

# The Tiger Conference

Ukraine's Future after the Vilnius Summit

Read more details on page 18



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## Vilnius Summit Nov. 28-29

# No Deal

## Businesses favor London for settling legal disputes

BY KATERYNA KAPLIUK AND ANASTASIA FORINA

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Ukrainian corporate legislation is as young as the country. It sprang up when Ukraine declared its independence in 1991. That's also when demand for foreign legal counsel among local businesses skyrocketed, a trend that continues today, lawyers say.

An astounding 90 percent of mergers and acquisitions in Ukraine are done under English law, according to Volodymyr Sayenko, managing partner of Sayenko Kharenko, a Ukrainian law firm that recently cut the ribbon on a new office in London.

"We are very upset with → 14

## Officials want to plug holes in tax revenue with new law

BY MARIIA SHAMOTA

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A new transfer pricing law that went into force on Sept. 1 is designed to cast a wider net and capture an additional \$2.5 billion of potentially lost tax revenue over three years, the Ministry of Revenue and Duties recently told the Kyiv Post.

Generally defined as when two related companies – a parent company and a subsidiary, or two subsidiaries controlled by a common parent – trade with each other, the law requires companies to report all transactions with counterparties that exceed \$6.1 million annually. The rule also applies to Ukrainian taxpayers that deal → 14



People look at the European Union flag outside the city hall in Lviv, Ukraine. Ukraine on Nov. 21 abandoned its years-long drive to sign a landmark political and free trade pact with the EU. The signing had been set to take place at the Nov. 28-29 Eastern Partnership Summit in Vilnius, Lithuania. The decision to scrap the association agreement came on the same day that parliament failed to pass two out of three laws required by the EU, including the release of imprisoned ex-Prime Minister Yulia Tymoshenko. (AFP)

BY KATYA GORCHINSKAYA  
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After years of negotiations, Ukraine's government on Nov. 21 suddenly rejected a landmark association

agreement with the European Union – a decision that came only six days before the anticipated signing of the deal at the Nov. 28-29 summit in Vilnius, Lithuania.

The Cabinet of Ministers decision

reversed its own September resolution that called for the political and trade pact to be signed. The move came only hours after the Verkhovna Rada, Ukraine's parliament, failed to pass two out of three key laws required for

signing the agreement with the EU next week.

The about-face suggests that Ukraine's leaders have decided that they did not want to risk the wrath of Russia, whose officials have → 2

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Nov. 21 market rate



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# Ukraine backs out of landmark EU offer

→1 waged a fierce campaign to block the EU-Ukraine pact. In a face-saving gesture, Ukraine's government said it would conduct trilateral talks with the EU and Russia to discuss relations.

Ukraine's government "suddenly bows deeply to the Kremlin," Swedish Foreign Minister Carl Bildt tweeted. "Brutal pressure evidently works."

On the same day, President Viktor Yanukovich said during a two-day official visit to Austria that Ukraine is continuing its course for European integration.

His statement was derided at home. "Yanukovich personally is halting the progress of Ukraine towards the EU," said Arseniy Yatseniuk, the opposition leader of the Batkivshchyna faction in parliament. He called for an impeachment.

In particular, the Cabinet resolution freezing action stated it wants to study the possibilities of restoring trade with Russia and other ex-Soviet republics, which has suffered over the past year from multiple Kremlin-instigated trade sanctions. Russia and other nations of the Commonwealth of Independent States, a grouping of post-Soviet countries, comprise around 30 percent of Ukraine's exports.

The Cabinet also said it wants "a parity relationship between Ukraine and EU nations, which is the basic principles of international law and basis for economic security of the nation." The statement mimics the declarations of Russian officials, who have repeatedly said that the EU is not offering Ukraine a union of equals.

## Failure in parliament

In parliament, the defeat of EU-required legislation on Nov. 21 was quick and decisive, after lawmakers overwhelmingly approved amendments to synthesize election legislation sought by the EU.

After that, all six proposed laws on the treatment of prisoners abroad failed to pass the first reading. The defeat blocked the release of imprisoned ex-Prime Minister Yulia Tymoshenko. Her freedom was another of the EU's



Verkhovna Rada Speaker Volodymyr Rybak gestures to Batkivshchyna leader Arseniy Yatseniuk after parliament failed to vote on crucial laws for European integration on Nov. 21 (Kostyantyn Chernichkin)

big three conditions for signing the pact with Ukraine.

The law on the prosecutor's office, the third and final requirement for signing the association agreement, did not even come up for vote.

The pro-presidential Party of Regions said they did not support this and the other bills because they were not technically ready.

Opposition criticism was harsh. "Yanukovich has finally decided to lie under Moscow," said Volodymyr Kurinny, a parliament member from opposition leader Vitali Klitschko's Ukrainian Democratic Alliance for Reforms.

Another opposition lawmaker, Oleh Tyahnybok, the leader of far-right Svoboda party, accused leaders of selling out the nation. "You're endangering the future of the Ukrainian state, and are only worried about your personal pockets," Tyahnybok said.

Yanukovich has refused to pardon Tymoshenko, his political rival, instead

saying that he would have signed legislation passed by parliament – a body in which he controls the majority of votes – to send her to Germany for treatment of a back ailment. She was arrested in August 2011 and convicted two months later after "abuse of office" as prime minister that the West and even Russia regard as a political vendetta.

Having proposed no bills of its own, the Party of Regions said, however, that more work is needed on the bills.

"We're calling on the (special) working group to find a compromise," said Volodymyr Oliynyk, a Party of Regions deputy, after the failed vote. "There is still a possibility to take this decision."

## U-turn or bargaining?

The Party of Regions' refusal to vote came in the wake of Yanukovich's warning to EU Commissioner Stefan Fuele on Nov. 19 that he was not ready to sign the association agreement and deep and comprehensive free trade agreement.

Observers in Kyiv believe that Yanukovich's sudden reversal, which comes after years of saying Ukraine was embarking on a pro-EU course, is a clear sign of a reorientation in Ukrainian foreign policy back to Russia. Others continued to say it's a bluff to get the EU to come up with a better offer for Ukraine that would include financial aid for its economy in recession.

Oleksandr Yefremov, leader of the Party of Regions faction in parliament, suggested that behind-the-scenes negotiations are still under way. "We have gone the whole way towards European integration. We – and I in particular – would like to see something from the European Union," he said.

It appears the EU, after years of patient negotiations and sliding deadlines, has given up hope.

Fuele, the EU's commissioner in charge of enlargement issues and neighborhood issues, cancelled a return visit on Nov. 22. Along with Fuele, special European Parliament envoys Pat Cox and Aleksander Kwasniewski also spent part of the week in Ukraine. Yanukovich, meanwhile, looked for a change in scenery and traveled to Austria for a two-day visit. Prime Minister Mykola Azarov spent most of his week in St. Petersburg, where he and other Cabinet members had a series of negotiations with Russian officials on free access to pipelines. Ukraine's pipeline transports about 80 percent of Russian gas exports to Europe.

And now, what? It appears that Ukraine-EU ties are in for a long cold spell ahead, as journalists, civil society activists and members of the political opposition worry about renewed repression in Ukraine.

European leaders have warned Ukraine that if it fails to sign the association agreement this fall, another opportunity might not come for many years. "The pause in relations may take a very long period of time," Lithuanian President Dalia Grybauskaitė told Agence France Press on Nov. 19.

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# Kyiv Post's Tiger Conference needed now more than ever



JAKUB PARUSINSKI

Recent changes in the editorial teams of two of Ukraine's biggest publications sent a chill down the spine. Claiming to be subjected to political pressure, 13 journalists left Forbes Ukraine, which had been known for its hard-hitting business investigations.

This was followed by the departure of Vitaly Sich, the now former chief editor of Korrespondent.

It's no great feat to stick to principles when times are good. Taking the high road is only worth something when it is the more difficult choice.

Whether or not we get a full picture of what events and intrigues took place in those newsrooms, those who have chosen exile to comfort deserve credit: they are taking their skills of reporting insightful and objective stories in a market that has little place for them.

For 18 years now, in good times and bad, the Kyiv Post has abided by such principles. They can be seen in our motto: Independence, Community, Trust. Our journalists have always doggedly pursued the truth, no matter the potential fallout. That's because we believe this is what's best for our brand, and that's it is the only way to do journalism. I hope that Kyiv Post continues to be a place where all the journalists with the necessary talent and values can find work, and if necessary – refuge.

More than ever the country needs reliable sources of information. Talks on the association and free trade agreement with the European Union have collapsed, although some believe this is but a negotiation tactic in a high-stakes poker game among Kyiv, Moscow and Brussels.

The country is also struggling economically. Ukraine has been in recession for more than a year and is running out of hard currency fast. Neither devaluation nor gas spats can be ruled out, though any long time observer of Ukraine knows that the country can pull both good and bad surprises out of the hat at the last moment.

That is why the Kyiv Post organizes its annual Tiger Conference – to get the best and most informed minds in a room and shed light on where the country is heading, what it needs to prosper and what business should do to adapt. Last year's conference tackled the question of whether economic revival was possible in the near term. This year, on Dec. 3, it tackles an even bigger question: What the future of Ukraine will look like after the Vilnius Summit, and whether it can tackle the challenges that lie ahead.

It is also a chance to meet with the community of those who care about Ukraine and its independent press at the end of the year. This is a useful institution to have when times are good, but it is critically important when they are not. And though it may not be the easy choice, the Kyiv Post will persevere true to its values and mission, and our belief that this country can live free and prosper, no matter how long the road.

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At last year's Kyiv Post Tiger Conference, two of the keynote speakers were then-Georgian President Mikheil Saakashvili and Ukrainian millionaire businessman and member of parliament Petro Poroshenko. (Courtesy)

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Editorials

# Road to nowhere

It's been a long road to nowhere for Ukraine and the European Union with respect to the association agreement – the political and free trade pact that was supposed to have been a landmark deal that finally put Ukraine on firm footing towards becoming a Western democracy.

At the 15th Ukraine-European Union Summit in December 2011, both sides agreed to initial the agreement. They took that preliminary step on March 2012. Finally, after tortuous negotiations, the moment of triumph – the actual signing of the agreement – was scheduled for the Nov. 28-29 Third Eastern Partnership Summit in Vilnius, Lithuania.

But six days ahead of the event, Ukraine's government simply quit and decided to succumb to Kremlin pressure not to sign the deal with the EU.

For all his bluster about EU integration, President Viktor Yanukovich and his ruling Party of Regions simply found closer ties on Western conditions – choose your own metaphor here – a bridge too far, a bar too high. Diplomats say he told EU Commissioner Stephen Fuele in a Nov. 20 meeting that he wasn't prepared to sign the agreement in Vilnius. The rejection became categorical the next day with a Cabinet of Ministers resolution abandoning the Western turn altogether as Yanukovich was in Austria on a two-day official visit.

The EU should not turn away from Ukraine in disappointment. They dodged a bullet of sorts. If EU officials think that Yanukovich was difficult to come to agreement with during this phase, imagine the roadblocks that Ukraine's leaders would have put up during the implementation of the laws to make the courts more just and elections more democratic, as well as eliminate selective prosecution, all EU conditions for signature.

Yanukovich's primary aim is not to create a Western-style democracy in Ukraine, but to keep political and economic powers at all costs. He also may have gotten a sweeter financial deal from Russia, in terms of loans with none of those pesky democratic conditions attached. But Moscow's obstructionist behavior and the Kremlin's lingering imperial ambitions show that Ukraine's leaders should put more distance between themselves and Vladimir Putin, not less.

The economic benefits of European integration were never as clear to Ukrainians as the most popular one – the prospect of visa-free travel throughout Europe soon. In any case, Ukrainians have not made their desires known through mass demonstrations or intense political lobbying. Instead, ordinary people are either disengaged or reliant on the political opposition, which lacks the votes to pass laws.

The West should not abandon Ukraine, but rather look for ways to dislodge kleptocracy and autocracy where it exists.

Visa-free travel for Ukrainians would be very helpful. The EU reportedly budgeted up to \$5 billion through 2020 to help the nation with its transition to meet the political and trade requirements of an association agreement. We hope they spend that money on supporting independent journalism, which is now endangered in Ukraine, and civil society, which is also starved for finance and in need of more leaders.

The artificial deadline of the Vilnius Summit, even though it did not bring Ukraine more closely aligned with the EU, did serve at least one important purpose – that of a cold and sobering reality check.

# Primal fear

The European Union and Ukraine probably could have finessed other disagreements – or looked the other way – in order to sign an association agreement on Nov. 28-29 in Vilnius, Lithuania. Parliament, at the last minute, approved only one of three laws required by the European Union for the signing of an association agreement – a measure to make elections fairer.

However, there was no way to get around the issue of ex-Prime Minister Yulia Tymoshenko's continued imprisonment for political reasons. Love her or hate her – and plenty are in both camps – many EU leaders are simply not going to overlook her case. Her 2011 conviction for abuse of power as prime minister puts her in the category of political prisoner, in the view of Russia and the West.

Why does President Viktor Yanukovich fear her so much? Because she is a formidable adversary. The political opposition today is much weaker without her. It appears that Vitali Klitschko will be outmaneuvered by Yanukovich and disqualified as a presidential candidate in 2015 because of his German residency. The field gets weaker after that, with no one – neither Arseniy Yatsenyuk nor Oleh Tyahnybok – showing the capability of dislodging even someone as unpopular as Yanukovich. No one on the political scene is exposing corruption and dodgy dealings as effectively as Tymoshenko did while she was free. While Tymoshenko has been in prison for the last two years, the size and scale of questionable – to put it mildly – business dealings involving people close to Yanukovich and other oligarchs are astounding. Her voice on these issues is missed.

**NEWS ITEM:** Ukraine's pro-European tone changed sharply after President Viktor Yanukovich on Nov. 9 visited Russia to meet with counterpart Vladimir Putin. Yanukovich this week signaled in talks with Stefan Fuele, the European Union's enlargement commissioner, that Ukraine wasn't prepared to sign an association agreement with the EU at the Nov. 28-29 summit in Vilnius, Lithuania.



**NEWS ITEM:** On Nov. 19, Russian Foreign Minister Sergei Lavrov accused the European Union of exerting unacceptable pressure on Ukraine to sign a landmark political and free trade agreement with the 28-nation bloc. However, Russia has applied trade sanctions on Ukrainian exporters and renewed threats of cutting off gas supplies.

# Stop Censorship! denounces censorship, interference at Kurchenko's media holding



OKSANA ROMANIUK

The movement "Stop Censorship!" denounces the shameful censorship and interference into Forbes Ukraine's editorial policy that prompted mass resignations.

On Monday, Nov. 18, the journalist movement issued a statement, in which it encouraged Serhiy Kurchenko, owner of UMH media holding that publishes Forbes Ukraine, and owners of Forbes Media LLC to realize their responsibility and intervene to guarantee an independent editorial policy for the business magazine and website, in compliance with the license agreement and basic principles of freedom of speech.

After finalizing the purchase agreement for the media holding by UMH group of VETEK companies, owned by Kurchenko, the new management started to change the editorial policy.

According to the former employees of Forbes Ukraine, who resigned last week, the new management introduced new rules, in line with which journalists were forbidden to write about topics related to the ruling Party of Regions and high officials. In particular, journalists were not allowed to prepare and publish materials related to the current and previous rhetoric of the Party of Regions concerning Ukraine's integration into Europe, the advisers to Vice Prime Minister Serhiy Arbutov.

