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SPECIAL ISSUE ON  
UKRAINE



**DMYTRO KULEBA**  
EU-Ukraine: A  
two-way street

**ARTIS PABRIKS**  
Latvia's support  
for Ukraine is  
unconditional



**OKSANA SYROYID**  
The words could  
save the world  
from the war

**OLEKSIY SEMENIY**  
Foreign policy  
of Ukraine: Quo  
vadis?





# BALTIC RIM ECONOMIES

The Pan-European Institute publishes the Baltic Rim Economies (BRE) review which deals with the development of the Baltic Sea region. In the BRE review, public and corporate decision makers, representatives of Academia, as well as several other experts contribute to the discussion.

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DMYTRO KULEBA

# EU-Ukraine: A two-way street

Expert article • 2574

Ukraine finds itself in a unique moment following the elections of a historically young parliamentary class and a similarly reform-minded Cabinet of Ministers, committed to transform Ukraine into a strong, prosperous European democracy. The public has set high expectations for the enactment of wide-sweeping reforms and the government has responded with an ambitious five-year plan. For the first time, European and Euro-Atlantic integration has been included in the Government's Action Plan as a separate chapter and guiding principle for reforms in all spheres.

Guided by the Association Agreement, Ukraine will continue pursuing full EU accession, even if this is not yet on the Union's agenda. Our two overarching goals are to progress towards meeting the economic EU membership criteria (Copenhagen criteria) and to become an integral part of the common European economic, energy, digital, legal, and cultural space. In the next five years, the government committed itself to introduce deep economic reforms which will help unleash Ukraine's growth potential and bring it closer to the EU. We already have impressive results: our trade increased by almost 50%, making the EU Ukraine's largest trading partner. Over last 2 years, Ukrainian travelers enjoy visa-free regime with the EU.

At the 21st EU-Ukraine summit in Kyiv this year, leaders reaffirmed their readiness to deepen economic integration and regulatory approximation across the energy, trade and judicial sectors, among others, within the framework of the Association Agreement. One pressing task is the revision and updating of the Association Agreement, since the structure of Ukraine's economy has changed over the last several years, as has EU legislation.

Ukraine is committed to further integration with the EU; however, our success depends not only on Ukraine's ability to introduce European standards and practices, but also on EU's commitment and involvement. The European Union holds an equal stake in Ukraine's European integration, including monitoring and evaluating its progress along this path. Over the last five years EU assistance package was instrumental in overcoming immense challenges that Ukraine is still facing. We should remember no country in Europe had managed to transform itself without consistent and substantial support of other states.

Our aim is to make European idea comprehensive to the people that will be associated with expanded opportunities and a better quality of life. With this in mind, we plan to strengthen communication of the European integration and developing people-to-people contacts. As

EU founding fathers envisioned, European integration is not only about connecting economies, but about connecting societies. Our particular focus will be on Ukrainian regions, in particular on Southern and Eastern regions which are yet to feel all benefits of moving closer to the EU.

The ten-year anniversary of Eastern Partnership affords Ukraine and its European partners an opportunity to set a bold and reinvigorated agenda creating a common post-2020 vision. Differentiation as a new principle of EaP will help to tailor the policy according to the needs and ambitions of each partner (more-for-more approach). A door to EU accession for countries fulfilling EU membership obligations

should stay wide open. Ambiguity and indecision from the EU side will undermine the government's ability to deliver on reforms, aimed at bringing Ukraine closer to EU networks and their anticipated benefits.

Ukraine's integration into the EU is determined by Ukraine's belonging to the family of European nations and confirmed by the Revolution of Dignity in 2014 (also known as Maidan). Ukraine's success is EU's success. Being ambitious in our reform agenda, we urge our European partners to stay ambitious about the EU and its transformative power in the neighborhood. We count on EU's united position in defense of Ukraine sovereignty and territorial integrity as we are trying to bring peace to our country.

Despite very difficult circumstances – years of countering Russian aggression and occupation

of part of our territory, Ukraine has managed to launch long-awaited reforms, and has set a program to accelerate the changes over the next five years. By doubling down on its commitment in Ukraine, the European Union can win hearts and minds and become even stronger while ensuring the success of the largest country in Europe. ■

The public has set high expectations for the enactment of wide-sweeping reforms and the government has responded with and ambitious five-year plan. For the first time, European and Euro-atlantic integration has been included in the Government's Action Plan as a separate chapter and guiding principle for reforms in all spheres.



DMYTRO KULEBA

Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration

ARTIS PABRIKS

# Latvia's support for Ukraine is unconditional

Expert article • 2575

Ukraine's presence in Latvia's foreign policy site make an interesting and a rare example of multidimensional cooperation. Even though there is no physical border between Latvia and Ukraine, the joint past ties both countries together more than it might initially seem. There are two particularly significant periods: the brief cooperation between the governments of Latvia and Ukraine from 1917 to 1920 and the soviet era. Despite the generally negative burden of soviet heritage, relationship between the two states as of today is widely acknowledged in society and countries official political discourse.

For Latvia, being a member and taking part in European Union's, NATO's and other Euro-Atlantic structure's decision-making has become almost synonymous with independence. Main directions for Latvia's Foreign Policy was articulated in back in the 1995, when the so called "return to Europe" was articulated in documents where the integration in the European Union and Trans-Atlantic security structures was pursued as key focus of Latvia's foreign and security policy, since it was seen as necessary condition to guarantee the irreversibility of our independence.

"The Orange Revolution" in Ukraine, as an immediate outcome of the run-off vote of the 2004 Ukrainian presidential elections was a fundamental turn in the relationship between Ukraine and Latvia. It was the year when Baltics joined EU and NATO, so for Latvia as well as for other Baltic states this meant that Ukraine had finally stepped onto a path of change for better governance and democracy.

In Latvia Russian aggression towards Ukraine and annexation of Crimea was seen as a threat to Latvia itself. Because of the seemingly possible chance of conflict on Latvian soil, attitude towards Russia among Latvian policymakers, civil society and Latvians in general changed rapidly. Thus, giving additional impulse for strengthening Ukrainian – Latvian relationship. Latvia's support towards Ukraine due to Russia's aggression in Ukraine has become more and more necessary and important. For fact Latvia's Ministry of Defense and the National Armed Forces have suspended all military cooperation with Russia for the past five years. As of today, Latvia provides support for strengthening the capabilities of the Ukrainian armed forces, for example by providing training to instructors of the Ukrainian regular forces in the framework of the NATO Military Development Project. This year alone Latvian soldiers have provided three training courses

for Ukrainian instructors.

Since summer 2014 children of Ukrainian armed forces and Ukrainian National Guard soldiers have received consignments such as school supplies, electronics, as well as Christmas gifts. Since 2017 humanitarian shipments with support of Latvian people and government have been delivered directly to the area of Donetsk, where both soldiers and civilians are most in need. Also in 2017 Latvian Youth Guard launched a tradition of organising summer camps for the children of soldiers from Ukraine in Latvia, thus providing an opportunity for both Latvian and Ukrainian children familiarise themselves with European values, get to know Latvia and it's people in order to build even stronger bond between our countries.

In support of the request of the Ukrainian side for the rehabilitation of persons affected by the military conflict, the Latvian government granted funds for the rehabilitation of persons affected by the conflict in Ukraine. Latvia began providing medical assistance to persons injured during military clashes in the east of Ukraine in 2014. Until now, a total of 42 citizens of Ukraine have received necessary assistance in Latvia.

Latvia unconditionally supports Ukraine's efforts for further integration into the European Union and NATO. Latvia's cooperation with Ukraine is one of the priorities pursued

in the format of bilateral cooperation as well as in other international formats. In the future we will continue this cooperation and try to extend it. ■

Ukraine's presence in Latvia's foreign policy site make an interesting and a rare example of multidimensional cooperation. Even though there is no physical border between Latvia and Ukraine, the joint past ties both countries together more than it might initially seem.



ARTIS PABRIKS

Dr., Deputy Prime Minister  
Minister of Defense of Latvia

OKSANA SYROYID

# The words could save the world from the war

Expert article • 2576

**W**e enjoy our lives in time of change of balance in the world. In modern times it is not only tanks or missiles, but also the words of media that change the borders, kill people, destroy houses and undermine human dignity.

The most important geopolitical battles is taking place on Ukrainian territory and for control of Ukraine. Understanding the nature of this battle and its impartial coverage can save Europe and, probably the World from the new World War as well as save the millions of lives.

Nowadays Russia is dissatisfied with its role on the world stage and doesn't hide their desire to reshape the world security order in their favor. Its not the first time when Russia is using war in order to increase their influence in the world. Every time during its aggressive expansion, Russia views the territory of Ukraine as a source of resources and a buffer security zone.

Since the creation of the Moscow Kingdom, the main human resources, agricultural lands and infrastructure has been located along the western border of the Moscow. In addition, the Moscow didn't have access to warm ports. This determined the main strategy for Russian westward expansion from time of Moscovia to modern times – to provide access to the Baltic and Black seas and to increase the buffer zone around important infrastructure and resources.

The defeat of the Russian Empire in the World War I and the October revolution in 1917 by no means changed the imperial policy of the Bolshevik Russia. On the contrary, immediately after the rise of the Soviet state in 1917 Russia began the occupation of newly formed Ukrainian Peoples Republic. During the Paris Peace Conference in Versailles in 1919-20, the leaders of three countries – the United States, Great Britain and France – distributed statehood to peoples, who came out of the wreckage of the European empires. However, they didn't grant the recognition of the Ukrainian state which was under Russian attack. The Western countries were exhausted by the First World War and didn't have strength and desire to confront the Bolsheviks Russia whose intentions were unclear to them. They decided to isolate and ignore the Bolsheviks.

The conquest of Ukraine and access to its resources opened new opportunities for the Russia Bolshevik Empire. The most valuable was the grain that could be exported in exchange for industrialization of the Soviet Union. The appropriation of grain from the household farmers (kulaks) was a difficult process, but collectivization needed modern equipment. German industrialists were ready to supply

technologies in exchange for supplies, the most important of which was Ukrainian grain. Germany was the first country who broke the international isolation of the Bolshevik dictatorship and to recognize Bolshevik Russia and all its conquests.

In order to eradicate the peasant rebellions during collectivization and guarantee the control over land and grain- the soviet main currency in world's trade – Stalin killed millions of Ukrainian peasants by famine in 1932 – 1933 (Holodomor). While people in Ukraine were dying out of hunger, the world was silent so as not to spoil relations with the Soviet Union. Even countries like the UK and the USA were buying grain from the soviets. The Soviet Empire, which was in isolation for decades, returned to world's arena as a "new market" and a great trading partner.

Stalin intended to move to the West to establish control over the seas and increase the "sanitary zone" under the banner of the socialist revolution. Hitler, on the other side, needed Ukrainian land and human resources for building his own future empire. Ukraine, or to be more precise - its land, remained the main trophy in the war between the two dictators. Therefore, people were not sorry. About 40% of all human losses of the Soviet Union in the Second World War constitute Ukrainians.

Although, the Second World War was resolved by both of dictators, only Hitler was ever punished. Stalin ended the war as a winner who dictated conditions. As a result, the Soviet empire in 1945 pushed its borders to Berlin, establishing the German Democratic Republic (another proxie

"ORDLO"). Stalin intended to move further west.

Despite unsuccessful attempts at further expansion to the west, the Soviet empire achieved the cherished dream of all Russian tsars. The control over the Baltic Sea was guaranteed by the Kaliningrad enclave - the remnant of the Kingdom of Prussia with the capital in Königsberg, as well as occupation of Poland, Latvia, Lithuania, Estonia and the GDR. The Black Sea was under control due to control over Crimea and the Ukrainian coastline, which was guaranteed through Russian occupation of Georgia, as well as establishing socialist satellite states -Bulgaria and Romania. The sanitary zone was expanded enough to keep the empire's "line of life" safe.

The democratic world correctly assessed the aim and methods of the Soviet threat. It was mistaken only in the nature of this threat - for decades of the Cold War, the West regarded communism itself, not the imperial nature of Russia, as a threat. That is why the Western world in the second half of the eighties became interested in the idea of democratization of the USSR, and later of Russia and considering

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Expert article • 2576

In the same way, the major reasons for the occupation of the Eastern Ukraine is obtaining leverage over Ukraine in persuading Russian interest both in internal and foreign policy of Ukraine.

Understanding the nature of the conflict shapes the reflections on it. The historical context defines the words that are used to describe the reality. There is no “conflict in Ukraine”, there is “Russian aggression”, “Russian military intervention”. There are no “militants”, there are “Russian armed forces invading Ukrainian sovereign territory” and “Russian proxies”. There is no “civil war”, there is “Russian-Ukrainian war”. And the words create the world because the words you use design the things you believe. ■

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Pan-European Institute

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ILKKA KANERVA

# The new dialogue between Russia and Ukraine creates potential momentum

Expert article • 2577

**G**eographically distant conflicts often seem politically distant. The escalation of the Ukrainian crisis in the Azov Sea last year showed again that Ukraine is not a frozen conflict. The total number of victims of the war, which has been going on for five years, is over 13,000, and people living in separatist areas and near the front line are suffering from severe humanitarian problems. The difficulties in the security situation in Europe largely stem from this conflict.

In recent weeks, we have seen some slight shifts in relations between Ukraine and Russia. The most significant outcome has been the exchange of prisoners between Russia and Ukraine. However, the most important step politically has been the adoption of the so-called Steinmeier formula by all parties, including Ukraine. The idea is that Ukraine would adopt a law on the special status of the Donbass separatist areas and its local elections, which would be conducted in accordance with international standards under the control of a OSCE monitoring mission.

Ukraine has stated that weapons must first be withdrawn from the area before elections can be held - the idea of elections under the shadow of rifles, of course, does not arouse enthusiasm. In addition, according to the Ukrainians, local elections in Donbass should be held at the same time as the whole country. It is also important to stress, that no progress will take place unless Ukraine gains back the full control of its borders.

The agreement on adopting the Steinmeier formula by all parties is potentially a positive step to end the long war. For the first time in three years, there is a situation, which could allow negotiations between the leadership of Germany, France, Ukraine and Russia take place in the Normandy format. A Normandy format summit may become possible during the autumn season that has already begun.

Ukrainian President Volodymyr Zelenskiy wants rapid results and progress in solving the Ukrainian crisis. Zelenskiy has stated that he does not want to spend the next five years solving the crisis. This is reflected in his active approach, including opening a dialogue with Russian President Vladimir Putin. Ukraine's new foreign minister, Vadim Prystaiko, also announced earlier that the country would seek to end war by the end of the year. Prystaiko has even talked about some "painful compromises".

There are talks between Russia and Ukraine to increase prisoner exchange and withdrawal of arms on both sides of the contact line. There is also a need to build infrastructure in the occupied territories of eastern Ukraine so that humanitarian aid can be delivered to the local population. In many places, the situation is now completely inhumane.

However, the most important part in finding ways to forward is the compliance with the terms of the Minsk agreement. So far, Russia has not taken decisive steps to change its policy towards Ukraine and the Minsk ceasefire agreement violated on a daily basis.

Right now Ukraine needs the support of its international partners in its efforts. Some elements of the solution are clear and many of them are associated with the OSCE, such as the SMM and the Contact Group or numerous election observation missions. The OSCE also has to play a strong role in facilitating the implementation of the Minsk agreements, such as possible measures to organize the autonomous status of the Donbass region, the organization of elections and monitoring of the region.

For Finland, the impact of the Ukraine crisis has been great. Post-Cold War geopolitics have brought NATO and Russia into contact along the Baltic Sea Region, which has also meant tensions are moving closer to Finland's territories. Therefore, Finland has a particular interest in seeking constructive opportunities to promote conflict resolution.

During his visit to President Volodymyr Zelenskiy in Kiev, President Sauli Niinistö said that Finland would provide good services if we could be instrumental in achieving peace in Ukraine. Finland has a long history of promoting peace-mediation and facilitating negotiations. If the parties' political will to find solutions in Ukraine is real, Finland must be prepared and have the means to advance peace-talks.

The implementation of the Minsk Agreements may require a UN peacekeeping operation in the future, to which Finland could contribute if necessary. In addition, Finland could have a role to play in organizing the special status of the Donbass region, in line with the example of Åland. Similarly, the possibility of supporting negotiations at different levels should not be ruled out.

How a lasting solution to this crisis, which has a central impact on the security situation in Europe, can be resolved is still an open question. Dialogue is important but before any true progress towards ending the war in Ukraine or European relations with Russia can be improved, Russia must first come halfway. ■

ILKKA KANERVA

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ARIANA GIC, HANNA HOPKO &amp; ROMAN SOHN

# No peace without truth: An honest response to Russian aggression in Ukraine

Expert article • 2578

In his statement at President Trump's impeachment investigation, U.S. Ambassador to Ukraine, William Taylor said: "If Ukraine succeeds in breaking free of Russian influence, it is possible for Europe to be whole, free, democratic, and at peace. In contrast, if Russia dominates Ukraine, Russia will again become an empire, oppressing its people, and threatening its neighbours and the rest of the world."

Despite recognition of Ukraine's geopolitical importance, western states have failed to adequately support Kyiv in its defence against Russia's unprovoked and undeclared war. The core of this failure is the resistance to formally recognize that Russia is waging interstate war on Ukraine. Without recognizing Russia as the aggressor, the West cannot avail itself of the tools under international law that can ensure Moscow's aggression is repressed for a just peace in Ukraine.

Russia is responsible for an almost six years long multi-vector war effort against the entirety of Ukraine which includes covert and overt military aggression in Crimea and Donbas, as well as a host of other aggressive operations, including economic pressure, terrorist and cyber attacks, hate propaganda and disinformation, political subversion and assassinations, and interference in electoral processes, etc., in areas outside the zone of military conflict. Moscow's single objective is to destroy Ukraine's political independence and territorial integrity.

Moscow has employed a massive disinformation effort to conceal its role and avoid moral, political, and legal responsibility. Western leaders have largely enabled Russia's "plausible deniability" strategy by indulging the lie of Moscow "backing" a "pro-Russian rebellion" in eastern Ukraine.

In 2015, Kyiv officially called on the United Nations, other international organisations, and national parliaments to recognize Russia as the aggressor state. No state rose to the occasion, instead continuing with policies ranging from "avoiding confrontation" to "partnership" with Moscow. The international community failed to take decisive and effective measures to repress Russian aggression, emboldening Putin further.

Since Volodymyr Zelensky was elected president, Moscow has renewed its efforts to force Kyiv to capitulate by agreeing to the Kremlin's interpretation of the Minsk ceasefire accords.

Western governments are well aware of Moscow's strategy to create a regional belt of countries with restricted sovereignty where Russia holds decisive influence and control. Berlin, Paris, and Washington know that local elections in occupied Donbas without Russia completely ceding its war will only legitimize Moscow's occupation administrations. Giving Russian agents voice and legal power in Ukraine's domestic matters will sabotage Kyiv's Euro-Atlantic aspirations. "Solving" the problem of aggressive Russia at the expense of Ukraine's sovereignty promises only political havoc in Ukraine.

Ukraine's rise to regional leader after its 2005 Orange Revolution demonstrated that independent, democratic, and Western-oriented

Ukraine, can become the center of gravity for the post-soviet space, capable of transforming the region and restraining Russia's aggressive ambitions.

Moscow's influence in Belarus, Armenia, Georgia, Moldova should make clear to the West that playing into Putin's strategy in Ukraine will not eliminate, but only enhance Putin's power, and shift the burden of dealing with Russian aggression entirely onto Ukraine.

The lack of recognition of Russia's direct responsibility for the war in Ukraine sets a dangerous precedent, undermining international law, and endangering all sovereign nations. Lies do not beget peace and stability, but war and an unpredictable world.

Empowering Russia by allowing it to act above international law paves the way for future international security crises. Russia's militarization of the Arctic, expansion in the Middle East, meddling in the Baltic and Balkan states, and a more assertive presence in Africa and South America are ticking time bombs if Russia is allowed to remain on its revanchist path. By upholding international law in Ukraine, Putin's destructive geopolitical design can be prevented from unfolding.

The world must stand up to Russian aggression with truth and moral integrity. An effective international response to Moscow's aggression can be devised only after Western governments finally have the courage and integrity to speak truthfully about Russia's war on Ukraine.

Truth is the key that unlocks the door to a just peace in Ukraine. Recognition of Russia's direct responsibility is essential in empowering the international community with the necessary political and legal mechanisms to repress Moscow's aggression. Truth is the key to greater international stability and peace. ■

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VLADIMIR DUBROVSKIY

# Ukraine's after-election outlook: Heaven or hell?

Expert article • 2579

The 2019's electoral season turned upside down the habitual way of Ukraine's governance. For all of the times presidents more or less successfully compensated weak institutions and lack of legislative majority with informal instruments (like blackmailing) operated by their own "political clan" – a vertically organized reputation based web of clients and cronies that Henry Hale called "pyramid". But the voters elected Vladimir Zelenskiy mostly for not being part of the post-soviet elites, particularly lacking respective skills and having only tiny personal "pyramid"; instead they, for the first time in Ukraine's history, endowed him with single-party majority. This opens unseen opportunities but brings existential risks.

Logically, such president should lean on the formal institutions in implementing his program (in turn, strengthening these institutions), because for the lack of his own mighty pyramid these are his only own instruments of power. Using somebody else's pyramid (say, provided by oligarch Igor Kolomoyskiy that secured Ze's victory) would mean ceding the lion's share of the real power to its owner – which cannot suit young and extremely ambitious new president. Besides, becoming an arbiter over all oligarchs rather than staying with a single patron is rational for the president: there are no historical examples of large countries with plural oligarchs where president elected with high majority remains the single patron's puppet for any long.

