehicles on land and at sea for most of the past century. That is quite the head start. Though Leafs are the world's biggest-selling electric vehicle, the Sunderland plant, Britain's biggest car factory, only made 17,500 of them last year. It made 310,000

Qashqais. And the Qashqais, unlike the Leafs, were profitable. Nissan has so far lost money on every Leaf it has made.

There were 750,000 electric vehicles sold worldwide last year, less than 1% of the new-car market. In 2011 Carlos Ghosn, boss of the Renault-Nissan alliance, suggested that his two companies alone would be selling twice that number by 2016, one of many boosterish predictions that have proved well wide of the mark. But if the timing of their take-off has proved uncertain, the belief that electric vehicles are going to be a big business very soon is ever more widely held. Mass-market vehicles with driving ranges close to that offered by a full tank of petrol, such as Tesla's Model 3 and GM's Chevrolet Bolt, have recently hit the market; a revamped Leaf will be unveiled in September. The ability to make such cars on the same production lines as fossil-fuel burners, as in Sunderland, means that they can spread more easily through the industry as production ramps up.

ALL WE NEED TO LIVE TODAY

Many forecasters reckon that the lifetime costs of owning and driving an electric car will be comparable to those for a fuel burner within a few years, leading sales of the electric cars to soar in the 2020s and to claim the majority sometime during the 2030s. China, which accounted for roughly half the electric vehicles sold last year, wants to see 2m electric and plug-in hybrid cars on its roads by 2020, and 7m within a decade. Bloomberg New Energy Finance (BNEF), a consultancy, notes that forecasts from oil companies have a lot more electric vehicles in them than they did a few years ago; OPEC now expects 266m such vehicles to be on the street by 2040 (**see The coming oil crisis**). Britain and France have both said that, by that time, new cars completely reliant on internal combustion engines will be illegal.

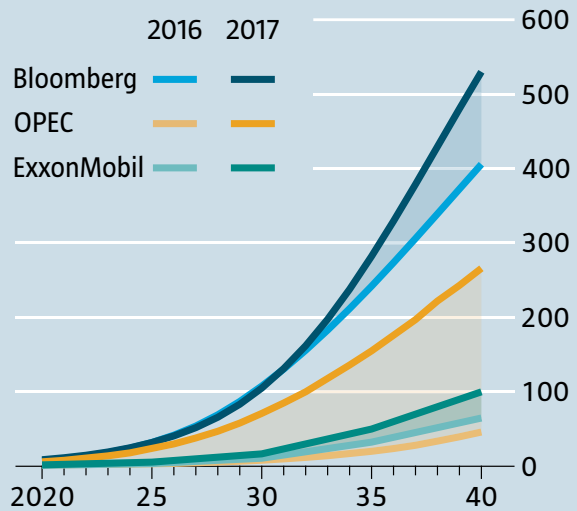
That this is even conceivable is a tribute to the remarkable expansion of the lithium-ion battery business—and to the belief that it is set to get much bigger. The first such batteries went on sale just 26 years ago, in Sony's CCD-TR1 camcorder. The product was a hit: the batteries even more so, spreading to computers, phones, cordless power tools, e-cigarettes and beyond. The more gadgets the world has become hooked on, the more lithium-ion batteries it has needed. Last year consumer products accounted for the production of lithium-ion batteries with a total storage capacity of about 45 gigawatt-hours (GWh). To put that in context, if all those batteries were charged up they could provide Britain, which uses on average about 34GW of electricity, with about an hour and 20 minutes of juice.

In the same year production of lithium-ion batteries for electric vehicles reached just over half that capacity: 25GWh. But Sam Jaffe of Cairn ERA, a battery consultancy, expects demand for vehicle batteries to overtake that from consumer electronics as early as next year, marking a pivotal moment for the industry. Huge expansion is under way. The top five manufacturers—Japan's Panasonic, South Korea's LG Chem and Samsung SDI, and China's BYD and CATL—are ramping up capital expenditure with a view to almost tripling capacity by 2020 (**see Electric dreams**). The vast \$5bn gigafactory Tesla is building with Panasonic in Nevada is thought to already be producing about 4GWh a year. Tesla says it will produce 35GWh in 2018. Just four years ago, that would have been enough for all applications across the whole world.

The gigafactory is not just for cars. Hearing of electricity blackouts in South Australia, Elon Musk, Tesla's founder, tweeted to the state's premier in March that by the end of the year Tesla could provide enough battery storage to make sure that the grid never fell over again. At the gigafactory they are now hard at work cramming 129 megawatt-hours (MWh) of capacity into a facility designed to keep their boss's word. When installed on the other side of the Pacific, it will be the biggest such grid-based system in the world; but many more are on the way. Industrial-scale lithium-ion battery packs—essentially lots of the battery packs used in cars wired together, their chemistry and electronics tweaked to support quicker charging and discharging—are increasingly popular with grid operators looking for ways to smooth out the effects of intermittent power supplies such as solar and wind. Smaller battery packs are being bought by consumers who want independence from the grid—or, indeed, to store the electricity they produce for themselves so that it can be sold into the grid at the most lucrative time of day or night. Batteries are becoming an integral part of the low-emissions future.

The coming oil crisis

Electric-vehicle sales forecasts, m



Source: Bloomberg New Energy Finance

THE CHANCE TO CHANGE

The fundamental operating principles of the lithium-ion battery are easily understood. When the battery is charging an electric potential pulls lithium ions into the recesses of a graphite-based electrode; when it is in use these ions migrate back through a liquid electrolyte to a much more complex electrode made of compounds containing lithium and other metals—the cathode. The fundamental operating principles of the bat-

There were **750,000** electric vehicles sold worldwide last year, less than **1%** of the new-car market. But if the timing of their take-off has proved uncertain, the belief that electric vehicles are going to be a big business very soon is ever more widely held

tery business, on the other hand, are considerably more opaque, thanks to an almost paranoid taste for secrecy among suppliers and the baffling economics of the Asian conglomerates that lead the market.

All the big producers are adding capacity in part because it drives down unit costs, as the past few years have shown (**see Watt next?**). Lithium-ion cells (the basic components of batteries) cost over \$1,000 a kilowatt-hour (kWh) in 2010; last year they were in the \$130-200 range. GM says it is paying \$145 per kWh to LG Chem for the cells that make up the 60kWh battery for the Bolt (the pack, thanks to labour, materials and electronics, costs more than the sum of its cells). Tesla says that cells for the Model 3 are cheaper. Lower costs are not the only improvements; large amounts of R&D investment have led to better power density (more storage per kilogram) and better durability (more discharge-then-recharge cycles). The Bolt comes with a battery warranty of eight years.

But getting prices down this way has not just produced cheaper, better batteries. It has also resulted in significant overcapacity. Cairn ERA estimates that last year the manufacturing capacity for lithium-ion batteries exceeded demand by about a third. Both it and BNEF say that the battery manufacturers are either losing money or making only wafer-thin profits on every electric-vehicle battery they produce. Despite the seeming glut, though, they all have plans to expand, in part to drive prices even lower. Mr. Jaffe explains their thinking as that of the “traditional Asian conglomerate model”: sacrificing margins for market share. This may be a sound strategy given the ever-greater hopes for electric vehicles in the near future. But at the moment it is also one that looks rather unnerving. Although Mr. Jaffe believes that increased demand for both electric vehicles and stationary storage will justify the rush to expand, he accepts that, for now, “It feels like a gold rush—but there’s no gold.”

MAKING MORE BATTERIES MEANS ACQUIRING MORE LITHIUM, AS WELL AS VARIOUS OTHER METALS, INCLUDING COBALT, FOR THE CATHODES. BEING ASSURED OF A CONSTANT SUPPLY OF THEM IS AS MUCH A STRATEGIC CONSIDERATION FOR BATTERY-MAKERS AS MASTERING ELECTROCHEMISTRY

There are, though, other valuable metals in the picture. Making more batteries means acquiring more lithium, as well as various other metals, including cobalt, for the cathodes. These make up about 60% of the cost of a cell. Being assured of a constant supply of them is as much a strategic consideration for battery-makers as mastering electrochemistry. Since 2015 lithium prices have quadrupled, says Simon Moores of Benchmark Mineral Intelligence, a consultancy. Cobalt’s price has more than doubled over the same period; prices of chemicals containing nickel, also used in cathodes, are rising too.

New supplies of lithium should not be too hard to find; there are thought to be at least 210m tonnes of the stuff, says Mr. Moores, compared with current annual production of 180,000 tonnes. New fields are being opened up. In July SQM of Chile, the world’s biggest lithium producer, said it would invest \$110m in a lithium joint venture in Western Australia. Cobalt is more tricky. Not only are supplies scarcer, but a lot comes from the Democratic Republic of Congo. This raises both ethical problems (production can rely on child labour) and business ones (no one wants to depend on warlords for a vital resource). LG Chem has said it is trying to reduce the cobalt component of its battery cells, while continuing to improve their performance. Further down the road, recycling the metals from old batteries could make the industry much more sustainable.

One of the reasons manufacturers are confidently piling on capacity despite costlier raw materials is that, at the moment, little else can compete with their wares. Other battery technologies that sound as if, in principle, they might have advantages are often touted—but none of them enjoys the decades of development that have turned lithium-ion devices from an intriguing idea into a dominant technology. This work has generated a huge amount of knowledge about the fine details of manufacturability, the choice of electrolytes and the ever more sophisticated nanotechnology of the metallic cathodes.

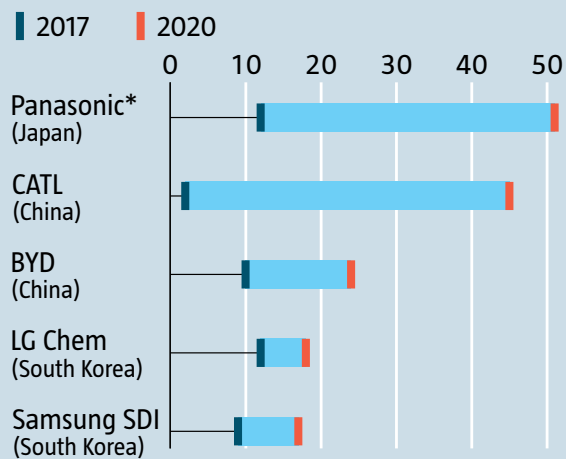
Kenan Sahin, who heads CAMX Power, an American company that supplies materials for cathodes, says the lithium-ion battery’s cost and weight, its ability to charge and discharge repeatedly, its durability and its safety have all been achieved through an endless process of fine-tuning, rather than eureka moments. He likens battery chemistry to drug discovery in the pharmaceutical industry. “It’s really difficult. Whatever you have needs to work at large scale and the side-effects have to be acceptable,” he says. This is all hard for a would-be usurper to emulate. For the foreseeable future, ever-improving lithium-ion technology—perhaps with new solid electrolytes—will make the running, benefiting from yet more refinements the more applications it supports.

Until now, the mainstay has been a cylindrical cell called the 18650, which looks like a rifle shell. It is 65 millimetres long, 18mm in diameter and has an energy density of perhaps 250 watt-hours per kilogram. (The energy density of petrol, for comparison, is about 50 times greater; but the cell can store that much energy hundreds or thousands of times.) Tesla and Panasonic have now developed the 2170, a bit longer and wider; Mr. Musk says it will be the most energy-dense battery on the market. The company says that the cost of driving a Model 3, released in late July to rave reviews, will be half that of any of its previous vehicles. At the car’s launch Mr. Musk seemed a bit overawed at the prospect of producing 500,000 such vehicles next year: “Welcome to production hell,” he told the assembled workers.

On August 7th Tesla announced plans to sell bonds worth \$1.5bn to support its expansion, giving a badly needed breather to the equity market, where it usually raises cash (and where its value has risen by two-thirds over the past year). The company has said that it has 455,000 pre-orders for the Model 3, which, if taken up, would generate enough cashflow by year-end to start shoring up the company’s finances. If it all goes to plan,

Electric dreams

Manufacturing capacity, gigawatt-hours per year



Source: Cairn ERA

*Includes Tesla gigafactory

Mr. Musk hopes to see the gigafactory become the largest building in the world, cranking out 100GWh a year—and to be joined by further gigafactories elsewhere; the next would probably be in China.

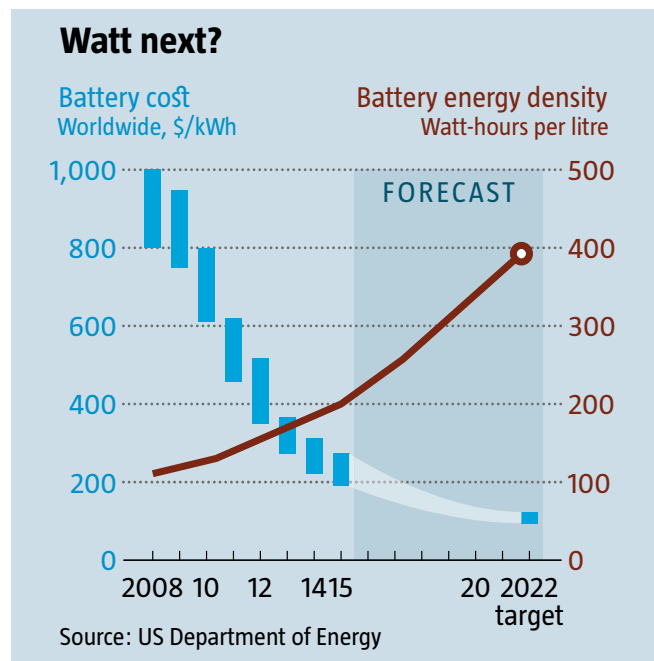
All this presupposes that electric vehicles really are poised for take-off. There is no doubt that they are getting better and cheaper. But there are other constraints on their use, most notably charging. In Britain 43% of car owners do not have access to off-street parking and thus would not be able to charge cars at home. Nor are domestic supplies always up to the strains of, say, an 11kW charger; using the kettle or immersion heater during the six hours it would take to charge up a 90kWh battery could blow the fuses. The answer will be fast-charging stations, possibly like petrol stations; some car companies are beginning to build them as a way to assuage the “range anxiety” that turns some drivers off electric vehicles. Whether such facilities can expand fast enough to allow the industry’s expansive ambitions to be fulfilled remains an open question.

This uncertainty about the speed at which electric-vehicle usage will grow is one of the things that makes stationary storage an attractive alternative market for the battery-makers. Installations such as the one recently built in a nondescript lot on the outskirts of San Diego, California, by San Diego Gas & Electric (SDGE) have none of the glamour of glistening new models hitting showrooms. It is a 384,000-cell car battery impersonating a trailer park: the dullest Transformer ever. But its ordinariness is part of its beauty, says Caroline Winn, chief operating officer of SDGE; the utility uses it to offer power at times of peak demand. Modular construction meant the 120MWh facility—just a touch smaller than the one Tesla has promised South Australia—was ready to go only eight months after the start of the project. It runs so quietly it is hardly audible. Building a gas turbine to do the same job would have been cheaper but would have taken years, in the unlikely event that local residents had given it the go-ahead in the first place. The battery facility “is a lot prettier than a gas turbine,” Ms Winn says.

THE FINAL SOURCE OF ENERGY

For Tesla and other big battery-makers grid-storage projects are the most attractive part of the electricity market; they offer contracts that use up otherwise surplus capacity in satisfyingly large job lots. But there is also demand for batteries to go “behind the meter”. Tesla serves this market with its Powerwall domestic battery pack, designed to complement the solar panels and solar tiles it offers. Nissan, too, is looking at behind-the-meter applications. It is working with Eaton, an American power-management company, to put “second-life”, or partially used, Leaf batteries into packs that can provide businesses and factories with back-up power, thus replacing polluting diesel generators. The first big customer is the Amsterdam Arena, home to AFC Ajax, a football club.

Such systems do not necessarily compete on price; but governments are providing various incentives for them. In May the New York State regulator gave Con Edison, a utility, the right to allow business customers to install batteries in Brooklyn and Queens to export electricity to the grid. New York, with a rickety grid that dates back over a century to the days of George Westinghouse and Nikola Tesla, is struggling to integrate more



renewable energy into its supplies, and storage offers it a new way to manage peak power demand. Jason Doling, a state energy official, says the programme should be ideal for high-rise blocks; powering lifts from the battery in mornings and evenings when electricity prices are highest would be a boon.