Also, according to them, the overall amount of political materials published was considerably reduced (from two per day to two per week).

In addition, the journalists claimed that they started to receive threats of lawsuits for compensation of moral damages for articles published in the past, and other sanc- → 15

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Electricians cut off electricity to an apartment in Kyiv in this 2009 file photo. (UNIAN)

VOX populi

WITH DARYNA SHEVCHENKO



What will Ukraine lose if the association agreement won't be signed on Nov. 28 in Vilnius? And who deserves the blame?



**Nataliya Lyashenko,** social activist  
"We'll lose the possibility for further development and implementing European values in Ukraine."

Association with the EU can give our people a chance to understand how life can change if we join the EU. And unless the president gives parliament an order to adopt the particular laws, he will be the one to blame for not signing the agreement."



**Agneta Chornak,** insurance agent  
"Everything will get worse if we don't sign the association agreement, just everything."

Our mentality is naturally European, so we should go to Europe. Besides that I worked in Slovakia and the Czech Republic 10 years ago, and they were in mess like we are now. After joining the EU, they are much better and that's what we want. All progressive and sane people of Ukraine understand this, while our authorities don't seem to – and I'll blame them if we fail."



**Kost Borysiuk,** artist  
"The main and the most important thing we'll lose is the move towards development,"

economic and cultural. And we, ordinary Ukrainians, as well as our authorities will be to blame for the failure."



**Tetyana Dupenko,** pensioner  
"I am afraid we'll lose everything, the chance for better life. Our top officials should

do everything they can to get this agreement signed on Nov. 28."



**Nazar Lesyk,** student  
"If we do sign the agreement with Europe there is a danger that a lot of big companies will come and occupy the market,

while Ukrainian businesses will be left out. If we don't, people will be to blame for not persuading authorities to do the right steps and authorities will be to blame for doing nothing."

# Kyivenergo's lights: flickering or bright?

## This monopoly is stuck in past era



When the World Bank's Doing Business Report this year ranked Ukraine as one of the toughest places to get hooked to the power grid, I was not surprised. I have a few first-hand stories to tell about dealing with Kyivenergo, the monopoly power supplier in Kyiv, which was used as a case study for the ranking. It deserves its lowly reputation.

My most recent encounter happened just a few months ago. Although it wasn't about getting electricity for a new business, I thought my case is a good reflection of how the company operates and treats its customers.

One day, my electricity to my flat was simply cut. It was a Thursday, my busiest day at work. I had received a warning that somehow I owed money to Kyivenergo, despite paying my bills monthly and having ample proof. But it's not even the cutting off itself that

left the nasty aftertaste, it's what happened next.

To get hooked up again, you have to go through a few circles of hell in Kyivenergo, which is owned by DTEK, the energy holding of Rinat Akhmetov, Ukraine's richest man. The concept of customer service is clearly still alien there, and private ownership has not yet been able to fix it.

To start the process of getting the power back, I had to travel to Kyivenergo with a stack of documents, including three years' worth of paid bills, the current meter readings and proof of property ownership. Needless to say, it took a trip home to collect all those, and another one to deliver them to Kyivenergo's customer service office.

And then, I was in for a nasty surprise. The office, which handles a few million customers, only has two to three managers working at the time.

And guess what? The queues to get into their office are long. Very long. People come prepared, carrying iPads and newspapers to read to pass the hours of time waiting in a hall for their turn.

When it was finally my turn, → 15

## Company quick to serve its customers



The procedure for hooking up new customers to the power grid in Ukraine is about to get much simpler, thanks to legislative changes adopted earlier this year.

This, we hope, will improve the country's "getting electricity" ratings in the next Doing Business report.

Prior to Jan. 1, when the initiated the Law on Amendments to Laws of Ukraine in Relation to Network Connection Charge of Natural Monopolies went into effect, most of the work had to be done by the customers. Now the situation radically changed.

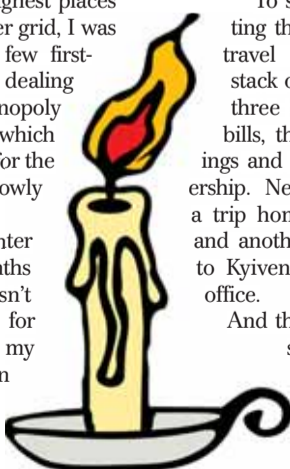
Except for individual cases related to complex construction work, Kyivenergo has to handle standard connections within 45 days. This includes the approval of the connection project, testing of the equipment

performed by Kyivenergo specialized standalone unit – Energosbyt, and the connection procedure (if all necessary documents are available). The company is also obliged to notify its clients about any delays in the works, either related to the regulatory approval system, or to the complexity of the project.

It's worth to note, however, that other permits related to hooking up to the grid, such as excavation work permit, permit of the State Architectural and Construction Supervision

Inspectorate and approval of the State Service of Mining Supervision and Industrial Safety are the procedures which cannot be affected by the power supplying company.

All European countries have long ago completed their energy sector reforms, after spending years developing and adjusting the procedures for connecting new consumers to the grid. It has only been a year since Ukraine started developing new procedures and regulations. Building new relations with the clients will require a certain → 15





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## Ukrainian billionaires use London courts, not Ukrainian ones, to settle disputes



JAROSLAV  
KOSHIW

In May, billionaire Victor Pinchuk took his fellow Ukrainian billionaires, Gennadiy Bogolyubov and Igor Kolomoisky, to the High Court of Justice of England and Wales for allegedly swindling him out of the ownership and profits of the ferroalloy plant KZhRK (Krivorozhsky Zheleznorudny Kombinat).

The enterprise at the heart of the dispute consists of an iron ore enrichment plant and iron ore mines located in and near the southeastern Ukrainian industrial city of Kryvyi Rih. It has been a profitable enterprise, producing iron-ore ingots for Ukraine's steel industry, the money-spinning sector of the country's economy.

Pinchuk claimed he had paid \$143 million for KZhRK and accused the defendants of forcibly seizing it on

March 3, 2005: "Individuals believed to have been acting on the instructions of the defendants forcibly entered the premises of KZhRK" and took control of the plant. "Since that time, the defendants have exercised management control over KZhRK to the exclusion of the claimant."

Pinchuk also brought Ukraine's top billionaire, Renat Akhmetov, into the dispute. He claimed that the defendants had no right to sell some of the KZhRK shares to Akhmetov.

In September, in their counter-submissions to the High Court, the two defendants rejected Pinchuk's claim that they owe him compensation for KZhRK. They claimed that he had no legal rights under Ukraine's laws to the plant or its profits. Kolomoisky added that, as Pinchuk has no legitimate claim to KZhRK, the shares could be sold to Akhmetov or anyone else.

The two defendants defended their representatives taking over KZhRK as the seizure was carried out with a court order.

The two defendants didn't deny that in 2004 Pinchuk had paid them



Britain's Queen Elizabeth II listens to a High Court judge as she opens the Rolls Building, the latest addition to the Royal Courts of Justice, in central London on Dec. 7, 2011. (AFP)



Ukraine billionaire Victor Pinchuk is enmeshed in a business dispute with fellow billionaires Gennadiy Bogolyubov and Igor Kolomoisky in a London court. (UNIAN)

\$143 million. They asserted the money was not to buy KZhRK as the claimant attests, but their share of profits from Nikopol, "the largest ferroalloys producer in Europe." The defendants stated that Pinchuk, Nikopol's majority shareowner, owed them \$400 million from plant's profits, as they were its minority shareowners.

The defendants in their submission accused Pinchuk of obtaining the control or ownership of state enterprises at less than their market value because of nepotism, i.e. because he was ex-President Leonid Kuchma's son-in-law. They cite Nikopol and Kryvorizhstal (Ukraine's largest integrated steel company), as examples of state properties sold to Pinchuk at below market value.

They assert that in 1999, Pinchuk received the state's 50 percent + 1 shares in Nikopol to manage, not because of his experience in operating a ferroalloy plant, but because of his relationship with the president's daughter since 1997. Furthermore, the defendants state that "shortly after



Ukrainian billionaires Ihor Kolomoisky (L) and Gennadiy Bogolyubov are defendants in a lawsuit filed by another Ukrainian billionaire, Victor Pinchuk, alleging that they owe him profits in a ferroalloy plant. They deny the charges. (UNIAN, forbes.ua)



the claimant [Pinchuk] married the president's daughter," he was able to purchase the majority share at below the market price.

They make the damning accusation that Pinchuk took for himself \$100 million from Ukrnafta (the largest company involved in extracting oil and gas in Ukraine with the majority shares initially owned by Naftogaz Ukraine). As minority owners of Ukrnafta, the defendants had set aside \$100 million of Ukrnafta to fund Kuchma's re-election in 2004. After Kuchma decided not to run for president, they accuse Pinchuk of not returning the money to them and keeping it for himself.

The High Court has not yet set a date for the trial, assuming the protagonists do not settle out of court. The appointed English judge will have to

decide if Pinchuk was entitled to the shares and profits from KZhRK, as well as nepotism, corporate raiding, inside dealing, illegal election donations and many other criminal aspects of capitalism in Ukraine. This might prove to be beyond the understanding of even an English high court judge.

In his submission to the High Court, the defendant Kolomoisky wrote: "The regime of President Kuchma was characterised by corruption, nepotism and ties to organised crime."

It would be of great interest to the public, how Kolomoisky characterizes President Viktor Yanukovich's regime?

Jaroslav Koshiw is the author of "Abuse of Power: Corruption in the Office of the President," published by Artemia Press 2013 (ISBN 978-09543764-1-3). He is a former editor of the Kyiv Post.

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# London is where Ukrainians go to find justice, rule of law



ZOYA BURBEZA

**LONDON** – The European Union was expected this month to sign a landmark deal with the Ukrainian government.

The agreement was to be the high point in the EU's strategy to strengthen relations with the East and spread Western-style democracy and rule of law.

Now it lies in tatters, but the news is far less important for Ukraine than you might first expect, thanks in great part to British justice.

At its heart, the association agreement between the EU and Ukraine is a free trade deal which would open up a vast new market for Ukrainian goods and expand the reach of the European market at the expense of Russia's own customs union.

Much ink will be spilt on the geopolitical wrangling at the heart of the economic conflict between the EU and Russia, but counter-intuitively the agreement's conditions are far more important than its economic consequences.

If no one expected to see a flood of Ukrainian tractors under European Christmas trees this December, the agreement would have granted the EU a major economic and political ally at the heart of the Commonwealth of Independent States.

Importantly, the agreement was a carrot to encourage meaningful progress for the rule of law and human rights in Ukraine.

Whilst the EU expected the Ukrainian parliament to pave the way for an independent judiciary and the release of former Prime Minister Yulia Tymoshenko in anticipation of the agreement, this week has seen these hopes dashed. Deadlock at the Ukrainian parliament leaves the prospect of legal reforms hanging by a thread and the former prime minister faces an anxious wait whilst her lawyer has been charged with domestic assault in 2008 involving his ex-wife.

EU diplomats this week held out little hope for the agreement.

Yet I am far from despondent about my country's future. Yes, for years the country's legal system has remained inconsistent and unreliable,



Konstantin Kagalovsky, the former owner of TVi channel, at an April 25 press conference in Kyiv after alleging that the channel was taken away from him through an illegal raider attack on his ownership. (Kostyantyn Chernichkin)

→ Eventually, Ukrainians will adapt Western legal practices for use at home

but a legal transformation is already well under way.

The Ukrainian people owe this not to Brussels but to London.

Increasingly, when you look under the hood of Ukraine's top businesses you find telltale traces of the British justice system.

Ukrainian firms seeking fair protection have started to rely on sophisticated financial structures to gain protection by the British courts. Under these arrangements, the business's shares are kept by a British holding company, which is in turn controlled by Ukrainian owners.

The resulting multinational corporation has the protection of the British courts but remains for all intents and purposes Ukrainian. This state of affairs brings a healthy flow of business to London, which is respected internationally as a fair arbiter of disputes. In Ukraine, London's word is final.

Ukraine isn't alone in this respect; indeed the entire region from Russia to Kazakhstan has started to benefit from the protection of London's courts and now over 60 percent of the cases in London's Commercial Court originate from outside the United Kingdom.

Whilst Zaiwalla & Co. stands out for having native Ukrainian speakers, Russian is increasingly a staple in the city's legal district.

The situation is so serious that in May last year, Anton Ivanov, the chairman of Russia's Supreme

Commercial Court, called for new powers to annul the decisions of foreign legal centers.

With Russian legal reform as sluggish as Ukraine's, however, the connection between London and former Soviet republics is as strong as ever.

Next year, for example, Ukrainian billionaire Victor Pinchuk will take to London's High Court in a \$143 million dispute with Gennady Bogolyubov and Igor Kolomoisky, two of the richest men in Ukraine.

It will be the second time Bogolyubov appears in London's courts in as many years after Ukrainian-focused JX Oil & Gas supposedly attempted to confiscate his voting rights. On this occasion the court vindicated him.

If some of these cases appear distant from the experience of average Ukrainians, London may also have a pivotal role in deciding the fate of Ukraine's only independent news channel, TVi.

The use of a series of British vehicles in a wrestle for control of the company between Alexander Altman and Konstantin Kagalovsky has put the company under British jurisdiction, at arm's length from any political interference in Ukraine.

TVi is only one of a wave of such cases passing through our firm, Zaiwalla & Co, however, and growth looks set to continue. At this very moment for instance, we are helping Kazakhstan Kagazy, the CIS's largest paper recycler, in a case of alleged fraud worth as much as \$150 million. Once again, the decision to list the company on the London stock exchange has given it both the legal protections and regulatory controls that British businesses take for granted.

If the association agreement eventually gets the rubber stamp or not, therefore, is in some ways irrelevant. For Ukraine to grow into a stable place to live and do business, it must learn from Western legal systems. Whether this is implemented by Ukraine itself, or just borrowed from London, the process has already begun.

Zoya Burbeza is the head of the Commonwealth of Independent States law practice for Zaiwalla & Company in London. Burbeza represents businesses and high net-worth individuals from across the Commonwealth of Independent States, from Russia to Kazakhstan, who come to the United Kingdom to seek the reliability and transparency of the British justice system. Burbeza has most recently made a name for herself in the European courts, challenging and overturning EU sanctions on businesses and individuals.

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## Ukraine and EU: Choosing the future

## Major psychological barriers on Ukraine's path to the EU

*Editor's Note: The question of Ukraine's relations with the European Union is, of course, most of all a question for the young and for future generations. Therefore, during 2013-14, a joint venture of NIRAS, a leading Danish development consultancy company, and the BBC, in collaboration with the Ukrainian Catholic University in Lviv, and financially supported by the Danish Foreign Ministry (Danida) are running a number of journalism workshops on how to cover Ukraine-EU issues. The participants are young journalists from all over Ukraine. On pages 8 to 13, NIRAS/BBC – in partnership with the Kyiv Post – brings five of the best pieces, demonstrating the variety in focus and styles of the country's young journalists, and, not least, their budding talent for grasping complex issues.*

BY OLENA  
MARCHENKO



Ukraine is getting close to the Vilnius summit and the possible signing of the association agreement with the European Union. But do Ukrainians understand that they themselves may be the biggest hurdle for reforms?

Most Ukrainians want to see their nation in the EU. According to a survey by Rating Group, 52 percent of Ukrainians are in favor of European integration, 36 percent are against, and 14 percent are undecided.

