



## CONTENTS

NATIONAL SECURITY AND DEFENCE.....	1
ECONOMY.....	3
DOMESTIC POLICY.....	3
ENERGY.....	5
SOCIOLOGY.....	6
THE RAZUMKOV CENTRE NEWS.....	7

## THE PEACEKEEPING ISSUE

Recently, there have been more suggestions to conduct an international peacekeeping mission, or just a peacekeeping mission, in Eastern Ukraine. In our situation, there is a world of difference.

### Russian “Peacekeepers”

An international peacekeeping operation is normally approved or initiated by a number of countries, usually within an international organisation. The classic option is the UN but they can also be conducted under the guidance of the OSCE or the EU. The CIS Charter also provides for such an opportunity.

If this is just a peacekeeping operation, Russia can conduct it, like those they are conducting in Transnistria and conducted in South Ossetia. An operation of such a “peacekeeper” is not only a way to a frozen conflict — it is a time bomb that can flare up and die away on command of Moscow, if not explode at any moment. Putin has heated up this conflict not to let someone resolve it.



In Transnistria, Russian peacekeeping forces perform the function of maintaining the conflict and the inability to resolve it. Since it is clear that there is no need for the presence of peacekeeping forces there, Russia is using them to negotiate. It has repeatedly promised to withdraw its “peacekeepers” in return for some kind of a reciprocal move from Moldova or Europe. However, as soon as it was the time to withdraw troops, after getting what it wanted, Russia dramatically changed its position. So these forces still remain in Transnistria. Furthermore, until they leave, no reintegration of Transnistria into Moldova is possible.

South Ossetia is another example of how Russian peacekeepers can operate. First, in 2008, they provoked a conflict. Then, there was an either provoked or pretended attack at Russian peacekeeping forces, which was used as an excuse for large-scale aggression against Georgia. However, at that time, there was an agreement between Georgia and Russia to deploy peacekeeping forces in that area.

Therefore, the discussion of options of deploying peacekeeping forces in Donbas poses a huge potential threat because Russian troops may become such forces. In fact, it will not be peacekeeping forces but occupation, and they will bear no responsibility for providing for people as, officially, they will be peacekeepers, not occupants.

### Mission Impossible

To deploy a peacekeeping operation, both parties of the conflict should agree on ceasefire and give consent to the deployment of peacekeeping forces. Of course, the so-called DPR and LPR have already invited Russian peacekeeping forces. In the Verkhovna Rada, Opposition Bloc is trying to steamroll this decision. So far to no avail.

To deploy international peacekeeping forces in Eastern Ukraine, the same conditions should be met — ceasefire and consent of the parties.

Indeed, it could be the first step to end the war — control over the section of the border that is not controlled by Ukraine. It can also be controlled in Russia — where international personnel will not be at risk, i.e. Russia will be responsible for its safety. For us it is especially important — there would be a chance that the supply of weapons or troops to the militants will reduce, or at least most of these cases will be recorded. It is like the EU mission on the border between Transnistria and Ukraine.

However, given that a few months ago, even a proposal on the enhancement of powers of the OSCE Special Monitoring Mission to monitor all the area of the Ukrainian–Russian border was rejected by Russia, the likelihood of conducting such an operation — even if it is initiated by the OSCE or the EU — is extremely low.

Therefore, it makes no sense to consider such scenarios. One can hardly imagine that this is what Russia and its puppets are interested in. Without Russia’s consent, deployment of any international peacekeeping operations in Donbas poses a threat of internationalisation of the conflict. This is what they are trying to avoid at all costs — that it does not go beyond the Russian–Ukrainian conflict.

In fact, Russia itself can ensure control over the border. However, this is bees against honey. For Russia is interested in continuing and maintaining the tension in Eastern Ukraine.

## Not a Panacea

One more thing. Even real peacekeepers cannot stop the war unless it is of interest to both parties. A good example is former Yugoslavia. Another example is Sudan.

So even the deployment of international peace-keeping forces is not a panacea for war. There is

no simple solution. In fact, there is no solution at all so far.