The New York fire department remains concerned that lithium-ion batteries in buildings pose a fire hazard, however. When they are being installed, it keeps its engines on standby. As the externally combusting fiasco of Samsung’s Galaxy Note 7 smartphones reminded the world last year, lithium-ion batteries can, if badly or over-ambitiously designed, short circuit in incendiary ways. In general, however, new materials and ceramic coatings for electrodes have made the batteries for cars very safe.

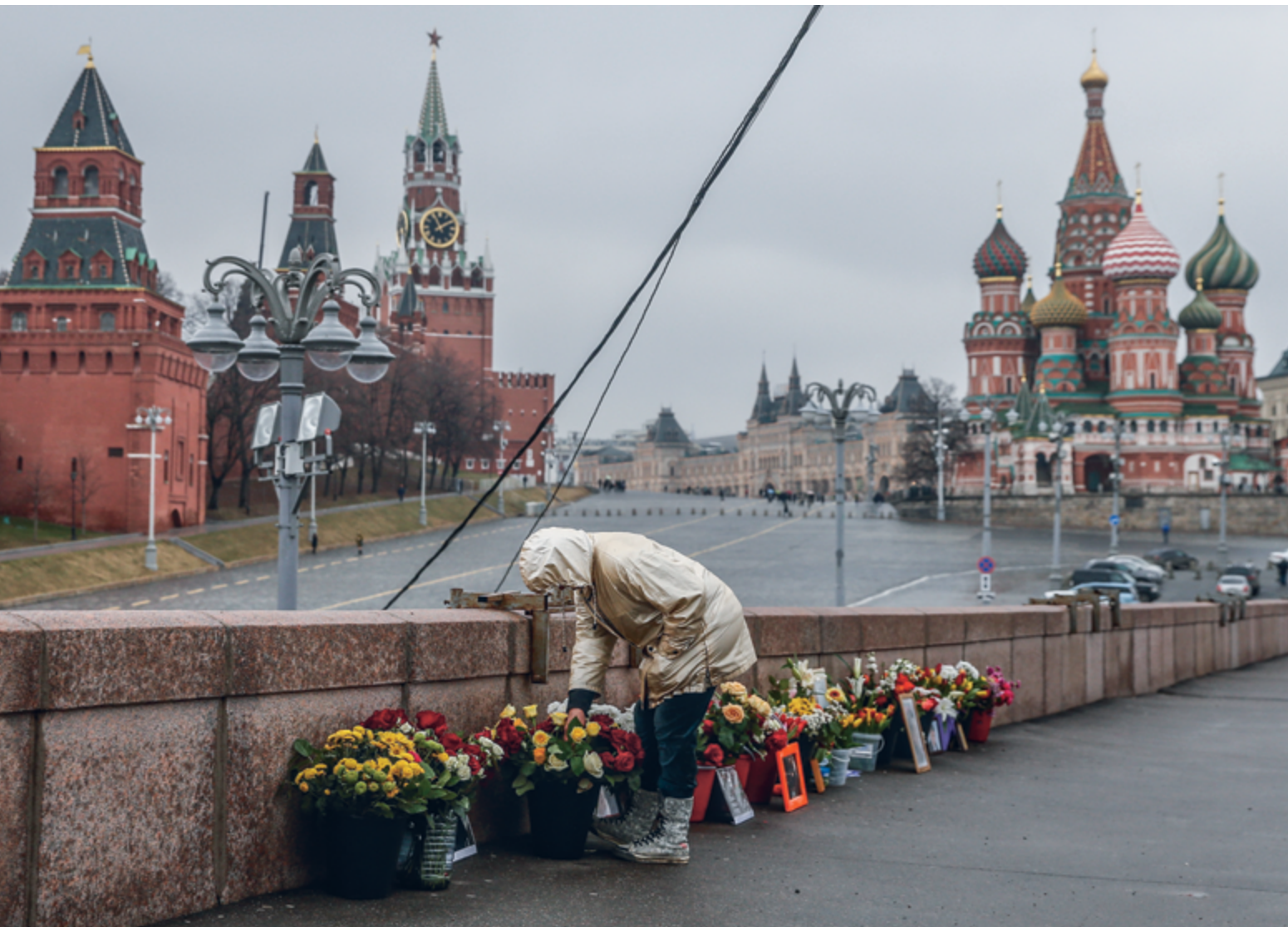
Setting aside concerns about combustion, companies that install batteries for behind-the-meter storage, and indeed for grid storage, say they are hampered by outdated regulation and by insurance problems. This limits the funding available to them, according to Anil Srivastava, who runs Leclanché, a Swiss battery-producer. They also need to find ways to make stationary storage pay. Sometimes, as in San Diego, it is pretty much the only solution to the demands of a regulator: the California Public Utilities Commission was worried about blackouts in Los Angeles in the wake of a leak at the Aliso Canyon gas-storage facility in 2015. When price is more of an object, the batteries need to find more than one service to provide, a procedure known as “revenue stacking”. For example, a system might be designed to offer power to the grid for short-term frequency regulation as well as providing a way of dealing with peak demand.

It sounds complicated. But finding more than one way to sell the same thing is second nature in the battery business, as it fine-tunes its wares for every market and every scale. And though today’s exuberance may look a little scary, in the long run that ability looks likely to see the industry do very nicely indeed. ■

Great Russia's tiny enemies

Kateryna Barabash, Moscow

Any free individual in Russia is marginal



After freedom. Boris Nemtsov kept trying to build a bridge between the old Russia, sinking in a bog of ignorance and corruption, and a new, free and enlightened one. He was walking with his back to the Kremlin and never even made it to the middle of the bridge

We're creeping down nighttime Moscow street, carefully avoiding the street lamps and covering our faces with baseball caps. This is our first nighttime outing in search of justice. Along the way, we grabbed some spray paint cans filled with black paint. Our destination is

the State Road Safety Inspection building, where, on the eve of Victory Day, someone hung up a huge poster with a portrait of Stalin and words thanking him for victory. It's the 21st century on Planet Earth, but one seventh of the landmass apparently doesn't know it.

To be honest, we're terrified. Especially my friend who, unlike me, a journalist with no future, has a solid government job that he really cherishes. "I'll strangle you if you tell anyone," he hisses at me in the dark. But it was he who proposed to mete out justice in the night. He also bought the cans with black paint.

The next day, the internet is filled with information and chatter about whether or not it was acceptable to honor Stalin like that poster and "the actions of unknown persons who spilled black paint all over the Generalissimo's portrait." The debate gets so heated that the poster is not only taken down from this building but from other parts of Moscow as well—hiding the guilt. My moral was this: if you can't, if you're afraid of standing up to those in power during the day, try at least doing it in the dark.

Just don't get into arguments with those who sneer, saying "So what, nothing changed anyway: today they took down Stalin's portrait, tomorrow two more will appear somewhere else." Indeed, no theory of small is beautiful really works here. There's no point in arguing with these sour faces: they're right. You really won't change anything. All that will happen is that you will finally see how obvious this is.

There's no "Russian people." It's just a fairy tale. I don't know if it ever actually existed, but that's not even the important thing. I think there was some kind of vague community that soviet ideologues called the soviet people. In one sense it was a vegetative culture, grown behind an iron curtain, in a hot house, complete with values such as collectivism, all invented by those same ideologues.

But as soon as the ideologues swept away, the curtain fell and it turned out that the people that inhabit one sixth of the world's surface were a fiction. It doesn't exist. The society fell apart in uneven bits. Some began to wait for all things soviet and continued to celebrate November 7 and Grandpa Lenin's birthday. The next generation continued the work of their parents and is now busy carrying Stalin's portrait in all kinds of parades, sometimes even participating in "Russian marches."

Others rolled into different corners in search of interesting and profitable work but, having not found it, gave up and moved away. Others yet, the most numerous part, adapted to the "new realities," found work, bought an apartment, a car and a parcel of land with a bathhouse and barbecue, and are feeling ok now. Some of them rail at Putin and his herd. Some of them watch evening talk shows and hate the banderites and their Amerikooks. Still others have thrown out the TV set and focus on theater, museums and contemporary art galleries.

But together, these form one huge class of suffering indifference from whom any difficult question about the present and future of the country elicits only one answer: "I'm not interested in politics," which translates as "I don't give a flying f...." Such people are certain that they are breathing in rhythm with the civilized world, although, in fact, they are the foundation under the Putin regime. Such people don't understand what true freedom is about: they are convinced that freedom means being able to vacation in Portugal.

The fourth and last group is small. Really small. These are the new Russians. Or, if you prefer, different Russians. And if we really want to be honest, then they

aren't Russians at all, if being people of suffering indifference is the foundation of Russianness.

These people are from different age groups, different professions, and they mostly live in the big cities. That tiny part of Russia's population that despises the majority. A truly free person is always above corruption and always a patriot in the primary, oft-forgotten and trampled sense of the word, being intolerant of xenophobia, imperialism and chauvinism. But as time passes, the Russian state is gaining strength on a pedestal of corruption and pseudo-patriotism.

THE RUSSIAN STATE IS GAINING STRENGTH ON A PEDESTAL OF CORRUPTION AND PSEUDO-PATRIOTISM.

THIS MEANS THAT A FREE PERSON HAS FEWER AND FEWER CHANCES TO BE ELECTED TO GOVERNMENT IN RUSSIA AS TIME GOES BY, AND EVEN TO REMAIN AN HONORED MEMBER OF RUSSIAN SOCIETY

This means that a free person has fewer and fewer chances to be elected to government in Russia as time goes by, and even to remain an honored member of Russian society. True liberalism is going underground, into the catacombs, and its proponents are becoming marginalized.

The murder of Boris Nemtsov two and a half years ago on a bridge near the Kremlin was not just a tragedy: it has begun to look like a sinister installation dreamed up by some diabolical mind in the depths of the Kremlin. The last truly free individual in the opposition, a curly-haired, good-looking man who thought in western ways, Nemtsov kept trying to build a bridge between the old Russia, sinking in a bog of ignorance and corruption, and a new, free and enlightened one.

He was walking with his back to the Kremlin and never even made it to the middle of the bridge. A few bullets cut short that path for him and for all of those who somehow, through force of will, managed to maintain an optimistic faith in success to their last dying breath.

We are apostates. We did not even manage to cross half the bridge and we won't get any farther. We are the new, different Russians, pitiful shards of that nation that was conceived in 1991 but turned out to be crippled from childhood and died soon after, never having managed to turn its back on the Kremlin. We go to demonstrations but no one is afraid of us. We dream about Russia without Putin, but we are a voice crying in the wilderness: no one hears us. And if, forbid, our cries prove to be louder than necessary, we will be crushed, ground and trampled. We have no illusions about the future of Russia.

This future is now ours, no matter how much black paint we spill on Stalin under cover of night. Russia will never be without Putin, even if it's some other nominal Putin: the ratio between the other Russians and the rest, the majority, is far too small. In this place, we will always be enemies, marginalized.

Still, I'm not hiding the balloon with black paint very deeply. Even at night, it might come in handy again. ■



The illusion of difference

How the Russian opposition sees Ukraine

Denys Kazanskiy

At the beginning of August, Russia's dull political scene was the setting for an unusually exciting episode. Opposition politician Sergei Udaltsov was released from prison after being sentenced for "organizing anti-Putin street actions" and spending four and a half years behind bars. Not long after his release, he held a press conference, where, instead of sharply criticizing the government, the opposition politico suddenly praised Putin's actions in Crimea. He also expressed support for the marionette statelets "DNR" and "LNR" being overseen by Putin's right-hand man, Vladislav Surkov. The one-time leader of Russia's "Left Front" sounded more like a Russian nationalist-imperialist than a leftist.

"I support the decision of the residents of Crimea," said Udaltsov. "I'm confident that this was the will of the people to be with Russia. That's what Crimeans wanted. And as a leftist of democratic convictions, I cannot oppose this." Udaltsov made no mention of Russia's military invasion of Crimea or about the false nature of the referendum. How a forced takeover of the peninsula by the Armed Forces of the Russian Federation might be compatible with Udaltsov's "leftist, democratic convictions" is a mystery.

The politician talked about the militants of "DNR" and "LNR" in the same vein, referring to them as "heroes, brave men who are not sitting around in the bushes." And once more, not a word about the underhanded, covert use of the

this myth. The reality is that most often "forces that are friendly towards us" in the Russian Federation turn out to be as cannibalistic as Putin & Co.

The story with Udaltsov is hardly unique. There have been other high-profile opposition politicians like Viacheslav Maltsev, who ran for the State Duma as #2 on the party list for the liberal PARNAS party led by ex-PM Mikhail Kasianov. In one of his interviews in early 2014, Maltsev proposed taking advantage of the Euromaidan revolution in Ukraine to grab a big swath of the country.

"Right now, I can see that the Maidan is good for the Russian people," he said in February 2014. "Firstly because it shows the path for our people to take. Secondly, because this situation offers an opportunity to snatch away the southeastern oblasts. We can already help ourselves to Crimea... Of course, those oblasts that were under the Poles and the Austro-Hungarian Empire are already lost forever to Russia. But Russia needs to gather Russian lands. How might they be gathered? To do that, first of all we have to break them up. This is the main issue that no one is talking about because everyone says they are for Ukraine's sovereignty and territorial integrity. But I'm against Ukraine's sovereignty and territorial integrity."

In July 2017, Maltsev left Russia just ahead of being arrested. He was being persecuted because of his criticisms of those in power. Astonishingly, he tried to flee repression in Ukraine, which he himself had suggested capturing and destroying. But Ukraine's border service refused him entry and he was forced to flee from Putin to a different country.

This story would be funny if it did not say something disturbing about Russia's opposition. When a "liberal opposition politician" whom people began to consider a victim of the Putin regime in 2017 talks in terms that are even more bloodthirsty than the regime itself, the truth is that there is, in fact, no difference between Russia's opposition and those in power. Their worldviews are identical and any conflict between them arises only over who will more effectively pander to the imperial ambitions of Russians.

Are there other politicians in Russia who sympathize with Ukraine and defend its sovereignty? Yes, there are, but they are a marginalized group with minimal support among ordinary Russians. The most famous friend of Ukraine was Boris Nemtsov, who was assassinated in central Moscow in February 2015. His ally Illya Yashin continues to support Ukraine openly, but it's hard to say that he's popular in Russia. According to polls, most Russians support the takeover of Crimea and genuinely believe that Ukraine is a fascist country and a puppet of the US. The Russian Public Opinion Research Center (WCIOM) ran a survey in 2016 that showed that nearly two thirds of Russians support the Kremlin's policies towards Ukraine, with 26% of respondents calling it "completely correct" and another 38% calling it "mostly correct."

Given this, even the most liberal Russian politician is forced to make "bloodthirsty" statements regarding Ukraine from time to time in order to satisfy voters. Any-

IN THE YEARS SINCE THE USSR COLLAPSED, RUSSIANS HAVE NOT ADJUSTED TO UKRAINE BEING AN INDEPENDENT STATE WITH A RIGHT TO ITS OWN WAY AND NO DUTY TO AGREE POLICIES WITH MOSCOW

Russian army in Ukraine, about the invasion in Ilovaik, about the secret funerals of Russian soldiers who have died in Donbas. The one-time "victim of the regime" and "enemy of Putin" is now spouting Kremlin propaganda.

This little episode confirmed for the umpteenth time a long-recognized truth in Ukraine: that Ukrainophobia typically brings Russia's government and its opposition together. Clearly, there's little basis for Ukrainians to comfort themselves with the thought that, once Putin is gone, Russia will return stolen territories, complete with an apology and compensation.

And yet there are many in Ukraine who continue to believe and hope in the Russian opposition. It's easy to hear such comments as "Oil is getting cheaper, Russia's economy is in decline, so Russians will soon be disillusioned enough with Putin to have their own revolution. The government will change and the war will end."

This illusion is so powerful that even Alexei Navalny's completely unambiguous statement that "Crimea is not a sandwich that can just be returned" and similar messages from Mikhail Khodorkovsky have done little to dispel it. Clearly, it's time for Ukrainians to part company with



one who refuses to pander to the public is unlikely to find any support. Opinion polls in Russia today show that even the voters with the most pro-western parties crave Ukrainian territory and Ukrainian blood. In part, television is to blame for this, as Russian TV has deliberately stoked hatred towards Ukrainians for several years now. Still, it's not the main reason. Propaganda has simply awakened the underlying thinking. For all the years since the USSR collapsed, Russians still have not adjusted to the fact that Ukraine is an independent state with a right to its own path and no duty to agree any of its policies with Moscow. Many Russians are convinced that by having independent policies, Ukraine is betraying Russia and deserves to be punished.

