



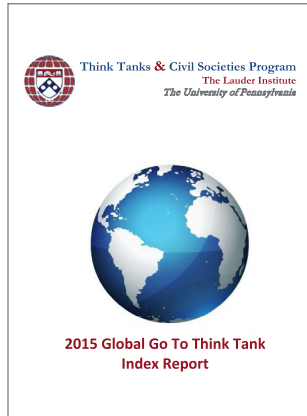
No.1 (30) (15 February 2016)

CONTENTS

DOMESTIC POLICY	1
NATIONAL SECURITY AND DEFENCE	3
ECONOMY	4
ENERGY SECTOR	7
FOREIGN POLIC	7
SOCIOLOGY	8
RAZUMKOV CENTRE EVENTS	9

THE RAZUMKOV CENTRE NEWSLETTER

RAZUMKOV CENTRE HAS GONE UP IN THE RANKING OF WORLD'S TOP THINK TANKS



In 2015, Ukrainian think tanks have improved their ratings in the Global Go To Think Tank Index Report annually presented by the Lauder Institute of the University of Pennsylvania (USA) since 2006.

Top results were shown by the Ukrainian Centre for Economic and Political Studies named after Olexander Razumkov (Razumkov Centre). It is the only representative from Ukraine in nomination "Top Think Tanks Worldwide".

Razumkov Centre holds:

60th place among top 175 think tanks worldwide, including USA (2014 – 64th place out of 150);

42nd place among top 137 think tanks, non-US (2014 – 43rd place out of 100);

5th place among top 90 think tanks in Central and Eastern Europe (other Ukrainian centres had places from 32 to 81 in this nomination).

The work on determining top think tanks for the Global Index Report included over 6,500 think tanks and over 7,500 experts worldwide, journalists, representatives of donor institutions. According to study conditions, think tanks were not allowed to define their own ranking.

[2015 Global Go To Think Tank Index Report presentation](#)

[View full 2015 Global Go To Think Tank Index Report](#)

2015 RESULTS SUMMARY

"Ukraine has lived through an extremely difficult year in its history. The military conflict, political tensions, economic and financial crisis, decreasing standard of living of the vast majority of citizens - these are the tests that the Ukrainian state had to undergo in 2015. At the same time, despite all mistakes of the government, interference of foreign and domestic opponents of Ukraine's European choice, resistance of oligarchic circles and the corrupt portion of state bureaucrats, the country managed to avoid political and economic default, and did not become a failed state. Ukrainian society demonstrated patience and faith in their country and its future, and its most active part became the main driving force for reforms"...

Overall 2015 results in different areas and predictions for 2016 are presented in detail in the Razumkov Centre report "Ukraine in 2015-2016: Tested by Reforms (Analytical Assessments)", presented at the 9th Europe-Ukraine Forum in Lodz, Poland.

The report was prepared as part of the regular project of the Razumkov Centre.

Full brochure [Ukraine 2015-2016: Tested by Reforms](#)



Domestic Policy

INSTEAD OF ENTIRE GOVERNMENT'S RESIGNATION, ONLY CERTAIN MINISTERS COULD BE SUBSTITUTED

Today, there are two options of how the events will develop. In the first one, the entire Cabinet of Ministers will be dismissed. In the second, there will be no resignation of the Cabinet, but a rotation will take place in certain government positions.

The main proponents of option one are "Batkivshchyna" and the Radical Party. Realisation of this scenario is primarily intended to remove A. Yatseniuk from the Prime Minister post, replacing him with a candidate agreed upon with other coalition factions. However, this option raises questions, whether People's Front will remain in the coalition, if A. Yatseniuk is not the Prime Minister anymore. So far, judging by what "People's Front" representatives are saying, the party is not ready for this.

In this case, it may leave the coalition. Which raises the question, what the format of the coalition will be, as apart from deputy groups and Opposition Bloc, there is no one to form the coalition from in case of absence of "People's Front". So, Cabinet dismissal will

be followed by a government crisis due to Verkhovna Rada's inability to create a coalition. Hence, a snap election will become necessary.

This option will create a long-term period of destabilisation – approximately seven months (from the moment decision on the Cabinet's resignation is approved until the new Cabinet is formed after elections to the Verkhovna Rada). In this situation, the work of both the Verkhovna Rada and the Government will be largely impaired with all the consequences for the socio-economic sphere, political processes in the country, the general state of affairs and the future.

However, this first option may not have such consequences, if the "People's Front" agrees to a different candidate for the Prime Minister post and does not leave the coalition. But at this point, I see no such preconditions, nor do I see such a candidate.

The second option is a milder one – in it the Prime Minister remains in office, the Government remains the

same as previously approved, there is no resignation decision, but certain ministers and deputy prime ministers are replaced. So this is what the discussions being held are about: on what conditions will PPB, "People's Front", "Batkivshchyna" and the Radical Party agree to the reformatting of the Government in this way.

It was mentioned that a new post of the First Deputy Prime Minister can be created, and it will be taken by a PPB representative. It was also mentioned that a post of the Deputy Prime Minister on European Integration can be created. Officials from the President's Administration were also named as possible candidates to fill this post. This is done in order to weaken in this configuration the Prime Minister position, which will still be occupied by A. Yatseniuk.

Basically, the issue of Government's resignation can be raised right after its report. But this requires the previously collected signatures of 150 deputies.

As the process of gathering signatures starts, and if PPB faction takes part in it, it will be viewed by their colleagues from the "People's Front" as preparation for the scenario that leads to substituting the Prime Minister.