[Full text](#)

*Co-director of Foreign Relations and  
International Security Programmes of  
the Razumkov Centre  
Oleksiy MELNYK*



## GENERAL STAFF SHOULD UNDERSTAND THAT WRONG ACTIONS ENTAIL LIABILITY

Speaking of Putin's next strategic target, we should understand that Russia has unlimited air traffic in the occupied region. They need a sea hub for the illegal flow from the so-called "grey area" — smuggling, drugs, and human trafficking. This will allow the region to be self-sufficient for some time. Thus, the next target is Mariupol. Or the enemy will detour. They can attack in the direction of Berdiansk.

Russia has enough power to seize new areas. However, the problem is that they have to provide for them. This is a lot of money. Putin can break through a corridor to Crimea. However, he can choose the way of blackmail arranging a powerful attack with victims, as it was near Debaltsevo, and then make us sit down and talk again, and push Ukraine to give up this corridor. In return for this concession, Russia will stop its attack.

We should understand that there is neither military nor diplomatic way to win. Only hybrid — integrated actions. Diplomacy is one way. The second one is to put pressure on Putin through sanctions. The third one is military — the enemy should feel that he will not remain unpunished. Each enemy's combatant killed is 10 civilians rescued. That is why Ukraine is asking the West for weapons. No one says that we will win the war against Putin soon. Unless we exhaust him economically, Russian forces will not withdraw.

The fourth component is information warfare. The fifth area is restoring confidence in the government. They

should talk to people not in the language of promises but results. We should work in all the areas. Then, there will be systemic results.

There are problems in our General Staff — it needs drastic personnel reshuffle. To put into prison at least one of them, arrest the property. To show that there is liability for wrong actions or omissions.

We should create General Staff that would manage three areas — the East, Crimea, and Transnistria. People with battle experience should be employed.

Ukraine entered this war almost with no Armed Forces. Yanukovich's team sold 340 military bases. Units that should be the core of mobilisation were destroyed. Putin was following all of this. A smart aggressor always hits weak spots.

The country has survived on the shoulders of volunteer battalions. They took the first attack. A new army can be created out of them. Among those prepared for war, the number of victims is 70% less.

[Full text](#)

*Director of Military Programmes  
of the Razumkov Centre  
Mykola SUNHUROVSKYI*



## TERRORIST ATTACK IN KHARKIV: WHAT WILL BE THE KREMLIN'S NEXT STEP?

How the situation will develop after the terrorist attack in Kharkiv depends not only on plans, assumptions, and actions of Russia but also on our response. Most likely, from Russia we should expect a comprehensive special operation, whose elements may be destabilisation of the sociopolitical situation both on the economic and political basis.

The first element implies deterioration of the economic situation in the regions, especially eastern

ones, due to the loss of contracts with Russia. As a result, orders will drop; jobs and, thus, wages will be cut. People will experience severe economic pressure.

Secondly, the use of those negative things that we have seen in the political life of Ukraine — drawbacks in conducting the CTO, slow reforms, and dissatisfaction of citizens, especially patriotic, with our top political leadership.

It is necessary to strengthen the work of the Ministry of Internal Affairs and the Security Service of Ukraine on countering raiding forces coming from the areas in the East that are not controlled by Ukraine as well as from Crimea and Russia. It is certainly difficult and expensive but necessary.

There is another mechanism that should have been used a long time ago. We should organise a network of local patriotic activists who would prevent raiding and the spreading of panic. In global practice, there were cases when in order to prevent conflict, the so-called "vigilance committees" were created.

In other words, there are a lot of questions on counteractions. All of this should be done together.

[Full text](#)

*Director of Military Programmes of the Razumkov Centre  
Mykola SUNHUROVSKYI*





# Economy

## 2015 WILL NOT BECOME A STABILISING YEAR FOR THE UKRAINIAN ECONOMY

Given the situation that the military conflict will be frozen, i.e. it will not develop (although it will last for a long time), this year the economy will be in the state of some kind of conservation with some signs of recovery in the second half.

Now it is very important that the Ukrainian government propose some major infrastructure projects, which will allow to show in which direction Ukraine is trying to move.

This year, there is a significant shift from the Russian market to other highly attractive markets, such as Chinese and Kazakh, i.e. markets of the Third World countries that are not that difficult to enter as markets of the European Union.

I think it is too early to speak of 2016 as a year of development. It is very much determined by what will

happen and how the situation in Ukraine will change, both military and economic, and how we will cooperate with international financial institutions. Let me remind you that in 2014, nobody predicted such dramatic events. Therefore, now, in early 2015, there is no certainty that stabilising factors will dominate both in economy and politics.

