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Prime Minister Volodymyr Hroisman on economic expectations and plans in 2018

The prospects of Naftogaz and liberalization of Ukraine's energy market

Socio-economic sentiments in the liberated part of the Donbas

PUBLIC OPINION: IT'S COMPLICATED



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BRIEFING

- 4 **A time of miracles:**
On the perception of change in Ukraine



POLITICS

- 7 **Volodymyr Hroisman:**
"We could see 5% growth by QIV'2018"
Ukraine's Prime-Minister on economic strategy, innovations, state monopolies, and privatizations planned for 2018
- 10 **In search of the sense:**
The key trends of 2017 in Ukraine's politics
- 12 **No right to show weakness:**
How Ukraine's security, defence and the capability to counter hybrid aggression changed in 2017



ECONOMICS

- 14 **National champions wanted:**
Which companies have the potential to get a global reach and become the drivers of an economic breakthrough in Ukraine
- 16 **Baby steps to success:**
How Ukraine's joint ventures with EU countries develop in the energy sector
- 18 **The battle for Naftogaz:**
What groups compete for control over one of the most profitable state companies

FOCUS

- 23 **Frustrated and optimistic:**
How Ukrainians assess their present and future
- 26 **A wolf in sheep's clothing:**
What kind of a new leader Ukrainian voters prefer
- 28 **Curiouser and curiouser:**
Socio-political trends in the Donbas
- 30 **The pursuit of happiness:**
Why migration from Ukraine rises and won't stop any time soon



- 32 **Creating a common agenda:**
War veterans, volunteers and activists share their expectations of 2018

SOCIETY

- 34 **Studio sleight of hand:**
How Ukraine's talk shows work
- 36 **A new hegemon:**
Major trends in small and mid-sized entrepreneurship in the Donbas



NEIGHBOURS

- 38 **Ben O'Loughlin:**
"People in Ukraine often have a false view of what life in the EU is like"
Professor of the London University on the perception of the EU in Ukraine and Russian propaganda



- 40 **Confused new world:**
What makes the post-Brexit government and opposition in the UK weak
- 42 **Michito Tsuruoka:**
"Vis-à-vis North Korea, it is undeniable that no country has a workable option to stop its missile and nuclear development short of war"
Keio University Professor on security in East Asia and a new approach to Japan's defense capabilities

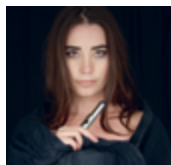
- 44 **The youth of today:**
How the new generation feels and what it prefers



CULTURE & ARTS

- 47 **Vitaly Mansky:**
"Russia is ill. Fruits and vitamins aren't enough to cure it anymore"
Russian film director on art and totalitarianism

- 50 **Silent films, jazz and ballet:**
The Ukrainian Week offers a selection of events to attend in January and February



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A time of miracles

Dmytro Krapyvenko

There are those who say that nothing has changed in Ukraine, and if anything has changed, it hasn't been for the better. They are mistaken. It's not necessary to dig deeply into the country's historical layers to find markers of change. Just 4-5 years ago, what did the mainstream New Year's Eve look like? Second-rate Russian pop about Father Frost and his sidekick Snowflake, cross-dressing Verka Serdiuchka, and their cheesy staging on TV, and, of course, the perennial movie about the irony of fate that depicted—without any irony—the endless repetitiousness of soviet life. ▶

PHOTO: STANISLAV KOZLUK



Oh, I almost forgot the ubiquitous olivier salad, made according to the soviet recipe. This fakery of the previous era many mistakenly thought was a real tradition. The New Year's tree on the Maidan, Lenin on Besarabska Ploshcha also seemed to be in Kyiv since forever.

The young and the progressive sneered at this “holiday set,” but the overall mood across the country suggested that New Year's in Ukraine was something resembling a large-scale Groundhog Day. Habit and inertia. Could there ever be something else? Before, no one gave much thought to this. And those in power kept chanting that the main thing was stability and well-being, which they, needless to say, were going to ensure us. Then, a miracle happened. Surely that is not a bad way to describe the Euromaidan? Those events were an epic cycle of historic upheaval that could well be also tagged “in spite of.” After all, there was no logical explanation for why it happened.

Some like to interpret as miracles things like price controls, fruit baskets and paternalistic bonuses. Anyone who is counting on them is sure to lose. It's a good bet that people who like to buy lottery tickets on a regular basis and participate in pyramid sales most likely gravitate to populist miracle-workers than to parties with a constructive platform—especially if their rhetoric includes exhortations to work rather than to wait for freebies from on high. Together, these voters and their idols are building what is, in fact, a country of fools, no matter how pretty the name they wrap it in.

When talking about miracles, there's always a sense of something infantile or at least not-quite understood. Consider contemporary technology. It may be banal, but it's true: most

ent” for far too long. Chiding those in power and pointing out mistakes became fashionable, and any achievements had to be checked for tricks and treason. As a perfect example, the foreign press was abuzz about the flight of the AN-225 Mriya, the world's biggest plane, to Australia, while domestic media were very subdued.

The Ukrainian economic miracle. I've seen plenty of “fantastic” books on this topic – I refer to political campaign platforms – in which this term appears from time to time. But it is the kind of catchphrase that becomes legitimized when the economic miracle is talked about foreigners, not by the residents or leadership of that country: this is never very persuasive, reminding everyone of the Soviet Union with its ‘frugal economy’ constantly blowing its horn about its miracles and reflecting the kind of ideology we can see in a country like the North Korean Democratic Republic today. It's best when officials in other countries talk about it or, better yet, investors are happy to put their money into promising new ventures.

Right now, no one is talking like this about Ukraine, meaning that Ukrainians haven't produced their miracle yet and they need to work more on this. Nor does that mean working “as usual,” but seriously looking for future growth points with everything they have, to open new market niches, and to grow national champions that will be able to compete effectively on world markets and become a symbol of the country's success.

Ukrainians have spent many years moaning about the decline in national culture. Ukrainian filmmakers often hid their real minds and so the monument to Ukrainian film will probably have only two names: Dovzhenko and Paradjanov. But stop: 2017 has ended and box office receipts on Ukrainian movies are breaking all records in movie theaters. A miracle? Yes, a miracle. Ukraine's still a ways from producing world-class blockbusters and its market for movies has a long way to go and grow to the volumes of even a country like Poland, with its considerably smaller population. The point is that things are moving, despite all the skeptics and all those who tried to persuade Ukrainian filmmakers that the only solution was to work for Mosfilm.

The war... those who have been there say that miracles happen all the time there. In the summer of 2014, one battalion commander said: “Everything that we see happening right now is proof that there is a God.” At that point, there really were very few reasonable arguments to explain how the Ukrainian army, which had been cut back to laughable levels, and the hastily-formed volunteer battalions had managed to arrest a many-times more powerful enemy and even recover a significant chunk of Ukrainian territory. The losses were heavy, fatal mistakes occurred, but they did manage. When Poles managed to beat off the huge red armada that was already nearing Warsaw, they actually called that battle the Miracle on the Vistula [Wisla]. Our war is not yet over and no one can confidently predict its further development, except maybe an astrologer. But in a mere four years of fighting, a generation of soldiers has been forged that is capable of the kind of miracles that are called “feats” in a war. There's no longer any doubt: they are simply biding their time.

Every Ukrainian can get involved in the change process. Romantics can call this the reincarnation of the country; pragmatics can call it reforms; cynics and pessimists can call it what they want—as long as they don't get in the way. There will come a year when everyone will open a calendar, make note of the holidays, and decide for themselves how much had changed for them: soviet dates have gone black, while new Ukrainian and European dates are now marked red, including December 25th. This is a pretty good indicator and the kind that has accompanied every single revolution. ■

EVERY UKRAINIAN CAN GET INVOLVED IN THE CHANGE PROCESS. ROMANTICS CAN CALL THIS THE REINCARNATION OF THE COUNTRY; PRAGMATICS CAN CALL IT REFORMS; CYNICS AND PESSIMISTS CAN CALL IT WHAT THEY WANT—AS LONG AS THEY DON'T GET IN THE WAY

of the technological innovations that we've become used to or are getting used to now were being dismissed as science fiction not so many years ago. Mobile phones, high-speed transport and computers were the subject of conversations among odd-ball dreamers, then technologists, and only after did the “miracle” look to the ordinary user as an ordinary everyday product. What looks like a fantasy today could be mass-produced tomorrow. That's been demonstrated to people in the 21st century more than once.

The point is that today's miracle technologies have their own specific origins. We're used to the fact that devices come to us from China, South Korea or the US. And this engenders, if not an inferiority complex, at least a sense of irony in Ukrainians: is it possible for hi-tech items to be made in Ukraine? The centuries of colonial oppression and the failures of the country's early years of independence have established the opinion that Ukraine is a breadbasket and forge, that that's what it's meant to be, and that Ukrainians need to accept this and continue to nurture this kind of image.

The nation's leaders, of course, have always spoken about enormous scientific and technological potential that somehow needed to be brought to life so that everyone in the world would know about it. But such speeches always had an undertone of uncertainty, as though Ukraine could only become an innovative country thanks to some miracle. Nor did Ukraine's press avoid being infected by this collective psychological trauma, spending years building an image of themselves as “opposition,” because that was seen as equivalent to “independ-



PHOTO: ANDRIY LOMAKIN

Volodymyr Hroisman:

“We could see 5% growth by QIV 2018” Interviewed by Dmytro Krapyvenko

The Ukrainian Week talked to Ukraine’s Prime-Minister about economic strategy, innovative development, the future of state monopolies, and the large-scaled privatizations planned for 2018.

Which sectors of the domestic economy would you call the drivers of economic growth?

— In top place, without any doubt, is the farm sector, which currently accounts for nearly 15% of our GDP, and then comes mining and metallurgy, infrastructure projects, machine-building, and the military-industrial complex (MIC). One of our Government’s main objectives is to incentivize the manufacture of goods with a high added value. For instance, we plan to provide incentives for producing farm equipment. Altogether, UAH 1 billion has been allocated for such purposes in 2018.

The MIC will also be a major driver. We’ve allocated UAH 16.5b for the development of new weaponry and upgraded versions of old weapons. Plans are also to set up an export crediting agency whose purpose will be to attract funding to promote Ukrainian-made products on foreign markets.

How long is mining and metallurgy expected to be an economic driver, especially if we consider China’s rapid expansion in this sector of the world economy?

— We have some serious competitive advantages in metallurgy and demand for Ukrainian products is on the rise. Right now considerable capital is being invested in modernization and environmental security at many enterprises in this sector, which is why I believe this is a primary sector in terms of the growth of the domestic economy. There are major opportunities for an economic breakthrough right now, including in mining and metallurgy.

How can Ukraine grow domestic champions, meaning transnational corporations like those that emerged among the Asian tigers?

— This is not an easy path. We already have a number of high-profile companies that are present on international stock exchanges. As the Government, we have to provide the necessary climate to attract investment from both Ukrainian and international companies. Right now we’re working on a joint venture with General Electric to localize 40% of the manufacture of locomotives in Ukraine. Of course, not all Ukrainian companies have big-name brands, but that hasn’t stopped us from coming in first place in global exports of sunflower oil and seventh place for meat exports.

Volodymyr Hroisman was born in Vinnytsia in 1978. A lawyer by profession, he studied at the Vinnytsia Institute of Regional Economics and Administration, the Inter-regional Personnel Management Academy, and the National Academy of Public Administration under the Office of the President of Ukraine. In 2002, he was elected to the Vinnytsia City Council, after which he was elected Mayor of Vinnytsia for two terms over 2006-2014. Over February-December 2014, he was deputy premier in the Yatseniuk Government and was elected to the Verkhovna Rada that same year on the Petro Poroshenko Bloc (BPP). He was Speaker of the Verkhovna Rada from late 2014 until April 2016, at which point he was appointed Premier of Ukraine.

The rationale behind Asia's national champions was to enter open niches, expand those areas of manufacturing that were just beginning to become popular, such as consumer electronics. Today, demand is growing for drones, solar panels and so on. What opportunities do we have in these sectors?

— Innovation is a major pre-condition for sustainable economic growth. For instance, right now Ukraine has a strong position in UAV technology and we're clearly competitive there. We also have plenty of potential in farm technology in the agro-industrial complex (AIC). Today, there are many start-ups across the country which should eventually be able to enter global markets. But first we need to take steps to establish the necessary ecosystems for the transfer of technologies into the real sector. We also have to pay attention to changes on world markets: something that was a hot trend 20 years ago may not have much demand today. Ukraine's IT sector, on the other hand, is very strong and should be encouraged.

How probable is it that the MIC will become a driving force to modernize the entire economy, the way it did for Israel?

— We're getting some very good feedback for high-tech developments in the defense sector. I won't go into details, but things are looking up, both there and in the aerospace industry. Right now we're just starting to revive support for this sector. Investments in the MIC that I have already mentioned involved the application of high-tech components.

How can Ukraine increase the high tech aspect of its defense industry?

— We've already drafted a bill to protect intellectual property. This is a very important step because inventions and innovations must be registered in Ukraine. We need to also ensure the transfer of inventions to industrial applications. For this purpose, the 2018 Budget includes UAH 50 million to set up an Innovation Support Fund.

How can science and business be brought closer together?

— Our entire system for organizing science needs to be change, together with its funding and incentives. We need to support competitive developments and technology transfers, we need to upgrade the technical side of our scientific institutions, and we need to support young scientists. The Science and Technology Council that I chair will meet this month to discuss setting up an ecosystem to support innovative developments. Once this gets going, the innovative component of the MIC will begin to expand steadily.

How much time will this take?

— I think we will spend 2018 looking for new approaches and new instruments. Business is certainly interested in this.

Ukrainian companies already produce many innovative products, as we can see from their active involvement in international expositions.

Every Ukrainian PM has talked up Ukraine's great economic potential. To what extent is that potential actually being tapped into today?

— It has indeed been a kind of post-soviet tradition, to talk in such clichés. When I talk about potential, it's not in the sense that what I'm projecting but what we actually have to offer today. Look at Ukraine now: it has the capacity for growth from its underground resources to outer space. The problem in the past was that no one in government was actually interested in innovative development. All that interested them was to over-regulate, to corrupt and to co-opt any opportunities coming Ukraine's way. The challenge today is to remove unnecessary restrictions and provide proper market conditions. Then we will see every sector flourish. The space industry, healthcare, the farm sector... every area has its own technologies, but they need the means to apply these. The Innovation Support Fund will be one such instrument.

What are your thoughts about a Marshall Plan for Ukraine?

— Ukraine can use everything that will spur economic growth. The \$5bn a year of investment that the "Marshall Plan" anticipates is a very important resource. But we also need a normal investment climate, a high-quality judiciary, open competition in the privatization of non-strategic assets, reasonable regulations, and modernized infrastructure and industry. That will guarantee economic growth.

How interested are other countries in helping grow a high-tech competitor?

— The question of Ukraine's competitiveness is mainly ours to resolve. We need a strong economy and a high standard of living. For this purpose we need to take advantage of the experience and practices of other countries and institute them here, but we need to also understand that other countries will inevitably defend their national interests first.

What kind of expert support does the Government need?

— The government, Ukrainian society and expert circles are all in the process of evolving. We've all gone down a certain path in the years since the Euromaidan and have gained a lot of experience—including lessons learned from our own mistakes. The main thing is to be able to analyze self-critically and to draw the right conclusions. As to outside expert help, I think that's something we have plenty of.

How are Ukraine's state monopolies doing these days?

— Personally, I'm completely against monopolies, whether public or private. They always have a negative impact on competition. I believe that we need to improve our anti-monopoly legislation and we're working on that right now. The Anti-Monopoly Committee needs to have more power in terms of investigating cartels.

As to state monopolies, we do need to get rid of quite a few of them, such as UkrSpirt, the alcohol maker. It's completely unacceptable to have that kind of monopoly! This is definitely a hangover from stalinist times. Nafto-Gaz Ukrainy also needs to definitely be demonopolized, to make it a competitive, transparent company. Where there is no monopoly, we see a market and competition, and consumers, meaning Ukrainian citizens, come out the winners.

Does that mean also getting rid of UkrZaliznytsia's monopoly, the state railway?

— This is a case where we need to avoid making mistakes, as those have cost other countries dearly when they tried to reform their railways. The tracks must remain in public hands, but rolling stock is already partly in private fleets in Ukraine. This is the first step towards demonopolization. I sincerely hope that we will be able to establish a supervisory board at UkrZaliznytsia that can institute quality decisions.

How well supervised are state enterprises or is there friction with the line ministries?

— The function of a ministry is to establish policy, not to manage businesses. That kind of function more properly belongs to independent supervisory boards. This is a standard mechanism that we are now establishing at NAK Naftogaz Ukrainy. The main thing is for there to be clear separation. Looking for conflicts is not constructive.

Can we expect to see the privatization of major assets in 2018?

— The state still owns 3,500 assets, among which some 100-200 should remain in public hands. The rest will go under the hammer. Most state-owned enterprises tend to be inefficient and corrupt. I, for one, have no intention of accepting that kind of situation. I hope that the Verkhovna Rada will pass the new bill on privatization, which is currently prepared for second reading. After this we can start large-scale privatization.

How likely is the Rada to put the brakes on privatization, just like it does on a predictable basis with the sale of farmland?

— We've already voted in pension, education and medical reforms. We've also gone halfway down the path with privatization. We intend to carry out a major public awareness campaign so that people understand what's at stake. Same with the land market: let's sit down and talk about how to establish land relations so that both Ukraine and those who live here will benefit.

So far, it looks like the populists are winning the board. They've managed to roll out an entire mythology against reforms, built on popular phobias.

— People are being frightened in order to manipulate them. There isn't a country anywhere that populists have done something good. Why are Ukrainians so poor today? Because populists and corruptioneers have driven many areas of life to the brink. I firmly believe in two principles in politics: be responsible and act systematically. People value results. Those who are trying to hamper reforms are not working for Ukraine. They con people by playing on their emotions and using threats that they themselves have set up. Everyone actually understands this. So voters have to simply demand that politicians do what they promised. And if they fail, to boot them out. I have my own success story in this sense: two terms as mayor of Vinnytsia, which has been rated one of the best cities in Ukraine today for quality of life.

What results will decentralization bring in 2018?

— It seems to me that we have been able to "infect" ordinary Ukrainians with this concept. At first, people were very skeptical of decentralization, but now they can see that it is providing them with new infrastructure, new social facilities, a new quality of life and new jobs. Any kind

of change needs to be perfected. You have the conceptual phase, the implementation phase, and the adjustment phase. Right now we are in the process of setting up territorial communities: the more effective mergers we have, the greater the basis for considering this reform a success at the national level. Yes, I know that some territorial communities are in the way of county councils and administration, but I am always on the side of the OTH [unified territorial communities]. Local community governments are the most effective way of governing.

What is the level of the shadow economy these days and what is the Government doing to reduce it further?

— Experts say between 40-50% of GDP, which is an unusually high proportion. The best way to combat shadow economies is to improve fiscalization at the same time while streamlining it: make it so that oversight doesn't get in the way of honest business operations.

THERE ARE MANY START-UPS ACROSS UKRAINE WHICH SHOULD EVENTUALLY BE ABLE TO ENTER GLOBAL MARKETS. **BUT FIRST WE NEED TO TAKE STEPS TO ESTABLISH THE NECESSARY ECOSYSTEMS FOR THE TRANSFER OF TECHNOLOGIES INTO THE REAL SECTOR**

We have changed the way that the VAT is administrated and there are no longer any loopholes that can be used to minimize taxes and move capital abroad. We've also approved new reporting standards and are using stricter measures against contraband. Raising the minimum wage was also an important step in moving business out of the shadows

When it comes to further economic development, what country would you say Ukraine can be compared to?

— If we're talking about the country's ambitions, then we should orient on Poland. But overall we should be looking both west and north, meaning Scandinavia, the Top 10 countries for quality of life, at the happiness index, and at prosperity, longevity and birth rates. Demographics provide an important indicator of a country's development.

Ok, let's talk demographics. Right now, everyone's saying that Ukraine will face a huge gap in its labor force because of labor migration.

— Labor migration is a global trend. You see it even within Europe. Poles move to the UK, Ukrainians move to Poland.

So who will come to work in Ukraine?

— The question is not who will come to work in Ukraine but how to grow our economy and ensure decent wages. There is no other option. If our economy begins to grow at 5% and more, people will start to come back.

When do you think we might reach that pace of growth?

— If the privatization bill is passed, along with other important bills, we could see 5%+ growth in the fourth quarter of 2018.

And then elections and new challenges?

— We need to keep working so that changes are fundamental and irreversible. This will make the entire system more stable and then elections won't have a significant impact on it. ■

In search of the sense

2017 was not exceptional nor a turning point in Ukrainian politics. However, it exposed the threats behind the bustle of its main players much more clearly

Andriy Holub

Visa-free travel, reforms, education, healthcare, pensions, courts. These words were probably some of the most commonly used in Petro Poroshenko's New Year speech. However, they will have a much weaker effect than before. And no one is to blame for this apart from the president and his team.

Less and less often can the ongoing political strife be interpreted through common sense, logic or even the interests of the parties. All the conflicts of 2017 were nothing new. The issues that fed them manifested themselves much earlier. However, 2017 could be the year that cast off illusions about the government, its opponents and their intentions.

2017 was not a complete failure for the authorities. However, it showcased their rare ability to turn even their own achievements against themselves. This was well illustrated by the example of the reforms that Petro Poroshenko spoke about in his New Year message. In 2017, the "decisive reforms" that have long been a meme in Ukrainian politics really did gain some momentum. This was thanks to two key impulses.

ing to prevent a possible limitation to the openness of trials, Amendment 109, known as "Lozovyi's Amendment", was added to the text. Experts immediately pointed out that the norm could paralyse the entire system for fighting crime. Parliament nevertheless approved the codes. After everyone, including Prosecutor General Yuriy Lutsenko, sounded the alarm, a new version of the bill appeared. However, Lozovyi's amendment was not completely removed.

In addition, the competitive selection process for the new Supreme Court ended, during which most comments from the public were ignored. The consequences of these decisions can only be talked about when specific results become visible. But so far the president's favourite reform has brought him more negative than positive image.

The same can be said for the fight against corruption. The first signs of the conflict between the "old" and "new" law enforcement agencies emerged in 2016, the first full year of operation for the newly formed National Anti-Corruption Bureau (NABU) and the Specialised Anti-Corruption Prosecutor's Office (SAP). Last year, the major battles were mainly fought over their powers. During his address to the Verkhovna Rada in September, the president called for unity: "In defining the criteria for evaluating the work of law enforcement bodies, I fundamentally renounce the division between 'old' and 'new'. Everyone has their pluses and minuses and there are teething troubles, but they are all working towards an important common cause. In fact, a rather dense network has been built so that today no high-ranking officials have a guarantee of impunity and nobody can ever guarantee political protection or cover... I can feel the question in the air – this applies to the full extent and I emphasise that it also goes for the so-called 'president's friends'. I do not intend to be an advocate for anyone in my team if there are justified allegations against them from law enforcement officers. There's no place for such people in my team at all." However, further events unfolded in such a way that by the end of the year Ukraine was almost on the brink of losing Petro Poroshenko's aforementioned main achievement – visa-free travel with the EU.