Now both options seem equally likely. And further developments will depend on current staffing arrangements and a number of other issues, including amendments to the Constitution.

[Full text](#)

*Deputy Director General –
Director of Political and Legal
Programmes at the Razumkov Centre
Yuriy YAKYMENKO*



UKRAINE'S PARTY SYSTEM IN 2010-2015: CHANGES, TRENDS, PROSPECTS OF EVOLUTION

The article analyses the process of formation of Ukraine's party system, its factors, mechanisms and consequences, in the period during 2010-2015.

It is reported that during the 2010-2013 phase, the party system has evolved from moderate pluralism almost to a hegemonic party system (with the Party of Regions as the hegemon), which took place as a result of an attempt to establish the authoritarian regime of V. Yanukovych in the country.

This tendency was curbed by the Revolution of Dignity, the victory of which led to the change of power in the country and the restoration of democracy. This

brought significant changes in Ukraine's party system. Further evolution of Ukraine's party system depends on a number of factors presented in the article.

Article was published in State and Law: Collected Studies. Political Sciences series. Issue 68 / V.M. Koretsky Institute of State and Law of NAS of Ukraine. – K.: "Legal Opinion" Publishing House, 2015. – 218p., p. 181-193.

[Read full article](#)

*Deputy Director General – Director of Political
and Legal Programmes at the Razumkov Centre
Yuriy YAKYMENKO*

PARTIAL IMPERATIVE MANDATE CAN BE USED TO DISSOLVE THE PARLIAMENT

Verkhovna Rada has made nine attempts to introduce the bill on partial imperative mandate on the agenda.

Its adoption makes candidates from the upper part of the election list more controlled by party leadership, and enables them to exclude persons who, due to various circumstances, became inconvenient.

Thus, it becomes possible to annul a portion of electoral lists by party decisions, which, in its turn, can be used to implement the procedure for early dissolution of the Parliament, and announce early elections.

A similar mechanism was used in the political crisis during V. Yushchenko's presidency, when the parties could not implement any of the scenarios for dissolving

the Parliament and agreed to this option. Theoretically, this possibility is available now as well, in case it comes to this.

Voting for the bill that is seen rather as a negative signal can be quite problematic, especially because many current deputies and those who have a chance of passing to the next Parliament will take this factor into account and will be watchful of giving such powers to the leadership.

[Full text](#)

*Deputy Director General –
Director of Political and Legal Programmes at the Razumkov Centre
Yuriy YAKYMENKO*

ON THE POSSIBILITY OF REVOCATION OF UKRAINIAN CITIZENSHIP FOR TERRORISM

Recently the French National Assembly legalised stripping of citizenship from individuals convicted of terrorism. Related amendments to the country's Constitution were supported by the majority of deputies of France's lower house of Parliament. Ukrainian government also started studying the possibility of adopting the same measures.

Here we have to understand that our country is a party to various international agreements, and, first of all, we must proceed from the fact that Ukraine is obliged to abide by them. In this case, according to the Universal Declaration of Human Rights no one shall be arbitrarily deprived of his nationality, and the European Convention on Nationality repeats this provision. Besides, we have Article 25 of the Constitution, according to which "a citizen of Ukraine shall not be deprived of citizenship". The same article states that a citizen of Ukraine shall not be expelled from Ukraine. Thus, if we want to create a mechanism for revocation of citizenship, firstly, we should ensure the introduction of respective amendments to international conventions, and secondly, rewrite the Constitution and the law on citizenship.

Now this topic is very popular in Ukraine, even more so in the aftermath of the events in France. But we should not be forgetting that the constitutional reform the French authorities are now trying to implement applies only to those, who have dual citizenship. Therefore, it will be impossible to create a mechanism for revocation of citizenship in our country in the short term.

Also, in our society there is a misconception that revoking a DNR terrorist's Ukrainian passport will make him no one. This is not true. Let us recall that according to Ukrainian legislation, persons without citizenship (stateless people) have the same set of civil rights as the citizens of Ukraine, except the right to vote, the right to be elected and the right to hold government positions. Therefore, even if in the future we create a mechanism of revoking citizenship, this does not mean that persons recognised as terrorists by the court and subjected to punishment for it, will leave Ukraine. They will be able to stay here.

Also, Ukraine should not be using the experience of the Baltic countries, where the law has divided residents

into citizens and non-citizens (depending on compliance with certain requirements, including a command of the state language), who have different rights, as in this case, the authorities will have to divide the existing citizens into those who have the right to keep their Ukrainian passport, and those who will be deprived of this privilege. Which is unacceptable and contrary to all international rules. In addition, we risk provoking a "division of people into different classes" frenzy. The Baltic countries adopted these laws at the dawn of their independence, in the early 90s, which at that time was justified. If we truly want to change something in this area, we need to make proposals to amend the aforementioned international conventions. There is no other way to resolve this issue.

At the same time, we should not forget that we still have the Criminal Code, which provides for quite severe punishment for attempting to breach the political system and territorial integrity of Ukraine, as well as for terrorism. And it makes no big difference, whether the suspect is a citizen of Ukraine or not. He still has to answer for what he has done.