Some Russians who want to justify this position dehumanize Ukrainians and invent horror stories about "terrible banderites" who need to be killed in self-defense. Oth-

ers don't even need such clumsy excuses. In their minds, Ukraine is guilty because it is not willing to become part of Russian plans to restore the "great empire," and so the country should be destroyed.

How likely, then, is it that, if Putin is replaced by Navalny, Maltsev, Udaltsov or anyone else like them, the Russian-Ukrainian conflict will be resolved? Not very. Any Russian politician will have to work mainly with the existing electorate and to be guided by its demands. They can sympathize with Ukrainians as much as they like, but Ukrainians don't vote in Russian elections. But one-time "militia," "cossacks" and pensioners who are nostalgic for the USSR will. This means that Ukraine will be unable to establish good relations with the Kremlin for the foreseeable future, even if there is a revolution in Moscow and someone like Navalny or Udaltsov ends up running the country. ■

Private and armed

Why the Kremlin needs private military companies

Yuriy Lapayev

All wars that humanity has ever conducted and conducts have one common feature. There is no war without deaths. The victims are always a tragedy for their relatives. On the other hand, they are only inconvenient statistics for the country participating in combat, however cynical that sounds. It is inconvenient for politicians, because information about fallen sons of the Fatherland spoils their ratings and encourages voters to ask "awkward" questions. This problem is especially acute when a country is not officially participating in armed conflict.

However, it is possible to find a way out of even such a difficult situation. The Russian authorities have solved this issue by creating numerous illegal entities – so-called private military companies (PMCs). They are controlled by the security forces, primarily the Federal Security Bureau (FSB) and Russian Ministry of Defence. Although these groups are formally illegal, their activities are rather well regulated and have been developing successfully. In 2012, the Russian State Duma made several attempts to adopt relevant legal acts that would introduce standards for PMCs, but so far the bills have been rejected because of their incompatibility with the Russian Constitution. However, this does not prevent these companies from operating: at least ten Russian PMCs are known today, among which the most active are Centre R, E.N.O.T.

Corp, MAR and the Wagner Group. The first analogues of PMCs emerged in Russia immediately after the collapse of the USSR. This was facilitated by the large number of retired servicemen and KGB agents with experience of conducting operations in other countries that were unable to find themselves in ordinary civilian life. Two wars in Chechnya only added to this "talent pool". Some of them joined criminal gangs and stood behind the famous "wild '90s". The participation of such Russian mercenaries in various conflicts is rather well known. Transnistria, Nagorno-Karabakh, Ossetia, Tajikistan, the former Yugoslavia, Iraq, Georgia, and then the Ukrainian Crimea, Donbas and Syria...

In creating their own PMCs, Russia copied steps taken by the United States. The USA had similar reasons – many veterans of all possible military conflicts could not see themselves leading a peaceful life. In addition, the US Army, or rather its most trained units, was literally scattered between Iraq, Afghanistan and the Balkans. This led to special-forces soldiers not having enough time to rest between missions, which adversely affected their combat capabilities. Therefore, some missions that did not involve state secrets were assigned to PMCs. In general, the use of external civilian contractors in the military sphere (logistics, catering, research and development, etc.) is one of the priority lines of development



for the modern US Army. The responsibilities of PMCs mainly include security work (for example, guarding critical infrastructure, government agencies and important persons) and training personnel (law enforcement officers in Iraq and Afghanistan). For mercenaries, this is a good opportunity to earn, since fees start at \$850 per day (Iraq) and range to around \$1,200 (Afghanistan). The main customers of their services are government structures, although they are trying to keep a low profile after a series of scandals with the infamous company Blackwater in Iraq. At that time, the PMC was accused of murdering civilians, arms smuggling and coming into conflict with the regular army. However, after a series of reforms and reorganisations, the company is continuing its operations, but now under the name of Academi.

The situation with Russian private companies is slightly different. It is hard to imagine that in today's Russia, which is full of special services and law enforcement agencies, it is possible to freely create a paramilitary organisation, arm its members, conduct special tactical training and then transport these combatants across borders. There are many things that confirm the presence of state administration. The main proof is their available weaponry. Illegally possessed military designs of small arms, automatic weapons and sniper rifles in such quantities must come from somewhere. According to intelligence from open sources, in addition to light weapons, the PMCs also have grenade launchers, mortars, portable anti-aircraft missile systems and even armoured vehicles (one of the fighters killed in Syria was the gunner in an infantry fighting vehicle). More evidence comes from the trips in military aircraft and medical treatment in state-run hospitals. This is too much for those the units that do not officially exist. Too much state participation in what should supposedly be private.

One of the most well-known companies associated with the Kremlin is the Wagner Group, named after the nom-de-guerre of its founder and commander Dmitry Utkin. Lieutenant colonel in the reserve, he served as commander of the 700th Separate Special Operations Detachment and after his discharge worked in the Russian PMC Moran Security Group (officially a security firm specialising in protecting ships from pirates). Subsequently, he was in the Slavonic Corps, a company that recruited and sent mercenaries to Syria and had an office in St. Petersburg, but was registered in Hong Kong. The future fighters were offered a monthly salary of \$ 4,000 for allegedly protecting an energy facility. In fact, they were deployed as cannon fodder to assault the city of Deir ez-Zor, which houses one of the Syrian centres of the oil industry. The only military operation of this group ended with defeat against Syrian opposition forces, retreat from the battlefield and simple fraud. None of the mercenaries received any money for their "business trip". Instead, at home the cheated soldiers were met with FSB interrogations and accusations. After the failure of the Slavonic Corps, in 2014 Utkin founded his own company, whose number of militants, according to various sources, ranges from 700 to 2,500. The Wagner Group is currently subordinated to the firm Euro Polis, with which Syria signed a contract for the protection of oil facilities. It was reported that the remuneration for these services is a quarter of what is made from the extraction of gas and oil. In turn, Euro Polis belongs to the well-known Russian oligarch Evgeniy Prigozhin, Vladimir Putin's favourite restaurateur and friend.

According to investigations by journalists from the Russian website Fontanka and a number of Western media outlets, recruitment and preparation of militants for the Wagner Group takes place almost openly near the village of Molkino, Krasnodar Territory. The exact same settlement is home to the base of the 10th Separate Special Forces Brigade of the GRU military intelligence service, which has already been spotted in both Georgia and the Donbas. In social media anyone who shows interest is openly advised to come to the checkpoint of the base and ask

about joining the PMC. According to Russian journalists, the number of applicants significantly exceeds the number of vacancies, so there is always a queue outside. Since 2017, Ukrainians from the occupied territories have been recruited as well – there is a separate unit named Vesna [Spring] with up to 150 people. This popularity is due to the attractive financial remuneration promised by the PMC.

However, these mercenaries get more than money. In December 2016, the leaders of this military company were noticed in photo reports from ceremonial events dedicated to Heroes of the Fatherland organised by the Russian president. A feature of the reception was that all guests should have the Hero of Russia or Order of Courage awards. Wagner himself can be seen in the photos next to Putin. The president's press secretary Dmitry Peskov later confirmed his presence at the ceremonies, while not answering a question about the participation of PMC militants in the Syrian hostilities. An interesting detail is that there are no decrees from the President of the Russian Federation awarding state military orders to PMC mercenaries (including posthumously) on the government web portal. Similarly to how there is no official information about where exactly and why Russian mercenaries are dying. Meanwhile, this information comes up in news regularly. The largest number of deaths coincides with the timing of large battles in the Donbas and Syria. Deaths of militants who first fought in the units of the self-proclaimed "Donetsk People's Republic" have repeatedly been recorded in the latter country. A fresh example is Vyacheslav Metalidi, a native of Murmansk region and militant in the Sparta unit from 2014, who was killed in Syria at the end of August 2017. The exact number of dead and wounded mercenaries is unknown, but for such companies it is relatively large. This

THE USE OF MERCENARIES ENABLES THE KREMLIN TO REDUCE LOSSES OF OFFICIAL MILITARY PERSONNEL, DENY THE STATE'S OFFICIAL INVOLVEMENT IN CONFLICTS AND ISOLATE PEOPLE WITH A DANGEROUS MILITARY PAST FROM SOCIETY AND THE AUTHORITIES

is probably due to the use of PMC militants at most active parts of the front, in order to reduce losses among official military personnel. Such a tactic was adhered to by Russian units during the assault of Debaltsevo in Donetsk Oblast, which was often written about on social networks by participants on the side of "DPR" illegal armed formations.

PMCs are a rather important element of Russian hybrid warfare, and the support provided to them by state authorities calls into question the private status of these companies. The use of mercenaries allows the Kremlin to solve several problems at once. The first (most characteristic for Syria) is minimising losses in the regular army, because in the event of death or injury to soldiers, the law provides for compensation and benefits, while their families must be given official explanations on what caused the death. Plus, this reduces negative reactions from various human rights organisations like the Committee of Soldiers' Mothers. Another important factor is the opportunity to use militants covertly, in order to deny the official participation of the Russian Federation in the conflict at any time, as is done in the Donbas. In some cases, PMC members are brought in to cover up Special Operations Forces or GRU missions. There is also a certain political subtext. Many mercenaries have not only combat, but also criminal experience, and some of them belong to radical nationalist movements. Therefore, PMCs are in some way used to isolate and "dispose of" people with dangerous skills and experience that pose a potential threat to Russian society and the Kremlin. Perhaps this was the real reason that Utkin-Wagner was given an award. ■



Viktoras Pranckietis:

“Our goal and the goal of Ukraine is for it not to stop on the path of European integration”

Interviewed by
Yuriy Lapayev

The Ukrainian Week talked to the Speaker of Lithuania's Seimas about solutions to the gas monopoly problem in Europe, campaign against emigration of Lithuanians, and a Marshall Plan for Ukraine.

How the public sentiments in Lithuania changed after NATO troops were stationed there? Is there a sense of being protected now, especially among the public opinion leaders?

Before these NATO units were stationed in all Baltic States, we said always and everywhere that Zapad 2017 exercise was nearing and we didn't know whether our countries were the target of that exercise. Would it only take place in Belarus or would it reach our land too? People accepted this with concern and wondered whether they could feel secure. When NATO units were stationed in our countries we informed the population that it was the guarantee of our security, that we are

part of NATO. When the US Congress passed the resolution on the readiness to apply Article 5 on June 27, 2017, and President Trump signed it, we recalled 2004 when we were joining NATO. Back then President George W. Bush came to Vilnius. He said that whoever attacked Lithuania would be the enemy of the United States. Now, the US has reaffirmed these commitments but at the level of the Senate, made it into a law. We are a reliable NATO partner, we spend more than 2% of GDP on defense. NATO in turn complies with what it declares. We are very happy to have these units here.

Of course, we were concerned about how our people would accept them. We did a simple poll. Do you know how people responded? 81% said it was good. It was a surprise for us and good news for our partners. Now we have German and Dutch troops stationed here. Lithuania is between Belarus and Kaliningrad. The distance is a mere 80 kilometers in the area of Suwalki. If you think about Russia's reunification plans, it raises concerns naturally. But according to the latest news, Russia has invited our observers to its exercise. I think this exercise is not an irritant for us because we have NATO guarantees.

Still, we continue to see this as a threat. One exercise scenario has Lithuania attacking Russia. Which sounds weird, we are not an aggressive country. The units stationed in Lithuania are not big, they have a symbolic role, their purpose is to deter, not to attack. Moreover, we constantly point to the fact that this is not just Lithuania's frontier but the frontier of NATO and EU. Therefore, our security is not just our concern, but that of the entire Alliance.

Lithuania started to purchase liquified natural gas from the US and is promoting the creation of Baltic infrastructure for it. At the same time, other EU members are developing projects together with Gazprom. How does Lithuania see its energy security in that context? What do you plan to do to improve it?

We have viewed North Stream 2, and still do, as a political project. Some EU member-states see it as an economic one. But we know that it would hurt some EU countries and Ukraine. Therefore, we agree with the US in that it has imposed a package of sanctions to halt it. Our experience shows that after the opening of Independence, the floating storage and regasification unit in 2015, the price of gas went 30% down. I think everyone would find this news good to hear. The price has not only changed in Lithuania, but in other Baltic States as well. We used to pay the highest price in the EU, one third more than Germany did. Now, our experience shows that diversification of gas supplies is a must.

We received the first American gas last week (on August 21 – Ed.). And the purchase of gas is no longer a political decision, it turns into a simple market process: we buy where it's cheaper. The market has begun to work, there is no Gazprom monopoly. I may be mistaken, but if North Stream 2 is built, a third of gas for all Europe will go through those two pipes. That ties the entire region to Russia's deliveries.

There is another important issue: Russia will be receiving revenues from the EU which it can later use in its war with Ukraine. We are trying to say this loud, so that there is no doubt about the support of Ukraine. We believe that these are the right and bold steps, they are necessary now to support democracy.

Viktoras Pranckietis was born on June 26, 1958, in the village of Ruteilai, Lithuania. He worked as agronomist from 1976 to 1977, then entered the Lithuanian Academy of Agriculture. Mr. Pranckietis chaired the Gardening and Vegetable Farming Department. He became dean of the Agronomy Department in 2008. In 2015, he was elected to the Self-Government Council of Kaunas region. In 2016, he was elected to the Seimas of Lithuania. On October 14, 2016, he became Speaker of the Seimas. Mr. Pranckietis has authored a number of academic books, textbooks and reports.

Do you notice any instruments of political influence that Russia is using in your country? If so, how does Lithuania respond to those?

Lithuania faces cyberattacks. We are trying to react and take measures immediately. A respective excellence center has been established for cyber security. In this domain, there are things on which Ukraine can work with us. As to propaganda, we have it. We call it soft power that tries to influence our people. And we see the counterreaction of the population to propaganda: we are vaccinated against it. Lithuania had been occupied by the Soviet Union. Hundreds of thousands of innocent people had been sent to GULAGs, died in resistance to the occupiers. So we know what it is.

And, of course, we work in this direction, we provide people with objective information. It must be helping us leave this situation as winners. We have recently completed the construction of a new repeater system in Vilnius, we have launched the broadcasting of Radio Free Europe programs in Russian and Belarusian. This was done specifically for the part of the population that

BASED ON LITHUANIA'S EXPERIENCE WE CAN SAY THAT WE NO LONGER SUFFER BECAUSE OF RUSSIA'S RETALIATORY MEASURES. **WE MANAGED TO DIVERSIFY OUR ECONOMY AND IT HAS EVEN GROWN STRONGER. WE MANAGED TO OFFSET THE LOSSES BY FINDING NEW MARKETS IN THE WEST AND IN THE EAST**

speaks Slavic languages. Earlier, they lacked programs in the languages they are used to.

Moreover, we are planning to negotiate with Poland to have Polish programs broadcasted in our territory. We are confident that we should be looking for new ways all the time in this information war. Because the other side is not stopping its influence and wants to change the minds of our people.

At the same time, I think there is no influence on our politicians.

In your opinion, how much the difference between what the Kremlin says and what is going on in Ukraine in reality is understood in the West?

There are no problems with the countries that share a border with Russia or Belarus. They understand things clearly as they are. The countries that are farther start talking about no need for sanctions. However, based on Lithuania's experience we can say that we no longer suffer because of Russia's retaliatory measures. We managed to diversify our economy and it has even grown stronger. We managed to offset the losses by finding new markets in the West and in the East. We



are trying to not trade with Russia alone. We believe that sanctions should be kept. We always say that we don't recognize the annexation of Crimea. The integrity of Ukraine should be within the borders of 1991. History hints at that: the US did not recognize the annexation of the Baltic States, including Lithuania, and we are grateful for that. I think that democracy should win in Ukraine's case as well.

I once met with a representative of Cyprus. I asked him what he thought about the prospect of reunification. He said it was impossible. Then I told him: could anyone believe that our country would be independent in 1985? It's only the will of God and people. Ukrainians should believe. Just like our fathers and grandfathers believed as they stayed in the prison camps.

My uncle showed me a Lithuanian flag and a textbook of Lithuania's history written before the occupation in 1977, I think. He showed me the anthem. He was saying then that Lithuania would be free. I thought it was impossible. But he believed, he remembered the independent Lithuania.

I recently spoke at a summit. The focus of my contribution was Ukraine. I made a correction there that, of course, it wasn't the conflict in Ukraine, but the Russian aggression. The phrasing is wrong. We are trying to change that belief in the West about the conflict being an internal one for Ukraine. And they hear us. We know Ukraine well, we have common history.