According to another survey conducted by the Kyiv International Institute of Sociology in September,

if a referendum were held on whether Ukraine should join the EU or the Kremlin-led Customs Union, more than 40 percent of Ukrainians would vote for accession to the EU and 35 percent for the Customs Union.

However, sociological surveys indicate another interesting point: one out of every 10 Ukrainians wants – simultaneously – accession to the EU and the establishment of a single state with Russia.

According to Oleksii Antypovych, a Rating Group manager, this shows that a portion of Ukrainians are indifferent about where the country goes. They first and foremost want to live better.

In 2012, the Institute of World Policy conducted a global study to identify key character traits of contemporary Ukrainians. Researchers concluded that our people's uncertainty can be explained by our Soviet past. We display mutually exclusive features. For example, saying "yes" to democracy whilst also being attracted to an authoritarian government.

Thus, the experts identified character traits that could be psychological impediments for Ukraine on its way to the EU.

### 'Great Father' is all

Post-Soviet Ukrainians still are used to paternalism and control by the state. "If the authorities deliver social benefits, people are ready to support them even when it is obvious that there are no economic resources for the benefits.

In Soviet times, the idea that one's problem should be solved by their supervisor became entrenched. This vision is still prevalent.

A June survey conducted by the Social Monitoring Center showed that 28.6 percent of respondents believe that the state must secure all citizens a decent standard of living, even if not very high, available to everyone. At the same time, the study showed that the younger the person the lower the expectations from the state. Generally, about two-thirds of Ukrainians think that the state is responsible for providing the conditions for people to be able to have a decent standard of living.

Oleh Rybachuk, a Ukrainian politician and public figure, one of the New Citizen public campaign initiators, says people must realize that neither members of parliament nor the state will solve their problems. In fact, he says, Ukrainians must realize that it is the other way around – that they themselves must supervise authorities and politicians and hold them accountable.

A similar line of thought is voiced by Vitalii Kulyk, deputy head of the Chief Directorate for Constitutional and Law Modernization at the presidential administration. According to Kulyk, civil society should supervise



A Ukrainian woman demonstrates for closer ties with the European Union on June 8, 2012. (UKRAINIAN NEWS)

public authorities, i.e. via the already established public councils. However, as he points out, only 5 percent of public councils do perform their functions in Ukraine, whereas the other 95 percent don't work or are under the control of bureaucrats.

### 'It's no concern of mine'

According to findings of the Institute of World Policy, a post-Soviet person in Ukraine does not believe that real social or political justice is possible. In order to survive, the only thing left to do is to adjust to an unjust system.

However, according to another sociological survey conducted by Ilko Kucheriv Democratic Initiatives Foundation, protest attitudes among Ukrainians have considerably grown during the last six months: a quarter of Ukrainians say that they would take

Oleksiy Haran also believes that signing the association agreement can become a powerful tool for transforming Ukrainian society. In particular, the more Ukrainians visit foreign countries, and see how people live there, they will want to establish new "rules of the game" in Ukraine as well.

### 'Suitcase – railway station – Russia'

According to a 2012 survey conducted by Research & Branding Group, a Donetsk-based company, almost half of Ukrainians consider themselves and their fellow Ukrainians to be "tolerant," whereas only 14 percent believe that interethnic relations in Ukraine are likely.

However, the fact that FIFA, the world soccer governing body, saw it necessary to impose a two-year ban on matches being played in the Lviv Arena stadium after unacceptable behavior of local fans points to the question whether our country is ready to adopt European values.

Media reported that Lviv fans openly used neo-Nazi symbols during the match and hurled racist insults at a Brazilian-born player. Such behavior goes against the general climate of tolerance in Europe where minority races and groups are respected and sexual minorities' rights are recognized.

Andreas Umland, a German political science professor at Kyiv Mohyla Academy, says two types of radical nationalisms exist in Ukraine: pro-Russian and anti-Russian. On the one hand, there are groups like Natalia Vitrenko's Progressive Socialist Party of Ukraine or Ruskyi Blok that view Ukrainians as part of a single Russian civilization. On the other is the Svoboda party, which identifies the Ukrainian nation separately from the Russian nation, not only in cultural but also in racial terms. However, as Umland stresses, although Svoboda is now represented in parliament, Ukrainian nationalism can never become a uniting force for the entire country, but only widen the gap between western and southeastern Ukraine.

That is why the European Union and Europeanization can become a uniting factor for Ukrainians, says Umland.

### 'Better devil you know'

Total distrust is one of the most acute features of modern Ukrainians. Ukrainians distrust not only authorities but also each other, resulting in an everyday environment in which nobody feels responsible for anyone else.

For example, most people are dissatisfied with the work of the housing maintenance offices (ZHEKs), but at the same time they massively resist the establishment of apartment building co-owner associations (OSBBs), because they don't trust their neighbors and cannot imagine joint responsibility for maintenance of their building.

Lawyer Tetiana Montian points out that OSBBs in modern Ukraine are "a canoe one cannot sail in." In her opinion, most Ukrainians have not realized that socialism ended 22 years ago.

"Ukrainians need to grow up at last and become responsible owners," she writes in her blog for Ukrainska Pravda, "especially as nobody forced them to become a house or apartment owner."

### 'Darkness must yield to the light'

Ukrainians do not believe in themselves and do not value talents and knowledge. Moreover, they are sure that one cannot achieve success in the existing system. They know that everything in the post-Soviet society can be bought and sold. Most people are willing to pay bribes for everything – for visiting a doctor, for a school certificate, for a university degree, for employment. It is easier to pay and be certain about one's future than to achieve something in an honest way.

Combating corruption is one of the main requirements of Ukraine by the EU. Former co-rapporteur of the Parliamentary Assembly of the Council of Europe Hanne Severinsen believes that Ukraine's Europeanization depends first of all on embracing European values such as the rule of law and observance of human rights. She mentions Georgia as an example where anti-corruption reforms succeeded.

"I don't think that the need for giving bribes is in your genes," Severinsen jokes.

Barry Hebb, a Canadian economist, also advises Ukraine to learn from other countries' experience. However, according to Hebb, the EU association agreement may be able to motivate Ukraine and mitigate the corruption problem on some levels and to a certain extent, but it will by no means change the situation fundamentally. For that, Ukraine is just not ready to make use of the EU association advantages, and transformations must therefore be initiated from inside the country, not from Brussels.

Olena Marchenko calls herself "a realistic journalist" who believes that we must not only watch around the world but change it for better. She is interested in human psychology, human rights, self-government and the history of Ukraine.

**Danish International Development Agency (DANIDA)** is the Denmark Ministry of Foreign Affairs program to provide humanitarian and development assistance to other nations. NIRAS is a leading Denmark-based private consultancy that administers DANIDA programs.

**Objective investigative reporting project**, which supports independent journalism in several nations, including Ukraine, is one of those programs.

The **Kyiv Post** is Objective's partner in Ukraine, Belarus and Moldova.

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## Ukraine and EU: Choosing the future

# Costly consequences of 'European' liberalization: Annual household heating costs to rise by Hr 1,000

BY OLEKSI KOVALENKO



### How much will changes in energy sector cost?

Ukrainian households currently pay only a quarter of the market value for the energy they use. The rest of the costs are subsidized by the state. Privileged population categories pay even less.

Now, Ukraine is potentially moving closer to Europe and the European Union "threatens" us with liberalization. From a political point of view, Ukraine will integrate into the EU energy system, thereby reducing energy dependence on Russia's Gazprom. But, at the same time to ordinary citizens, the process will most likely result in financial losses.

Simply put, the price of gas for private households and other services which use gas will be calculated on the same basis as commercial users, i.e., private consumers will pay according to the same price schemes as enterprises.

Whether or not the changes are fair or honest, one thing is certain: these changes will clearly not improve the situation in our wallets.

### Experts foresee 1.5 times price growth

In the paper "Ukraine on the Verge of Energy Poverty," analysts from the International Center for Political Studies provide a range of scenarios for price increases for ordinary Ukrainian consumers from basic (with unchanged tariffs and prices of energy carriers during the first few years) to gradual (with 50 percent price increases every six months) to a shocking scenario

(under which the price would jump five, or even more times at once).

According to Ildar Gazizullin, one of the authors, we can most likely talk about a gradual increase in prices. "More likely, it is 10 years. Perhaps, about seven or eight. No other option is available at all. Most likely it will be a 25-50 percent rise," he said.

Mykhailo Honchar, energy programs director at NOMOS Center, is less optimistic. "Already in the initial stage, we are talking about a serious price increase of about 40 percent," he said.

### A young family looks where it can cut budget

The Trofimov family lives in a single-room apartment in Mariupol. The family consists of young parents and a one-year-old child. Andrii works as a driver, and his wife Anastasia is on maternity leave.

Last winter, expenses for heating



EU commissioner for Energy Guenther Oettinger (R) and Ukrainian Energy Minister Eduard Stavitskiy (L) talk to media following a meeting on Ukrainian gas market developments at the EU Headquarters in Brussels on May 3. (AFP)

and hot water supply alone accounted for almost 12 percent of the family's income. And this is without other utility services. If the experts' predictions come true, it will soon be as high as 20 percent.

Whereas the Trofimovs family paid Hr 204 for heating last January, the price increase will mean an extra Hr 103. If the hikes in hot water prices are taken into account, they can expect an additional Hr 1,000 in costs annually. And that's just a single-room apartment.

"If these tariffs really jump 40-50 percent, we will have to cut back on everything, including clothes and food. But how can we save when our child is so small?" Andrii says about a possible 50 percent increase for heating.

At present, the state allocates considerable subsidies to the energy sector to compensate Ukrainians for the cost of their energy bills. In spite of these subsidies, about 10 percent of Ukraine's population currently spends a significant part of their income (10 percent) on household heating. If the price is raised by one-third (let alone the foreseen 150 percent increase), that percentage of their income dedicated to heating costs will reach the 50 percent mark. And few of the above-mentioned population groups will be granted financial assistance.

According to the Razumkov Center, 75 percent of Ukraine's population will have difficulties paying for a 50 percent price increase. That equates to 10 million families.

Clearly, a sharp rise of prices will be a financial burden on the population, especially for pensioners, large families, and other low-income groups. Therefore, the government will have to create a system of targeted assistance for such population categories.

### How will pensioners and large families survive?

At present, the state covers roughly 75 percent of the market price of energy resources for private households. Of course, this is just an estimate as there is no genuine open market to decide the actual current prices. If the state stopped the subsidies, households would have to pay 4-8 times more, as some vulnerable groups pay as little as 12 percent of the actual costs. Nobody would pay such bills.

The state has to increase its support almost every year to compensate for the difference of what energy costs and what people can afford.

Taras Kachka, an expert for adapting Ukrainian laws to EU legislation at the Ministry of Justice, confirms that partial support on the part of the state will remain: "Abandonment of privileged price tariffs for the population does not deprive the state of its right to provide aid to vulnerable population groups,"

Kachka says.

The core legislative framework for such aid is provided by the social action plan within the energy community. However, Ukraine is one of the two community member states that have acceded to the plan but hasn't yet passed a law on determining socially vulnerable population groups. And it is not known for certain when it is going to pass it.

### The positive side will come over time

Nevertheless, experts say, these reforms are required for several reasons.

First of all, overall state energy costs would go down, owing to reforms. Companies providing services to people, the people themselves, but most of all the state – everyone will have a vested interest in that. According to the Rakurs social and legal portal, the state would be able to save almost Hr 35 billion on electricity subsidies alone. This is the equivalent of more than a half of the sum allocated in the annual budget of Ukraine for implementation of social programs, particularly unemployment benefits.

Besides, the process will make development of new energy saving technologies economically reasonable. In addition, real market competition will arise in the Ukrainian energy market: if there are several suppliers, the consumer will choose between them, and will choose the most beneficial offer. This process would surely result in better quality of services provided to the consumer.

Experts reassure that real competition in the energy supply market will be of benefit both to people and the state in terms of national economy and ecology. As Dmytro Naumenko, senior research fellow at the Center for Economic Research, puts it: "In the long run, tariff growth will be positive to both people and the state overall because energy carrier price increase will secure cost-effectiveness of energy saving measures and alternative fuels."

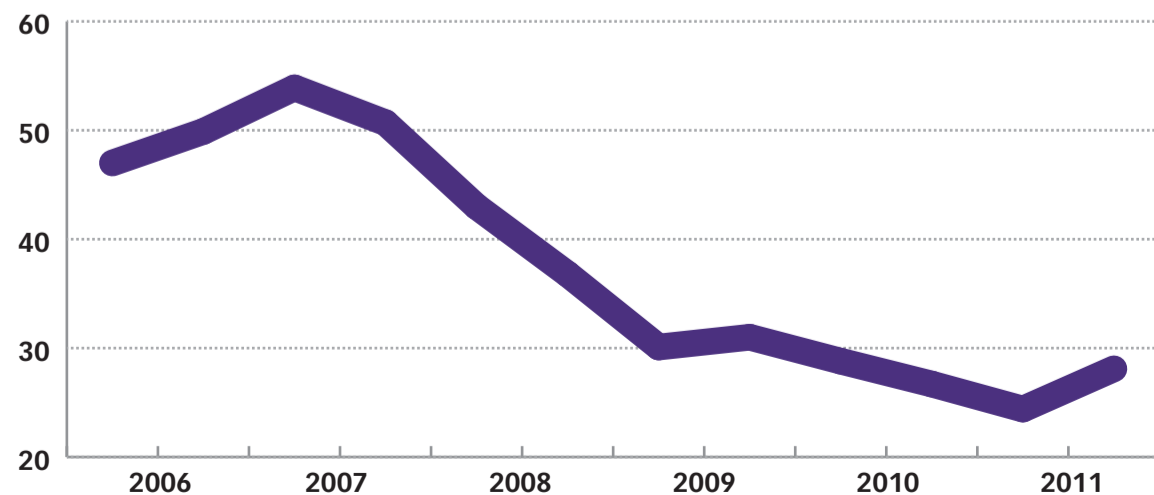
Weighing all the pros and cons, we get an ambiguous picture. Certainly, everything depends on the law on socially vulnerable groups but we can say right now that well-off families will lose in financial terms. Average income families will pay more for better quality services. The billions of budget funds, previously spent on subsidies for all, now can be used for other social programs. The situation will be most difficult for low income families but there is still some hope on an efficient law on targeted assistance to socially vulnerable groups.

Oleksii Kovalenko is a student of International Relations at Mariupol State University. His main interests are energy safety and European Union-Ukraine relations.



A worker loads firewoods in a boiler in the western Ukrainian town of Zolochiv on Oct. 28. The administration of the 25,000-resident city of Zolochiv, some 60 kilometers from Lviv, rejected the use of gas for heating and completely switched to an alternative fuel – wood. (AFP)

### Reimbursing citizens the cost of services (percent)



At present, individuals pay for only 25 percent of energy service costs. The rest is subsidized by the state.  
Source: National Electricity Regulation Commission



## Ukraine and EU: Choosing the future

# Nation keeps changing election systems in search for right one

BY OLEH  
BUDZINSKYI



### 'We won't be forced to write the code'

The discussions and roundtables held by the Ministry of Justice are merely attempts to buy time and maintain the image that the law-making process is being addressed, experts say.