[Full text](#)

*Razumkov Centre Scientific
Consultant on Legal Issues
Viktor MUSIYAKA*



National Security and Defence

ONLY POWERFUL MILITARY POTENTIAL OF UKRAINE CAN BE COUNTED UPON IN DETERRING RUSSIA'S AGGRESSION

When someone talks about parties to negotiations in the Minsk process, they usually mention the so-called "DNR" and "LNR" and Ukrainian government forces, and then accuse Russia that it allegedly does not abide by the agreements. In reality, the text of Minsk Agreements does not contain either Russia's proper signature, or its responsibilities. Foreign troops are mentioned, but it is not clarified, whose troops these are. In this case, Russia has written the Minsk Agreements so that it is beneficial for Russia, and has also remained a bystander, who has taken the role of peacemaker and mediator upon itself.



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

Of course, these agreements can be rewritten, but the worst thing that can happen in this situation, besides war, – is "Minsk-3". Thinking back about how "Minsk-1" and "Minsk-2" began, a major military crisis has to happen, in the aftermath of which Ukraine is put at the table together with Putin and the European partners to conduct negotiations, but in this case, upon worse terms. Also, we have to understand that Putin's signature in any agreements does not provide any guarantees.

Because the only criticism that Russia reacts to – is what Turkey did. I.e. a military response to actions that violate legislation. Unfortunately, so far the situation is such that any, even very well-chosen formats or written arrangements provide only a small hope that Russia will adhere to them and this will help in conflict resolution.

Minsk Agreements, except for some aspects – are a standard set of measures that has been used in many conflicts. Agreement texts are important, but they do not provide any guarantees.

[Full text](#)

PUTIN ACKNOWLEDGED THAT MINSK AGREEMENTS ARE COMPLETELY IN RUSSIA'S BEST INTEREST

Putin's statement refusing to return under Kyiv's control the state border in the occupied Donbas indicates that Minsk agreements have been written precisely in line with Russia's strategy in the settlement of this conflict, which is not the Ukrainian plan. This is not the Ukrainian strategy, not the Ukrainian plan. He once again confirmed it with his words.

Putin made it clear that it depends on him, when Ukraine will be given control over the border. This leads

us to the following conclusion: if Minsk agreements are fulfilled, as Russia and the Western partners insist, and to which for whatever reasons Ukraine agrees, it will be Russia's interests that are met, not Ukraine's.

[Full text](#)

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

PUTIN IS NOT GIVING UP HIS GOALS REGARDING UKRAINE

Recurrent strengthening of firing from prohibited weapons naturally fits into the overall fabric of Moscow's behaviour. So, Putin is not giving up his goals. Assuming that in the end Ukraine was made to hold elections in the uncontrolled territories, this would be the most horrible possible finale, because if elections in Donbas happen prior to withdrawal of Russia's troops and military groups, and before Ukraine reinstates its control over the border, Kremlin will gain an even more powerful tool to influence Ukraine through separatists, than it currently has.

The militants might then infiltrate to the rest of Ukraine's territory, and in case of amnesty limitations

for the militants, the newly elected Donbas government comprised of separatists could turn to Russia for official military support, and then it is entirely possible that the Russian army would launch an open and full-scale offensive.

[Full text](#)

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



THE WAR IN DONBAS CONVINCED UKRAINIANS OF THE NEED TO JOIN NATO

According to latest studies, Ukrainians think that the most important problem in the country are the hostilities in Donbas.

Ukrainians experienced it personally that we need international security guarantees. And not the kind that were written into the Budapest Memorandum, but legal

ones. For instance, Article 5 of the NATO Treaty. In this regard, our Euro-Atlantic course is fully justified. The fact that the credibility of the Alliance among the population increased means that people are dropping the stereotypes created by Soviet propaganda about the "beastly grin of NATO". Everybody saw who can truly protect Ukraine.

I support the referendum on NATO membership, not so much as a way to express Ukraine's readiness to join the Alliance, but rather as an appeal to our government regarding the firmness of this course and introduction on the state agenda of preparations for accession. Such preparations are included in the Annual National Programme of Ukraine-NATO Cooperation, but its implementation is not too active. It describes all the tasks Ukraine has to accomplish in order to meet NATO's standards, – not only in the military, but in all other

areas, including economy, democracy, law enforcement and judicial systems. If this is done, NATO's credibility in people's eyes will grow even more. But all of this does not exclude the need for regular awareness work with population. We need this information wave to spread and reach all the people, in particular, those in Donbas.

[Full text](#)

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

RUSSIA IS TURNING CRIMEA INTO A MILITARY BASE

In Crimea, Russia is using the principle of forward military presence. After the annexation, the peninsula has been turned into a large military base: the number of force groups is being increased, and corresponding infrastructure is being created. 23 Crimean enterprises, allegedly officially (on their part), joined Russia's military-industrial complex. The rest of the population of the peninsula – one might even say the island – will be involved in the maintenance of this military base.

Russia has been pursuing this goal for a while, and for the same reason, the Black Sea Fleet has not been withdrawn from the peninsula, and under pretences of all sorts, Ukraine was forced (asked) to allow it to remain

there. One of Putin's key goals is to respond to NATO's expansion, and using Crimea, he is trying to resist this process.

Russia's active military build-up in the Black Sea Region significantly changes the balance of power that has been established here. The radius of missiles in Russia's inventory is 3,000 to 6,000 km.

What does this mean for Ukraine? The country has not only lost most access to the sea, but also got a base nearby, from which the mainland can be attacked.

[Full text](#)

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

NORTH KOREA'S BEHAVIOUR SUGGESTS LOW EFFICIENCY OF INTERNATIONAL LAW

North Korea has chosen an unexpected time to launch a ballistic missile and test the hydrogen bomb, demonstrating the inefficiency of international sanctions for violation of the nuclear non-proliferation regime.