EUROPEAN POLITICIANS HAVE BEGUN TO RECOGNIZE AND UNDERSTAND THAT TODAY'S INVESTMENT INTO UKRAINE IS THE INVESTMENT INTO THE FUTURE OF THE EUROPEAN UNION. BY HELPING UKRAINE WE ARE HELPING OURSELVES

Your party's success in the latest election came partly from the platform it offered, including the promise to work to reduce emigration from Lithuania. How soon do you expect to see positive results in this? What is Lithuania doing to accomplish this goal?

Emigration is a very sensitive issue for us. Over the past 27 years, nearly one million people have left the country. This is a lot for Lithuania. Every year, a town of county capital size leaves. However, Lithuania always had emigration, except for the period of the Iron Curtain. Given the number of our population, every emigrant matters to us.

I think we have been following a wrong path in our education system. We have managed to educate and train many smart people at our universities but they have not managed to find a job here. Everyone wants to have a decent life and to get a job based on his or her degree. Therefore, people are looking for better conditions abroad.

The gap between the economies of different countries allows people to get higher salaries. Many have left to make some money and return. Today, we are seeing a growing demand for real estate. This means that people are coming back. However, there is a problem with families: once they leave and their children grow used to a new country, it becomes more difficult for them to return.

What measures are we taking? We are changing our education system so that people could get more train-

ing to work in the trades – we have a deficit of such specialists now. In addition to that, we are raising minimum wages. Our plan for the next two years is to bring average wages up to EUR 1,000. This is the level that will allow people to live decently and make them think twice on whether it's worth leaving the country.

Our party plans to pass a new Labor Code that will liberalize the market, protect the rights of employees to improve the trilateral dialogue of the workers, trade unions and employers. Of course, we are a free country and will not keep anyone by force here. Freedom of movement is one of the key principles of the EU. However, we hope to create the conditions and a decent life for people to want to come back.

The "law of three employees" whereby foreign investors are required to employ at least three citizens of Lithuania to be able to work in the country: how is this affecting business? Is there a discussion on amending this law? Or is it having a positive effect on the local population?

I don't think this law is a problem. It was passed to fight against shell companies and prevents money laundering. It's purely legal regulation. Moreover, the requirements are not that tough: it's only three people.

We are trying to help investors, this is confirmed by our rating in Doing Business: Lithuania is 21st in the world in 2017. Our high quality of education and mandatory knowledge of foreign languages (many people speak three) helps.

There has been talk of a Marshall Plan for Ukraine: what dynamics do you expect of it in the near to mid-term prospect? Do you think it might get the support in the rest of the European Union that Eastern Partnership had back in the day?

The official title is Lithuania's Plan for Ukraine in 2017-2020, it was prepared by the Lithuanian Seimas. The goal of the plan is to develop and support small and medium business. This takes around EUR 5bn per year. If everything goes as we have it in mind, the program will be for both for Ukraine, and the European Union. When we speak about Brexit, it is the shrinking of the EU. Ukraine is a possible extension of the EU. Ukraine is an important player in Europe.

Our goal and the goal of Ukraine is for it not to stop on the path of European integration. We have been presenting this plan wherever I have been: at the celebration of the 60th anniversary of the Treaty of Rome, at the summit of EU member-states' parliament speakers. We have been saying that this Lithuanian plan should become a plan of the entire Europe for Ukraine. Now, this idea has reached the European Parliament, it has reached all levels.

European politicians have begun to recognize and understand that today's investment into Ukraine is the investment into the future of the European Union. By helping Ukraine we are helping ourselves.

The more of this knowledge we pass on to other countries, the better the vote on this will be. All decisions are taking through consensus in the EU. A resolution is being prepared on the Marshall Plan for Ukraine at the European Parliament. We are doing our lobbying. But you need to demonstrate your success in implementing reforms. You have a lot of accomplishments. Show them. ■

Propaganda underestimated

Stephan Russ-Mohl directs the European Journalism Observatory at the Università della Svizzera Italiana in Lugano

Observing Western media dealing with propaganda, particularly in the German-speaking world, is a strange experience. Autocrats like Vladimir Putin and Recep Tayyip Erdogan can play it easy: most journalists hardly ever deal with their attempts to manipulate public opinion, as they also hardly ever report on the impact of advertising and public relations. Propaganda is either trivialized or ignored. Experts, among them members of secret services, remain below the threshold of public attention with their warnings about the influence of propaganda.

On the other hand, a recent study led by a team of researchers of Thomas Koch from the Universities of Mainz and Munich, shows once more how much journalists are subject to “control illusion”, sharing the belief that they rarely become victims of manipulation efforts.

This has likely changed slightly since the New York Times, the Washington Post and CNN started to actively investigate the connections between Donald Trump and his campaign staff to the Kremlin. With “Russiagate” and with the Russian last-minute attempts to denounce Emmanuel Macron’s election in France, the fear is growing that something similar could happen at the election in Germany.

Nevertheless, Western European media focus on isolated cases. They rarely provide a bigger picture of how autocrats as well as left and right-wing populists use disinformation as a weapon. It starts with the media under the direct control of Putin and Erdogan: They reach a few million people of Turkish and Russian origin in German speaking countries, while critical journalists are being jailed or even killed back home. It continues with fake news and half-truths which are passed on successfully to the mainstream media in the Western world. And it ends with trolls and social bots picking up such stories and circulating them in social media and search engines. The Russian search engine Yandex is also hyping fake news, while Google and Facebook are at least making some first modest attempts to fight disinformation.

Especially the influence of social bots – of “robots” which are able to write texts, but also draw attention to fake news by “liking” and “sharing” them – has been discovered only recently. The public gets particularly confused by the activity of such bots which are cheap, highly effective and difficult to trace. In already strongly divided societies propaganda can reinforce the split – and this is exactly the goal of its attacks. In Germany the Kremlin lords also keep advocates as close friends. The best ex-

ample is the former Chancellor Gerhard Schröder. He has served as a lobbyist for the North Stream pipeline, and now he has been offered a mandate in the controlling board of the biggest Russian oil company Rosneft.

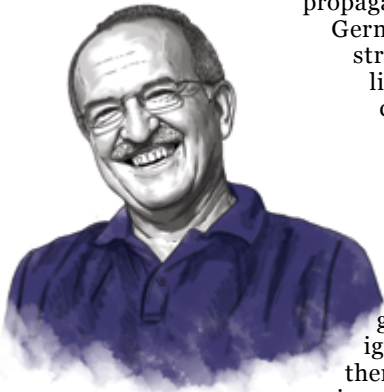
“Russia’s RT network – is it more BBC or K.G.B.?” asks Steven Erlanger in the New York Times. His answer is differentiated, but unambiguous: “Watching RT can be a dizzying experience. Hard news and top-notch graphics mix with interviews from all sorts of people: well-known and obscure, left and right. But if there is any unifying character to RT, it is a deep skepticism of Western and American narratives and a fundamental defensiveness about Russia and Mr. Putin.” Media analysts disagree over the influence RT has. Those who look at ratings warn about overestimating the influence. This is missing the point, argues Peter Pomerantsev. Two years ago, he wrote *Nothing Is True and Everything Is Possible: The Surreal Heart of the New Russia*, a book on the Russian TV and propaganda empire. Apparently, RT it is not about audience ratings, but about campaigning to influence finance, politics and media, says Pomerantsev.

Looking back, Ukraine and the Baltic States were the training field to test the effects of Russian propaganda on social media. The educated elites in these countries seem to have more experience in dealing with propaganda than we Westerners – also due to previous experiences with the Soviet Union. Liga Ozolina of Turība University in Riga highlights that even journalists of American media are by now consulting Re:Baltica, an initiative to fight fake news, to get a clue how to deal with propaganda. Similarly, the Ukrainian project Stopfake has become famous internationally.

WESTERN EUROPEAN MEDIA FOCUS ON ISOLATED CASES. THEY RARELY PROVIDE A BIGGER PICTURE OF HOW AUTOCRATS AS WELL AS LEFT AND RIGHT-WING POPULISTS USE DISINFORMATION AS A WEAPON

Such factchecking sites are by now spreading like mushrooms in the Western world. Their operators have a lot of work to do. However, they are doing the basic work every professional journalist is supposed to do. Whether they can successfully contain the effects of propaganda, remains dubious. Researchers like Walter Quattrociocchi of the IMT School for Advanced Study demonstrate that it is getting increasingly difficult to enlighten and to educate users of social networks. Fake news and half-truths often spread faster than the grey-shaded news from serious sources and media dedicated to the search of truth. It looks like fake news providers are frequently one Pinocchio nose ahead of fake news detectors. ■

In fall, Prof. Russ-Mohl’s new book *Die informierte Gesellschaft und ihre Feinde* (The informed society and its enemies) will be published in Germany



A moment for women participation

Phumzile Mlambo-Ngcuka, UN Under-Secretary-General and Executive Director of UN Women



My short but meaningful stay in Ukraine has convinced me that I need to come back again, because there is so much excitement and so many things that we can and should be doing together. This visit gave me an opportunity to interact with the Government, Parliamentarians, partners, and women in civil society. We are fully behind the efforts of the Government to drive the change forward, to reduce the impact of the conflict, and to ensure that women are resilient and are able to stand on their own.

I have the first hand information from the women, both about the challenges they face and the determination they have to take their situation into their own hands. One of the most encouraging things about the women in Ukraine is that they have high level of education. This is already a strong advantage which we do not experience in other countries dealing with similar issues. I think for donors and investors to not take full use of this is to delay the

I WOULD LIKE TO NOTE THE IMPORTANCE OF RATIFYING THE ISTANBUL CONVENTION. WE APPRECIATE THE CHANGES THAT YOU HAVE MADE, THE LAWS THAT ARE IN PLACE, BUT IT IS ALSO IMPORTANT TO COMPLETE THE PICTURE

transformation required by the country. Because if you invest in women you invest in a nation and a change that is sustainable and far-reaching. The longer we delay to invest in women, the longer we delay to get the change that we want.

In addition to that, the economic growth that is required by the country, inclusive growth which ensures that you change the lives of the next generation, can only be achieved if you invest in women. All the partners and donors who have not seen this as the most strategic intervention, must know that the clock is ticking against us. This is the best investment with the highest rates of return. And there is a lot of data to prove it.

At the macro level, institutions with gender diverse leadership outperform their peers in terms of productivity and contribution to GDP. At the micro level, women reinvest their income in the best interest of their families. They use the resources they have to improve the health of the family members and to address their educational needs. It just comes naturally that women have the best potential to carry wealth into the next generation. When they have more economic means, they take care of wellbeing of their children so that they grow up more prosperous.

Canada and Sweden were among the first ones to support Ukraine on the way to gender equality. The CEDAW in Action Program funded by Canada will help Ukrainian women to better understand and protect their rights. Because when women understand their rights, i.e. the reproductive rights, the rights to education, the rights to political participation, they take charge and make change happen not just for themselves, but also for everybody. CEDAW is an iconic international instrument to look at ourselves and to share our successes with other nations.

Sweden supports Ukraine through its Gender and Equality at the Center of Reforms Program. Reforms are a particular moment in the history of a nation, especially when there is a conflict. In a way it is a silver line in a cloud, when you are trying to address something which was otherwise a tragedy, you actually create an opportunity to move forward. We have seen this advantage of reforms bringing about far-reaching gender equality in Colombia. The peace process has created one of the most advanced reforms and benefits for gender equality that they could not have had if there was no conflict.

Also, when women are involved in the peace process the quality of the peace is much better. The evidence of other countries shows that the conflict reignited much sooner, when the peace process was not inclusive. And when women participated in it, peace lasted longer. For instance, when discussing reparations, women will not just look at the reparations for combatants. They will look at the reparations that should go to the communities to rebuild the schools, clinics, roads. They will address the issues of those who did not fight but were affected by the conflict, including provision of psychosocial support. Gladly, a growing number of men start thinking like that, but this is because women have been consistently providing their leadership in this area.

We did a study ourselves looking at the implementation of Resolution 1325 in after a period of 15 years and the key trend was that reforms are a pivotal moment to increase women political participation. You set targets for participation of women and women stand up and represent themselves. That is why you have seen higher number of women participating in politics in Afghanistan, notwithstanding many challenges that they do have in their country. It is hard to believe, but there is higher participation of women in Afghanistan than in the U.S.

I would also like to note the importance of ratifying the Istanbul Convention. We appreciate the changes that you have made, the laws that are in place, but it is also important to complete the picture. And it is important to set certain standards for yourself which you can compare with the standards that other people in similar position have set for themselves. It also helps fill in the gaps in the national legislation. So we look forward to support you as you ratify the Convention and to celebrate with you when it happens. ■

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The 8th Poltava Company remembers Ilovaysk

Veteran medics recall the evacuation of the wounded and dead after the Battle of Ilovaysk in August 2014

Oleksa Koba



PHOTO BY IHOR BERNATSKYI

Destined for hell. The 8th Company began to be formed on July 31, 2014. In the village of Vakulentsi outside Poltava, draftees were collected and went through base camp in three short weeks

To this day, the feats of many of the fighters at Ilovaysk remain unknown to most Ukrainians. As do the efforts of the 8th Poltava Separate Medical-Sanitary Company. According to official information, the 8th operated in the worst hot spots of the ATO zone, evacuating more than 11,000 wounded in its first 13 months. Even those who were rescued often know little about what happened and how.

According to the man who coordinated the rescue of the wounded and the removal of the dead at Ilovaysk, Ihor Palahniuk, the 8th Company sought and removed 159 bodies, evacuated 212 wounded, and provided medical treatment to 400 Ukrainian POWs whom the Russian army refused to release. Oddly, most of those saved during the Battle of Ilovaysk to this day think that the Red Cross was behind their rescue—that's who they thought the boys from the Poltava Sanitary Company were because their rescuers were in unmarked

uniforms and cars with white flags. Later on, the work of this group, which went on to work in the Donetsk theater in all the hottest spots, from Mariupol to Donetsk Airport, was reported on somewhat more. But in the last three years, their feats at Ilovaysk remain largely unspoken

UNDER WHITE FLAGS

Just before the third anniversary of the Battle of Ilovaysk, a gathering of the members of this medical group was organized at the Poltava Museum of Long-Range and Strategic Aviation. The idea was to publicize the titanic effort of these medics and to review the course of events during the evacuation in the hope that some of the bodies that remain unclaimed nearly three years later might be identified. Possibly because they understood the difficulty of identifying the dead and the importance of this process, the members of the

8th Company agreed to come. It was unlikely that any purpose, other than to assist, would have persuaded them to delve in the terrible memories of those bloody August days.

"We went out on the 28th [of August]" recalls Volodymyr "Did" [Grandpa] Strazhko.

"Yeah, on the 28th, in the evening we arrived at Rozivka, but no one said anything about Ilovaysk," says Ihor "Paravozik" [Steam engine] Bernadskiy in a quiet, slow voice. "The hospital set us up in a landing, what we called greenery. And told us: 'Dig in. This is where you're going to live.' By the next day, plans had changed. Now orders were to drive out to bring people in. At three in the morning, we lined up and the commander of the hospital told us: 'Get to our last checkpoint and load your vehicles with wounded under armored cover.' There was no word about bodies or about where we were moving to."

His *chupryna*, the classic kozak ponytail, and single earring announce Oleksandr "Kozak" Taran's *nom-de-guerre* as he picks up the thread of Bernadskiy's recollections.

"When we were already near Ilovaysk, I called home and asked what was going on at Starobesheve [Donetsk Oblast], because we were near the road into the village," he says. "They looked on-line and called back immediately. 'Starobesheve is under the separatists. Get the hell out of there!' That's how we found out what was going on in Ilovaysk. The hospital commander lined us up and gave our orders: 'Drive to your position.' No one knew that it was no longer ours... Our senior officer was a lieutenant who went with us... He asked if anyone was afraid: 'If so, you can step out of the ranks and go back.' Soon after that, we were told to make white flags, but we didn't understand why. In the situation we were in, there were two possibilities: either we were about to surrender to captivity or we were about to start negotiations. But we were not prepared for either option. And it was right after this that our officer disappeared. He grabbed a machine gun and stayed at the gas station in Rozivka."

Kozak continues to recollect. When they found themselves without the lieutenant, they are told that the senior officer will now be Dr. Yuriy from Ochakiv. "We weren't prepared for the separatists or the Russians to capture us. Let alone how we should act if we are taken prisoner," Taran explains.

Serhiy "Ryezviy" [Quick] Ternoviy remembers that, just about then, they were ordered to turn in their papers and drive without anything to territory under Ukrainian military control. "Only when we finally got there, it turned out it wasn't ours anymore."