Vitalii Kulyk, Deputy Head of the Chief Directorate for Constitutional and Law Modernization, Administration of the President of Ukraine, said: "No electoral code will have been adopted before the Vilnius summit – there is no consensus among the political parties, and the people from the president's administration refuse to write the code (under coercion)."

Civil society organizations like Opora and the Committee of Voters of Ukraine (CEU) are in favor of adopting a new and radically changed electoral code. Their key argument is that elections at all levels must take place according to the same principles. The code unifies procedures for all kinds of elections: municipal, parliamentary, and presidential. The principles behind election commissions, nomination of candidates, allocation of funds and other technical aspects would be the same and clear to all stakeholders.

Olha Aivazovska, an Opora expert, believes the time has come to change the election system. "Kliuchkovskyi's Code (now under consideration in parliament) is revolutionary to Ukraine as it regards the attempt of harmonizing the legislation which regulates the election process," she said.

Political parties here think about the election law only when they are in power, Aivazovska added, otherwise they do their best with what is available. Nobody fights for common rules, instead they consider how the situation can be best used to their advantage, she said.

### What if proportional system had stayed?

The law on electing members of parliament was last amended in November

2011, less than one year before parliamentary elections. The threshold for getting into parliament was raised from 3 to 5 percent and the proportional, closed-list-based system was replaced by a mixed system. According to international experts and observers, the Party of Regions, then dominating the parliament but at the same time losing public support, was forging a victory in advance by systematically pushing through changes in the election system.

The logic of the party of power can easily be explained: basically, proportional voting allows poor and popular parties to gain a strong result while majoritarian voting (also called "first-past-the-post") provides such an opportunity to rich ones and those controlling so-called "administrative resources."

According to Andrii Mahera, deputy chair of the Central Election Commission, "...a mixed election system carries in itself all shortcomings of the proportional and majoritarian systems." His words fell on lawmakers' deaf ears.

The draft code, now under parliamentary consideration, suggests keeping the mixed election system. According to Aivazovska from Opora, it is the code's key defect. "It is as though there had been no massive vote rigging at the last elections, or that we were not still waiting for by-elections in five constituencies where reruns were ordered," she said.

Ordinary voters, experts and politicians have quite different ideas about what would be the ideal election system. According to a survey conducted by the Razumkov Center, 40 percent of Ukrainians prefer a majoritarian election system, which can show a clear connection between a candidate and voters.

However, neutral experts regard a return to the single mandate system as unacceptable, because it fails to take the votes of a great number of people into account. The result is distorted: voters "treasure" their votes and support the parties that have the highest chance to make it into parliament, they say. The majoritarian system also provides wide opportunities for vote buying or administrative interference.



An elderly woman casts her ballot on Oct. 28, 2012 in the village of Rusaki, some 110 kilometers from Kyiv, during national parliamentary elections. (AFP)

The proportional election system based on closed lists, according to which the elections in 2006 and 2007 were held, has also shown its deficiency.

The situation when party leaders independently rank candidates and decide who should be included in the upper part of the party's list and who should be left at the bottom, promotes elitist corruption. People with money buy spots in the upper list to secure their entry into parliament. A seat in the Verkhovna Rada means pro-

tection against criminal prosecution, which some seek. The result has been turncoats and party-switchers getting in, and allegations of authoritarian rule against party leaders. The most recent past illustrates this: 52 deputies switched party factions, one was convicted for murder and continuous corruption-related scandals accompanied the work of the sixth convocation of parliament.

Elections in 2012 were held according to the mixed election system. Half of the parliament, 225 deputies, was elected through the majoritarian system, whereas the remaining 225 were elected by the proportional system.

As already mentioned, the law was openly amended to secure a majority for the Party of Regions, which according to international observers ensured victory for many of its majoritarian candidates by using administrative pressure and voter bribery. Raising the election threshold to 5 percent prevented small parties from making it to the parliament, and their votes were allocated among those who surmounted the threshold. This happened to about 7 percent of votes (15 parliamentary seats were divided among the five parties that entered the Rada).

Data from the last election illustrates the extent to which the type of electoral system affects the result. If we imagine that the parties won the same support in single-mandate constituencies as in the national one, namely: the Party of Regions – 30 percent, Batkivshchyna – 25.54 percent, UDAR – 13.96 percent, the Communist Party of Ukraine – 13.18 percent, Svoboda – 10.44 percent.

First, we should calculate how many seats (out of 450) the parties get proportionally to the vote percentage they gained, and then add a coefficient for surplus seats allocated from the 5 percent left. In doing so, we get a situation

that differs greatly from the one we currently have. The opposition parties would have gained dozens of seats, which could have helped them create a stable majority.

### How to improve proportional election

The proportional system, too, has its shortcomings. The main one is that voters have no chance to control the list formation process and actually vote for the top ten well-known faces. Election law expert Oleksandr Chernenko points out that both proportional and mixed election systems fell short of expectations. "We need to overcome this phase and allow the voter to form by him or herself the lists of candidates he or she wants to see in the parliament," he said.

The open-list-based proportional system calls for a change in the organization of constituencies. Instead of a single national constituency, the country should be divided into several small ones for the voters to know the people they are being asked to vote for, experts argue. The core of the system is that the voter gives preference to the candidates they trust most of all. This allows the creation of strong regional lists and introduces competition within political parties.

While the proportional system provides a quantitative majority to oppositional parties, the open-list-based system promotes their qualitative renovation. People vote for those they know and trust.

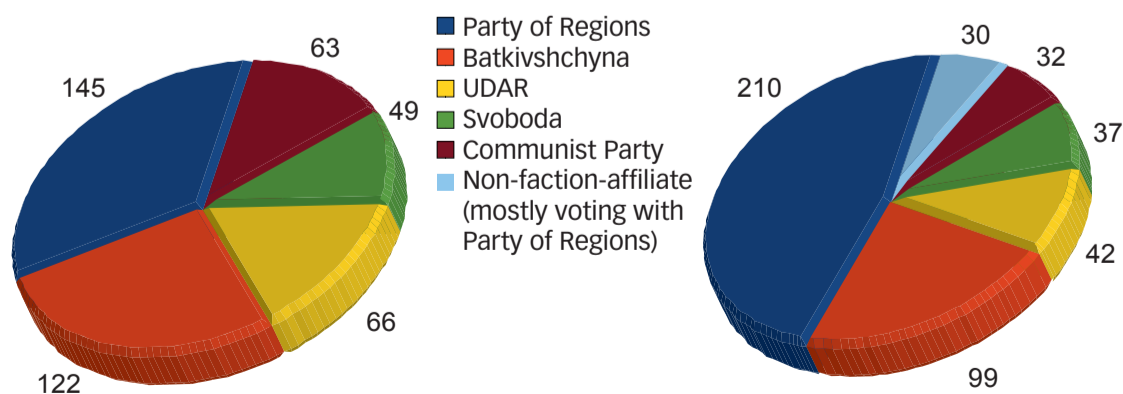
Political scientist Oleksiy Haran emphasizes that the open-list-based proportional election system would revitalise the country's political system. "The parties would turn into real political institutions, and parliament members would stop being puppets in the party bosses' hands," he said.

Oleh Budzinskyi is a journalism student at the Ukrainian Catholic University in Lviv.

Eastern Partnership Summit

Nov. 28-29  
in Vilnius, Lithuania

### Composition of parliament under proportional (left) system, and mixed system



The pie chart at left shows what the Verkhovna Rada composition would have been under the proportional system that was scrapped for the 2012 elections. The other one shows the makeup under the mixed system in place of proportional and single-district representation. Had the previous system been in place, the united opposition of 237 for Batkivshchyna, UDAR and Svoboda would have had 237 seats, a clear majority. However, under the mixed system, the ruling pro-presidential Party of Regions and Communist Party have 242 seats.



## Ukraine and EU: Choosing the future

## The Ukrainian Cinderella

BY YAROSLAV NAZAR



Over the last five years, Ukraine has been presented with its two greatest foreign policy opportunities: to sign a NATO Membership Action Plan and the European Union association agreement. The Ukrainian Cinderella has been invited to the ball, but needs help to get ready.

Paradoxically, all foreign political efforts undertaken by Ukraine can be imposed on the familiar but painful Cinderella story: not physically strong but industrious, with permanent doubts and internal change, unnoticeable and unknown to the outside. In 2008, the Ukrainian Cinderella received an invitation to the NATO "ball," but her internal doubts held her back. After a short while, the ball organizers even withdrew the invitation.

"As to the participation of Georgia and Ukraine in the (NATO) Membership Action Plan, it is too early to speak of membership... Some steps should be taken for the beginning." These are the words of German Foreign Minister Frank-Walter Steinmeier and his Dutch colleague Maxim Verhagen, when Ukraine's NATO ambition was discussed in 2008.

Five years later, another "ball" is being organized, this time in Vilnius. And the organizer is talking in quite a different manner. Since summer, the invitation for Ukraine has had a positive tone. Recently, though, it has taken a darker turn.

What does the ball organizer want from the Ukrainian Cinderella? It certainly does not want to see a pumpkin at midnight, but they also don't expect glass slippers. And what should our Cinderella do to prevent her magical façade of transformation disappearing as the clock strikes midnight?

### A dress of blue and gold

The first gift her Fairy Godmother must bring is a change in attitude: Ukraine must have a dress of blue and gold stars, to show its interest in membership. How seriously will the organizers take Cinderella if she herself is unsure if she wants to join the party? Since the Orange Revolution, a veritable anti-NATO campaign launched by the Party of Regions cultivated certain stereotypes about the West, and as a result, in 2008, 48 percent of Ukraine's population believed that NATO was an aggressive military bloc, according to the Razumkov Center.

"NATO would be interested in Ukraine but the problem is that both now and then NATO is not popular in Ukraine," says Andreas Umland, a German political science professor at Kyiv Mohyla Academy.

### Which political alignment do Ukrainians want?

	Oct. 11	Dec. 12	May 13
Joining the European Union	43.7	42.4	41.7
Joining the Customs Union of Russia, Belarus and Kazakhstan	30.5	32.1	31
Not joining either the European Union or Customs Union	9.3	10.5	13.5
Hard to say	16.4	15	13.7

Source: 2013 Razumkov Center survey

A survey from the Rating Group shows that Ukrainians favor joining the European Union over all other options.



A participant in Europe Day in Donetsk in 2007. (UNIAN)

In 2008, to most Ukrainians, NATO differed from the EU perhaps only in name. However, five years have passed, and in 2013 sociological results are radically different regarding people's views, with up to 43 percent supporting EU accession.

Slowly Ukraine's fairy Godmother has been working her magic on the Ukrainian people's desire to join the West. Only five years ago, a large part of Ukraine's population viewed the West as a threat, but now it is interested in belonging to the same group.

"A value shift towards Europe has occurred in Ukraine. I cannot say exactly when it happened. Five, or 10, or 15 years ago, but the shift has become quite noticeable somewhat since the first decade of the 2000s," says Yaroslav Hrytsak, a doctor of history, publicist and professor at the Ukrainian Catholic University in Lviv.

An important motivation for the change was the understanding that the West would not punish it for dis-

obedience, that it would not threaten, and that it would grant and value freedom of choice, while Russia's response would be quite the opposite.

"When Europeans say, 'it's your choice and we won't punish you,' demonstrating a European style in relations, leaving us a choice, waging no information wars, then their stance seems more attractive than the commercial and information war waged from the other side", points out Olha Herasymiuk, journalist, and former member of parliament.

The Ukrainian people choose potential rather than obligation. NATO offers security whereas the EU offers trade, better laws and administration, simplified movement of people, freedom of thought and expression. In return, the Vilnius ball organizers want and see the spell cast by Ukrainian Cinderella's fairy Godmother – unity in its aspirations to join the ball.

### A horse-drawn carriage

To get there, Cinderella will need a carriage drawn by four powerful horses headed in the same direction. Five years ago, Ukraine was unstable, nervous, and chaotic. In 2008, the NATO Bucharest "ball" organizers did not want to see such a guest.

"Ukraine is a neighbor to everyone, not just to Poland where it has an actual frontier. Therefore all the EU countries are interested to see a stable Ukraine", explained Linas Balsis, Lithuanian Seim member, Deputy Chair of the Seim Commission for European affairs.

Time has passed, and since the fairy

Godmother has put strong reins on the horses.

"Perhaps for the first time in the few last years, a new consensus has emerged in Ukraine that has never been seen before: the administration, the opposition, and society all want the same thing. Such a situation last existed in 1991 when Ukrainians decided to move away from the Kremlin, from the Empire, from the Soviet Union," Hrytsak says.

If there's unity, the need to maintain the unity must be the next step.

"The establishment's stance was described by Zbigniew Brzezinski when he said in the 'Logic of Gangsters' that a neighborly policeman could seem better to a gangster at a certain moment than another big gangster. This explains the establishment's logic," points out Yevhen Hlibovyt'skyi, a political scientist and founder of the Univska Hrupa intellectual association.

Europe wants to have stable neighbors. The Vilnius ball organizer wanted this change in our Cinderella, and with the help of the power fairy, he has seen it.

### An invitation to the ball

"Politics is a game of interest in the first place. At present, there is a political climate provoking that game. In 2008, on the contrary, Europe was considering that if it were to give Georgia and Ukraine the MAP, it would have not only to reform but also defend them. And that would be quite expensive," explains Wojciech Luczak, a Polish political scientist, journalist and vice president of the ALTAIR agency.

Analysis by Luczak illustrates that the political climate five years ago was not favorable towards Ukraine. Now, despite the "stable instability" of Ukrainian politics Europe sees for itself an opportunity of opening a market of 46 million people and securing a foothold there.

Another factor is the change of geopolitical attitudes in Europe. The ball organizers have realized that our Cinderella simply needs to be invited to the ball. The growing level of aggression lately emanated by Russia has provoked the organizers to resolute action.

"First of all, the Cold War logic, 'us against them,' has returned, and it has happened because of Russia's increased aggression. Secondly, the German political elite has been disappointed in Russia. Earlier, Germany was the main critic of Ukraine's integration into European, but now Germany is rather neutral," Hlibovyt'skyi says.

### What Cinderella wants

Ivan Maksymovych, 85, is a retired mathematician who has lived in Lviv since 1962. He is one of tens of millions of Ukrainian people who make up our Cinderella.

What's your impression of Lviv nowadays?

"Lviv has become very neglected. When I came here in 1962 I saw cleaners washing passages in house entrances. There was order then."

Ivan Maksymovych, do you remember 1991? Maybe you took part in the "human chain"?

"No, I did not. However, I remember that attack on the TV studio, we sent a telegram of support to the TV people despite those times."

How did you find the first decade of independence? Did you feel nostalgia for the Soviet past?

"No, never. That was a terrible system, worse than slavery. Slaves had at least collars but people under that regime had neither collar nor passport. I remember well the famine in Kharkiv region. I remember those people with distended stomachs lying near our fence, so many, and they were dying. In a village in Cherkasy Oblast, Chornobaisky district, my mother took me to a house near a pond. The house was like that in a Taras Shevchenko's poem – the thatched roof torn, doors down, no windows. My mother told me that people in that house had eaten their child after it had died of hunger. My village relatives died during the famine."

Have you been abroad?

"Yes, I visit Poland every year."

Ivan Maksymovych, did you also go to Poland in the 1990s?

"Yes, and they had a much worse situation than we did then. It was terrible."

And what's your impression now?

"Incomparable. Cleanliness. Things are in order. And our people accuse President Viktor Yanukovych for all troubles. But why is he to blame? People themselves are guilty, they elected him... without vote rigging."