These two events – launching of the ballistic missile and testing of the nuclear or hydrogen bomb (as claimed by PRK leadership), which have not been fully confirmed, but most probably did take place – are something that cannot be ignored. Any missile that is able to place a satellite into the orbit, is also able to launch a warhead there, and then deliver it to any corner of the globe. This is the primary concern.

This also raises the question of inefficiency of sanctions and international mechanisms that were unable to deter PRK from such actions.

Besides, in regard to Ukraine, let us remember the Budapest Memorandum, which provided Ukraine guarantees of sovereignty and territorial integrity from the nuclear states. This memorandum was to serve as an essential tool for encouraging those countries that either already had nuclear weapons or were on the verge of creating them. This tool was destroyed mainly by Russia, one of the guarantors of this document. And now we see that even with application of sanctions it is impossible to force a state to do something. As a result – there is no more trust in international law.

[Full text](#)

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

Economy

ANALYTICAL REPORT «CURRENT MONETARY POLICY AND ASPECTS OF ITS IMPLEMENTATION IN UKRAINE»

Although more than five years have passed from the time of active spread of the global crisis, risks and challenges in global financial markets remain significant. At the same time, debt problems are becoming more pressing, even more so for many emerging economies where they are complicated by a major drop of prices in commodity markets. Such disturbances also have a major impact on currency markets, increasing the uncertainty and turbulence in them.

Among the main challenges of our time are issues related to the current state and development prospects of the global and national currency environment, economic policy measures and instruments, which will allow to prevent the spread of new crisis processes, and strengthen countries' and international business balances.

Today, the country has to define and create new development principles and directions for reforms. In this context, the search for mechanisms of currency and monetary stabilisation, clearly, is among Ukrainian government's priorities, and such mechanisms should be properly written into formation of modern institutions that ensure sustainable growth and development.

This analytical report by the Razumkov Centre explores current challenges related to currency issues, as well as aspects of monetary policy in Ukraine, and also features opinion pieces of leading Ukrainian and international specialists.

The analytical report is enhanced with survey results from the sociological service of the Razumkov Centre asking Ukrainian citizens about their familiarity with the main components that form the currency environment, as well as the influence of monetary dynamics on moods and expectations.

[Read full analytical report](#)

*Scientific editing by Director
of Economic Programmes
Vasyl YURCHYSHYN*



INVESTMENT ACTIVITY IN THE VISEGRAD GROUP COUNTRIES: CHALLENGES FOR UKRAINE

The article analyses individual components of intensified foreign direct investment and its impact on economic development in the Visegrad Group Countries. It features special aspects of the countries' policy aimed at attracting investment resources in order to develop and strengthen competitive economy. The article establishes an interrelation and mutual influence between FDI, foreign trade and privatisation in the process of stimulating investment. It argues that for Ukraine, which faced macroeconomic slowdown, increasing deficit of state finances and balance of payments, national currency devaluation, has inefficient and high energy consumption economy, FDI can become a basis for economic restructuring and recovery. Given the experience and practices of

Visegrad Group countries in attracting investment, the article specifies challenges and complicated tasks in helping Ukraine attract investment resources, consideration and resolution of which will positively affect Ukraine's short- and medium-term investment attractiveness, and, therefore, based on the Association Agreement with the EU, will allow to expand the inflow of "effective" investment resources from EU countries, and ensure sustainability of economic growth and development of the country.

Yurchyshyn Vasyl, Markevych Kateryna. "Investment Activity in the Visegrad Group Countries: Challenges for Ukraine" // International Economic Policy. — 2015. — No. 2 (23). — P. 126-148.

[Read full article](#)



*Scientific editing by Director
of Economic Programmes
Vasyl YURCHYSHYN*



*Expert of Economic Programmes
of the Razumkov Centre
Kateryna MARKEVYCH*

GOVERNMENT MUST INCREASE BUDGET REVENUES THROUGH INNOVATIVE ECONOMIC DEVELOPMENT

Government has to solve the problem of directing revenues into the state budget through developing potentially productive types of economic activities, and not through legalising drugs, prostitution and gambling.

Government initiative to legalise gambling is a distraction of attention from solving real strategic problems.

In order to solve the problem of balancing the state budget, we need to develop lucrative types of economic activities that will be providing increasing revenues for a long period time. This concerns those areas, where government support is really necessary, and where this support can be linked with already existing business areas, such as software development, which is on the

upswing in our country due to high specialised work-force potential. This can also be an area with high demand in society, for instance, sectors connected with healthcare. These can be some new technologies, environmental energy saving technologies. It is here that the state has to encourage certain innovations, which in my opinion, would lead to significant strengthening of the state budget.

[Full text](#)



*Scientific Consultant
of the Razumkov Centre on Economic
Issues Volodymyr SIDENKO*

RUSSIA HAS EXHAUSTED ALMOST ALL OF ITS TOOLS OF ECONOMIC PRESSURE ON UKRAINE

Economic confrontation between Ukraine and Russia has been going on for several years. During this time, Russia managed to ban several times the import of Ukrainian dairy products, meat, fruit and vegetables, blocked the delivery of rail crossings, rail cars and pipes. At the end of last year Kremlin resorted to even more stringent action: closed Russian airspace for Ukrainian airlines, and from January 1, banned the import of almost all agricultural products from Ukraine, and unexpectedly closed transit routes for Ukrainian carriers.