Yet again, those in power brought the conflict to the highest political level. At the end of February, Parliament looked at the scandalous issue regarding the appointment of an external auditor for NABU. According to international agreements, three people inspect the work of the agency each year. If they come to negative conclusions, they can recommend the dismissal of the director, who is appointed for a period of five years. Although Robert Storch, a spokesman for the US Department of Justice, was leading the contest, Nigel Brown, a Briton with an ambiguous reputation, was put forward as a candidate by

ALL THE CONFLICTS OF 2017 WERE NOTHING NEW. THE ISSUES THAT FED THEM MANIFESTED THEMSELVES MUCH EARLIER. **HOWEVER, 2017 COULD BE THE YEAR THAT CAST OFF ILLUSIONS ABOUT THE GOVERNMENT, ITS OPPONENTS AND THEIR INTENTIONS**

One was the end of the sixth session of the Verkhovna Rada in July. The MPs had an impressively productive last week of voting but put off decisions on the main issues, such as education, healthcare and pension reform.

Another one came in September, just after the summer holidays. After Poroshenko's annual address to Parliament, MPs approved everything mentioned above. This turned out to be the pinnacle of government success in 2017. The string of approved reforms complemented the previously obtained visa-free regime with EU countries and large-scale road construction programme that covered almost the entire country in the summer. From then on, there would only be political struggles with significant reputational damage.

The authorities are unable to fully take advantage of successful reforms. Ironically, a rotten apple was put into the very barrel for which the president had taken personal responsibility. Namely, the reform of the courts, and more specifically the adoption of new versions of the judiciary codes by Parliament.

In the documents, which were on the whole accepted by the professional community, there are several significant risks. While civil activists and journalists were try-



PHOTO: UKRAINIAN PHOTO

Alarming expectations. As the 2019 elections draw closer, 2018 will not be any calmer than the turbulent end of 2017

the ruling coalition the day before the final vote. The first round of this battle ended in a draw: no candidate gained enough votes, but this was just the beginning.

Several months later during the second selection procedure, Brown acknowledged that Natalia Mezentseva, assistant to Petro Poroshenko Bloc (PPB) MP Dmytro Andriyivskyi, had invited him to Ukraine and he had a meeting with the head of the PPB faction Artur Herasymov. An interesting detail is that Brown did not know that the post he was applying for is unpaid. "I have to think about that," he said after hearing the news.

While he was thinking, the conflict was already in full swing. In early March, NABU detained the since dismissed head of the State Fiscal Service, Roman Nasirov. Although the public at large probably only remembers him shown sick under a chequered blanket in court, this was precisely the case that can be called NABU's debut in detaining top officials. From this moment on, the battle gained fresh impetus.

The Prosecutor's Office was trying to keep up appearances and not fall behind NABU and others, but the result was often an awkward one. The main "victory" of the year for Yuriy Lutsenko was the operation to confiscate "\$1.5 billion of funds from Yanukovich's criminal organisation".

It was conducted by the military prosecutor's office (former public prosecutor of the Anti-Terrorist Operation forces Konstantyn Kulyk received a Third Class Order of Merit from the President for the operation) and left mixed impressions. On the one hand, the budget received real money, but on the other, the case could have had consequences according to a number of influential organisations, in particular Transparency International Ukraine. The judgement of Kramatorsk District Court was classi-

fied at that point and could be challenged in the European Court of Justice if declassified at some point. Recently, an Al Jazeera correspondent leaked the document in a widely shared report.

The July attempts to remove parliamentary immunity from number of MPs could have been a shared high point for Yuriy Lutsenko and his colleague Nazar Kholodnytskyi from the new Specialised Anti-Corruption Prosecutor's Office (SAP). However, other MPs sabotaged the initiative. A decisive role was played by Lutsenko's former colleagues from the PPB faction and their coalition partners from the People's Front.

By the end of the year, the war between the "old" and the "new" had basically turned into "every man for himself", which the National Agency for Corruption Prevention (NACP) and its head Natalia Korchak were drawn into alongside the Ministry of Internal Affairs after NABU filed a case against Interior Minister Arsen Avakov's son. The NACP, responsible for checking e-declarations of public servants – perhaps the main achievement of 2016 – has, overall, become almost the biggest disappointment. The public is indignant about the small number of officials punished for violations, and trust in the body was undermined once again following statements from the head of the NACP's Financial Monitoring Department saying that the agency is practically supervised by the Presidential Administration.

2017 was also the year when the idea of early elections to the Rada ultimately petered out. The autumn of 2017 was marked by protests, but once more it seemed that they would not be numerous and would not lead to a social explosion. The protest leaders demanded changes in electoral legislation, the establishment of anti-corruption courts and the removal of parliamentary immunity from MPs. None of these demands has been truly fulfilled yet. However, this time the destabilisation effect was much stronger and, again, in no small measure due to the behaviour of the authorities themselves.

Expats seem to have become a thing of the past in Ukrainian politics. Most of them lost their positions back in 2016. However, this did not prevent the main expert on reforms invited by Petro Poroshenko from transforming into the main boat-rocker in domestic politics. Mikheil Saakashvili's misunderstanding of the rules of the game in Ukraine and the mentality of voters, which has been pointed out by many, paradoxically works to his advantage. Tried and tested political methods do not work against him, as Saakashvili himself often acts contrary to the logic of the process. This hinders the growth of his popularity in polls and often creates problems even with his allies, however it allows him to constantly focus the attention of society and accordingly emphasise the ineffective actions of those in power.

The story of Saakashvili touched on another issue that sharply came to the fore in 2017, namely the effectiveness of the state security apparatus. Perhaps more than anything else, the previous year pointed out the fragility of the sense of peace in cities located far from the front line. The headline-making assassinations of Maksym Shapoval, Amina Okuyeva, Timur Makhauri and Russian politician Denis Voronenkov, which took place in or near Kyiv, were a constant reminder of the war. The conflict is continuing and it is far from over, so the number of threats will only increase. This is another trend that accompanies Ukraine as it enters the pre-election year of 2018. ■

No right to show weakness

How Ukraine's security, defence and the capability to counter hybrid aggression changed in 2017

Yuriy Lapayev

The situation on the front is largely the same as last year: the trench warfare without large-scale events like those seen during the hot 2014-2015 continues. The shelling of Avdiivka, a city in Donetsk Oblast, at the beginning of 2017 qualified as a flare-up. This was the first time when multiple launch rocket systems were used against a peaceful city during the long ceasefire period. The situation was complicated by weather conditions: the cold winter, along with damaged water and heat supplies, threatened the residents remaining in this front-line city with a humanitarian disaster. Coordinated response from the authorities, military and volunteers helped to avoid this. Further on, the use of heavy artillery and tanks was more of an exception until the end of the year, although it did not disappear altogether. The last incident was at the Svitlodarsk Arc, also in Donetsk Oblast, where the enemy struck a residential area in Novoluhanske with Grad missiles.

Ukraine's Army continues to use the time and opportunities to strengthen itself. According to the Ukrainian Defence Ministry, 109 staff command and 32 tactical brigade exercises were conducted last year, which is 30% more than in the previous one. Ukrainian units participated in international exercises, in particular with NATO partners. Ukrainian tank drivers ranked fifth at a tank biathlon in Germany and Special Operations Forces personnel performed well at the Cambrian Patrol exercise, winning the silver medal. New standards are gradually being introduced in Defence Ministry structures, in line with

are sufficient. However, sooner or later a solution has to be found. This could be a chance for the Ukrainian defence industry to switch straight to western calibres and avoid making this change in the future.

One of the solutions to the problem of equipment shortages is obtaining foreign models. New protected digital communication devices have already appeared on the front line, including the Turkish Aselsan. The Defence Ministry plans to transfer all military units of the Armed Forces onto modern radio stations by 2020. Despite significant obstacles, Special Operations Forces units already have quite a lot of modern small arms from the best foreign manufacturers, particularly high-precision sniper rifles. The possibility of acquiring lethal defensive weapons remains a sore, unresolved issue. Ukraine is waiting for a positive decision from Washington. This is also important because it will be a signal for all Western countries that it is possible to do business with the country in this sensitive area. However, not all countries are waiting for Donald Trump. Recently, the Standing Committee on National Defence released a report entitled Canada's Support to Ukraine in Crisis and Armed Conflict, which recommended that the government provide lethal weapons to Ukraine. However, this would only happen if Ukraine demonstrates active fight against corruption.

Apart from the procurement of weapons, assistance from Ukraine's international partners continues. Among recent examples is the receipt of a batch of armoured medical vehicles from the United States.

Compared to 2016, Ukrainian forces were able to make less progress into "grey areas" in 2017 due to a decrease in positions available for manoeuvres. The most successful event was gaining full control over the settlements of Travneve and Hladosove in Luhansk Oblast. This happened against the background of a military coup in "Luhansk People's Republic", where forces of dismissed "Interior Minister" Kornet removed "legitimate" leader Igor Plotnitsky from power. Some expected the Armed Forces of Ukraine to take advantage of this chaos in the "people's republics" to launch a blitzkrieg attack. However, such an offensive could significantly undermine the international image of Ukraine, showing it as a violator of the Minsk Agreements, which could stand in the way of help from the international community. In addition, the sufficient amount of Russian reserves in the region called the success of such a move by Ukrainian forces into question.

Limited flare-ups can be expected closer to the presidential election in Russia, since it is important for the Kremlin to create a picture that contrasts with their "stable and peaceful" country. The end of active combat in Syria, at least officially, should also contribute to this. Now Moscow will not have to juggle two fronts at the same time. Still, Vladimir Putin will get his regular 86% in March with or without news from Ukraine.

This military situation creates conditions for shifting the focus of Russian hybrid warfare from the frontline to the political and social situation within Ukraine. Tank attacks are

THE MILITARY SITUATION ON THE FRONTLINE CREATES CONDITIONS FOR SHIFTING THE FOCUS OF RUSSIAN HYBRID WARFARE TO THE POLITICAL AND SOCIAL SITUATION WITHIN UKRAINE. AS A RESULT, TANK ATTACKS ARE GIVING WAY TO TERRORIST ONES

the objectives of the Strategic Defence Bulletin, a defence plan.

The old system is not very willing to accept these changes and there is not always enough funding for rapid reform. The dependence of reforms on bureaucratic delays in other government agencies is also a hindrance. However, progress has already been made in some areas, although not as quickly as we might want.

New and upgraded equipment is gradually reaching the military, although questions remain about its quality, especially regarding the latest models. This is partly due to the lack of time for conducting tests. Despite the statements of various high-ranking officials, the issue of building an ammunition manufacturing plant has not yet been tackled. The new plant would have to replace the Luhansk Ammunition Plant that had been barely operating before the war and remains on the territory controlled by the terrorists, its current state unknown. On August 23, Ukraine's President Petro Poroshenko promised on August 23 to allocate UAH 1.4 billion (~\$50m) from the state budget for this purpose. According to reports from the Defence Ministry, current supplies of ammunition



PHOTO: REUTERS

Moderate progress. New and upgraded equipment is gradually reaching the military, although questions remain about its quality. This is partly due to the lack of time for conducting tests

giving way to terrorist ones. This was confirmed by a series of high-profile murders that hit employees of the Defence Intelligence agency and Security Service (SBU), as well as explosions in ammunition warehouses in 2017. Moscow consistently tries to convince Ukrainians that nobody is safe and the authorities have no control over the situation. The helplessness of national intelligence services can be criticised as much as we please, but it is always much more difficult to prevent a terrorist attack than to carry one out in any country.

However, the IT systems and resources of a number of important organisations and government agencies remain without adequate protection. This was confirmed during large-scale cyber-attacks with in the summer, when Petya and NotPetya malware was able to paralyse important services for several days and briefly shut down a number of large national businesses. According to a study by the Ukrainian Cyber Alliance, an activist cyber-security group, far from everyone has learned a lesson from these events: important resources remain unprotected and open to outside intervention. This makes it possible to create an artificial explosion of public dissatisfaction at any time by interfering with the operation of, for instance, the pension fund, or trigger a man-made disaster as the result of failing critical infrastructure.

An equally important element of the undeclared war is stirring up social tension. The stronger the defence becomes on the frontline, there more calls for "third Maidans" there will be in the rear driven by whatever reason, from "we want the dollar to be worth 8 hryvnias again" to the cancellation of loans obtained in banks earlier and the fight against corruption.

Another aspect is international politics. A particular novelty of 2017 was Vladimir Putin's proposal to deploy a peacekeeping mission in the Donbas. Prior to that, Russia had officially rejected any proposals from Ukraine for the involvement of UN peacekeepers. However, it is not worth expecting a positive effect from these statements in the future. It is enough to recall that the death of allegedly Russian peacekeepers was the official reason for the beginning of the five-day war in Georgia. If peacekeepers are engaged on Russia's terms, this will mean that the region of war will turn into a clone of Transnistria with a frozen conflict and no chance for its quick return to Ukraine.

It seems that the international community has been able to correctly understand Putin's proposal, so Moscow's progress with these plans is not yet visible. But they have not vanished. Creating manually controlled chaos and subsequently solving it in a beneficial way is one of Russia's most beloved tactics. This is proved by the majority of contemporary conflicts it has participated in, most recently in Syria. There, Russia has helped create a humanitarian catastrophe, the persuaded the saved Assad to legalise the occupation of parts of the country by Russian forces.

There are enough supporters of peace at all costs in Ukraine as well. For these people it is not important what losses Ukraine has already sustained to at least maintain the shaky situation that currently exists. Or that peace with the invader on the latter's terms will only be seen an invitation to continue, confirming the validity of the strategy it chose. As long as the aggressor only understands the language of force, so Ukraine has no right to show weakness. ■

National champions wanted

How likely is it that companies with a global reach will emerge in Ukraine to also become the drivers of an economic breakthrough?

Oleksandr Kramar

Formally, the largest Ukrainian financial-industrial groups (FIGs) are very reminiscent of Korean and Japanese conglomerates. They generally belong to a specific family and, even if they began their basic business in a specific branch, tend to continuously expand into new areas of operation.

Take billionaire Rinat Akhmetov's System Capital Management (SCM), the biggest conglomerate in Ukraine, which posted US \$11.4bn in income in 2016, includes not just monopolists in power engineering (DTEK) and mining & metallurgy (MetInvest and Zaporizhstal), but also businesses in the farm sector (HarvEast), heavy engineering (Corum), telecoms (UkrTelecom, Vega Telecom, Digital Screens), railway transport (Lemtrans) and marine ports (PortInvest, which manages two company terminals at Pivdennyi Port and in Mariupol), the construction and repair of train tracks (TransInvest Holding), and the production of raw materials for ceramic goods. Akhmetov's business partner in SCM, Vadym Novinskiy, has a corporation called Smart Holding that, in addition to stakes in MetInvest and HarvEast, has assets in shipbuilding (the Mykolaiv and Kherson wharves), natural gas extraction companies, and a group of enterprises that make fruit and vegetable preserves under the Veres trademark.

The Privat Group's assets are more diversified. Broad economic diversification is also evident in the conglomerates of other Ukrainian oligarchs, like Dmytro Firtash. But probably the most diversified of all is Prime Assets Capital, the family business of the current president, Petro Poroshenko, with assets ranging from car-making and shipbuilding to growing produce, manufacturing glass, refining sugar, making confectioneries, and, most recently, running power utilities.

Ukraine's top tycoons make a point of concentrating assets in all the profitable branches of the domestic economy. However, their conglomerates differ fundamentally from Japanese or Korean ones despite superficial similarities. First of all, they tend to function parasitically, often buying up assets at depressed prices and mostly not investing in adding value to their production or greenfielding new production facilities or new areas of manufacturing. Their political leverage has given them access to preferential treatment at various times and they simply fed on these exclusive advantages instead of using them to strengthen their own—never mind the country's—competitive position on world markets.

OLD AND NEW GROWTH

What is the likelihood that national champions might develop out of these and other family-owned conglomerates or more specialized companies? Such a possibility should not be ruled out, because these groups all have enormous financial resources at their disposal that could theoretically provide the basis for investing in a new industry. Still, this would require conditions, including preventing their owners from making windfall profits on raw materials by capturing rents that should be going to the entire community or by taking advantage of their monopolist position in a given market. The prospects for turning into national champions by growing beyond their current relatively modest size are also there for family-owned businesses that operate in dynamic sectors or in which Ukraine as a whole has real competitive advantages. In ad-

dition to subsidiaries of foreign IT companies, Ukraine has seen plenty of homegrown software development firms emerge over the last 20 years, employing thousands of Ukrainians and boasting annual turnover in the tens and even hundreds of million dollars. This includes such companies as Softserve, with 4,600 employees,¹ Ciklum with 2,500, Infopulse and NIX Solutions with 1,500 each, ELEKS with 1,200, EVO, Miratech and Sigma Software with 800 each, and even more companies with smaller workforces. Today, the level of concentration of IT services both in Ukraine and on the world market remains low. The nature of the business and the relative newness of this fast-growing sector are the main reasons for this, and its basis in human capital. In time, however, concentration is bound to pick up pace and Ukrainian companies will have an opportunity to compete for leadership.

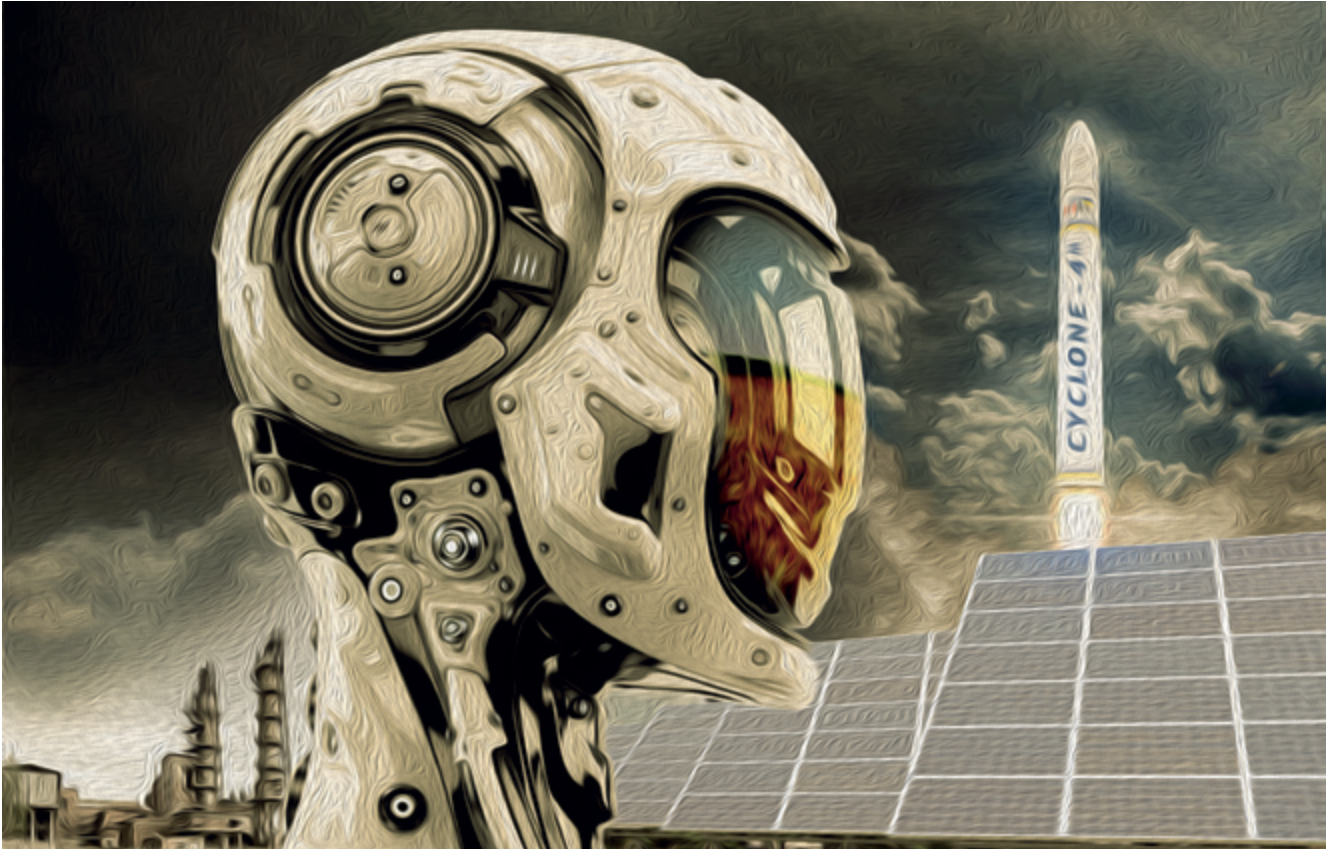
Another source of national champions could be certain companies in the machine-building industry that continue to show good potential and to maintain a serious share of the global market in a slew of complex products. This includes companies under UkrOboronProm in the defense industry such as Antonov, as well as Yuzhmash and the Pivdenne Construction Bureau, and TurboAtom. According to the Economy Ministry, TurboAtom manufactures turbines for heating, atomic and hydroelectric stations, and supplies 10% of all turbines for nuclear power plants across the world, making it the fourth largest turbine manufacturer in the world. TurboAtom is also highly profitable: its EBITDA for 2016 was 57.1%. The company supplies its equipment to dozens of countries around the world and competes with such global giants as General Electric, Siemens, Alstom and Voith. Nevertheless, state support in the form of procurements and access to credits and investment capital to upgrade production or build new facilities to compensate for the loss of Russian parts will play a major role in maintaining the competitiveness of this group of Ukrainian state-owned machine-building companies.

FARMS, FIRST AND FOREMOST

Another sector in which Ukraine could well become a powerful world player is the agro-industrial complex (AIC) and in particular the food industry. For instance, the presence of major international corporations like Nestlé SA, Kraft Foods, Unilever, Mars, and Groupe Danone, whose annual revenues are in the tens of billions of dollars, shows that there is room for some serious players in the food segment to produce consumer goods and are a kind of calling card for certain countries on the world market. Take Nestlé, whose head office is in Switzerland: today, the company makes and sells instant coffee, mineral water, chocolates, ice cream, bouillon, dairy products, baby food, pet food, pharmaceuticals, and cosmetics. Yet the company's history started with a small plant making condensed milk. In Ukraine itself, the food giant has a broad range of food products under such trade names as Nescafe, Nesquik, Nestlé, Maggi, Purina, Torchyn, and Svitoch—the last two Ukrainian brands that it bought out over the years.

Today, Ukrainian companies specializing in confectioneries have already gained a good reputation on world markets and are

¹Here and further data is from the IT sector resource, dou.ua



looking to expand further. For instance, the 2017 Global Top 100 for makers of sweets saw three Ukrainian makers added to the list: Roshen in 24th place, the Konti Group in 43rd, and AVK in 67th. The Roshen Corporation, which employs around 10,000 and had sales of US \$800 million last year, was hot on the heels of the biggest French confectioner, Cemoi, which is 23rd with US \$900mn in sales. German giant Haribo, with 7,000 employees and sales of US \$3.2bn, was in 10th place. By comparison, 5th place Nestlé had sales of US \$9.1bn, while top place Mars has 34,000 employees and sales of US \$18.0bn.