Kozak continues to recreate those terrible scenes. Afterwards, they drove to Starobesheve to check out the lay of the land, where talks with the militants were organized by Col. Giurza, an experienced veteran of Russia's previous wars, and Lt.-Col. Putnik.

According to Paravozik, the militants ordered them to lay down all their weapons. If they found even one bullet, they warned, they would shoot the medics on the spot. At the same time, the militants played mind games and tried to provoke the Ukrainians. The medic recalls that when his men stood near their positions and waited to move on, a red-bearded militant kept sweeping the column with his AK. When he got bored of this, he got a Mukha RPG-18, set it up 20 meters away and began to pretend that, any minute now, he would fire into the car.

"PICK 'EM UP!"

When they finally let the 8th Company go into Russian-controlled territory, the separatist reconnaissance group drove

August 2014 brought the highest number of losses in the Ukrainian Army compared to the other months of war. As of today, it is known that 699 Ukrainian servicemen from the regular and volunteer units were killed over that month. Over the course of August 7-31, 2014, during the operation around Ilovaysk, 368 military died and 18 have been missing to this day. Below are only few of the numerous facts compiled from a series of articles on Ilovaysk by Yaroslav Tynchenko, Deputy Director of the National Military and History Museum of Ukraine.

In June 2014, Ukrainian leadership developed a strategic plan for the Armed Forces of Ukraine to block the Russian-Ukrainian border and surround Donetsk and Luhansk, as well as other cities where the armed bands of the separatists and Russian volunteers were based. In order to collect the necessary number of the military, two waves of mobilization had previously been announced in March and early May 2014. The plan had a number of flaws.

First of all, Ukrainian strategists failed to take into account the human factor in the Armed Forces of Ukraine. They believed, and many still do, that those newly mobilized from civil life would turn into skilled officers and soldiers within weeks. Brigades 24, 30, 51, 72 and 79 were sent to block the border. 70-90% of those brigades were the newly mobilized military. Their first task was to block the borders. Their second task was to surround the biggest cities of the occupied territory. Subsequently, they had to be replaced by the units of territorial defense fully comprised of the newly mobilized people and those who voluntarily applied to the mobilization offices.

According to international military practices, it takes at least six months to train a skilled soldier or commander. Otherwise, the hastily compiled units are likely to fail in battle even when faced with a much smaller yet more experienced hostile unit.

Second of all, neither top officials, nor the army generals seriously expected the Russian Federation forces to participate in the conflict. When a Ukrainian convoy was shelled with GRAD multiple missile launch systems on July 11 near Zelenopillia, a village in Luhansk Oblast, this caught the command by surprise. Overall, the ATO headquarters made more than one mistake in interpreting Russia's intentions: they still believed that cases like Zelenopillia were exceptions and Putin would not dare to take further such steps. From July 11 on, the area along the Ukrainian-Russian border was systematically shelled from the Russian territory. The Ukrainian military stood there. According to the strategic plan developed by the ATO headquarters, they were trying to block the border. Once the mass shelling started, the newly mobilized soldiers began to demand to be withdrawn from the ATO area. Attacks by the units of the separatists and Russian volunteers that occupied the border in some areas, split and surrounded the Ukrainian military, didn't help improve the spirit.

There is no ultimate data on the number and the composition of the regular Russian military located around Ilovaysk on August 23-25, 2014. At the very least, these were 3,500 soldiers from at least seven Russian divisions and brigades. The number could have been higher.

In addition to the regular Russian army in the area of Ilovaysk, at least 40 school buses with the Chechen fighters were recorded. As the buses moved, they were hiding in the aisles or lying down on the chairs so that they could not be spotted in the windows. The buses stayed around Ilovaysk throughout September 2014 after the Russian units left the location. If one assumes that each bus carried at least 20 fighters, the total will be 800 individuals.

The total number of the Ukrainian military surrounded near Ilovaysk was officially estimated at 1,300-1,400 people. This was exceeded by the abovementioned number of the regular Russian troops and the Chechen fighters at least threefold.



Meet & remember. The veterans of the 8th Company gather in Poltava three years after Ilovaysk, in August 2017

off in another direction and the medics were told to pick up the bodies of the ‘separatists’ and bring them to the ‘corpse-park’ as the militants called it, which was near their headquarters. Initially, nobody escorted the Ukrainians, but as they were moving, another group of the militants came towards them. From their talk it was clear that a Ukrainian tank was being held in the center of town but the soldiers in it were still shooting from its machine-gun... Kozak claims that the militants were behaving weirdly and were probably stoned.

Even without knowing what mission the Ukrainians were on, the militants began to beat them and lay them face down on the ground. After a while, someone told them over the phone who it was and they left the Ukrainian medics alone after that. The company finally pulled up near the headquarters where there was a lot of equipment. They drove on to deliver the dead bodies they had collected to the “corpse-park,” which was already overflowing. Then they unloaded the wounded. Then they were divided into two groups: 10 cars went in one direction and 15 went in the other.

The column that had evacuated the wounded drove off towards Novokaterynivka. There, just past the “DNR” checkpoint, in a small forest on a rise whose names none of the boys remember, they found a depression—they couldn’t figure out if it was natural or dug out—with a lot of POWs and wounded men.

The group in which Kozak was did not evacuate them. The medics kept driving around the outskirts of Starobesheve, beyond which were the militants. Some 800 meters further, they came out on Horbatenko hill, where the Russian army took them under control. There they could see Ukrainian tanks rolled over. When they got there, the medico-sanitary group saw a huge amount of equipment. At this point, their helmets and bulletproof vests were taken away, and all their ammunition.

Paravozik recalls that now their column was formed according to the scheme: a BRDM armed reconnaissance and patrol vehicle, then three “orderlies,” then another BRDM, and again three “orderlies.” In this order, the militants took

their group from Starobesheve to collect bodies in the fields. In every BRDM, 10 militants sat, glaring angrily the entire time.

“We kept moving towards where all the equipment was,” says Bernadskiy. “When we got there, they said ‘Pick ‘em up!’ and that’s what we did. An old woman rode by on her bicycle and told us, ‘Over there, past the corn, there’s piles of them. You’re not picking them up at the right place.’ We were picking them up where we were told. The bodies were already quite swollen by then.”

NOTHING BUT ASHES LEFT

Oleksandr “Tankist” Sydorenko remembers that one of the spots with the most dead bodies was the place where some 55 policemen died at once as they were driving to mop up.

Paravozik pipes up: “There actually weren’t any bodies there. They’d been shot up as though it was a shooting gallery. There were no papers, nothing to even remotely identify anyone. But we saw gold chains and rings among the remains that no one had taken off.”

Beyond the completely burned out remains, the 8th Company entered the village. There it was met by Russian military and civilians with shovels who were busy burying the dead. Later they turned out to be searchers with the Black Tulip Evacuation-200 mission, 200 being the code for KIAs.

The group of medics picked up bodies among buildings, under doors, in forest stands, in the fields... At first, they used cloak-tents to carry the bodies, then they used stretchers, and by the end they were even using blankets. At this location, the orderlies say, one of the KAMAZ trucks was already half-full with the remains of the dead.

“On the first day, you could still count the bodies. They were relatively whole,” says Kozak, recalling the evacuation. “After a while, we were coming across body parts, bones, fingers, and we picked everything up. Skulls, ribcages, burned bones... mountains of bodies. There were two major trips.”

Afterwards, the Company entered Chervonosil'ske, where there were many killed men from the Donbas volunteer battalion.

Ryezviy recalls that on the last night of their evacuation work, they were ordered to take the wounded to the “separatist” headquarters where they were taken prisoner by one of the militants. He accused the Ukrainian medics of being “Ukrops” and “invaders” and held them at gunpoint until two in the morning, when another militant nicknamed Matvey showed up. He ordered the first guy to let the group go and announced that the rest of their entire medical company had been shattered.

As it turned out, this wasn’t true. At that very location, the medics had actually seen a captive youth who, according to the militant, they captured after destroying one of the units and refused to release.

Based on what Did, Kozak and Tankist remember, at that very time, the Russian army and its proxies were hunting down the Ukrainian military who were trying to get out of the encirclement on their own. Those whom they managed to capture, they shot. Among others, the 8th found the stripped bodies of Ukrainian fighters who had been tortured and slaughtered.

There were incidents where local women came to the 8th and let the medics know that Ukrainian men were hiding out in their basements and they took these men with them, too. Often fighters would come running out onto the road from a corn field, right in front of the medical company after having hidden in the farmer’s field for 3-4 days without food or water in order to avoid running into the enemy. When they were

¹ “Ukrop,” a combination of “Ukrainian” and “krop” or dill in Russian, was used as a pejorative term by the Russian proxies but the Ukrainians quickly adopted it as cool nickname and UKROP is now the name of a new political party.

moved to Ukrainian territory, they immediately jumped off the vehicle and went looking for their unit, showing no interest in knowing who it was who had rescued them. They were in a complete state of shock.

One participant in the battle who made a very strong impression was a medic who had been wounded more than five times. He would give himself a shot of painkiller and, while still conscious, advised others how best to treat his wounds. He managed to survive and has kept in touch with his rescuers to this day.

On the last day, Did's crew was joined by a security service agent from the territory controlled by Ukraine: he had been found by one of the pilots from a Ukrainian plane that had been shot down. The medics managed to pick him up in the fields at a crossroads and to evacuate him successfully.

WHAT STAYS IN THE MEMORY

Among the fighters that left a lasting memory, the medics recall those men who died holding a grenade in their hands. Ryezviy and Dr. Yuriy: "There were lots of them. The soldier never even got to pull the pin..."

Paravozik also remembers the body of a Ukrainian soldier torn in two pieces as though with a scalpel, near a vehicle that had blown up from the heat like a shell. Its turret lay dozens of meters away. Dr. Yuriy has never forgotten the image of that man's body burned to a crisp with a red heart that was completely undamaged. Did was particularly struck by a soldier whose spine was in pieces yet he struggled for two long hours to fight for his life. Volodymyr Strazhko says he and his buddies found a note on him and, as they talked to the dying man, who could only nod and wheeze, they found out that his name was Andriy and he was from Vinnytsia country.

As they finish talking about their memories of Ilovaysk, the medics say it was clear that the Russians were trying to keep the medical and sanitary company together, but the local militants kept wanting to destroy it and even tried a few times to stage a firing squad. Paravozik also remembers how relations between the Russian soldiers and the militants were quite strained. Fighters were showing up at the front from the Caucasus, bearded and unwashed. The Russian army backed them up, mostly young men under the age of 25. Some of them claimed that they had no idea that they would end up in Ukraine, that they were told they were being taken to Rostov for military exercises. However, all the Russians were armed and in full gear.

THE COMPANY STORY, THEN AND NOW

The 8th Company began to be formed on July 31, 2014. In the village of Vakulentsi outside Poltava, draftees were collected and went through base camp in three short weeks. Every county in Poltava Oblast contributed its own vehicle to the unit, but most of the cars were useless. There were other, more positive moments, such as Ryezviy's boss, who donated a brand new car to the company when he heard where his employee was going.

The medics repaired their own vehicles for the most part, or with the help of volunteers. Thanks to the volunteers as

well, they had medicaments, NATO first aid kits, painkillers and provisions. Paravozik recalls how, one day, when the medics were moving to a new position, the commanding officer asked them to hand over an inventory list, but they had no idea what kind of a document that might be. It turned out that their company was not attached to any army units for 11 months, and only after that were they made the responsibility of the 93rd Brigade. Only after 12 months of service were the medics officially issued uniforms, although not all of them were given the right size. When they first left for the ATO zone, all they were given by way of medicines was a tube of Butorphanol, a type of morphine.

Only after the events at Ilovaysk did they finally start to be sent out in groups of 2-3 cars as reinforcement to all the hot spots in the Donetsk theater. That was where they drove all the wounded and the dead. Ryezviy recalls how they arrived at the zero point and the other medical and sanitary groups would line up for repairs and hand over all the work they had to do to the medics from Poltava. As a result, the Poltava Company was driving unarmored cars into the worst of the battle. Somehow, when they were at Avdiyivka one time, they found out that there were two civilian cars in need of repairs standing around, but the head physician had taken the keys when he heard that the 8th was coming in. The medics then warned him: if the crews don't start working, they will take the cars for themselves. It worked.

According to the man who coordinated the rescue of the wounded and the removal of the dead at Ilovaysk, Ihor Palahniuk, the 8th Company sought and removed **159 bodies**, evacuated **212 wounded**, and provided medical treatment to **400** Ukrainian POWs whom the Russian army refused to release

After Ilovaysk, the medics had no body armor or helmets, either, they say, but every one of them came back alive from the most dangerous spots in the ATO. Still, the traumas and wounds they received in the conflict zone made themselves felt: some time after being demobilized, three of their buddies died.

At the very end, the medics note that the psychological pressure was caused not only because of the horrible images of war, but also because of problems with the chain-of-command. For instance, after Ilovaysk, they were ordered to remove the ammunition from their weapons...and check it against the serial numbers of what had officially been issued to them, all under threat of a reprimand. Another example was when the commanding officers wanted to "centralize" the aid from volunteers so that they could later issue it from HQ.

The medics would like to track down a lot of the wounded whom they evacuated—not in order to be thanked, but just to find out what happened to them. Paravozik notes that his colleagues take the deaths of young soldiers very hard because the average age of the Company is 40-50 and they all have young sons or nephews at home who might just as easily have lost their lives.

But what saddens them the most is that when the work they did is reported on, it's treated like the work of the Red Cross. "If there had been men from different oblasts in our company, this kind of distortion might not have been as painful," says Kozak. "But the 8th Company is Poltavans. We hear stuff like 'oh, there's Lviv going to battle, there's Ternopil,' but the 8th Poltava Company is not mentioned anywhere... We should be able to be Poltava's pride! We went to war on our own enthusiasm." ■



Follow this link to read a detailed account of the Ilovaysk operation, the Ukrainian forces involved and the role of the Russian military in it

Vadym Skibitskyi:

“We have an answer to the Russian leadership's statement that their units “are not there” in the Donbas”

Interviewed by Yuriy Lapayev



PHOTO BY STANISLAV KOZLUK

The Ukrainian Week spoke to representative of the Main Intelligence Directorate at the Ministry of Defence about his department's work, Russian military in Ukraine and the threats it is facing.

Which main areas of work can you outline today for the Main Intelligence Directorate?

It is clear which focus area is key for us today. The constant acquisition of intelligence on Russian aggression in the Donbas and Crimea. The number of divisions, their weaponry, control systems and tasks are of interest. We gather evidence of direct involvement of Russian military personnel in the conflict. This concerns both the latest models of weapons and military equipment that Moscow is testing in Ukraine, as if it were a training area, and the identification of persons involved in recruiting militants, supplying weapons and ammunition, training or commanding the terrorist forces of the "DPR/LPR". For example, we identified Russian Army Colonel Bushuyev, who commanded the so-called 7th Separate Motorised Infantry Brigade of the terrorist forces. Prior to his mission to Ukraine, he was chief of staff and deputy commander of the 83rd Separate Air Assault Brigade, stationed in the city of Ussuriysk, Primorsky Region, Russia. We have managed to find many such people and data about them is publicly available on our website.

This is our answer to the Russian leadership's well-known statement that their units “are not there” in the Donbas.

This information complements the evidence base for Ukraine's case against Russia for the International Court of Justice. Now is the first time a state has been accused of supporting terrorists (Ukraine has filed a lawsuit against Russia for military intervention, financing of terrorists, the shooting down of MH17 in 2014 discrimination against Crimean Tatars and Ukrainians in the annexed Crimea – Ed.). Thanks to our data in particular, the Ukrainian leadership has been able to convey a real picture in the eastern part of our country to foreign partners. I can say from my own experience that in 2015 I was personally approached at NATO Headquarters, as well as in various EU structures, and asked if it was true that there were Russian soldiers in the Donbas. European politicians could not get used to the fact that the Russian leadership was lying so openly. We presented our data and convinced them that this is not a civil war or a local conflict, but covert aggression on the part of the Russian Federation. One of the results of such explanatory work is the consistent extension of economic sanctions against the Kremlin. At the same time, we do not only work on identifying the armed forces of the Russian Federation – more importantly, we make forecasts for Ukraine's leadership regarding the aggressor's next moves.

How realistic is it, in your opinion, to predict the behaviour of Vladimir Putin and the Russian military?

Indeed, the Kremlin is rather unpredictable. But as for the military, we understand that no large-scale operation can take place without prior planning and preparation. This is what we track. We see that today Russia has not been able to achieve its strategic goal, namely the return of Ukraine under its full control. But so far the Kremlin has not dropped these plans, so it is extremely important for us not to allow a repeat of the events of 2014.

