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THE RAZUMKOV CENTRE NEWSLETTER

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RUSSIA WILL ALWAYS FIND MONEY TO SUPPORT THE MILITANTS IN DONBAS

From an interview on internal conditions of the separation of Crimea and a possible scenario of ending the war in Donbas.

— It has been twenty four years since the autonomy of Crimea was restored. Since then, it could have become an example for Ukraine to show where the country will be going thanks to the decentralisation reform. Why has it not been done?

When evaluating all this time now, in the matter of Crimea, unfortunately, we can see a very negative result. The reason that Crimea has separated from Ukraine is not only in Russian aggression — its causes also were of internal nature. The referendum on the autonomy of Crimea was held during the collapse of the Soviet Union, when the leaders of the republics were trying to maintain their dominant position. The elite of the peninsula was trying to get a new status and powers together with the same control over the territory where it remained in power. Positioning of the old elite launched the process of some kind of self-isolation of Crimea from Ukraine.

When we are talking about autonomy, local government, and decentralisation, we should understand why it is done. If we are talking about autonomy, we clearly understand that there is a certain elite in a particular area that wants to control the resources there. This happened in Crimea. When we are talking about local government, we mean government of a local community. There is a separation of powers between central government and local community.

— What are the possible scenarios of the situation in Donbas?

There is only one scenario — Ukraine should regain control over the border with Russia. When armed groups from Russia stop coming there, only then a ceasefire will be achieved. Then an election can be

held and powers given. The big question is who will be an authority in those areas. It is also important to protect the rest of Ukraine from Russian aggression.

— Is there any experience in the international practice that Ukraine could use to resolve the conflict in Donbas?

There is no direct analogy really. We have a situation when our territory borders with a powerful neighbour with nuclear weapon, millions of soldiers etc. This country's policy will always be aimed at provoking a conflict. Maybe, all this will really change someday but not in the nearest future. Some aspects of the experience of the Balkans can be used.

— When do you think Russia will run out of money to support the so-called militants in Donbas?

Money is not as important as human life. In this war, the best human potential is being lost. As to Russia, I am not that optimistic that money for this will run out. They will find money to support the militants anyway. They are more likely to agree to eat less.

Full [text](#)



*Deputy Director, Director of Political and Legal Programmes of the Razumkov Centre
Yuriy YAKYMENKO*



National Security and Defence

IMPOSING A STATE OF EMERGENCY IN DONBAS IS RATHER A POSITIVE DECISION

On Monday, at the government meeting, Prime Minister of Ukraine Arseniy Yatseniuk announced imposing the



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state of emergency in Donetsk and Luhansk Oblasts. In terms of the powers of the Cabinet of Ministers, it is a state of emergency which is imposed in case of the spread of hostilities or terror raids. Most likely, it refers to the mobilisation of all the authorities in case of a man-made emergency, in particular in case of termination of water or power supply. Although this was a belated decision, it is rather positive in the conditions of the threat of terrorist attacks all over Ukraine.

Full [text](#)

VIA DONETSK AIRPORT TO CRIMEA

Most analysts used to think that in winter the situation in Donbas would be relatively stable, and that Russian troops would attack nearer to spring. However, obviously, Putin's plans have changed, and he will try to finish everything before spring. I think his main goal is to expand the areas controlled by the militants and consolidate there to make Ukraine and its international partners sit down and talk on Russian terms.

Putin is in a hurry and wants to end the conflict in Donbas before spring because many factors indicate that in spring, Islamic forces may attack in Central Asia. If there is no enhanced military presence there, Russia risks losing this region.

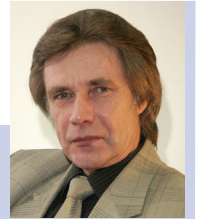
Russia will try to turn loose in Eastern Ukraine by consolidating in the areas which are already controlled by separatists. The next step will be an attempt to break through the land corridor to Crimea, and then withdraw the most combat-ready units able to attack in Central Asia.

Therefore, information about the separatists having new weapons is a serious threat. Even the Buratino combat systems are dangerous enough since they use thermobaric area weapons. These shells have an enhanced detonation effect, and the destruction factor after the explosion is a pressure drop that kills manpower even in shelters.

As to the aviation of militants, in fact, they can have only one plane but talk about ten to fifteen. Thus, the fact that the support of the attack in certain directions is provided not by the separatists but the Russian aviation can be hidden. I think that exactly the Crimean direction will be in the greatest danger.