Full [text](#)

*Director of Economic Programmes  
of the Razumkov Centre  
Vasyl YURCHYSHYN*



## A DECREASE IN CONSUMER DEMAND WILL HINDER DOMESTIC PRODUCTION IN UKRAINE

Devaluation affects not only the consumer market but also investment and financial markets. Weakening of the hryvnia means automatic price increase for all goods and services. There is a price increase not only for imported goods but also for Ukrainian ones with imported components. Furthermore, due to devaluation, energy prices have significantly increased — oil, fuels and lubricants, and petrol. This automatically leads to price increase on transportation and the entire services sector in general.

The gap between the cost of imported gas for which we pay in foreign currency and the cost of public utilities in hryvnias will continue to grow. Given this situation, the government will have to either increase subsidies for people or observe a significant decrease in consumer demand, which will hinder the development of domestic production and restraining prices in some way. In fact, we can get stagflation and reduced production, which is followed by rising prices that may also affect socially important goods.

The first thing the National Bank of Ukraine should do is to establish control over its loans so that, above all, when refinancing commercial banks, there would be no flow of these resources to foreign exchange.

The next thing is increasing control over import contracts that have already been announced. The rules should be the same for everyone. Crucial import also can and should be controlled. At the same time, it is necessary to arrange control over the return of export earnings.

Along with increasing control, exporters should be released from the duty to sell 75% of foreign exchange earnings — 50% is enough. Also, it is necessary to instil confidence in people who want to receive transfers in foreign currency from abroad. They should not be subjected to forced conversion into hryvnias. Then, there will be much less stir in the foreign exchange market.

Full [text](#)

*Director of Economic Programmes of the Razumkov Centre  
Vasyl YURCHYSHYN*

# Domestic Policy

## UKRAINIAN DEPUTIES THAT USE PHYSICAL FORCE IN THE PARLIAMENT CAN BE DEPRIVED OF THE RIGHT TO ATTEND MEETINGS

The problem of fights is not new to the Rada as well as to many other parliaments all over the world. It is an issue of political culture of the people elected and their accountability to the law that stipulates the rights



of a people's deputy. There have been many precedents in the Rada before, even collective fights, but the parliament continued to work somehow.

In the latest case, there was a problem in the personal relationship of two deputies who had a fight. Both deputies are from the same faction. The leader of the faction emotionally responded to the fact that a member of his faction, elected based on the lists of Radical Party decided to leave the faction. However, leaders of the factions should have their own ways to deal with those deputies they have brought into the Rada without using force. This parliament has enough mechanisms of influence stipulated in the regulations, such as deprivation of the right to attend meetings and speak from the podium.

Full [text](#)

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



## WITHDRAWAL OF THE ARMED FORCES OF UKRAINE FROM DEBALTSEVO CAUSED MIXED PUBLIC ATTITUDE

The withdrawal of the Armed Forces of Ukraine from Debaltsevo caused mixed public attitude because, on one hand, the lives of our soldiers were saved but, on the other hand, it was a retreat from positions that had been defended for a long time.

Mixed public attitudes emerged — there are those who were directly involved in the event, and they have their own perception as well as expectation that after the withdrawal of troops there will be ceasefire.

Due to conflicting information coming from various sources and the lack of comprehensive information, it is difficult for people to form an objective picture of the event. If the withdrawal of troops, ceasefire, and, probably, management of the border with the occupied areas had been announced before, it would have been perceived differently.

Full [text](#)

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



## RUSSIAN PROPAGANDA HAS NO SIGNIFICANT IMPACT ON THE PUBLIC OPINION OF UKRAINIANS

Now the war continues not only on the military front but also on the information front. However, this is the battle Ukraine is currently losing. Not just because

there is still no clear general vector of the information policy but also because some politicians often do more harm than good.

The pro-Kremlin propaganda affects the public opinion of ordinary Ukrainians but not significantly. For one of the objects of major propaganda is cultivating distrust in the Ukrainian government. However, our data shows that, in particular, the level of trust in the president is greater than the level of distrust. This is not only in the current reality but also over the last 15 years — a very good indicator.