As Ukrainian food makers pay more attention to more highly processed products and entering export markets around the world with them, more Ukrainian companies could find a place on the world market for processed food. Moreover, we're talking about both companies that until recently belonged to some of the country's wealthiest oligarchs and companies that are smaller but are nevertheless relatively big in Ukraine. *The Ukrainian Week* has written about the steady growth of exports of sugar, meat and dairy products—especially butter—from Ukraine lately. Exports of processed meat have also been growing, albeit on a much smaller scale. For instance, 83,500 kilograms of kovbasa (smoked sausage) were sold abroad for all of 2016, whereas in just the first three quarters of 2017, 184,500 kilos were sold.

If this trend keeps up, a slew of leading companies in Ukraine's food industry will both expand deliveries and look for new opportunities to produce and sell more highly processed products. For instance, today, the vertically-integrated Globino food group includes enterprises that constitute a closed production cycle, from building facilities to producing and selling the finished product. The Molochniy Allians [Diary Alliance] Group includes companies that produce cheeses, milk and fermented milk products, enterprises that collect raw milk and process it and milk products, as well as companies that sell these products both domestically and

abroad. Incidentally, the company already dominates the baby food market in Ukraine. Some of the country's biggest exporters of meat products are also moving towards greater processing. For example, Myronivskiy Khliboprodukt [Myronivka Grain Products] has been aggressively exporting hundreds of millions of kilos of poultry meat and has its own processing plants, Ukrainskiy Bekon and Lehko with 400 workers, specializing in the processing of poultry, beef and various types of kovbasa, as well as partly processed pork and poultry. In 9 months of 2017, sales of kovbasa and other ready-to-eat meat products were up to 27.2mn kilos: cooked bologna-style sausages, partly smoked sausages, knackwurst-like sausages, frankfurter sausages, pelmeni, liver pastes, meat for shashlyk or shishkebobs, and partly processed poultry meat. In addition to traditional oil products where it has key positions on world markets, Kernel has also been busy expanding the production of canned vegetable products and natural sauces under the Marinado brand. The company also has one of the largest herds of dairy cows in the country and claims that this sector is quite profitable. This means Kernel will likely be expanding production and possibly begin exporting dairy products from Ukraine as well.

Despite their relatively low level of processing, the presence of major companies and national traders who can continue to supply the most basic products grown by Ukraine's AIC—grain, flour made of it, and edible oils—to foreign markets, means a lot even for such an agriculturally-oriented country, in terms of defending the interests of domestic producers on external markets. In any case, it's far better than to be under the monopolist pressure of leading international corporations who control trade in these products. Today, this role can be played not only by private companies like Nibulon, UkrLandFarming or Kernel, but also by DPZKU, the state food and grain corporation of Ukraine. Despite issues with paying off credits it took from China, DPZK could be an important instrument for promoting Ukrainian farm products on global markets. ■

Baby steps to success

How Ukraine's joint ventures with EU countries in the energy sector develop

Yuriy Lapayev

Cooperation between Ukraine and the EU in the power sector has entered a tricky phase. At the strategic level, a slew of projects are going on in this sector that are potentially of interest for Ukraine, but they are not something European partners need. The opposite is also true: projects that are of interest to the EU but not attractive and sometimes even problematic for the Ukrainian side. Mykhailo Honchar, president of the Strategy XXI Center for Global Studies, says one of the main reasons for such a situation is the current political situation.

"The trend seems to be for politics to be more important than a purely commercial approach," he notes. "All that is currently being undertaken in the EU's energy sector is projects that were listed in the EU Energy Union, which was formed in February 2015. One of the provisions in this union is to expand cooperation with countries that have considerable significance for the development of the EU energy sector, its security and stability of delivery.

AN OPPORTUNITY FOR REAL SUCCESS IS TO MOVE JOINT VENTURES FROM ALL-EU COOPERATION, WHICH TENDS TO BE TOO LARGE IN SCALE AND OVERLY BUREAUCRATIZED, TO MORE EFFECTIVE BILATERAL RELATIONS AT THE REGIONAL LEVEL

This mostly means ventures in the delivery of natural gas and power. The main accent in the EU is on the 10-year Trans-European Energy Networks or TEN-E plan. Officially approved by the European Commission, TEN-E effectively is a list of interconnectors between current gas transport systems (GTSs) and the national networks of individual countries. This interconnection makes it possible to turn the various national grids of EU member countries into a single system. Honchar says that reaching complete consolidation for all 27 members is nigh impossible, because these grids differ in size, in consumption levels, and in the physical state of the networks. Nevertheless, the main point is to establish a consolidated grid, as complete homogeneity is not necessary. Within these constraints, plans are to set up several regional zones. "In other words," says Honchar, "instead of a German or French grid, there will be a regional system to which these countries' grids will belong."

In this light, Ukraine, as a member of the Energy Community and a country that has signed an Association Agreement with the European Union, can be considered a priority partner for European ventures. This would clearly help the country reach some of its own strategic goals: without being a member of the EU, Ukraine will become part of the European electricity market, because both of these documents provide for equal market rules for both Ukraine and the EU. So far, one major project has been completed, the delivery of reverse gas from

Slovakia, which ensures Ukraine some independence from Russia's Gazprom.


Alongside these positive shifts and the prospects they bring are certain problems. Nordstream-2 is currently being actively discussed, as well as the second phase of TurkStream. In some countries, such as Germany and Austria, both projects are being considered from a strictly commercial vantage point, without taking into account any political significance.

Other projects are also under discussion. One expert says that importing gas from Poland, through the LNG terminal in the town of Swinoujscie, would benefit Ukraine enormously. The cost of the necessary interconnector between the Ukrainian and Polish systems is relatively modest, and the two countries have a common border, eliminating the need for additional transit. This line could also make use of Ukraine's underground gas storage system to supply Central European countries going the other way. But given the political strain between the two countries right now, this project could end up postponed for some time.

As to power supplies, Ukraine has a surplus of generating capacity and only a small amount is being exported to the EU. One promising project for Ukraine would be a power bridge to Poland and the reorientation of, among others, the Khmelnytskyi AES to export its power. However, the Polish side has so far shown little interest in this possibility. Indeed, Polish companies have actually been trying to prevent a competitor from entering their market.

The situation is similar with petroleum deliveries. There is a project to expand the Odessa-Brody branch of Ukraine's pipeline in the direction of Poland in order to connect the Druzhba pipeline and start delivering Caspian Sea oil to Slovakia, Hungary and Czechia. The technical infrastructure is all in place, but, once again, the problem is, who's at the other end of the pipeline. The only oil refinery in Slovakia's capital Bratislava is Slovnaft, which belongs 98% to the MOL Group or Magyar Olaj- és Gázipari Részvénytársaság, a public LTD, while the Czech refinery belongs to PKN Orlen, a Polish company. Both companies mostly use Russian petroleum.

One of the options Mykhailo Honchar sees is the expansion of domestic extraction of gas to reach self-sufficiency. He says that this could be realistically accomplished within the next five years. One factor that will help this is recent changes in gas supply rates and extraction fees. This will make the gas extraction sector more profitable, providing the conditions for it to revive and grow. Moreover, this will also require installing more energy-efficient equipment in the industry and gradually moving to alternative sources of energy. Honchar thinks this is another opportunity for real success—especially if joint ventures are moved from all-EU cooperation, which tends to be too large in scale and overly bureaucratized, to more effective bilateral relations at the regional level, including in the context of the Eastern



Moving ahead

1 Guaranteeing transportation capacity from Hungary to Ukraine (Firm capacity)

- In May 2015, PAT UkrTransGas and FGSZ LTD, Hungary's gas transportation operator, signed the Cooperation Agreement. Later, the companies approved the implementation of a project to guarantee the transit capacity of 16.8m m cu m in the direction of Ukraine within the framework of that agreement.
- On April 3, 2016, PAT UkrTransGas has the technical capacity to receive guaranteed natural gas from Hungary.
- The Hungarian side does not launch the implementation of the project for the lack of funding.

2 Poland-Ukraine interconnector-pipeline is constructed

- Jointly with GAZ-SYSTEM S.A. experts, the feasibility study for the Poland-Ukraine interconnector to link the transit systems of the two countries is developed.
- The Open Season procedure has to take place before the final investment decision on the project is taken.

3 Velké Kapušany (Slovakia) – Mukachevo line is restored

- In May 2017, the representatives of NEK UkrEnergo and SEPS, a Slovak system operator, held a council on further exploitation of the Velké Kapušany – Mukachevo interstate power line (400 kilowatts)
- Preparation for the signing of the agreement continues.

Partnership. One example is how well Ukraine is currently working with Slovakia. Despite a number of obstacles, the decision to supply reverse gas to Ukraine was quickly and positively reached. In addition, the Slovaks have been very responsible in terms of their commitments as part of the Visegrad Four and have been actively assisting Ukraine in making its economy more energy efficient.

At the same time, deputy Minister for Energy and the Coal Industry Natalia Boyko say that a key phase in Eurointegration of the power industry is about to get underway. The Government has approved the first Energy Strategy for Ukraine through 2035, "Security, Energy Efficiency and Competitiveness," since the signing of the Association Agreement. The program is divided into three stages: now until 2020, 2021-2025

and 2026-2035. Each of these stages involves several major goals that will require several projects to achieve, including regional ones. The first phase will involve completing implementation of the Third Energy Package, which will enable Ukraine to establish properly functioning natural gas and power markets in line with EU energy legislation.

"This means completing the institutional integration of Ukraine into a single European gas supply system—ENTSO-G—and carrying out most of the measures to integrate our power grid to the European one—ENTSO-E," says Boyko. "Now we'll be able to bring our own markets up to a completely new level."

The second phase, 2021-2025, will involve streamlining and innovative improvements to power infrastructure and working under the conditions laid out in the new market environment and the effective integration of Ukraine's consolidated power market (OES) with the European grid. This should then make it possible to justify the choice of facilities to reconstruct or to greenfield in the power sector. The hope is that energy efficiency will also increase substantially. According to Boyko, the objective in this phase is to come up with measures to attract investments to replace outdated capacities by new power infrastructure and to improve the quality of corporate management. This, in turn, should open the way for Ukraine to join the ENTSO-E system on a use basis and full integration with the European gas transport system, ENTSO-G.

At this time, development and preliminary work are going on to institute Smart Grids and to set up distributed infrastructure to expand power transport. In the gas sector, plans are to cover all domestic demand entirely with internal resources by expanding extraction and streamlining the operation of the GTS in line with expected load scenarios.

Boyko says that the third phase of the plan, 2026-2035, will be focused on innovative development of the power sector and the construction of new generating facilities. What type of generation is chosen will depend on projection of costs for fuel and the intensity of growth of each type of generation. This should, among others, increase the level of competitiveness among them. The institution of smart technology to level out peak consumption periods will also have a serious impact.

Regional intra-European cooperation was also very important, Lithuanian Sejm Speaker Viktoras Pranckietis told The Ukrainian Week. "We need to bring Europe together not only politically but in very concrete matters," he emphasized. Although Lithuania is in the European Union, its integration process remains far from complete. At this time, a slew of regional cooperation projects are underway to bring about more global integration. For instance, Lithuania's power sector remains somewhat isolated from Europe.

"So far, we have remained in the post-soviet BRELL [Belarus, Russia, Estonia, Lithuania and Latvia] system, which is regulated by Moscow," noted Pranckietis, "although we could have been buying power from Sweden or Poland." He also pointed out that the recently launched LNG terminal could eventually supply this fuel to Ukraine. That is why he believes that it's very important to develop all-European projects, including Rail Baltica, which is supposed to link up Estonia, Lithuania, Latvia, Poland, and Germany, and Via Baltica or E-67 in the European road network. Coming up are energy bridges linking Lithuania to Poland and Sweden to deliver power, and a gas pipeline with Poland.

In addition to the obvious economic benefits, since these projects help improve competitiveness both at the company level and at the level of the entire domestic economy, are also the political benefits. "All this helps us get closer," said Pranckietis. ■

The battle for Naftogaz

A conflict between different groups of influence in government for control over state-owned oil and gas assets threatens to undermine the country's energy security

Oleksandr Kramar

Over the past few years, the role of state-owned oil and gas company Naftogaz in Ukrainian politics has changed dramatically. Until 2015, it was one of the biggest headaches for all governments, which regularly had to look for opportunities to cover the company's multibillion-dollar deficits. It has now turned into the most profitable state asset. Even though the prices at which the company sells gas to households and local heating companies are still far below market value, the narrowing of the gap between these numbers has allowed the monopolist to become highly profitable. In 2016, it had net profit of 26.5 billion hryvnias (~\$920m) compared to 27.7 billion hryvnias in losses in 2015.

Naftogaz is now the largest company in the country, ranking first in terms of net profit and the amount of taxes paid to the state budget. Naftogaz Group includes four of the top seven taxpayers in Ukraine (see From a major burden to a major contributor). Put together, they provided almost one sixth of tax revenues for the consolidated budget in H1'2017 – 47.8 billion hryvnias. Based on these figures, as well as its number of employees, Naftogaz significantly exceeds the private empire of any Ukrainian oligarch in size.

At the same time, the success of Naftogaz and the prospect of managing multibillion-dollar cash flows and defining the future architecture of the highly profitable oil and gas market have predictably become one of the key themes for conflict in the conglomerate of power.

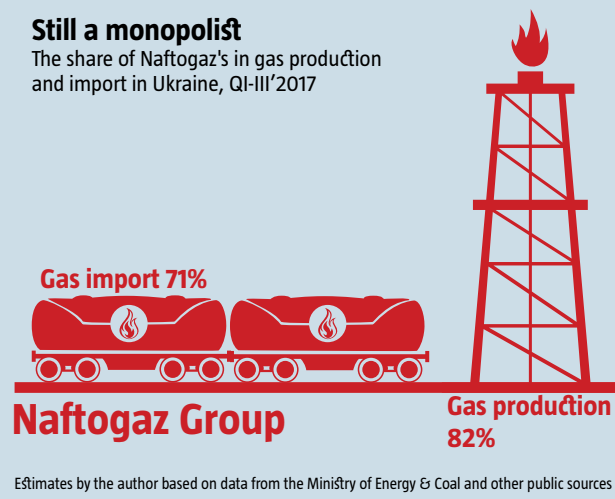
WHO IS IN CHARGE?

The improved financial position of Naftogaz and its subsidiaries is a consequence of reforms to the energy sector following the Maidan. The upscale of gas prices towards market levels, as well as reforms in corporate management that limited the government's ability to micromanage state-owned oil and gas assets have naturally led to greater commercial success for Naftogaz and its subsidiaries. For this very reason a five-member supervisory board was formed in spring 2016: one representative each from the Cabinet of Ministers (currently First Deputy Minister of Economic Development and Trade Yulia Kovaliv) and Presidential Administration (ex-Minister of Energy and the Coal Industry Volodymyr Demchyshyn), as well as three "independents" – Marcus Richards, Charles Proctor and Paul Warwick from the UK.

However, the formation of the supervisory board, completion of the first stage of reforms to the company's management system and increase of gas prices to market level coincided with the change of Prime Minister from People's Front Arseniy Yatsenyuk to Petro Poroshenko Bloc's Volodymyr Hroisman. Andriy Kobolev, who was appointed as part of the People's Front quota, continued to lead Naftogaz. Ever since, however, the conflict between the government and the company has intensified.

Still a monopolist

The share of Naftogaz's in gas production and import in Ukraine, Q1-III'2017



At present, Naftogaz is a vertically integrated company that carries out the full range of field exploration and development operations, production and exploratory drilling, transportation and storage of oil and gas, as well as the supply of natural and liquefied gas to consumers. The management of Naftogaz insists that it should continue to operate as a vertically integrated company like the Polish PGNiG or Norwegian Statoil; it should incorporate at the very least gas production, storage and the sale of fuel to its end-users. Current Naftogaz chairman Andriy Kobolev argues that it will be easier for a large company to attract cheap credit resources abroad and therefore implement planned projects to increase the production of natural gas. In addition, the company's management sees it primarily as a large commercial player in state ownership, rather than a tool for solving the government's socio-political tasks.

However, the autonomous, vertically integrated company that the current leadership from the People's Front desires would prevent the Hroisman government from micromanaging the sector and restrict its freedom to use the company for achieving its political goals. An example of this is gas prices for the households and regional heating companies. Naftogaz insists on the full liberalisation of the gas market and the sale of fuel at market prices, rightly considering any subsidies to be a matter for the government and the state budget (to which it is the largest contributor). The company is well aware that separating the gas transmission operator from the rest of the group will reduce its EBIDTA by more than half, hoping to compensate for this by liberalising the gas market and keeping hold of its production arm.

However, the government, observing the growth of Naftogaz's profits, is seeking to reintroduce the practice of cross-subsidising for household customers. In other words, the gas price for certain categories of consumers is set artificially low due to the monopolist's resources that it receives from other activities and which with normal administration would, after taxes are paid, be reinvested or transferred to shareholders as dividends (in the case of Naftogaz, there is only one – the state). The policy of cross-subsidization led both Naftogaz and the gas sector of the country as a whole to the catastrophic state they found themselves in prior to the Maidan.

Immediately after his appointment, Hroisman promised that the rise in utility rates for the households at that time would be the last and the government has for two years blocked their indexation to match the prices on the European market. As a result, due to the devaluation of the hryvnia and rising gas prices in Europe, the fixed gas prices for household consumers in Ukraine are again lagging further and further behind market levels with each passing year. Consequently, continued keeping down of the prices artificially instead of annual indexation to match inflation over several years will inevitably provoke another sharp increase in the future. Just like in 2014-2016, when they had to be raised 6-10 times over.

For a long time, Naftogaz also opposed proposals to separate its gas transportation operations, despite the fact that the government passed a resolution to create a new company, Trunk Gas Pipelines of Ukraine. In recent years, potential problems that may arise for the Ukrainian side in Stockholm have been cited as the formal argument for blocking the division of Naftogaz and removing Ukrtransgaz, which is responsible for the transport of fuel across Ukrainian territory, from its control. An arbitration tribunal in Stockholm is considering Gazprom's and Naftogaz's complaints against each other regarding conditions for gas supply and transit. According to Cabinet of Ministers Resolution No. 496 dated July 1, 2016, the gas transmission operator should be separated no more than 30 days from when the final judgments take effect in the arbitration between Naftogaz and Gazprom. However, in mid-November, it became known that the tribunal had once again moved the deadline in the gas supply and transit cases to December 30, 2017 and February 28, 2018 respectively.

Despite the apparent disagreement over the approaches to further reform of the company, the conflict around Naftogaz is above all just one of the fronts in the war for key assets and levers of influence in the country that is being fought for by representatives of the various groupings that are in power. The issue is which faction will have authority over the largest state asset, which has recently been growing more and more profitable. Depending on the chosen scenario for breaking up Naftogaz in the course of its reform, the rivals of the People's Front have differing chances of gaining control over its constituent parts and related financial flows.

In July, Deputy Prime Minister Volodymyr Kistion, a close associate of Hroisman from his time in Vinnytsia who supervises the energy sector in the government, announced the preparation of a government decree. On the approval of expected performance targets for the Supervisory Board of Naftogaz. The government did not have to wait long for a response – all three independent members of the supervisory board walked out in protest. Charles Proctor announced his resignation almost immediately (his powers were suspended in September), whereas Paul Warwick and Marcus Richards followed him a month later. Warwick directly pointed to gov-

ernment intervention in the activities of Naftogaz's subsidiaries as one of the reasons that influenced his decision.

After the supervisory board was incapacitated in this way, the government started to perform its functions, seemingly reaching its desired goal. However, tensions have since deepened between Ukraine and her Western partners, which have expressed concern that the situation could slow down the reform of the energy sector and pose risks for continued access to cheap credit resources from international banks. In September 2017, the European Bank for Reconstruction and Development (EBRD) released an appeal to overcome delays in reforming Naftogaz and noted "with regret" that a situation had arisen in which the independent members of the supervisory board had no choice but to resign.

Meanwhile, Hroisman went further. On November 10, 2017, a government resolution abolished the competitive selection process for candidates to be independent members on the Naftogaz supervisory board. It also obliged the Ministry of Economic Development, to which Naftogaz is subordinate, to submit proposals to the Cabinet of Ministers with candidates for the positions of both independent members and representatives of the state. The Antimonopoly Committee joined the "war" on the government's side – the authorities probably intend to use it to increase pressure on Naftogaz on the grounds that it is a monopolist. At the beginning of November, Naftogaz stated that the results of analysis conducted by the company using standard European methods (the SSNIP test) suggest that it no longer holds a monop-

Naftogaz companies generated **47.8 billion** hryvnias or every sixth hryvnia to Ukraine's consolidated budget in the first six months of 2017

oly position following the integration of the Ukrainian gas market into the European one. However, the Antimonopoly Committee has requested evidence of this and announced the launch of its own investigation of natural gas markets in order to understand the competitive environment. "The committee will take measures set out by law according to the results of this investigation," read a statement.

THE FIGHT FOR THE END USER

Representatives of Western structures are increasingly lamenting that reforms in the Ukrainian energy sector, although they have begun, have not yet led to the necessary market liberalisation or the creation of conditions for competition in the wholesale and retail trade of gas with access to both the commercial and domestic end user. Among other things, this holds back Western traders from fully entering the Ukrainian market and, most likely, gaining dominant positions there. After all, they currently have to sell fuel mainly through Naftogaz or companies belonging to local oligarchic groups.

The strong expansion of private traders in the segment of gas supply for industrial consumers that has been continuing in recent years shows the scale of private companies' interest in the Ukrainian market, provided it is fully liberalised. Indeed, in QIII'2017, the number of private companies importing the fuel to Ukraine reached 40. Their share in the import of gas to the country reached a third of the total volume. In addition, foreign companies such as ENGIE, SOCAR, Tragra and Vitol began to store gas in Ukrainian facilities. The Polish PGNiG also showed an interest in similar cooperation.

The largest non-state-owned gas importers remain companies that publicly available sources link with the main oli-

garchic groups in Ukraine. For example, structures close to Rinat Akhmetov, ERU Trading and DTEK Trading, continue to hold first place. Over the first three quarters of 2017, ERU Trading imported more than 0.53 billion cubic metres of natural gas. DTEK Trading accounts for another 20 million. Not too far behind Akhmetov's structures are companies associated with the Firtash-Liovochkin group (Promenergoresurs, Metida, RGK Trading and, most likely, VTP Energy). All of them bought fuel from the Swiss-registered company Nafta-Gaz Trading. Almost a quarter of a billion cubic metres of natural gas were also imported over this time by companies associated with Mykola Martynenko, a People's Front MP, and more than 100 million cubic meters more by those linked to Mykola Zlochevskyi, former Minister of Ecology and Natural Resources in the Yanukovich era.

However, alongside companies controlled by the main oligarchic groups, subsidiary companies of well-known foreign enterprises – the transnational Trafigura and ArcelorMittal, the Azerbaijani SOCAR and the French ENGIE – are also leaders in gas imports to Ukraine by volume. Although most of them only began to import gas to Ukraine in 2017, they are already among the largest players on the market. Indeed, Trafigura Ukraine imported nearly a quarter of a billion cubic metres in the first three quarters of 2017, SOCAR Ukraine over 200 million cubic metres and ENGIE Energy Management Ukraine and ArcelorMittal Kryvyi Rih around 100 million cubic metres each. It is obvious that the interest of European and transnational traders in the complete liberalisation of the Ukrainian gas market, the completion of the Naftogaz reforms and the end of state price regulation is much more considerable than that of local oligarchic groups that are already able to sell fuel to connected or dependent consumers in Ukraine.