[Full text](#)

*Director of Military Programmes
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FORCED MOBILISATION MAY REDUCE COMBAT EFFECTIVENESS OF THE ARMED FORCES OF UKRAINE

The state should comply with the law for those who refuse mobilisation but are ready to count on those who wants to fight.

Voluntary enthusiasm of people who are willing to participate in the CTO is far from exhausted. During the mobilisation, the state should first of all cooperate with patriotic NGOs that conduct military training, and seek fresh volunteers.

If this is not enough, military commissariats can be involved. However, not those who just have an occupation mark but those with real military experience should be primarily called up.

In practice, most likely, there will be both voluntary and involuntary call-up.

In general, I support the idea of introducing an official payment for those who wants to legally avoid the army but such decision requires public consensus.

When people who do not want to serve are called up for the army, they simply become a drag that diverts equipment and reduces combat effectiveness of the units into which they get.

[Full text](#)

*Director of Military Programmes
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IN THE WAR WITH RUSSIA, WE SHOULD CONSIDER THE WORST-CASE SCENARIO

To resolve the conflict in Donbas, one of the key questions is whether the West is ready to provide military assistance to us. Certainly, this assistance would in any case be rather limited. Whether we want it or not, Russia plays an important role in the global security system (in terms of the events in Syria, Iran, and North Korea) so the West cannot just start ignoring it and has to compromise.

How far these trade-offs will go and how they will infringe on the interests of Ukraine is another question. It depends on the smallest details of the negotiation, on the tiniest details of the diplomatic game played by the West, Russia, and Ukraine too.

At the same time, we should stop talking about lethal and non-lethal weapons — it is not just not helping Ukraine but is also doing harm. Non-lethal weapons could have made sense in the case of conflicts within the state but now it should be about offensive and defensive weapons. The emphasis in our appeals to the West have been wrongly placed from the very beginning — we

need weapons that will help protect our borders and land. Moreover, in the last few months, even American politicians have understood that, as evidenced by the change in their rhetoric. The issue of giving Ukraine defensive weapons has raised more often.

The problem is that Ukraine is violating the key principle of the defence policy — strategy development should be based on the worst-case scenario. For if we are not ready to the worst, which will happen, the consequences for the country will be truly disastrous.

Let us say the probability of an attack of the Russian troops in the southern direction is low but it still exists. If Russia seriously works on this scenario, it will also use aviation, which we have nothing to oppose with. By not considering such a possibility, we create conditions for the worst possible forecast. That is why we need assistance of the West in the field of defensive weapons.

[Full text](#)

*Director of Military Programmes
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REFORMS ARE LAGGING FAR BEHIND THE PACE OF THE DEEPENING ECONOMIC CRISIS

The country's economy is an integrated system, and the disruption of economic activities in Eastern Ukraine has affected production in other oblasts. However, this is only one problem.

We should also bear in mind the economic pressure from Russia. Let us take the statistics on supply of the Ukrainian industrial products to the Russian market — we will see that only in one year, for example, the supply of railway locomotives dropped almost by two thirds, organic compounds by more than a half, electrical machines by almost one third, and ferrous metals almost by one third too. Thus, the closure of the Russia market has been a significant contribution to this decline.

By the way, the problem is not only with Russia. For example, for metallurgy, the problem is of a general nature since the business cycle of the global market of metals is bad now. The slowdown of the global economy affects the demand for metal. Current macroeconomic situation in general also has a negative impact.

It is important to understand that the European market is open primarily for the agri-food sector. The lion's share of growth is associated with this fact. Moreover, it is associated mainly with grain supply. However, we can see that there are quotas, within which this opening is taking place. Already in autumn, when these quotas had started to come to an end, a slowdown in exports to the European market occurred.

Therefore, without addressing the structural problems and the problems of competitiveness of our industry in general, the situation cannot be stabilised. This is not an accidental decline, this is a decline showing that the

structure of the industry in the state in which it was formed in recent years is no longer promising for development — it should be significantly altered.

For the current fall of the economy, first of all, those are to blame who did not conduct appropriate reforms, those who thought that old technological baggage could be used forever. This is due to poor judgement and lack of strategic thinking both at the governmental level and the top level of Ukrainian businesses.

Ukraine urgently needs reform. New growth points that correspond to the economy of the 21st century should be created. We have the potential, especially in food production, and in the area of introducing new methods of metal production, where it is necessary to emphasise not quantity but quality.

We have opportunities for entry into certain cooperation relations with the networks of Western Europe in the field of mechanical engineering. However, this requires appropriate changes. We should adapt to European regulations, and this requires investment. However, everything is happening extremely slowly. The pace of reforms is too low, and it is lagging far behind the pace of the deepening crisis.