Thus, Russia has practically exhausted its entire range of economic influence tools on Ukraine. In recent years, trade flow between the countries has dropped

several times, partnership with Russians draws strong adverse reaction from the Ukrainian society, investors are not disposed to develop joint projects.

In such circumstances, there are no preconditions for restoring economic ties, therefore, any purely economic restrictions imposed by Moscow, will have minimal impact on Ukrainian business. A year and a half or two years ago, many did not understand how our economies can exist without a close interconnection, but now it is clear that the break-up happened.

[Full text](#)

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

DEVALUATION OF THE RUBLE WILL NOT AFFECT THE HRYVNIA EXCHANGE RATE

Previously, Ukrainian quotations were largely connected with the Russian ones. However, now, when our trade flow has significantly reduced (only in 2015, it dropped by half), there is no investment into Ukraine from Russia, and financial markets are broken-up, – capital flows between the two countries are limited. So I do not think that the dynamics of the Russian ruble will affect the Ukrainian currency. That is, of course, if the panic does not spread and if there is no deliberate speculative trading. There

is an opinion that at the end of last year and early this year, the hryvnia was shaken because some Russian banks were actively purchasing U.S. dollars here. Nevertheless, these measures are limited, and the National Bank, which monitors all of this, can easily put a stop to it.

[Full text](#)

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

RUSSIA'S ECONOMY HAS SUFFERED SIGNIFICANT LOSSES DUE TO WESTERN SANCTIONS AND THE DROP OF OIL PRICES

Amid deteriorating economic situation due to the sanctions and the dropping oil prices, Putin states that Russia still has reserves to "survive" the crisis period. According to him, the Central Bank has over 300 billion of gold and foreign currency reserves, and two Government reserve funds have about USD 70 billion each.

At the same time, a year ago Russia's reserves amounted to almost USD 450 billion, now they have significantly decreased, in particular, due to capital outflow and the absence of a steady resource for their replenishment. There is a tendency of major reduction, which is a negative indicator.

Also, for a country that is a major exporter of oil and a big share of whose state finances are shaped depending on the price and volume of export, such drop of oil prices is a significant shock. The dynamics of stock

market indexes is highly correlated with oil prices. In a similar way, the exchange rate of the Russian ruble is highly correlated with oil prices.

In the world there are examples when cheaper raw materials stimulate the flow of investment into some other industries that a country considers competitive. But I am not quite sure that this argument concerns Russia, as the country has long depended on raw commodities exports, while the economy is largely built on expensive oil exports, and there is no reason to expect that even in the medium term this economy will be successfully reorganised.

[Full text](#)

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

POLITICAL SITUATION IN UKRAINE INDIRECTLY AFFECTS COOPERATION WITH IMF

The Constitutional process associated with implementation of Minsk Agreements will not directly affect the allocation of IMF loans for Ukraine.

The IMF looks at very different things: macro-economic balance of the economy, absence of large budget deficits, GDP level, inflation dynamics. Of course, they take into account the political sector of the country, but among IMF's efficiency criteria used as the basis for allocation of tranches, there are no political conditions. Quite the opposite, the IMF always distances itself from political aspects, and the postponing of voting (for

amendments to the Constitution of Ukraine under Minsk Agreements) will not affect the allocation of credit.

However, there is also a different side to this issue. When allocating financial assistance, the IMF's Executive Board will take into account opinions of its shareholders – governments of developed countries. If a country makes obvious political missteps, they will have an indirect influence on IMF's decisions.

[Full text](#)

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

UKRAINE UNREASONABLY DELAYED THE INTRODUCTION OF SANCTIONS AGAINST RUSSIA

In response to Russia's unilateral withdrawal from the agreement on the free-trade zone with Ukraine within the CIS, introduction of sanctions against Ukraine, and most importantly, – in response to the aggression in Donbas and Crimea, at the end of 2015, our country introduced changes to the Law "On Foreign Economic Activity". According to these changes, the Government of Ukraine received the authority to use appropriate economic measures against the aggressor state.

Ukraine by itself cannot really influence Russia's economic and military potential. But having joined its efforts with Western countries, foremost, the USA and the EU, in restricting and prohibiting supplies of not only

military, but also dual-use products that can be used in the civil sector (for oil recovery, trade), Ukraine may significantly influence Russia.

Western sanctions had the main effect. In addition, Ukraine lagged behind in their implementation. And even the fact that Ukrainian economy was highly dependent on Russia could not justify the deferral on our part. In the first place, this concerned those goods that could not only cause losses for Ukraine, but also lead to deaths among our soldiers.

[Full text](#)

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

BRINGING PRODUCTION TO UKRAINE IS PROFITABLE FOR INVESTORS

From the beginning of 2016, application of the free trade area between Ukraine and EU has started. It will not only lower prices for European goods, but also, if Kyiv manages to beat corruption, will bring in investors from the EU, USA China and India.

Other countries' experience confirms his. For example, the free trade area with the EU played an important role in the economic growth of Central European countries. Now it is Ukraine's turn. During

the first investment wave in the Czech Republic, Poland and Hungary, the labour there was cheap, so Europeans brought their businesses there. Now their standard of living is higher, so it is time to bring production to Ukraine.

[Full text](#)

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

CITIZENS IN DEVELOPED COUNTRIES WORK NOT ONLY FOR THE SALARY

On 5 June 2016, in Switzerland, a referendum will take place on basic income. If this initiative is approved, every Swiss will receive a monthly 2,500 Swiss francs (about €2,250), regardless of whether they work or not. What is interesting is that according to polls conducted in the country, the majority of the Swiss will continue working if the corresponding legislation is adopted.