Full [text](#)



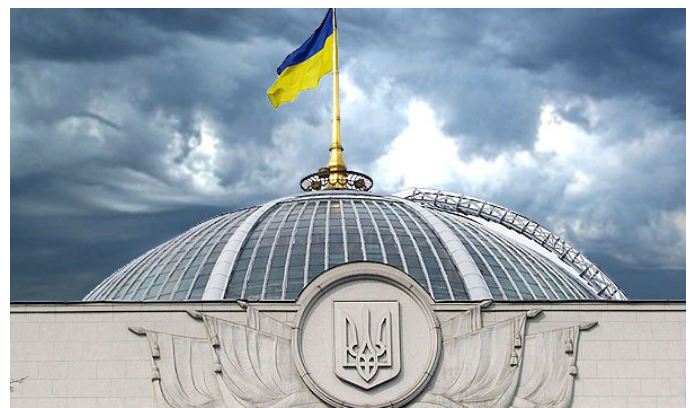
*Director of Sociological Service of the Razumkov Centre Andriy BYCHENKO*



## VOTERS OF THE PARLIAMENTARY ELECTION IN DEMOGRAPHIC MEASUREMENTS

The findings of the exit poll at the polling stations allow to analyse the features of voting and the electoral engagement level of the representatives of sociodemographic groups of voters distinguished by region, residence, age, gender, and the level of education.

Differences between the regions of Ukraine in the level of support for political parties show in every election. In the last parliamentary election, according to the exit poll, in the Centre and in the South, Petro Poroshenko Bloc got the biggest support of voters, in the West — People's Front, and in the East and in Donbas — Opposition Bloc.



Among the political parties that did not overcome the 5% election barrier, Communist Party of Ukraine has the biggest difference in the level of electoral support among the regions — while 10% of voters in Donbas voted for it, only 0.3% in the West did.

Full [text](#)



*Deputy Director of Sociological Service of the Razumkov Centre  
Mykhailo MISCHENKO*



## ON MANIPULATIONS ON DEFINING THE COST OF NATURAL GAS MINING IN UKRAINE AND WHAT COST IS CLOSE TO ECONOMICALLY JUSTIFIED

In autumn 2014, Deputy Minister of Finance of Ukraine D. Furdashkin published the data of Ukrhasvydobuvannia PJSC on the cost of natural gas mining (including fees for the use of subsoil) at 315 UAH per 1,000m (243 UAH + 72 UAH), or approximately \$39 at the rate of 2013.

Already in January 2015, Dzerkalo Tyzhnia published the information on calculation of the cost by the National Joint-Stock Company Naftohas, according to which the so-called full “economic cost” of the same Ukrhasvydobuvannia PJSC was 3,717 UAH per 1,000m, or approximately \$218 at the rate of 17 UAH/\$ back then.

Apparently, in dollars it is almost 6 times higher. So what is the difference?

The main reason of this discrepancy lies in the objectives pursued in each of the cases. Indeed, in the first case, there was a need to form the basis for increasing the rate of rent for natural gas so the cost was likely to be calculated on the basis of the partial costs of Ukrhasvydobuvannia PJSC as of 2013. As a result, private gas production companies got increased rates of rent, which led to a significant decline in incentives for them to invest in the field and weakened competitive positions compared to state-owned gas production companies.

In the other case, the purpose of the calculation was to bring the cost indicator closer to the level of prices for imported natural gas, which would prepare a certain basis for an increase in gas prices, primarily for the population. A method that is unacceptable for this case was used — it is based on considering the indicator of “the cost of capital” in the cost (including the cost of reserves and resources of hydrocarbons), which is 2,854 UAH per 1,000m, or 76.8% of the cost. Methods based on the cost of capital — for example, using indicators of the WACC (Weighted Average Cost of Capital) or RAB (Regulatory Assets Base) — should be used only for shaping the rate policy in case of the creation (construction) of new infrastructure, or overall business assessment — for example, in order to sell it.

So, in both cases, calculations are being manipulated — the end justifies the means.

The indicator of an economically justified cost lies within the values set by the two cases above, and to calculate it, some input data of Ukrhasvydobuvannia PJSC can be used.

Economically justified weighted average cost of natural gas production in Ukraine is approximately \$120 per 1,000m, which is mostly formed with rent. However, it should be noted that the cost in each specific case will depend on the terms of field operation (technology, properties of the hydrocarbon stratum, the state of fixed assets, etc), and in the case of Ukraine, also on the ownership of production companies as the level of rent now depends on ownership.