In 2004, Poland was invited and became the queen of the ball – it was admitted to the European family.

Yaroslav Nazar is a journalism student at Ivano Franko University as well as the Ukrainian Catholic University, both in Lviv. He is the coordinator of the Discussion Club and regional coordinator for Campus 3.0.



## Ukraine and EU: Choosing the future

# Would agreement with EU have made Ukrainians Europeans?

BY OLHA SRIBNIAK



Ukraine has the chance to sign a landmark association agreement with the European Union next week. The agreement – which calls for closer trade and political ties – is supported by most people, and it could end the country's geopolitical uncertainty.

However, will it help Ukrainians become Europeans?

Despite a very positive attitude to Europe, our society does not feel itself as part of it. According to sociological surveys, only one-third of Ukrainians consider themselves to be Europeans, whereas 53 percent say that major cultural differences exist between Ukraine and EU countries.

"Of course Ukraine is situated in Europe," Yaroslav from Kyiv says. "But I cannot say we are very much like Europeans. Perhaps with Poles or Czechs – yes, but what do we have in common with Frenchmen or Spaniards?"

Yaroslav does not know yet if he is going to support Ukraine's association with the EU. He says that it would be better if the country cooperates with everybody.

To counterbalance this stance, philology student Anastasia is certain: Ukrainians are certainly part of European civilization.

"Our culture is much more integrated into the world culture than we used to think," she states. "However, we should not confine ourselves to focus on only Europe, but the geographic position is of great importance, and Europe clearly plays a big role in our culture now."

Anastasia supports Ukraine's integration into Europe. She hopes it will enhance her opportunity for foreign trips and raise demand for specialists in her field.

Lviv-based pensioner Andrii readily shares his own deliberations: "Ukrainians are really sub-Europeans. To be European, just being born in Europe is not enough. It also means a certain living standard and outlook. For example, Donetsk people are similar to Russians because they have the same living con-

ditions," the pensioner says.

The differences between Ukrainian and European culture and mentality worry almost a quarter of Ukrainians when asked about a closer relationship with the EU. A number of surveys show that support of a pro-European policy for Ukraine is primarily based on expectations of social and economic benefits rather than on a desire of implementing European values.

Most Ukrainians believe that the changes induced by European integration will affect the country as a whole rather than them personally, and therefore they expect actions from authorities rather than from themselves in order for Ukraine to become European.

However, to make pro-European reforms work – as envisaged by the EU-Ukraine association agreement – society must support them. Otherwise, the changes will be a reality on paper only.

This is the opinion of economist Oleksandr Pashaver. "You will not get a result by simply passing new laws... If the population does not have corresponding values, they will not work. It is necessary to create a demand for such in the society prior to their implementation," he says.

In Pashaver's opinion, to achieve real changes, Ukrainians need a moral movement that would provoke changes in their consciousness. "The association with Europe is able to provide a stimulus for that but it is not a cure-all for the existing problems, he stresses.

Perceiving the EU as a force that guarantees a "better life already tomorrow" makes the reforms even more problematic. If the population sees no improvement in the short term, many people are likely to look elsewhere for a (promised) quick fix, Pashaver warns.

In this case, support for Ukrainian accession to the Eurasian Customs Union will most likely grow.

According to Vitalii Kulyk, director of the Centre for Research of Civil Society Problems, the public's lack of balanced – even critical information about the EU – can develop into a problem when implementing the reforms needed for Ukraine to establish a closer relationship with the EU.

"Over a decade, mass media, politicians and government officials have



Activists rally near the Verkhovna Rada, Ukraine's parliament, on Nov. 18 in Kyiv to demand closer ties with the EU. The activists carried drawings done by children and EU flags that symbolize Ukraine's move to the EU. (Kostyantyn Chernichkin)

created a glossy image of the European Union," Kulyk says. "They paint Europe as an absolute alternative to everything post-Soviet. Something absolutely positive, almost with no defects. People have been told too little about the risks or sacrifices they will have to make as Ukraine moves closer to the EU. They just expect prosperity the day after the signing of the association agreement."

One of the ways to address the problem is to borrow the experience

of information campaigns from those Eastern European countries that have already integrated successfully with the EU. Lithuanian parliament member Linas Balsis stresses the need to involve intellectual elites in the shaping of an opinion about Europe.

"In Lithuania, information campaigns were held from the very start of our European integration. We explained the purpose of every step and what it would give people. In Ukraine, it is high time to do this. It is important to involve the country's opinion leaders in the process for them to explain the situation and process to the population," the politician believes.

However, Balsis also draws attention to differences between today's Ukraine and Lithuania in the 1990s.

"We considered ourselves to be part of Western Europe since the time when Lithuania was independent, in 1918-1940. In some ways, we have even kept our European identity and self-consciousness since the days of the Great Lithuanian Principality when Lithuania was a large federation of Central Europe. Therefore, we did not ask the question 'who are we?' during our accession to the European Union. We knew that we wanted to come back to the family of European nations and Western culture. People supported the idea of accession to the EU quite strongly – and interestingly, not for economic reasons but for these moral

and cultural considerations," he says.

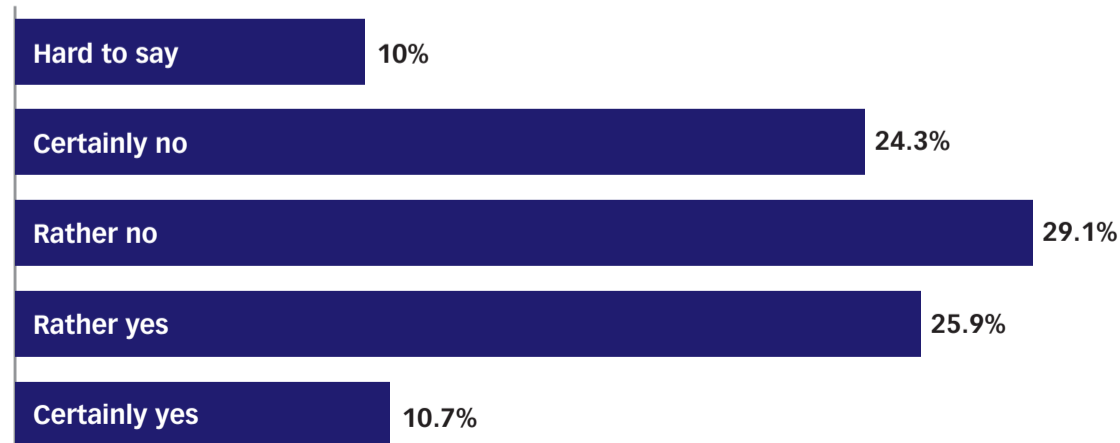
"Ukrainians are Europeans, too," states historian Yaroslav Hrytsak.

He emphasizes that the EU is not something concrete and fixed. It should rather be viewed as an ever-transforming project. The Lviv professor demonstrates this, taking Germany's history as an example. "Until the end of the World War II, Germans did not consider themselves as European believing that they were too great for it. But the entire policy of post-war Germany was aimed at returning it to Europe. And now, Germany is the motor and heart of the European Union," Hrytsak says.

At present, Ukraine belongs to Eastern Europe. And Hrytsak is sure that Ukraine's full accession to the European space will greatly depend on Ukrainians themselves. "Each country changes itself and the rules of the game. Therefore, the best answer to the question 'Are Ukrainians Europeans?' is action. It is about whether Ukrainians are able to stop being a periphery. Eastern Europe should be done away with; it must stop being 'Eastern' and become 'normal.' European integration provides chances for that," Hrytsak says.

*Olha Sribniak is a student of political science at Kyiv-Mohyla Academy, as well as a reporter at the First Business Channel. She is particularly interested in social and political activism.*

### Do you consider yourself a European?



A survey conducted by the Razumkov Center in Kyiv, in cooperation with the Ilko Kucheriv Democratic Initiatives, shows that two-thirds of Ukrainians do not consider themselves as Europeans. The survey was done from May 17-22 with 2,010 respondents.



# Ukraine and EU: Choosing the future

## Chronology of bilateral relations between Ukraine and the European Union

2013	
Nov. 28-29	Third Eastern Partnership Summit, Vilnius
Nov. 15	The European Commission and the European External Action Service publish third progress report on Ukraine's implementation of visa liberalization plan.
July 1	Amended EU-Ukraine Visa Facilitation Agreement comes into force



European Parliament envoys former Polish President Alexander Kwasniewski and former European Parliament President Pat Cox in the Verkhovna Rada on Nov. 13. (Kostyantyn Chernichkin)

June 24	Update of EU-Ukraine Association Agenda at the EU-Ukraine Cooperation Council
March 20	Publication of the regular progress report on Ukraine in 2012
Feb. 25	16th EU-Ukraine Summit, Joint Statement
2012	
Dec. 13	European Parliament adopts resolution on Ukraine



Ukrainian Prime Minister Mykola Azarov listens during a press conference after a meeting with European Union officials in Brussels, Belgium, on May 15, 2012. (AFP)

July 23	EU and Ukraine sign amended visa facilitation agreement
July 19	Initialling of the Deep and Comprehensive Free Trade Agreement between EU and Ukraine
May 15	Publication of the regular Progress Report Ukraine 2011
March 30	Chief negotiators of the EU and Ukraine initial text of the Association Agreement
9 February	The European Commission and the European External Action Service publish the second progress report on Ukraine's implementation of the visa liberalization action plan

2011	
Dec. 19	15th annual summit EU-Ukraine in Kyiv (Joint Statement).
Nov. 11	Last (21st) round of negotiations on the association agreement take place in Brussels
Oct. 27	European Parliament adopts resolution on Ukraine
Oct. 19	Ukraine and EU finalize negotiations of the Deep and Comprehensive Free Trade Agreement
29-30 September	Second Eastern Partnership summit, Warsaw (Joint Declaration)
23 September	EU evaluates Ukraine's implementation of visa liberalization action plan
25 May	Publication of regular progress report on Ukraine in 2010.
20 May	Adoption of priorities of the EU-Ukraine Association Agenda for 2011.
Feb. 1	Ukraine becomes member of the Energy Community

2010	
Nov. 25	European Parliament adopts resolution on Ukraine
Nov. 22	14th annual summit EU-Ukraine in Brussels; EU-Ukraine visa dialogue-adoption of action plan on visa liberalization
Sept. 24	Ukraine joins the European Energy Community
May 12	Publication of regular progress report on Ukraine in 2009
Jan. 26	Adoption of priorities of the EU-Ukraine Association Agenda for 2010

2009	
Dec. 4	13th annual EU-Ukraine Summit in Kyiv (Joint Statement)
Nov. 24	EU-Ukraine Association Agenda enters into force
May 7	Launch of Eastern Partnership initiative, adoption of Joint Declaration at the Prague Eastern Partnership Summit
April 1	Publication of the regular progress report on Ukraine in 2008.
March 23	Joint EU-Ukraine international investment conference on the modernization of Ukraine's gas transit system

2008	
Sept. 9	12th annual EU-Ukraine Summit in Evian, France (Joint Statement)
Feb. 18	Launch of free trade agreement negotiations.
Jan 1	Entry into force of visa facilitation and readmission agreements

2007	
Sept. 14	EU-Ukraine Summit. (Joint Statement)

2006	
Oct. 27	EU - Ukraine Summit, Helsinki Joint Press Statement
April 10- 11	Council discusses the situation in Ukraine following parliamentary elections on March 26 and notes that the elections were considered free and fair

2005	
Dec. 23	Council of the EU grants Ukraine market economy status



British Prime Minister Tony Blair (L), representing the European Union, and Ukrainian President Viktor Yushchenko clink glasses at a Ukraine-EU summit in Kyiv on Dec. 1, 2005. (AFP)

Dec. 1	Ukraine-European Union Summit. (Joint Statement).
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2004	
Dec. 17	European Council declaration on Ukraine
Nov. 25	The EU notes that that the second round of the presidential elections in Ukraine has fallen far short of international standards for democratic elections
July 8	EU-Ukraine Summit. (The Hague).

2003	
Oct. 7-8	Ukraine-EU Summit. Joint Statement .

2002	
July 4	EU-Ukraine Summit, Copenhagen



Belgian Foreign Minister Louis Michel (L) shakes hands on Sept. 11, 2001 with Ukrainian President Leonid Kuchma while Belgian Prime Minister Guy Verhofstadt (second from right) and the president of the European Commission, Romano Prodi, (second from left) of Italy, look on at the EU-Ukraine summit at Livadia Palace in Yalta, Ukraine. (AFP)

2001	
September 11	At the 4th EU-Ukraine Summit in Yalta, EU leaders and President Leonid Kuchma reaffirm their commitment to reinforce strategic partnership between Ukraine and the EU

1999	
June 3-4	EU Cologne summit; EU notes qualitatively new achievements in relations with Ukraine

July 23	The Third Ukraine-EU summit (Kyiv). Progress in EU recognition of Ukraine's course on EU integration. The EU reaffirms its intention to promote Ukraine's accession to the WTO. Launching of aim to create free-trade area between Ukraine and the EU.
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1998	
Oct. 16	The second Ukraine-EU summit (Vienna)
Dec. 11 - 12	EU Vienna summit Adoption of decision on developing an EU Common Strategy on Ukraine



Ukrainian President Leonid Kuchma (R) gestures as he greets European Commission President Jacques Santer and Luxembourg's Prime Minister Jean-Claude Juncker. EU officials chided Ukraine for its slow pace of political and economic reforms. (AFP)

1997	
Sept. 5	The first Ukraine-EU summit (Kyiv); approval of Ukraine's European choice

1996	
June	The EU recognizes the status of Ukraine as a country with an economy in transition.

1995	
March 24	First meeting of the Joint Ukraine-EU Committee
June 1	Meeting of President Leonid Kuchma with European Commission President Jacques Santer

1994	
Nov. 10	The Verkhovna Rada ratifies the agreement on partnership and cooperation between Ukraine and the EU.

1993	
October	Opening of the European Commission Representation in Ukraine.

1992	
Sept. 14	Meeting between President Leonid Kravchuk and the European Commission President Jacques Delor. This is the first top-level EU-Ukraine meeting.

1991	
Dec. 2	Declaration of the European Commission on Ukraine



# Ukrainian businesses opt to settle corporate deals in London courts

→ **1** this situation,” Sayenko says. “Ukrainian business is trying to move away from the jurisdiction of its native country and consider that English, Cypriot and other courts should resolve its disputes. It’s a paradox and a wrong global trend in my view,” he says, adding that it’s typical for post-Soviet countries and other countries whose legal systems have not developed.

“English law remains first choice in cross border and even many domestic Ukrainian and Russian transactions because of its flexibility and the dominance of private equity-style structuring and provisions derived from Anglo-Saxon experience,” Robin Wittering, partner and head of international M&A projects practice of Egorov Puginsky Afanasiev & Partners says. The demand for English law in international transactions is primarily for international delivery rather than out of London, except in the case of capital markets, litigation and private client services, he adds.

British law is a key area of practice at Integrates law firm, according to managing partner Ruslan Bernatsky. Large- and medium-sized businesses from the Commonwealth of Independent States demand the practice, including financial and industrial groups, as well as high net worth individuals. Agriculture, chemical, banking as well as mining and smelting enterprises are among the company’s most active clients.