Normally, a pyramid was needed for being effective arbiter, but formal institutions could also make the trick if Zelenskiy offers to oligarchs a credible road map of transformation towards transparent impersonal "rules of the game". All Ukrainian oligarchs said in different times that they are interested in such rules, just lack credible commitment that all of them will be perpetually treated equally – which, in turn, can be assured only by establishment of the rule-of-law, thus both processes should go hand-in-hand.

All of this taken together would mean a breakthrough towards real liberal democracy and competitive market economy, which, in turn, can boost capitalization and wellbeing, so that everybody wins at the end. This all is possible, but so far remains rather an unlikely optimistic scenario.

It is doable provided (a) abovementioned formal institutions are sufficiently reliable to lean on them, (b) a well-thought reform program exists, and (c) the president's party is real – but none of above is true. Indeed, the Ukrainian state institutions are of inferior quality so that at least for some time Zelenskiy has no choice but using Kolomoyskiy's people and their informal networks – and the latter will do his best to uphold this situation for as long as possible. Building his own pyramid takes decades, current Ze-team is very far from this: it is rather a narrow and heterogeneous circle of people that in many cases met just a year ago or even later and failed to prepare a program they ever dare to publish. Neither he can lean on his party that is still to be built from scratch: as of now, the most of MPs were recruited by the headhunting services. Last but not least, so far Ze demonstrates all but respect to the RoL and institutions. He is also unskilled and even

ignorant in many issues necessary in his position, although learns quickly.

But if he fails to emancipate from Kolomoyskiy and become an arbiter, the unchecked oligarchs' competition for rents can destroy Ukraine's economy in months, and so can do Kolomoyskiy's wishes' materialization. Already bad governance is further weakened by unskilled and often ignorant lawmakers that, above all, lack the institutional checks and balances – this would lead to mounting mistakes, some of them fatal. Within a year or even less this will result in a crisis having three basic possible outcomes:

1. Better later than never, Zelenskiy takes above-described "optimistic" way, but with much worse initial conditions (popularity disappeared, his parliament faction split into the oligarch-controlled groups, weaker economy ...) – and, respectively, lesser the chance for success;
2. Early elections with hardly predictable results and high risks;
3. A coup d'état (likely – a military one) that can spark a real civil war and serve as a casus belli for Putin's Russia that, in this case, could legitimize its interference or even invasion to remove a real "fascist junta" so making it tolerable by both the West and Ukrainian population.

There is no "political swamp" in Ukraine any more – actually, for already six years since the Revolution of Dignity begun. The closer to culmination this blockbuster is, the more important is voters' education and enlightenment, as well as every move and every word of our Western partners. Alas, the West still too often looks onto the formal and surface things, lacks insight and understanding of the real processes, and listens to the experts telling "understandable" things that are far from reality. Not just Zelenskiy, but all of us need to learn fast – otherwise it can be too late... ■



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# The Ukrainian politics are catching up with changes in a society

Expert article • 2580

In Ukraine the political parties resemble groups of elites with own interest, and they are far away from the genuine parties and participatory politics. For decades, the neo-patrimonial system of corrupt informal interdependencies, services and favours continue to resist to reforms of state institutes, judicial and economic structures (see Fisun, 2012). The 2014 parliamentary elections brought to politics a handful of civic activists and former volunteer fighters. The biggest political groups-parties were rebranded, while the values and principles of their leaders remained mostly unchanged. Opinion polls after the Euromaidan demonstrated that the Ukrainians expected from politicians to focus on resolving the military conflict, improving the economic situation in Ukraine, and fighting corruption. During the following 5 years political elites could not deliver on their promises. In 2019 the majority of voters were tired with the war and disappointment with politicians. This resulted in a major political shift during presidential and parliamentary elections in 2019.

During his inauguration on 21 May 2019 President Volodymyr Zelensky dissolved the 8th convocation of Parliament (Rada). In his speech, Zelensky asked members of the 8th Rada to vote for the laws that would remove their immunity from prosecution, reintroduce the criminal responsibility for unlawful enrichment, and change the election law. He concluded speech with a reference to his previous career of comedian: "Throughout my life I tried to do everything to make Ukrainians smile. That was my mission. Now I will do everything to prevent the Ukrainians from crying." This was a response to voters who shared different ideologies, supported different parties, and now shared common tiredness with war and corruption. On July 21, 2019 the current 9th convocation of Rada was elected on early elections.

The early Rada elections allowed Zelensky to capitalize on the support, which he received during the presidential campaign. His campaign organization now focused on selection of candidates for a freshly registered political party. Zelenskiy follows the steps of many of his predecessors: making a new party for new elections and using his power in the interest of this party. The name of the new presidential party was taken from the TV comedy *Servant to People* (SP). In this comedy, Volodymyr Zelensky had a lead part of a schoolteacher Vasyl Petrovych Holoborodko, who became a president of Ukraine. According to the series' plot, a group of shadowy oligarchs noticed a viral YouTube video with a teacher Holoborodko and nominated him for presidency. They expected to keep control behind the facade figure of "people's president". Ironically, the very same accusations President Zelensky faced during and after election campaigns when his opponents accused him of being dependable on Ukrainian oligarch Ihor Kolomoysky.

The during the parliament elections the SP lead by Dmytro Razumkov had to recruit rapidly a sufficient number of candidates to cover most of constituencies and fill the candidates' list. Ihor Kolomoysky's TV channel 1+1 gave the party an access to one of the biggest tv audiences in Ukraine. In addition, a very significant role had the social media campaign. The SP's digital office was led by an IT entrepreneur Mikhailo Fedorov who successfully organized a network of regional party offices, volunteers, their training, coordination of campaign messages and work with social media to support the party and its candidates. A virtual political party got its faces and key messages.

Dmytro Razumkov declared that no incumbent deputies would be included on the SP's party list. As a result, almost all of SP's 254 deputies were unknown in the national level politics. Among these new deputies many local politicians and middle-size or small entrepreneurs. There is also a distinct group of two dozens MPs thought be loyal to Ihor Kolomoysky. The fresh looking party attracted attention of those voters of very diverse interests and ideological camps. The SP's voters share a strong feeling of disappointed with political elites and distrust in towards the parliament (campaign slogan was "Let's trounce them again!"). Interestingly, the leader of SP Dmytro Razumkov and a few other public figures from the SP party spoke exclusively Russian in all their public appearances. They also spoke in very general terms the war in Eastern Ukraine, and about relations with Russia. This was a striking contrast to the militarist and nationalist rhetoric of Poroshenko's party European Solidarity (got 25 seats, lost 107 seats comparing to previous elections, campaign slogan was "Let's protect the European future of Ukraine!") and openly pro-Russian rhetoric of the former Party of Regions and rebranded as Opposition Platform for Life (43 seats, second larges groups in Rada, their campaign slogan was "United for peace").

The 9th convocation of Ukraine's parliament is very different a preceding convocation. It is the youngest Ukrainian parliament to date. Number of MPs, aged from 21 to 45 has increased by 26%. There are 17 MPs aged from 21 to 30 years old, and 121 MPs from 31 to 45 years old. From the total number of 424 elected MPs only 82 have been re-elected in this parliamentary election. As many as 342 newly-elected MPs have got into the Parliament for the first time. Although the parliament is male dominated - 336 men (80%) and 88 women (20%), there is 34 female MPs more comparing to previous convocation.

The 2019 elections marked probably the most significant changes in Ukrainian politics since the Euromaidan revolution. The society and its political culture has changed. There is less tolerance to corruption. Voters want to reload politics with more young people and women, fewer older figures and ideological extremes. In the past western regions voted for nationalist and pro-European parties, Central Ukraine voted for leftist and populist parties, East Ukraine voted for pro-Russian parties. In 2019 the *Servant to People* won in almost all regions. It was a protest against old elites and their corrupt practices. For the first time in Ukrainian history, the president gets 70 approval ratings and this disarms most of his opponents. Such parties as the *Fatherland* (26 MPs), the *Voice* (20 MPs), *Opposition Platform for Life* (43) are probably expecting that the internal conflicts with in the SP will cause the fragmentation of single party majority and any of them may gain significant political weight in talks about the joining the future coalition. ■

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# Transmedia storytelling ushers in new populism in Ukraine

Expert article • 2581

**O**n 22 April 2019, Ukraine elected Volodymyr Zelensky, a comedian without any prior political or civic experience, as its sixth president. A few months later, as the new country leader basked in the light of cameras and attention of international celebrities from Yuval Noah Harari to Mila Kunis at the summit of Yalta European Strategy, he returned to his acting career and performed a sketch with former colleagues from the comedy show where he had travestied presidents of Ukraine. Now, a new actor acted as president Zelensky while the actual president played a role of the president's interpreter. Nothing seemed unique about the trite jokes they cracked. Unique was the very situation where an incumbent president who had risen to prominence by performing president was now performing somebody else and was himself parodied by an actor standing next to him. The entire 2019 election campaign in Ukraine got caught up in this double mirror: the president was elected on the back of mind-boggling storytelling.

Unlike other post-Soviet Slavonic countries, Belarus and Russia, Ukraine has set an example of perhaps chaotic but genuine democracy, changing six presidents in 28 years of independence. A typical presidency does not last over one term. Likewise, the 2019 presidential election has been lauded as a peaceful and democratic change of government. I argue, however, that the election became a step away from democracy for Ukraine, rather than a step forward, due to the peculiarities of its media system.

The key flaw of the political system is the charismatic leader-centred politics controlled by oligarch clans, loose business groupings bound by personal ties and seeking to influence politics for private gain. In the media sphere, the same system translates into the ownership structure of mainstream outlets, especially large national TV channels. They are used by their oligarch owners to project influence on vast masses of voters. At the same time, the smaller investigative media outlets, often organized by activists on do-it-yourself basis, have shown the limits of their independence after having played such important role in the 2014 Euromaidan. In the 2019 campaign, many of them either willingly sold their muckraking services in smear campaigns or let themselves be used unwittingly for the same thing. On top of that, the rise of social media has further subverted established models of political communication, opening up the public sphere for microtargeting and other digital marketing technologies.

As a result, the campaign ran contrary to the principles of rational deliberation, inherent to modern concepts of democracy as theorized by Jürgen Habermas or Seyla Benhabib. The winner appealed to the voters with transmedia storytelling that enwrapped and entrapped the audience in an emotional story told in multiple narratives across multiple media. As a familiar comedian occupying the oligarch-controlled small screen for some 15 years, Zelensky parodied and lambasted three different heads of the Ukrainian state and eventually starred in a popular series "Servant of the People" as a

different (well-meaning and honest) reformer who unexpectedly gets elected president. This narrative was extended by his social media campaign bombarding Instagram with short videos and "stories". Split up between different media (this is exactly what Henry Jenkins called a transmedia storytelling), not unlike a Marvel comic, this campaign blurred the boundaries between a fictional character and an actual candidate, leading many people to vote for Zelensky who essentially continued performing during his campaign. At the same time, he neglected traditional news media and avoided interviews or other appearances where he could be questioned. The voters were immersed in a story world that looked deceptively similar to their own. Zelensky and his staff essentially substituted political participation with political immersion. This runs contrary to rational deliberation, which is why the election represents a step backward in terms of media freedom and democracy.

Because of this most recent turn in "esthetization of politics" that Walter Benjamin found stimulating for the establishment of populist dictatorship in the 1930s, Ukraine should be closely watched. Of course, in his first month in the office Zelensky already acted problematically as he stronghanded the parliament into rubber-stamping dubious laws, in particular launching the process of introducing governmental leverage over the media. But not the least is this attention due because the recent successes of populist campaigns will likely be watched by populist politicians elsewhere in Eastern and Western Europe and globally, in hope of repeating it. The mediascape we live in – driven by storytelling and economies of attention and emotion, as well as multiple media platforms caught up in their inbuilt logic of virality – is extremely supportive for this new type of populism, which is far more powerful than what we have seen from the West so far. ■

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ILLYA KVAS

# Economic cooperation between Ukraine and Finland on an upward trajectory

Expert article • 2582

**T**his February marked 27 years since re-establishment of diplomatic relations between Ukraine and Finland. In December 1992 Ukraine re-established diplomatic presence in Finland, after a short period of mutual state recognition between Finland and Ukraine People's Republic in 1918 and early 1920ies. Since then bilateral relations between Ukraine and Finland has been on a positive track with steady growth of bilateral trade, regular political dialogue and people-to-people contacts.

Long ago Finland was perceived as country of origin of accessible industrial and high quality consumer goods. Finnish industries benefited from the proximity of the lucrative consumer market in the east. Break-up of the USSR was more of a challenge than opportunity for Finland, triggering large-scale process of modernization and re-orientation of the Finnish industry. Joining the EU was a logical next step firmly attaching Western orientation of the country, accelerating European integration process and setting the stage for the next waves of EU enlargement in Central Eastern Europe and the Baltics.

In early 1990ies, Ukraine, despite inheriting significant but mostly outdated industrial potential, was stuck in a lengthy and sometime tiresome process of strengthening foundations of a state, dismantling Soviet type state controlled economy, but neglecting its urgent modernization. Modern history of Ukraine demonstrates ongoing struggle for economic independence and continuous state building, genuine desire to catch up with our Central European partners, fully enjoying benefits of their membership in the European Union.

Current Ukraine's bilateral trade turnover with Finland is still quite modest. For example, in 2018 it reached 470 mln USD, registering 25% growth in comparison with 2017. Finland is 22nd trade partner of Ukraine in terms of trade volume among European countries. Total share of bilateral trade with Finland is less than 1% out of total Ukraine's trade turnover with European states.

In the first half of 2019, trade volume falls, in particular of both Ukrainian export to Finland and Finnish export to Ukraine. This trend reflects fluctuation of commodity prices on world market and weakening of demand in Finland due to slowing down of the world economy. Another explanation is scarcity of Ukrainian high value added goods and dominant position of raw materials, like steel, which makes Ukrainian export prone to volatility of commodity price fluctuations. At the same time, emerging of new export segments, like ready-made garments, textiles and consumer goods, which testifies good potential for products of Ukrainian fashion industry.

Functioning of the Deep and comprehensive FTA between Ukraine and the EU is a good instrument for Ukrainian exporters willing to increase their presence on the European market. However, presence of the export quotas provides certain limitations. In particular, EU export quotas for some Ukrainian products, like honey and sugar, are exhausted in the first months of their application, which makes it impossible to deliver additional quantities of available goods to the EU market.

We welcome gradual increase of the Finnish investments into Ukrainian economy, which are still on a rather low level of about 130

mln USD. Apart from the long-term presence of big companies there are positive examples of new business projects implemented by Finnish businesses in Ukraine. Not long ago Sampo-Rosenlew started a multimillion joint venture with Kherson machine-building plant on assembling combine harvesters. Famous Finnish fast food chain Hesburger invested in opening of several outlets in Ukraine. Market leader in packaging Huhtamäki commenced business operations on Ukrainian market. Business solutions offered by Konecranes, Cargotec, Vaisala, Ferroplan and many other Finnish companies have great potential for development and implementation on the fast growing Ukrainian market.

High priority in bilateral economic cooperation is placed on energy saving and energy efficiency. Valuable technological expertise of the Finnish companies in the areas of waste management, biogas production, clean-tech solutions and forest management is in high demand in Ukraine. Targeted financial contribution of the Finnish Government through a special Trust fund facilitates process of identifying most acute problems, selection of projects for their practical implementation using the technical assistance and guidance of the Nordic Environment Finance Corporation (NEFCO).

The 7th meeting of the joint intergovernmental Commission on trade and economic cooperation was held in Kyiv in September 2018. It enabled re-focusing of attention of government bodies, business structures and trade associations to the untapped potential in bilateral economic relations. Recent change of power and introduction of the new government administration in Ukraine provides new possibilities for speeding up reforms in major sectors, including privatization of state assets and land reform, aimed at attracting new foreign investments and providing new business opportunities for foreign companies operating in Ukraine.

Overall, last years demonstrated high intensity of political dialogue between Ukraine and Finland, including at the highest level of heads of states. Ukraine appreciates steadfast support of the Government of Finland of the ongoing process of modernization and reforms in Ukraine aimed at promoting economic development and well-being of the population. It also contributes to implementation of Ukraine's European integration agenda.

Despite current security challenges related to the Russian aggression and temporary occupation of the part of sovereign territory, Ukraine proves to be able to proceed on the path of reforms, gradually transforming itself into fully democratic, modern European state with high potential for economic and business development. ■



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WILLIAM TAYLOR

# Why Ukraine matters

Expert article • 2583

**4** 0 million people. Abundant natural resources. A location in the heart of Europe. Add to that a new government. The country's youngest president ever. The youngest prime minister. The youngest cabinet. And the youngest parliament.

It's a very exciting time to be in Ukraine. The whole world is captivated by this energetic, dynamic country with great potential.

Many diplomats, political analysts – and of course, the Ukrainian people – are asking these days: Is this a new Ukraine?

Is something really different?

Is there a new commitment to European values?

Is there a new commitment to defeating corruption, oligarchs, and cynicism?

Is there a new commitment – and perhaps new approaches – to ending the conflict in eastern Ukraine?

From what I've seen and heard in meetings with dozens, if not hundreds, of Ukrainian officials and civil society members, the answer is clear.

The Ukrainian people want deeper connections with the EU, with NATO, and with individual Western countries.

The Ukrainian people want to root out the corruption that has plagued their economic progress and Western integration in the past.

The Ukrainian people want access to objective, well-researched media, not Russian disinformation.

And the Ukrainian people want to explore all possible options for resolving the conflict in eastern Ukraine in a way that restores and respects Ukraine's sovereignty.

With steady support from U.S., European, and other partners – combined with action from the Ukrainian government and civil society – I'm optimistic that Ukraine can make significant progress in the coming months along its Euro-Atlantic path. And the U.S. is supporting free elections, market economy reforms and the effort to defeat corruption to help Ukraine in taking its rightful place among the nations of Europe.

Progress isn't easy. We all know that. I served as U.S. Ambassador to Ukraine in 2006 to 2009, following the Orange Revolution. Hopes were high in that period, too, but Ukraine fell back into old patterns. And then, in 2014, Russia illegally occupied Crimea and sent its "little green men" to the Donbas, abandoning the post-World War II order that had kept the peace and enabled prosperity in Europe.

It's critical that Ukraine's Western partners continue to band together, in support of Ukraine and in support of the international order established after World War II: The importance of sovereignty. The sanctity of borders. The peaceful resolution of disputes.

This international order was not easy to build. It took a lot of energy, a lot of focus, a lot of will, and a lot of funding. It took commitment by nations to play by the rules, to submit ourselves, at times, to international institutions that make decisions that affect us, like the United Nations, the World Trade Organization. But over time, trust grew. Nations realized the benefits from this international order.

But Russia flouted international norms when it invaded in Ukraine in 2014.

Russia's illegal aggression in Ukraine affects all of us – not just Ukrainians, but other Europeans, Americans, and nations around the

world who believe in international order and in nations' sovereignty.

We must continue to resist Russia's attempt to destroy the order that nations around the world painstakingly built.

Ukraine and its people are fighting back with soldiers, weapons, and sanctions.

European nations and Canada are fighting back with sanctions and with military training.

Meanwhile, the United States is providing Ukraine with lethal weaponry and training, maintaining punishing sanctions on Russia, and providing technical support to Ukraine as it builds government infrastructure to support its Euro-Atlantic integration.

Each of our nations has a critical role to play – in stopping the killing, in reestablishing Ukrainian sovereignty and territorial integrity, and in supporting Ukraine as it tackles corruption and integrates further into the Euro-Atlantic community.

Otherwise, what will stop Russia from applying the same approaches and the same tactics it uses in Ukraine – disinformation, hybrid warfare, cyber attacks, and election interference – in other nations, including our own?

The success of the international order is not a given. It requires the persistence, commitment, and contributions of all nations who support freedom, democracy, and sovereignty.

The Ukrainian people are actively fighting two battles: against Russian aggression and for a brighter, Euro-Atlantic future. We have to help them win both.

Ukraine is at the center and the forefront of the global fight for sovereignty and for international order. And so Ukraine matters to all of us. And Ukraine must succeed. ■



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# Ukraine should be rich: Why isn't it?

Expert article • 2584

Ukraine is a country with phenomenal potential. As anyone with any experience of Ukraine will know, the country has a wealth of well-educated, hardworking people, a proud industrial heritage and some of the most fertile land on the planet. By rights, it should be a rich country with a steady flow of international business visitors, whose only worry is which one of the many lucrative opportunities on offer they should invest their money in.

Sadly however, the experience of international investors and domestic entrepreneurs in Ukraine has not always been worry free.

The worries that businesses have faced are closely linked to weaknesses in the rule of law. After all, who apart from the most risk-tolerant would start a business if there was a fear that the investment might be raided by corrupt officials or their backers? This was one of reasons that law enforcement and rule of law reform was considered a priority by the Ukrainian authorities following the Maidan events, and why the EU was invited at the time to set up an advisory mission focusing on civilian security sector reform – the EU Advisory Mission (EUAM) Ukraine, which I head.

Ukraine has undeniably made significant progress in strengthening the rule of law in the past five years. Indeed, the former President of the European Commission Jean Claude Juncker complimented Ukraine last year for achieving more in terms of reform since Maidan, than in the previous quarter century. But significant weaknesses remain. If the new government's ambitions to make Ukraine a leading investment destination are to be realised, reform of law enforcement and rule of law institutions will need to be sped up, particularly in the following institutions: the Security Service of Ukraine (SSU), the prosecution services and the judiciary.