Full [text](#)

*Leading Expert of Energy Programmes of  
the Razumkov Viktor LOHATSKYI*



## RUSSIA DEMANDS FROM UKRAINE TO PAY FOR GAS FOR DONBAS BECAUSE THESE ARE NOT RECONGISED AS OCCUPIED

Gas supply to the occupied areas of Donbas at the expense of Ukraine is part of Russia's strategy on Kyiv's economic and financial depletion.

Russia's strategy is to make Ukraine fully provide for the occupied areas financially and in terms of energy. Thus, Ukraine would burn out sooner. Furthermore, it is impossible to keep a record of gas supplied by Russia because the points through which the fuel comes are not controlled by Ukraine.

Until Ukraine does not recognise the raions of Donbas seized by the militants as occupied areas, Russia will keep raising the issue of gas payment for them. Ukraine has got into a very difficult situation as, basically, such move of Gazprom once again proves that the Ukrainian government should recognise certain raions of Donetsk and Luhansk Oblasts as occupied areas — then, these issues will disappear since under international law, the state does not have to provide for such areas. Since these areas are not recognised as occupied, major problems will emerge, in particular related to the supply of gas, electricity, and energy.

Full text

*Director of Energy Programmes of  
the Razumkov Centre  
Volodymyr OMELCHENKO*

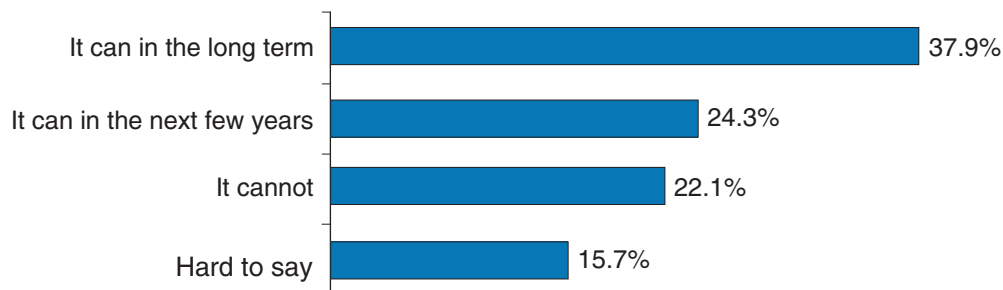


# Sociology

This issue of the newsletter presents some of the findings of the survey conducted by the Sociological Service of the Razumkov Centre from 16 to 21 January 2015 in all the regions of Ukraine except Crimea.

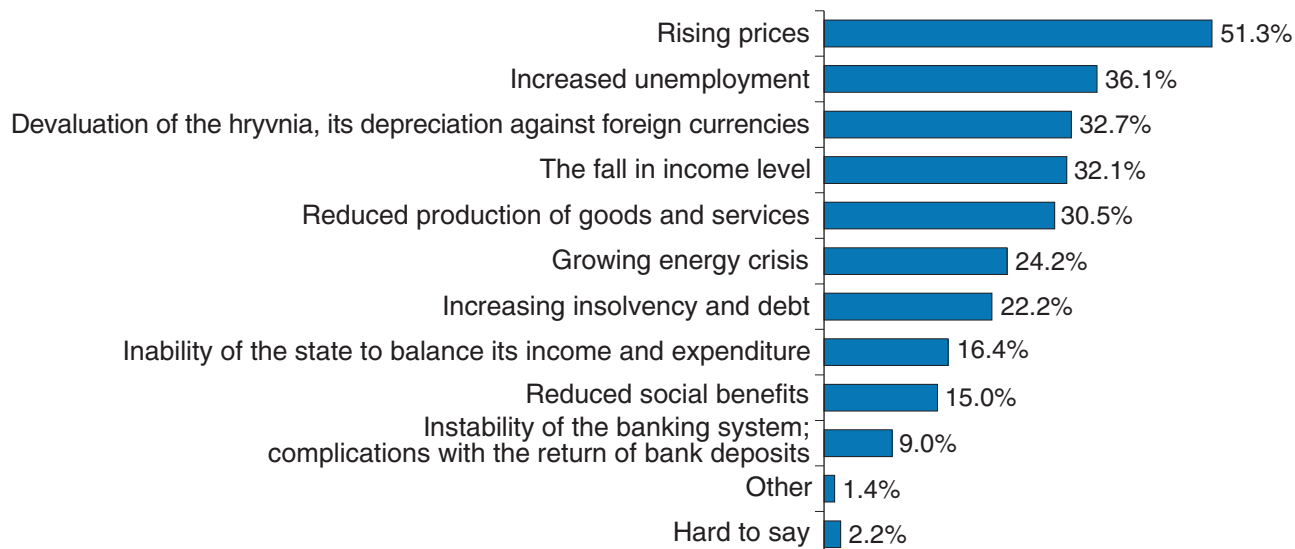
2,012 respondents aged 18 and over were interviewed. Sampling error — 2.3%. More information on the findings of the public opinion polls conducted by the Razumkov Centre is available on the Razumkov Centre website <http://www.razumkov.org.ua>.