Note that people living in developed countries work not just for the salary. Career growth, socialisation, communications – is what is important for them.

One of the factors that led to the idea of introducing basic income was significant strengthening of the Swiss franc. In such circumstances, the country could use moderate devaluation. So the government probably decided that it is better to regulate the exchange rate by giving the money away to the public, instead of introducing restrictive measures.

[Full text](#)

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

Energy Sector

UKRAINE CAN MAKE GAZPROM ABANDON ITS “TAKE-OR-PAY” PRINCIPLE

Recently Ukraine has announced its intentions to raise transit rates for Russian gas, as well as abandon the “take-or-pay” principle fixed in the contract between *Gazprom* and Naftohaz. According to Naftohaz, the current total amount of monetary claim announced by *Gazprom* in the lawsuit that references the “take-or-pay” principle is \$26.7 billion for years 2012-2014.

Ukraine does have a chance of winning. For example, last May, for the first time *Gazprom* lost a case related to a fundamental condition of international contracts – the *take-or-pay* scheme. Vienna arbitration authority has upheld the right of Czech *RWE Transgas* to cut the volume of its gas purchase without penalties. This is a precedent, before which there have been similar cases with German and Italian companies, when realising that there is a major risk of losing, *Gazprom* has decided upon a path of compromise in order not

to trigger the domino effect: to avoid problems with other contracts.

Ukraine proposed an increase of transit rates because it moved to a new system of rate formation. According to the Third Energy Package and in line with European legislation, Ukraine has grounds for this, but if *Gazprom* refuses, it will be rather hard to enforce it, as the operating contract specifically defines mechanisms of rate formation.

[Full text](#)

Director of Energy Programmes
of the Razumkov Centre
Volodymyr OMELCHENKO



LAW ON GAS MARKET WILL HELP CREATE AN ATTRACTIVE INVESTMENT CLIMATE IN UKRAINE

The approved law “On Natural Gas Market” truly meets Europe’s requirements, and could theoretically make Ukrainian gas market more transparent, closer to consumers and less monopolised. But everything will depend on implementation of this law.

Because adopting a law is only 10% of the whole operation. In order for it to work, dozens of regulations must be passed.

But altogether, the law is truly an important step towards establishing a competitive consumer-centred

gas market in Ukraine: transparency, competition for consumer protection, establishing an independent national regulator – these are the steps that will enable Ukraine to integrate into the common energy space with the EU countries, as well as to create an attractive investment environment.

[Full text](#)

Director of Energy Programmes
of the Razumkov Centre
Volodymyr OMELCHENKO

Foreign Policy

RUSSIA IS READY FOR THE EU TO PROLONG ITS ECONOMIC SANCTIONS

German Chancellor Angela Merkel practically confirmed that European sanctions against Russia will be extended. However, Moscow is ready for this.

Most likely, the sanctions will be prolonged until the end of the year. Of course, certain countries will possibly oppose the move, but this will not change Germany’s overall disposition.

Analysing most of Putin’s speeches, it is clear that he is hinting that Russians have to tighten their belts. And they will. Russian society is ready for a drop in living standards. Thus, Kremlin will continue the war in Ukraine.

Russia points at Ukraine, accuses Kyiv of failing to implement “Minsk-2”, yet has done nothing on its own part. The victim is falsely made guilty. At some point Europe may accept Moscow’s interpretation.

[Full text](#)

Co-director, Foreign relations and
international security programmes
of the Razumkov Centre
Mykhailo PASHKOV



HOPES THAT RUSSIA WILL CHANGE ITS POLICY TOWARDS UKRAINE IN THE NEAREST FUTURE ARE USELESS

Ukraine should be ready for increased Russian aggression in the short term, as the majority of Russian citizens like what their political elite does.

Russian economic crisis caused by the drop of oil prices and sanctions is viewed as part of an agreement between the government and society: the government provides a sense of greatness of the empire, and the society promises to endure the hard times. So the hopes for Russia’s downfall in the nearest future are wasted.

The most realistic prognosis is re-election of V. Putin for the next presidential term (next presidential elections in Russia are in 2018). So Ukraine must prepare for a serious confrontation.

[Full text](#)

Co-director, Foreign relations and international security
programmes of the Razumkov Centre
Mykhailo PASHKOV

USA WILL NOT MAKE ANY DRAMATIC MOVES IN FOREIGN POLICY UNTIL THE PRESIDENTIAL ELECTION

In the near future, the US will not make any dramatic moves regarding either Ukraine or Syria, which plays into the hands of Russian President V. Putin.

Putin will have to speed up his actions in Ukraine and Syria, because any next president of the United States will feel less confined in his actions than B. Obama. He or she will definitely take a harder stand against Russia.

USA will not start a full-scale land operation in Syria. Russia currently is the only one making abrupt moves in the Middle East. Possibly, USA will use their Special

Operations Forces and aviation. Thus, doing what they are doing now.

All players must proceed from the fact that the war in Donbas and a threat to overall security in Europe may exist for years, if not decades. The war of current intensity can go on for a long time, if the political price of it for Russia is not raised.

