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Development Corporation



HOW TO FIX UKRAINE - *FOR DUMMIES*
A step by step action plan to reform the country *for the better*

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All this talk about the Ukrainian crisis and how to fix it has got a little out of hand. It is evident that everyone has overcomplicated the matter purely for own benefit. US is saying one thing, EU is saying another, UN can't seem to agree on anything, while the interim government in Ukraine chose the strategy of doing what others say. Correct me if I'm wrong but other than throwing IMF money at Ukraine, with strings attached, no one has offer anything that is remotely close to a workable plan of action – so I will.

I was born in Sevastopol, Crimea. I am a Canadian and a Russian citizen. I openly support Russia's actions in Ukraine, the Crimean reunification with Russia, and am proud of the fact that this historic event has finally happened. On this subject read my article "CRIMEA BELONGS TO RUSSIA, UKRAINE DOES NOT". That said, my grandmother is Ukrainian, I still have friends and business partners in Ukraine, I had an opportunity to live in central Ukraine and travel half the country. Needless to say, I've seen the beautiful Maidan (center of Kiev) before it became Euromaidan and was burned to the ground. Above all I, as well as overwhelming majority of Russians, consider Ukraine a brotherly nation. For these reasons I cannot be indifferent to what is happening there right now, so from my humble perspective I would like to offer a different version of what needs to be done in Ukraine.

I see a strong, self-sufficient, financially secure, independent Ukraine. A nation that does not need to beg for money or side with anyone to survive; a country that is a productive member of the international community, rather than a chaotic sinkhole that it is right now. Is that realistic? In this article I will do my best to convince you that yes, it is possible, and above all, it's not as difficult as everyone says it is.

After all said and done, nobody needs a pour and weak Ukraine. Why? Weak and poor Ukraine creates instability in the region, which may be profitable to certain private organizations in the short term, but harmful to everyone in the long run. EU and Russia do not need Ukrainian refugees, political rivalry, sanctions and proxy war over this land. It may be beneficial for US, militarily, but what harms EU economically will sooner or later impact America in the same way.

The question arises, then why did US and EU support the Kiev uprising in the first place. There are two parts to this answer. First, it appears that only certain groups within the western governments along with some multinational corporations financed the start of this conflict. Most Western leaders were clearly cut of guard when it all went south. Second, who ever planned this, did it poorly and miscalculated a lot of things (again a signature of a private sector), especially Russia's response. After things got out of hand completely, US and EU had no choice but to stick with their positions in order not to appear weak. After that, it became a televised competition and a show of force between Russia and US. There is plenty to say on this subject but that is not the question before us. The billion dollar question is how to go about taking a country that is now on the brink of collapse and rebuilding it to a strong and independent nation that clearly it can be?

SYSTEMATIC APPROACH TO A SYSTEMIC PROBLEM

Ukraine's problems are plenty and they are systemic. Although money is the number one issue, that is only one of many factors. Corruption, bureaucracy, social polarity and others all require immediate attention. When it comes to these severe problems, the new government has little room for blind actions or "wait and see" tactics. A clear, step by step, systematic approach is necessary to get out of this crisis. So let's explore what needs to be done.

STEP 1 - Situation Assessment:

Assessment of the situation is the first action that is done by military and civilian personnel in crisis or emergencies, when there is time to think. More advanced organizations have ready to go contingency plans specifically for situations when there is no time to think. For example when Russian forces took over Crimea, many experts believe they were acting according to one of such contingency plans, rather than something that the admirals and politicians thought up in the heat of the moment.

It is hard to understand what the interim government of Ukraine has been doing since they took Kiev by force, other than flying to US and EU to look official and busy. One thing is clear the task at hand was not accomplished. It wasn't - because Yatseniuk, Turchinov and Klitchko clearly are not professional by any standards. Will the newly elected government be any different? Judging by the candidates, most likely not.