What do you monitor besides the ATO and Russian actions?

We do not neglect other areas either. There are many of them, all defined by the relevant legislation. Some key ones are supporting national interests in the military, political, economic, scientific and technical spheres. Internationally, the Main Intelligence Directorate supports the fight against international organised crime and terrorism. We also join peacekeeping activities.

How do you rate the level of international cooperation? Does the MoD Main Intelligence Directorate receive assistance from foreign partners?

Development of cooperation with the special services of partner countries is one of our main areas of focus. As part of special programs, our partners provide significant assistance to the directorate. Above all, consultations regarding our reforms as we move towards NATO standards – it is planned that by 2020 there will be full compatibility with Alliance forces and the readiness to carry out tasks together. The relevant requirements are contained in the Strategic Defence Bulletin and the National Intelligence Program for 2016-2020.

This is a very important point, because for the first time in the history of the Main Intelligence Directorate we plan to conduct information and analytical work alongside our foreign colleagues in NATO structures. Processing our data and that of the Alliance together, evaluating it and preparing recommendations for the Ukrainian leadership and partner countries. This, in turn, requires new skills, new approaches, different thinking and, of course, good knowledge of foreign languages. A program has been developed that includes additional training for our officers, studying the procedures and regulations of the Alliance. The main thing is that we are conducting joint training sessions. In theory, this is integration with NATO even without obligatory membership.

Another type of assistance is the provision of certain technical equipment by our partners. Hostilities against such a powerful enemy in the military sense as Russia require the development of the entire Ukrainian military intelligence system. Our units should have the best and most advanced pieces of equipment. Therefore, we are actively working on our equipment at all levels, ranging from night-vision devices for men in our units to more serious intelligence tools that detect the movement of enemy equipment or their preparations for active hostilities.

In addition, there is significant exchange of information. Previously, before the Russian armed aggression against Ukraine, we also had dialogue with our foreign partners, but on a very limited list of issues -- data on possible threats to international peacekeeping contingents and the activities of terrorist organisations above all. Now we have a significant increase in our work with partners. In addition, this sharing of intelligence and experience is now beneficial for both sides. It is important for us to get knowledge from foreign colleagues, because they have invaluable experience – it will suffice to mention Iraq and Afghanistan. But our agents can teach the Americans themselves a lot – they have not opposed an enemy on the same level as the Russian Federation for a long time.

How is cooperation between the Main Intelligence Directorate and other law enforcement agencies organised?

Since the beginning of Russian aggression against our state, the whole system of interaction between Ukrainian intelligence agencies has changed dramatically. Today we have a unified informational field and exchange intelligence with other agencies. As part of the Joint Presidential Committee on Intelligence, we prepare assessments together on the most urgent issues concerning national security. A united intelligence information system is now being created, which will enable us to better coordinate our efforts.

Several years before Russian aggression against our country, the Main Intelligence Directorate issued a warning

about that threat. However, as it turned out, the former state leadership was not interested in responding adequately to these warnings. How do you assess your current interaction with the new government?

We cannot comment on the actions of previous authorities. Only the law enforcement agencies and courts can evaluate their activity.

In turn, given the specifics of our work, we would not be so bold as to disclose the details of our interaction with the current leadership. However, I can say that we have significantly increased the number of informational documents that are now provided to interested authorities. Just for comparison: in 2016, one and a half times more analysis was sent out than in the previous year. So we can see the state leadership's interest in our data. One of the main topics in our documents is revealing the enemy's further intentions to continue its hybrid aggression against Ukraine.

Something new we have started recently is the preparation of daily briefings on the most important issues regarding the military, political and strategic situation around our country. Such briefings keep the military and politicians abreast of developments and help them to make decisions.

TODAY, RUSSIA REMAINS ONE OF THE MAIN SOURCES OF THREATS FOR OUR COUNTRY. THE DEPLOYMENT OF NEW AND THE EXPANSION OF EXISTING RUSSIAN ARMED FORCES UNITS IN CLOSE PROXIMITY TO THE UKRAINIAN STATE BORDER IS A DANGER

What are the main threats to Ukraine?

Today, Russia remains one of the main sources of threats for our country. The deployment of new and the expansion of existing Russian Armed Forces units in close proximity to the Ukrainian state border is a danger. We continue to record the formation of new military units and formations, as well as equipment and personnel movements. An interesting detail is that in some units, officers who have experience in conducting combat operations against Ukrainian forces in the Donbas are being appointed as commanders (in the Russian Army – Ed.). The occupied Crimea is being militarised. In addition to conventional weapons, the peninsula has the potential for the deployment of tactical nuclear weapons. The presence of Russian troops in the Transnistrian region of Moldova also causes some concern. This contingent could, if necessary, be used to destabilise the situation in southern regions of Ukraine. Therefore, our task is to discover any changes in the combat readiness of Russian units in good time and determine their purpose. Recently, risks regarding cyber-attacks conducted against Ukraine have become more relevant. From a military point of view, hackers could be interested in disrupting the communication networks of Armed Forces headquarters and commanders, in addition to interfering with arms control systems.

In addition, global problems remain relevant and are even becoming more acute. They include international terrorism, the proliferation of weapons of mass destruction and the emergence of regional conflicts in different parts of the planet. ■

Culture is a weapon. Especially during a war that it is now customary to call "hybrid", when Ukraine has to fight not only for every meter of its land, but also for the hearts and minds of local people. In front-line cities, there are people who are also trying to fight – in rather unconventional ways.

Svitlana Kravchenko is a folk artist from Bakhmut who has been arming herself and people in different parts of Ukraine for four years in a row and shows no signs of stopping: "In May this year, we were in Radomyshl (Zhytomyr Oblast, Central Ukraine – Ed.), where the Aristocratic Ukraine festival was held in the old castle for the second time. There, among Ukrainian brands famous around the world, we presented our folk costumes. The wives of dead soldiers were models for the show and I commented on every costume that had been reproduced by modern craftswomen. At the end, everyone gave a standing ovation. Then they came up to me and asked when I moved to Donetsk Oblast. The thing is that I was born there. I do not understand how it can be called into question whether it is Ukrainian land, when there were, are and will be Ukrainian traditions there. It cannot be given away to the enemy, no matter what slogans or manipulations are used to justify this."

Like many volunteers in front-line cities, she is in her fourth year of trying to keep hold of Ukraine in her region. She started when strange, armed men were still wandering around the city.

In my book *Somewhere Near the War*, where I collected small stories from front-line cities and towns, there is a chapter about Svitalana. She is the granddaughter of Natalia Kravchenko, a holder of the Righteous Among the Nations honorific. The Israeli Ambassador presented a symbolic medal with her name to the relatives of Natalia Kravchenko, who saved two Jewish boys during the occupation of Artemivsk (the Soviet name for Bakhmut – Ed.) by the Nazis. "One who saves one life saves an entire world" is inscribed on the award. In addition, somewhere in the middle of the Israeli desert, there is a tree on the Avenue of the Righteous bearing the sign "Natalia Kravchenko, Artemivsk, Ukraine".

Like her grandmother, Svitalana rushed to help when it was vitally important. In 2014, almost every night there were armed attacks on the Ukrainian Army base in the centre of the city, where the soldiers were practically under siege. The volunteers came up with secret tactics to help: they threw new socks and underwear over the fence, passed on food and at night brought sandbags to help the defenders: they understood that the military should feel support. At the worst moments when it seemed that the base would simply

The genetic code of activism

Yelyzaveta Honcharova

be destroyed, they even offered to take the troops out of the base, dress them in civilian clothes and hide them in their homes. In the very same house where her grandmother once hid the Jewish boys. The soldiers did not agree. But then there was such a desire to protect these young men for their further struggle, for victory and for life.

In 2014, Svitalana Kravchenko and like-minded people from the Oberih workshop began putting together, or rather restoring, a unique collection after seeing an authentic old shirt in Paraskoviivka, a village in Donetsk Oblast, hand-embroidered in "white on white" style according to all the rules of the craft with linen threads moistened in flaxseed oil. It was made in the village by an average resident of Donetsk Oblast. Svitalana persuaded the owner to sell the shirt.

The craftswomen from her group had quite a bit of work to do in order to return the shirt's original look. That is how the idea came about not only to collect such things, but also to reproduce various elements of Ukrainian clothing from all regions from old photographs and descriptions. Recently, the women made two Hutsul costumes, inspired by their regular meetings and shows. The amazing exhibits include three hand-embroidered pieces from the 1930s and 40s that were secretly smuggled out of Makiyivka, a town in Donetsk Oblast that is now occupied. The woman who owned the pieces learned that a collection was being put together in Bakhmut, so she donated her family heirlooms.

Oberih is working on a separate collection of hats. Svitalana's personal exhibition is already being shown at the Museum of Chasiv Yar, another town in Donetsk Oblast. Svitalana also attended an international conference devoted to the symbolism and philosophy of folk headwear around the world, where she impressed her international counterparts with the variety of samples she had seen in Donetsk Oblast.

By now, the craftswomen have gathered more than a thousand different everyday items and ornaments from antiquity to the present. Almost all made by skilled craftspeople from Donetsk Oblast, among them men and children. Each year, the work of the Bakhmut craftswomen is included in the book *The Best Work of the Year in Ukraine*, which is put together by the Craft Union. The Oberih collection now has 29 costumes.

During the premiere on Embroidery Day in 2016, volunteers of different ages, students and teachers who left the occupied territories along with the Horlivka Institute of Foreign Languages, and soldiers stationed near Bakhmut walked along an improvised catwalk on the Bakhmut Alley of Roses in authentic costumes, each accompanied by

historical information. The portraits taken there laid the foundations for a new initiative – the photo exhibition Genetic Code of Bakhmut, which to date has travelled around almost the whole of Ukraine and was even displayed in the Verkhovna Rada. It has been commissioned by museums, schools, public associations and universities all over the country – from west to east. It might now have too much artistic value as a photo exhibition, but it contains something much more important, says Svitlana:

"It would seem that it's just a photo exhibition: boys and girls, women and men in beautiful Ukrainian clothes. But when I talk about it, I tell the story of the Ukrainian Donbas. Here is a family of volunteers: the youngest of them was 10 at the beginning of the war, the oldest over 60. During the withdrawal of troops from near Debaltseve, they gave shelter to almost 20 soldiers. This photo shows one of the taxi service managers who had all orders cancelled on the same day so that the cars could take servicemen who were leaving the encirclement on foot into the city. This woman constantly directed efforts to help wounded soldiers. Here are the doctors from the Pirogov First Military Hospital of the National Guard. One of

them not only helped to save the wounded in Bakhmut, but also wrote an insightful book about the war and us all. This is important for everyone: over the past few years, almost 300 people have worn these costumes. Some initially refused, but then all of them said "I felt natural in it!" This is also important for those who do not live in Donetsk or Luhansk oblasts, because I want us to be seen the way we are. Or maybe the way we want to be! Not only as a grey mass of separatists who can be blamed for all our troubles".

The interesting exhibition was possible thanks to the help of another active Bakhmut resident, Viktor Zipir. As the owner of a photo studio, he constantly helps volunteers to bring their interesting initiatives to life: creating a photo chronicle of the occupation of Bakhmut and a large banner with photographs of the Heavenly Hundred Heroes, as well as supporting flashmobs and other creative activities. He offered a photo session to participants in the show, and, with the help of other donors, printed large photographs and helped to frame them. He also believes that it is only possible to defeat brainwashing and propaganda by exchange, communication and talking.

In 2014, he put forward an initiative to create a book in which every Ukrainian citizen could write anything to an average resident of Russia. He says that it still seemed then like it was possible to prevent war and hatred. More than a hundred pages of the book are filled in by now; the book has been to different cities in Donetsk Oblast, Kyiv and Lviv. Viktor confesses that residents in the east of the country tried the hardest to get through to their neighbours. Because they still believed that it was a mistake and propaganda rather than betrayal.

"The book is not so constructive, but it will still be interesting from a historical point of view – ordinary people formulating their attitude on what is happening in their city, country and the world", Viktor shares.

The book did its job: people from different generations and social strata with different political views were able to express their vision and read the sincere responses of others. Of course, it contained a lot of anger and complaints, which can be explained by the severity of the war for residents of front-line territories. But there were also many attempts to understand the reasons, which is sometimes much more important. Now the book is planning to travel around Ukrainian cities again: Viktor says that views and thoughts have changed. Then, when the last page is completed, it will go to those to whom it is addressed – to Russia. Will it be read there? Will they want to hear it? It is probably not worth arguing about. This weapon is already working. ■



Non-existent Islamism

How the Kremlin propaganda is affecting Ukrainian Muslims

Mykhailo Yakubovych

"Islam is a very difficult line of work," said the KGB agent in a 1990s comedy. Strangely, these words from an already forgotten Russian film turned out to be almost prophetic for Islam throughout the post-Soviet space. It is no secret that Muslims are perceived to be somewhat different to followers of other religions: the attitude towards them is much more suspicious and this is a trend that has been around for many years. More liberal Muslims will argue that all this is the result of false stereotypes and biases: "Islam is not like that", "Islam means salam, which is peace". Those more radical will quote the Koranic "And never will the Jews or the Christians approve of you until you follow their religion" (Qur'an 2:120). Regardless of who is right, a woman in a hijab (or especially in a niqab) will be perceived differently to how she would be without this garment, while a bearded man with an "eastern accent" will be looked at differently to any typical European. This is the reality of the modern Western world that has been formed over many years. I remember when I was in a small town in Bavaria in May, I was

ed by Member of Parliament Leonid Hrach, talked about "Wahhabi bases", the press was horrified about how "the Tatars will slaughter the Slavs" and news about land taken over by Crimean Tatars were regularly sensationalised. In Ukraine, almost every city has land that someone has illegally seized, taken over or "snatched", but this was only mentioned from time to time. However, the Crimean Tatars were spoken about constantly. In 2009, there was even a high-profile case on the peninsula that exposed an alleged organisation under the scary name Takfir wal-Hijra (Anathema and Exile). Paradoxically, members of the movement Hizb ut-Tahrir al-Islami (Islamic Party of Liberation), repressions against which in Russia are often talked about today in our media, came under pressure from Ukrainian intelligence services. Few know this, but in Ukraine there are two Islamic books that one of our courts recognised as "extremist" a few years ago. Of course, comparing the level of attention our law-enforcement bodies pay to Muslim communities with that in Russia or other countries of the former USSR is pointless, because the level of religious freedom in Ukraine is relatively high, all the more so because in many cases the severity of the law is offset by its non-enforcement.

After 2014, when Viktor Yushchenko's almost-forgotten statement that "Crimean Tatars are the only true Ukrainians in Crimea" took on a new meaning with their critical position regarding Russia's occupation of the peninsula, a certain "pro-Islamic sentiment" came to light. Recently, the Day of Remembrance for the Deportation of the Crimean Tatar People has begun to be widely commemorated, various media lament the crimes committed on the peninsula by the Russian Federation, much is written about the Crimean Tatars and in general considerable interest in this subject is shown. Above all, this is the position of the government.

The analysis of the 2014 developments show clearly who and for what reason maintained a "level of tension" in Crimea and who wanted the demonisation of the Crimean Tatars. The Russian Federation played the anti-Tatar card to mobilise the pro-Russian part of the peninsula's population. Now, in the context of occupation, this move remains effective.

At the foreign policy level, Russia has been keeping quiet about the conflict, so that nothing, good or bad, would be said about Crimea at all ("the status of Crimea is not up for discussion"). Meanwhile, messages for internal audiences are broadcast on a regular basis. From the very beginning of the aggression, Russia directed efforts towards discrediting the Mejlis of the Crimean Tatar people, their highest representative body, as well

FROM THE VERY BEGINNING OF THE AGGRESSION, RUSSIA DIRECTED EFFORTS TOWARDS DISCREDITING THE MEJLIS OF THE CRIMEAN TATAR PEOPLE, THEIR HIGHEST REPRESENTATIVE BODY, AS WELL AS ALL GROUPS THAT COULD NOT FIND A PLACE IN THE NEW CRIMEAN REALITY

once asked if I was scared to walk the streets at night, because, as they say, it is full of immigrants. I jokingly replied in the negative, because the gangs in dark alleys speak exclusively in Arabic, which I know well.