[Full text](#)

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

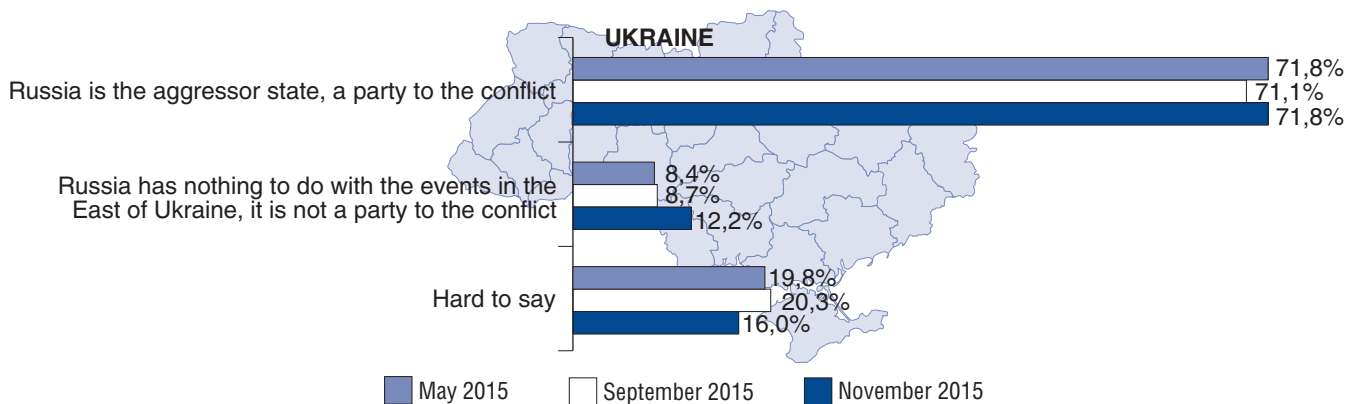
Sociology

The latest study, the goal of which was to assess the situation in Eastern Ukraine, in particular the ATO, as well as Russia-Ukraine cooperation, was conducted by the sociological service of the Razumkov Centre from 6 to 12 November 2015. There were 2,008 respondents aged 18 y.o. and older, from all regions of Ukraine, except Crimea and the occupied territories of Donetsk

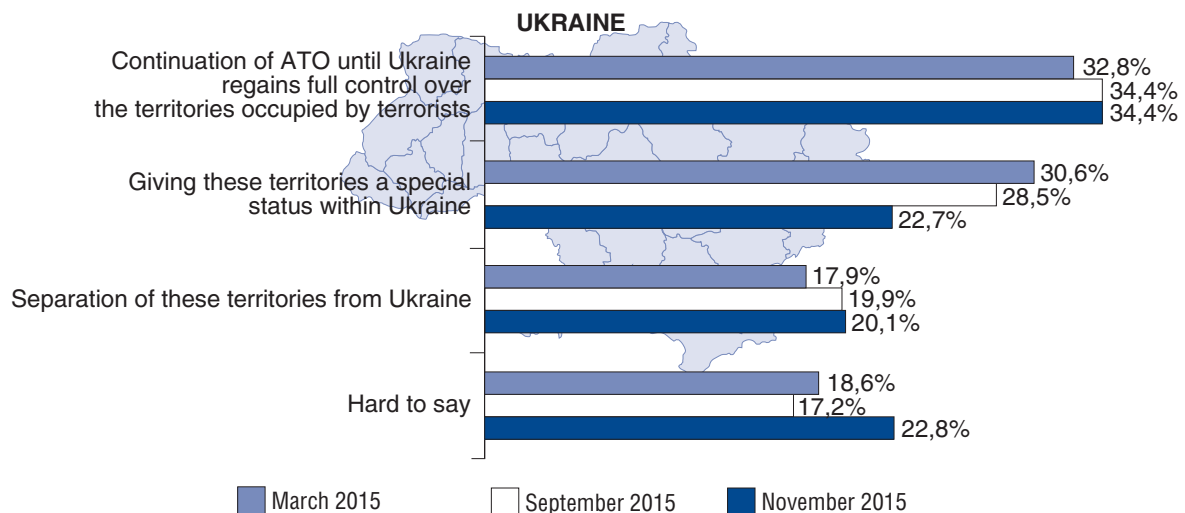
and Luhansk oblasts, with the sample representative of adult population of the country by main socio-demographic indicators. Theoretical sampling error does not exceed 2.3% with probability of 0.95. For more information on the results of sociological studies conducted by the Razumkov Centre, see our web-site <http://www.razumkov.org.ua>.

With what opinions and assessments regarding the situation in the East of Ukraine do you agree most?
% of respondents