First thing that the interim government should have done was divert all resources to accurately assess the situation. To those who do not know, that is done by requesting situation reports from all ministers and their respected ministries of government (defence, emergency, finance, health, agriculture etc.) or what ever was left of them. Once those preliminary reports come in, a more or less accurate picture of what state the country is in emerges. Such preliminary reports can be on the president's desk within hours, they will be vague but enough to act upon, until more detailed reports arrive. Within a week those more detailed reports will be made available. They will give a fairly accurate picture of the real situation. From then, the best course of action can be determined. This is a standard procedure for every organization that is in the business of command and control.

Needless to add, if we look back on what happened, once the protesters took the Ukrainian parliament, there was a definite moment of calm to do just that. Judging by the absence of actions and zero results to date, the new government has not done any kind of situation assessment. If they have, it does not show, since nothing changed. They did, however, make a number of rookie mistakes of inaction in the middle of the crisis, going with the flow on a purely reactive basis, passing laws that alienated Crimea and Russian speaking Ukrainians, and worse of all, perusing own political interests above those of the nation. For these reasons they failed as the interim government. They did not accurately assess the situation. Let's hope the elected leaders can do better.

STEP 2 – Develop a Plan of Action:

After the situation reports come in, based on the latest information in them, a plan of action is developed. Again, this is a standard procedure for command and control organizations.

This crisis situation from a bystander perspective may seem chaotic, complicated and difficult. However when you (a) have all government resources at your disposal, and (b) you volunteer to lead people in the first place, one would imagine, such person would have some abilities necessary to govern in the crisis mode. What my opinion is on the current Ukrainian leaders, you may have guessed by now, so let's move on and analyse what qualified professionals would do.

To tackle this issue effectively a systematic approach must be used. To begin with, everything must be broken down into very basic blocks. For example, which departments are still in tact, which police and military divisions are still active, and which ones are not, how much money does the country have and how much do we owe, how much are we losing daily, how much do we need to borrow, when can we get it, who will give it, at what cost, who's rioting and where, what are their demands, views, positions, etc.

The key to developing a working strategy is, again, breaking everything down into basic blocks, questions and answers, actions and counter actions. This is literally like a chess game. Then you begin to establish timeframes and answer the when, where and how. Everything that is unknown is indicated as such. Unknowns are just as important. Once the whole picture is seen, decision makers can begin to take the best possible actions based on accurate intelligence.

One thing that Ukraine does have is more or less decent intelligence service, which was developed mainly to spy on their own people and neighbouring countries, but now can be put to a more productive use. Interesting to note that back in 2004 they even developed "Kolchuga" mobile radar system that can detect multimillion US stealth bombers for a fraction of their cost. That made a lot of fuss in the news.

Getting back to the subject, if your best possible scenario is still leading to a collapse and there is nothing you can do, then you warn the people and brace for impact. You do not tell them "everything is ok" like it was done by the US all the way before the global financial crisis of 2008. I fear that if US is advising Ukraine, they might just do something like that, since it is evident that good times are not on the horizon for Ukrainian people, unless something changes. If the conclusion you arrive, after situation assessment, is uncertain, that means you haven't done your analysis well enough, do it again and more thoroughly. Finally if you see a way out, you take it at once and under no circumstances pause to play politics, something that the new interim government is guilty of already.

This approach, by the way, fully accounts for all forms of political intrigues which are also put on the blackboard to be incorporated into the grand strategy. That is how Russia, US, EU, China and every other leading country tackles emergency situations. Of course some do it better than others.

Alright, up till now everything I said was hypothetical, which is not my style. If I'm going to talk about nation rebuilding, I better offer a course of action that is clear enough to critique, but before I do, let's go over what we already covered. At a time of nationwide crisis a leader must do two things: first, assess the situation and second, develop a plan of action. It is evident that the interim government of Ukraine has done no such thing.

STEP 3 – Establish Basic Immediate Security:

This step is not always a priority in peaceful emergency situations as natural disasters; however it is vital when crisis involves violent people.