## Do you think Ukraine can overcome existing problems and difficulties? % of respondents



## Which of the economic problems below, in your opinion, are the most dangerous and require immediate action of the government?\*

% of respondents



\* Respondents were asked to name up to three acceptable answers.

## What factors hinder economic reform in Ukraine the most?\*

% of respondents



\* Respondents were asked to name up to three acceptable answers.

# The Razumkov Centre News

## EXPERT DISCUSSION NEW ENERGY STRATEGY OF UKRAINE UNTIL 2020: SECURITY, ENERGY EFFICIENCY, COMPETITION



On 27 February 2015, the Razumkov Centre, jointly with the Representative Office of the Friedrich Naumann Foundation in Ukraine and with the support of Committee of the Verkhovna Rada of Ukraine on the Issues of the Energy Industry, Nuclear Policy, and Nuclear Security, held an expert discussion *New Energy Strategy of Ukraine Until 2020: Security, Energy Efficiency, Competition*.

The following issues were discussed —

- the energy sector of Ukraine: trends, problems, and prospects;
- internal and external threats to energy security of Ukraine;
- priority areas for reforming the energy sector of Ukraine and its legislative basis.

During the discussion, a basic version of *New Energy Strategy of Ukraine Until 2020: Security, Energy Efficiency, Competition* was presented for public discussion.

## ATTENDING THE SEMINAR



From 8 to 20 February 2015, Expert of Economic Programmes of the Centre K. Markevych attended the seminar *Political Avenues to Opening Markets and Promoting Entrepreneurship*, held in the International Academy for Leadership in Gummersbach (Germany). The seminar was attended by representatives of think tanks, government agencies, and businesses from 20 countries.

The following key issues were covered during the seminar — local government sponsored start-up initiatives, support and sponsorship of start-ups by banking institutions, the creation of business environment aimed at opening markets and promoting entrepreneurship, and the role of government in shaping market economy — economic freedoms, profitability, and incentives.

## INTERNATIONAL FORUM DEFENCE SECTOR REFORM: POLITICAL AND LEGISLATIVE ISSUES WAS HELD IN KYIV



The Razumkov Centre attended the forum Defence Sector Reform: Political and Legislative Issues, held on 18 February 2015 upon the initiative of the Council for National Security Reform.

The forum consisted of two sessions. Session №1. Transition from non-alignment — what should be the new model of ensuring security of Ukraine?

Session №2. Defence sector reform — priorities and actions.

The first session of the Forum was attended by M. Saakashvili, Head of the Advisory International Council for Reforms in Ukraine; President of Georgia from 2004 to 2013; G. Howard, President of Jamestown Foundation (the U.S.); O. Kardakov, well-known Ukrainian businessman and activist, Head of the public initiative Council for National Security Reform; O. Danchenko, Head of the Committee of the Verkhovna Rada of Ukraine on Informatisation and Communications; and R. Vashchuk, Ambassador of Canada to Ukraine.

The second session was attended by V. Tiutiunnyk, Security Expert of the National Institute for Strategic Studies; M. Koziel, Head of NATO Liaison Office in Ukraine; O. Skrypnyk, People's Deputy of Ukraine; M. Sunhurovskyi, Director of Military Programmes of the Razumkov Centre; and A. Pinchuk, President of the Ukrainian Centre for International Economic Relations

Ukrainian Centre for Economic and Political Studies named after  
Oleksandr Razumkov

Address: 01015, Ukraine, Kyiv, Ukraine  
Telephone (044) 201 11 98, fax (044) 201 11 99  
Email: [newsletter@razumkov.org.ua](mailto:newsletter@razumkov.org.ua)