IT IS IN THE NATIONAL INTEREST TO CREATE A HIGHLY COMPETITIVE MARKET WITHOUT ROOM FOR ARTIFICIAL MONOPOLIES, WHERE VARIOUS SUPPLIERS COMPETE FOR THE RIGHT TO SELL FUEL OR PROVIDE SERVICES FOR ITS TRANSPORTATION AND DISTRIBUTION TO BOTH HOUSEHOLDS AND COMMERCIAL CONSUMERS

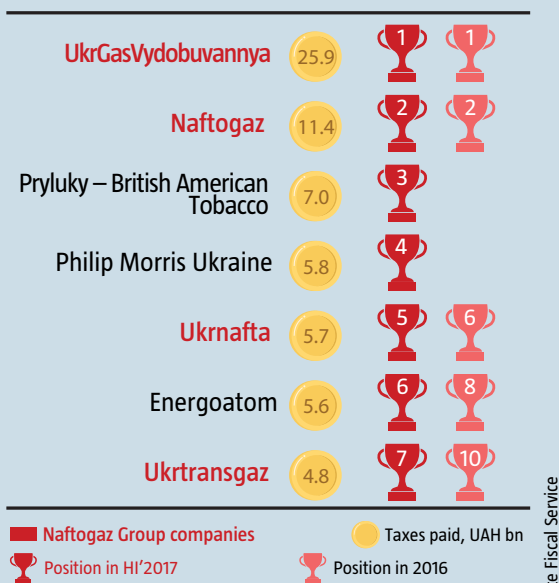
However, these volumes are many times smaller than the market with regulated rates that Naftogaz continues to control. Since the beginning of last year, it has bought gas for its consumers from over ten European suppliers, which, of course, would have preferred direct access to the market. However, this is hindered by the administered prices for the households and the monopolistic position of local gas supply and distribution companies, most of which are associated with the Firtash-Liovochkin group.

At the same time, the only thing that could ensure a new lease of life for Naftogaz if Ukrtransgaz and especially UkrGasVydobuvannya are taken away from it is the transformation of the company into a full-fledged gas supply structure with the ability to reach its end consumers. This refers to the public and the small and medium-sized commercial structures that currently buy fuel from local supply companies. The latter, though formally separated from the gas distribution companies, are in fact controlled by the old monopolists on the retail gas market, mainly from the Firtash-Liovochkin group.

Naftogaz has indicated that existing gas supply companies take advantage of the preservation of regulated (lower than market rate) gas prices for the population and municipi-

From a major burden to a major contributor

Naftogaz Group companies are among 7 top taxpayers in Ukraine in H1'2017



Out of UAH 304.8bn of tax revenues to the budgets of all levels in H1'2017, Naftogaz Group companies paid almost 1/6 or UAH 47.8bn. This exceeds all state spending on utility subsidies over that period.

Source: State Fiscal Service

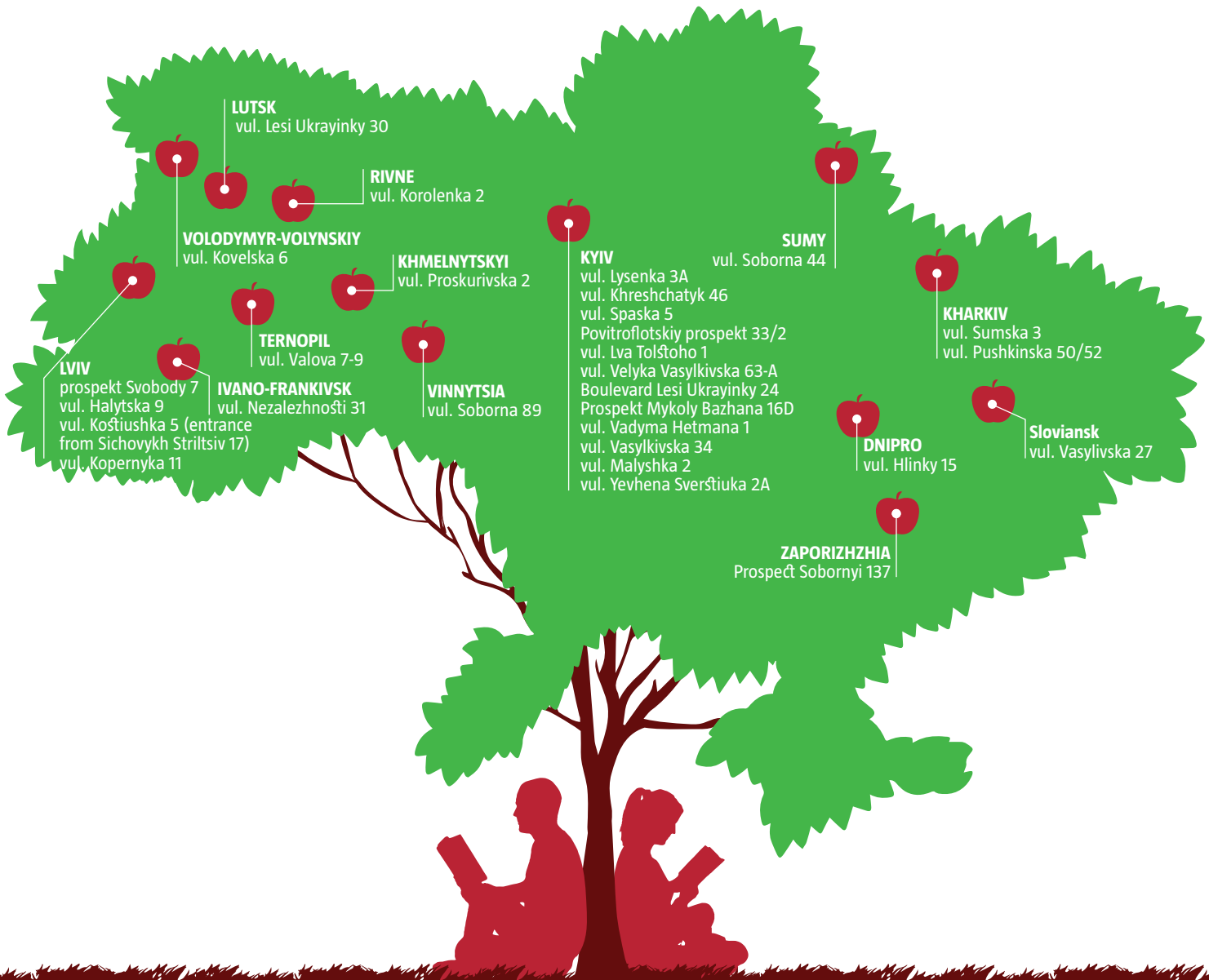
pal consumers to prevent competitors from entering this segment, which is currently the largest on the Ukrainian gas market. Therefore, the key demand of its current management for the reform of the gas market remains the real demopolisation of retail fuel sales and access to end users for both Naftogaz itself and alternative traders. After all, if the artificial monopoly of Firtash's companies is not removed, Naftogaz's room for manoeuvre (and incidentally that of any private foreign gas traders) will be reduced to the role of "intermediary between the intermediaries". Its position will weaken rapidly following reforms.

Despite the multifaceted motives behind the struggle for the future and probably the legacy of Naftogaz, it is important that Ukraine end up a winner and not a loser as a result of competition between various internal groups of influence and external lobbyists for market liberalisation. It is in the national interest to create a highly competitive market without room for artificial monopolies, where various suppliers compete for the right to sell fuel or provide services for its transportation and distribution to both households and commercial consumers. At the same time, national security issues cannot be ignored. Gazprom has long wanted to enter the Ukrainian retail gas market and take control of it. Reducing the role of Naftogaz in the process of liberalising gas trade could increase the share of private companies associated with pro-Russian oligarchic groups in Ukraine.

In addition, European companies could, under certain conditions, decide (or be forced) to sell their Ukrainian sales subsidiaries to entities linked with Gazprom. Therefore, in the process of further reforming the sector, it is important to provide safeguards to prevent the Russian monopolist or related local oligarchic groups from taking over the Ukrainian market. ■



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Frustrated and optimistic

While Ukrainians assess the developments in their country negatively, they still believe that things will improve and generally feel happy

Andriy Holub

Given the results of sociological surveys, the average Ukrainian should answer without fail "Oh... worse and worse" to the question "How are you?" In reality, it is hard to meet such a person on the street.

According to a recent study by the Ilko Kucheriv Foundation of Democratic Initiatives, Ukrainians assess the state of affairs in their country extremely negatively. At the end of 2017, almost 70% of citizens believed that the situation in the country has deteriorated significantly.

This is no surprise. Sociologists record similar results on a permanent basis. Even in 2012, a rich year compared to the latest ones, when Ukraine hosted the European Football Championship, half of the population believed that the situation had worsened in the country overall. Less than 7% of respondents believed that it had improved. After the Maidan and the beginning of the war in the East, the number of "negativists" passed the 70% mark and has not dropped below this level since then.

Those who believe that the situation as a whole has changed for the better now number about 4%. The pollsters call such an outcome an insignificant, but still positive shift. "Last year, 3% believed that the situation changed for the better," Iryna Bekeshkina, director of the Ilko Kucheriv Democratic Initiatives Foundation, sums up the results.

How unique are Ukrainians in their views? A poll by the Democratic Initiatives Foundation asked Ukrainians about their thoughts on the way things were developing in the country. At the end of 2017, 14.4% believed that it was moving in the right direction and 73.7% in the wrong one. A similar question was posed to respondents in 25 countries around the world as part of a study by British company Ipsos MORI a little more than a year ago. It found that around 63% of citizens in countries where the survey was conducted were convinced that their countries had chosen the wrong path. The absolute leader for those convinced that their country is moving in the wrong direction is Mexico (96%). Next are France (88%), South Korea (87%), South Africa (86%) and Brazil (83%).

More interesting is the list of countries where citizens are mostly convinced that they are moving in the right direction. China's leadership (90%) is not a big surprise, nor is India's third place (76%) – both countries have recently made an economic and social leap. Saudi Arabia whose wealth is ensured by significant mineral resources is in second place (80%) Conversely, the other two countries in the top five may be a surprise – Russia (58%) and Argentina (56%), which is mainly in the news because of its serial debt defaults.

This shows that the mood of citizens within the country does not always match the perceptions of these states abroad. Ukrainians are not special in their negative attitude towards the direction their country is moving in. The main reason that makes them believe that things are going wrong is the ongoing war in the East (73.6%). For most respondents, the end of hostilities will be the main indicator that the country is finally returning onto the right path. Other popular reasons for dissatisfaction are "rising prices without an increase in wages" (49.9%), "high levels of

corruption" (47%), "lack of confidence in the future" (31.3%) and "significant growth in utility rates" (25.3%). They are followed by the issues of oligarchy, healthcare and the slow pace of reforms.

"Every year, the answers to this question are fairly stable. First of all, people want peace in the Donbas. However, on the one hand, people want peace, but on the other hand, they do not agree with peace at all costs or many of the compromises that have been suggested. For half the population, of course, the indicator of changes in the right direction will be general growth in the economy and standard of living, bringing corrupt officials to justice and creating new jobs," says Bekeshkina.

In the rest of the world, slightly different questions were asked. Each respondent had to choose three problems they consider the most threatening. With the exception of the war, the issues that concern Ukrainians and citizens of other countries are not too different: unemployment (39%), corruption (32%), poverty and social inequality (32%), crime and the level of violence (30%). The next three positions are occupied by medicine, the threat of terrorism and the quality of education.

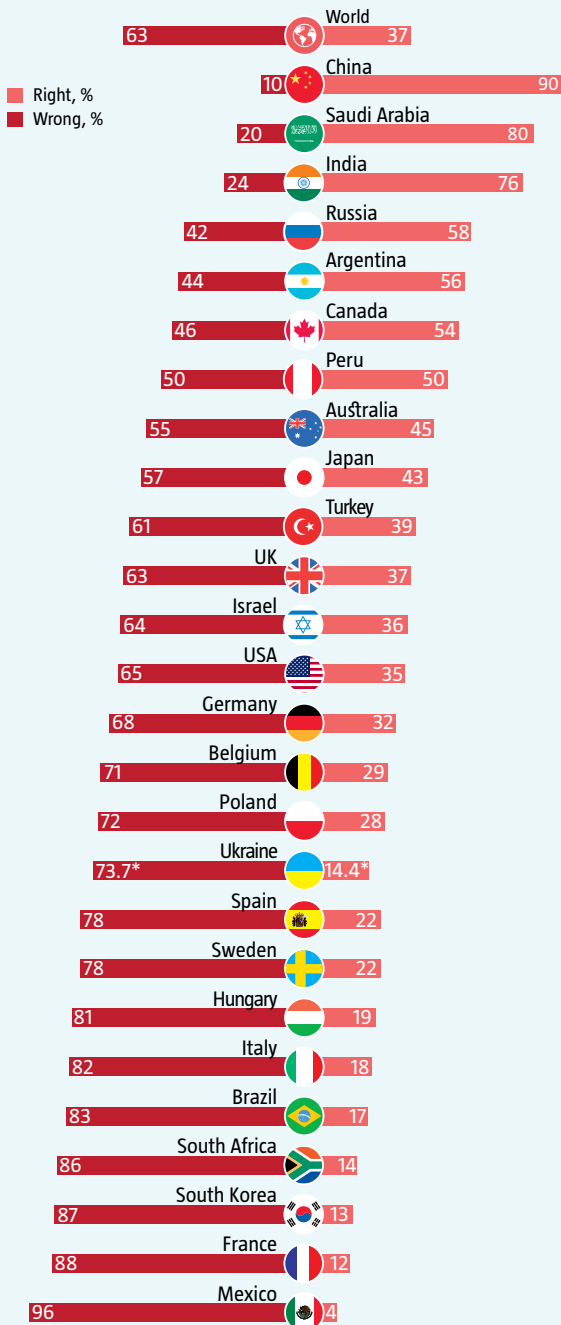
Only 21.5% of citizens believe that Ukraine will be able to overcome current problems and difficulties in the coming years. However, only 15% think that it is fundamentally incapable of doing this. The majority, or almost 50%, pragmatically believe that the problems will be overcome "in the more distant future"

2017 cannot be called the worst year in Ukraine's history when compared to both the previous three and forecasts for 2018. No "victories" on the same level as last year's visa-free travel regime are currently on the horizon, but the political strife that many are already tired of will only grow more intense. Two election campaigns will start simultaneously – presidential and parliamentary. However, this does not mean that Ukrainians did not notice any achievements in 2017.

"The visa-free regime was the key event of the year inside Ukraine, internationally and, importantly, for the public as well. 46% of Ukrainians consider the introduction of the visa-free regime to be important, which is much more than the number of people who even have a biometric passport (mandatory for the visa-free travel – Ed.)," notes Bekeshkina. An area where Ukrainians feel there has been change for the better is defensive capability (39%). 25% see a change for the worse here too, but in general, the numbers on this issue have been positive for several years. In 2017, more people saw improvement in the pension system (22.5% vs. 3.9% last year) and wages (14.7% vs. 3.4% last year). Although many believe that the situation in these fields has nevertheless deteriorated or has not yet changed significantly (65.2% and 75.8% respectively), the growth of the minimum wage and pension reform introduced in 2017 has obviously played a positive role. At the same time, Ukrainians have not yet noticed two other reforms – the net rating for education and healthcare has deteriorated even in comparison with last year.

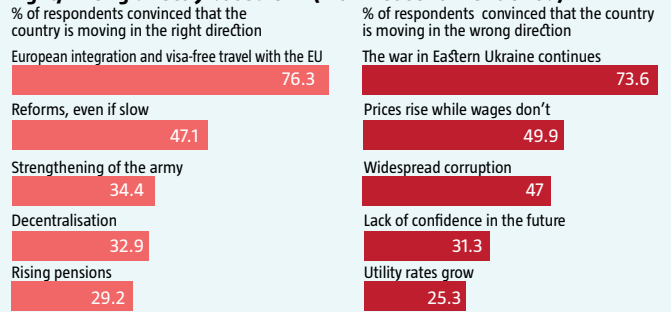
Public opinion in Ukraine and the world

Are things in your country moving in the right or wrong direction?



*11.9% of those polled chose "Difficult to answer" option

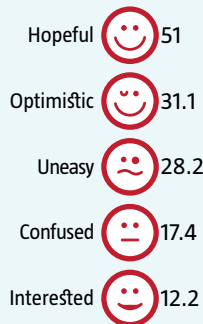
What is your belief that your country is moving in the right/wrong direction based on? (main reasons mentioned)



What is the most troubling thing in your country (the main problems mentioned across 25 countries worldwide, %)



How do you feel when you think about the future of Ukraine? (most common answers, %)



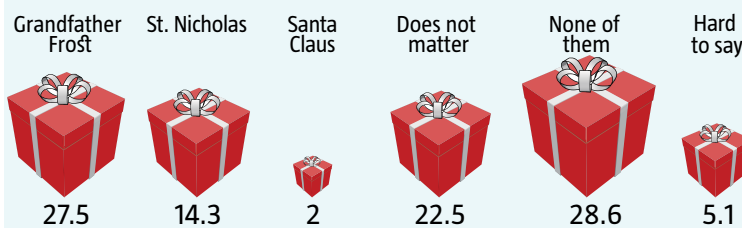
Were you happy in 2017? (%)



The politician of 2017**



Whom would you like to get your New Year presents from? (%)



Source: Ipsos MORI, October 2016

** Respondents were asked to give their own answer without multiple-choice options

Ukrainians are quite critical in their assessments, especially when it comes to government actions. On the one hand, this is a repercussion of distrust in the state that has been preserved since the soviet era. On the other hand, this shows a healthy pragmatism. If citizens experience changes personally, as in the case of visa-free travel or the pension system, this is immediately reflected in the figures. Conversely, while the reforms remain well-meaning words, as in the case of the healthcare legislation that has been passed but not yet implemented, they have little effect on public sentiment. In addition, Ukrainians are not inclined to identify themselves with their state. As the Ipsos MORI survey shows, in this aspect they are more like citizens of free or relatively free countries. In more authoritarian countries, public opinion largely matches "party policy". This separation of the self from the state brings both threats and opportunities. One positive point is that a negative attitude towards events in the country as a whole has little effect on the assessment of one's own life. Personal does not mix with politics.

This is confirmed by another block of questions in the Democratic Initiatives Foundation's study. More than 58% of respondents said that they felt mostly or very happy in 2017, while 31% were unhappy and another 10% found it difficult to answer. "People were happy or mostly happy in almost all regions except for the Donbas. In the Donbas, people were unhappy," is Bekeshkina's comment on the results. In addition, more than 80% of people are sure that 2018 will be either better than last year or at least "there will be more better things than worse ones".

Another important feature of 2017 was the growth of the number of optimists in their vision of Ukraine's future. According to Bekeshkina, there are just as many optimists now (31%) as there were after the Orange Revolution. In addition, positive feelings, such as hope and interest, are predominant in this regard. Many name uneasiness and confusion as negative feelings, but the total number of pessimists is only 6%.

"Perhaps it is because of the New Year atmosphere – I can't rule it out, but last year's survey was also held just before New Year's Eve and the results were much worse," says Bekeshkina.

Only 21.5% of citizens believe that Ukraine will be able to overcome current problems and difficulties in the coming years. However, only 15% think that it is fundamentally incapable of doing this. The majority, or almost 50%, pragmatically believe that the problems will be overcome "in the more distant future".

While Ukrainians are dissatisfied with the pace and quality of reforms, they are themselves in no hurry to change old traditions and habits and switch to new circumstances. In particular, this concerns Russian and soviet influence. For example, Ded Moroz, or Grandfather Frost, a soviet equivalent of Santa Claus, is still twice as popular as St. Nicholas, a more traditional religious character, as someone who brings presents on New Year's Eve. St. Nicholas remains a mainly Western Ukrainian symbol. However, 25% of Ukrainians do not care at all who they receive gifts from. Only 1.4% of citizens celebrated Christmas on December 25 and 76% on January 7. Another 15.5% decided to celebrate twice.

This data indirectly shows the current nostalgia for old times, which is further confirmed by television programs on New Year's Eve that invariably include soviet films and kitschy variety shows. Google search trends from Ukraine in 2017 are much more revealing. They show that Ukrainians often searched for Russian TV series and ways to access blocked Russian social networks. Among the 10 most popular people of the year are four Russians, and the death of a controversial stand-up comedian Mikhail Zadornov interested Ukrainians more than the suicide of world-famous Linkin Park frontman Chester Bennington. At the end of the day, these traditions also change. But that takes a lot longer. ■

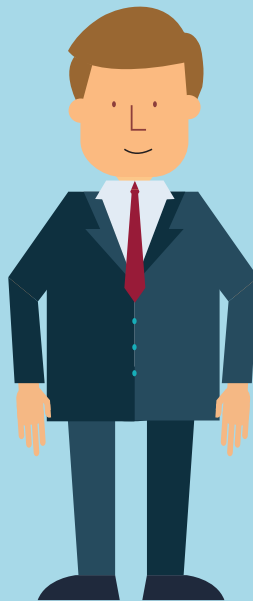


A wolf in sheep's clothing

Compiled by Andriy Holub

In a recent poll, Razumkov Center, a sociology group, has found that 73% of Ukrainians fully or partly agree with the statement that political parties which spend a long time in power always have tainted reputation. So they only trust new political forces and their leaders. 55% of Ukrainians are convinced that the country needs new faces. Add to this the lost trust in most state institutions, disapproval of various government branches, and frustration with the outcome of the Maidan, and the space for the appearance of new faces in Ukraine's politics is as vast as never before. In the meantime, the Kremlin's desire to use the conflicting points inside Ukraine against it is not a myth. It is one of the key threats after Russia was stopped on the military and economic fronts. In this situation, average residents find themselves in a state of confusion: on the one hand, they risk blindly playing into the interest of the enemy. On the other hand, they can turn into silent observers of clumsy and harmful actions of Ukraine's current political elite. 2018 is the last year before the 2019 elections, and the last chance for a potential new leader to come to the scene and have enough time to gain political weight. **The Ukrainian Week** has tried to figure out what kind of a leader this could be and which of his or her actions can be risky for Ukraine. The criteria presented in this image are not exhaustive, and each taken individually does not necessarily signal an evil intent. What is presented here is a generalized portrait of a nominal new leader Ukrainians would support. One advice we can give, however, is to avoid admiration of anyone and always ask who can benefit from every new face.

CRITERIA



Young, but not too young

Ukrainians want young people in power. But those who are too young can scare off the electorate aged over 50. These people believe that their life experience prevails over anyone else's. A politician that loses this niche in Ukraine will also lose the first roles. The perfect age for a new leader would thus be around 30 or 40 years.



A new face

The new leader should have crystal clear reputation compared to colleagues who have spent years in politics. Ukrainians want their new leader to be someone who has not been in top positions in government. This person would likely come out of the civic sector or law enforcement agencies.

RESPONSIBILITY



The record of victories or sufferings

While young and untainted, the new leader is expected to have demonstrated the best qualities in difficult situations and the ability to take responsibility. 43.5% of Ukrainians support this statement. A big-time story, especially when simplistically promoted by the media, can be a good start to the career.