It is obvious that if decision makers are not secure then everything can be undermined in an instant. It is just as obvious that law enforcement, primarily in the form of police must keep law and order on the streets until things begin to improve. Protesters cannot be given long term authority over civilians as they are not trained to do so. The key here is not to attempt a complete suppression of the rioters, since that has the potential to cause further clashes. The objective must be basic and immediate security for the government and the citizens. That means putting more police on the streets while decreasing office work; that can be done later when things settle down. As the new government proves that they represent the people, citizens will gradually and automatically give more trust to the law enforcement officials, subsequently leaving the streets.

There is much to debate here but one thing is undisputable, if such objective, authority and political support was given to the Ukrainian law enforcement, they would have found a way to accomplish that task. There are plenty of professionals within the ranks of Ukrainian police forces that would be more than capable to establish such immediate security for government and civilians. That order was not given. The interim government was not ready to take that responsibility.

If I were to go into the subject of what went wrong after the EuroMaidan this would become another article. So for your information, I shall just say this, after Yanukovich fled, police in Kiev completely capitulated and were ordered by the new interim government to stay confined to their respected bases. Can you imagine a nation's capital, with millions of people, without any police presence and full of armed rioters on the streets, for months! That is happening to this day. Anyway you put it, it's a complete failure on the part of the interim government – they did not establish basic immediate security and are paying for it with civil unrest and peoples lives. By the way this problem is spreading to other regions of the country.

STEP 4 – Immediate Strict Anti-Corruption Laws:

Corruption is like cancer, it will undermine any constructive reforms simultaneously across the entire system. This phenomenon must be dealt with quickly and aggressively. Granted, while in crisis these laws should target government officials only, since corruption within the private sector does not impact the immediate state of the nation. That must be done later and with much more care and leniency.

I had a pleasure in meeting with several high ranking police officers in Ukraine and can tell you, without a shadow of a doubt that if a clear order and authority was given from the president to tackle corruption, within a month 90% of all corruption would stop. That is achieved by creating a well trained and funded anti-corruption department with its own monetary and audit divisions. As a tag team they would start from the top and work their way down. Again within a month all corruption on the highest levels of governed would seize. Above that, by the phrase “well funded” I mean no more that 50 million USD, on top of standard expenses. That is something Ukraine can afford in any situation short of civil war. Finally, it is important to note that immediate anti-corruption laws will work on instant basis, it will simply scare any officials from stealing, taking bribes or doing illegal favours, however without a long term strategy this tactic will inevitably fail. No

department can control every aspect of an already corrupt country simply by fear and force over long term. Other incentives are necessary. This takes us to the monetary reform phase.

STEP 5 – Immediate Monetary Reform:

Money is the lifeblood of any nation, when it stops - everything stops. When that happens the existing government is changed, usually by force, to a new government that can do better. Yanukovich is the living proof of that. That cycle will continue until the political leaders can deliver money to the population. Thus, after halting corruption, monetary reform is of the outmost priority to any new government. Hungry people will not care if the country is broke. All they will be demanding is the end result. Luckily unlike people, government has the legal monopoly on printing money. Furthermore, there are always organizations to bail countries out. And above all, as any economist will tell you, there are many tools at the disposal of the government to raise capital, even if it defaulted and went completely broke.

An excellent example of this is Russia. In 1998 it went into a complete financial crisis and defaulted on its debt. Russia was utterly broke. Fast forward to 2014: Russia was able to host a \$50 Billion dollar Olympic games, “acquire” Crimea with all of its financial troubles, take all the sanctions the West could throw at them and still be relatively well off. And let’s not forget, after the year 2000 and onward it paid its debts and accumulated one of the largest stockpiles of gold bullion in the world. Not bad for a defaulted nation. Last important point to make, although corruption is still very much a reality in Russia, it was reduced dramatically. Before Putin came to power there was wide criminal and mafia activity in Russia, corruption flourished. Putin changed all that and literally wiped-out most of the criminal syndicates. Police took over and became the law of the land. Don’t get me wrong, there is still crime and corruption in Russia, but it is far from what it was.