There is no domestic intelligence service in Europe or North America, which enjoys the SSU's wide-ranging powers. With over 30,000 employees (compared to under 5,000 at Britain's MI5), the SSU's competences include the power to investigate economic crime. Allegations that businesses are being approached by SSU officers for hefty bribes have dogged the organisation for a long time, while credible journalistic investigations have revealed some SSU officers living in mansions and driving cars worth multiple times their official salary.

I should stress that many SSU officers are discharging their duties to protect their country against Russian aggression with undoubted heroism. Unfortunately however, it looks like some bad apples within the organisation undermine the patriotism and commitment of their more principled colleagues. Ukraine's new government has made a commitment to root and branch reform of the SSU, and this is to be commended.

At EUAM, we are working closely with the EU Delegation to Ukraine, the NATO Liaison Office to Ukraine, and the US Embassy to Ukraine to support a reformed SSU. We are advocating for its activities to be subject to oversight by the Ukrainian Parliament and for the majority of investigative functions to be handed to other agencies. This will allow the SSU to concentrate on core domestic intelligence functions such as counterintelligence, counterterrorism and protection of state secrets. This structure is widespread in democracies and if adopted would strengthen the rule of law as well as security in Ukraine.

Equally important is reform of the prosecution service. Few would have expected that the names of past General Prosecutors of Ukraine would ever feature so prominently in international news bulletins. The sudden recognisability of names such as Viktor Shokin or Yuri Lutsenko as a result of the impeachment hearings in the US gives a good indication however of the outsized importance that the top prosecutor holds in Ukraine. The position of General Prosecutor in the Soviet period and the years that followed was a hugely political appointment, and the incumbent's powers were frequently used to pursue political enemies rather than in the interests of justice. If Ukraine's new Prosecutor General, Ruslan Riaboshapka, manages to introduce a culture of political impartiality into his organisation, he will go down as a historic figure for his country.

The last rule of law institution in need of major change is the judiciary. The judicial system is one of the least trusted bodies in the country, with a recent survey conducted by the Razumkov Centre demonstrating that only 15% of Ukrainians trust their judges. A lack of trust in the judiciary acts as a major brake on Ukraine's economic development.

There is no reason why Ukraine should not be a rich country. For this to become a reality, Ukraine will need a domestic intelligence agency, prosecution system and judiciary that have no other activities than those proscribed by law. Until then, international friends of Ukraine, of which I'm proud to call myself one, will be doing everything in their power to support those Ukrainians trying to make this happen.



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# Towards a more resilient Ukraine

Expert article • 2585

**M**ore than five years after the Maidan Revolution of Dignity, the illegal annexation of Crimea and Sevastopol by the Russian Federation and a continuing conflict in Ukraine's eastern regions that has so far claimed the lives of over 13.000, it is a good moment to take stock of the support the EU is providing to Ukraine in its fight for sovereignty, territorial integrity and socioeconomic development and its sovereign choice of a European path. In addition to the EU's staunch political support, the two elements probably best known to the wider public are the ongoing restrictive measures against Russia – better known as sanctions – and significant financial assistance to Ukraine.

Since the beginning of this intensified cooperation, the EU has put resilience at the forefront of its efforts, thus substantiating President Tusk's repeated stance that there cannot be a resilient Europe without a resilient Ukraine. In order to build resilience, support reforms, and facilitate socio-economic recovery and development, the EU has since 2014 mobilised the biggest support package for a partner country, containing a number of innovations. The creation of the European Commission's Support Group for Ukraine (SGUA) has been recognised as one of those innovations. It brings together experts from EU institutions and Member States in order to allow Ukraine to make the most of the opportunities offered by the Association Agreement and Deep and Comprehensive Free Trade Area with the EU as well as to support Ukraine's wider reform agenda.

Since 2014, the EU has mobilised around 15 billion Euro for Ukraine. The often-quoted "unprecedented level of support" is a correct statement, though the size of the package is also a function of the size of the country.

The biggest block includes concessional loans provided via Financial Institutions such as the European Investment Bank (4.6 bn EUR) and the European Bank for Reconstruction and Development (4 bn EUR). These usually include support – via domestic banks – to the financing of the real economy, or major public and private investment and infrastructure projects. The second biggest block is the EU's Macro-Financial Assistance (MFA), of which the EU has so far paid out 3.3 bn EUR under four subsequent programmes. The MFA consists of beneficial loans to the state budget, guaranteed by the EU budget and paid out after fulfilment of earlier agreed conditions linked to the implementation of reforms.

The most visible EU support are the 2 bn Euro in grants mobilised since 2014 from a multitude of EU instruments, including so far 133.8 million Euro humanitarian support. About 1.3 bn Euro mobilised from the European Neighbourhood Instrument (ENI) are therein the funds that are particularly available for economic development, capacity building and change management in support of the reform agenda. In a context of strong involvement of other international partners in Ukraine, the jointly identified four priority areas are making up more than 80 % of the actual ENI portfolio: energy, the rule of law, better public services and the economy (notably small and medium-sized enterprises).

The capacity-building programmes in these four areas have a series of common characteristics. Firstly, many of them are large-scale (double- to triple digit million price tags) which responds to the size of the country and its thresholds for a critical mass. In order to

achieve these dimensions, significant Member States resources often top up the EU budget. Member States also play a significant role as implementers (via their authorised agencies). Beyond enhancing synergies and impact, this allows to involve targeted Member States expertise, for example from experts who have worked on similar changes during the accession of their own country. In addition, the programmes involve in total hundreds of young Ukrainian experts as mainly EU-financed change agents of change, thus catalysing capacity building and feeding back competencies into the Ukrainian structures.

First results are becoming visible, e.g. in more transparent recruitments for the civil service, more capable and accountable anti-corruption agencies, hundreds of more autonomous and efficiently managed local communities (hromadas), thousands of young people studying abroad, hundreds of thousands of visa-free visits to the EU. Now it will be crucial that following the recent democratic change of the country's political leadership, the vigorous implementation of critically viewed but in the end successful reforms continues and no time is lost in "reinventing the wheel" and focussing on replacing people rather than creating sustainable structures.

With EU and other international support, Ukraine has managed to tame and reverse its economic and political crises – despite the continuing military crisis in the East and South. But changes will have to continue, and so will EU support. This EU support has contributed that during this period the country has "not collapsed and has managed to move on and try to get out of this crisis on a new basis. Despite immense challenges Ukraine today is a much stronger country than it used to be" (EU High Representative Federica Mogherini). ■



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KATERYNA ROZHKOVA

# Ukraine: A modern, European financial system

Expert article • 2586

Ukraine continues to move towards a competitive and efficient financial sector. The banking crisis of 2014–2016 led to the bankruptcy of more than 100 banks, the nationalization of the country's largest bank (PrivatBank), and, in total, cost the state and Ukrainian taxpayers 16% of GDP. The “clean-up” – or more accurately, the “recovery” – of the Ukrainian banking sector was a necessary step towards building a stable financial sector that can effectively redistribute financial resources and support economic growth. In recent years, we have managed to engage directly with the owners of all Ukrainian banks, strengthen their corporate governance, introduce European regulatory standards, and create a risk-based approach to banking supervision.

Today, Ukrainian banks are highly profitable: Their profit this year increased from €800 million in 2018 to €1.7 billion in the 9 months of 2019, and the ROE indicator increased from 15% in 2018 to 38%. Today, Ukrainian banks are well-capitalized: The regulatory capital adequacy ratio has grown from 12.7% in 2018 to 18%. By contrast, back in 2015, for most banks, this figure was close to zero.

Today, Ukrainian banks are highly liquid: All banks, without exception, comply with the LCR liquidity standard, which we have introduced in 2019. And most important, Ukrainian banks have begun to lend. This is not about lending to their owners or other parties related to banks, but rather about lending to real businesses and the general population.

For the second year running, lending to the public has been growing at a rate of 30% year-on-year, and lending to businesses that have not defaulted has been growing by 15%–20% year-on-year. We can also talk about the return of public confidence in the banking sector of Ukraine, because over the past two years, the volume of household deposits in local currency has grown by 24%.

But the financial sector is not just about banks. It goes beyond banks, into the nonbanking financial sector. For a long time, we have not had the full capability to supervise and regulate this sector, as its regulation was actually divided between three regulators: The NBU, the National Securities and Stock Market Commission, and the National Commission for Regulation of Financial Services Markets.

In 2015, the NBU came to the conclusion that this sectoral model for regulating the financial sector could not be effective in and for Ukraine, as it prevented the regulators from responding to systemic risks by decentralizing decision-making. Therefore, we proposed moving from a sectoral regulatory model to a consolidated one – which would be in line with 70% of European financial sectors. We opted for the Two Agency model, where two regulators would remain: The National Bank of Ukraine and the Securities Commission.

In September of this year, the Ukrainian parliament supported what came to be known as the Split Law, or the division of the Financial Services Commission's responsibilities and relegation of its capabilities to the two aforementioned regulators. In effect, the result will be that from July 2020, the NBU will also become the regulator of

insurance, leasing, factoring companies, credit unions, pawnshops, and other financial companies: In total – almost 2,100 institutions. In turn, the Securities Commission will further regulate the activities of private pension funds.

We now have a nine-month transition period, in which we will:

- Oversee the development of new legislation for each of the sectors, as it has not been updated in years; we also want to bring it into line with European regulations.
- Build out new functionality in the NBU – including new units and new staff for relevant new competencies.
- Obtain relevant documents, reporting, and statistics from the nonbanking sector to build a robust and comprehensive view of the sector.

We want to streamline regulation for the nonbanking market. Those nonbank companies that carry the lender's risk will fall under general supervision – for example, organizations that attract investment from their customers to support their activities: Insurance companies and credit unions. Companies and organizations that do not bear the creditor's risk, as well as pawnshops, leasing, factoring, financial companies, will not be subject to prudential supervision. The result is that only their market behavior will be regulated, in terms of protecting the rights of consumers of financial services.

In general, we advocate a proportional risk-based approach to regulation. The main thing that interests us is transparency of the ownership structure, and compliance with legislation on financial monitoring and capital adequacy. These should be simple requirements, and any company that intends to operate inclusively in the market, and not withdraw money from it, will have no problems fulfilling them.

The Split Law and the transition to consolidated regulation of the financial sector are part of our grand strategy for the development of the financial sector for the next five years. The ultimate goal is to build a powerful and competitive sector that will support our economy and provide quality services to the citizens and businesses of Ukraine.

This move will make Ukraine's financial system simpler to navigate and more secure to engage with. The added level of transparency means that everyday Ukrainians will benefit from greater access to a full range of financial services, and foreign investors will gain more options for expansion into Eastern Europe, where labor is cheaper and knowledge is plentiful.

It is yet another move that brings Ukraine a step closer to its ambition of full alignment with its European peers. As with its neighbors, Ukraine must pursue reforms of this nature to reflect an increasingly complex and dynamic financial market, which is being driven by ever-changing technology. Ukrainian entrepreneurs, like many innovators around the world, have fast-tracked their own country's reform by spearheading development in financial services products at a rate never seen before.

As the boundaries between financial products continue to evolve,

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it is increasingly important that financial regulation can keep up with an ever-changing market, closing any loopholes as quickly as they emerge. It would be no exaggeration to say that the Split Law will set the foundations for the ultimate realization of the NBU's reforms for Ukraine, and set the stage for economic growth in Ukraine for years to come. ■

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**BALTIC RIM  
ECONOMIES**

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ULANA SUPRUN

# The New Global Dark Age

Expert article • 2587

Imagine being forced to leave your home and all you could take was one suitcase. What would you take? Nearly two million Ukrainians were forced to make this decision since Russia occupied Crimea and invaded Eastern Ukraine in 2014. Your medical records, medicines, trusted physicians and clinics were all left behind. Finding new medical care in new communities was difficult, as healthcare financing was based on residency registration. Absorbing their healthcare needs created a substantial burden on the already underfunded Ukrainian medical system. So, you let your hypertension go untreated, as you cannot afford to pay for your medication. Then a stroke leaves you paralyzed on your left side, and you are no longer able to work.

Imagine you have just become a parent, and your newborn is about to get her first vaccinations. You go online and see posts about the vaccines. You are horrified to see that vaccines are “experiments on children”, that they “kill more people than the disease they prevent”, and that “vaccines in Ukraine are dangerous and ineffective”. Because of this disinformation, you doubt the need for immunization and leave the hospital without vaccinating your newborn out of fear.

Several years later, your child goes to preschool. Unvaccinated, she enters the classroom, now daily exposed to 25 other children. You receive a text message from the school: a kid in your child's class has the measles. Soon, your child develops a rash, a fever and begins to cough. Your child is hospitalized, put on a ventilator and nearly dies from pneumonia.

Or, say you have lived your entire life in Ukraine's Crimea. You are an HIV positive intravenous narcotics addict, who has been receiving anti-retroviral (ART) and opioid substitution therapy (OST) from the Global Fund through Ukraine's healthcare system. In 2014, Russia invades Crimea. You are forced to obtain a Russian passport to receive medical care. You have no choice as you may die without the therapy. Then you discover that OST is unavailable in Russian controlled areas, and that the Global Fund has been banned from supplying ART in Crimea. So, you buy a few hits of heroin, inject a large dose into your vein, and die from an overdose.

These are the realities of life in Ukraine since Russia invaded Crimea and parts of Eastern Ukraine. Russia's hybrid war against Ukraine is often described in terms of military, information, energy, and economic effects. However, Russia is also attacking Ukraine on a more basic level, undermining its most valuable asset- its human capital. By limiting the access to evidence based, modern healthcare services, something that is a given in modern civilized societies, Russia is threatening to throw Ukraine, and the global community, into a New Dark Age..

The transformation of Ukraine's healthcare system since 2016, with the creation of the National Health Service of Ukraine, a single payer universal health coverage provider, guarantees all Ukrainians access to healthcare. They are now free to choose their primary care physician, no longer tied to their residency registration, and over 28.5 million have done so in a little over a year. The guaranteed service package and the pharmaceutical reimbursement program have allowed patients with chronic illnesses, such as hypertension, to receive uninterrupted care. And transforming medical facilities from government owned and run institutions to publicly owned non-profit corporations has created competition. Patients are now sought after

rather than being deterred from obtaining care due to lack of funding.

A 2018 investigation into vaccination disinformation campaigns in social media looked at 1.7 million tweets from 2014 to 2017 and found that Russian trolls had a significant impact online by coming down on both sides of the issue, creating controversy and hype (American Journal of Public Health, October 2018). In 2019, the WHO put forward its five year strategic plan, naming the biggest threats to global health, including “vaccine hesitancy,” fueled by “weaponized health communication.”

Since 2016, the measles vaccination rate has grown from 44.5% to 91% in Ukraine. Procurement of vaccines through UNICEF, assuring free vaccination, and targeted communication campaigns had a positive effect. However, due to the low vaccination rate over the last decade and lack of efficacy of vaccines procured from Russian owned manufacturers in the past, Ukraine suffered a measles outbreak: since 2017, over 115,000 cases were reported with 41 deaths. Ukraine still has a low vaccination rate for other vaccine-preventable diseases such as diphtheria and Hepatitis B. More work needs to be done, including holding Russia accountable for disinformation and manipulation of the subject, while Russia boasts near-perfect vaccination rates.

Russian occupied Crimea and sections of Donbas were inaccessible for most humanitarian organizations since the start of Russia's war against Ukraine. Failure to access care has resulted in at least 40 deaths of former OST participants. In 2017, Ukraine became the first country in Eastern European and Central Asian regions to provide OST from the state budget. Over 12,000 Ukrainians benefit from the service. Harm reduction programs such as syringe and needle exchange, condom distribution, free HIV testing at primary care clinics, pre-exposure prophylaxis are all available and financed through Ukraine's state budget. Ukraine is the first country to initiate and implement a Global Fund transition plan to take over full financing for the HIV programs through the state budget. These advances have helped almost 200,000 HIV positive patients in Ukraine in the last few years, but they have not reached the estimated 50,000 people living with HIV in Russian occupied territories.

Ukraine has made great strides in creating a fair and equitable universal healthcare system for its citizens, while facing the challenges brought on by Russia's hybrid war against Ukraine. The Russian invasion of Afghanistan in 1979 drove Afghan society into the dark ages. Now, Russia is doing that on a global scale, targeting established and evidence based medical practices using the weapons of drama and entertainment wrapped in disinformation coupled with military invasion. To begin solving this global issue, we need to start calling things by their real names. Russia is a state sponsor of terrorism, whose real aim is to usher in a new Global Dark Age. ■



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# In support of European choice of Ukraine

Expert article • 2588

In 2018 the Constitution of Ukraine was amended with a clause confirming the European choice of Ukraine as the main course of its external policy. The relevant provisions have been introduced into the Constitution preambula underlining the European identity of Ukrainian people and irreversibility of the European and Euroatlantic course of Ukraine. The powers of Verkhovna Rada of Ukraine, the Ukrainian President were determined in order to support institutionally the European choice of the country. On the road to these constitutional amendments Ukraine experienced huge enormous civic engagement and empowerment during Euromaidan, now it goes a difficult way in fighting for its territorial integrity while facing the military aggression from Russian Federation and reforming its internal policies at the same time.

The civic society engagement for supporting the European future of Ukraine has always been routed into the activities of the local civic society institutions, which operated throughout the country from East to West and from North to South.

Ukrainian European Studies Association has been established in 2006 in Donetsk as non-governmental and non-profit organization to promote the cooperation among teachers and researchers of European integration on individual basis. Currently it operates in all regions of the country. It unites professionals not only from social sciences and humanities, but also tries to boost the cooperation and look for intersections with fundamental and applied sciences. It conducts its meetings on annual basis and seeks to discuss among its members as well as with wider audience topical issues in the EU-Ukraine relations and contemporary trends and challenges in Europe. Last Congress of the Ukrainian European Studies Association, which was held in Odessa, addressed new challenges for the EU-Ukraine relations in the times of the global crisis and focused upon resilience strategies in the EU Foreign policy and its implications for the relations with third states.

Following philosophy *docendi discimus*, the UESA seeks to support professional development of its member and boost the quality of the academic research in such areas as human rights, rule of law and democracy, economics, sustainable development and innovations, good governance, security in regional and global dimensions and Ukraine's integration into European Educational and Research Area.

On constant basis it organizes annual congresses, which are widely open for the participation and this year it started a European Studies Research School aiming to equip young researchers and scholars with much academic research skills.

The UESA is open for cooperation. More details is available under <https://jmce.ukma.edu.ua/uaes> or on our FB page <https://www.facebook.com/groups/UESA1/>. ■

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# The future of US-Ukrainian Strategic Partnership

Expert article • 2589

It is an indisputable fact that the United States continues to be among the world's leading powers in the system of international relations and one of the main strategic partners of the Eastern European countries, including Ukraine. Among the main areas of strategic partnerships between Ukraine and the United States can be distinguished economic, political and military spheres. In particular, Ukraine pursues a policy of close cooperation with the United States, developing cooperative programs that have been agreed upon in the contractual framework. Legal basis of bilateral relations covers a wide range of spheres of Ukrainian-American cooperation, including trade, economic, technical, educational, humanitarian, law enforcement, etc.

United States is not only interested in spreading democracy, but also in establishing a strategic partnership in Central Europe for the sake of ensuring sustainable development and further transformation of countries of post-Soviet space. The main focus in relations between US and Ukraine is made on the issue of security and stability, including promotion of NATO membership, trade and economic cooperation and implementation of energy independence. In my opinion, through the resolution of these components of the strategic partnership between Ukraine and United States, Ukraine can strengthen its economy and the military-industrial complex, which in turn will partially influence on the resolution of the illegal annexation of Crimea by the Russian Federation and conflict elimination in the eastern part of Ukraine.

Strategic partnership is an important tool in the relationship between countries in foreign policy, which are increasingly used by leading countries and integration associations as it enhances the effectiveness of their actions in the international arena. Strategic partnership is a type of interstate relations, built as a coherent system of states' interaction with the direction of the realization of common strategic goals and interests. Unlike allied relations, strategic partnership does not imply a rigid system commitment of a political, economic, humanitarian or security nature. In a broad sense, strategic partnership is a system of interaction between the two or several states, which is based on the recognition of shared values and the vision of high level of cooperation in certain areas, mutual foreign policy support, in particular in the framework of international organizations, coordination of positions in crisis situations and in solving international ones conflicts. It is necessary to emphasize the need for developing strategic and parity partnerships between Ukraine, the US and the EU for the sake of stabilization of the situation in the eastern part of Ukraine, as well as for reclaiming annexed Crimea peninsula from Russia.

It seems that today there is no alternative for the government in Kyiv to develop relations with the US comprehensively. In this context, the first task for Ukraine in the forthcoming years should be reviewing the performance of existing bilateral mechanisms and developing practical plans for the future. Official Kyiv should also take into account the American style of foreign policy thinking, which underlies

Anglo-Saxon, that is, not a purely formal approach to alliances, but a deep understanding and recognition that relations with another country are based primarily on common interests and values. This is the approach the United States has applied to Britain during World War II and is applying to its current key ally, Israel.

Attention should also be paid to today's strengthening of the US-Poland partnership. Given the already steady course of US support for Ukraine, it is advisable to concentrate efforts on its rooting and further solidification in the American foreign policy tradition. Possible first step would be to grant Ukraine the status of Major Non-NATO Ally, a status that was granted to Brazil on July 31, 2019. In addition to its important political implications, it will also have significant practical implications, including new opportunities to deepen military co-operation with the US, preferences in US arms procurement and streamline procedures, broad assistance in military training, and more.