One of the most popular practices in Integrates’ London branch is dispute resolution, in particular international arbitration, according to Bernatsky. At the same time, transaction issues, such as corporate law,



Like many Ukrainian businessmen, the nation’s richest billionaires – Viktor Pinchuk and Rinat Akhmetov – prefer to seal deals and settle legal disputes under English law. (UNIAN)

capital markets, banking and finance law are also in demand.

Ukrainian businesspeople, the richest ones in particular, often move to a foreign jurisdiction by establishing holdings abroad.

For instance, the headquarters of EastOne Group that belongs to Ukrainian billionaire Viktor Pinchuk was established in the UK in 2007. Ihor Kolomoisky and Gennadiy Bogolyubov are shareholders of Britain’s J&K Oil&Gas Company, with assets in Ukraine and Russia. In 2012, System Capital Management, the

holding of the richest Ukrainian billionaire Rinat Akhmetov, opened in London its subsidiary SCM Advisors (UK) Limited. Consequently, these people appeared in a recent court case in London regarding shares in the Kryvyi Rih iron ore plant.

“For those owners (it) is more convenient to conduct negotiations at the level of international holding as Ukrainian law doesn’t give the opportunity to make flexible arrangements on the way of managing those business,” Sayenko says.

He also points out the absence of warranties and representation concepts, which allow the buyer compensation for losses if they are cheated.

“Foreign jurisdiction has a much more extensive and undeniably effective arsenal of tools to combat the siphoning of assets, their search and confiscation,” while the majority of such instruments are not available in many ex-Soviet republics or their application is not effective, Bernatsky explains.

Conversely, lawsuits in the UK have some disadvantages, in particular, the costs and the amount of time they take.

A corrupt judicial system at home is another reason to choose London. Only 2 percent of Ukrainians trust their courts, while 46 percent do not at all, according to an October nationwide study by Razumkov Center, a think tank that polled 2,010 residents. The study also shows that public support of Ukraine’s court system has been falling steadily. From 2001-2004, some 11 percent of Ukrainians supported it, while in 2011-2012 that number was just 6 percent.

Unlike Ukrainian legislation, British law has a reputation tested by centuries, Sayenko says. So far, just a few changes to Ukrainian corporate legislation have been made. He names the law on joint stock companies that came into force last summer and a number of draft laws which if adopted are supposed to regulate the work of limited liability companies.

However, it’s still not enough. “Our Russian colleagues have advanced in this direction. The reform of civil legislation is under way and the civil code is being rewritten there,” Sayenko says. “I hope that this trend will reach us soon.”

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## Ukrainians to mark 80th Holodomor anniversary

A number of events are planned in Kyiv to mark the 80th anniversary of the Holodomor on Nov. 23. The Holodomor, which means death by starvation, was ordered by Soviet dictator Josef Stalin and carried out by his henchmen in Ukraine. Several million Ukrainians died from starvation between 1932-33, before Stalin lifted the famine designed to force Ukrainian nationalism into submission and allow the ruler to form collective farms. A march from Arsenal metro station will begin at 2 p.m. on Nov. 23, making its way to the National Museum memorial to the victims of famine. A funeral service will be held there at 3 p.m. Ukrainians across the country will observe a moment of silence for Holodomor victims at 4 p.m. The Ivan Honchar Museum (29 Mazepa St.) will host a series of events on the anniversary, including a candle lighting at 4 p.m., followed by a prayer service. In this 2012 file photo, Ukrainians in Kyiv light candles and say prayers in memory of the victims. (AFP)

# Companies, tax experts struggle with less than ideal transfer pricing law

→ **1** with non-residents whose own tax rate is at least five percentage points lower than the Ukrainian rate.

The new rules will compel Ukrainian companies to reveal the counterparties with whom they do business and make them more transparent for potential investors, believes Mykola Mishyn, the revenues and duties ministry’s point man on transfer pricing.

For a government that constantly struggles with rampant capital flight, the law could be a revenue boon, said Dmytro Donets, a lawyer at DLA Piper. A 2012 report by the Tax Justice Network ranked Ukraine 15th worldwide on a list of countries from which capital flees. The report found Ukraine contributing \$166.8 billion to the global offshore industry. As the top foreign investor into Ukraine, offshore tax haven Cyprus has invested \$17.6 billion, or almost one third of all foreign direct investment inflows into the country.

As a standard practice, Ukrainian companies, especially big exporters, work with partners from lower tax jurisdictions. In doing so, they manage to save huge amounts of money. For example, grain exporters save \$10-\$20 per ton, experts say. To compare, the government forecast 30 million tons of grain exports for the marketing year. This means that state coffers won’t receive \$300-\$600 million. Other industries produce much higher numbers.

The revenues and duties ministry is identifying the hundreds of companies that will have to submit transfer pricing reports. Those include companies that work in metallurgy, chemicals, coal mining, agriculture and retail. These companies must submit their first reports before May 1, proving that their transfer prices were set at market levels for the September-December period.

Legislation specifies how to determine the accepted market price for a good or service. Yet lawyers say not all prices are listed, especially in Ukraine’s lucrative information technology industry.

“There are not enough reliable independent sources of information. The sources suggested by the state are

easily manipulated by the state,” said Zoya Mylovanova, senior associate at Beiten Burkhardt law firm. “Foreign sources, which could give some objective information for certain markets, are not admissible.”

Moreover, any price can’t be taken out of market context, Mariya Kolesnyk, an expert from AAA agro agency says. “How should forward contracts be treated? The price can also differ in different places. For example, prices in the Azov harbor are lower than in Odessa.”

The revenues and duties ministry, however, says the law does not limit the number of information sources. Businesses are free to use statistics or accounting information published on, for example, company websites, state agencies or banks, Mishyn says, noting that this can be done when the information isn’t listed in government-approved source.

In addition to confusion on accepted market prices, lawyers say the government failed to pass secondary legislation needed to properly implement the new transfer pricing rules.

“Eventually, companies would be required to allocate virtually all their human resources on controlling their transfer pricing instead of conducting business and promoting sales,” says Oleksiy Khomyakov, counsel at Asters law firm.

Companies who fail to report on time or who don’t reveal all of their required transactions face a penalty of 5 percent of the value of each transaction in violation.

“This is a huge amount and a big risk for business,” said Volodymyr Didenko, head of tax planning at Group DF, which has huge chemical assets in Ukraine.

Furthermore, there is no grace or transition period.

Asters lawyer Khomyakov estimated that it could cost a firm 2 percent of its annual sales turnover to implement a transfer pricing module.

Additional labor costs to hire someone to be responsible for transfer pricing could be as much as \$50,000 annually, said DLA Piper’s Donets.

## Lawyers with Kyiv-London presence

Kyiv-based law firms that have offices in London	International firms that do business in Kyiv and London
Sayenko Kharenko, Integrates, Astapov Lawyers and Bate C. Toms	Baker McKenzie, Dentons, Squire Sanders, CMS, Cameron McKenna, Clifford Chance and Egorov Puginsky Afanasiev & Partners, among others



## Romaniuk: New owner needs to restore policy of editorial freedom

→4 tions, if they publicly criticized the magazine's management or the owners of the holding.

Management asked the website journalists to resign based on "mutual consent of the parties" because, allegedly, "we will not be able to work together with you, anyway."

This situation shows that the main goal of Kurchenko's purchase of the media holding was to establish a strict control over the editorial policy of the outlet, which previously criticized its new owners. In particular, last year it published a journalist investigation about Kurchenko.

The blacklist of forbidden topics published by Forbes Ukraine ex-journalists shows that Ukrainian authorities are afraid of being criticized, and the new management of the media holding UMH will attempt to remove any criticism from the mass media it controls.

The members of the movement "Stop Censorship!" urge Forbes Media management to respond immediately to the situation with censorship and journalists being fired, which caused immense damage to the reputation of the Ukrainian Forbes and can harm reputation of the well-known international brand.

"Stop Censorship!" urges serious measures to remind about the principles of editorial independence, the importance of compliance with the license agreement and respect for freedom of speech. Members of the movement deem the situation unacceptable, in which the materials published under the brand are being censored in the interests of a few people.

The movement "Stop Censorship!" also demands that Kurchenko publish his position in regard to the situation in which journalists of his media holding are being fired or forced to resign.

In particular, on Nov. 18, a number of journalists resigned from this media holding – this time, from the magazine and website Korrespondent, two of the nation's leading news outlets.

### → Big chill descends over free speech in Ukraine

The movement "Stop Censorship!" addresses the international organizations' branches and the embassies in Ukraine, and suggests that they pay special attention to the mass layoffs of journalists because of censorship.

As of Nov. 17, because of censorship and pressure this year, journalists of four well-known media outlets were rendered unable to do their jobs. Those include:

- 31 journalists from the channel TVi;
- six editors from the UNIAN website and its correspondent in Brussels;
- three journalists of Obkom website;
- 14 journalists of the Ukrainian edition of Forbes; and
- the replacement of Korrespondent chief editor Vitaliy Sych on Nov. 18, as well as the resignation of several leading journalists.

All of this shows that the situation regarding freedom of speech in Ukraine continues to decay, regardless of the fact that the representatives of authorities several times declared their adherence to European fundamental values in general, and to freedom of speech in particular.

*Oksana Romaniuk is the executive director of the Institute of Mass Information in Kyiv and Ukraine's representation of the Reporters Without Borders international free speech watchdog. She writes this opinion article on behalf of 135 members of the "Stop Censorship" movement.*

## Gorchinskaya: Let there be lights

→5 angry and tired, the first thing I got there was a lecture from the manager about the importance of paying on time and in full. Not a smiley tut-tut sort of lecture, but a nasty, full-scale telling off.

Thing is, until that day I actually thought I was doing alright with payments. But it turned out that I did not fill out the form properly, and for the past two years I underpaid a few bucks on every energy bill. Interestingly, there is a company inspector who shows up at my door about every other month to take her own meter readings, and Kyivenergo actually keeps all the alternative calculations for every customer and knows quickly if there is a problem of this kind.

For two years, it said nothing about my debt, but one day – boom! – instead of calling me to fix it, they cut me off. And by the way, the agreement under which Kyivenergo provides me with services was three years out of date. They did not bother to fix

it. Actually, despite the fact that the company makes money off me and other customers, the lady manager told me the outdated agreement was my problem.

It got merrier still. The lady printed out a new bill for me to pay – for hooking me up to the grid again. I had to pay it a state bank, and deliver the proof payment to the customer service department by hand – after waiting in the queue once again. Only then would they put me into the schedule to restore electricity in my home.

By the time I paid, the working day ended. I spent a lovely candlelit night at home, and arrived at Kyivenergo's door again first thing in the morning. I was lucky because the queue was shorter – just under 1.5 hours. But since I delivered my proof of payment after 10 a.m., the company could no longer put me up on the schedule on the same day. So, I was up for at least another candlelit night without electricity.

In total, it took me three visits to

get all my documents up to date with Kyivenergo, with many hours wasted in the queues. My story is not unique. When chatting to a member of parliament recently, I heard an almost identical story about Kyivenergo's service. The deputy, who represents the pro-presidential Party of Regions – Akhmetov's political force – at one point was even about to have a word with the multibillionaire owner. I, on the other hand, tried to call the hotline 15-88 (or +380-44-202-15-88) if you're using a mobile phone. I did not get a response once.

While I queued in the hall of Kyivenergo right next to the door that claimed to house the call center, I realized why I could not get through. There was only one operator servicing all those millions of Kyivans trying to get help, and she had no qualms about leaving her office frequently during her working hours.

*Kyiv Post deputy chief editor Katya Gorchinskaya can be reached at katya.gorchinskaya@kyivpost.com.*

## Sukhin: Kyivenergo doing best it can

→5 transitional period, and the task of an energy company is to speed up the transition to new operating standards and to improve internal company procedures.

The clearer the procedure is, the easier it will be for the consumer to complete it. Ukraine is still at the beginning of this path. The regulator has already set the rules, as the National Electricity Regulatory Commission has approved the methodology for calculation of fees for connection of electric installations to the grid, payment rates, and connection guidelines. A lot has yet to be done: we must test all stages of the procedure and make sure it is simple and quick. The result depends not only on good interaction of Kyivenergo departments but also on prompt obtaining of the required permits, specifically land titles and titles to assets, from state authorities.

The consumer can also speed up the connection to the grid by accurately and properly preparing the required applications. Kyivenergo on its part has published a clear step-by-step procedure for connection on its

website kyivenergo.ua. Consumers can find sample forms to be filled in, the list of required documents and user-friendly instructions in the New Connections section. Furthermore, the company indicates deadlines for each step of the procedure and addresses for submission of applications. Other online services to make the connection easier for consumers will be launched soon. For additional support clients can go to Kyivenergo support centres where they can get help filling in the applications or contact the call centre at 15-88 (number for landlines).

Unfortunately, one of the most time-consuming procedures is the approval of design documentation. Poor quality of such documentation results in numerous critical comments to the project design that need to be rectified by the contractors. Often contractors acting as the official representatives of the customer withhold information about multiple deficiencies in the project or a longer project lead time.

Yet customers tend to attribute

long waiting times to processing by Kyivenergo. In fact, however, Kyivenergo takes not more than 15 days as required by the law to approve the project design. During this period the company either gives its conclusion on the project or the recommendations for its improvement. If the conclusion is issued later than expected it is caused by nothing else but multiple faults identified in the customer's design documentation, the reason that cannot be affected by Kyivenergo.

Thus, the permits can be received quickly only provided that all three parties – the energy supplying company, the customer, and the authorities granting the respective permits – take efforts to achieve this. If each party is aware of its area of responsibility and takes all necessary efforts to satisfy the consumer's needs, the consumers will get the result they hope for. Ukraine is under way to these changes and will persist till it reaches its goal.

*Dmitriy Sukhin is deputy director of planning and asset development of Kyiv Electrical Networks, a unit of Kyivenergo.*

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Nov. 23



(Courtesy)

## French chanson on a Saturday night

Cover songs of Jacques Brel, Serge Gainsbourg, and Gilbert Bécaud – artists who devoted their careers to French chanson – is coming for one night only. The band performing it all, French Vibes, aim to do the sexy tunes justice. Inspired by some of France's greatest lyricists, the band will also perform a few of its original songs, stylistically close to the theme of the night.

**French Vibes cover band. Nov. 23. 8.30 p.m. Atmosfera 360 (57/3 Velyka Vasylykivska St.). Hr 60 - 100**

Dec. 1



(AFP)

## Limp Bizkit

Limp Bizkit has produced a number of hit singles and albums since it broke into the pop music scene in the late 1990s with its signature blend of hip hop and punk. Its heyday may be over, but the band is currently in the middle of recording its seventh album, "Stampede of the Disco Elephants," and touring the globe. Over the years the band has experienced some personnel changes, but it has always stayed true to its style.

**Limp Bizkit. Dec. 1. 8 p.m. Stereo Plaza (119 Chervonozoriyany Ave.). Hr 450 - 2,000**



Nov. 30

(Courtesy)

## Orkestr Che

Orkestr Che (Che Orchestra) is about to celebrate its 11th birthday. The band first began having jam sessions in the hallways of a dormitory, but changed its sound over the years as it grew in popularity, evolving from an acoustic to more rhythmic sound. Every one of its concerts is inviting and enthralling.