With everything above said Ukraine does not need to default, but even if it does it’s not the end of the world. So what should Ukraine do? Before we get into this, one thing must be understood. Ukraine, as most governments, including Canada and US, is extremely inefficient and wasteful when it comes to money. If the corruption is temporarily handled, efficiency (primarily the way money is spent) must be pushed to the limit. Not a single penny must be misused. Fortunately monetary efficiency is achieved by taking politicians out of the Ministry of Finances and putting top economists, auditors and other professionals in. Ukraine has plenty of those. I’m sure you can see here how the anti-corruption department comes in handy right about now. New professionals in the MOF will be tempted to take a little for themselves; after all they are in crisis. Luckily the anti-corruption department will be there to keep them in check. Again, given the will of the president and the people that surround him, this is not very difficult to do.

Once corruption is minimized and efficiency maximized, Ukraine can finally do real monetary reforms:

1. Take the IMF money. However, in the state that Ukraine is now, and especially with the weak interim government IMF money will enslave the country and I would advise against it. That is why this money must only be accepted along with steps outlined in this article. In this case the money can be paid off and austerity avoided.

2. Make peace with Russia and accept any financial support and cooperation from them as well. Whether such financial support is now possible it is hard to say, but Russia did indicate that they would consider it if Ukraine toned down the nationalistic rhetoric. That said, like it or not, cooperation with Russia is unavoidable. There is simply too big of a border to ignore. Sooner or later both sides will start working together. Even now Ukraine is still using Russia's gas, Ukrainians are still working in Russia, Ukrainian oligarchs still have investments and money there, and vice versa.

3. Start printing money and if anyone ask deny, deny, deny. Put that "hard cash" in the hand of the population, gradually of course. Every country does it and every smart country knows how to do it covertly, without causing inflation. One to two billion printed and distributed across the nation during crisis will not cause any significant inflation but will give people that pocket of air to breathe. This lesson is straight from the US and China playbooks by the way, both, in regards to quietly printing money as well as denying anything that is not in line with their views. The things a country can now openly get away with by simply denying them are astounding.

4. Use your own smartest economic minds, or outsource if none are found, to start real economic reform with immediate and long-term objectives. Ban all politicians from this process as they will inevitably complicate things. Give a clear objective (ex: make Ukraine financially secure and independent) to the professionals and let them do their job.

5. Last and most difficult step of monetary reform is auditing and regulating the oligarchs. That is something that the interim leaders must have the courage to do. Rewards however are astronomical. Ukraine stands to instantly add several billion dollars to their budget.

Every single oligarch in Ukraine broke the law to become a billionaire. I can say this with absolute certainty not because I read minds but because I know Ukraine, it is simply impossible to achieve such wealth in that country without breaking the law. Oligarchs evaded taxes, bribed officials, and did (still do) many other illegal things. Yanukovich himself was imprisoned for criminal activities in his younger days. Above that, most top political leaders know all the dirt on every oligarch in the country. The solution is simple – audit them and their firms and when violations are found, don't imprison them, but fine them with hefty fees for each and every violation. That is standard practise in Unites States and Europe, where big corporations are fined all the time for violating some law or the other (Microsoft for example). They consider such penalties as part of doing business, so it is nothing unusual. If even one billion dollars can be paid back by each of these multibillionaires, Ukraine will be a rich nation. The question is, is it possible? I say yes. Until the Euromaidian, Ukrainian politicians were afraid of going after such rich and powerful people, but now everything has changed. If Yanukovich, the most powerful oligarch and president, was forced to flee, anything is possible. Oligarchs know this and are scared of the crowd. They are sitting this uprising out. While they are on the defensive, the new government must seize the moment and go after them. To save their businesses and remain in Ukraine they will comply. Oligarchs will happily pay any fines set by the government in order to keep their business functioning, it is as simple as that.