Undoubtedly, Ukraine's value as a partner to the United States will increase in case of the success of internal reforms, active economic development, and strengthening of relations with the countries with which the United States is already actively cooperating in our region, in particular, Poland, Lithuania, Romania. In my opinion, it is also worth analyzing in a more detail strategic partnership between Ukraine and the US in the context of global threats. After all, world transformation processes show that dynamic and multi-vector changes in the system of international relations affect not only politics or economy but also the whole structure of international relations in its global manifestations.

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# Kremlin's policy towards Ukraine after Zelenskiy's victory

Expert article • 2590

From Russia's perspective, the 2019 Ukrainian presidential and parliamentary elections had fundamental importance. After five years of the Russian-Ukrainian conflict, Moscow had very few instruments left to influence either public sentiment or the election results in Ukraine. Moscow adopted a wait-and-see attitude in hope that Ukraine's position on key issues would change after the election. Russian opinion makers have interpreted the election results as a sign that the Ukrainian public is tired of the confrontation with Russia and wants to normalize relations with Moscow.

## Kremlin's Strategy

The Kremlin's strategy involves forcing Ukraine into decentralisation and granting the Donbas autonomy within the Ukrainian state, which would mean the de facto legitimization of the separatists, and the increase of the influence Moscow can wield over Ukraine. To achieve its objectives, the Kremlin is trying to weaken the government and cause political instability in Ukraine. During the presidential campaign Moscow counted that by openly supporting Volodymyr Zelenskiy it could deepen the divisions in Ukrainian society. But during almost 6 years of conflict between the two countries Russia has lost orientation in social moods in Ukraine as well as the majority of instruments to influence Ukrainian society. In result, it miscalculated the level of social support for the new president: Kremlin hoped that Zelensky will be a weak president and that the pro-Russian fraction in the Ukrainian parliament will become more important because he himself will have no major political base among the deputies. Whereas, the presidential party "Servant of the People" not only won the parliamentary election but also had a highest level of public support in Ukrainian history after 1991.

Nevertheless Kremlin hopes that after the 2019 elections Moscow will be able to dictate the conditions of normalisation of the relations to Kyiv, because Zelensky will try to realise promises of peace in Donbas which he has made during the presidential campaign. Moscow knows that if there is any real progress in the peace process, the main risk for Ukraine's new government will be how the Ukrainian public reacts. If the active part of society, including veterans of the Donbas conflict, comes to see any such agreement as a betrayal, this could lead to a serious domestic crisis.

Kremlin plays on this moods. For example a three days after the second round of presidential elections in Ukraine, President Putin sign decree introducing a simplified procedure for granting citizenship to the residents of the separatist republics in the Donbas. Moscow is aware that signing this decree fuels political divisions in Ukraine and weaken the president-elect's position.

## New opening?

Moscow did not achieve compromise on the resolution of the conflict in Donbas. However, both sides are trying to create the

impression of a new opening and their readiness to negotiate. This creates a chance to alleviate the conflict: the intensity of the fighting has decreased in recent months, on 7 September an exchange of prisoners took place, and both sides agreed on withdrawal of troops from a few areas. At the beginning of October President Zelensky announced that an agreement had been reached to implement the so-called Steinmeier formula, which is seen as a concession from Ukrainian side. However, the implementation of the formula—that means conducting the elections in the separatist-held territories under Ukrainian legislation and under the supervision of the OSCE, a special status for the territories, and the return of Ukrainian control of its border with Russia—is in question. The main reason are the differences in its interpretation relate to the schedule of withdrawal of troops and return of Ukrainian forces on the state border, the future of the current "separatist's" authorities, and also a way to create conditions for conducting democratic elections in areas where war has been going on for almost six years.

New situation in relations between Kiev and Moscow can entail both hopes and risks. Moscow seeing the concession from the Ukrainian side immediately strengthened demand that Kyiv should formally recognize the puppet leaders of the separatist parastates in the Donbas which Moscow supports. This shows that the Kremlin is still trying to pursue its strategy of forcing Ukraine to formally reintegrate the occupied part of the Donbas with current authorities and bring about the federalization of the country. Moscow believes that in the long term this will bring Ukraine permanently into the Russian sphere of influence, and allow Russia to gain control of its policies, and prevent it from moving closer to the West.

Russia hopes that it can gain international acceptance for its demands and interpretation of the Minsk agreements and "the Steinmeier formula". Meeting these expectations by the international community is the greatest risk of the current situation. On the other hand, the search for a way to return to negotiations gives some hope that Moscow will make some concessions. However, it will not happen if the West succumbs to Kremlin's demands and weakens its support for Ukraine. ■



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# Cooperation in human capital

Expert article • 2591

**H**aving defined the entrance to the consortium of democratic European states as the vector for its external policy, Ukraine is continuously making efforts to obtain the status of a parity partner and a reliable ally in the promotion of European values underpinning the value of human capital.

Such strategic vision of Ukraine's European perspective sets the format of cooperation with the EU countries in all areas of human activity and particularly in the field of higher education as a dominant human capital creative domain. The Baltic countries play an important role in this cooperation, because their positive influence, notably in the educational processes, contributes significantly to the development of Ukraine as the European state.

Thus, in accordance with the Intergovernmental Agreement between Ukraine and the Republic of Finland until July 2022 they are implementing the project "Finnish Support to the Reform of the Ukrainian School" in Ukraine with the support of the European Commission. The project "Learning together" (shortly, project brand) is funded by the Ministry of Foreign Affairs of Finland and the EU and is divided into 3 clusters (teacher training, educational promotion and environment).

Borys Grinchenko Kiev University is actively involved in the "Learning Together" project and motivated to study Finnish experience of future teachers' training as I did at Helsinki University and its basic school Vikki created by Haaga-Helia while examining the Finnish national quality assurance in education.

Besides, at the invitation of the President of the National and International Association of School Directors of Finland Ari Pokka, Grinchenko University staff studied Finnish experience in organizing educational activities in elementary, primary, professional schools and the functioning of the system of professional training of future elementary school teachers in Jyväskylä city HEIs.

The cooperation of Grinchenko University with the HEIs of the Baltic States started in 2010 with the joint Ukrainian-Swedish project "Training of managers in the field of education: European levels, standards, competencies", which was implemented jointly with the University of Linneus (Växjö, Sweden) with Visby program support. The results were large-scale and useful: from conducting training programs by Swedish experts for Ukrainian scholars to developing a new Master's program in training managers in the field of education, licensed and accredited by the Ministry of Education and Science of Ukraine. In fact, this project prompted the university to learn about the experience of the Baltic region countries in the development and implementation of educational policies, national strategies in education and cooperation in HE and science. Thus, Grinchenko University has established partnerships with HEIs in Finland (Tampere University, University of Turku), Latvia (Rezekne Academy of Technology, Daugavpils University), Lithuania (Kaunas University of Technology, Vilnius University, Lithuanian Sports University, Lithuanian University of Educational Sciences), Estonia (Estonian Business School) and others. It has led to the next joint HE projects:

- "Education for Leadership, Intelligence and Talent Development (ELITE)", implemented with Tampere University (Finland), Estonian Business School (Estonia), Kaunas University of Technology (Lithuania) within the Tempus Program in 2013-2016. It was aimed

at enhancing the HEIs role as generators of social progress in implementing public policy on HR development through the leadership and organizational capacity development services;

- cooperation with the Lithuanian University of Educational Sciences, in addition to joint scientific conferences, has resulted in a collective monograph "The development of the spirituality of education", dedicated to the actual topic of the development of the spirituality of education in the age of globalization and the role of teachers as subjects of moral improvement of spiritual education values and European priorities for sustainable development;

- development of cooperation within the Erasmus+ program with Tampere University (Finland), Vilnius University (Lithuania) in the academic mobility programs contributes to the enhancement of multicultural education, and international communication and the IHE strategy implementation.

The provided examples prove that cooperation between Ukrainian and the Baltic States' HEIs is very important for the EU priorities implementation in the educational and scientific fields, development of professional and sectoral contacts as well as HE standards with focus on enhancing the value of human capital and leadership, joint research activity and disseminating the Baltic states positive experience in capacity building, public and institutional administration.



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# Lviv University: Where history meets modernity

Expert article • 2592

Lviv is a medieval city in Western Ukraine with a population of 724,000 inhabitants. Founded in 1256 by Ukrainian king Danylo, the city is located only 70 km from the Polish border (EU border). It is the city with a rich history and culture, its historic center assemblage was included into UNESCO World Heritage List. We used to say that Lviv is a model of old multicultural city with dynamic nature of modern identity building. This multiculturalism as a model living-together still is present in different pronunciation of city name: Lviv-Leopolis-Lemberg-Lwów-Lvov. Among the tourists, Lviv is famous as the coffee capital of Ukraine. City coffee houses became a very important hub for academic, intellectual and cultural life. Students and professors, painters, actors and filmmakers came together to share plans and dreams with people of different origin and status.

One of the most famous Lviv interwar cafes was “Kawiarnia Szkocka” (Scottish Coffee House). There, the mathematicians from Lviv School of Mathematics collaboratively discussed research problems, particularly in functional analysis and topology. Among them, there were scholars of different ethnic backgrounds – Stefan Banach, Hugo Steinhaus, Stanislaw Ulam and others. Stanislaw Ulam recounts that the tables of the cafe had marble tops, so they wrote in pencil – directly on the table surface or napkins during their discussions. To keep the results from being lost, Stefan Banach’s wife presented them with a large notebook that was used for putting down the problems and answers and eventually became known as the “Scottish Book”. Today the copy of this book can be found in a contemporary cafe that bears its historical name.

This well-known story is only one of the brightest storytelling fragments about Lviv as a city of academic life with long-lasting intellectual traditions. In a very central part of the city is located Ivan Franko National University of Lviv, one of the oldest universities in East-Central Europe. It was founded in 1661, and throughout its history has demonstrated scholastic innovation that fosters critical thinking and social responsibility. Lviv University was named after the famous Ukrainian writer, politician and activist Ivan Franko (1856-1916), who studied at the university’s Faculty of Philosophy.

Currently, Lviv University is a leading Ukrainian higher education institution. Over 20 000 students obtain academic degrees offered by the University’s 19 Faculties and 3 colleges. The University library is the oldest in Ukraine (founded in 1608), and it stores 3.2 million volumes in more than 150 languages, including famous Manuscripts and Rarity Books Collection. University has 6 objects of the National Property of Ukraine: Zoological Museum (founded in 1885), Herbarium (founded in 1783), Botanical Garden (founded in 1852), Microbial Culture Collection of Antibiotic Producers (1995), Astronomy Observatory (founded in 1769).

Lviv University, like most universities around the world, maintains a broad network of international partnerships. We signed 180 agreements with foreign higher education institutions and research

institutes from 61 countries. Over 1000 guests from different countries visit University annually to study here, do fieldwork, deliver lectures, do research, participate in conferences, work in libraries and in the archives of Lviv. Approximately the same number of researchers and students of the University every year go abroad for studying, doing research, participating in conferences and seminars etc.

We particularly enjoy a dynamic cooperation with Baltic and Scandinavian universities, particularly with Tartu Ülikool (University of Tartu), Turun yliopisto (University of Turku), Latvijas Universitāte (University of Latvia), Lithuania Mykolas Romeris universitetas (Mykolas Romeris University), Lithuania Kauno technologijos universitetas (Kaunas University of Technology), Šiaulių universitetas (Šiauliai University), University of Bergen.

Lviv University is a member of the Baltic University Program. There is a Center of Northern European Countries which is driving force of our interactions with our partners from Baltic and Scandinavian states. Our university is the only university in Ukraine which offers students teaching of Estonian, Lithuanian, Swedish, Finnish and Norwegian languages. Finally, the idea and the project of the Baltic-Black Sea alliance of Eastern European states, is being developed by Ukrainian, Polish and Lithuanian geo-political scientists for over 100 years. The first President of Ukraine Mykhailo Hrushevsky, the famous Ukrainian historian, introduced the idea of creation of the Baltic-Black Sea Alliance in his work “The Black Sea Conception” (1918). In 1894 Mykhailo Hrushevsky was appointed professor of the newly created chair of Ukrainian history (officially it was called The Second Chair of Universal History, with special reference to the History of Eastern Europe) at Lviv University. That is why it was very symbolic for our academic community to offer students in a new 2019/2020 academic year Master’s Degree Program “Baltic-Black Sea Regional Studies”. ■

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# Corruption and reform in education in Ukraine

Expert article • 2593

**T**o this day, the government of Ukraine –from the local to the national level– is still perceived to be one of the most corrupt in the world. In Transparency International's Corruption Perceptions Index, Ukraine is comfortably positioned in the upper half of the table, among some of the countries with the most corrupt governments. Its rank in the 60th place, out of 180 countries evaluated, puts it closer to far-away Pakistan, than to its geographical neighbour, Poland. For a country which is territorially larger than France, almost as populous as Spain, and nominally as rich as Hungary, this is hardly an achievement. Quite the opposite: the continued prevalence of corruption in Ukrainian society, both in the public and private sectors, imposes a heavy burden in the country by hindering economic growth, increasing socioeconomic inequalities, and diminishing the quality and accessibility of public services – including the provision of education.

In Ukraine, as in other countries, the most visible cases of corruption are those involving high-level government officials. While corruption is also visible in the lower levels of the public administration structure, in the eyes of most Ukrainians, addressing high-profile cases is amongst the most pressing issues for the country. Yet, a more pervasive phenomenon, which is closer to the lives of ordinary citizens, is the involvement of mid- and low-level local education authorities in corruption schemes, which will likely never be addressed. In these low-profile cases, even where there might be evidence of the authorities' participation in illicit activities, those involved will probably not be prosecuted for their actions.

In Ukraine, corruption in public education can be observed at various levels in the school system, ranging from pre-school to upper secondary and postgraduate education. Sadly, even the very foundations of the system are affected by it. At pre-school level, for instance, this phenomenon is generated and perpetuated by various factors: the limited number of places available for pupils at municipal kindergartens, coupled with the high demand for pre-school education services; the problems experienced by parents when using the current electronic enrolment system; the misuse of parental financial contributions to kindergartens and schools –due to the lack of control mechanisms; and the lack of transparency in the allocation of school budgets. While addressing all these issues would require the implementation of complex, multi-tiered solutions, it is possible to start by making very simple changes to the system. For example, making the publication of budgets and financial statements of educational institutions, both compulsory and legally binding. As small as it might appear, this would be a good first step in the right direction for improving the educational system in Ukraine.

A more comprehensive change, however, would require the full implementation of the reforms –which started with the passing of the laws for Higher Education in 2014, for Research and Scientific Activity in 2015, and on Education in 2017, but that are now long overdue. The new law, which the Ministry of Education deputies and experts are said to have been preparing for almost three years, would replace the current one, which has been in force since 1991. Although pupils, teachers, parents, and the general public had positive views and held high hopes about this and other fundamental changes in the system, not new laws about it have been passed.

Moreover, while it is often said that all levels of government are committed to the reform, the overall system still faces a chronic problem: underfunding. Undoubtedly, the successful implementation of reform also requires the making of a great number of capital investments. In this regard, the biggest concern appears to be reaching an adequate balance in the allocation of the state budget for the educational sector. According to budget projections, in 2020, in absolute terms, 136.4 billion Ukrainian Hryvnias (UAH) will be allocated for investment in the sector. This is about 7.7 billion more than the budget allocated in 2019. In relative terms, however, this is more significant. In 2016, only 5% of Ukraine's GDP was allocated to education. From now on, every year at least 7% of it will be allocated to the sector. Even by Western European standards, the share of the budget that will be now allocated to education is substantial. Whether these financial resources are enough to fully implement the long-promised educational reform, however, remains an open question.

Lastly, the effects of all these changes are not expected to be visible in earlier than three to five years. Considering that there is already, great dissatisfaction with the pace of the reforms which should have been implemented in the country, President Volodymyr Zelensky should prioritise the implementation of educational reform. While his victory in the presidential election of 2019 brought hope to the people –by making it seem possible to implement fundamental changes in the way in which their society is run and governed– the patience of Ukrainians is wearing thin. Since the events of Euromaidan in 2013, Ukrainians been eagerly awaiting the implementation of such crucial government reforms. Hence, if Zelensky is serious about taking action against corruption and inefficiency in the Ukrainian government, he does not have to go farther than ensuring the full implementation of educational reform. ■

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# Learning together: Finland's support to Ukrainian school reform

Expert article • 2594

The Government of Ukraine launched the New Ukrainian School (NUS) reform in August 2018 to modernize of the education sector and to improve teaching and learning towards the requirements of the 21st century. Currently, the NUS reform is a key reform of the Ministry of Education and Science (MoES). The main objective of the initiative is to create a school that will be pleasant to go to and will provide the students not only with knowledge, as is the case now, but also with the ability to apply it in real life. The Finnish support to the NUS reform seeks to enhance the quality of education in Ukraine as well as the perceptions the Ukrainian citizens have on their education system. The short name of the combined project is Learning Together.

Finland's Support to the NUS reform focuses on general primary and secondary education (ISCED levels 1-3) and is designed around three main result-clusters and cross-cutting elements. The three initial, interlinked clusters are (1) teacher preparation, (2) education promotion and (3) education environment. As a new element, the EU support for enhancing the Ukrainian language instruction among the national minorities is fully integrated into the initial three clusters in a cross-cutting manner. In addition, inclusive education for all is supported as an initial cross-cutting element across the three clusters.

While the recent reform efforts aim for major improvements, the Ukrainian education sector is still facing major development needs. Despite high primary and secondary school participation and overall literacy rates, the following major issues call for action:

- **Quality and relevance** – Insufficient quality and outdated relevance of education have been a key challenge in Ukraine, leading to dissatisfaction among the wider public. With outdated curriculum, teaching methods and materials, Ukrainian students lack essential skills meeting the needs of the 21st century and many do not adequately learn basic skills such as mathematics.

- **Inefficiency** – Inefficiency has marked the Ukrainian education system over the past decades. The system has been bureaucratic with outdated management approaches. Partly due to the demographic decline, especially rural areas of the country tend to have oversupply of teachers and schools.

- **Equity** – Lack of equity in terms of education quality and participation is a major concern in Ukraine, as it affects social cohesion in a longer term. Especially minority language populations and children in rural and remote areas lack opportunities for good (enough) quality education and, subsequently, better opportunities in life. Disparities in educational participation seem to concern the IDPs, minority children or children with disabilities and the urban-rural divide.

Finland's support to the Ukrainian school reform addresses various issues essential for overcoming the quality, relevance, efficiency and equity challenges:

- **Teacher preparation** – Teaching as well as teacher quality and motivation have a major impact on quality, relevance and equity

of education. While teachers are also the key for any educational reform to succeed, the quality of teaching in Ukraine is insufficient in general and especially among the vulnerable groups including linguistic minorities. Furthermore, the status of teachers has been devalued in Ukraine.

- **Education promotion** – While broad support from the education community and the entire society is needed for any major educational reform to succeed, the MoES lacks capacity for an efficient channels of communication. Information dissemination, capacity building and use of evidence help building ground for large-scale educational improvement and encourage equitable educational participation across the society.

- **Education environment** – Effective implementation of any major education reform requires a conducive environment at the school level in a form of good school leadership and sufficient support resources. Adequate set of tools and materials – including ICT tools and tools targeted to specific needs such as those of teaching and learning Ukrainian as a second language (L2) – can help boost education quality and relevance in an efficient and equitable manner.

The beneficiaries and key rights-holders of Finland's support to the NUS Reform will be the Ukrainian Government, the teachers and students in Ukrainian schools and their parents. The Finland's Support helps the Ukrainian Government – mainly the MoES – in the education sector to ensure the realization of the right to education among all its citizens. The students will benefit from better trained teachers in terms of improved learning. The parents, in turn, can become effective advocates for improved standards and provision and they can work to support the school, monitor children's progress and hold the school to account on its achievements. ■



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OLEKSIY SEMENIY

# Foreign policy of Ukraine: Quo vadis?

Expert article • 2595

**R**esults of presidential and the following pre-term parliamentary elections have changed substantially both political landscape in Ukraine and situation inside the country in general. Actually citizens of Ukraine have presented their unprecedented vote of non-confidence to previous ruling elites and opted for mostly unfamiliar political newcomers. President Zelenskyi and his team are mostly persons with no political experience behind them. This fact has both advantages and disadvantages: for example, lack of knowledge about bureaucratic procedures are often compensated with creativity and flexibility in pushing forward necessary solutions and processes. It is still too early to make any assessments for the new team in power, but we can elaborate on possible options of general development.

Foreign policy and international issues in general were very often among priorities of all previous presidents of Ukraine due to different reasons, but mainly because of high degree of Ukraine's dependence from the situation outside, especially its main international partners. This emphasis became especially crucial after 2014 – Russia's illegal annexation of Crimea and interference into military actions in Donbas have put foreign dimension of our security and respective international activities on the top of our statehood agenda. Promise #1 from President Zelenskyi and request #1 from Ukrainian citizens today according to all polls is establishing peace in Donbas. Volodymyr Zelenskyi has started from the beginning of his tenure to undertake substantial efforts to reach progress and feasible results in this issue. This approach has automatically led him to the question - how his Foreign Policy should be differentiated from his predecessor, namely previous President Poroshenko?

Foreign Policy domain is always quite conservative sphere in all countries due to its specifics and complexity. Therefore dramatic political changes in the country have not yet had any substantial impact on personnel appointments in Ukrainian diplomacy. We will not find too many "newcomers" among already appointed key stakeholders in this domain. This leads us to a very crucial issue – to which extent new Foreign Policy of Ukraine by President Zelenskyi (aspired due to his statements) can be conducted by many of the same people from times of President Poroshenko? Actually there is no problem in classical and old democracies with influence of political changes on state apparatus – it's minimized by comprehensive system of rules accompanied with checks-and-balances on many levels. That means political changes do not lead to dramatic changes in personnel appointments starting from level of directorates and below. But unfortunately Ukraine has been practicing for last 15-20 years another approach – each change of power provokes "personnel tsunami" almost at all levels which continuously decreased quality of bureaucratic system in Ukraine.