LEANING IN DIFFERENT DIRECTIONS

In Ukraine, the topic of the Islamic threat has acquired somewhat new meanings. However, albeit surprisingly, they are not related so much to global trends (we, like all Europeans, are horrified by ISIS), as they are to our, post-Soviet ones. We have certain ultra-right forces that like to promote a phobia of migrants. Telling of that were the protests against the construction of a shelter for illegal immigrants in Yahotyn, Kyiv Oblast. However, this seems funny more than anything because it is probably not worth being afraid of migrants in a country that millions of citizens leave to work abroad (incidentally, the presence of Muslims on the streets of European cities does not stop them).

We can also look back on our history: 10 years ago, in the still Ukrainian Crimea, the problem of Islamists was also hyped up. Then, local communists, represent-



A wave of repression. Crimean Tatar religious actors are facing tough pressure from the occupation authorities in Crimea

as all groups that could not find a place in the new Crimean reality. Russian media accused migrants who left for the Ukrainian mainland for religious reasons of extremism, terrorism, aiding ISIS and so on. The Energy Blockade of 2015-2016 is another interesting topic: the Russian press wrote everything under the sun about Asker group of Lenur Islamov, Crimean Tatar businessman (the group was actively involved in the organization of the blockade) trying to drill it into the minds of ordinary Russians that "on the other side" – the Ukrainian one, that is – "Islamic extremists" are fighting alongside American mercenaries in the Donbas.

PAWNS AND TRUMP CARDS

Recently a new trend has emerged. When, the "Donetsk People's Republic" authorities arrested well-known Ukrainian religious scholar Ihor Kozlovskiy in 2016 (he is still in detention), one of the explanations provided by "Secretary of the DPR Security Council" Oleksiy Khodakovskiy was Kozlovskiy's alleged attempt to inspire a "radical Muslim uprising" in the "DPR".

Over the past two years, several Islamic communities linked to the so-called Habashites (a Neo-Sufi group) and Madhalists (a kind of Salafism), have had their operations suspended in the occupied territories. Meanwhile, some controversial characters appeared, such as the "Mufti of the Donetsk People's Republic" Rinat Aisin, or the "War Mufti of the Donbas" (self-titled), Tanai Kholkhanov. Over the past few months, a series

of articles was published in the patriotic (read, national-chauvinistic) Russian press on the "criminal plan" of Turkey and the Kyiv authorities to unite Ukrainian Muslims against the Russian Federation. Some of these texts even "migrated" to the fairly liberal publications such as Novaya Gazeta. For example, a July piece entitled "The Mejlis Intends to Unify Muslims" talks about how, with the support of Turkey, the Ukrainian "Muslim Brotherhood" is planning to build a mosque in order to "neutralise" the influence of the Spiritual Directorate of Muslims of Ukraine, which controls the Ar-Rahma mosque located in Kyiv. This mosque – as was covered more openly in other articles – is described as a future "breeding ground for extremism". The fact that a similar Muslim temple was constructed with the same support from Turkey and ceremoniously opened in August 2015 in Moscow and in December 2016 in Minsk ("Orthodox atheist" Lukashenko even took part in Muslim prayer) does not bother Russian propagandists. The Ukrainian Muslims are not allowed to do this, especially those belonging to organizations with an active pro-Ukrainian position or those who left Crimea because of their membership in political movements that do not agree with the presence of the Russian Federation on the peninsula.

The mufti of the Ummah Spiritual Directorate of Muslims of Ukraine, Said Ismahilov (forced to leave his native Donetsk and move to Kyiv in September 2014), also came under a barrage of Russian criticism, as did other activists in the Crimean Tatar movement, participants in the EuroMaidan and ATO, as well as the

Muslims from Russia who bade farewell to their homeland and found refuge in Ukraine. Unfortunately, some Ukrainian media that continue to be held in the grip of the Russian media scene often relay these phobias. In the perception of the Crimean Tatars, even today Islamophobic trends are still far from extinct in the press of certain oblasts (for example, Kherson in Southern Ukraine). There is a good reason why a poll recently conducted by the Razumkov Centre, a nationwide sociology group, shows that almost one in five residents of the south of Ukraine negatively perceives Muslims and Islam as a whole.

As the modern Crimean Tatar movement remains liberal nationalism (mainly of a secular type), Russian propaganda about it is also based on a certain level of ethnophobia. Meanwhile, the Ukrainian Foreign Ministry and other state bodies make statements about the persecution of Crimean Tatars by the occupying authorities in Crimea. Yet, they have to keep in mind that a potential conflict is quite possible in Ukraine: its society can be vulnerable to scandals stirred up out of nothing, especially in the context of future presidential and parliamentary election campaigns.

THE NEED TO DECIDE

Somewhat strange situations are arising around the religious leadership of Crimean Tatars. The spiritual administration of the Muslims of Crimea has long been re-registered under Russian law and in effect operates as a typical religious institution of the Russian Federa-

THE RUSSIAN FEDERATION PLAYED THE ANTI-TATAR CARD TO MOBILISE THE PRO-RUSSIAN PART OF THE PENINSULA'S POPULATION.

NOW, IN THE CONTEXT OF OCCUPATION, THIS MOVE REMAINS EFFECTIVE

tion (also coming out with anti-Ukrainian statements). But just as with the Crimean communities of the Ukrainian Orthodox Church, Moscow Patriarchate, nobody in Ukraine has initiated a lawsuit to remove the separatists' registration. The motive is clear: Russia will immediately use this in its favour and statements will be issued (including on the international level) that Ukraine is refusing to support the Crimean Tatars and even persecutes those who welcome "reunification with Russia". But there is another path for Ukraine – to form an alternative. Such an alternative, namely, the Spiritual Administration of the Muslims of Crimea, based in Kyiv, is about to be registered with the Ministry of Culture of Ukraine. This process has been delayed for various reasons.

The same applies to the representation of the President of Ukraine in the Crimea, which is located in Kherson: according to the Crimean Tatar activists who have been protesting for a month next to its premises, this institution has not justified itself over three years of operation and demonstrated complete inaction, therefore it they demand an immediate change of its leadership. In response, the representative of the President accused the activists of attempting to seize the premises by force, so the conflict is continuing. No matter who is right, this situation requires some sort of solution. Like many other deoccupation strategies connected with Crimea and Crimean Tatars.

In the past few months (this information was already in the press, although it did not draw a widespread response), at least two mosques in Ukraine, namely in Sumy and Zhytomyr, have been searched by law enforcement agencies. In the first case, they were looking for literature, the second was linked to criminal proceedings alleging that an "unidentified person is propagating hatred in the mosque". Weapons were not found, but some Islamic books were seized for examination (who did this and whether it was done at all is unclear). Among the seized literature (incidentally, files on the search were provided to the imam of the mosque) were completely neutral publications, including a partial translation of the Qur'an into Ukrainian, accompanied by interpretations. Banning literature in the internet era may seem anachronistic to some of our readers, but this is possible in the post-Soviet space. For example, in Russia prohibited books can be planted in a "disloyal" mosque and be used to start a criminal case for extremism. This is exactly what is done – in particular, in the occupied Crimea. Will a similar thing happen here too? We hope not, although some Muslim groups in Ukraine have long been trying to brand their opponents as extremists. It is good that the authorities do not pay too much attention to this.

On the one hand, it is a purely internal affair for Islam, where some religious movements criticise others. However, unfortunately, this ultimately affects all Muslims without exception, because an average citizen will not understand who is part of which community. Because if someone in a turban said that almost everyone here is an extremist, then maybe that is the truth, many will think. In relation to Islam, there is noticeable selectivity: what is allowed to be said from the Orthodox church pulpit cannot be said in a mosque.

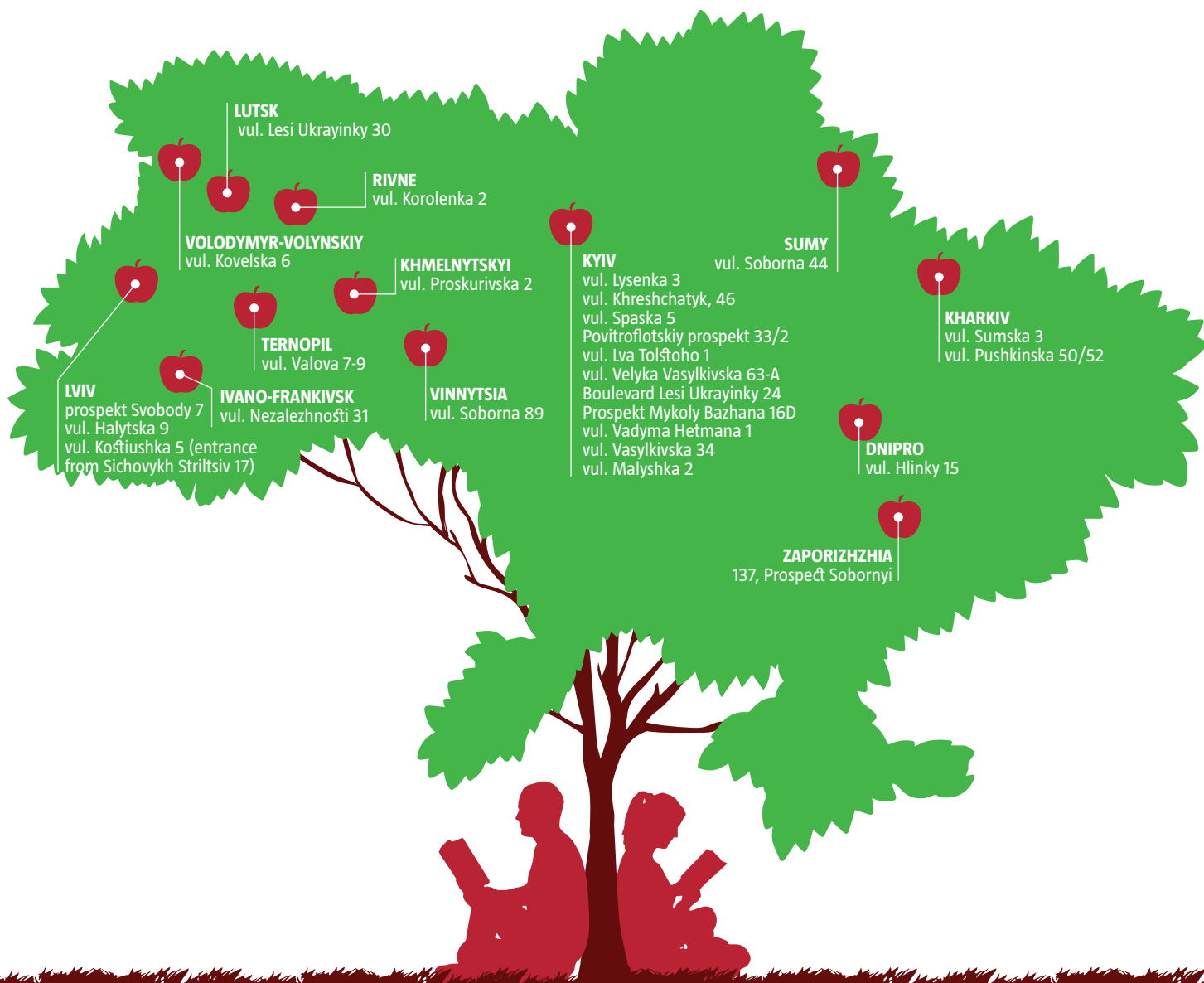
When certain Orthodox communities spread literature that states in no uncertain terms that Ukraine does not exist, only a "united Russia" with its centre in Moscow, this does not stoke such resentment as it would in Muslim literature. An average citizen perceives aggression in canonical-orthodox literature as an exception, whereas in Islamic writing, it is almost seen as a rule. Vigilance towards emigrants or people who may be truly affiliated with ISIS is necessary, but, as practice shows, they are often not looked for in the right place.

One other fact is that after the loss of opportunities to actively trade with Russia, many of Ukrainian enterprises have reoriented towards the Middle East and are almost queuing up in order to get "halal" status (certifying that products are suitable for consumption according to the requirements of Islam), which is basically equal to permission to export goods to Muslim countries. As Larysa Polishchuk, vice-president of Ukrhalal, the Ukrainian Halal Industry Association, reports, a Ukrainian state standard in this area is being developed. Middle Eastern investors are also interested in Ukraine, and if Islamophobic sentiments suddenly become a trend, our businesses will not receive their investments.

When Ukrainian officials say that the Russian Federation is prioritising "rocking the boat" over full-on aggression to undermine Ukraine, they are very close to the truth: in this way, we will never be able to form a more or less clear and consistent view on the "Eastern" topics that are extremely relevant to us. ■



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The Fifth Line

Stanislav Kulchytsky

What national policy was like in the USSR



Winning the nations. People at Kurenivka, a district of Kyiv, rally with posters featuring communist slogans in Ukrainian in 1928. Soviet authorities were trying to gain the loyalty of the local population for the Kremlin through their policy of Ukrainisation

Whoever lived in the Soviet Union knows which information was hidden in the section of the passport mentioned in the title. Anyone who had the "wrong" nationality indicated in their identity document suffered from anti-Semitism on the everyday and state level. Although it is true that during the Brezhnev era, when the Kremlin fell into economic dependence on the West, Jews gained a rather specific superiority over all other Soviet citizens: the right to emigrate to Israel for family reunification. Learning Vladimir

Mayakovsky's poem *My Soviet Passport* at school, I could not understand why the poet talked about his "red-skinned passport": the passport issued to me at the time was green. I eventually learned that Mayakovsky was talking about the passport that was issued to citizens only for crossing the international border. Internal passports came about after his death. I also could not understand why the line with the designation of nationality was called the fifth. After all, information about ethnicity was contained in the fourth line of passports,

immediately after surname, name and, according to the Russian custom, patronymic. Eventually I learned that after the Bolsheviks came to power, nationality was indicated after social background in all forms, that is, it was in fifth place.

The highest body of Soviet power, the five-person political bureau of the Central Committee of the Russian Communist Party formed in 1919, had a peculiar ethnic composition: Russian with carefully concealed information about the Jewish origin of his maternal line (Lenin), Ukrainian

(Krestynskiy), Georgian (Stalin) and two Jews (Kamenev and Trotsky). Taking into account the widespread everyday anti-Semitism in society, Bolshevik leaders resorted to personnel policies that discriminated against persons with the "wrong" nationality indicated in the documents.

Today we hear some lamenting "Why don't our passports denote nationality? I'm proud of being born Ukrainian, so I demand that this information be in the passport!" It must be understood, however, that internal passports were a kind of millstone that the Soviet government put around citizens' necks. They, like many other day-to-day realities of our lives and mentality, remain a relic of the previous era. Consequently, it is worth looking at the national policy of the Soviet Communists that was born in Leninist times and persisted until the collapse of the USSR.

THE TITULAR NATION AND "BIG BROTHER"

"Leninist national policy", which after the 20th Congress of the Soviet Communist Party began to be regarded as the apex of liberalism against the background of the Stalinist deportations of many nations, was made up of three components:

- Providing the ethnos that made up a majority in each administrative-territorial division the rights and benefits of a titular nation
- Promoting the culture of such titular nations, as well as the career advancement of its representatives through the levels of the Communist Party and Soviet power vertical
- Recording nationality in forms and identity documents (the "fifth line")

The concept of a titular nation was introduced in the late nineteenth century by the French writer Maurice Barrès and was subsequently reflected in constitutional law. This name was given to the part of the population whose nationality determined the name of the state. However, in the Soviet Union, the notion of "titular nation" acquired a different meaning. To show themselves as supporters of the most radical solution to the nationalities question, Bolshevik leaders declared all the ethnic groups that constituted the majority of the population in each administrative-territorial unit to be titular nations.

This revolutionary innovation was to have an impressive effect on the population of a country that half

consisted of representatives of the dominant nation and half of disenfranchised minorities. In reality, everything boiled down to the establishment of a hierarchy of ethnic groups, defined by political and administrative divisions. At the top of the hierarchy, as expected, were the Russians. They were unofficially considered as the titular nation of the entire union. Those after whom the union republics were named were considered to be titular nations of the second tier, to autonomous republics – the third tier, to national regions – the fourth tier and to national districts – the fifth tier. Representatives of titular nations living outside their administrative units or people of nationalities who did not have such units in the USSR were considered to be national minorities.

The presence of many titular nations in no way undermined the privileged position of Russians, who did not consider themselves a national minority in any region. The Kremlin took care first of all of Russian national interests. This was evidenced by the Soviet government of Ukraine's unsuccessful attempts to increase the territory of the republic at the expense of borderlands in the Russian Federation inhabited predominantly by the Ukrainian population. At the same time, the Russian Federation was not allowed to develop Soviet and Party infrastructure in Moscow, similar to what existed in union republics, that would compete with the all-Union centre. The Russian Soviet hierarchy only controlled secondary facilities, and there was no Communist Party hierarchy in Russia proper – all the regional party committees were directly subordinated to the Central Committee of the Communist Party of the Soviet Union.