Can do it all

The new leader knows everything in general and nothing specifically. He knows how to end the war in the Donbas without military action, how to fix a tractor, and how to make sure that the Ukrainian football team will get to the world finals. The details of how exactly this can be accomplished are always obscure. Yet, it is sufficient for them to passionately criticize losers. In this, the new leader is similar to the average voter. This improves emotional connection between the voters and the leaders.



Away with those in power!
No further details or explanations



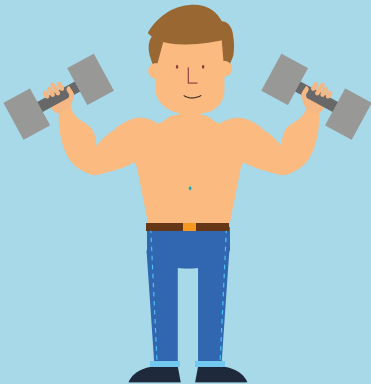
Against oligarchs

The new leader should not be merely against oligarchs. He or she should be profoundly or hysterically against oligarchs. At the same time, the new leader says all this on TV channels owned by oligarchs.



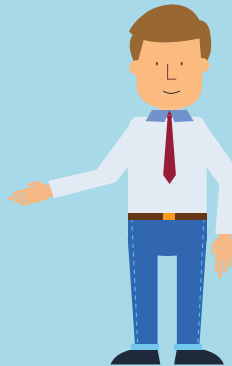
A TV host

The new leader can host a TV show on one or many channels. He or she should ask questions, answer them and explain his or her position (see *Away with those in power!* and *Against oligarchs!*).



An athlete

The new leader should do sports as a hobby. Regular workouts help him or her fix the body issues acquired in the years of studies. The leaders should be strong physically and emotionally.



Down-to-earth

The new leader should not necessarily live a modest life. Only 10% of Ukrainians want this. However, he or she cannot get too distant from the people. Luxury brands should be left to political predecessors. The new leader should wear inconspicuous clothing of average pricing, but stands out in terms of appearance. The main thing is to create an impression that the new leader has no time for unnecessary decorations and is too pragmatic for this.



For all things good!

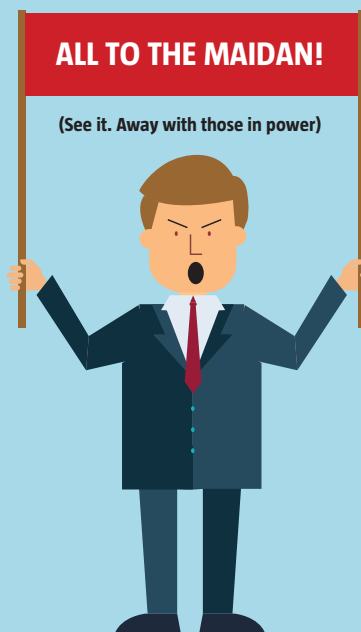
A real new leader always knows the latest sociological surveys. They show that Ukrainians are most concerned about social and economic problems. Also they show that Ukrainians have not quit paternalistic sentiments, and are still waiting for the state to overcome corruption and non-market regulations that feed this corruption. The new leader is not inventing a bicycle and promises to deliver everything at once, from low utility rates and prices to stable currency rates, high pensions and wages. The details of how to accomplish this remain obscure (see *it. Can do it all!*). But the only barrier is easy to remove (see *it. Away with those in power!*).



An alternative

All of the options mentioned above are already present in Ukraine's politics in one way or another. The new leader, however, has to stand out. Paradoxically, Ukrainians don't like unrealistic promises; they appreciate honesty and clear plans. At least, that's how they respond in polls.

Still, the new leader should have an action plan for one specific issue (see *items For all things good!* and *Against all things bad!*) that's easy to understand and apply, and will become an anchor of his or her political image. This issue can be about something fully unexpected, such as legalization of crypto currencies or dissolution of all courts.



Against all things bad!

According to the abovementioned surveys, the problems of language and culture do not bother Ukrainians too much. The most popular criterion of a "new party", based on a Razumkov Center poll, is "The party prioritizes socio-economic problems shared by the residents of all regions and does not focus on ideological differences between the residents of various regions" (26.8%). The new leader is aware of this. So he or she takes a moderate position which helps him stand out among the radicals calling for various restrictions. Meanwhile, the new leader finds a profound conversation about complex issues uncomfortable.

Curiouser and curiouser

Trends in the Donbas given the whirlwind of socio-economic changes and the background of permanent conflict on the front

Yelyzaveta Honcharova, Bakhmut

TIES TO RUSSIA LOSE THEIR SHINE

One of the first events of the New Year that took me by surprise was the enormous number of celebratory salutes in the skies over frontline town of Bakhmut: you could hear the explosions coming from various corners despite an official ban—and common sense. The only thing that was a very pleasant surprise was that there was not a single salute at 23:00, that is midnight, Moscow time. Prior to the war, fireworks typically began precisely at midnight, when the New Year was ushered in by Ukraine's neighbor. Was the silence this year intentional or subconscious—a rejection of the “fraternal bond”? Perhaps it was due to the ban on analog television broadcasts from Russian channels? Or maybe people just decided to economize on the cost of fancy pyrotechnics?

Budget revenues from Donetsk Oblast businesses were **UAH 7 billion** in 2017, which was up a striking **UAH 1.896bn** or **37%** over 2016 revenues

Without any doubt, attitudes towards Russia, as the country directly involved in the war, have changed in Donbas. Some Ukrainians are angry at its marauding actions and openly boycott any products from Russia. Some have switched to speaking Ukrainian in their daily lives. Some are genuinely enraged that Russia “betrayed” the residents of Donbas, who really believed that it would make them part of one big happy family. Yet others have managed to get around various parts of Ukraine's neighbor, fleeing from the war or looking for work, and have come to their senses: they no longer buy into the images shown on television. The reasons may be contradictory but the results are the same: fewer and fewer wide-eyed fairy tales about paradise and freebies.

Interestingly, it's very hard these days to find any goods made in Russia on store shelves in the free parts of Donetsk Oblast. Among the few items are chocolates with soviet names or veterinary medicines that aren't made in Ukraine while alternatives made in the EU are prohibitively expensive. But household chemicals, foodstuffs and clothing are either Ukrainian or made somewhere in the EU. Yet it's unlikely that this would have happened simply because of a deliberate ban: real demand for these goods has simply plummeted—especially among those who have come from front-line territories to shop. They admit that they are sick and tired of Russian goods, most of which leave a lot to be desired in the quality department. And so they exclusively buy Ukrainian.

INFLATION GROWS, BUT SO DO BUDGET REVENUES

Incidentally, “shopping tourism” from the occupied parts of Donetsk and Luhansk oblasts has generated a boom in front-line towns, as well as growing inflation that reached record levels in Donetsk Oblast in 2017. Indeed, it was the highest

registered anywhere in Ukraine. According to the regional statistics office, the consumer prices in Donetsk Oblast—less the part in the war zone—had grown 15.9% in December 2017, compared to December 2016, whereas the national average was 13.7%. And foodstuffs generally drove inflation in 2017. Over 2016, prices for food and non-alcoholic beverages in Donetsk Oblast inched up only 0.2% in December 2016, but by December 2017, they had jumped 17.5%.

One of the main factors behind this growth has been a rise in pension benefits. Moreover, those retired from industrial and mining jobs have significantly higher pensions. Some have managed to apply for and get benefits from both Ukraine and the occupying forces, so the cost of their “shopping trips” still leaves them with a handy profit. Against this backdrop, the impoverishment of those who haven't been quite so slick and have been deprived of any source of income whatsoever through various bureaucratic whims is dramatic. This, in turn, increases social tensions as some of those living in the front-line zone are forced to travel to towns further from border control points, where prices are considerably lower in order to buy basic goods. On the other hand, budget revenues from Donetsk Oblast businesses were UAH 7 billion in 2017, which was up a striking UAH 1.896bn or 37% over 2016 revenues. Last year, Donetsk also surpassed 2016 contributions to the consolidated budget by UAH 2.8bn, contributing a total of UAH 16.3bn in 2017. Based on the algorithm for distributing funds, local budgets were allocated UAH 9.4bn, which was UAH 942mn more than before. Most of this will be going to improve social conditions for local residents, and you can already see repairs and construction picking up pace thanks to funding from various sources.

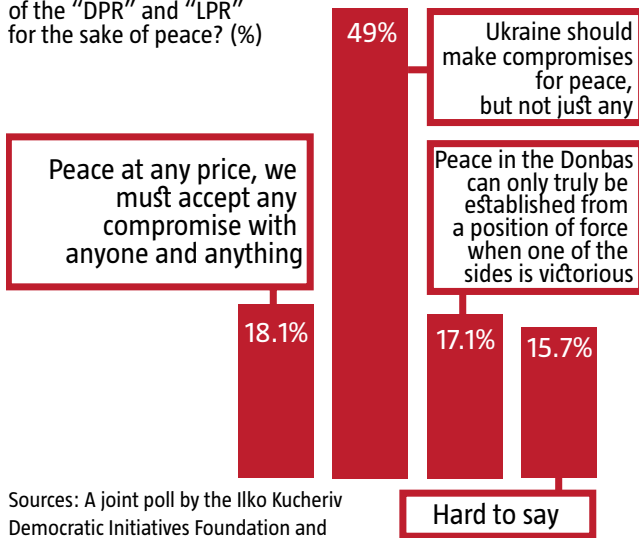
POSITIVE ATTITUDES ON THE RISE

Unfortunately, most people living in Donbas typically treat any positive gains or victories as the achievements of their local politicians, whereas any negative outcomes and problems are all laid at Kyiv's feet. In one interesting study carried out by Foundation.101 in the front-line towns of Donetsk Oblast, this trend was very clear.

“In most towns, responsibility for resolving all local issues, especially deciding personnel issues, road issues and so on is considered the local mayor's,” the Foundation's report states. “Significantly, together with high expectations of the local government, people also place considerable trust in their local politicians. So, in most towns—the exceptions being villages neighboring on Volnovakha, where the leadership has changed several times since the war began—, residents consider the work of the leadership of their local council useful and express personal confidence in them. The top political leadership in the country is generally expected to take responsibility for resolving the conflict in the east and putting an end to the war. However, people seem to understand that many local issues

What Ukrainians think of ways to solve the conflict in the Donbas

Should Ukraine accept a compromise with Russia and the leaders of the “DPR” and “LPR” for the sake of peace? (%)



Sources: A joint poll by the Ilko Kucheriv Democratic Initiatives Foundation and the Razumkov Centre (December 15-19, 2017)

can only be successfully resolved once peace has come to their region.”

The researchers noted that in those villages the term ATO (Anti-Terrorist Operation) is not used to refer to the military conflict to the east. They call it what it is: a war. And when asked how the situation in their region might be improved, a large number of respondents said that most problems would only be solvable after the war stopped. Yet few of them place much hope in the Minsk process. Despite the fact that the study involved communicating with people in the settlements closest to the front, the mood was surprisingly optimistic:

“In assessing the situation in their own villages over the last year, a majority of the surveyed residents said that the situation had somewhat improved during this period although there were enough who thought nothing much had changed,” the report summarized. “Those who saw a more positive trend explained it due to the fact that there were fewer exchanges of fire, that locals had gotten used to the sound of distant artillery fire, that some residents had been able to return to their own villages, and that life was slowly returning to more normal in their settlement.”

The study also noted a significant shift in attitudes towards the Ukrainian military. People stated that the soldiers provide medical and humanitarian assistance and at times even carry out tasks at the request of the local officials or the residents themselves. Some respondents said that the presence of soldiers in the village had a positive impact on the crime rate and reduced the number of thefts among locals.

PERCEPTION OF MILITARY IMPROVES

Positive changes were also observed in attitudes towards the activities of the Civil-Military Cooperation of the Armed Forces of Ukraine, known as CIMIC: most locals were very positive about the results of their efforts. Among others, they remembered a large number of parties organized for kids, including gifts and humanitarian assistance in the form of food and medications. Nevertheless, there were some negative responses as well. The researchers thought this could be associated with media attacks coming via Russian television:

“Near Volnovakha, residents talked about incidents where people looted abandoned residential buildings at the beginning of the ATO, but they also said that both the military and locals had done this,” the report went on. “Residents also admitted that at the time of the survey, such incidents had already stopped. Locals were particularly upset about the occasional abuse of military equipment on the part of the soldiers, especially equipment with tracks, to get from place to place, such as from their location in the field to a local store, because this seriously damaged the road surfaces in these settlements.”

The report also noted that the majority of negative feedback came from people living in villages close to Volnovakha and partly Mariupol: “In those areas, in contrast to the towns near Bakhmut, access to Russian broadcasts is not restricted.”

MEDIA MATTERS... FOR GOOD AND ILL

Media Detector, a civil society watchdog of the media environment in Ukraine, also ran a survey among Donbas residents and noted the significant influence of information from a variety of sources, including the Ukrainian press. This poll focused on the consumption of information, the needs and views of residents in the front-line area in eastern Ukraine and was carried out over July and August 2017.

“It’s extremely rare for people to choose their sources of information consciously and rationally,” the researchers concluded. “Partly this is related to broadly skeptical and negative attitudes that residents in this region feel towards all media. Friends, relatives and even strangers are seen as more reliable sources of news. The ideological factor or attitudes towards a given channel or its owners has little impact on viewers when they choose a news source.”

Media Detector also noted that when news about the front was not a reflection of reality, locals immediately assumed that it was a deliberate lie. This and the dominance of populist attitudes in media discourse have led to enormous distrust in domestic media as a whole and in the Government: “They’re all lying.” Respondents also expressed considerable annoyance over the fact that what the press reported did not satisfy what people needed to know, that the media ignored their local problems altogether and failed to reflect the realities they were experiencing, and that programming was hostile towards them, based on the topics selected, the phrasing used, and how events were being reported. Overall, attitudes towards Ukrainian media could be summed up simply: “This isn’t about us.”

Interestingly enough, media reports that directly affect local viewers tend to be trusted enormously. The same is true of reports that show the reality of life for ordinary people, and reports that satisfy their information needs.

And so it is at the local level that changes in attitudes can be seen as a general trend. Not long ago, Donetsk Oblast Governor Pavlo Zhebrivskiy proposed changing the name of a Kramatorsk park that is currently being reconstructed. “We’d like to change the name of the park from Pushkin to Konrad Gamper, who founded the local machine-building plant,” he said. “We have nothing against Alexander Pushkin, but what did he ever do for Kramatorsk? Gamper’s contribution to the history of this city is enormous. Such names should always be based on their significance. The choice should be genuine and grounded in history.”

His statement caused a minor sensation locally and roused heated online debates. As usual, there were many who thought the entire issue was trivial. Yet most of those opposed to renaming the park did not favor of the Russian poet at all. They simply didn’t think that the man the governor had proposed was a well-enough known or important individual, even locally. ■

The pursuit of happiness

Why migration from Ukraine rises and won't stop any time soon

Maksym Vikhrov



A threatening trend. Labor migrants constitute around 17% of the working-age population in Ukraine

The third generation of state officials is promising that Ukrainians will no longer need to go abroad in search of a better life. Nevertheless, emigration from Ukraine is steadily gaining momentum.

Migration is not just a Ukrainian problem, but a global trend. The numbers of migrants on the planet are growing: according to the UN, they were 174 million in 2000, 232 million in 2013, and 244 million in 2015. The development of transportation and communication means, the increased openness of borders and other globalization phenomena that make travel a not-so-risky adventure and life abroad less uncomfortable, are the factors contributing to migration. Today, migrants have far more opportunities to preserve their identity and keep family connections than they had a few centuries ago. The driving forces of migration remain the same: people leave their homes in search of bread, butter, and security. This determines the direction: global migration flows are directed towards peaceful nations with developed economies, that is, the G20 countries. They host almost two thirds of all migrants of the world. According to the International Organization for Migration, in 2013, Ukrainians ranked fifth among the newcomers to the G20 countries, after Mexicans, Hindus, Chinese, and Bangladeshis.

According to the State Employment Service, with a reference to the data of the Ministry of Foreign Affairs, about 5 million Ukrainians live and work abroad today. However, the actual scale of migration may be larger: according to a survey conduct-

ed by Rating sociological group, two-thirds of Ukrainians are working abroad illegally. About 3 million of them are in Russia. This is due to the visa-free regime, the lack of a language barrier, and its economic domination. However, in the recent years, due to the war and European integration, Ukrainians have been increasingly opting for the European Union. According to Eurostat, in 2013, 236,000 Ukrainians obtained residence permits in the EU countries for the first time, in 2015 this number was 493,000, and in 2016, 589,000, that is, about 18% of the total number of permits issued. For reference, Syrians were only issued 348,000 permits in 2016. Obviously, the realignment of Ukrainian migrants towards the EU will continue. This will apply to both migrant workers and those leaving for permanent residence.

The main factor driving Ukrainians to travel abroad (both for earnings and for permanent residence) is the difference in wages. While an average salary in Ukraine is about €250, in Russia it is €500, and in the EU this year it exceeded €1,500. Specifically, it was €750 in Poland, €870 in the Czech Republic, €1,760 in Italy, €2,300 in Germany, and €2,500 in Ireland. It is clear that the promise of Ukraine's government to increase wages to UAH 10,000, that is, to about €300, will not stop Ukrainians, same as high wages in European countries do not stop the Europeans themselves. According to the European Commission, in 2015, 11.3 million EU residents of the working age lived and worked outside of their home countries (EU members). Most of them went to Germany and the UK, as well as to Spain, Italy, France,

and Switzerland. Migration also takes place within the borders of individual countries. For example, Germans move from the eastern regions to the more developed west, while Italians prefer the richer north to the central and southern regions.

The main source of internal European migration is the countries that joined the European Union after 2004. This, for example, applies to Poland, where EU membership resulted in a surge of emigration. The focus for the Polish seekers of happiness is the United Kingdom, which immediately opened its doors to migrant workers from the new EU members. The number of Poles living there has increased from 94,000 in 2004 to 500,000 in 2008, and is now approaching 1 million (911,000 in 2016). Another priority destination is Germany, which has been welcoming Polish migrants since 2011, after the expiry of the moratorium on employing labor force from the newly acceded EU countries. According to the Federal Statistical Office of Germany (Destatis), there were 420,000 Poles living in Germany in 2013, 670,000 in 2014 and already 780,000 in 2016. They have the same motivation as Ukrainian migrant workers: economically developed countries pay better for work, while getting there is becoming increasingly easier.

Poland is offsetting the significant outflow of its own able-bodied population thanks to the migrant workers, first of all, Ukrainians, who constitute the lion's share of all its migrant workers. Migration promotion resulted in the liberalization of legislation. For example, out of all EU countries, only in Poland can Ukrainians get seasonal work having just a biometric passport. Working visas are also easily issued to Ukrainians: in 2016, about 1 million visas were issued, and the same goes for in 2017. Warsaw refers to Ukrainian migrants as refugees in order to keep away the real refugees from Syria. However, even in spite of political aspects, labor migration has a positive impact on the economies of host countries. According to the reports of the Organization for Economic Cooperation and Development, labor force in Europe has grown by 70% over the past 10 years, and in the United States by 47%, all thanks to migrants. They fill in the niches in the dynamic sectors of the economy, as well as in its stagnating industries, ensuring its flexibility. In addition, contrary to the stereotypes, most migrants are highly competitive workers. In this sense, Ukrainians are a rather valuable resource for Europe, given our cultural similarity, as well as a relatively high educational level and industrial labor background.

However, developed countries are forced to open their doors to migrants in view of the uncompromising demographic trends that encourage the "elderly and prosperous" to the economic and demographic alliance with the "young and poor." The global trend is that the population of economically developed countries is aging, whereas, on the contrary, young people in the developing countries have no chances in the domestic labor market. Therefore, hosting migrants is a kind of a historical compromise, which provides some with better earnings, and others with scarce human resources. The European statistics clearly demonstrate the urgency of the problem. According to Eurostat, in 2016, the share of children under 14 in the EU population was less than 16%, while the share of persons aged over 65 was more than 19%. For example, in Germany this ratio was 13% to 21%, resulting in the average age of Germans of almost 46. If the trend continues, according to demographers, by 2050, 37% of Europeans will be aged 60+, and the average age will be still closer to 50. This will mean a decrease not only in the absolute numbers of the population, but also in its able-bodied and fertile strata. In other words, nations now have to compete not only for markets and natural resources, but also for demographics.

In this struggle, Ukraine is doomed to fail, since it will be unable, either now or in the near future, to provide its citizens

with competitive income levels. Meanwhile, further European integration will facilitate the access of Ukrainians to foreign labor markets, where they will get a much higher remuneration. It is true, however, that the lion's share of labor migrants' incomes is still spent in their homeland. According to the NBU, in 1996 the amount of money transfers to Ukraine amounted to \$350 million, in 2010 it exceeded \$3 billion, and in 2015 it was close to \$6 billion. The figure for 2016 is estimated by experts at \$7 billion. In general, according to the estimates of the All-Ukrainian Association of International Employment Companies, in 2011–2016, migrant workers transferred over \$50 billion to Ukraine. For reference, in 2016, the Ministry of Regional Development of Ukraine estimated the cost of restoring the Donbas region at \$15 billion.

Money transfers of migrant workers not only replenish their family budgets, but also have a positive impact on the situation in Ukraine: at the very least, they allow for curbing poverty and related social and humanitarian problems. Besides, part of the funds are spent on opening own businesses, invested in children's education, etc.

According to the estimates of the All-Ukrainian Association of International Employment Companies, migrant workers transferred over **\$50 billion** to Ukraine in 2011–2016. For reference, the Ministry of Regional Development of Ukraine estimated the cost of restoring the Donbas region at **\$15 billion** in 2016

However, unfortunately, this does not compensate for the demographic losses. The problem is that Ukraine falls into the category of the "young and poor" countries only based on the poverty criterion, while its demographic trends are quite in line with the European ones. While India, Bangladesh, Mexico and China, whose populations are also actively migrating to G20 countries, have a population increase of 1.1–1.6%, in Ukraine this indicator has long been in the red. While the average age of a Ukrainian is not much higher than that of a Chinese (40 vs 37), Indians, Bangladeshis and Mexicans are on average 13–15 years younger than our compatriots. This means that, due to the low birth rates, Ukraine will not be able to compensate for the loss of its able-bodied population leaving the country. This will result in problems: already today, according to the State Statistics Service, only 17.8 million out of 42 million Ukrainians are economically active. Of course, the official statistics "cannot see" those employed in the shadow sector, but even the age composition of the population gives food for thought. As of 2016, there were about 29 million Ukrainians aged 15–64. This means that labor migrants today make up for about 17% of the working-age population.