Moreover, President Zelenskyi by nature understands that Ukraine's Foreign Policy should be changed in order to reach proclaimed goals and adapt itself to quite ambiguous international reality. Nevertheless he has not presented yet his comprehensive

view of such policy – be it in form of strategy or concept of Foreign Policy or even keynote speech. May be, this will happen during next months, especially after issuing new National Security Strategy. But in any case it will be very complicated analytical task and challenge as far as this policy should somehow find compromise between many contradictory elements and quite few unpredictable factors. Below author will present key challenges and priorities which new Foreign Policy of Ukraine should find solutions or put emphasis on.

First of all President Zelenskyi should solve the task of establishing peace in Donbas (in best case by its de-occupation and reintegration in nearest term) without crossing redlines perceived by Ukrainian citizens. This will include of course a need to conduct direct negotiations with President Putin and accept some compromise solutions. This in turn requires quite a pragmatic approach to our policy towards Russia – to leave aside loud declarations and substitute them by feasible results. It is not an easy task, but without finding solution here Ukraine will not be able to reach many other goals.

Secondly, Foreign Service of Ukraine should be reformed and adapted to new realities. Some elements for such transformation have been already fixed in new Law on diplomatic service adopted this year, but the process should be continued. Ukrainian diplomacy needs a structured view and comprehensive approach to MFA as the real key implementation and coordination point of all state activities with outside world, it requires also changes in personnel policy and new focus of its priorities tasks.

Thirdly, we should be more active in developing our relations with many other regions and sub-regional actors, going beyond Euro-Atlantic area and establishing there strategic partnerships, if needed. Moreover, Ukraine's aspiration to be an integral part of Western world does not in any case contradict to such extension of own foreign activities. Rules of current globalized world don't allow us to be fixed only on one region and pragmatic balanced foreign policy should provide respective framework for such combination.

Finally, development of Ukraine and the way it opts for will define to a large extent the general development of two European regions – Central Eastern Europe and Black Sea region, especially crucial impact will be on Russia's destiny. Therefore, Foreign Policy of Ukraine, namely its efficiency and conformity with reality, will have an important impact on development of all-European security architecture in the nearest time. ■

*Disclaimer: views presented in the article are solely personal views of the author.*



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# Defence reform in Ukraine: A new impetus

Expert article • 2596

The Defence reform is the tip of the iceberg of a broader change in the Ukrainian security and defence sector. Its exhaustive description would significantly exceed the scope of this article. I will therefore only focus on chosen aspects and priorities.

According to Ukrainian legislation, the security and defence sector go beyond the functioning of the Ministry of Defence (MoD) and the Armed Forces of Ukraine. It is a complex system of various authorities, formations and agencies, functioning under democratic civilian control. Determined by the Constitution and other specific laws, its functional purpose is to defend the national interests of Ukraine against threats.

The necessity of shifting towards a new paradigm was widely recognized, and a new progressive and active role in the transformation processes has been initiated after Revolution of Dignity 2014. It might have been even earlier but with a significantly slower pace.

The march towards Europe, NATO and democratic values is encompassed by the Ukrainian constitution. This makes the determination to change and evolve stronger than ever. There are still, however, significant challenges to overcome in meeting Ukraine's goals. Its institutions are still fragile and not yet fit for democratic, Euro-Atlantic purposes. The MoD has made some progress in implementing modern principles of defence management, but the process still requires fundamental institutional and cultural changes.

Although the situation remains very complex with a massive reform agenda, it is clear that there is a fresh political will to make transformative changes in Ukraine. The positive and promising new opening to change represents a powerful first step.

The recent Presidential and Parliamentary elections have transformed Ukrainian political landscape. With a majority in the Verkhovna Rada, President Zelensky has been granted a strong mandate for reform and change by the Ukrainians. Its main and ambitious goals are to stop corruption, put an end to Russia's aggression against Ukraine and promote the economic growth through investment and innovation. All those strategic transformation goals are to be implemented as much in the public administration as a whole, as in the defence sector.

Zelensky has appointed a Western-educated, civilian defence minister, Andriy Zahorodnyuk giving him his full support for an ambitious reform agenda. Zahorodnyuk has a clear track record with regard to reforms and is committed to transforming the MoD's culture, practises, personnel and functioning.

A team approach has resulted in a new quality of partnership between the Minister and the Chief of Defence (CHOD), Lt. Gen. Ruslan Khomchak (still 2-star). This should lead to a reliable civilian democratic control over the defence forces in accordance with the Euro-Atlantic standards. The changes within the General Staff leadership, so essential to enable and sustain the real progress, being made on Command & Control (C2) transformation, are strongly

endorsed. The functions of the Ministry and the General Staff are not yet clearly delineated. However, it is imperative that by strengthening the Defence Forces management system, the C2 reform aims at promoting integrated efforts rather than enabling the General Staff to exist as a separate "kingdom".

The Minister of Defence has already appointed a first female Deputy Minister (another welcomed change); he has made internal changes that signal his intention to run the Ministry under the system of democratic control and the accountability of the armed forces.

The "people first" policy, soldiers' welfare and well-being, and the competitiveness of the servicemen on the labour market are at on top of the priority list. Recruitment, retention and severe attrition rates continue to drain and deprive the Ukrainian Armed Forces of its best personnel. In addition, housing, family support, deployment conditions in the area of the Joint Forces Operations (JFO) are all high on the agenda. Motivated, professional and comprehensively trained personnel, aware of the goals and objectives of the defence policy, can be front-runners and agents for transformation and quality change. This highlights the importance of introducing new approaches to professional military education. Initiatives including an English language training are required to dissolve the lingering Soviet legacy culture and practices. Mental interoperability and the elimination of "homo sovieticus" are as important as new structures and modern equipment. Moreover, there are plans to involve citizens in building a territorial defence of Ukraine.

Building Ukraine's defence resource management system, modern planning, programing and budgeting procedures and a new approach to defence industry and acquisition – in order to eliminate corruption and satisfy military requirements with new armament, infrastructure and materiel – is the other ambition. It is time to get rid of the post-soviet, obsolete weaponry, which paradoxically keeps Ukraine strongly linked to the enemy. The new procurement system and its self-controlling mechanisms are meant to eliminate the risks of corruption within the armed forces.

There is still huge effort ahead of the Ukrainian defence. The ongoing operations involving the Armed Forces have constituted an obvious challenge the reform processes itself. The opponents of the reform claim that changes cannot be carried out during war; its supporters on the other hand argue that war is the reason for it to be carried out as soon as possible.

Ukraine's leadership has declared that it is in 'turbo mode', driving forward legislation and a reform agenda at a fierce pace. This brings opportunities and challenges, but most importantly, it demonstrates the acute awareness of President and his team - including Minister of Defence - of the narrow window of political opportunity to implement the deep, structural reform that the Ukrainians have demanded. These multi-layers, parallel and multidimensional reform is carried out under the "terror" of time that Ukraine does not have. On the other hand, strategic patience is essential because reformers cannot afford

rusting into failure.

Given the intensity of the Ukrainian drive forward and the rapidly moving political agenda, Ukraine's key partners will need to be flexible, agile and ready to provide appropriate support, advice, mentoring and capacity building to enable success. This includes the main MoD international advisory body at the strategic level i.e. the Defence Reform Advisory Board (DRAB) that is composed of senior representatives from Canada, Germany, Lithuania, Poland, the UK and the US. Simply transferring or transplanting someone else's solutions to Ukrainian soil would not be reasonable as there are still too many cultural, legislative and systemic differences and shackles from the past. Long awaited and adapted Ukrainian solutions are required for the Ukrainian problems.

The pace of the reforms is strongly dependant on affordability. The needs generated by the General Staff are twice as high as the means allocated for defence in the State budget. The Napoleonic money, money, money will very soon exacerbate the split between intentions and the speed of the implementation.

To introduce democratization, good governance, economic development, conflict prevention, innovations and cutting-edge technology, as well as professional military education, will demand not only resources, but also transparency and openness to the public in explaining unpopular modifications. Reforming the defence sector also requires active involvement from both, the executive and the legislative branches. ■



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# Sentsov list: What's next?

Expert article • 2597

The West has enthusiastically welcomed the release of Ukrainian director Oleg Sentsov by Russia into a group of 11 Kremlin political prisoners. This has been seen as an indicator of Russian-Ukrainian reconciliation. But for many in Europe, the Russian aggression against Ukraine, dubbed “the conflict in and around Ukraine,” and the fact that the Putin regime is engaged in repression of the Stalinist model in the occupied territories of Crimea and Donbas, remain little known.

To the honor of the EU, we would like to remind that the newly elected European Parliament, in one of its first resolutions on July 18, 2019, named 130 people who were repressed by the Russian occupation authorities. The release on September 7 of Oleg Sentsov, who was serving a 20-year sentence in one of Russia's most fearsome polar colonies after being accused of terrorism, as well as several other prominent prisoners, aimed to remove from the media the names of those called by Western politicians and diplomats during contacts with Russian counterparts.

But the Sentsov's list is not limited to 11 surnames. Ukrainian Ombudsman Lyudmila Denysova points out that 113 more remain in the Russian prisons and are on the exchange list. These are those who are in one way or another connected with Crimea, above all, activists of the Crimean Tatar people who were deported from their homeland by Stalin's order in 1944.

And there are still 227 people held by Russian proxies in the occupied territories of the east of Donbas. Among them, writer and journalist Stanislav Aseev, who wrote reports from the occupied territories for a number of Ukrainian publications and Radio Liberty under the pseudonym Stas Vasin. He has been sentenced recently to 15 years.

The Kremlin's calculation is simple - if you remove the most media-dominant names from the list of Sentsov, then the lesser known names will remain on the list, and the problem will no longer be a problem. However, the Kremlin forgets that Ukraine is not Russia. There is a strong civil society in Ukraine, a human rights movement, which have a good memory and understand why certain people become in the focus of Russian intelligence services. A typical example is the case of Sevastopol saboteurs. On November 9, 2016, Oleksii Bessarabov, Dmytro Shtybylykov and Volodymyr Dudka, were arrested. Oleksii Bessarabov is a journalist, deputy editor-in-chief of the Black Sea Security Journal, which had been published quarterly by the NOMOS Center in Sevastopol since 2005. D. Shtybylykov was the head of international programs of the NOMOS Center, a member of the editorial board of the magazine. Both in the late 90's - early 2000's served in the Navy of Ukraine, as well as the third member of the “group of saboteurs” - V. Dudka, who had retired long time ago.

Both Oleksii and Dmytro predicted Russian aggression against Ukraine. In April 2011, O. Bessarabov wrote in one of his articles: “Today, Russia does not apply military and political pressure on Ukraine, preferring to seize its strategic assets and use economic absorption... Such a course of events does not exclude the likelihood of a situation escalating into a conflict, including using force.”

D. Shtybylykov, who after Russia's invasion of Georgia in 2008, predicted that Crimea would be next, said in October 2012: “In terms of military and economic performance, Russia is now unable to wage

a war with either NATO, China or Japan. The obvious conclusion is that the armed forces of the Russian Federation today are able to fully handle combat missions in the post-Soviet territory.”

Such conclusions and forecasts provoked the command of the Russian base of the Black Sea Fleet of the Russian Federation in the Ukrainian Sevastopol. In essence, analysts have revealed the future intentions of the Putin regime to occupy Crimea. Therefore, the Kremlin's revenge came after Russia's annexation of the peninsula. The FSB had falsified the “sabotage case,” which “on the task of Ukrainian intelligence had to carry out sabotage on the peninsula”. The cases were considered closed. Independent lawyers were not admitted to them. Dmitry Shtybylykov received a 5-years sentence in a penal colony. Oleksii Bessarabov and Volodymyr Dudka each received 14 years. The names of Bessarabov, Shtybylykov and Dudka are on the lists of Ukrainian human rights organizations, as well as Freedom House (USA) and Russian Memorial as political prisoners.

Just after the exchange on September 7, two more citizens of Ukraine were arrested in Crimea. Russia continues repressions. In the meantime, with the assistance of a number of European governments, the Nord Stream 2 pipeline through the Baltic Sea continues to be built. The Kremlin is convinced that the European desire to have business with Russia will, as usual, outweigh the issue of brutal violation of the rights of Ukrainian citizens in the occupied territories. ■

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# Critical infrastructure protection as a tool of national resilience of Ukraine

Expert article • 2598

Ensuring national sustainability has recently become a priority for governments of different countries. This was confirmed in 2016 by the decisions of the NATO that at Warsaw summit approved the seven baseline requirements for the member countries and the EU that approved the Global Strategy for the European Union's Foreign and Security Policy. Both decisions aimed at developing the resilience of member countries against modern challenges.

At the same time, Ukraine has been developing own approach to strengthening national resilience based on critical infrastructure protection concept. The importance of critical infrastructure protection became Ukrainian learned lesson. Russian hybrid aggression demonstrated that critical energy, transport, and communication infrastructure became targets of attacks to undermine Ukrainian ability to resist and develop. Against Ukraine were used different tools of hybrid warfare: physical and cyber attacks against infrastructure (electric networks and substations, pipelines, railroads, bridges), disruption of fuel supply to power plants and communication systems, blocking of damaged infrastructure restoration, disinformation campaigns, etc.

Ukrainian response on hybrid aggression gives understanding that resilience of critical infrastructure is a foundation for securing vital, for society and state, services and functions and by this provides national resilience. Therefore, "resilience" has been chosen as a methodological basis for the formation of a critical infrastructure protection system in Ukraine. This approach was developed by the National Institute for Strategic Studies of Ukraine and validated during the preparation of the Green Book on critical infrastructure protection prepared in 2015-2016.

Ukrainian Government supported the suggested strategy and methodology using legal acts. The National Security and Defense Council of Ukraine and Decree of the President of Ukraine decision "On Improvement of Measures to Ensure Protection of Critical Infrastructure Objects" (№8, January 2017) and the Cabinet of Ministers of Ukraine Resolution "On Approval of the Concept for Building a State Critical Infrastructure Protection System" (№1009-r, December 2017) became the first official documents that outlined the principles and priorities providing critical infrastructure security and resilience.

The process of implementation of the proposed approach was challenged by serious problems of interagency cooperation. The absence of working common language (different terminology of existing state systems: anti-terroristic and emergency, civil and physical protection, etc), the lack of unified communication procedures and interactions (different internal procedures).

Therefore, during 2016-2018 there have been invested a lot of efforts in supporting implementation the Concept of critical infrastructure protection (set of workshops and seminars discussing the problem with public servants and experts, rising-awareness

measures, education, etc). Ukraine initiated a set of training programs in the field, understanding that such programs provide potential students with knowledge on state policy, methods, and tools of its implementation.

For example, in October of 2017, Ukraine held the first national level Table-Top Exercise on the issue of resilience of critical infrastructure. The table-top exercise named "Coherent Resilience 2017" (CORE2017) had goals: to check existed procedures on prevention, protection, and response on incidents related to critical energy infrastructure and; to facilitate the cooperation of different agencies in their action to provide the resilience of the National Power System.

The invested efforts have helped to build understanding that development of robust inter-agency cooperation, establishing of unifying terminology and procedures is a priority for enhancing critical infrastructure resilience. Now it is obvious for all involved actors as well that Ukraine needs to develop a public-private partnership in the field.

In May 2019, the Cabinet of Ministers of Ukraine finalized a draft law of Ukraine «On critical infrastructure and its protection» and Ukrainian parliament took a lead in developing legislation for the critical infrastructure protection system. The future law is supposed to establish a coherent system of interaction, information exchange and efforts concentration of various involved actors in ensuring security and resilience of critical infrastructure of Ukraine.

The system under construction in Ukraine includes:

- Implementing into the legislation of the new terminology «critical infrastructure», «resilience», «vital functions and services» etc;
- Defining the purpose of a critical infrastructure protection system, namely «to ensure security and resilience of critical infrastructure» and by this to guarantee vital for social functions and services;
- Implementing an «all hazard approach» into procedures of critical infrastructure protection system functioning;
- Establishing government approved methodology and criteria to assign certain facilities and systems to critical infrastructure;
- Establishing the institutional, organizational structure of the system, as well as specifying role/place of the involved actors and their responsibilities within the national security domain;
- Introducing a set of tools to be used within critical infrastructure protection system: «Design basis threat», «Preventive Action Plan», «Emergency Plan», «Communication System», «Training» etc.
- Clarifying procedures of interagency interaction and exchange information.

Ukraine sees the development of a robust effective critical infrastructure protection system as an effective tool to enhance national resilience. The hybrid war against Ukraine has given an additional impetus to our efforts to build critical infrastructure protection system capable to prevent, mitigate and respond to all types of threats (i. e. natural, man-made, criminal and terrorist threats) and their possible

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combinations.

Therefore, Ukraine ready to share its learned lessons. The challenges and achievements of creating a critical infrastructure protection system were discussed in the publications and conferences held by the National Institute for Strategic Studies (for details see: the English-language book «Developing the Critical Infrastructure Protection System in Ukraine»). ■

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# Critical infrastructure: Safety challenges

Expert article • 2599

With the collapse of the Union of Soviet Socialist Republics, citizens were able to privatize a number of strategic entities. At the same time, due to the lack of funds in the population, such facilities have been privatized by oligarchs who have permanent ties with Russia. Control over these objects allowed the oligarchs, throughout their independence, to influence the state policy of Ukraine. Especially since 2014, after the annexation of the Crimea by the Russian Peninsula and the invasion of regular aggressor troops into the territory of Luhansk and Donetsk regions, the issue of protection of the critical infrastructure of the state was urgently raised.

Ukraine has not defined an exhaustive list of objects that must be attributed to critical infrastructure and virtually no legislation to deal with them. At the same time, on August 23, 2016, the Decree No. 563 of the Cabinet of Ministers of Ukraine approved the Procedure for establishing a list of information and telecommunication systems of critical infrastructure of the state, wherein defines critical infrastructure as a set of state infrastructure facilities that are most important for the economy and industry, the functioning of society and the safety of the population and whose failure or destruction can have an impact on national security and defense, the environment, lead to significant financial losses and loss of life.

Therefore, we can conclude that critical infrastructure facilities include, in particular, enterprises in the field of water supply, sewage, production, transportation and sale of heat and electricity, gas distribution and transportation, and others.

The absence of specific legislation, including criminal liability for the failure of owners and managers of critical infrastructure to fulfill obligations for its smooth functioning and purposeful use, creates threats to the population. Such owners and managers have actually been given the opportunity to blackmail the state.

For example, in September 2019 PJSC "Cherkasyoblenergo" (an enterprise that distributes, transports and supplies electricity in the Cherkasy region) stopped supplying electricity to the Smela local water utility due to debt, leaving the city with a population of 70,000 without water. Due to lack of water, planned operations at local hospitals were discontinued and school attendance was suspended. A similar situation occurred in October of the same year in the town of Lisichansk, Luhansk region, where the energy supply organization also exposed the debt to the local utility. Almost the entire city, not far from the territory occupied by Russia, was left without water. There was a dispute over the size of the debt, but shutting off the water caused considerable social tensions. Therefore, officials were forced to allocate significant funds from the state and local budgets to help with debt repayment to restore water supply, since there was no time to go to court or dispute the amounts of the debt in another way.

Equally striking is the case when in 2017 the Kyiv City Council terminated the contract with the Kyivenergo power company and returned all networks to the city. Previously, the city's multibillion-

dollar property was transferred to the organization under a four-sheet agreement, which provided for the city's reimbursement of all the funds spent to modernize the networks. In fact, the city was trapped because proper records were not kept and Kyivenergo billed UAH 900 million to the community. The city had to make concessions and pay money.

In all three cases, the managers of critical infrastructure facilities, in order to achieve their goals by abusing their monopoly position, adversely affected public policy and resorted to blackmail by public authorities. In the second case, these actions were particularly dangerous as they could have been directed by the aggressor to discredit the official authorities of Ukraine in front of the residents of the frontline city. In the absence of relevant legislation, public authorities were disadvantaged by the infrastructure managers and suffered significant financial losses, which negatively affected the security of cities and the economic security of the country as a whole.

In the presence of special legislation, in such cases, these facilities would have to be transferred under the control of the provisional administration or central executive authority, and its administrators should be brought to trial with the subsequent confiscation of such facilities.

Therefore, it is necessary to develop and adopt the Law of Ukraine "On Critical Infrastructure", to amend the current Laws of Ukraine "On the Privatization of State and Communal Property", "On the State Property Fund", the antimonopoly legislation, and the Criminal Code of Ukraine. The goal of legislative changes should be to ensure state control over critical infrastructure; preventing the abuse of critical capabilities by critical infrastructure managers to the detriment of people; preventing the control of the aggressor - the Russian Federation over the strategic objects of Ukraine. ■



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# Oil refining challenges in Ukraine

Expert article • 2600

Ukraine takes one of the last places in the world in terms of oil refining. However, Ukraine is considered to be one of the oldest oil-producing countries. The raw material was first discovered on the Kerch Peninsula in the 3rd century. Moreover, oil was also easily accessible in Transcarpathia. The industrial extraction of the raw material began in 1771. In 1781 in Western Ukraine, almost 150 tons of oil were extracted per day. The maximum annual production was 2 million tons in 1909, putting Galicia into fourth place among the world's oil-producing regions. The development of deposits in Eastern Ukraine began more recently. Oil deposits were first discovered in the Sumy region in 1936. Mining began in 1940 and was 10 tons per day. The maximum oil production in Ukraine was 13.3 million tons (14.5 including gas condensate) in 1972 and has been gradually decreasing since then.