[Full text](#)

*Senior research fellow of economic programmes of the Razumkov Centre
Volodymyr SIDENKO*



WE NEED A PUBLIC-PRIVATE PARTNERSHIP TO RESTORE DONBAS

In the current situation in Ukrainian, when there is no certainty with the status of Donbas, and the conflict is actually being “frozen”, it is very difficult to plan spending in the state budget. All the calculations are made to date and “manually”.

It is very important to understand how to solve the budget problem of the occupied territories strategically. For the situation “neither peace nor war” is not helping. The occupied territories are impossible to fund directly from the budget. We can see a trend of increased state control over them.

Moreover, in two oblasts, administration and management ties have been completely broken, and their recovery is rather slow; banking is not working properly

either. We need to speed up the decision making on the restoration of infrastructure in the controlled areas as well as a long-term plan for the rest of the area that is now in the hands of the terrorists.

We need a public-private partnership to restore Donbas, i.e. attracting budgetary and extra-budgetary resources for the programmes of reconstruction of the region. We also must prioritize — communal infrastructure must be restored, and reconstruction of the rest of the objects should be approached in the order of priority.

[Full text](#)

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UKRAINIAN ECONOMY NEEDS EFFECTIVE MECHANISMS TO CONTROL GOVERNMENT SPENDING

Speaking of the government's austerity programme, first of all, we should understand that there is not enough money for all needs.

So the first thing the Ukrainian economy needs in this situation is a very “careful” control, both internal and external.

As to the matters directly connected with paid or free services, first of all, the state should provide a minimum set of health services. So it should be decided what a minimum set of services consists of. This is essential because in difficult times, people cannot be left to their fate.

It is important to introduce a clear social support system — whether it will be austerity, targeted funding, or the monetisation of benefits.

In this case, taxes will come in properly, and funding will be much clearer and more transparent. As soon as the element of public confidence in the authorities starts working and the economy starts recovering, it can soon be expected that the social services sector will start showing its advantages because extra money is always increasing during economic growth. If there is clear and

simple control, it is clear how this money is used, and mechanisms for its use can be checked easily.

Public welfare is determined by the social sector. GDP growth is an abstract variable but when an elderly woman can get small but real assistance without queueing up for half a day and not getting appropriate services is a totally different thing.

What is happening in the government, in decision-making, and in the abuse of power is the main problem. If we achieve at least minimal success here, the wave of rejection of corruption will come from top to the bottom.

[Full text](#)

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EXPECTATIONS OF INTERNATIONAL PARTNERS INDICATE THAT UKRAINE CAN AVOID DEFAULT

The debt problem for Ukraine has been rather critical over the last years. In 2015, the situation is complicated with a significant deficit of public finance — a lot of accumulated debt, including the IMF, should be paid in 2015. Given the drop in foreign exchange reserves to 7.5 billion USD, there are issues as to whether Ukraine will be able to fully pay its external debt this year.

In such situation with the external debt of Ukraine, we have to rely mostly on international loans and international aid. The work of the IMF mission is likely to bring positive results, and, eventually, Ukraine will be able to receive more tranches.

According to preliminary information, we should pay around 15 billion USD this year, and in the most optimistic scenario, in case of positive decisions of the IMF, the EU, and the World Bank to allocate aid and loans to Ukraine, Ukraine will get the total of 10–15 billion USD. This will allow to cover the basic resources needed to prevent default.

At least, now Ukraine has a small margin of safety, due to the fact that the Western world is quite friendly to

Ukraine. Therefore, I think that if there is some positive change, the issue of default will not be that critical.

Soros's recent suggestion to provide a much bigger international aid package to Ukraine that the one being considered now will hardly be ignored. He is a prominent international financier, and he mentioned a total package of 50 billion USD. This money will be provided for the implementation of development projects with clearly developed investment plans and programmes.

However, to get this money, the Ukrainian government should clearly establish control over their use. If the attitude towards Ukraine was negative, it would not be expected to pay the debt, and such aid would not be mentioned. Now international partners expect that Ukraine will be able to reach a decent level of economic dynamics.

[Full text](#)

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RISE IN PRICES WILL BE LIMITED BY LOW PURCHASING POWER OF UKRAINIANS

Next year, the main factor that will affect the cost of goods will be the purchasing power of people. This will also limit the price increase — prices cannot increase endlessly because there will be no purchasing power.