\$5 – 10 billion dollars can easily be "repatriated" from all Ukrainian oligarchs, an amount that can tremendously help the nation in the immediate situation. I personally think that

after auditing one oligarch, others will get the message and volunteer to donate money to the country, in so avoiding further inquiry and appearing as heroes to the people. Finally auditing these “uber-rich” will go very well with the people of Ukraine. Politically it is a very popular move that will instantly make the government look strong and decisive. A definite win-win.

It should be understood that these points that I made are only temporary fixes intended to generate immediate cash in order to keep the nation functioning. Even money from IMF, EU, US and Russia all together, is not nearly enough to rebuild Ukrainian economy. To put it into a perspective IMF is offering Ukraine up to \$18 Billion dollars over two year period, while for instance Facebook paid \$19 Billion for a “WhatsApp” computer program via single transaction. Talk about reality check. After this crisis Ukraine needs in excess of \$100 billion and no one will give that much money to them, they would need to generate it all on their own, the IMF bailout is just there to get them started.

By the way the central government of Ukraine only needs about \$2 billion dollars to keep it function during the recovery period. Everything else should and must go towards rebuilding the nation. Before we go there we need to make a small detour into the subject of tax reform.

STEP 6 – Immediate Tax Reform:

Ukraine has one of the least citizen and business friendly tax systems on the planet. Although the tax rate is a flat 16% it is not as simple as it sounds. Tax laws in Ukraine change often, double taxing is very common, special business specific taxes are everywhere and above all taxes must always be paid regardless of whether your business is earning money or not. End results are disastrous to Ukrainian economy. The rich that can afford lawyers and political support pay almost no taxes at all, while the citizens and small business are taxed to death and overburdened with tax regulations. It is a total mess. I personally know many entrepreneurs in Ukraine who run business while never registering them, simply because the taxes would instantly take all the profit from them. Most of the Ukrainians do the same. The end result is that little money come from the poor public and from the wealthy elite, in so starving and already cash-deprived government that always responds with more regulations. This is a vicious circle that ends with protesters on the streets. Here’s what Steve Forbes, Editor-In-Chief of Forbes Magazine had to say on this subject:

“Ukraine should also reduce tax rates. It has a flat tax – of sorts (there’s a slight surtax on income above a certain amount) – 15 percent. It must not be raised. But the killer tax is the 38 percent levy on payrolls. This should be cut in half, if not more, because its fuels tax evasion and discourages hiring. The government should also trim the corporate tax rate to that of Ireland: 12.5 percent.” - Steve Forbes, Editor-In-Chief, Forbes Magazine, March 24, 2014

I would go even further and advocate not just decreasing but adopting the Swiss tax system with an average tax rate of 6%. Is that possible? I think so, because corrupt officials and oligarchs are already consuming (a.k.a stealing) about 50% of the country’s annual wealth, so in either case, only half of that (8%) makes it back to the people. I would say that it’s an accurate prediction since Ukraine, after all, is one of the most corrupt nations in the world, next to Africa, and it’s also one of the poorest. But let’s talk details. For once, Ukrainian government does not need that much money to function.

Smaller budget will keep them in check. Swiss tax rates will attract business from abroad and help local businesses flourish. Because Ukraine is so perfectly positioned between East and West, if they can create stability, then money from Russia and Europe will flow into the country. Ukraine can become a tax haven for the wealthy rather than a haven for neo-Nazis. Finally Swiss tax code will ensure that the bulk of the money stays within the regions and used for local needs, instead of going back to central government and disappearing forever.

One last point to address, unlike other developed nations, Ukraine, except for the capital of Kiev and a few other major cities, is a second world country with a fairly small and ill-equipped military. This means other than pensions, healthcare, police and military, government tax revenues are not really impacted by other top expenses like infrastructure, roads, buildings etc. simply because there are none. Most of Ukrainians live in rural parts of the country where they haven't seen tax dollars at work for years. A lot of Ukraine has no paved roads and many of those were paved back in USSR-time. This is again excluding Kiev which is very developed, but we can't judge a country by a city.