Today, oil resources in Ukraine have dropped by more than 60%. The reason lies in the lack of financial outlays for exploration and production and depletion of existing resources. Consumption of oil products in Ukraine is also falling, from 1991 to 2018 it decreased from 58.1 to 10.1 million tons, respectively. This is because Ukrainian refineries, as main consumers of crude oil, have gradually reduced the volume of oil refining and production of petroleum products. The majority of Ukrainian refineries as of 2018 are not working.

The situation was different in the past. In 1980s, Ukraine had six refineries capable of refining above 60 million tons/year.

The development of the refining industry in Ukraine began in Galicia together with the increase in oil production. In 1889, with 57 operating refineries in the region, Galicia was the third largest producer (41,000 tons/year) of oil and refining after the USA and Russia.

In other regions of Ukraine, the refining industry appeared much later (Odesa in 1935, Berdyansk in 1936 and Kherson in 1937). Soon after the end of World War II, the Kherson and Odesa refineries were reconstructed. In addition, two more refineries were built in Kremenchuk (1966) and Lysychansk (1976). Shebelynka Gas Processing Plant (also produces oil products) was commissioned in 1960.

Currently, there are two functioning refineries in Ukraine: the Kremenchuk refinery (Ukratnafta) (design capacity – 18.6 million tons/year, actual – about 7 million tons/year) and the Shebelynka gas processing plant (Ukrasvydobuvannya, Naftogaz Group) (design - 1 million tons/year and actual up to 0.6 million tons/year). In 2018, the refineries refined a 2.7 million tons of oil, roughly 80 percent of which was covered by oil of Ukrainian origin. Unfortunately, other Ukrainian refineries are closed: Drohobych (design capacity – 3.9 million tons/year); Nadvirna (3.5 million tons/year); Odesa (3.9 million tons/year); Kherson (8.7 million tons/year) and Lysychansk (24 million tons/year). The reasons for the closure are different - from lack of investment outlays, non-compliance of production with quality standards and low efficiency of oil processing to a direct impact of Russian aggression. Refineries in western Ukraine have also been closed and it is unlikely that they will be restarted (investment outlays - over €100 million for each).

Due to its small oil reserves, Ukraine has limited chance to become independent from oil imports. Nevertheless, it can try to reduce its dependence on imported fuels. There are two ways to

achieve the above stated goal. First, to increase refineries capacity utilization level to meet internal demand. Second, to diversify and ensure crude oil supply to the refineries and protect local oil product's market. It could give prospects for Ukraine to mitigate dependency on import of oil products from Russia and Belarus. All mentioned depend on state's policy in Ukraine and could set basic conditions for further development of oil refining industry in Ukraine.

There is little chance to rehabilitate five Ukraine's refineries which were mentioned above as closed. Moreover, there is also no need to construct new refineries from scratch (estimated cost of the project could be around €6 billion — comparing to Socar's €5.5 billion refinery complex, which opened recently in Turkey with refining capacity of 10 million tons/year). Thus, the only considerable way to increase volume of refined oil is to make the Kremenchuk refinery (as it is only refinery in Ukraine which has design capacity to meet a domestic demand of oil products) much more efficient. According to rough estimation, Kremenchuk's refinery would require €1 billion in investment to reach stated goal.

Another important achievement of Ukraine would be diversification of crude oil supply to the refineries. The capacity of the Ukrainian trunk oil pipelines system is currently largely unused. This mainly concerns pipelines designed to supply oil for the need of domestic refineries.

An alternative to Russian crude oil supplied to Ukraine may be Saudi, Azeri, Kazakh or Turkmen oil. If Russia's aggressive policy is stopped and Ukraine's integrity is maintained, the supply route from the Black Sea (Odessa port) to Kremenchuk refinery could provide alternative supplies from any global supplier.

Which direction of supply Ukraine chooses, will depend primarily on state's policy in oil refining industry and domestic fuel market regulation. Due to the fact that Crimea has been annexed, in the near future Ukraine cannot count on natural resources that are on the Black Sea shelf. In the future, if Ukraine manages to regain the annexed territories, the potential of sea ports and shelf's resources will be an important asset. ■

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MARKKO KALLONEN

# OSCE special monitoring mission in Ukraine: Five years of crisis management

Expert article • 2601

A conflict is raging on for the fifth year in eastern Ukraine. The United Nations has estimated that the conflict has already claimed over 13 000 lives and generated 1,8 million internally displaced people. The waves of the conflict have been felt on the shores of the Baltic Sea in terms of security, politics, diplomacy and economy. The fracture in traditional security architecture has led the states around the Baltic Sea to strengthen their defence policy and seek closer alliances - both inside and outside of the North Atlantic Treaty Organization (NATO) umbrella.

The Organisation for Security and Cooperation in Europe (OSCE) Special Monitoring Mission in Ukraine (SMM) was deployed in November 2014 following a request by the Government of Ukraine. The OSCE is the world's largest inter-governmental security organisation with 57 member states. The decisions of the organisation are based on consensus and thus the deployment of the SMM had to be endorsed by all member states. The SMM is an unarmed, non-executive impartial civilian monitoring mission, which is facilitating implementation of the Minsk agreements signed by Ukraine, OSCE, Russia and by the separatists (self-proclaimed People's Republics in Donetsk and Luhansk) to end hostilities. The mandate of the mission is subject to renewal on annual basis and thus it has so far been renewed for five times.

Currently, the mission consists of 1500 monitors from over 40 participating states. The monitors hold considerable experience with varying relevant professional backgrounds. This supports the mission on one hand to generate a profound and accurate understanding of the overall situation and on the other hand assign monitors to positions, which require specific skills. The SMM covers the entire Ukrainian territory (there are in total 10 teams in the country) but the focus is in Donbas, in the conflict region in the east. Two of the SMM teams are operating in non-government-controlled territory (namely, in Luhansk and Donetsk). The reports the mission compiles are made public and available in Ukrainian, Russian and English on the OSCE website. Due to their politically sensitive nature, the mission's reports are strongly scrutinized by the involved parties.

The SMM is utilising unmanned aerial vehicles (UAVs) to support monitoring. Moreover, there are 25 SMM cameras positioned along the contact line to record cease fire violations. The SMM is the only larger international actor who is focusing on the security situation in Ukraine. Thus, its reports are also utilised by other stakeholders.

On an average day, the SMM conducts approximately 70 patrols, which in the east usually consist of two armoured patrol vehicles. The length of the contact line is approximately 450 km. The Mission experienced a serious incident in April 2017, when one of the two vehicles of an SMM patrol triggered a mine in the Luhansk Oblast. In the explosion, the SMM paramedic was killed and two SMM monitors were injured. Consequently, as a risk mitigation measure,

the operation ceased patrolling on unpaved surfaces. This restriction, coupled with the fact that the SMM monitors do not operate outside of daylight hours for their own safety, at times causes frustration among the conflict affected civilians who feel abandoned.

The freedom of movement of SMM patrols is regularly restricted. As a result, the monitors are not able to use the planned routes or visit desired locations. The SMM UAVs are also being targeted by weapons. Shooting and shelling occurs frequently close to the SMM monitors. Moreover, mines and unexploded ordnances (UXO) in the soil create additional hazards. The sides have not been able or willing to (re)commit to a permanent ceasefire and the shooting continues. Despite these existing challenges, the SMM has been able to improve the situation for the conflict affected civilians by facilitating repair and maintenance works on critical civilian infrastructure (water, electricity, gas and GSM networks).

The protracted conflict has been assessed by some observers as a miscalculation of the Russian Federation (who denies being an active party to the conflict) and its proxies with regard to the determination and strength of the Ukrainian society and military. On the other hand, Russia succeeded in halting Ukraine's western enlargement toward NATO and the European Union (EU). Conversely, according to some assessments, the ongoing low intensity war together with the consequential economic sanctions drain resources from Russia and stimulate a negative impact on the popular support of its political leadership among the population. The picture is complex and blurred with disinformation and alternative interpretations.

The peaceful presidential elections in April 2019 and the following parliamentary elections in July transformed the domestic political landscape in Ukraine with new President Volodymyr Zelensky and his Servant of the People's party (with 73% and 43% of the votes respectively). Some observers hope that there is now a fragile momentum for some advancement in peace talks. The new president has stated that peace in Donbas and the end of the occupation in the eastern territories is his main goal as the head of state. Moreover, Zelensky signed in October 2019 the so-called Steinmeier Formula to implement Minsk agreements. The implementation of the formula would require OSCE to assess elections in Donbas, to ensure that the elections are free and fair, and that they meet the international standards. This entails considerable challenges. Some observers say that it would be utterly dangerous for Ukraine to hand over to Russia long-lasting influence over Ukraine. Thousands of demonstrators in Kyiv were displaying their discontent to any compromises with the Russian supported separatists. Despite this impediment, President Zelensky still enjoys large popular support. According to some observers, the attempts to break the deadlock are half-hearted as the existing status quo is crucial for the existence of the so-called People's Republic in Luhansk and in Donetsk. Finally, many purport that the aim of the Russian leadership is to destabilize Ukraine – not

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to end the conflict.

The SMM maintains an important role as an impartial observer endeavouring to mitigate the mistrust between the parties in Donbas. Money is 'well spent' if the SMM's existence can play a preventative role and halt the outbreak of full-scale conflict. Ultimately, the SMM can only contribute in creating conditions where sustainable conflict resolution can take place. Because - as an adage goes - nobody can create other people's peace. The solution and will have to come from within. ■

*The article solely presents the views of the writer.*

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SERGIY KARASOV

# Gray zone conflict in the occupation waters and international law: Ukrainian case

Expert article • 2602

The awareness that war and peace are continuous, rather than discrete, fields of human endeavor have given rise to the idea that they may blend into each other, producing a gray zone that is neither truly war nor truly peace. These trends gave rise to the concept of gray zone conflict. This notion is marked by ambiguity on the nature of the conflict and the legal status of the parties, which in turn generates uncertainty about the applicable law. In the legal practice, the threshold between war and peace and their attendant regulatory frameworks is not as firm as the law may suggest. Confirmation of this was the Kerch incident on 25 November 2018 when Russia hindered passage against Ukrainian warships through occupation waters of the Black Sea around the Crimea peninsula, and the Kerch Strait to enter the ports of the Azov Sea.

It is very crucial to remind that the armed aggression of the Russian against Ukraine began on February 20, 2014, when the first cases of violation by the Armed Forces of the Russian were recorded in contravention of the international legal obligation of the Russian to intersect the Ukrainian state border in the Kerch Strait and use its military formations deployed in the Crimea.

The consequences of the occupation of the Crimea became the establishment of factual control by Russia over a part of the territory of Ukraine, including control over the maritime zones of Ukraine and directly over the passage within the territorial sea of the Black Sea, and the Kerch Strait to enter the ports of the Azov Sea that what has become an obstacle to the freedom of navigation in this region for Ukrainian ships (both state and commercial), and foreign ships as well.

Exploring and the legal assessment of the hindering shipping against Ukrainian warships through the occupation waters requires selection between peacetime rules of the International Law of the Sea and the Law of Naval Warfare, which applies to International Armed Conflicts (IAC).

IAC is in all cases of declared war or of any other armed conflict which may arise between two or more of the High Contracting Parties (HCP), even if the state of war is not recognized by one of them. Geneva Convention (GC) (1-4) of 1949 and Protocol I Additional to GC of 12 August 1949 (1977) shall also apply to all cases of partial or total occupation of the territory of HCP, even if the said occupation meets with no armed resistance.

The presence of international armed conflict between states does not depend on the fact of declaring war, how it is qualified and whether the parties recognize it, and the degree of intensity. In accordance with para. 70 of the Tadić decision, an IAC exists whenever there is a resort to armed force between States and it is not dependent on its recognition by either party.

The outbreak of an armed conflict at sea does not necessarily terminate or suspend the applicability of UNCLOS and bilateral

agreements between states (Agreement between Ukraine and the Russian Federation on cooperation in the use of the Azov Sea and the Kerch Strait). Instead, it is widely accepted that, by and large, most provisions of UNCLOS will remain in operation in time of armed conflict, in the relationship between the Parties to the conflict.

Thus, for example, the term 'warship', which is used during international armed conflicts, has nowadays to be interpreted on the basis of the requirements reflected in Article 29 of UNCLOS. However, the provisions of the Law of the Sea as immunities of warships according to Article 32, 95 of UNCLOS supplanted by particular rules of the Law of Naval Warfare such as attacks against military objects (legal targets) according to Article 52(2) of Protocol Additional to the GC of 12 August 1949, (Protocol I), 8 June 1977.

The central argument is that between armed aggression against Ukraine and the occupation of Crimea on February 20, 2014, and a maritime incident in the Kerch Strait on 25 November 2018 exists a causal connection. This incident is part of continuing aggression by Russia against Ukraine since 2014, in violation of Article 2 (4) UN Charter. Not recognition of the international armed conflict between Ukraine and Russia means to deny the fact of aggression against Ukraine and the occupation of Crimea. Russia still has duties before Ukraine regarding respect to the rules under the International Law of the Sea even during international armed conflict. However, it should be recognized that Ukrainian warships lost their immunity during passage through occupied water due to the presence of armed conflict. At the same time, the Ukrainian crew members were entitled upon capture to be treated humanely as lawful combatants.

However, Ukrainian case and legal practice show us exactly the opposite as Russia and Ukraine for different reasons are at exploiting the seam between the contending peacetime and wartime legal dimensions of the Crimea conflict to create perceptions of a "gray zone". The concept of 'occupation' seems nowadays disengaged from armed conflict. Russia was the treatment of the captured Ukrainian sailors as common criminals rather than prisoners of war. In turn, Ukraine was considering captured sailors as lawful combatants immediately after the incident. The state-owned warships under the Ukrainian flag did not pass the Kerch Strait until September 2018. Another confirmation of the gray zone of the conflict is the decision of the International Tribunal Law of the Sea on 25 May 2019, where court defined that the distinction between military and law enforcement activities of warships has become considerably blurred. Tribunal noted that the arrest and detention of the Ukrainian naval vessels by Russia took place in the context of a law enforcement operation in violation of the immunity of Ukrainian warships. In light of this case, the two States have acted in this maritime region before the incident as if no armed conflict would exist between them. Tribunal assessed the circumstances of this case based on the International Law of the Sea.

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In order to mitigate risks arising from applicability peaceful legal regimes and the law of naval warfare in the context of gray zone conflict, military lawyers under the command of the naval forces should define the international regime of occupation waters when the party is not recognized such status and its impact on the military activities of warships. ■

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PETER DICKINSON

# Putin's war and Ukraine's nation-building journey

Expert article • 2603

Ukraine is Europe's largest country. It is also the continent's greatest historic blind spot. Indeed, if we accept the notion that history is written by the winners, then Ukraine must rank high among the losers. For centuries, the world has viewed Ukraine almost exclusively in terms of the country's imperial relationship with Russia. This has led to the widespread misconception that Ukraine is actually a core component part of Russia, "accidental independence" of 1991 notwithstanding. Such thinking is particularly popular among contemporary Russians, but it also enjoys considerable currency throughout the wider international community. This regrettable reality has done much to cloud outside understanding of today's Ukraine. Crucially, it prevents observers from grasping the full geopolitical significance of the events currently unfolding in Europe's great eastern borderlands.

Ukraine's low international profile is no accident. It is the product of longstanding and remarkably successful Russian efforts to suppress Ukrainian identity and prevent the emergence of a separate Ukrainian polity. Russia's motives are not hard to grasp. After all, Ukraine's closeness to Russia goes far beyond geography, culture, religion and ethnicity. It extends to a common foundation myth that sees both nations trace their roots back to the early medieval Kyiv Rus state. This makes possession of Ukraine, along with Kyiv as the "mother of all Russian cities", central to Russia's own sense of national identity.

Russia's need to assert this claim has meant denying Ukraine's right to independence. Since the seventeenth century, this has involved everything from language bans and rigorous russification policies to mass deportations, population transfers and forced famines. The drive to absorb Ukraine reached a tragic crescendo in the 1930s, when the Soviet authorities starved millions of Ukrainians to death while systematically executing the moral and intellectual leadership of the Ukrainian nation.

Incredibly, Ukraine survived. Nevertheless, evidence of this grim inheritance is all too easy to identify in the complex political divisions of the Ukraine that emerged from the ruins of the Soviet Union. Post-Soviet Ukraine spent the first quarter-century of its existence wrestling with a national identity crisis that was the direct outcome of Tsarist and Soviet policies designed to deny Ukraine the ability to self-govern. Traditional notions of Ukrainian identity rooted in ethnicity and language meant little to the many millions of post-Soviet Ukrainian citizens who neither spoke Ukrainian as their mother tongue nor counted Ukrainians among their ancestors. This made progress towards a national consensus slow.

Efforts to address the crimes of the Soviet era rendered this transition even more difficult, with large portions of the population alienated by attempts to demonize the USSR or place the Soviet authorities on a par with Nazi Germany. With no Nuremberg Trial to expose Soviet crimes against humanity, many rejected the worst of the revelations. Meanwhile, the chaos of the early 1990s fueled nostalgia for the modest certainties of the communist era.

Nevertheless, Ukraine gradually began to make progress towards a more inclusive national identity. Landmark events such as the 2004 Orange Revolution served to differentiate the country from Russia, which under Vladimir Putin was then lurching back towards authoritarianism. The emergence of a post-independence generation also contributed, with young Ukrainians who had no personal experience of the USSR gradually making their mark on the country's sense of self.

This glacial shift received a massive jolt in 2014 when Russia attacked. The Kremlin seizure of Crimea and Putin's hybrid war in eastern Ukraine forced Ukrainians to address identity issues as a matter of urgency. Moscow clearly expected a majority of Russian-speaking Ukrainians to side with them, but in fact, the opposite happened. Russian-speaking Ukrainians in the south and east of the country had consistently given their votes to pro-Russian parties ever since 1991, but with Ukraine's continued independent existence in the balance, there was no rush to join the Russian invasion. On the contrary, tens of thousands mobilized to support the Ukrainian resistance, joining hastily created volunteer battalions or collecting essential supplies for the ramshackle military. A wave of activism swept across the nation, overwhelming the political divisions of the post-Soviet era and answering many of the most fundamental questions about the loyalties of the diverse Ukrainian population.

Since the historic days of spring and summer 2014, Ukraine's nation-building journey has continued at an accelerated pace. The shock of Russian aggression has challenged long-held notions of fraternal ties between the two Slavic nations, while nonstop anti-Ukrainian propaganda in the Russian state media has exposed the ugly chauvinism behind the brotherly veil. This has encouraged Ukrainian citizens to reflect on their nationality in ways that would have seemed outlandish prior to the outbreak of hostilities in 2014.

The once indivisible cultural worlds of Russia and Ukraine have also grown apart. Whereas Russian TV shows, movies and pop stars once dominated Ukraine, there are now increasingly vibrant Ukrainian cinema, TV and music industries taking their place. Fewer Ukrainians use Russian social media platforms. Instead, Ukraine has one of the world's fastest-growing Facebook user communities. In the business sphere, the economic aspects of Putin's hybrid war mean that trade with Russia has plummeted to record lows. In Russia's place, India, China and the EU are now Ukraine's primary markets. Throughout Ukrainian society, old ties with Russia are giving way to a new Ukraine seeking its place in the wider world.

Perhaps the greatest single change has been in the rise of a civic Ukrainian identity that goes far beyond the narrow old confines of blood and soil. Many of the troops defending Ukraine are native Russian-speakers, while the Muslim Crimean Tatars have emerged as vocal champions of Ukrainian statehood. Nowhere was this trend more evident than in the 2019 electoral successes of the Jewish Russian-speaker Volodymyr Zelenskyy. His twin triumphs

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in presidential and parliamentary elections illustrate the growing acceptance within Ukrainian society that language, religion and family ties are not decisive in determining who qualifies as a Ukrainian.

It is possible that the country would have eventually arrived at this point of its own accord, but the speed of the progress made in recent years is a direct result of Putin's war. While the conflict continues, it is already evident that Russian efforts to reassert imperial influence in Ukraine have backfired spectacularly. Rather than derail Ukraine's bid to create an independent identity, the war has supercharged Ukraine's nation-building efforts and transformed the geopolitical balance in the entire region. ■

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# Ukraine: Sea change in investment opportunities

Expert article • 2604

In five short years since the Revolution of Dignity, Ukrainian society has undergone a tectonic shift, shedding its Soviet past and unalterably choosing a pro-western democratic orientation that gains strength and momentum daily.

Results of market-oriented reforms that took place in recent years in Ukraine are already evident – Ukraine climbs seven positions in the 2020 edition of the World Bank's annual Doing Business survey and now occupies 64th position in the influential report. We advanced in six out of ten categories featured in the ranking including improvements in getting electricity, registering property, and trading across borders. Ukraine has now climbed 48 places since the October 2013 edition of the annual survey, when it ranked 112th globally.

In addition to that Ukraine's progress is recognized by the business community present in Ukraine. According to a survey of 110 existing companies in Ukraine conducted in October 2019 by the American Chamber of Commerce, one of the largest and most influential foreign business association in Ukraine, 64% affirmed that the quality of Ukraine's investment environment has improved since 2014 and 82% are planning to expand its business in Ukraine in the next 5 years.