There are two general rules that will affect the nature of prices. The first one is devaluation. Today, the risk of further devaluation remains high. Primarily because the central bank thinks that the policy it conducts has nothing to do with the crisis. Which means that none of the monetary reasons of the devaluation pressure on the exchange rate has been eliminated. So devaluation and the weakening of hryvnia has led to an increased cost of imported goods and, unfortunately, domestic goods. Even if there is little impact on the cost of Ukrainian goods, still, in case of the increased cost of imported goods, it will also tend to increase.

Another general factor is the cost of public utilities, on which people will spend a significant part of the

resources. This is another factor of the reduction in aggregate demand. However, it may affect the prices because every producer will be trying to compensate for some losses.

As to some product groups, there is hope that food and process industry goods that are somehow connected with the agricultural sector will tend to be stable. So if we can say that the cost of public utilities rates will significantly increase this year, the price of food will increase much less, compared to public utilities, if it does.

By the way, in 2014, with the cumulative inflation of 25%, food also increased by roughly 25% when public utilities increased by one third (approximately by 33%). I think that in 2015, this distribution will be approximately the same.

[Full text](#)

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THERE IS A PROBLEM WITH HOW PEOPLE UNDERSTAND REFORMS AND HOW THE GOVERNMENT UNDERSTANDS THEM

If reforms mean increasing the fiscal burden, then yes, they are taking place. However, if reforms mean providing maximum opportunities for business development, there are problems here. There is still no deregulation; the regions have not got promised independence either.

The tax burden has increased. For example, pensions are now being taxed. It used to apply to the high ones — above 10K UAH, now it applies to three minimum wages — 3,650. These are pensions that the middle class receives. So they are trying to solve the problems of the Pension Fund at the expense of taxing its own payments. Same applies to the taxation of housing.

This ideology of fiscal burden sometimes goes beyond reasonable limits like the taxation of imports. It has already become almost twice more expensive due to the devaluation of the hryvnia. Adding 5-10 percent to that is a purely fiscal measure to fill the treasury. We will not receive economic growth this way.

[Full text](#)

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Energy

RUSSIA'S STATEMENTS ON A NEW GAS PIPELINE WITH TURKEY ARE ANOTHER BLUFF

Russia's statements on building a new gas pipeline with Turkey is only part of the information warfare. Before this project, there was a project "The Power of Syberia" with China. Back then, Europe and us were threatened that Russians will pipe gas to China instead of the West. However, today, we have heard nothing about this project.

When talking about the new gas pipeline with Turkey, Russia is also bluffing. The purpose of this bluff is to influence European businesses so that they will influence their authorities and restore closer cooperation with the Russian Gazprom. In particular, it is about the South Stream and

opening of the Opal gas pipeline at full capacity. This is a gas pipeline connected to the South Stream, and now Russia can use only 50% of the project's capacity.

[Full text](#)

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The 2014 Global Think Tank Index

In the end of January 2015, the 2014 Global Go to Think Tank Index Report by the Think Tanks and Civil Societies Programme of the University of Pennsylvania was presented in 50 countries around the world, and, for the first time, in Ukraine.

Currently this index is the only global think tank index. Research has been carried out by the University of Pennsylvania since 2006 within the Think Tanks and Civil Societies Programme, based on the survey of over 1,500 researchers, journalists, donors, and representatives of non-governmental

and international organisations from 120 countries whose work is closely connected with think tanks. In the 2014 study, a total of 6,681 think tanks were assessed.

According to the results of the 2014 Index, the Brookings Institution (U.S.) was named Think Tank of the Year 2014 – Top Think Tank in the World.

In the 2014 Index, compared to previous years, Ukraine has improved its ranking, and is represented by 7 think tanks in 7 categories, namely:

Top Think Tanks Worldwide – (Non-U.S.)

1.	Chatham House (United Kingdom)
2.	Bruegel (Belgium)
3.	Stockholm International Peace Research Institute (SIPRI) (Sweden)
4.	International Institute for Strategic Studies (IISS) (United Kingdom)
5.	Transparency International (TI) (Germany)
43.	Razumkov Centre (Ukraine)

Top Think Tanks Worldwide – (U.S. and non-U.S.)