If the number of migrant workers continues to grow, and the population of Ukraine to shrink and age, in the near future the country will have to compensate for the demographic and labor losses, as Poland, for example, is doing. The problem is, however, that Ukraine is not an economically developed country, and, therefore, is not attractive to foreign migrants. Ukraine is just a large migration corridor for getting into the EU. However, migrants do not want to stay here. According to the State Migration Service, in 2001–2015, the number of residence permits issued to foreigners in Ukraine ranged from 101,000 to 264,000. Compared to the scale of the outward migration, this figure is negligible. What does this mean? According to demographers forecasts, by 2030 the population of Ukraine will shrink to 41 million, by 2050, to 35 million, and by the end of the century, there will be only 27 million Ukrainians. Due to emigration, depopulation rates could accelerate, with even harsher economic consequences. ■

Creating a common agenda

The Ukrainian Week asked war veterans, volunteers and activists about their best-case scenarios for 2018

Interviewed by Andriy Holub,
Yelyzaveta Honcharova,
Yuriy Lapayev, Hanna Chabaray



Oleksandr Danylyuk, military surgeon, Chief Specialist of the Department of Health Emergencies and Disaster Management at the Ministry of Healthcare

My vision of the positive agenda for 2018 is that for the first time since Ukraine's independence we will start changing the healthcare system. Two important laws on healthcare reform have been adopted, and 2018 will be the key for launching it. Actually, it is first attempt to reform primary healthcare. Therefore, I hope that by the end of the year, primary physicians and health workers will get decent pay, while patients will be able to choose decent family doctors. As for the legal basis for this, it has practically been approved. The only thing that is missing is the signature of the President (Petro Poroshenko signed the healthcare reform laws on December 28, 2017 — Ed.). The National Health Agency has to be formed starting January 1, and the declarations (on the choice of primary care physician — Ed.) have to start working in test mode. In mid-2018, the reform has to be adopted at the national level. Regarding funding, healthcare budget is not sufficient, but the law provides for changes. We had budget deficit in this area every year, but if we properly distribute the funds and pay for specific medical services, and not for just maintaining institutions and personnel, we can win. This is what they did throughout the civilized world. The advantage of being a backward country is that we can borrow the latest developments, the real achievements. That is, we can analyze the mistakes made by other countries and, in fact, this is what we do. We use their latest achievements in the area of reforms, as well as in the area of service delivery protocols, etc.

I hope that emergency medicine training will be improved. New professions have already emerged. For the first time, colleges offer training to future paramedics. In three years, we will have first graduates to take jobs in the emergency medicine system, as in the EU and the USA. Military healthcare is being gradually improved, as we are switching to EU standards and evidence-based healthcare. Step by step, we are becoming compatible with NATO. As for the military healthcare system, we hope to introduce the profession of combat medics. They already exist, brought to life by the war. Now they will be legitimized taking the niche of what had been medical instructors in the Soviet army. They will provide quality battlefield assistance. We just have to register a new military service profession. The procedure has already started; it is irreversible. The Strategic Defense Bulletin outlines all this. Article 4.2 of it deals with the military healthcare reform and prescribes all of the above. Still, there are many legal obstacles preventing its prompt implementation. There is bureaucracy, which, on the one hand, makes it possible to avoid gross mistakes, and on the other, hampers quick reform. Also, as usual, there is shortage of management personnel. Unfortunately, many people are willing to criticize, but not many want to bring about real change. Here at the Ministry of Health, as well as in the military healthcare system or at the Ministry of Defense, there are few managers willing to take responsibility and change the system. Therefore, everything will not happen as quickly as we would like, but I hope that 2018 will bring about some changes to the healthcare system that will be both groundbreaking and irreversible. Thereafter, we will keep moving in the same direction.



Maryna Shazhko, head of Lada Animal Rights NGO, Bakhmut, Donetsk Oblast

I hope that 2018 will bring great progress in solving the problem of homeless animals. This year saw some positive changes to the law: increased responsibility for abuse of animals. Now we have to take further steps: help animals in travelling circuses, develop legislation about humane and systematic solution to

the problem of stray animals in the streets. And, of course, find the necessary funds. I look forward to these changes that are not exactly global, but very important to me personally. We have to solve the issue of building a shelter for animals in Bakhmut and to finally establish constructive communication with the city authorities in this respect. I feel it has a great potential for changing the lives of these animals, who are too many in the streets. Everything is in our hands!



Sean Townsend, spokesman for the Ukrainian Cyber Alliance, an activist cyber-security group

Previously, the very existence of the Ukrainian state was in question. Now, the country got around to the areas that are not directly related to survival. These include information security which is what the Ukrainian Cyber Alliance deals with (both offensive, i.e., intelligence, coun-

ter-intelligence and information subversion, and defensive, i.e., protection of Ukrainian information resources). Even though numerous mistakes have been made, as is always the case when things are in the making, there are also some reasons for cautious optimism. At the very least, officials have acknowledged the existence of cyber-security problems and we have made some modest attempts to establish a dialogue and seek ways of solving them.



Volodymyr Yelets, volunteer, Toretsk, Donetsk Oblast

Like many of my countrymen, I am looking forward to the complete de-occupation of the territory of Ukraine. As for me, I will keep doing my best. However, I think, it is equally important to focus on community development, especially around the front line. In my native Toretsk, we have great plans: to develop and implement a mechanism of interaction between the authorities and the public. One of our projects includes establishing a Creative Initiative Center in the city that could help reveal the talents of the residents

and implement different ideas. We also want to launch the Territory of Dream in the central park, where every Saturday various creative individuals could perform in order to teach young people about cultured and useful recreation. We plan to launch Ukrainian language courses for adults that already exist in nearby cities, to open a Poets' Café since we have a lot of people of all ages who love rhymes, from schoolchildren to pensioners. We have some more ambitious plans: to create a youth theater and to film a cool video about Toretsk with its residents. We want to help activists create a shelter for stray animals, and to support the initiative of our veterans who want to become active citizens.



Volodymyr Rehesha, war volunteer and activist, helps orphanages for disabled children

I'd like to see positive things but they are very few around. I personally find it in my children and nothing else: neither on the frontline, nor in politics or the state. I hope for the better, but I see that things are only getting worse in the country. This is because people solve their own problems under the cover of patriotism and concern for the future of the country; they make their money on it with no fear of the consequences. I hope to see changes on the frontline, movement in one direction or another, because people stay at one spot for years and have losses on a daily basis. This is wrong. We have to liberate our territory, but not just militarily. I would like to see changes in the state propaganda, so that we are not afraid to show good and bad things. Both are important because the bad can be fixed or countered if no-

ticed soon enough. I really hope to see changes in the system of orphanages. Any orphanage, even if made of gold, is evil. Ukraine only declares intent to get rid of this system, but does nothing to actually do it. I really hope that humans will act like humans and realize what they do, and why. I would like to see victory in the war. But, first of all, we have to defeat ourselves, our fears, our desire of immediate profits. I and people around me have already gained that personal victory in our minds. I realize that my children will not be the scum we used to be for many years. But I also realize that they will still have to live amidst surrounded by that scum. On the one hand, everything is so complicated. On the other hand, it's so simple. One just must do what he or she must do – in family, work and politics. I do hope that efforts to tear the country apart both externally and internally will stop. Maybe that's when we have the energy left to drive changes in all other areas.



Olena Zastavna, program director of Zaporizhzhya Book Toloka Festival

In 2018, I would like, first of all, Ukraine to abandon the leftover approach to funding culture, to modernize its facilities and resources, and to expand its network of theaters, museums, philharmonics, and libraries. Zaporizhzhya still does not have its own opera and ballet theater. Secondly, it is worthwhile changing the attitude of the authorities to libraries. They are not just bookshelves, but rather cultural centers and venues for the implementation of community initiatives. With this in mind, I would like to

see a new mechanism, more advanced and efficient, of forming library stocks (I hope that this dream will come true with the establishment of the Book Institute). Thirdly, I hope that the approved regional tourism development program will become a reality, and that Zaporizhzhya will become another tourist center of Ukraine, since the region has good potential. Besides, I hope that 2018 will bring us patrons and sponsors to support Zaporizhzhya Book Toloka Festival, and we will keep motivating self-development, inspiring changes, and encouraging the activities of the city's residents and visitors.



Yevhen Yarylo, veteran, co-founder of Der Igel tattoo studio

In 2018, I look forward to a more conscious attitude of soldiers to the veteran status: we should set the example and help develop a healthy society. Dignity should be the distinctive feature of a military man, especially the one who has

passed the test of war. It would be appropriate to develop fair legislation regarding the status of volunteers and former Crimean residents. I especially look forward to seeing Ukraine's foreign information policy finally working: we should not forget that we are in the middle of a hybrid war, and this resource is very important to maintain a confident position in the world community.

Studio sleight of hand

How Ukraine's talk shows work

Ihor Korolenko



Directing his own show. MP Yevhen Murayev is the owner of NewsOne, a TV channel with tainted reputation, and a skillful manipulator of the television platform

In Ukraine, political talk shows typically enjoy very high ratings, and so nearly all the top national channels broadcast at least one talk show a week to their viewers. As a rule, they are also aired during the primetime of prime times, Thursday or Friday evening.

For television, talk shows are very convenient as they cost little to produce. Politicians join the studio for free. Indeed, some have even been known to pay to be on the TV screen during prime time. Best of all, they mostly generate their own dramas without any effort on the part of the producer or the host of the show. The key is to bring together the right mix of people for the broadcast and all that remains is to shift viewpoints and angles. Such shows typically fill their commercial slots quite easily. People love to watch politicians squabble and the audiences for these talk shows easily reach several million.

The secret of political talk shows is quite simple. The ordinary householder who watches TV regularly treats these weekly political dramas as just another serial, a bit like reality TV, where actors are replaced by ordinary people. This never-ending political version of “As The World Turns” has its heroes and villains, the people in the show often fight and then make up, and they form and break alliances. Unlike cheap soap operas, however, Ukrainian politics has a way of evolving in unpredictable directions. Yesterday’s champion of the poor can turn instantly into the worst scumbag, while a seemingly invincible official suddenly loses everything and becomes a nobody.

Viewers all have their favorites, who often are not the wise and reasonable ones but the ones who cause a stir, even ranting and raving—which is what being a showman is all about. It’s been obvious for a long time that, put Yulia Tymoshenko, Oleh Liashko or Vadym Rabinovych in the mix, and the ratings will jump no matter what the program. In fact, these high-profile politicians can do a lot to lift a little-watched channel out of the doldrums and into prime-time ratings.

Since Ukrainian television is primarily not a business matter but a tool of political influence, it means that even talk shows have one main purpose: to provide high-profile PR for those politicians who are close to the owners of the channel and to smear their rivals. Indeed, the topics of talk shows often lead to a tug-o-war between the owner and top government officials. And the participants are sometimes deliberately chosen in order to give the desired “tone” to the debates and ensure that the right “ideas” come out on top.

For instance, the Inter channel’s Dark Mirror hosted for years by Russian journalist Yevgeni Kiseliyov, entertained leaders of the rump Party of the Regions, aka Opposition Bloc, Yuriy Boyko and Oleksandr Vilkul, far more often than any other channels. Kiseliyov also invited MPs Dmytro Dobrodomov and Serhiy Kaplin, both of whom were considered close to the channel’s most recent owners, oligarchs Serhiy Liovochkin and Dmytro Firtash. The channel has often had an openly anti-Ukrainian position. A newer talk show called Ukrainian Format, which was recently launched on NewsOne, often features the channel’s owner Yevhen Murayev, also openly anti-Ukrainian.

The Right to Govern on Channel 1+1 for obvious reasons often welcomes politicians from the circle of Ihor Kolomoisky, the channel’s owner. For instance, the leader of the Vidrozhennia or Revival Party, Viktor Bondar, often appears on the program, although he is little known in Ukraine and very rarely appears on any other channel.

Yet these examples are only the tip of the iceberg, the visible part. Ukrainian talk shows also have secret backroom intrigues that are only familiar to specialists, politicians and insiders who are actually involved in developing the content. For example, the subject of a particular program can sometimes be changed completely at the last minute after talks with the Presidential Administration. Bankova doesn’t always want certain topics to be raised publicly and is willing to make concessions to the individual media magnate in return for dropping them. Sometimes even an “undesirable” guest can be removed from the roster hours before going on air and replaced by a more neutral individual.

There are also some tacit rules that talk-show guests are not to violate in order not to become persona non grata on a given television channel. Top of the list, unsurprisingly, is not to criticize the owner. For instance, on the ICTV show Svoboda Slova [Freedom of Speech], no one makes nasty remarks about ex-president Leonid Kuchma. The channel is owned by Viktor Pinchuk, his son-in-law. In other words, freedom of speech is often a formality. The only exception is Channel 5, which is owned by Petro Poroshenko. After all, its owner is in the top position in the country, so it’s impossible not to mention what he does on air. But that is compensated for by a long “black list” of people whom hosts are not allowed to invite to their shows, including some of the president’s most vocal critics and his main political rivals.

Of course, there are certain tricks and manipulative moves that hosts use once the program is in progress in order to allow one person more air time and cut off others when convenient. Since it’s not possible to never ever invite members of enemy parties on air, these undesirable guests are restricted in every

way possible. For instance, some odious politicians and experts will be invited to the same show and their job is to interrupt the opponent as often as possible, to ask awkward questions, and to provoke scandals and squabbles on air. At other times, an unwanted guest will be given the microphone a minute before a commercial break so that it looks like the person was inadvertently interrupted. After a 15-minute pause, viewers have already forgotten who said what on what topic and the word goes to some other participant.

One nuanced aspect is working with the live audience. They are typically present in all of the main Ukrainian talk shows and at a particular moment can also affect the direction the program takes. For instance, the host can suddenly give the microphone to a “representative of the public,” who proceeds to ask one of the guests a trick question. In addition, the studio audience often gets to vote on some of the propositions being offered by one politician or another. However, the results presented graphically on the screen often have no relationship to the numbers that were shown during the actual voting process. Even applause is not spontaneous, as a rule, but comes in response to a signal at the proper time when the preferred speaker has said something.

How the studio audience is selected is a separate issue and one that many fans of talk shows undoubtedly wonder about a lot. Some programs really do select their on-air audiences almost literally from off the street, such as Shuster Live, whose host, Savik Shuster, generally has people from across the country. But on Dark Mirror on the Inter channel, the studio audience generally consists of students from Kyiv universities who are paid to attend and are driven back to their distant dorms after the show ends. There isn't a single political talk show in Ukraine today that is completely independent and objective, and

over which neither oligarchs nor politicians have any influence. Shuster tried to run that kind of show more than once, making it clear that he didn't want owners to determine what the content of his shows would be. The Shuster Studio managed to work with every single national channel in Ukraine but quit all of them because of his determined position. In the end, he and his partner Pavlo Yelizarov tried launching their own independent channel called 3sTV, but it only lasted a year. It appears that the main problem with Ukraine's media market is that there really isn't one.

It's no secret that all the country's top channels are running in the red and survive only because their owners subsidize them. They can't survive on paid commercials because there simply wasn't enough advertising to go around even before the Euro-maidan and the war and there's even less since the crisis. And so the 3sTV channel was doomed from the outset. In early 2017, it stopped broadcasting new programs. Even a campaign to get viewers to subscribe, which is how Russia's independent Dozhd channel survives, was not enough to keep it afloat, as Ukrainians weren't ready to pay for content. In any case, supply far outstrips demand in Ukraine today.

Indeed, Ukrainian viewers suffered the loss of this granddaddy of the talk-show circuit relatively painlessly, quickly switching their attention to other channels. What they want, after all, is not objectivity, but entertainment—and there's no shortage of the latter. The main thing to keep in mind is that talk shows are not journalism in the classic sense of the word, but shows, first and foremost. And their purpose is not to get to the truth but to make sure that the most possible viewers tune in. And so, complaining about the obvious bias in such programs is pretty pointless. ■



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A new hegemon

Major trends in the Donbas
SME initiatives

Yelyzaveta Honcharova, Bakhmut

After the beginning of the war, the focus has shifted from large-scale industry, characteristic of Eastern Ukraine, to small and medium-sized businesses. This trend is rather forced than conscious, but for a region whose financial status depended heavily on soviet and post-soviet industrial monsters in the hands of oligarchs, this is definitely a step forward.

All kinds of international projects aimed at helping those willing to make a living independently in Eastern Ukraine were instrumental in helping them open their businesses. The United Nations Development Program (UNDP) in Ukraine has been very active in the recent years. With the financial support from the Governments of Poland and Japan, and in partnership with the Donetsk and Luhansk Oblast State Administrations and the Chamber of Commerce of Ukraine, it launched a number of grant projects and organized some business events for entrepreneurs

of the Donbas at the level that has been unthinkable of in the region since the outburst of the war. Skhid Expo 2017 that took place first in Kramatorsk, and then in Kyiv, has shown that despite the war and the outflow of capital and human resources from the region, it still has both ideas and the will to implement them. 86 entrepreneurs from Donetsk and Luhansk oblasts, recipients of financial support to expand or start their businesses, showed off their annual achievements. The exhibition presented agricultural goods (cheese, honey, and sausages), services (fast food, handmaid goods, and clothing), modern technologies (for construction, industry, or alternative energy), as well as local highlights, such as healthcare salt chambers from Soledar deposits.

"Successful small and medium-sized business is the key to sustainable economic development. Today, it is crucial to support entrepreneurs from the regions affected by the conflict. Creating jobs and opening new markets is one of the urgent needs of the businesses operating in Donetsk and Luhansk oblasts," — said Victor Munteanu, manager of the Recovery and Peacebuilding Programme implemented by the United Nations Development Program in the East of Ukraine, at the exhibition opening in Kyiv.

In fact, the aid provides to small businesses guarantees, to some extent, their survival, rather than profits. A large number of people who lost jobs in their fields due to the occupation of territories, the closure of enterprises, and the breach of trade relations with Russia as the occupying side, are now concerned with the issue of providing for their families. Some have decided to face the challenge and take the responsibility, with some support. The transformation was particularly interesting in the case of those forced to leave their homes due to the occupation. Sometimes, they started businesses in the areas they had never even considered. For example, a lawyer and a builder from Makiyivka came to a small village, where he created his own eco-farm producing home-made goat cheese. A farmer from Novoazovsk County moved to Mariupol, where he opened a quest room, a hostel and an anti-café, the possibilities that hardly anyone has even heard of in his small village. Whether or not such stress management works will become clear over time.

"I produce various veterinary substances, and although my business is not bound to the local level, the impact of the war is still felt," says Hennadiy Sechkin, owner of a manufacturing company in Bakhmut. "The customer pool has shrunk, because many of my clients lived in the cities that are now occupied. Now they are scattered all over Ukraine and are looking for nearby suppliers. I consciously refused to trade with Russia back in 2014. Even though back then, we had no idea what to do: had there been militants in my city, I would have had to leave, because they are my ideological enemies. But whether I could move the equipment somehow somewhere and reinstall it in a new place are the issues that I'd rather not think about now."

The entrepreneur believes that the precondition for the development of small businesses in the Donbas is the ceasefire. Either with the restitution of the occupied territories, or even through their temporary separation, but without the shaky frontline, because due to the constant stress and instability of the situation businesspeople cannot even take bank loans to develop their businesses:

"My mortgage assets are located in a city where war is very near. So, when I turn to different banks and they hear about Bakhmut, I get a refusal instead of money. So, for medium-sized businesses, there are very few opportunities today. Whereas small businesses still can keep afloat thanks to grants, we are not getting so much help. Actually, in 2015 I did get a grant of about 2,000 to open sterile drugs facility, where I, under the terms of the project, employed IDPs for a year. The facility keeps working successfully, but I don't have money for other serious projects that I am planning."

Regional authorities are also busy with small and medium businesses, that is, with a variety of projects to support them. The most famous one is called "Ukrainian Donetsk Kulak" and is promoted by Pavlo Zhebrivsky, head of the Donetsk Oblast civil-military administration: "Oblast State Administration has set a course to develop small and medium-sized businesses, because it helps

AFTER THE BEGINNING OF THE WAR, THE ECONOMIC FOCUS HAS SHIFTED FROM LARGE-SCALE INDUSTRY, CHARACTERISTIC OF EASTERN UKRAINE, TO SMES. THIS TREND IS RATHER FORCED THAN CONSCIOUS, BUT FOR A REGION WHOSE FINANCIAL STATUS DEPENDED HEAVILY ON SOVIET AND POST-SOVIET INDUSTRIAL MONSTERS IN THE HANDS OF OLIGARCHS, THIS IS A STEP FORWARD



PHOTO: UNIAN

More than coal. Ceramics could become one of the trademark products in Donetsk region

diversifying municipal risks in terms of taxes and labor market. Our program, Ukrainian Donetsk Kulak, aims to create a class of small and medium-sized business owners in all areas of the economy. We will allocate UAH 140 mln for this program," he wrote on Facebook after one of the roundtables to support entrepreneurship.

Even though Zhebrivsky believes that 100,000 businesspeople are needed to democratize the region, he has not yet succeeded in recruiting such an army of self-sufficient and self-motivated entrepreneurs. People are traditionally wary of the government's initiatives, many do not try to apply, because they are confident that only the "insiders" will get the money. Others suspect that there is no such thing as a free lunch and do not want to depend on the authorities in any way. For many, it is unprofitable to go out of the shadows and take part in official projects, since they are not ready to pay all taxes and charges as per the current legislation. An increase in the single tax rate at the beginning of the year, for example, forced thousands of small businesses in Donetsk Oblast to close down. Only a portion of them keep operating.

It is in fact possible to find examples of growth. In Bakhmut, the largest grant of the "kulak" program was awarded to a company that planned to organize 3D printing of building constructions using a construction 3D printer. Experts say that such examples are a very good trend, since the growth of just the service sector or the budget money filtering could hardly result in increased

efficiency and development of the region. Serhiy, an entrepreneur from Kramatorsk, is not so optimistic, because he believes that we are still trailing far behind. At least, he thinks that the medium-term prospects are dire: "Businesses will switch from production to services, resulting in increased unemployment rates. This trend is gaining momentum, requirements to skills will keep growing, and given these trends and the isolation of the region, we are happenstance witnesses to the emergence of the new rust-and-slag belt of Europe... In fact, we live very low and take too long to get moving. We have low purchasing power of the population and the lack of high-quality labor resources for quick business organization. No trends or technologies are born here, there is no cultural diffusion, there are no new socio-economic models that could interest the civilization. The only development taking place is in the field of consumption, where people have no choice: retail and services. Instead, there is a conventional diffusion of technologies from the centers... A kind of a civilizational homogenization."

However, it would be strange to expect an economic boom or an unprecedented growth of high-tech industries from a region affected by war. The Donbas is actually bled white not only because of the destruction from the hostilities, but also due to the enormous outflow of human resources. Unfortunately, today their lack can be felt in almost all areas of life, including the small and medium-sized businesses sector. ■



Ben O'Loughlin:

“People in Ukraine often have a false view of what life in the EU is like”

Interviewed by
Yuriy Lapayev

The Ukrainian Week spoke to Professor of the London University about the way Ukrainian perceive the EU, the impact of the Russian propaganda and the recipe for Ukraine to improve its image internationally.

Can you provide some overview and highlights of your research?

I research ‘strategic narratives’ – the stories countries tell about themselves and how these make a difference. I run a centre in London – the New Political Communication Unit – where we’ve been researching this for a decade now. I was also the lead advisor on the UK Parliament’s committee on ‘soft power’, looking to see how a country can create a compelling story about itself for the rest of the world so that other countries wish to cooperate with it. And for better or worse, since 2014 Ukraine has become a laboratory for studying how narratives might make a difference in politics. Russia and Putin tell one story about Ukraine, and about the dastardly West. European leaders tell a different story about Ukraine moving closer to Europe and NATO. We are conducting research across Ukraine seeing what it’s like for ordinary Ukrainians to be caught in the middle of this ‘battle of the narratives’.