Moreover, Ukraine is on the growing track – its GDP grew 4.6% in the second quarter of 2019 – the most rapid growth in almost a decade. It is worth mentioning that this happens at the time when EU economies are slowing down. World Bank significantly improved Ukraine's economic growth forecast for 2020 from 3% to 3.7%, while most other countries' growth forecast remained unchanged or was revised downward. Ukraine becomes a really stable and predictable emerging market with measurable risks and huge rewards.

This is just the beginning. Within the past few months, the new Ukrainian Parliament and Government have demonstrated their eagerness and readiness to continue the implementation of reforms by passing important economic laws, which carry on the deregulation process and further unlock Ukraine's investment potential. Here are just a few samples:

Law "On Amendments to Certain Legislative Acts of Ukraine on Encouraging Investment Activity in Ukraine" abolishes an outdated and inefficient regulation including the obligation to pay a share participation fee as part of the settlement's infrastructure development. It also introduces security for loan liabilities to minimize the creditors' risk associated with repayment of bad debts and creates the prerequisites for increasing the volume of business lending provides additional mechanisms for the protection of minority investors' rights in Ukraine.

Law "On concession" will allow attracting a significant amount of private investments in modernization and improvement of infrastructure, sea and river ports, highways, airports, and other state-owned facilities. Now concessionaire selection is made to the best international practices and the online platform for concession procedure will be settled. Private capital will have the freedom to choose governing law for contracts in the course of project implementation. All disputes are to be solved through negotiations or other ADR mechanisms in Ukraine or abroad subject to mutual

agreement by the parties.

Law on "Space Liberalization" is aimed at creating a competitive environment for the development of private property enterprises along with the public sector of the space industry and attracting investment in Ukraine's space industry. Ukraine is one of the few nations with a full cycle of design, production, and operation of civil, military and cargo aircraft, as well as supplying space technology. The new law will bring competitiveness by allowing private companies to engage in space activities, including the launch of rockets into space. It opens outer space for citizens and legal entities and the ability to freely explore and use outer space.

Meanwhile, a land market is planned to be opened in fall 2020. According to the World Bank, the opening of the land market can significantly increase land productivity given larger private investment in the owned rather than leased land and boost economic growth in Ukraine by over 2%. The current draft law imposes some limitations for selling land to foreigners as a transitional period was determined until 2024. During this period, companies with foreign beneficial owners will not be eligible to buy agricultural land. However, foreigners that have rented land for over 3 years can acquire it after market opening.

The privatization of state-owned enterprises (SOEs) provides further opportunities for foreign business. Currently, there are over 3,600 SOEs, 1/3 of which are non-operating and much of the rest are loss-making. The new Government has already shown that it is keen to launch large-scale privatization by approving investment advisors for the first 4 objects.

Overall, Ukraine has made significant progress in improving the business environment in the past few years and is now open for business. With President Zelenskyy and the new government setting a target of accelerating GDP growth to 5-7% per annum, we expect to see even greater foreign investor interest in Ukraine, thanks to growing international awareness of the country's strong economic fundamentals, Ukraine's position as a Eurasian hub, its strengths in innovation and highly educated workforce, and the country's competitive economic advantages. We at UkraineInvest share Government's ambitious agenda and are ready to provide investors with appropriate advice, contacts and personalized service. We enhance the investors ease of entry into the Ukrainian market and provide sufficient and effective aftercare to them to encourage the reinvestment. ■



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ADRIAN PROKIP

# Ukraine's energy: The State and oligarchs in a deadlock

Expert article • 2605

**A**s well as many other fields of economy, Ukrainian energy sector is under the control of the state and oligarchs. In a broad sense an oligarch is a person who possesses huge business, has an impact on the government and controls media giving him the possibility to shape public opinion.

On the one hand, privatization of energy assets, which had begun in late 1990s, was a key to efficient management of the energy sector. But on the other hand, big business related to politics and the government later became an obstacle to developing market competitiveness and transparency. Different governments aligned themselves with different business groups supporting their struggle for power. Besides, governments have avoided market approached pricing for energy with regard to households for almost all the years of Ukraine's independence.

At final extent, today the Ukrainian energy is not very efficient, with no real markets emerged and being concentrated and controlled by the state and a number of oligarchs. However, these oligarchs differ: some of them are developing big businesses while the others are just seeking to keep their rent-tied-to-government system.

The key non-governmental player of Ukrainian energy is Rinat Akhmetov who managed to develop the biggest energy holding in Ukraine DTEK working in different areas. His companies are responsible for 20-25% of domestic electricity production (mostly coal power plants) and 80% of coal production and deliveries. These are the biggest private-owned gas producers in the country; however, the biggest players are state-owned companies, responsible for 80 % domestic gas productions. Akhmetov's companies are also key players in Ukrainian renewable energy sector, being responsible for about a third of country's renewable energy production.

The second biggest group of energy players are state-owned companies. Among these are Energoatom – operator of all nuclear power plants, being responsible for 50-55% of electricity produced, Centrenergo – group of coal power stations, responsible for 10-14%, and Ukrhydroenergo – state operator of big hydro power plant, responsible for 7%.

Energy distribution companies are owned by different oligarchs and local elites. The most powerful among them are Rinat Akhmetov, Igor Kolomoyskyi, Surkis brothers, Konstantyn Grigoryshyn and Russian VS Energy. Kolomoisky is a key player in petroleum distribution who also controls national oil producer Ukrnafta, where the state is a major owner.

State is a key player in the gas field, owning Naftogaz of Ukraine, responsible for gas transit through Ukraine, 80% of domestic gas production and is a key gas importer. However, gas distribution is controlled by private entities. And oligarch Dmytro Firtash controls 2/3 of this market.

But owning energy assets is not the most important way of the state's influence on the energy sector. The most crucial are government regulations, attempts of rent seeking by those, who are

close to government or by oligarchs themselves.

During Viktor Yanukovich Cabinet the major oligarchs were Serhii Kurchenko and president's son Oleksandr Yanukovych, who tried to become new key actors in energy. Former member of parliament Mykola Martynenko is now under investigation because of possible corruption ties to Energoatom and state-owned uranium mining company. Another former MP Igor Kononeko, who was close to former president Petro Poroshenko, controlled Centrenergo and import coal supplies. Now after the 2019 elections the ruling elites changed once more and the control shifted once again to other people. This time it is about people close to Igor Kolomoisky. In addition, some people believe that Akhmetov was tied to President Poroshenko.

Government regulation affects transparency, profitability and investment attractiveness of the energy sector. In some cases, the manner of state regulation depended on oligarchs' interests, who could influence on government and parliament. Another sticking point in state energy regulation is energy pricing for final consumers. For many years' government postponed establishing market prices for households. First of all, it is because of unaffordability of these payments for a big share of Ukrainian citizens. So that was a political issue for every government.

Therefore, the problem of Ukrainian energy development is that it remains blocked in a deadlock by the state and oligarchs. Possible solution could be shifting to energy market and independent energy regulations. In 2015 Ukraine adopted a law "On natural gas market" and in 2017 a law "On the electricity market". According to this legislation Ukraine had to establish energy markets with the same regulation as in the European Union. The hope is still for breaking the deadlock by 2020 when Ukraine will probably have finally introduced free energy markets.

But the new President and the Government do not seem to support the idea of free energy markets and market oriented pricing. Instead, they are looking for a way to overregulate the energy sector again. This will only preserve the status quo and worsen the situation in Ukrainian energy following a new round of competition among oligarchs. ■

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# Economic development of Ukraine after 2014

Expert article • 2606

The peculiarity of modern economic development of Ukraine is the reforming of the economy and its European integration direction. The development of the Ukrainian economy is directed towards cooperation with the countries of the European Union. 2014 was a difficult year for Ukraine. Territorial losses could not but affect the economy of Ukraine. In the period 2014-2018, the gross domestic product in monetary terms increased 2.24 times. Aggregate income per month per household also increased 2.7 times. However, it should be noted that Ukrainian households spend 93% of their income on their own consumption. That is, as Ukrainian families' incomes rise, consumption increases proportionally, which prevents families from making sufficient savings. In today's Ukrainian realities, having a job does not guarantee protection against poverty. Poverty in the working population in Ukraine is driven by low wages and significant income inequality across different household groups. Thus, the standard of living of the population is growing at a very slow pace.

The development of enterprises and entrepreneurship reflects the economic and social changes that are taking place in society as a whole. The number of economic entities in the territory of Ukraine decreased in the period 2014-2018. by 4.79%. This tendency is explained by the fact that non-competitive businesses are leaving the market. Factors such as rising prices for consumables, high taxes, increased competition and high interest rates on banks are pushing them away. At the same time, the number of natural persons-entrepreneurs is increasing, their share in the number of economic entities is almost 81%. Production volumes of industrial and agricultural products for the period 2014 -2018 increased in value. However, this increase is largely due to the rise in prices for goods and services.

Investing in the development of individual businesses contributes to a faster development of the economy, which is a positive trend. According to studies in Ukraine, only 4.6% of companies have at least 10% of foreign direct investment in seed capital. These businesses are much more productive. Ukrainian companies working with foreign investments account for 20.4% of the able-bodied population of Ukraine and 24% of Ukraine's total capital. These figures make it possible to confirm the importance of investment activity in the economic development of both individual businesses and cities, regions and the country as a whole. The economic downturn in the country is accompanied by a decline in investment in both industry and other sectors of the economy. It should be noted that the rate of decline in investment processes is higher than the rate of decline in industrial output.

The influx of foreign direct investment in the country's economy is uneven. FDI volumes tended to increase before 2014 inclusive. In 2018, FDI decreased by 39.89% compared to 2014. It should be noted that the share of FDI inflows into the economy of Kyiv is significant and ranged from 48.09% in 2014 to 50, 63% in 2018. Thus,

due to the increase in the share of foreign direct investment in the economy of the city of Kiev, the city has not lost investment volumes. By volume of investment it is possible to distinguish the top five top countries - investors in the economy of the city of Kiev. The share of these countries in the total amount of foreign direct investment in the economy of the city of Kyiv in 2018 is as follows: Cyprus - 22%, the Russian Federation - 19%, the Netherlands - 16%, France - 5%, the United Kingdom - 5%, other countries - 33 %. Analysis of the dynamics of foreign direct investment in the economy of Ukraine by type of activity shows that the most attractive type of investment activity is financial and insurance activities.

The following changes were observed in the sphere of foreign economic activity of Ukraine. Export operations decreased by 12.18% in 2018 compared to 2014. Imports increased by 5.07% over the same period of time. The foreign trade balance of Ukraine in 2018 was negative: imports exceeded exports by 17.23%. The situation in 2014 was better: imports exceeded exports by 0.97%. The dynamics of the geographical structure of Ukraine's foreign economic activity in 2018 is as follows. The share of foreign trade operations with European countries is 40.60%, with Asia - 23.81%, Africa - 1.33%, the Americas - 7.19%, other countries - 27.07%. The share of export operations between Finland and Ukraine in 2018 amounted to 0.23%, of import operations - 1.1% of the total number of operations.

The development of the national economy at the expense of innovative factors requires the growth of the share of innovatively active enterprises. It should be noted that the share of innovative enterprises was not high, accounting for only 14.1% of the total number of enterprises in 2018. The share of high-tech exports in total exports of industrial products to Ukraine in 2018 was only 6.9%. Previous attempts to create a state innovation policy in Ukraine through selective assistance in the development of specific industries, sub-sectors and projects have had limited positive impact. ■

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# Konecranes in Ukraine

Expert article • 2607

**K**onecranes is a world-leading group of “Lifting Businesses”, serving a broad range of customers including the manufacturing and process industries, shipyards, ports and terminals. The company is dedicated to improving the efficiency and performance of businesses by providing productivity enhancing lifting solutions as well as services for lifting equipment of all makes. Konecranes is based in Finland but has approximately 16,000 employees in 50 countries.

The company's history dates back to 1910, when the electrical motor repair shop KONE Corporation was founded. Konecranes has grown over the years mainly organically but also has a strong acquisition track record as well. Konecranes became an independent company in 1994 via structural and strategic changes at KONE.

Konecranes is an example of how a foreign company can not only survive but also be a successful foreign investor in the Ukrainian market. Konecranes entered Ukraine in the early 1990s, establishing the Konecranes Ukraine company in Odessa. In 2005, Konecranes acquired the Zaporizhkrans factory in Southeastern Ukraine, a well-known company from the Soviet era that was the largest maker of lifting equipment in Eastern Europe. Since the acquisition, Konecranes has been one of the biggest Finnish investors in the Ukrainian market.

After being purchased by Konecranes, the Zaporizhkrans factory has gained new prospects for its development and undergone extensive modernization. Today, over 90 percent of its products are exported. The factory employs about 380 people, while another 150 work in the frontline office in Odessa in sales and services. As an example of its work, one of the largest projects of late is assembling a huge shipyard crane with a carrying capacity of 180 tons and span of 53 meters for a customer in Chile 2018.

Ukraine is attractive to foreign investors due to its geographical location, access to a relatively wide range of resources and professional labor force. Ukraine has access to the sea and thus to any country on the planet, plus huge territory on which enterprises of any scale can be built.

Among the challenges of doing business in Ukraine are corruption and bureaucracy in governmental and local administrative bodies; the vagueness and complexity of business legislation; a complex tax system; and the absence of an existing state program to support investors, although there is talk of judicial reform as a way to protect investments. An additional risk for investors remains the military conflict in Eastern Ukraine, although situation has stayed relatively stable in the last few years. Ukraine's weakening currency since 2014 has caused some risks, but on the other hand it has also benefited foreign investors.

In 2019 we have seen the election of a new Ukrainian president and new parliament plus the formation of a new government, with all three repeatedly stating their readiness to create better conditions and investment environment for foreign investors. The activity of the new Ukrainian parliament (Verkhovna Rada) in adopting new reforms and progressive laws in the very first days of its work can be considered a positive signal.

The free trade zone agreement with the EU has become a real advantage for those Ukrainian enterprises which already have world-class technology and are able to compete on equal terms

with European manufacturers. Thanks to the investments from Konecranes, Zaporizhkrans is one such enterprise. Konecranes has introduced European management approaches in Ukraine and paid great attention to recruiting and relying on talented youth. The company's employees have great opportunities for training, including going abroad. Zaporizhkrans also has broad cooperation with local technical university.

Among other activities, Konecranes has been developing an Industrial Park project on the territory of Zaporizhkrans since 2011. The project was launched as a way to optimize land and facility use and attract potential partners and contractors. This is a great opportunity for the region and Ukraine as a whole to stimulate the arrival of new investors. There is not only a developed infrastructure, but also managerial experience, opportunities in terms of interaction with contractors, and already existing administrative and security structures. Today, two other Finnish companies work in the industrial park – forming a unique conglomerate of Finnish business in Ukraine – along with one German company and ten Ukrainian companies. This is an indicator of the reputation of Konecranes – companies entering the park can see it's possible to create a successful business there. ■

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IRYNA SHEIKO &amp; ROKSANA PETROVA

# Impact of globalization on the Ukrainian economy

Expert article • 2608

The processes of globalization – the growing interdependence of citizens and states in the modern world, have become a challenge for most national states, despite their geographical location or the level of political, economic and cultural development. Global integration has significant benefits: international division of labor, the scale effects and the rapid spread of innovations. Integration of Ukraine into European and world economic, informational and social space allows to activate the flow of goods, investments, information, interpersonal communication.

On the base of analysis the dynamics of globalization index of Ukraine, economic globalization has left the country only 89th in the world. However, in terms of de facto economic globalization, Ukraine ranks 26th, ahead of Germany, Poland, the Czech Republic, Slovakia and Lithuania but de jure, the country was only 120th place, which determined the low rating. In terms of social globalization. This data shows, that the real processes of economic globalization don't receive an institutional mechanism for promoting. Due to rating of social globalization, Ukraine was on the 97th place in the world (the de facto indicator is 78th, de jure - 102th). Here, the lack of mechanisms for promoting information, interpersonal and cultural globalization (de jure globalization) with the low level of real processes of globalization in society (communication, business communication and business relations, international tourism and migration) hinder the growth of globalization processes in the country's social sphere. Regarding political globalization, Ukraine occupies the 30th position in the world.

One of the indicators of globalization is increasing of export and import share in GDP of the country. According to the data of the National Bank of Ukraine and the State Statistics Service of Ukraine, the volume of exports in 2017 increased by 18% compared with 2016. The volume of imports in 2017 increased by 26% compared to the previous year. Machinery, equipment and transport vehicles (30%), mineral products (25.6%), chemical industry products (20.5%) have the largest share in the structure of imports in 2017. It is positive tendency that one third of the imports relate to equipment: the usage of latest technologies will improve the quality of products.

Among the sectors most promising for further development and realization of export potential, we can highlight the information technology sector. The IT service export revenue balance is steadily increasing. In 2017, IT sector brought the Ukrainian budget 2.25 billion dollars. In 2016, our country exported IT services on sum of \$ 3.2 billion. But at the same time, Poland's revenue from similar exports amounted to \$ 16.3 billion, and the undisputed leader in the ranking was the United States with a IT revenue of \$ 177.8 billion. Among the problems of development of IT industry in Ukraine experts headline: low level of protection of intellectual property rights, underdeveloped markets of financial and venture investments, "brain drain" abroad (over 2017-2018 Ukraine has left more than 10 thousand specialists), lack of foreseeable and consistent taxation and pressure from regulatory authorities. In general, it is difficult to talk about a well-

developed IT industry in Ukraine, as only one of its segments is well represented in the country – outsourcing.

Thus, the processes of globalization and integration, in which Ukraine plays an increasingly important role, can both intensify the spread of the newest technologies and create a basis for attracting domestic enterprises, firms, research organizations and universities to international projects and grants. Ukraine can hope to take its proper place in global integration processes, while at the same time gaining significant advantages, namely:

- using the latest achievements of scientific and technological progress,
- participating in the world division of labor on the basis of self-analysis and creating a favorable legal and infrastructural environment;
- increase of tourist flow;
- increase in volumes of direct and portfolio foreign investment.

Countries with more competitive economic structure receive the greatest benefit from globalization, leaving most of their global income inside. Thus, the activation of globalization and integration processes makes the issue of choosing the place and role of the national economy and its components in the world economic system relevant. ■

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LILIA UKRAINETS

# Chinese business in Ukraine

Expert article • 2609

In 2013 Ukraine and China have proclaimed the existence of a strategic partnership between the countries by signing the Friendship and Cooperation Treaty and the Joint Statement on Strengthening of the Strategic Partnership. Virtually this level of relations is not fully realized. In 2014 China thought long and hard about the events of the Revolution of Dignity, taking a wait-and-see attitude since revolutionary events never call for unequivocal approval in China.

Given its strong financial and technological resources, China has long become one of Ukraine's major economic partners and investors. The strategic partnership with China — the Belt and Road initiative, amongst other things — is increasingly affecting the business situation in Ukraine. Chinese business interest in cooperation with Ukraine is coming from the Chinese government's decision to set up "foreign food bases". It provides among other things for taking advantage of Ukrainian agricultural resources in combination with Chinese investments and technologies.

Currently, China is in the top five in 4 major categories of Ukrainian imports and 3 major categories of Ukrainian exports. But at the same time, Ukraine's relative importance as a supplier of goods to China is not only small in absolute terms but also demonstrates negative trends.

The investment cooperation between Ukraine and China also punches below its weight. At the beginning of 2019 Chinese investment in the Ukrainian economy amounted only to \$17.9 million, which is 0.05% of the total foreign investment into Ukraine. China does not count as the main investment source for Ukraine; however, the Ukrainian business has high hopes for Chinese investment. The principle of "using investment as an incentive for trade" is a new idea of developing trade and economic cooperation with China. Money is not a problem for China; the key question is to find projects of real interest. According to Chinese top officials, if Ukraine would be able to offer projects that meet market needs, then Chinese investments in Ukraine might amount to \$7 billion.

We should emphasize the positive moment that the interest of Chinese business in Ukraine has recently been increasing in various fields. Nowadays, Ukrainian agricultural, energy, construction, communications industries are particularly attractive for China. Ukraine is visited by the representatives of many Chinese companies seeking for the logistics projects in all fields — maritime, automobile, air and railroad. There are also investments in environmental protection and renewable energy. Chinese business may deliver on the potential of the biomass-based power plants, as Ukraine has every opportunity to provide such attractive projects. An important area for pragmatic cooperation between the China and Ukraine may be the area of research activities. These spheres are not over-regulated, so they are an interesting platform for active cooperation.

Ukraine might be a rather attractive country for investors, but it is necessary to take into account the significant risks. The uncontrolled and volatile situation in Ukraine prompts many Chinese businessmen to retreat. The Ukrainian crisis might be considered on three levels, the first of which is the geopolitical crisis. Ukraine is in the area of geopolitical conflict between Russia and the West; external factors cause additional shocks to the stability and development of the state.

The question is: will the contradictions between Russia and Ukraine lead to an escalation of the warfare?

The second level is a political crisis in Ukraine. Is it likely that the Maidan will re-ignite in Ukraine? The political development of recent years has shown that government ability to control the situation in the country has been somewhat strengthened; however, after the Presidential elections in 2019, the political tension has increased again. The level of political governance is inadequate, the legislative framework is a subject to constant reconsideration, and the level of people's trust in the government is falling.

The third level is the economic crisis. The indicators show that the economy is not at the lower recession point, but has started to slowly recover. Still, the economic recovery is likely to be a long and difficult process.

As things stand at the moment, a number of Chinese businessmen point to problems that prevent the increase of investment flows: default on contract commitments, difficulty in funds transfer, constant changes in policy and legislation, corruption and bureaucracy, weak infrastructure, increasing labor costs, etc.