According to the Constitution, the titular nations of union republics had strong state rights, up to the right of withdrawing from the Union and forming an independent state. However, in the structure of the USSR, the principle of politicising ethnicity was combined with the principle of "democratic centralism", according to which the lower tiers of any organisational structure were always entirely subordinated to higher ones. Therefore, the position of titular nations in

the Soviet political system cannot be interpreted in isolation from the political reality that was not described by the Constitution. The cumulative effect of combining the principles of "democratic centralism" and the politicisation of ethnicity transformed the Soviet Union from a federation of equal republics into an imperial country with the highest degree of

THE STATE TRIED TO TRANSFORM THE COUNTRY'S POPULATION INTO AN ATOMISED MASS BY ELIMINATING HORIZONTAL TIES IN SOCIETY. BUT THE CITIZENS OF THE UKRAINIAN SSR AND USSR PERCEIVED THEMSELVES AS NOT A FACELESS ETHNOS, BUT A STATE-FORMING NATION

centralised power. The Kremlin did not depend either on the party, which it had subjugated to itself, or on a society that had only the right to elect "Communist and non-aligned" candidates recommended by Party committees to Soviet bodies of power.

The concept of a titular nation mounted into the structure of the Soviet Union foresaw the implementation of a campaign of korenisation [also "korenizatsiya", "nativisation", "indigenisation", literally "putting down roots"], which gave each majority community the opportunity to develop within its own administrative-territorial unit. It must be admitted that the korenisation campaign contributed to the development of the culture of titular nations, although the state primarily aimed to enroot its own power. This approach vindicated itself. Soviet power, which had to be established three times in Ukraine between 1917 and 1919, lost its occupational character precisely because it managed to find common ground with local political forces, even before the 12th Party Congress proclaimed an official focus on korenisation (in particular, Ukrainisation) immediately after the formation of the USSR.

KORENISATION/UKRAINISATION

Soviet Ukrainisation and the Ukrainisation of the national governments between 1917 and 1919 had a common denominator: derusification. Despite the identical name, these campaigns were quite different. After all, the main purpose of Soviet korenisation in Ukraine was to force "local people" (in the words of Joseph Stalin) to serve the Kremlin faithfully and loyally. For decades, Soviet Russia did not dare to appoint a "lo-

cal man" to the highest position in Ukraine, General (First) Secretary of the Central Committee of the Communist Party of Ukraine: Oleksiy Kyrychenko, a Ukrainian, occupied the post only in the Khrushchev era.

At the same time, Soviet Ukrainisation provided a huge boost to Ukrainian culture. Feeling like not a titular ethnic group, but a real nation in the European sense of the word, Ukrainians sought to replace their fake constitutional statehood with a real one. In February 1931, a statement signed by some delegates and guests at the 12th All-Ukrainian Congress of Soviets – factory workers in Kharkiv – was received by the Presidium. The signatories were indignant that the budget of Ukraine, with its population of 30 million, was no bigger than that of the 5 million strong Moscow Region. They pointed to the terrible state of the countryside ("barefoot, naked, hungry, humiliated, suppressed, downtrodden and robbed worse than they were robbed by the tsarist government – a hundred times worse than the greediest capitalist country robs its colonies"). The conclusion was as follows: "It is necessary to build Ukrainian



Pavlo Postyshev. Joseph Stalin's governor in the Ukrainian SSR, is known for exterminating the national intelligentsia

distinguish between Bolshevik and the Ukrainisation pursued by the Symon Petliura-inspired concept. In the eyes of the Bolsheviks, their version of Ukrainisation entrenched a political regime, whereas its "Petli-

publican authorities from Kharkiv to the national capital of the Ukrainian people, Kyiv. After the Holodomor, the Soviet authorities obtained space for the demonstration of liberalism in ethnic issues. In 1936, pronouncedly Ukrainian institutes for Ukrainian history, the history of Ukrainian folklore, and Ukrainian literature were created at the Academy of Sciences of the Ukrainian SSR.

The authorities presented themselves as internationalists. Yet they always distinguished citizens on the basis of their ethnic origin. This was not significant in itself, as in the case of the Jews, but gained significance when coupled with the fact that a given person belonged to the titular nation. Persecuted in Ukraine for "bourgeois nationalism", Ukrainians often escaped to the Russian Federation. There they ceased to be representatives of the titular nation, meaning they lost their political status. Only in that position they were no longer dangerous to the Soviet authorities.

The state tried to transform the country's population into an atomised mass by eliminating horizontal ties in society. But the citizens of the Ukrainian SSR and USSR perceived themselves as not a faceless ethnos, but a state-forming nation. The social explosion of the first half of the 1930s was a natural protest from villagers against collectivisation that epitomised communisation, but the slogans of the Ukrainian Revolution could be heard there constantly. In 1931-1932, a new social explosion was brewing, which was immeasurably more dangerous for the authorities, as a famine had already started in the country, most acutely in the Ukrainian SSR. Stalin prevented upheaval by creating a situation of absolute starvation. At the same time, he organised a terrible famine in the North Caucasus, where almost half of the districts had been Ukrainised. It was thus dictated to Ukrainians of the North Caucasus, who sought to obtain titular nation rights by reuniting with the Ukrainian SSR, that they should be Russian.

After the introduction of internal passports in December 1932, the Soviet authorities launched a campaign against "personal opinions" when determining the nationality of a citizen. When applying for a passport, it was necessary to prove the real nationality of parents using documents. From

AFTER THE HOLODOMOR, THE SOVIET AUTHORITIES OBTAINED SPACE FOR THE DEMONSTRATION OF LIBERALISM IN ETHNIC ISSUES. IN 1936, PRONOUNCEDLY UKRAINIAN INSTITUTES FOR HISTORY, FOLKLORE AND UKRAINIAN LITERATURE WERE CREATED AT THE ACADEMY OF SCIENCES OF THE UKRAINIAN SSR

Soviet statehood, because the time has come. The population has grown up: it is not saying much about broken fences or seized apartments anymore, but it is speaking about a State. Ukrainian Soviet statehood needs to be built, because it has only just begun, and in our country so far there has only been talk of language and culture, although this is also an element of statehood."

The Kremlin responded to such demands with repression. People who embodied the highest level of national culture found themselves in the epicentre. They were crushed or subdued in horrible ways. By decree of the Central Committee of the Communist Party "On Grain Purchases in Ukraine, the North Caucasus and the Western Region", the Ukrainisation campaign was stopped everywhere outside Ukraine on December 14, 1932. It continued in Ukraine itself, but the authorities began to clearly

urite" equivalent was regarded as an undesirable side effect that contributed to national enthusiasm, in other words, acting against the intentions of the regime to turn a nation into an ethnic group.

GENOCIDE IN AN EMBROIDERED SHIRT

The central Soviet government hid its repressive actions behind a mask of underlined Ukrainophilia. Pavlo Postyshev, Stalin's governor in the Ukrainian SSR, exterminated the national intelligentsia while wearing *vyshyvankas*, traditional embroidered shirts. When local apparatchiks understood the 1932-1933 repressions as the end of the Ukrainisation campaign, he immediately stopped their attempts to limit the rights of the titular nation in the Soviet sense of the term. Another demonstration of hypocritical Ukrainophilia was the 1934 transfer of re-

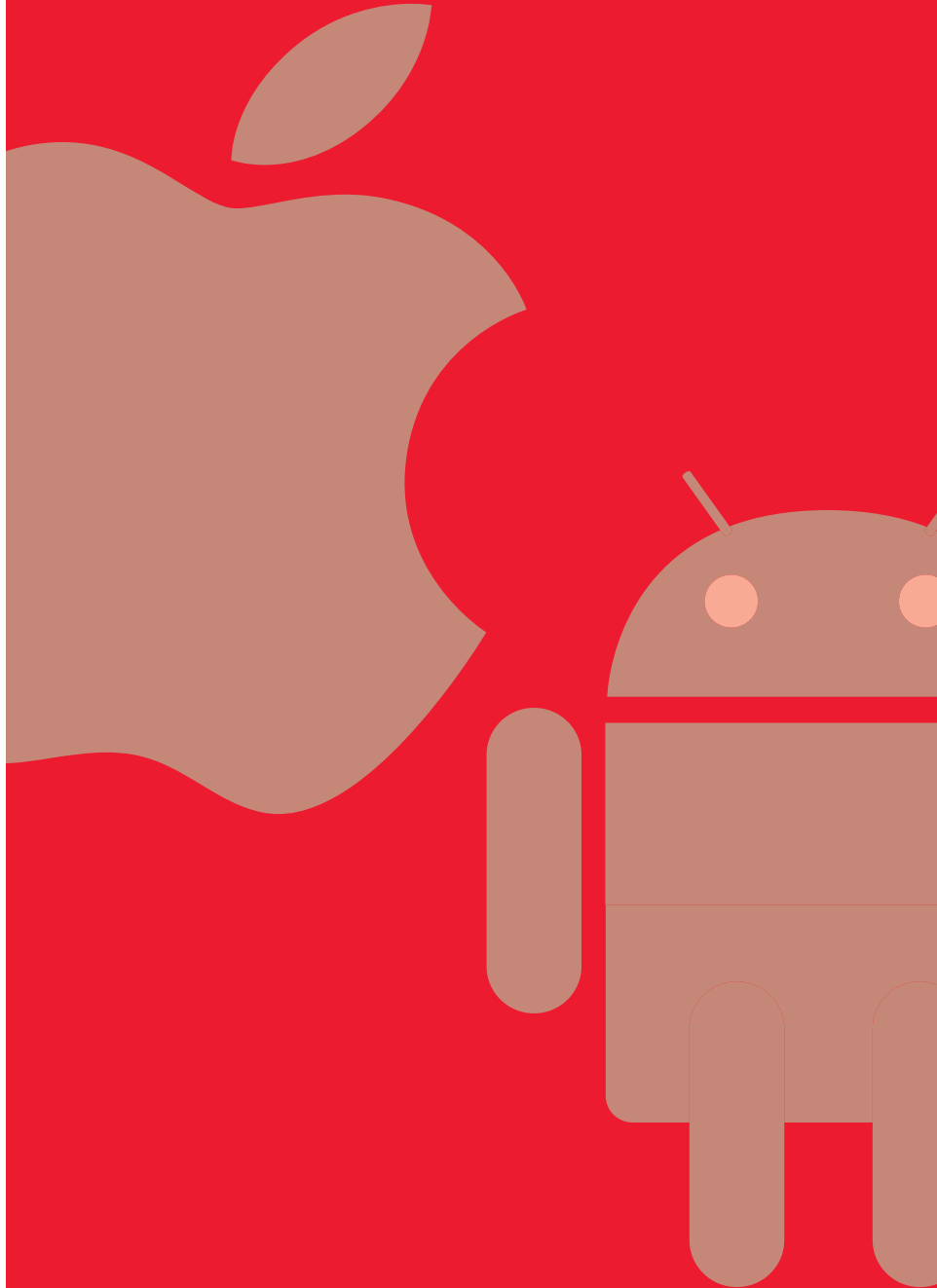
1937, employees of institutions that recorded civil status were obliged to note the parents' nationalities in birth certificates. On April 2, 1938, the Central Police Department of the NKVD issued the following order: "When issuing passports to persons born to parents of different nationalities, the nationality field should not be filled in according to what the applicant says, rather the nationality of the parents should be indicated, not specifying the nationality of the passport holder".

Persons who gave false information about their nationality were exposed to great troubles. The report "On the progress of verifying party documents in the Mykolayiv City Party Organization as of August 10, 1935", reads about "Volodymyr Kaminskyi, head of the workshop group at Plant 61. He is accused of concealing his nationality, He is a Pole, but wrote that he is a Ukrainian".

THE FRUITS OF LENINIST POLICY

What is left of "Leninist national policy" now? Not as little as it may seem at first glance. The process of forming a civil society in post-Soviet countries began from scratch after they gained independence. Civil society is, when looked at in another dimension, a political nation which unites the holders of passports that say "citizen of Ukraine" of any ethnic origin. In Soviet times, a political nation could not be formed from the conglomerate of titular nations on different levels, either on a country-wide scale or inside the rather arbitrary borders of union republics. It is also clear that after the collapse of the USSR, many Russians in Ukraine habitually feel like a titular nation of the first tier, which fuels inconveniences and complications. Instead, a significant number of Ukrainians once affected by homo soveticus syndrome have started to see themselves as a titular nation of the first tier, and Russians as a nation of the second tier.

Putin's practice of protecting his "compatriots" and the ultra-right nationalism of some Ukrainian activists form an explosive mix that impedes the formation of a Ukrainian political nation and promotes the formation of a strategic enemy's fifth column in Ukraine. Consequently, we must understand the danger of "Leninist national policy" not only as a historical phenomenon, but also as a factor affecting the present. ■



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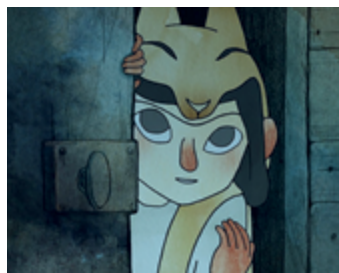
GogolFest2017 Expocenter of Ukraine, Dovzhenko Center (Kyiv, 1, Prospekt Akademika Hlushkova; 1, Velyka Vasylykivska)

This year GogolFest, the international festival of contemporary art, celebrates its tenth anniversary. It encompasses a wide variety of arts, from theatre plays and choreography to visual art, academic, alternative and electronic music, opera, circus, literature and educational programs, as well as a special program for children. The international section features projects from 13 countries, including France, Italy, the Netherlands, Germany, Lithuania, Norway, Romania, Armenia, USA and more.



VII New Vision International Film Festival Zhovten cinema (Kyiv, 26, Koštiantynivska)

The international short film festival will introduce the fans of cinematography to the best shorts and involve them in a vote to choose the winners in various categories. The festival will be interesting for an extensive audience thanks to the program featuring a mix of different genres, themes, storylines, styles and senses. One of this year's special features is that all shorts shown in the festival will be screened in Kyiv for the first time.



Kurazh Bazar Books Platforma Art Factory (1, vul. Bilomorska, Kyiv)

Kurazh Bazar will take place in a new format: for the first time, the flea market will focus entirely on literature. This is a unique opportunity to find whatever a book lover's soul desires, from books by contemporary Ukrainian authors to various pieces of foreign literature. The fans of old books will have a chance to find and buy antique pieces. Kurazh Bazar Books will present nearly 50,000 pieces at the prices ranging from UAH 5 or slightly under USD 2. Jazz music will be playing in the background. Shopoholics will find a bonus: clothing and accessories, as well as vintage table- and houseware.



September 19, 8p.m. — September 22, 8p.m. — Through October 29

Seamus Blake & Dennis Adu Big Band Caribbean Club (Kyiv, 4, vul. Symona Petliury)

When his mother introduced him to the world of jazz, he fell in love with it at first sight. The music journey of Seamus Blake started in London where he was born and Vancouver where he grew up. New York became the home and professional hub where he met well-known American jazzmen, including Victor Lewis, Franco Ambrosetti and Darrell Grant. In addition to that, Blake's portfolio includes playing with the brilliant Mingus Big Band, victory in the Thelonius Monk Jazz Competition in Washington and 16 records.



New York Jazz. JD Walter Bel etage (Kyiv, 16A, vul. Shota Rustaveli)

The jazz autumn in Kyiv continues with a concert of the well-known American jazzman and vocalist JD Walter. His style is often compared to the legendary Betty Carte and Nat King Cole, they inspired JD Walter to take up jazz singing professionally. It began with his love for classic music since childhood years thanks to his mother and sister. Then came the passion for jazz, five records and top charts in jazz radio stations.



Project Aeneid National Art Museum (Kyiv, 6, vul. Hrushevskoho)

The exhibition at the National Art Museum jointly with Ya Gallery art center opened on the Independence Day. It is based on The Aeneid, the legendary interpretation of the Latin epic poem by Ivan Kotliarevsky written more than 175 years ago. Over the years, the various editions of the poem have been illustrated by many Ukrainian artists, thus turning into a sort of chronicles of the culture of book visualization in Ukraine. The 200 pieces on display include many illustrations, theatre bulletins, photos and videos, as well as illustrated books.





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