**Orkestr in concert. Nov. 30. 8 p.m. Divan (2 Bessarabska Sq.) Hr 60**



(Courtesy)

Nov. 30

## Talking business

This business talk club is with Ciklum manager Livi James Joseph, a professional teacher with experience of leading businesses abroad. The topics to be covered include Ukrainian law, networking skills, financial news and management techniques. The goal of the club is to create a place where one can talk about important business-related issues in a relaxed and inviting atmosphere.

**Talking shop: A business club. Nov. 30 12 p.m. Master Class (16A Lavrska St.). Hr 200**

## Nov. 28, Thanksgiving dinner

Sam's Steakhouse and the Holiday Inn Hotel will serve a traditional American turkey on Thanksgiving Day being celebrated this year on Nov. 28. Observed to acknowledge a shared meal between European settlers in North America and Native Americans during the autumn harvest feast, the Holiday Inn will serve turkey and all the trimmings from Nov. 25-30. The main course of stuffed turkey with gravy, applesauce, mashed potato, caramelized corn on the cob and green beans goes for Hr 150. Call ahead to order a stuffed turkey at Sam's Steakhouse being made for Hr 200 per kilogram for takeout or dine-in, or choose the sliced, tender turkey meal for Hr 120, which will include sauce and a garnish.

**Holiday Inn. Nov. 25-30 (100 Velyka Vasylykivska St.), 363-3000, Hr 150**  
**Sam's Steakhouse. Nov. 28 (Zhylianska St.). 287-2000. Hr 120, Hr 200 per kilogram**



(Courtesy)

Nov. 23

Nov. 30



(Courtesy)

## Petro Nalich's music band

Petr Nalich jumped atop the music stages of Russia and Ukraine and decided to stay there. His songs vary from lyrical, almost private, to soulful and energetic. He can sing a ballade like the best of them and tug at his audience's heart strings. But his next track will make one jump up and dance. His band is currently promoting its third album.

**Petro Nalich's music band. Nov. 30. 7 p.m. NAU (1 Komarova Ave.). Hr 180 - 450**



(Courtesy)

Nov. 28

## The music project

River Dream is a project aimed at helping audiences get to know themselves better. Its organizers believe that the best way to do this is by listening to quality music. For this session, the music will be provided by Armen Kostandyan and his traditional Armenian duduk and Roman Hrinkiv playing his custom made Ukrainian bandura. The artists invite guests to an evening away from the chaotic outside world.

**River Dream. Nov. 28. 7.30 p.m. Museum of Dreams (55 Chihorina St.). Hr 100**





# The Tiger Conference

## Ukraine's Future after the Vilnius Summit

The conference will take place on Dec. 3 at the Premier Palace Hotel (Kyiv) and focus on Ukraine's situation after the Vilnius summit on Nov. 28-29, as well as the road to the Eastern Partnership Summit, the hopeful signing of the Association Agreement.

The conference is planned for around 250 participants and guests, including leading Ukrainian politicians, foreign governmental and international institution representatives, senior management of Ukrainian and multinational companies and both Ukrainian and foreign journalists.

Time	Event	
9:00 – 10:30	<b>A New Model for Ukraine? The Role of Business, Politicians and Society</b> <i>Speakers:</i> Boris Krasnyansky, Group DF; George Logush, Ukrainian Catholic University; Yaroslav Hrytsak, Lviv University Balazs Jarabik, PACT; Pawel Kowal, Member of European Parliament; Karl Robb, EPAM Moderator: Daniel Bilak, CMS Cameron McKenna	
10:30 – 10:45	Coffee break	
10:45 – 11:00	<b>Speech by Deputy Prime Minister Serhiy Arbuzov</b>	
11:00 – 12:15	<b>Doing Business in Ukraine: Overcoming a Difficult Climate</b> <i>Speakers:</i> Oleksandr Klymenko, Tax and Revenues Minister; Nicolas Burge, EU Delegation Trade Section; Tomas Fiala, Dragon Capital; Jacek Piechota, President of the Polish-Ukrainian Chamber of Commerce; Sergey Yevtushenko, InvestUkraine Moderator: Yevhen Hlibovytsky, Pro Mova	
12:15 – 13:30	Lunch break	
13:30 – 15:00	<b>Agribusiness: Driving the Economy</b> <i>Speakers:</i> Mykola Prysazhnyuk, Minister of Agriculture Hennadiy Novikov, Agrarian Soyuz of Ukraine John Shmorhun, AgroGeneration Bohdan Chomiak, Lapersa Enterprises Mykola Myrkevych, Assoc. of Farmers and Private Landowners Alex Lissitsa, IMC Moderator: Jean-Jacques Hervé, Crédit Agricole	<b>Economic and Trade Policy Risks</b> <i>Speakers:</i> Jerome Vacher, IMF representative to Ukraine Ricardo Giucci, German Advisory Group/Berlin Economics Jock Mendoza Wilson, SCM Alexander Valchyshen, ICU Moderator: Jakub Parusinski, Kyiv Post
15:00 – 15:30	Coffee break	
15:30 – 17:00	<b>Energy Security</b> <i>Speakers:</i> Graham Tiley, Shell Peter Clark, Chevron Jonas Graetz, Center for Security Studies, ETH Zurich Andrey Favorov, DTEK Armen Khachaturyan, Asters Moderator: Jared Grubb, Clifford Chance	<b>IT Sector Development</b> <i>Speakers:</i> Dmitry Shymkiv, Microsoft Ukraine Victor Galasyuk, Bionic Hill Andriy Kolodyuk, AVentures IT Venture Capital Fund Dimitri Podoliev, Seed Forum Ukraine Jon Elvedal Fredriksen, Ambassador of Norway Moderator: Yevhen Hlibovytsky, Pro Mova
17:00 – 17:30	Coffee break	
17:30 – 19:00	<b>Ukraine's New Geopolitical Paradigm</b> <i>Speakers:</i> Geoffrey Pyatt, US Ambassador; Viktor Likhachev, Russian Embassy; Marek Siwiec, Member of European Parliament; Leonid Kozhara, Foreign Minister; Petr Mares, Czech Ambassador-at-Large for the Eastern Partnership Moderator: Daniel Bilak, CMS Cameron McKenna	
19:00 – 21:00	Cocktail Reception	



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Americans celebrate Thanksgiving Day on the last Thursday in November. This year the holiday falls on Nov. 28. Find out where to celebrate on page 17.



## A millionaire who likes bright clothes, sex jokes and nice butts

An eccentric Ukrainian millionaire and the developer behind some of Kyiv's biggest malls, Gary "Garik" Korogodsky smokes a cigar in his Kyiv office during an interview with the Kyiv Post on Nov. 13. Korogodsky's sharp sense of humor is as well known as his extravagant taste in clothes. (Kostyantyn Chernichkin)

BY DARYNA SHEVCHENKO  
SHEVCHENKO@KYIVPOST.COM

Sitting down in a red armchair, in a red-and-yellow office with a bright yellow boat in the middle, Gary Korogodsky apologizes for the mess around, and makes a peace offering of tea. Actually, the mess in reference is merely a scattering of black-and-white pictures from Korogodsky's family archive on the coffee table.

The good manners come as a surprise from this colorful 53-year old multi-millionaire who is more famous for his sex jokes, provocative writing in social networks and extravagant outfits. Oh, and he has a successful real estate business.

Since 2010 Korogodsky has been a resident of Ukraine's richest people list. Focus magazine estimates his current fortune at \$92.5 million. After building Aquarium, one of the first high-class fitness-centers in Kyiv in 2000 and Globus shopping mall, right under Kyiv's Maidan Nezalezhnosti in 2001, Korogodsky later built the huge Dream Town shopping mall – two buildings stretching between Heroiv Dnipra and Obolon metro stations.

Although Globus was successfully sold back in 2008, Korogodsky and his partners from Vita Veritas company still top the list of Ukrainian rentier for 2012, according to Forbes magazine, with \$55 million in annual rental income.

"If I make it to the rating – I have to be on top," says Korogodsky, crossing his legs and lighting up a cigar. Suddenly, he starts to match expectations.

The businessman likes to impress and even shock, and friends say this is an integral part of his personality. "I actually like Garik for not having multiple personalities," says Evgeny Gendin, Korogodsky's friend, himself a comedian writer. "Of course there are some differences between Garik for public and Garik for close people, but I'd say that he is just a little softer and nicer to family and friends."

His famous dress style is a reflection of that personality. On the day of the interview, he wears a brick-red sweater,

grey sweatpants and yellow crocs – pretty unusual as for an office outfit in late November.

Korogodsky likes designer clothes of impossible colors, and has a collection of bizarre glasses – just like Elton John. Occasionally, he gets reprimands from business partners for this style. "Yesterday I came to a meeting wearing slippers because my foot hurt, and I was told that everything has a limit," he chuckles.

He says his style changed in one instant, in a Versace store he wandered into once when he was around 40. "There was that pretty shop assistant and she offered me to try on a crimson jacket with blue streaks – I still wear that jacket," he smiles. →21

## Art Club 44 is two in one: dancing at the bar, drinking at the club

Kyivans seem to have plenty of opportunities to get loose with all the best night clubs at their feet. But the truth is many clubgoers are tired of all the fancy noisy parties. On a recent Saturday night this month, I was one of them. Therefore, after several oscillations, I chose a great place called Art Club 44, one of the oldest venues in town. The name of the club refers to its location in a courtyard on 44 Khreshchatyk Street.

The cover charge was Hr 50, an acceptable price since the club is in the very heart of a relatively expensive city.

The club's nights usually start with some live music and proceed with dancing. Entering the club that night, I found the Wake Up band performing rock covers. The lead singer had a nice voice, but unfortunately, she had to support her spirit with a shot of vodka after every song, so she was quite tipsy by the end.

The atmosphere was surprisingly cozy with the audience playing a key role in that. The club's guests, mostly people under 35, were dressed simply but tastefully, with no killer heels or flashy gold jewelry.

The club has two halls, one in which the band plays, the other, a haven for those who prefer conversing.

Its interior has a simple design, but nice. A round bar in the center is surrounded by vintage-looking wooden furniture, and the walls are plastered with posters of The Beatles. The only flaw was a TV on the wall, broadcasting the M1 music channel, a poor pick for such a place. Thank goodness it was muted.

All the tables were taken, so I took a seat at the bar and enjoyed one of the best things at Art 44 – random chatting. Conversation flowed easily with strangers and it worked well for a relaxed night. Of course, alcohol played a part in it, but not a critical one.

Unfortunately, the staff was surprisingly unfriendly. I wondered whether it was the club's policy because the bartenders seemed very serious.

Bar prices turned out to be average. I ordered a vodka with juice for Hr 25, a cheap and simple mix, which seemed a popular order that night. Naturally, many visitors chose beer (Hr 20-30 per bottle). The main menu includes salads, fried cheese, sausages and more, but to my disappointment, no fries. On the other hand, →20

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Guests enjoy another party with live music and drinks in Art Club 44 on Nov. 14. (Courtesy)

## Night Owl: Downtown club offers live music, cheap vodka mixes

→ **19** food is not the most substantial thing in a nightclub.

At midnight the concert ended and the dancing began, but it wasn't the best one can imagine. Not many danced to music from the 1990s and early 2000s, but the club's atmosphere didn't encourage much dancing.

The place itself is hardly an unforgettable place. It is more like a blank page where one's evening can become crazy fun or incredibly boring. So in the end it's all up to one's mood and choice of company.

### Art Club 44

44B Khreshchatyk St.  
279-41-37  
Sun-Thurs, 11 a.m. – 2 p.m.  
Fri-Sat, from 1 p.m. - till the last guest leaves  
Entrance fee: free or Hr 50-100, depending on the night  
Cinema club: daily, 7 p.m. - 9 p.m.  
Free

*Kyiv Post intern Christina Geyko can be reached at [geyko@kyivpost.com](mailto:geyko@kyivpost.com).*

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Мировая Карта

# Best contemporary Ukrainian literature available in English

*Editor's Note: The Kyiv Post presents its pick of five contemporary Ukrainian fiction books that have been translated into English. All the translations are available at [www.amazon.com](http://www.amazon.com).*

BY DARYNA SHEVCHENKO  
[SHEVCHENKO@KYIVPOST.COM](mailto:SHEVCHENKO@KYIVPOST.COM)



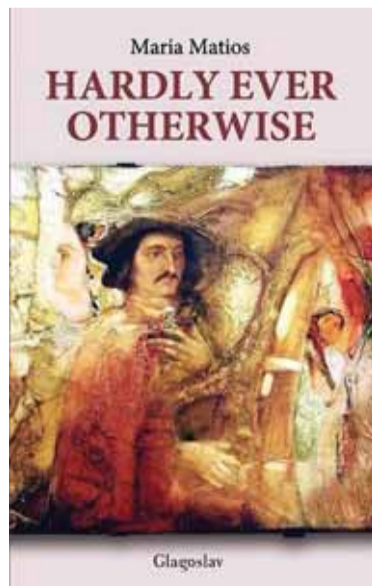
### "The Museum of Abandoned Secrets"

By Oksana Zabuzhko, translation by Nina Shevchuk-Murray

Oksana Zabuzhko's grand opus and recent International Angelus book award winner was translated into English earlier this year by Lviv-born translator Nina Shevchuk-Murray. Zabuzhko says the language in the translation was too American for the taste of her British readers, "but this was our voluntary choice, we wanted a more widespread version of English," she said in an interview to [glebov.com.ua](http://glebov.com.ua).

The book tells a story of love, loyalty and family that flows through three generations. The main protagonist, a journalist named Daryna, finds an old photograph that opens up family secrets. The secrets no longer want to stay buried and seem to still have a strong influence on the future. The novel describes the times of the civil war in Ukraine at the beginning of the 20th century and extends to the events of Ukraine's Orange Revolution in 2004.

Paperback - \$8.97  
Kindle edition - \$6.99

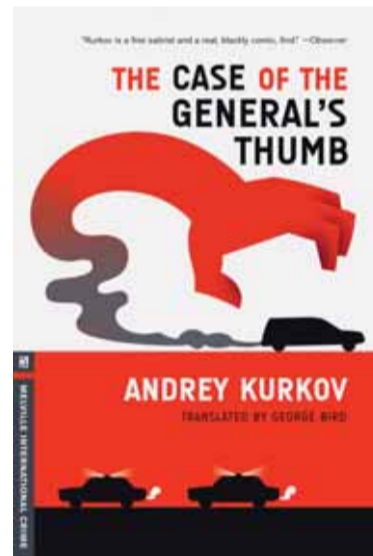


### "Hardly Ever Otherwise"

By Maria Matios, translation by Yuriy Tkach  
"Hardly Ever Otherwise" is one of the best works by Maria Matios. The book was first translated in English in 2010 by the English-Dutch publishing house Glagoslav, and was republished in 2012 with some corrections.

The novel tells a mystical story of several western Ukrainian families during the last years of the Austro-Hungarian Empire that fell apart in the wake of World War I. Just as every story by Matios this novel is highly dramatic and every character is forced to live through various personal and social conflicts.

Paperback - \$20.50  
Hardcover - \$25  
Kindle edition - \$10.49



### "The Case of General's Thumb"

By Andrey Kurkov, translation by George Bird

Ukrainian whodunit writer Andrey Kurkov has a lot of English translations. One of them, "The Case of General's Thumb" was translated by George Bird in 1999. The translator was later accused of using "old-school" English, which was not suitable for picturing Ukraine in the 1990s. "For example, an exasperated police chief—in earnest—yells 'Hell's bells,'" a book review on [wordswithoutborders.org](http://wordswithoutborders.org) reads.