Three quick highlights from three projects we run. Our research funded by Marie-Curie actions shows that a lot of Ukrainians don’t want to choose between the EU and Russia. They feel close to Russia for religious and cultural reasons, but they want the economic opportunities that exist with the EU. Older people feel deeply attached to a shared Soviet history even if they don’t necessarily like the current Russian government. They resent this history being ignored or silenced. Younger generations don’t deny that history exists but they do not see it as central to their lives and future. It is a delicate balance.

Our research funded by the European Commission shows that since 2014 young people in particular have developed a much more realistic and pragmatic expectation about what the European Union can do for them. They don’t expect the EU or its member-states to ride to the rescue in the conflict or help reform Ukraine overnight. They also recognise that overcoming corruption and having a democratic society – not just democratic elections every few years, but ongoing participation in politics – this is the responsibility of Ukrainians themselves. The EU can’t solve these problems for Ukraine.

Finally, the research we’re doing for the British Council and Goethe Institute about the power of culture to

overcome conflict shows that, despite the pragmatism of young people, there is a new generation in Ukraine who have the skills and energy to make a vibrant civil society happen. But that generation must not lose faith and turn away from politics.

All of these projects show the society of Ukraine is not black and white. People hold complex feelings and loyalties. They distrust most news. They know they must take responsibility for their society while often feeling distanced and alienated by the political elite. From outside Ukraine, Russia and the West can think of the situation as an 'information war' or 'battle of the narratives' but that misses the messy reality.

How can the perception of the EU among Ukrainians impact further development of bilateral relations?

The EU cares deeply about how it is perceived, and our research can make a difference here. The European Commission asked us to find out how Ukrainians view the EU. Hence, when Ukrainians talk to us, we can relay their views to Brussels. This can contribute to realistic relations – that neither inflates expectations nor reduces optimism and hope.

It is also important for Ukrainians to maintain good bilateral relations with member-states and their societies – with Germany, France, the UK. This is why cultural and educational exchange, scientific and business ties, even sport, matter and I hope Ukrainians take full advantage of the visa-free regime to communicate their culture in towns and cities across Europe. It angers me how difficult it is for Ukrainians to get a UK visa but hopefully this will change over time.

Do you feel the impact of propaganda on the perception of the EU?

If you mean Russian propaganda, then there is not much evidence it has made any difference to the perceptions of Europe or the EU. There is lots of evidence of Russia trying to communicate negatively about Europe and stir up divisions. There is not much evidence of this working. But it doesn't have to work much to still make a difference. If just one or two percent of a society become more open to far-right or anti-EU leaders, then this can make a difference at elections.

Propaganda rarely makes a difference. Eighty years of communication research shows this. The reason some populations have become more pro-Russia or anti-EU by about 5-6 percent over 2014-16 is because Europe went through crisis after crisis – we mishandled the refugee crisis, there were high profile terrorist attacks, and economic inequality has not improved in much of the EU since the financial crisis. It is not that people in the Baltic States or Central Europe suddenly love Russia because they were fooled by Russian propaganda. It's that they feel let down by their own governments and look for an alternative.

Propaganda is sexy and everybody gets excited by it but it doesn't explain why public opinion changes.

In your opinion, can the visa-free regime really change the view of the EU among Ukrainians? How?

It is one factor. This is how it should work: Over a generation it will become normal for youth, business people, scientists and artists to travel and live in the EU. Equally, some Ukrainians will work in the EU in manual jobs. Certainly, their views of the EU will change: our research

Ben O'Loughlin was born in 1976 in Newcastle upon Tyne, UK. He received his Bachelor's degree from the Northumbria University in 1998, and a DPhil in Politics at the New College, University of Oxford, in 2005. He has been Professor of International Relations at the Royal Holloway college of the University of London since 2006. He carried out projects on media and radicalisation for the Economic and Social Research Council and the Centre for the Protection of National Infrastructure. Prof. O'Loughlin is Co-Editor of the Sage journal *Media, War & Conflict*, an international, peer-reviewed journal that maps the shifting arena of war, conflict and terrorism in an intensively and extensively mediated age launched in 2008. In 2013, he and his colleagues published the book *Strategic Narratives: Communication Power and the New World Order*. In 2013-2014, Prof. O'Loughlin was Specialist Adviser to the UK House of Lords Select Committee on Soft Power and UK influence. He has authored numerous works on international relations, strategic communications and public diplomacy.

shows people in Ukraine often have a false view of what life in the EU is like because the Ukrainian media only report what happens in the EU when it affects Ukrainians. Ukraine is not a big story in the EU: our relations with China and the US are much more important. Once Ukrainians live in the EU they will see this. But my hope is that the best and brightest of Ukraine are able to move back and forwards between home and the EU, and that this will be beneficial for all.

What differences in the perception of the EU have you found between young and old Ukrainians?

The EU is simply more relevant to young people in Ukraine. They have their future ahead of them and their horizons are wide. But there is a generation in Ukraine which in 1991 would have been 30 or 40 years old. They would have had children and a place to live. They had some security at home. Suddenly the USSR no longer exists and there is a lot of chaos. Many people from that generation lost a lot in the 1990s. They look back to that time. But their children look forward. The 1990s are irrelevant to their children, who are now in their 20s. They lost nothing and it is quite realistic for them to expect to travel to the EU. So it is not simply that young or old are more or less pro-EU. It is that they were born into a different history, a different era, and Europe will play a different role in their lives.

What does Ukraine need to do to improve its image internationally?

Ukraine can make changes at home and abroad. At home, ordinary Ukrainians must not think politics is something only the elite does. Otherwise the elite are free to act as they please, fight each other, waste money, and never address corruption. Ukrainian citizens need to step up at all levels – street, town, city, region.

Abroad, Ukraine can promote its assets more clearly. The cuisine. The music. The vast and often beautiful nature. South Korea picked a handful of aspects of its culture to promote and pushed them hard - Taekwondo, K-pop, kimchi noodles. Ukraine needs to pick some things from its culture that are unique and attractive and start promoting them, so people's image of Ukraine can improve. ■

Confused new world

Government paralysis is producing rising discontent in Britain. Meanwhile, Labour is divided on Brexit and other economic issues and is not ready yet for power

Michael Binyon, London



PHOTO: REUTERS

A failed bet. Mrs. May has no political power to make her opponents fear her. This is largely because of her insistence on calling an election last year which she almost lost

Bad luck attracts more bad luck. Theresa May, Britain's embattled prime minister, has already suffered almost a year of political setbacks, blows to her authority and embarrassing squabbles and resignations from her cabinet. In early 2018 came another blow from across the Atlantic. Donald Trump, leader of Britain's closest political ally, announced that he was cancelling his planned visit to London.

The ostensible reason was that he was no longer willing to perform the official opening of America's massive new £750 million embassy in London, because he believed that President Obama had made a bad deal in selling off the old building in central Lon-

don too cheaply. Analysts and White House commentators quickly dismissed this pretext. The real reason he would not go to London, they said, was that he was angered by comments about his policies by Mrs. May and opposition Labour politicians. And he was also fearful of the promised big protests against him on the streets.

British politicians were unsure how to handle this sharp rebuff. Several blamed the Labour opposition, especially Sadiq Khan, the mayor of London, for the personal attacks on Trump. Many said that Britain should be more welcoming, as a presidential visit was necessary to underpin strong relations between

the two countries. Almost all acknowledged that his abrupt cancellation was a clear signal that, to the Trump White House, Britain hardly matters any more.

It is not simply a question of Brexit, after which the Americans think that Britain, isolated from its European partners, will become less useful as a US ally; it is also the question of Mrs. May's vanishing authority. Donald Trump – whose mother was Scottish and who still owns golf courses and other property in Britain – has a sentimental attachment to Britain, and has made no secret of his wish to be entertained by the Queen on the promised state visit. But now both the visit and the need to go to London are disappearing. More than 1.8 million Britons have signed a petition against a full state visit and all the trapping of royal hospitality that go with it. Many more have objected to any honour for Trump. No date has yet been fixed, and the subject seems now to be mired in political uncertainty. After the cancellation of the working visit, a full state-visit may never happen.

Mrs. May herself also now carries less weight in Washington. Her inability to keep control of her fractious party, her political paralysis over the Brexit negotiations with Brussels and the likelihood that she will be dumped by her party colleagues at almost any time means that she is not an ally who can deliver anything much.

This sense that she is again politically on the rocks was reinforced this month, when she attempted to reshuffle and refresh her cabinet of ministers. Commentators and politicians all said that the face of the Conservative party was too “pale, male and stale”. She needed to bring more women into government as well as ethnic minorities and younger politicians. So she attempted a big change of personnel. But it turned out to be a disaster. Several of the ministers refused to be moved to other posts. One, the female education minister, resigned in anger. There were no big new names promoted. And after the changes, the cabinet still looked “pale, male and stale”.

The fact is, as everyone has noted, that Mrs. May does not have the power or the courage to sack her main critics or her most ambitious rivals. She would like to get rid of Boris Johnson, the foreign secretary, but does not dare as he is still a powerful supporter of Brexit. She does not like Philip Hammond, the Chancellor of the Exchequer (finance minister), but needs him to steady the economy in difficult times. And several ministers who have been seen as lazy or incompetent have been allowed to remain in their jobs.

The botched reshuffle takes Mrs. May back to the political crises of last year. In the past month or so things seemed to be going better. Britain had finally got agreement from Brussels to move on to the next stage of talks about future trade relations with the EU. Mrs. May was feeling more confident as no one in her party was openly now talking about a plot against her. And the British economy was doing surprisingly well, with exports rising because of the weakness of the pound sterling.

But now she is again seen as a weak prime minister, presiding over a divided government that has no firm plans for any new policies. There are three main weaknesses which will probably make it impossible

for her ever to regain full authority, let alone become another Thatcher, as she had hoped.

The first is that she has no political power to make her opponents fear her. This is largely because of her insistence on calling an election last year which she almost lost. The government has no majority in parliament, and is therefore terrified of any proposal or reform that would be opposed by rebel Conservatives and bring down the entire government.

The second weakness is that she has not appointed experienced politicians to run her communications team or to look after the appointment of new staff. There are few people around her who are able to predict how television and the press will react to any political move. And as a result, Downing Street often makes elementary error – such as announcing a new chairman for the Conservative party and then finding that it was the wrong name.

The third weakness is that there is no clarity over what the government wants to do. There are many areas that need urgent political action: the shortage of housing, the underfunded National Health Service,

THERESA MAY HAS NOT APPOINTED EXPERIENCED POLITICIANS TO RUN HER COMMUNICATIONS TEAM OR TO LOOK AFTER THE APPOINTMENT OF NEW STAFF. THERE ARE FEW PEOPLE AROUND HER WHO ARE ABLE TO PREDICT HOW TELEVISION AND THE PRESS WILL REACT TO ANY POLITICAL MOVE

the growing gap between high-paid employers and the low wages of many workers. There is an urgent need also to improve universities and to increase social mobility.

The Prime Minister has made statements about the need for action in all these areas. But nothing has happened. No new policies have been announced, no new money has been allocated and no preparations have begun for fundamental reforms. It is as though the government is simply talking about changes without making any changes at all.

This sense of paralysis is producing rising discontent in Britain. The government is seen as incompetent, worn-out and out of touch. Young Britons are alienated from politics, and extremism is on the rise. At the same time Brexit threatens to upset huge areas of life in Britain, as hundreds of thousands of EU workers now employed in the health service, in agriculture and in service industries return home, leaving vital sectors critically short of staff. Meanwhile, there are big argument still between those who want to cut all links with the EU and those who want to keep the benefits of the single market. And no one knows what the government wants from the current talks in Brussels.

Few voters want a new election. Even Labour, riding high in the opinion polls, is itself divided on Brexit and other economic issues and is not ready yet for power. And senior Conservatives, shaken by scandals over sexual harassment and other resignations, feel they must stick with Mrs. May for the time being. So she continues on, uninspired and uninspiring, but knowing that for now she is unlikely to be overthrown. Maybe Mr. Trump will come to London one day, after all. ■



Michito Tsuruoka:

“Vis-à-vis North Korea, it is undeniable that no country has a workable option to stop its missile and nuclear development short of war”

Interviewed by
Anna Korbut

The Ukrainian Week spoke to Prof. Tsuruoka about Japan’s perspective of security threats in East Asia, the North Korean crisis and potential changes in the country’s defense capabilities.

What are the top security threats for Japan today?

North Korea is the first. The things that have been taking place, including the launches of ballistic missiles and nuclear tests, make it quite clear that they are a problem. However, we should not forget about China. In the medium or long term, it is a bigger source of concern for us in security terms. It is bigger, and still a rising power. North Korea cannot be seen as one, except for the military dimension: the pace of ballistic missile and nuclear weapons development is much faster than we expected. But China has far more nuclear warheads. The same thing goes for ballistic missiles.

China rises as a status quo challenger for a long-term prospect. What scenarios do you see for Japan (alliances, cooperation, military buildup) as an attempt to counter that effectively?

In the first place, China is still a partner for Japan. We do have a lot of security challenges coming from it. Its assertiveness in South and East China Seas causes huge troubles -- not only for Japan, but other countries, including the U.S. But we need China and they need us when it comes to economic relations. And we are good partners with it. There is economic interdependence between the two countries that is really deep. So, you hear a lot of talk about security challenges in the foreign and security policy community but the business community is focused on making money and they do not want to be disturbed by political and security tensions. That’s reality. I would like to emphasize that there is

no consensus in Japan on how to deal with China. There are sort of parallel worlds: security and economic ones. What is important is to have a balanced view of those two aspects. When it comes to security and defense, it is increasingly difficult for Japan and, perhaps, the U.S. to counter China’s military buildup in the long term. A lot depends on how sustainable China’s economic rise is going to be. Some say that we should not try to completely contain China because it’s impossible. I think that argument makes a lot of sense. But at the end of the day, I still believe that the US economic model is more sustainable than the Chinese one.

Still, Japan is reacting to these challenges by changing its approach to defense capabilities?

First, the level of people’s awareness about security issues has increased significantly over the past decade or so. Partly because of China’s assertiveness in the South and East China Seas, especially in the latter one where China poses challenges almost daily by sending vessels into the Japanese waters or close to them. It really is a daily challenge we have to deal with. When it comes to the East China Sea, we put coast defense vessels rather than those of the Maritime Self-Defense Force, the navy. This is because the administering of the territory (Senkaku Islands – **Ed.**) is done by the coast guard, and we don’t want to be seen as a party escalating the situation by using the navy first, as long as the Chinese don’t use it. But the maritime self-defense force always supports the coast guard operations in the East China Sea. That means that the operational tempo for the maritime self-defense forces is very high. It is a challenge in terms of sustaining preparedness and good shape. And there is no prospect of a change: China is un-

likely to stop challenging Japan's administrative control over those territories. This is going to be a long-term thing and we need to be prepared.

Is this situation pushing Japan to upgrade its military complex and defense budgets?

In the first place, our immediate focus is on North Korea. We are now trying to strengthen our ballistic missile defense (BMD). Japan has been working on BMD for more than 10 years. We have one of the most sophisticated systems, in cooperation with the U.S. It includes Aegis vessels and Standard Missile 3 (SM3) on board of these ships, as well as the Patriot Advanced Capability-3 (PAC3) interceptor missile system. In addition to those, we are now thinking of introducing what is called Aegis Ashore. This means putting the Aegis system on land. That is what the Americans are operating in Romania and plan to introduce in Poland next year. We are now thinking of doing that on the Japanese soil. The problem is that missile defense system is very expensive, its cost effectiveness quite low. Think of a situation where North Koreans fire multiple missiles simultaneously (and they have shown their capability to do so). Intercepting those incoming missiles would pose a huge problem for us. Even if there was just one coming from North Korea to Japan, we would probably have to fire more than one interceptor. And those are far more expensive than North Korean ballistic missiles. So it's an unfair game. Even more interceptors would have to be launched if multiple missiles were coming simultaneously. It is becoming obvious that North Koreans can easily overwhelm Japan's missile defense capabilities. Another problem is the lofted trajectory of the missile launched. It means that if you fire a long-range missile very high, then its range would become shorter, but the warhead speed would be much faster. This makes it more difficult to intercept. According to some estimates, a North Korean missile reached around 4,500 km in one of the launches. With the speed of it falling from that height it's impossible to intercept. And North Korea has shown that capability. We are prepared to spend more money on missile defense, including the new Aegis Ashore systems. But how much is enough is a huge question.

How do you assess the success of America's diplomacy in the current circumstances in the region?

Vis-à-vis North Korea, it is undeniable that no country has a workable option to stop its missile and nuclear development short of war. And no one is prepared to start an all-out war against North Korea, at least for the moment. So the status quo continues. But the problem is that the meaning of the status quo changes every day. Two years ago, the status quo was that North Korea was still in the process of developing nuclear weapons and early phases of launching ballistic missiles. Now it looks like it has a capability – long-range missiles which could reach US mainland. And many experts say that they are almost done with their primitive nuclear warheads which could be small enough to put on a missile. So the status quo today is very different compared to two years ago. I hate to say that the current situation is a stalemate. But as long as no one is prepared to change the status quo, it's perhaps fair to say so. As long as the stalemate continues, the problem is that North Koreans can continue to do whatever they want to, in the meantime below the threshold of war. That poses a huge problem.

Japan does not have many options to use. Perhaps the only thing we can do is more diplomatic pressure and economic sanctions against North Korea. That's almost it. Short of resorting to a pre-emptive strike, it's the same for the United States. The Trump Administration probably expects China to do more vis-à-vis North Korea. And Beijing has sent an envoy to North Korea but nothing happened. So the Trump Administration has returned it to the list of state sponsors of terrorism. But we are quite skeptical about

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what additional actions could be taken in the current situation. Expecting China to do more is always a popular idea. But we are getting more skeptical about what that could achieve. For China, the red line is quite clear: it is the maintenance of North Korea as an independent state, a strategic buffer between itself and America's ally, South Korea. Beijing is more frustrated with North Korea's reckless behavior, it has angered China more than once. Still, the current situation is better than, for instance, a united Korea under U.S. influence at its door step.

Has this affected the Japan-NATO relations? How are they evolving in terms of substance?

The Japan-NATO cooperation used to be driven by cooperation in Afghanistan when the Alliance had a big operation there. Japan did not send troops there but we cooperated extensively on the civilian side of the effort. After the ISAF operation and Afghanistan, we have been doing various things, including more discussion on cyber security, maritime security as a common topic (Japan had been involved in anti-pirate operations along the coast of Somalia). One of the other new areas for possible cooperation is missile defense. As I mentioned above, Japan is likely to deploy Aegis Ashore system. Outside the U.S., only Romania has the already functioning installation. Poland will be getting it next year, then Japan would be the third. In that context, Japan is more interested in how the Americans are operating that system in Romania and Poland. It is the U.S. national asset, but it's also part of the NATO missile defense architecture.

Meanwhile, Japan and the U.S. are co-developing the new version of SM-3 interceptors titled Block IIA. As far as I understand it, the U.S. is to introduce that new system into Aegis in Poland. So you could say that half of the technology developed by Japan could be defending Europe. Another thing is North Korea. I very much appreciate the fact that the North-Atlantic Council released a statement condemning North Korea's nuclear tests back in September. In the final paragraph, NAC reiterated full solidarity with the security of Japan and South Korea as NATO's partners. It is unrealistic for Japan to expect NATO forces to come in defense of the country. Still, such a diplomatic message, strategic communication matters. Having more countries as partners, including from the EU and NATO, on board, exerting pressure on North Korea through diplomatic language and sanctions, is highly appreciated. And that's a great part of the NATO-Japan cooperation. Recently, NATO Secretary General Jens Stoltenberg has visited Japan and met with Prime Minister Abe and other leaders. He also visited the naval base near Tokyo and reviewed one of the Japanese vessels there. That is also part of our efforts to deepen mutual understanding and raise European awareness about what is taking place in Asia. In fact, Europe is a little closer to North Korea than the US mainland, particularly its East Coast where Washington is. I'm not saying that North Korea is likely to strike Kyiv, London or Paris, but we need to be aware of the geographical reality. So North Korea will be a threat to European security as well, something that Europe needs to address in the years to come. ■

The youth of today

Teenagers are better behaved and less hedonistic nowadays. But they are also lonelier and more isolated

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DRAWING: JASON FORD

At the gates of Santa Monica College, in Los Angeles, a young man with a skateboard is hanging out near a group of people who are smoking marijuana in view of the campus police. His head is clouded, too—but with worry, not weed. He frets about his student loans and the difficulty of finding a job, even fearing that he might end up homeless. “Not to sound intense,” he adds, but robots are taking work from humans. He neither smokes nor drinks much. The stigma against such things is stronger than it was for his parents’ generation, he explains.

Young people are indeed behaving and thinking differently from previous cohorts at the same age. These shifts can be seen in almost every rich country, from America to the Netherlands to South Korea. Some have been under way for many years, but they have accelerated in the past few. Not all of them are benign.

Perhaps the most obvious change is that teenagers are getting drunk less often (see chart 1). They start drinking later: the average age at which young Australians first try alcohol has risen from 14.4 to 16.1 since 1998. And even when they start, they sip rather

than chug. In Britain, where a fifth of 16- to 24-year-olds do not drink at all, the number of pubs is falling by about 1,000 a year, and nightclubs are faring even worse. In the past young people went out for a drink and perhaps had something to eat at the same time, says Kate Nicholls, head of the Association of Licensed Multiple Retailers, a trade group. Now it is the other way round.

Other drugs are also falling from favour. Surveys by the European Monitoring Centre for Drugs and Drug Addiction show that the proportion of 15- to 16-year-olds who have tried cigarettes has been falling since 1999. A rising proportion of teenagers have never tried anything mind-altering, including alcohol, tobacco, cannabis, inhalants and sedatives. The proportion of complete abstainers rose from 11% to 31% in Sweden between 2003 and 2015, and from 23% to an astounding 61% in Iceland. In America, all illicit drugs except marijuana (which is not illicit everywhere) have become less popular. Mercifully, the decline in teenage opioid use is especially steep.

Nor are young people harming each other as much as they used to. Fighting among 13- and 15-year-olds

is down across Europe. Juvenile crime and anti-social behaviour have dropped in England and Wales, and with them the number of juvenile convicts. In 2007 almost 3,000 young people were in custody; by 2016 the number was below 1,000.

Teenagers are also having less sex, especially of the procreative kind. In 1991, 54% of American teenagers in grades nine to 12 (ages 14-18) reported that they were sexually experienced, and 19% claimed to have had sex with at least four partners. In 2015 those proportions were 41% and 12%. America's teenage birth rate crashed by two-thirds during the same period. As with alcohol, the abstention from sex seems to be carrying through into early adulthood. Jean Twenge, a psychologist at San Diego State University in California, has shown that the proportion of Americans aged 20-24 who report having no sexual partner since the age of 18 rose from 6.3% for the cohort born in the late 1960s to 15.2% for those born in the early 1990s. Japan is a more extreme case. In 2015, 47% of unmarried 20- to 24-year-old Japanese men said they had never had sex with a woman, up from 34% in 2002.

In short, young people are less hedonistic and break fewer rules than in the past. They are "kind of boring", says Shoko Yoneyama, an expert on Japanese teenagers at the University of Adelaide. What is going on?