1.	Brookings Institution (United States)
2.	Chatham House (United Kingdom)
3.	Carnegie Endowment for International Peace (United States)
4.	Center for Strategic and International Studies (CSIS) (United States)
5.	Bruegel (Belgium)
64.	Razumkov Centre (Ukraine)

Top Think Tanks in Central and Eastern Europe

1.	Carnegie Moscow Center (Russia)
2.	Center for Social and Economic Research (CASE) (Poland)
3.	Polish Institute of International Affairs (PISM) (Poland)
4.	Institute of World Economy and International Relations (IMEMO RAS) (Russia)
5.	Razumkov Centre (Ukraine)
32.	Kyiv National Economic University named after Vadym Hetman (KNEU) (Ukraine)
40.	International Centre for Policy Studies (ICPS) (Ukraine)

Top Education Policy Think Tanks

1.	Urban Institute (United States)
2.	RAND Corporation (United States)
3.	Brookings Institution (United States)
4.	Cato Institute (United States)
5.	National Institute for Educational Policy Research (NIER) (Japan)
16.	Center for Educational Policy (CEP) (Ukraine)
38.	Educational Studies Center (Ukraine)

Top International Economic Policy Think Tanks

1.	Peterson Institute for International Economics (PIIE) (United States)
2.	Brookings Institution (United States)
3.	Bruegel (Belgium)
4.	National Bureau of Economic Research (NBER) (United States)
5.	Adam Smith Institute (ASI) (United Kingdom)
36.	Razumkov Centre (Ukraine)

Best Advocacy Campaign

1.	Amnesty International (AI) (United Kingdom)
2.	Transparency International (TI) (Germany)
3.	Human Rights Watch (HRW) (United Kingdom)
4.	Center for American Progress (CAP) (United States)
5.	Heritage Foundation (United States)
44.	Institute for Economic Research and Policy Consulting (IER) (Ukraine)
50.	Ukrainian Center for Independent Political Research (UCIPR) (Ukraine)

Best Managed Think Tank

1.	Brookings Institution (United States)
2.	Chatham House (United Kingdom)
3.	Bruegel (Belgium)
4.	RAND Corporation (United States)
5.	Institute for International Political Studies (ISPI) (Italy)
44.	Razumkov Centre (Ukraine)

The Razumkov Centre News

PRESENTATION OF THE 2014 GLOBAL THINK TANK INDEX



On 22 January 2015, the Razumkov Centre held a round table Think Tanks of Ukraine in the Global Network of Think Tanks: Potential, Challenges, Prospects.

During the roundtable, the Ukrainian edition of the publication of the 2014 Global Go to Think Tank Index Report by the Think Tanks and Civil Societies Programme of the University of Pennsylvania was presented.

The Razumkov Centre has the following ranking in the index —

- **43rd among the top think tanks worldwide (non-U.S.);**
- **64th among the top think tanks worldwide (U.S. and non-U.S.);**
- **5th among the top think tanks in Central and Eastern Europe;**
- **36th among the top international economic policy think tanks;**
- **44th among the best managed think tanks.**

During the event, the following issues were discussed :

- the role of think tanks in the processes of implementing democratic transformations and European integration of Ukraine;
- Ukrainian think tanks and the government: prospects for effective cooperation;
- the future of Ukrainian think tanks: current challenges and incentives for sustainable development.

FINDINGS OF THE SOCIOLOGICAL STUDY PUBLIC OPINION: 2014 IN REVIEW

The study was conducted by the Ilko Kucheriv Democratic Initiatives Foundation and the Sociological Service of the Razumkov Centre from 19 to 24 December 2014. 2,008 respondents aged over 18 in all the regions of Ukraine (except Crimea) were interviewed. Sampling error — 2.3%.

The survey was conducted within the project of the Public Sociology Consortium with the financial support of the MATRA Programme of the Netherlands Embassy and the European Union.

• Most people named the Maidan and the Revolution of Dignity (41%) the main political event in Ukraine in 2014, as last year. This event was defined as positive. The second most important political event of the year in Ukraine was the war with Russia (30%), and this event was defined as negative. Russian aggression against Ukraine was named the main global event — of course, negative.

• 25.5% of people named Petro Poroshenko the politician of 2014, and 15% — Arseniy Yatseniuk. However, 36% of people were not able to name any politician (19% — “there is no such”, and 17% — “do not know”). 32% named Viktor Yanukovych the main disappointment of 2014 but 35% also named him the main disappointment of 2014.

For details please see: http://www.uceps.org/ukr/news.php?news_id=573



A MEETING WITH DEPUTY HEAD OF THE EU ADVISORY MISSION

On 28 January 2015, a meeting of the representatives of the Razumkov Centre with Deputy Head of the EU Advisory Mission for Civilian Security Sector Reform Ukraine (EUAM Ukraine) Yuh Fantu.

The Razumkov Centre was represented by Director General Anatoliy Rachok and Co-director of Foreign Relations and International Security Programmes Oleksiy Melnyk.

At the meeting, they discussed the issue of cooperation in holding a number of interrelated activities with the working title *Joint Platform for the Parliament and Civil Society for Reforming the Civilian Security Sector*.

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