"The Case of General's Thumb" is a classic detective story that starts with a military general being hanged on a huge Coca-Cola balloon, his thumb missing. The main protagonist is a young, inexperienced police investigator eager to dig out the truth about the murder.

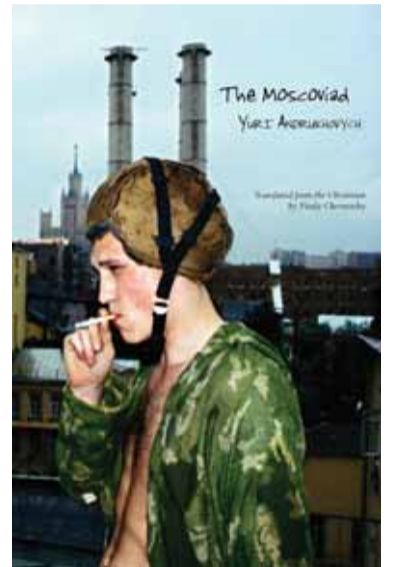
Paperback - \$13.47

### "The Moscoviad"

By Yuri Andrukhovych, translation by Vitaly Chernetsky

"The Moscoviad" by Yuri Andrukhovych, a famous writer from Ivano-Frankivsk, was translated by Vitaly Chernetsky, a writer, historian and translator. Chernetsky has not only translated a novel, but even researched it for his doctoral dissertation. "When I was first reading the story I kind of heard it talking to me, probably because of my own student life experience in Moscow," he said in an interview to [Zaxid.net](http://Zaxid.net).

The novel describes the life of a



Moscow university dormitory that hosts young poets, writers, actors and translators from everywhere around the world. The adventures of an artistic crowd turn into bacchanal, and at some point, the KGB gets involved. The action is often interrupted by the protagonist's reminiscences that go back to Ukraine's medieval history.

Paperback - \$12.60  
Kindle edition - \$11.99



### "The Lost Button"

By Irene Rozdobudko, translation by Michael Nayden

The translation of Irene Rozdobudko's best known work "The Lost Button" has a miraculous story, the writer says. "Michael Nayden, a professor at Princeton University and a great translator, approached me and said he would be translating my novel. He and his assistant-student Olena Tytarenko decided to do it free," Rozdobudko told [Gazeta.ua](http://Gazeta.ua). The novel was first published in World Literature magazine and then as a book by Glagoslav Dutch-English publishing house.

The novel tells a mysterious love story that lasted only for one night but which never left the heart of the protagonist. And when a young man finally manages to get freed from those strong love bonds he finds a button that revives the feelings.

Paperback - \$17.80  
Hardcover - \$24.70  
Kindle edition - \$11.97

*Kyiv Post staff writer Daryna Shevchenko can be reached at [shevchenko@kyivpost.com](mailto:shevchenko@kyivpost.com).*



## Korogodsky, a rich guy with a character to match, expounds on life, love and lust

→ **19** Clothes aside, Korogodsky has plenty of other eccentricities. After producing a cheesy 2013 calendar with his own sex-themed aphorisms, illustrated with vulgar drawings, Korogodsky moved on to a more serious writing project – a book. “Those photographs are actually for the book,” he says pointing at the coffee table with his cigar.

The book is supposed to have tips on how to have fun in life and will be made up of separate stories, many of which are based on his Facebook posts.

His profile is a curious collection of dirty jokes, sexist statements and angry reactions from other users. “I am sorry that you keep showing off your stupidity so defiantly,” Zoya Popova comments on Korogodsky’s post about children, which says he had never talked to his son until he turned three. Korogodsky has four children in total.

He says sex-related and sexist jokes are no fixation. “It’s just easy and pleasant to joke about sex, so why not,” he says.

It does not prevent Korogodsky from making millions and starting new businesses. His newest plan is to build an Olympic-class swimming pool by Olympic Stadium, with an apartment complex nearby.

Both of Korogodsky’s biggest completed projects, Globus and Dream Town malls, have caused much controversy, though. Globus was a part of a scandalous reconstruction of the city center, and its developers have been accused of ignoring many building regulations.

Then, both buildings of Dream Town were constructed over the metro line, which some

critics said endangered the work of Heroiv Dnipro, Minska and Obolon metro stations. Moreover, the mall had floods and leakages since its opening that seeped into the metro stations, heating up residents’ fear. Korogodsky has dismissed all concerns, though.

“Why would I build something that can break down,” he says. “Dream Town is built on a concrete bridge over the metro line. We spent \$ 10 million on that bridge alone.”

But today, Korogodsky says, business is no longer his main passion. “I still do business because I need money, but today I prefer spending it.”

He teaches classes on how to do business, and their main message is: don’t do business. When asked what his secret to success is, Korogodsky simply recommends to “keep your ass clean.”

“It’s easy, when you walk around with a dirty ass you can’t think of anything light and kind,” he explains.

The other thing Korogodsky says he is interested in, is teaching women how to be women. Here is his image of the perfect woman, in a nutshell. She shouldn’t be a feminist, should recognize the superiority of men, should be creative, shouldn’t be too skinny, should have a nice behind and shouldn’t be blond. “Those, of course, are not the main factors, the main is relationship, but the butt is must,” he says. Then, he adds that he is a married man.

“At the end of the day, we have three facts: I had only one woman in my life, I am for polygamy and I am a very talented liar,” he says.

**Garik Korogodsky at Playboy magazine’s Playmate of the Year ceremony in Kyiv on Oct. 24, 2012. (www.story.com.ua/)**



## Table tennis, foosball, scooters, long walks – all in a day’s work

BY NATALIYA TRACH  
TRACH@KYIVPOST.COM

The office is not the only place for work, but a place where people spend much of their lives. This is perhaps why Ukrainian employers are starting to care more about the comfort of their employees and are working to increase productivity in their offices.

“I am sure that an employer will react positively if an office worker will work more efficiently after being allowed a brief 10 minute break,” says Herman Ovcharenko, head of the employment website Superjob.ua, adding that “everybody needs to have an opportunity and time for a little relaxation.” In his office, besides being allowed breaks to chat around the proverbial water cooler, there is table tennis available for employees to play with one another.

According to a survey conducted in 2012 by HeadHunter job website, 45 percent of office workers in Ukraine browse social networks during work time. Some 13 percent fall asleep at least once during business meetings.

Another Ukrainian job website – Job.ua – says that to refresh themselves Ukrainian desk workers tend to drink coffee, listen to music, surf the net, do physical exercises or have a snack.

Uliana Khodorovska, HeadHunter’s head of research, explains that many employers use so-called non-financial tools to

**One has to be careful not to be run over in Yandex Ukraine’s main office in Odesa, as scooters are common there. (Courtesy)**



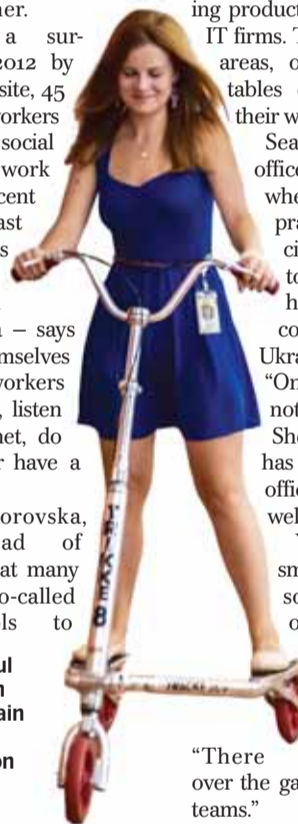
**The main office of Yandex Ukraine in Odesa is an example of how office time can become more entertaining. The office has a gym, foosball table, scooters, and offers yoga classes. (Courtesy)**

motivate their staff, therefore increasing productivity. This is most used in IT firms. They create special seating areas, often with grass, foosball tables or comfortable chairs so their workers feel more relaxed.

Search engine firm Yandex’s office in Odesa has a gym where its workers may even practice yoga. The office is circular in shape in order to more easily cruise the halls on a scooter, says the company’s head of PR in Ukraine, Natalia Zhuravliova. “One has to be very attentive not to be run over,” she jokes. She also added that Yandex has visitors from neighboring offices who come to see how well its office operates.

Yandex’s Kyiv office is smaller and does not have so many entertainment options. In place of a gym is a simple foosball table. But that seems to keep employees’ morale up, Zhuravliova said.

“There are some fierce battles over the games, we even have family teams.”



Some offices, like HR magazine Dovidnyk Kadrovkyka (HR Manager’s Handbook), encourage their employees to get regular physical exercise. To ensure they do, office managers lead employees in physical activities twice a day, said the magazine’s chief editor Yaroslava Pankiv. “Long walks along Rusanivsky canal [on the left bank of Kyiv] during lunchtime is a lot of fun for us,” she said. “Feeding the ducks there is the best relaxation.”

There are also offices where employees go further in entertaining themselves during work hours. Job.ua’s content expert Tetyana Pashkina says she knows a company where workers grow cucumbers, tomatoes, peppers and basil in flower pots in the office. “A friend of mine told me enthusiastically about her colleague who gives haircuts to workmates during lunchtime for a very modest price,” she added.

Psychologist Olena Bohatyriova says that people behave at work the way they behave at home. “Because people spend most of their lives at work, the workplace subconscious becomes their home,” she said.

*Kyiv Post staff writer Nataliya Trach can be reached at trach@kyivpost.com.*

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## Children solve the problems of tomorrow



Panasonic and the Klitschko Brothers Foundation have picked the winners of the national environmental competition “Eco Ideas — 2013.” Katherine Kobelnyk won in the 7-11 age group, Ksenia Nazareva came first among 12-15 year-olds. Ksenia was one of six finalists who won the right to represent their country in Paris, France, and take part in the award ceremony. Both girls had interesting ideas on how to protect the environment.

The second and third place in the 7-11 age group went to

Dmitry Cheshnyuk and Yulia Noga, and to Yana Kanyevska and Lesya Pedan in the 12-15 group. Each of the four finalists received a multifunctional device from Panasonic, while a Panasonic camrecorder went to the winner. Valery Didyk received a bike as a special prize for his research work.

“For the fourth consecutive year, we witnessed children come up with great and really practical ideas that can improve the world of tomorrow. Eco Ideas is a promising project that shapes the future adult generation of Ukrainians. Such competitions develop the ability to comprehend social problems, both in Ukraine and worldwide. It helps to not only understand them, but also to find solutions, and I am very pleased with this project,” said Vitaly Klitschko.

At the award ceremony young participants from all over Ukraine were able to talk to the project’s organizers and share their ideas on how to save the environment. Several young environmentalists expressed themselves through thematic paintings.

“We want to help people make this world a better place. Panasonic’s eco-design is very big in Ukraine. These talented children present ideas that are truly on a global level, which has been recognized by an international jury. We believe that by creating, developing and improving projects. By developing the Eco Ideas program locally in each country, we are helping save the world’s ecosystem,” said CEO of Panasonic in Ukraine Volodymyr Sichikov.

Some 3000 diaries will be distributed this time. The most active regions are: Kyiv, Cherkasy, Kirovograd, Zhytomyr Oblast and Crimea.



# Traditional motanka doll becomes popular souvenir

BY NATALIYA TRACH  
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Ukrainian souvenirs such as pysankas (painted Easter eggs), vyshyvankas (embroidered shirts) and Petrykivka ornamental paintings are common gifts. Another is the stackable Russian matryoshka doll, often mistaken as an authentic Ukrainian souvenir.

But a lesser known traditional handicraft is fast becoming a popular gift too.

Called motanka, it is among the most ancient of Ukrainian household talismans. Often adorning the symbols for life and fertility, they are among the

oldest archaeological findings dug up on Ukraine's territory.

The shapeless and faceless motanka doll is made of natural fabrics and materials, including straw, grain, clay, flax, wool and even corn. A corn cob is often used as a base for the doll, which then gets covered in layers of fabrics, forming the doll's body. Using any sharp materials like needles or scissors is forbidden, and the dolls are put together with the use of knots. It is believed that one can tie up a bad thought into the doll.

Tetiana Katrychenko has been making motanka dolls for the past four years. The average price for a small and simple motanka doll is Hr 30, while big dolls with complicated decorations can cost Hr 1,000 or more.

Even though motanka dolls nowadays are mostly viewed as home décor items rather than magical talismans, they remain a popular gift for important occasions.

"Parents present such dolls for their children's weddings. People buy motankas for a baptism," said Katrychenko, adding that members of the Ukrainian diaspora are her most active customers.

She says foreigners usually do not buy motanka dolls as souvenirs because they are generally not aware

- Where to buy motankas in Kyiv**
- Muzeyna Kramnytsia gift shop near the Honchar Museum (19 Lavrska St.).
  - Booths with handmade items on Andriyivsky Uzviz Street.
- To buy motanka online, go to:**
- [motanka.kiev.ua](http://motanka.kiev.ua)
  - [rukotvory.com.ua/kramnychka/ct/narodni-lyalki](http://rukotvory.com.ua/kramnychka/ct/narodni-lyalki)
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Tetiana Katrychenko has been making motanka dolls for the last four years. Her clients buy dolls as gifts for special occasions, like birthdays, weddings or baptism ceremonies. (Anastasia Vlasova)

of them. So it takes some explaining. "During the Euro 2012 football championship a foreigner bought three of my dolls. Two were made in the colors of the Irish flag and the third one in the colors of his favorite football team," says Katrychenko.

Her motankas had success at the International Arts Festival in Istanbul earlier this year too, Katrychenko says. She sold 10 dolls there. According to Katrychenko, there are approximately 100 craftsmen in Ukraine who make motankas in different styles and sometimes using different techniques.

"To make a doll, we take tough cloth, roll it in spiral and make a figurine. Then we wrap the figurine in fabric," explains Katrychenko.

The most complicated motankas can include embroidery, brightly colored headbands and even necklaces. Making such a doll can take up to 20 days.

Katrychenko says that making motankas is easy enough for everyone to learn. She gives two-hour master classes on motanka-making, and says everyone leaves with a perfect doll after just the first lesson. She warns, though, that tying tight knots to create the dolls can be tiring.

"People sometimes complain about pain in hands after making their (first) motanka doll," Katrychenko says.

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Grains put in the doll's head symbolize the connection between generations.

Ukrainians believed that if the doll had a face it could get possessed by evil spirits. Face features are replaced with a cross, a solar sign and a symbol of welfare. The vertical line in the cross means masculinity, the horizontal line means femininity.

Long braided hair symbolizes long and happy family life.

Long threads that keep the doll together symbolize the long life. Threads were wrapped around the doll in the course of the sun or uprightly to signify infinity.

The doll's vertical meant spirituality, its horizontal indicated terrestrial development of a human.

Headdress stands for connection with heaven.

Shirt symbolizes worlds of past, present and future.

Belt is seen as a talisman.

Doll's skirt symbolizes the Earth.

## The anatomy of motanka doll

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Nov. 24

## Dynamo meets Hoverla

Another exciting game between these two teams will take place in the Ukrainian Premier League. Last time Dynamo (Kyiv) and Hoverla (Uzhgorod) played each other, the Kyiv squad stole the show 4-1. Ticket holders who support the blue and white hosts will have a chance to win a soccer ball signed by the team members. **Dynamo vs. Hoverla. Ukrainian Premier League. Nov. 24, 5 p.m. Olympic Stadium (55 Velyka Vasilkivska St.). Hr 10-300**



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