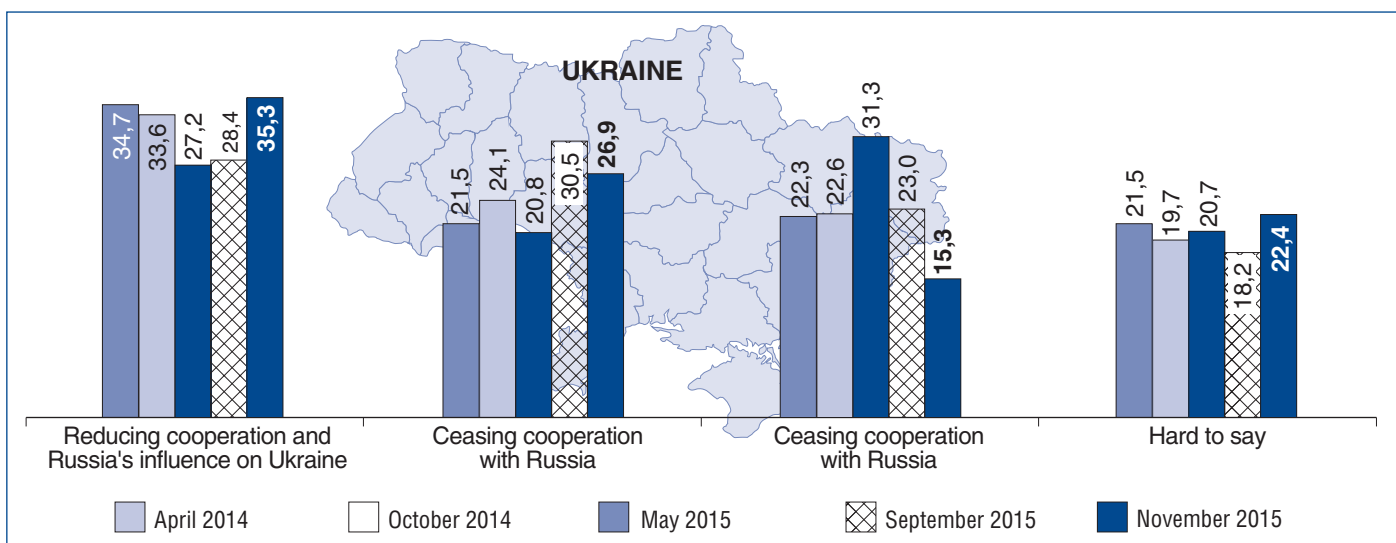
Assessment of Russia's place in the conflict in the East of Ukraine



Further actions to resolve the conflict in the East of Ukraine



What should be Ukraine's policy towards Russia?
% of respondents



Razumkov Centre Events

2015 GLOBAL GO TO THINK TANK INDEX REPORT PRESENTATION

On 28 January 2016, the Razumkov Centre held the Round Table: "Why Think Tanks Matter to Policy Makers and the Public".

During the event the *2015 Global Go To Think Tank Index Report* published by Think Tanks and Civil Societies Program of the Lauder Institute, University of Pennsylvania, was presented.

Razumkov Centre has the best results among all Ukrainian think tanks:

- **42nd among the Top 137 Think Tanks Worldwide (non-US)**
- **60th among the Top 175 Think Tanks Worldwide (including the US)**
- **5th among the Top 90 Think Tanks in Central and Eastern Europe.**

During the Round Table the following issues were discussed:

- Ukrainian think tanks in the process of reforms: accomplishments and problems in interaction with the government and the public.
- Triangle "think tanks – customers – donors": how to bring together supply, demand and resources?
- Prospects of Ukrainian think tanks' development: incentives, obstacles and risks.



[2015 Global Go To Think Tank Index Report presentation](#)
[View full 2015 Global Go To Think Tank Index Report](#)

PARTICIPATION OF THE RAZUMKOV CENTRE IN THE 9TH EUROPE-UKRAINE FORUM

On 24-26 January 2016, the 9th Europe-Ukraine Forum was held in Lodz (Poland). The delegation from the Razumkov Centre actively participated in its work.

During the opening of the Forum, Deputy Director General – Director of Political and Legal Programmes Y. Yakymenko presented a report by the Razumkov Centre "Ukraine 2015-2016: Tested by Reforms".

Co-directors of Foreign Policy and International Security Programmes O. Melnyk and M. Pashkov took part in panel discussions on the new models of cooperation for international security in the Adriatic, Baltic and Black Sea regions, and Ukraine's position in the post-Soviet space.

Director of Energy Programmes V. Omelchenko presented a vision of Ukraine's new economic strategy.

Director of Economic Programmes V. Yurchyshyn took part in the discussion on investment climate in Ukraine.

Razumkov Centre Scientific Consultant on Legal Issues V. Musiyaka participated in the discussion on the issues of Ukraine's law enforcement reform.

Scientific Consultant on Economic Issues V. Sidenko was the moderator of the discussion on the new possibilities created by the free trade area with the EU.

9th Europe-Ukraine Forum was organised by the Institute for Eastern Studies, Warsaw (Poland).



INTERNATIONAL CONFERENCE "MONITORING OF GOVERNANCE CHALLENGES FROM THE SECURITY AND DEFENCE SECTOR OF UKRAINE: STATE AND NEEDS"

On 21-22 January 2016, Razumkov Centre together with Geneva Centre for Democratic Control of Armed Forces (DCAF) held the International conference "Monitoring of governance challenges from the security and defence sector of Ukraine: state and needs".

In the discussion participated representatives of legislative and executive authorities, law enforcement agencies, academics, international and domestic experts, representatives of foreign embassies and international organisations.

During the conference the following issues were discussed:

- Key challenges in security governance: domestic experience and best international practices.
- Democratic supervision and governance in security and defence sectors.
- National security and defence: current state and reform priorities.
- International support of Ukraine's security sector reform.

On 22 January at 14.00 at the press centre of Interfax-Ukraine News Agency took place a press conference summarising the results of International conference "Monitoring of governance challenges from the security and defence sector of Ukraine: state and needs".

Press conference participants included DCAF's Deputy Director Ph. Fluri and Co-director of Foreign Policy and International Security Programmes of the Razumkov Centre O. Melnyk.

[View analytical materials from the conference](#)

OLEKSANDR RAZUMKOV UKRAINIAN CENTRE FORECONOMIC
AND POLITICAL STUDIES

Address: 01015, Ukraine, Kyiv, 16 Lavrska St
Telephone (044) 201 11 98, fax (044) 201 11 99
Email: newsletter@razumkov.org.ua