In recent years organizations such as the Sino-Ukrainian Business Council, the Ukrainian Chamber of Commerce and Industry, the Chinese Association for the Development of Enterprises Abroad, the Ukrainian Silk Road Association, and the Ukrainian House in Beijing have often organized investment fairs that have become a platform for the widespread expansion of business cooperation between China and Ukraine. With help of these platforms, the Ukrainian government and businesses were able to come into the spotlight. Notwithstanding, little attention was paid directly to the audience interests, very few options were given to address issues of concern for the Chinese business. That is why the desired effect was not achieved yet. ■



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JAANA VUORIO

# Ukrainian immigrants in Finland

Expert article • 2610

## Historical overview

**H**istorical overview  
Finland recognized the de-facto independence of Ukraine in 1918 and accordingly also accepted Ukrainian travel documents. In June 1918 about 60 Ukrainians resided in Finland. One of them, a labourer Stefan Kraurschuk, was the first Ukrainian to be granted Finnish citizenship on 3 May 1921. Ukrainians were not initially given deportation orders as other subordinates of Russia. By September 1918, however, "nearly all Russians appear to be subordinates of Ukraine and have Ukrainian passports". A Ukrainian journalist K. Wyshevitsh admitted in the newspaper Uusi Suomi on 17 January 1919 that "along the streets of Helsinki there are loitering persons who have Ukrainian passports but who speak only Russian, and loudly announce themselves to be Russians, affront Ukraine and its loyal sons who with heroic efforts are trying to build up their own national state".

After Ukraine had already lost its independence, such people arrived in Finland with Ukrainian passports who according to the Finnish Security Police "had as little to do with Ukraine as with New Guinea". The most well-known Ukrainian refugee was the leader of the Kronstadt rebellion Stepan Petrishenko who came to Finland in March 1921 but who was extradited illegally to the Soviet Union in April 1945 and died in a gulag a couple of years later.

Ukrainians disappeared from immigration statistics in 1924. Even though Ukrainians entered Finland during the years of war to work as lumberjacks, they were considered Soviet citizens or citizens of (German-occupied) Poland. Ukrainians cannot be traced in the statistics until their new independence in 1991. The immigration of Ukrainians restarted in 1992 and the following year Ukrainians were once again granted Finnish citizenship. But for almost 70 years the number of Ukrainians in Finland was unknown.

## Present-day situation

According to population statistics there are currently over 4 000 Ukrainian citizens living permanently in Finland. Those Ukrainians who have already been granted Finnish citizenship between 1990 and 2018 (in total, 1 985 persons) are not included in the afore-said number but many of them also still reside in Finland.

Most Ukrainians, who have immigrated to Finland, have work as their ground for applying residence permits. In the last few years around 200-300 Ukrainians have moved to Finland annually as family members and less than a hundred per year as students.

Most typically, Ukrainians come to Finland as seasonal workers in agriculture, gardens and fur farms. Seasonal workers from Ukraine amount to nearly 10 000 persons a year. Often same persons arrive year after year. Cases of exploitation are rare but do occur: in 2014 - 2019, fourteen Ukrainian workers have been assisted as victims of human trafficking.

There have been also asylum-seekers from Ukraine. In 2014, the number was at its highest: over 300 asylum applications. People who applied for asylum originated from different parts of the country and arrived to Finland on a visa. Many of the asylum applicants had originally arrived in Finland as seasonal workers. The most common grounds stated in their asylum applications were the general security situation in Ukraine and unwillingness to do military service in Eastern

Ukraine.

Only very few Ukrainians have been granted international protection in Finland. In addition, the number of applicants has decreased since 2014. In 2017 there were 45 asylum applicants, in 2018 also 45 and this year until 16 September only 11. The numbers have remained low in spite of the visa-free travel to EU countries of Ukrainians, which was introduced in 2017.

This article has aimed to offer a succinct overview of Ukrainian migration to Finland. Although not pertaining to Ukraine directly, as a side note it may also mentioned that probably the best-known Ukrainian surname in Finland is Eremenko. Alexei Eremenko Senior has both played in and coached top Finnish football teams and his sons, Alexei and Roman Eremenko have been prominent players in the national team of Finland. The Finnish Football Federation chose Roman Eremenko as Footballer of the Year in 2011 and 2014. Alexei Eremenko senior was born in Novotserkassk, Soviet Union, and the family migrated from Moscow to Pietarsaari, Finland, in 1990. ■

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VIKTORIA HLADII

# Labour market for international graduates: Perspective of an Ukrainian in Finland

Expert article • 2611

In the present times of military conflicts and unsettling economic situation, many Ukrainians find emigration, whether for work or for a better life, as the solution. My case is neither, as I have moved to Finland on academic and cultural terms – even before the Euromaidan and Russian annexation of the Crimea happened – first on an academic grant for exchange studies, and the following year – to pursue my master's degree. Could it be called a brain drain, perhaps? However, the world is changing, and so does a labour market. Considering the current trends in globalization, travelling, and increasingly open borders, it may soon be that higher education in just one country and one language will not anymore be enough to secure a decent workplace. Furthermore, for me the concepts of national borders or excessive patriotism are losing their places in favour to open-mindedness, cultural diversity and respect. The "responsibility to serve and help your own country" does not necessarily mean staying your whole life in the place where you are coming from – I believe that there are many other ways to contribute. For many other Ukrainians, still, emigration is rather a necessary move, than a choice.

In terms of absolute numbers, in Ukraine, the "academic emigrations", such as in my case is insignificant compared to the one related to search for better life. According to Eurostat, only in 2018 over half a million of Ukrainians received their first residence permit in one of the EU Member States. Only 11,9% of those permits were for study purposes, while 65% were work permits. In total, 2 to 5 million Ukrainians are estimated to be employed abroad.

While Ukrainians continue to be the largest group receiving first residence permits in the European Union, they constitute a relatively insignificant minority group in Finland: as of January 2018, about four thousand citizens of Ukraine lived permanently in Finland, and five thousand – in total. The Finnish cities with the highest population of Ukrainians are Helsinki, Tampere, Jyväskylä, Turku, Oulu and Salo.

My Finnish hometown is the Southwestern city of Turku. It is a city of three higher education institutions, 35 thousand students, city of recently booming industry and economy, and consequently, of numerous opportunities for young graduates. It seems natural for a person who has studied and lived in a country for several years to wish to stay after graduation, and decide to find a job there and eventually settle down. After all, Finland is investing money in educating international young specialists, just like it is investing in Finns.

Furthermore, the Finnish work culture might feel more attractive to some of those graduates than the one in their home countries, just as it felt for me. From my own work experience gained so far, I could conclude that Finnish work culture generally differs from the one in Ukraine in a number of ways: there is much more focus on the well-being of the employees, work hours are more flexible, equality in the office is preferred to hierarchy and subordination. One of the key differences is the level of trust at work, both in the employee and their

professionalism and in the capacity to fulfil the task they are assigned.

However, in some ways it seems that the Finnish labour market is not yet ready to open up towards the international talents. The paradox is that Finland has been putting a lot of effort into promoting its higher education as multicultural, diverse, welcoming international students to join its international degree programmes, but it has not been very successful so far in utilising the international talent it has trained.

Among the obstacles towards the employment of international graduates, in most cases stands the lack of advanced Finnish language skill, even where it is not necessarily needed for completing the work. However, more than that, there is a general unwillingness to change an already established routine and to make small adjustments to accept somebody from another country and another culture, even if in the longer term it would bring more diversity and more fresh ideas to the team. While I have been lucky to discover some very positive and enriching work experiences in Finland, my numerous job applications, interviews and observations had also shown the other, so far prevailing side of the Finnish job market.

A few of my Ukrainian acquaintances, who also completed their master studies at Finnish universities, had already left Finland and returned home. They stated that, despite having already settled here, they decided to move back home, as there they would be more likely get a job in their field of studies, would be welcomed into the team and listened to, as well as trusted with an appropriate amount of responsibilities. And this doesn't only concern Ukrainians, but numerous other international students as well. In a certain sense, it can be said that Finland helps battling the brain drain from Ukraine and other countries. However, isn't it too costly and unprofitable for Finland to do so? ■



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# Love culture and make diplomacy

Expert article • 2612

It's quite symbolic that by the time this issue is printed the annual festival of the Ukrainian Film Days in Helsinki will be over. 'A short course on the modern history of Ukraine' – this is how the line-up could be described. We started with the musical *Hutsulka Ksenia* – a playful film, set in the Carpathian Mountains in the 1930s, however, the end of the movie warns about the upcoming threat of the WWII. Another film – *Mr. Jones* – premiered at the Berlin International Film Festival and is also set in the 1930s. Directed by Agnieszka Holland, it tells about the Great Famine in Ukraine, touches on the topic of media propaganda and fake news, and shows what can happen if politicians refuse to see small tyrants as a threat to European security. The third film in our line-up was *The Wild Fields*, based on the novel of well-known contemporary Ukrainian writer Serhiy Zhadan, which describes Donbas before Russian tanks entered the territory of sovereign Ukraine in 2014.

The idea of showing Ukrainian films in Helsinki was a reaction to the fact that Ukraine is quite unknown in Finland and still stays in the shadow of "big brother". I remember, that in 2015 I was shocked to spot Oleg Sentsov's film *Gamer* as an entry of the Russian Film Festival in Helsinki. At that time Oleg, a Ukrainian citizen, was already a political prisoner of the Kremlin.

I've chosen cinema as a popular and accessible medium of cultural diplomacy. We show Ukraine as it is; having problems, struggling and succeeding. Despite being involved in a hybrid war with Russia, the state can develop and produce new senses and new competitive cultural products.

Any topic can enter the international discourse if it receives the proper platform. The issue of the authoritarian and repressive Soviet Union and its legacy received worldwide attention when the Nobel Prize in Literature was awarded to Svetlana Alexievich in 2015 "for her polyphonic writings, a monument to suffering and courage in our time." In her Nobel lecture she stated: "Twenty years ago, we bid farewell to the 'Red Empire' of the Soviets with curses and tears. We can now look at that past more calmly, as an historical experiment. This is important, because arguments about socialism have not died down. A new generation has grown up with a different picture of the world, but many young people are reading Marx and Lenin again. In Russian towns there are new museums dedicated to Stalin, and new monuments have been erected to him." The events of at least last decade showed that that empire has not died. It has been reborn as the Russian Federation, that doesn't want its former colonies to be free. In the modern world we have a euphemism for colonies – spheres of influence.

To understand the Ukrainian question, we must recognize the existence of modern imperialism and its destructive policies. "By the time the Iron Curtain was torn down, the former Western colonial empires had already entered an era where the exploitation of former colonies was being recognized and dealt with. The mother country of the former Soviet empire, Russia, never undertook a similar decolonization process because it was never forced to do so," said acknowledged Finnish writer Sofi Oksanen in her key speech at the European Union Literature Prize Celebration in Brussels in October 2019.

When empire is well heard, the spheres of influence are practically

-muted. As far as I know, there was only one book by a Ukrainian author translated and published in Finland – a 1990s detective novel by Andrey Kurkov. No contemporary fiction serving as a mirror of society. No historical books that speak for the millions of prosecuted and killed. Is Ukraine too small or not important enough to be interesting? No. Probably, its issues have not reached the proper levels to be on the international agenda. Probably, something dominates over it (see Sentsov's case at the Russian film festival). There are a bunch of probablys.

Therefore, it is extremely important to develop cultural diplomacy at the level of the civil society. Person to person contact is not less important than interstate relationships. Cultural diplomacy has been the task for the Ukrainian diaspora worldwide since the war broke off. Ironically, the Russian aggression gave some positive fruits – Ukrainians abroad, of different waves of emigration, realized the necessity to distance from the empire (in Ukrainian terms it is called 'Russian world'). Those people have been organizing bigger festivals and smaller events, as well as showcasing borsch as the trademark of the Ukrainian cuisine.

Cultural diplomacy on the civil level is the case of the Ukrainian Cinema Days, a cultural project of the Ukrainian Association of Finland. We love Finland, we absorb its history, culture and traditions and we respect its laws and privileges. On the other hand, we want to share the values we carry as well as the painful experiences we have survived. ■



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ARTO LUUKKANEN

# The archive-revolution in Ukraine

Expert article • 2613

**T**he end of the Cold War period opened up the Soviet archives for Western historians.

Unfortunately, this “happy hour” lasted only few years. When Vladimir Putin became a president of the Russian Federation, the Soviet archives with more sensitive material were closed again from foreigners.

Luckily, the Soviet archive revolution continued in Ukraine in 2014. Thanks to the new democratic regime, the Ukrainian archival system was liberated. In 2015 the new government declared Soviet-era security classifications invalid and opened up the former KGB archives in Ukraine.

However, the archive’s current management had to wrestle with multitude of problems including vicissitudes of management, personnel, reclassification and bureaucracy. By the new law, all documents relating to Soviet security agencies must be held under one roof – in the State Archive of the Ukrainian Institute of National Memory. But so far, this archive exists only in legal terms: it still needs to find appropriate premises and hire staff. Therefore, they are located to Ukrainian secret police buildings.

## GDA – SBU and papers of perestroika

The GDA SBU - GDU SBU (ГАЛУЗЕВИЙ ДЕРЖАВНИЙ АРХІВ СБУ – Ukrainian secret police archives) includes the content of soviet special services archives as well as main directions of activity of Security Service of Ukraine Branch-Wise State Archive. It is also open for non-Ukrainian scholars. This archives includes general CHEKA–KGB legal acts and administrative documents from 1917-1991. For example, it contains GPU–KGB USSR Secretariat material and all material from directorates MGB such as 2nd-5th etc.

I have been able to work at that special archives since 2014 with the community of international scholars. The leadership and the personnel of this archive has been most cooperative with my research and I want to hereby express my deepest gratitude to these good people working there.

In my presently published monograph “Suomi hajoavan imperiumin sylissä” (Finland in the bosom of the decaying empire) I have dealt with the years of the perestroika in Ukraine. This monograph utilizes the material and reports send by the chairman of the Ukrainian KGB to the highest leaders of the Ukrainian Communist Party during the years of perestroika and they can be found from the Fond 16 (Фонд 16; 2293 одиниці постійного зберігання; 1930–1991 рр. Довідковий апарат: здавальний опис, тематична картотека, історична довідка – Секретаріат ГПУ–КГБ УРСР). Moreover, the research also include the materials and reports from the Chernobyl-nuclear plant and the operative files from the local investigators responsible to examine the 1986 disaster.

This fascinating material from archives gives us a unique possibility to investigate the processes of disintegration of the soviet system at Ukraine in detail. According to the material used in the monograph, the Ukraine was “lagging behind” many years. The reason was simple: the Communist Party of the Ukraine and Ukrainian KGB apparently knew how sensitive and precarious the political situation was in Ukraine and tried to isolate Ukraine. The plan did not work – in 1987 situation changed radically and the box of “perestroika Pandora”

was opened in Ukraine. The dilemma of the nationality question was exploded together the worsening economical situation. People started to activate themselves politically and KGB realized that it could not tame the democratic movement anymore.

According to this material, it seems be clear that the local KGB was very aware concerning the worsening situation inside Ukraine. The security police had infiltrated to all “non-official organization” and NGO’s and was able to gather information straight from closed dissident circles.

It also tried to “toll the bells” and wake up the local party leadership concerning the dangers of the situation. However, the highest leadership in Moscow did not show the “green light” and the “political moratorium” which the local KGB demanded, was never executed.

This monograph also investigates the insider material of KGB from the special periodical magazine “Sbornik KGB SSSR”. This publication was a very secretive instrument of information to only the very selected cadres of the espionage and security work inside the Soviet Union.

It seems that the editorial board of this periodical magazine made a real attempt to reform the activities of the Soviet secret police in 1990s. It opened the sensitive discussion and tried to inspire new ideas inside the KGB. However, the result was a total failure and it seems that according the periodical, the KGB made a sudden turn to the more conservative direction.

This material gives us also the possibility to investigate the last moments of the Soviet Union in Ukraine with more detail. According to this archival material, the local KGB seemed to know the plans of the Yanajev’s rebellion but when the coup did not work, the local Chekisty were willing to defend the cause of “national sovereignty of the Ukraine. After the victory of Yeltsin the secret police leadership wanted to serve the new democratic forces and even demanded that tactical nuclear weapons should be preserved in Ukraine. ■



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KARI LIUHTO

# Ukraine on My Mind

Expert article • 2614

**S**eptember 1987: Along with ten of my young compatriots, I arrived at the central railway station of the Ukrainian capital with the aim of taking up studies at Kyiv State University, today known as the Taras Shevchenko National University of Kyiv. The unseasonal warmth and the city's verdant parks could not quite conceal its greyness, and for a capital of two million, its inhabitants seemed to me surprisingly sluggish.

The moribund Soviet economy manifested itself in the austere shelves of Kyiv's supermarkets, at the heart of the region known as Europe's breadbasket. These stark realities were also reflected in the Soviet anecdotes with which we were regaled during our stay. According to one, the socialism had even managed to make all the sand of the Sahara disappear in only a few decades.

But to our relief, the lives of Western students were rendered somewhat less ascetic by the reforms ushered in by Mikhail Gorbachev. The non-state-run cooperative cafés, for instance, offered a welcome change of dietary pace from the bread, eggs, and canned goods that constituted the entire selection available at our state-owned local shop.

Travelling the country was largely off the table as well, as University policy was to confiscate foreign students' passports and replace them with state internal documents known as propiskas. Thus we were reduced to staying within a few dozen kilometres of central Kyiv, our opportunities for regional sightseeing and cultural immersion severely curtailed. Nor did it help matters that Kyivans, fearful of repercussions by the KGB, conspicuously avoided contact with foreign students.

While my interactions with the locals were regrettably few, they appeared to me reasonably content with their lives. I was taken aback by the sight of families out in the park with their children, ostensibly unconcerned by the Chernobyl nuclear disaster that had befallen the country only the previous year. Though the KGB knew very about the seriousness of the accident, the information on the accident was disclosed to common people much later. Now a popular tourist destination, Chernobyl lies only a hundred kilometres from Kyiv.

Soviet television programming largely revolved around entertainment and culture, with news broadcasts limited to statements by party leadership and panegyrics on the achievements of socialism. Genuine reports from the West were nonexistent. I am put in mind of the propaganda pieces about America's homeless and unemployed, designed, perhaps, to dampen Soviet citizens' desire to emigrate.

In those days, life in Kyiv had a decided serenity about it. All was well, or at least appeared to be. But a mere two years later the world witnessed the dissolution of the socialist states' economic organisation COMECON as well as the Soviet Union itself, and Ukraine declared its sovereignty. Lurking behind the Iron Curtain, it transpired, had been a giant with feet of clay, whose military strength and operations such as the occupation of Afghanistan had served to shield its internal weakness from view.

Military aggression by authoritarian regimes is not, of course, merely a thing of the past, but neither is their superficial stability, punctuated without warning by internal crises and their possible corollaries, radical political transformations and even social collapse.

**November 2019:** Even though the war in eastern Ukraine has raged for half a decade, most of the country's 40 million inhabitants are able to lead normal lives.

I have made four visits to Ukraine this year, including one with my family. My wife was rather enchanted with the architecture of Lviv's old town, while the fashion offerings of Chernivtsi, created in collaboration with Italian and Spanish designers, made an impression

on my daughter. We were far from the only tourists there, as 15 million foreigners visit Ukraine every year, and this figure is growing.

Despite the fact that the most acute phase of the Ukrainian conflict seems to have passed, we should not forget that, from the standpoint of international law, Russia's occupation of Crimea continues and the war in the Donbass region rages on. Nearly 15,000 people have been killed and almost two million Ukrainians displaced from their homes, with many forced to leave the country in search of employment in the West as well as the East.

Partly as a protest against the fecklessness and rampant corruption of their leaders, the spring 2019 presidential election saw Ukrainians flock to a political outsider. Chosen as Ukraine's new head of state in a landslide victory, Volodymyr Zelensky's mandate is to tackle corruption, put an end to the war in eastern Ukraine and stimulate economic prosperity.

While glimmers of hope have come in the form of a recent prisoner exchange between the warring parties (despite the recent prisoner exchange, still nearly 100 Ukrainian political prisoners are held in Russian prisons and some 250 Ukrainian prisoners are held by separatists of Donbass), a partial withdrawal of troops from the conflict zone, and a rapid economic growth rate of almost five percent, Ukrainians' standard of living still lags far behind that of even the poorest EU member state, Bulgaria. When it comes to corruption, the gulf between Ukraine and the rest of Europe stretches even wider. But every marathon, as they say, begins with the first step.

As I reflect on the present situation in Ukraine and the time I spent there as a student more than three decades ago, I am reminded of Hoagy Carmichael and Stuart Gorrell's song "Georgia on My Mind", whose nostalgic and peaceable lyrics befit today's Ukraine as well as they ever did the American state of Georgia or its namesake republic in the Caucasus region – although its original dedicatee was probably Carmichael's sister, Georgia.

In spite of its tumultuous history (or perhaps precisely because of it), the forty-million-strong Ukrainian people has earned its place as a nation among nations over the course of the past three decades. Moreover, they have made no secret of their desire for closer integration with the West. More than a hundred Ukrainians gave their lives to see this dream realized when protests against the authoritarian rule of pro-Russian President Viktor Yanukovich rocked the streets of Kyiv in early 2014.

The substantial progress already made by Ukraine as an independent country cannot, however, undo the geographic realities which force it into an eternal balancing act between East and West. Such is the lot of nations located on geopolitical fault lines, Ukraine and Finland included. There is no doubt that Russia will continue to wield its clout as a regional power to influence Ukraine's future development. But as long as the Ukrainian people remains united, Ukraine has the capacity to resist external aggression and control its own destiny. ■

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# BALTIC RIM ECONOMIES

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