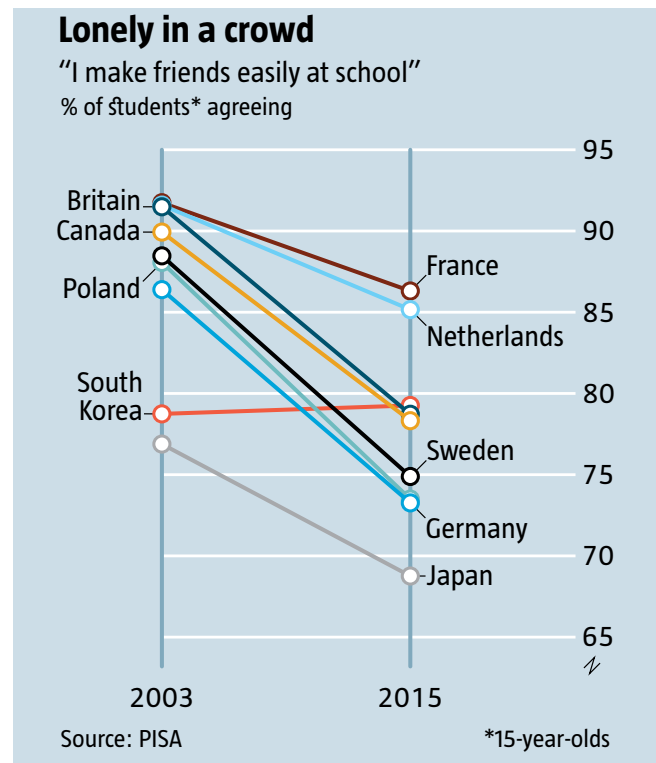
THEY TUCK YOU UP

One possible explanation is that family life has changed. A study of 11 countries by Giulia Dotti Sani and Judith Treas, two academics, found that parents spend much more time on child care. In America, the average parent spent 88 minutes a day primarily looking after children in 2012—up from 41 minutes in 1965. Fathers have upped their child-care hours most in proportional terms, though they still do much less than mothers. Because families are smaller, the hours are spread across fewer offspring.

Those doted-upon children seem to have turned into amenable teenagers. In 28 out of 34 rich countries surveyed by the World Health Organisation, the proportion of 15-year-old boys who said they found it easy to talk to their fathers rose between 2001-02 and 2013-14. Girls found it easier to talk to their fathers in 29 out of 34 countries. The trend for mothers is similar but less strong. And even teenagers who do not talk to their parents seem to listen to them. Dutch surveys show that teenagers have come to feel more pressure from their parents not to drink. That is probably the main reason for the decline in youthful carousing since 2003.

Another possibility is that teenagers and young people are more focused on school and academic work. Across the OECD club of rich countries, the share of 25- to 34-year-olds with a tertiary degree rose from 26% to 43% between 2000 and 2016. A larger proportion of teenagers believe they will go on to university.

As a result, they may be staying at home more. Mike Roe, who runs a drop-in youth club in Brighton, in southern England, says that ten or 15 years ago clubs like his often used to stay open until 11pm on school nights. That is now regarded as too late. Oddly, though, teenagers are not necessarily filling their evenings with useful work. Between 2003 and 2012, the amount of time 15-year-olds spent doing homework



fell by an hour a week across the OECD, to just under five hours.

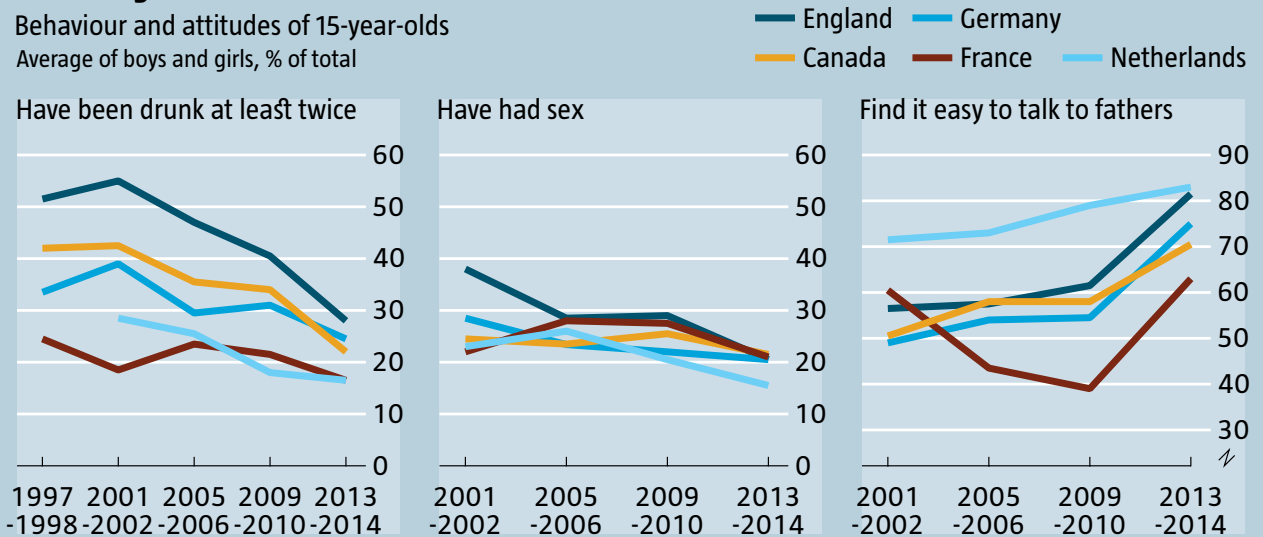
Meanwhile paid work is collapsing. In 2016 just 43% of American 16- to 19-year-olds were working in July, during the summer holidays—down from 65% two decades earlier. The retreat from lifeguarding and burger-flipping worries some Americans, including Ben Sasse, a senator from Nebraska, who argues that boring paid work builds character and resilience. Teenagers are no fools, however. The average 16- to 19-year-old American worker earned \$9.20 an hour in 2016. Though an improvement on previous years, that is a pittance next to the cost of university tuition or the large and growing wage differential between professional-level jobs and the rest. The fall in summer working has been mirrored by a rise in summer studying.

Ann Hagell, a British adolescent psychologist, suggests another explanation. Today's young people in Western countries are increasingly ethnically diverse. Britain, for example, has received large flows of immigrants from Africa, south Asia and eastern Europe. Many of those immigrants arrive with strong taboos against drinking, premarital sex and smoking—at least among girls—and think that only paupers send their children out to work. Ms Hagell points out that teenage drinking is rarest in London, where immigrants cluster.

Finally, technology has probably changed people's behaviour. Teenagers are heavy internet users, the more so as they acquire smartphones. By their own account, 15-year-olds in OECD countries spent 146 minutes a day online on weeknights in 2015, up from 105 minutes in 2012. Chileans lead the rich world, putting in an average of 195 minutes on weekdays and 230 minutes on weekend days.

Teen angels

Behaviour and attitudes of 15-year-olds
Average of boys and girls, % of total



Source: WHO, Health Behaviour in School-aged Children Study

Social media allow teenagers' craving for contact with peers to be squared with parents' desire to keep their offspring safe and away from harmful substances. In America, surveys known as Monitoring the Future have recorded a decline in unsupervised hanging-out, which has been especially sharp since 2012. Teenagers who communicate largely online can exchange gossip, insults and nude pictures, but not bodily fluids, blows, or bottles of vodka.

The digital trade-off comes at a cost. Sophie Wasson, a psychologist at Harvard-Westlake, a private high school in Los Angeles, says that some teenagers

In America, the average parent spent **88 minutes** a day primarily looking after children in 2012—up from **41 minutes** in 1965. Fathers have upped their child-care hours most in proportional terms, though they still do much less than mothers

seem to use social media as an alternative to face-to-face communication. In doing so, they pass up some opportunities to develop deep emotional connections with their friends, which are built on non-verbal cues as well as verbal ones. Ms Wasson believes that social media widen the gap between how teenagers feel about themselves and what they think their friends want them to be. Online, everybody else is always happy, good-looking and at a party.

Technology also enhances surveillance. Parents track their children's phones and text frequently to ask where they are. Benjamin Pollack, a student at the University of Pennsylvania, remembers attending a camp in Israel when he was in high school. He communicated with his mother every day, using Facebook Messenger and other tools. As it happens, his mother had attended the same camp when she was a teenager. She contacted her own mother twice in eight weeks.

Worries about teenagers texting and playing computer games too much (and, before that, watching too much television) have largely given way to worries about smartphones and social media. Last November Chamath Palihapitiya, formerly a Facebook executive, said that his children were “not allowed to use that shit”. But strong evidence that technology is rewiring teenagers' minds is so far lacking. American and British data show that, although heavy internet use is associated with unhappiness, the correlation is weak. One paper on Britain by Andrew Przybylski and Netta Weinstein suggests that heavy computer and smartphone use lower adolescents' mood much less than skipping breakfast or skipping on sleep.

SUFFICIENT UNTO THE DAY

Still, something is up. Whether it is a consequence of phones, intrusive parenting, an obsessive focus on future job prospects or something else entirely, teenagers seem lonelier than in the past. The OECD's PISA surveys show that the share of 15-year-olds who say they make friends easily at school has dropped in almost every country (see chart 2). Some Western countries are beginning to look like Japan and South Korea, which struggle with a more extreme kind of social isolation in which young people become virtual hermits.

Perhaps they will get round to close friendships in time. One way of thinking about the differences between the youth of today and yesterday is that today's lot are taking it slow. They are slow to drink, have sex and earn money. They will also probably be slow to leave home, get married and have children. What looks to older generations like indolence and a reluctance to grow up might be, at least in part, a response to medical developments. Babies born today in a rich country can expect to live for at least 80 years. Goodness knows at what age they will be entitled to state pensions. Today's young people have all the time in the world. ■



Vitaly Mansky:

"Russia is ill. Fruits and vitamins aren't enough to cure it anymore"

Interviewed by **Kateryna Barabash**, Moscow

During a screening of *The Flight of the Bullet*, a film about the war in the Donbas by the young Russian director Beata Bubenec, as part of the Artdocfest International Festival of Documentary Cinema in Moscow, several people entered the screening room, some in camouflage, some in civilian clothes, stood between the spectators and the screen and declared

that they would not allow a film that slanders the "Russian world" to be shown. It is shot in one take without any cuts and tells the story of one terrible episode from the Donbas war. The director filmed the Aidar battalion and their hostage. Then the room was filled with a strange smell – the uninvited guests dispersed some gas. The show had to be

stopped and the people evacuated. Immediately after the interruption of the screening, *The Ukrainian Week* spoke to Artdocfest president Vitaly Mansky, the embattled Russian director and documentary filmmaker who was born in Lviv and was forced to emigrate to Latvia several years ago due to his political views. Prior to this, the Russian Ministry »

of Culture refused to grant Art-docfest, one of the best international festivals, a state subsidy, making it clear that this was due to its president's political position.

Do you also think that in Russia culture is turning into a battleground? Everything that has artistic and social value is becoming the object of dissatisfaction, threats and attacks...

I think that we have come close to the boundary that separates a civilised society from an absolutely marginalised one without noticing it. When we watched newsreels from the soviet years with the famous phrase "I haven't read Pasternak, but I condemn him", it truly seemed to us that these times had been thrown into oblivion forever and could not come back. But they have indeed re-

RUSSIAN AUTHORS AND PEOPLE OF ART ARE NOW IN A VERY WEAK POSITION AND ARE DEVIATING FROM THEIR DIRECT ROLE. THOSE WHO DON'T GIVE IN EITHER FALL FROM GRACE OR MOVE TO ANOTHER COUNTRY

turned, and with extra aggression and confidence in their own righteousness! After all, the person who said that about Pasternak felt a little shy and embarrassed: who is Pasternak and why should they condemn him? They had no confidence in the correctness of what they said and only knew: if there is an order, I must say it. And now there are people who are certain about what is in fact absolutely fake. They are truly convinced that Ukraine is a fascist state that rapes girls and crucifies boys, that a genocide of the Russian people is taking place there, you're not allowed to speak Russian and there are torchlight marches from morning to night.

Some time will pass and they will shout that they never believed in the propaganda and always sympathised with Ukraine, that they were forced, they had families, children, and so on. We have already been through this.

Will we live to see that day? Now their confidence is so aggressive

and indisputable that they are ready to lay down their lives for these false views. These people really get into buses and go to the Donbas to die for the "ideas" that the official media of the Russian Federation churns out in an endless stream. And there is no real way out of this catastrophe now. The scale is different. As they say, the level of intoxication depends on the mass of a person. This can certainly be extended to our situation: a person's level of education determines the degree of influence that the ideology that is thrust on them has. For some, this propaganda is enough to make them vote for who they are told at elections, while others are weaker and this "pollination" acts in such a way that they rush to go and fight where no one wants them.

Every normal citizen of Russia perceives your controversial film Under the Sun about North Korea particularly emotionally: they see their future there in North Korea. Do you think that Russia is moving quickly in this

direction?

No, no, we're not going in that direction at all. We just turned to that side. But such a turn in a country with a population of 140 million is an earthquake of great power. So far, the earthquake is occurring somewhere in the area of farce and the absurd.

Well, in the film you are the one to show the farcicality of the North Korean ideology and its facade shining with all the colours of love for the homeland and its leader, behind which there is falsehood and hypocrisy. Is Russia somehow different?

The fact is that for North Korea, such a life is absolutely natural. There is no introspection, internal or external. It's not even like the USSR. The cynicism of Soviet propagandists was limitless. I was in charge of a children's film studio in Lviv: I remember the heavy drinking, the debauchery, the sex on a portrait of Brezhnev. There is no such thing in North Korea. Their adoration of the leader is genuine. It's impossible to imag-

ine a North Korean telling a joke about Kim Jong-un. Not because they are afraid, but because they sincerely love the leader. But here everything is held together by fear. It, of course, destroys a person, but the fear in society still says something about the link between society and the natural state of things. Because if you are not afraid of anything and treat life like something that you have no influence on, that is North Korea.

I don't know what's better – peaceful coexistence with the dragon or fear of it and still peaceful coexistence.

Fear in some gives rise to a sense of resistance in others. I have an annual barometer – our Art-docfest. For 11 years, we haven't yielded even a single iota of our festival's policy. As we started, so we continue. There have always been people who thanked us for the interesting films. This year, I even feel a bit awkward: I'm getting dozens of messages of support every day. This is a sign of what people can see: they all understand and feel the intensification of aggression. They have also seen the signs of the global breakdown in society. They say, "We wait for Art-docfest for the entire year, because we want to feel like normal people in a normal society." And this is in a city of 14 million people where there is a huge amount of cultural events.

I think it's a longing for films that are capable of analysing reality. Russian artists now mostly want to talk about anything except hot button issues.

Yes, more and more films are coming out here that have no relation to today's reality. It feels like they're filmed somewhere on Alpha Centauri. Cinema is obviously a costly thing and everyone is dependent on state funding. They're all decent people and everyone understands this – we meet with them and talk, looking each other in the eye. Many look away. What can you do? Subconscious caution is common to all now. We don't stand at the edge of the platform when a train is approaching, especially if several people died there last week.

You are too generous. In fact, there is no train at all, just the eternal Russian "to be on the safe side". When people of art live according to this principle, it is a particularly sad symptom.

Russian authors and people of art are now in a very weak position and are deviating from their direct role. Those who don't give in either fall from grace or move to another country.

It's impossible not to see – not even as a threat, but an accomplished fact. Nevertheless, we compare our experience with that of our colleagues. We can see the success of those who have lied once: they don't realise that it's the beginning of a series of lies. They are treated well, given positions and quasi-positions, and an audience that is already prepared for conformism comes to see them, which in many ways provokes the further degradation of these artists. A vicious circle.

And the state encourages this degradation!

Many speak of Medinsky (Minister of Culture of the Russian Federation, one of the organisers and leaders of the persecution of Russian culture – Ed.) with contempt. He's probably a small and foolish person, but is very effectively implementing the policy of destroying culture. So in this sense, he's an extremely effective manager. It is unwise to analyse the actions of such people, because we, unfortunately, cannot influence their actions.

Not only is there not such a basic tool as expert assessment, but there is also no civil society as such. Some individual zones have remained, which special people are successfully working on and destroying.

Take Artdocfest, for example. It will, of course, take place, but where and how? How can we guarantee people's safety? Or what do we do when nobody agrees to provide a venue and, by the way, they explain their refusal has nothing to do with censorship, but approximately "You know, we have a very important festival of films about amateur beekeepers just this very day".

Your recent film *Close Relations* (Rodnye), which was shown in Ukraine too, is a sad observation and reflection on what happens between close people when they fall out because of propaganda. It seems that the strongest connections are broken and the closest people become not only strangers, but enemies. Do you think that your family, which you tell us about in the film, is no longer destined to become as united and friendly as it used to be?

I've reached the peak of my internal boiling point after the interruption of the screening (*The Flight of the Bullet* was interrupted in Moscow in December 2017. The interview was taking place shortly after – Ed.). If we were speaking tomorrow, I would have cooled down and returned to more objective conversation. But people were just insulted and grabbed in front of my eyes. I am sure that now, at this point, dialogue is not needed.

More precisely, it is ineffective. Whoever is still capable of sober comprehension of everything that is happening does not need additional arguments.

Those who are controlled by propaganda are in the final stage of their illness and fruits and vitamins aren't enough to cure them anymore – surgical intervention is required.

Last year at Artdocfest there was an entire programme consisting of Ukrainian films and films about Ukraine, but no scandals broke out. Why were the "patriotic" feelings suddenly so much stronger this year?

Yes, this year there have been constant scandals regarding the films connected with Ukraine, that is to say, shot in Ukraine or about Ukraine. The "patriots" are probably having some kind of crisis: they realise that they have been conned and betrayed, but they are trying to take it out not on those who sent them to die, but on those who are at least somehow attempting to understand the processes in our society.

Is there any continuation of the story told in *Rodnye*? What was it like if someone came to a realisation and crossed over to the other side of the barricades?

By and large, everyone stuck to their opinions. There were some small shifts, but they are too insignificant. It's still possible to speak to the people you could speak to before and it's still impossible with those who you couldn't. It seems to me that this very accurately reflects current events in Ukraine: it is very difficult to move from talking about the hostilities to a civilised conversation.

I hope this interview will be read by people who are capable of

NOW THERE ARE PEOPLE WHO ARE CERTAIN ABOUT WHAT IS IN FACT ABSOLUTELY FAKE. THEY ARE TRULY CONVINCED THAT UKRAINE IS A FASCIST STATE THAT RAPES GIRLS AND CRUCIFIES BOYS, THAT A GENOCIDE OF THE RUSSIAN PEOPLE IS TAKING PLACE THERE, YOU'RE NOT ALLOWED TO SPEAK RUSSIAN AND THERE ARE TORCHLIGHT MARCHES FROM MORNING TO NIGHT

analysis. I would like to address them and say that I feel sorry about some events in Ukrainian everyday life. Any revolution is followed by a very long period. You need to build up quickly and rapidly. Now you're putting on the second floor and it turns out that the foundation hasn't been made.

And you were building with your last ounce of strength, relying on the correctness of your decision. Everyone is disappointed and against the background of the war to boot... If only Ukrainian society had the brotherly support of Russia, at least in the form of silent observation instead of a war with thousands of dead and huge losses for the economy, which is faced with a dilemma everyday between buying body armour for soldiers or textbooks for schoolchildren. Russia's actions are completely shameless. I don't want to say anything melodramatic – they're just shameless. And these people who come to interrupt screenings – despite all my disrespect for each of them individually – are victims. They're intoxicated. What can I say, the whole country is intoxicated, just these are very aggressive. ■

January 23, 19:00 — January 26, 19:00 — January 29, 19:00

**City Lights.
Silent films and jazz****House of Architecture
(vul. Borysa Hrinchenka 7, Kyiv)**

What can be better than a virtuoso combination of film and jazz? Perhaps only silent movies with Charlie Chapin to the sound of piano played by Pavlo Ignatiev. This Ukrainian musician and composer provides the soundtrack to the film *City Lights*, underscoring the emotions of the characters in this silent film and making them more understandable to viewers. Indeed Ignatiev plays the role of Taper, the pianist who accompanied this film in movie houses, bringing sound to the film and, possibly, new meaning.

**Gospel Jazz - Pavlo Ignatiev
Quartet****House of Architecture
(vul. Borysa Hrinchenka 7, Kyiv)**

If Kyiv spoke the language of music, it would undoubtedly speak jazz. Ukrainian jazzman Pavlo Ignatiev's quartet is about to bring gospel jazz to Ukraine's capital. Gospel, the music of Christian spirituals, was born at the end of the 19th century and gained widespread popularity in the 1930s. Renowned bluesman Thomas A. Dorsey, one of the earliest arrangers of church music into modern styles, is considered the Father of Gospel. Today, gospel jazz ideally combines spiritual singing with the pulsating rhythms of soul.

**Ana De La Vega and Daniel
Roehn****National Philharmonic Hall
(Volodymyrskiy uzviz 2, Kyiv)**

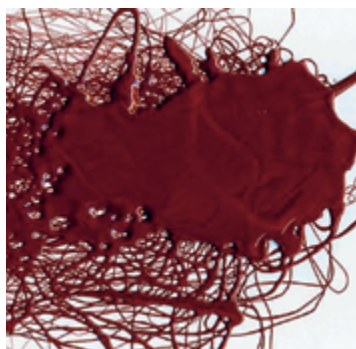
Fans of classical music—prepare yourselves for a wonderful surprise at the National Philharmonic Hall. In honor of Australia Day, a unique event will take place within these walls: a concert involving the Kyiv Chamber Orchestra and brought to you by the Embassy of Australia in Ukraine. The star-studded lineup for the evening includes talented Australian flutist Ana De La Vega and renowned German violinist Daniel Roehn, who will play favorite works by the great Wolfgang Amadeus Mozart.



Until January 31 — February 14, 20:00 — February 17, 19:00

**The Insurmountable
Resistance of Vision by
Serhiy Savchenko****White World Contemporary Art
Center****(vul. Pushkinska 21, Kyiv)**

Graphics, paintings, videos and animations—the exhibition brings the entire gamut of the wide-ranging creativity of this Lviv artist. The show includes Savchenko's works from the last 10 years and provides a reflection not only of the breadth of his creative development, but also of the depth of this unusual artist. Nearly every work presented in the gallery is available for viewing online until the end of the exhibition.

**Ark Ovrutski
& Benny Benack III****Sentrum****(vul. Shota Rustaveli 11, Kyiv)**

Ark Ovrutski Quintet joins forces in Kyiv with a very special guest, Benny Benack III, in a new program called American Love Songs. Ovrutski, himself a composer and the author of many international jazz works, is famous because of his own virtuosity and openness to musical experimentation. So there should be some special musical magic when he and Benny Benack III, famed for his multifaceted improvisations and virtuoso playing, get together on stage.

**La Bayadere****National Opera of Ukraine
(vul. Volodymyrskya 50, Kyiv)**

This three-part masterpiece of opera classics brings world-class ballet stars to the stage in Ukraine's capital. *La Bayadere* was first presented by the famed choreographer Marius Petipa more than 140 years ago in St. Petersburg. The composer is Austrian Ludwig Minkus, who spent many years in Russia. The story is based on the tragic love between a temple dancer called Nikiya and the warrior Solor. The main roles will be danced by the legendary Matthew Golding and Natalia Matzak in Kyiv.



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