To finish this step I would like to say that I'm no a tax expert, however there are plenty of them in Ukraine. It is the job of the new government to find most qualified people in the nation, give them a clear task to reform the tax code and the system at large so it becomes as citizen and business friendly as possible. Considering many countries including Canada, US and EU, have done just that, no invention of a wheel is necessary. There are many working examples to choose from. What I'm trying to say is that this is not a difficult or a long issue if there is a political will to do it.

STEP 7 – Anti-Bureaucracy Measures:

It is hard for Westerners, who never lived or worked in Ukraine, to understand what I'm talking about, but the level of bureaucracy in Ukraine is far beyond reason. Why? Quite simple, it is the system that was invented in former USSR, where the more complicated life of average citizens gets, the more they bribe government officials in order to make it less complicated. When you live in a system where to do something legally you need a document, in order to verify some other document, so that you can apply for a permit that will allow you to get a certificate, etc., life becomes impossible without bribery. In Ukraine the government officials on all levels have become masters of this game. Buying or selling a house, a car; opening your business; borrowing, sending, receiving money; filing legal actions, getting permits; etc, all of these crucial aspects of trade and commerce are very complicated in Ukraine because of its bureaucracy. It is not necessary and must be fixed immediately.

When I tell my Ukrainian friends that in Canada, I can get a copyright certificate online in 10 minutes, for a book I've written, they don't believe me. They are shocked even more that ISBN numbers are given free to anyone here, in those same 10 minutes. These are examples of a developed country that is striving to remove bureaucracy from its system in order to stimulate economic growth. Ukraine must do the same.

Once more, the solution is simple, form a new anti-bureaucracy department with an audit division, fill it with professionals that know what they are doing, give them authority and let them work. In two to four months the country will be bureaucracy free. That is of course if bureaucrats don't get in the way.

STEP 8 – Strengthening Key Economic Sectors:

All previous steps lead to this necessary undertaking. Currently Ukraine is a country without economic identity. If China is known for its mass production of goods; Russia is known for its natural gas; Saudi Arabia for its oil; US and EU for its financial markets, Switzerland for its banking, Ukraine is not known for anything specific. It is true that some countries, especially small ones, do not have anything to offer, thus cannot be known for anything. Ukraine is not one of those countries. It has a powerful economic sector that has been ignored for decades. I'm of course talking about agriculture.

Historically, Ukraine fed Europe, it fed the Russian Empire, it fed the Soviet Union; now it is time for Ukraine to feed itself and the world, once again. For centuries the territory on which Ukraine is situated now, has been known as the “Breadbasket of Europe”. Naturally this name was not made up out of the blue. Ukraine has one if not the most fertile lands on the planet. Its soil even has a name “chernozem” meaning black soil, which produces the best possible crops, naturally without much need of a fertilizer. During the Soviet rule, Ukraine fed most of the USSR and in fact it is something that Ukrainians feel angry about, as they produced most of the food while in turn enduring severe grocery deficits. After the collapse of the USSR, all Ukrainian leaders completely neglected agricultural sector as something dirty, unprofitable and peasant-like. Ukrainians, from rich to poor, focused on new, easy and “sexy” businesses such as retail, import, arms trade, commerce and so forth. Some factories remained but they were not developed until very recently, when China and India started to consume more and more of world's resources. As you can imagine restarting mass scale agriculture in Ukraine is a goldmine that will not just bring back the country to what it was, it will make it prosper for many years to come.

It is evident where the IMF or any other funds should go – agriculture, agriculture, and again, agriculture. Ukraine must invest most of its resources into this sector, as soon as possible. Ukrainian government must stop flying to US and EU for directions and handout and instead fly there and elsewhere to secure contract and clients. On this note it is important to understand the market for food across the globe.

As population on this planet increases, so does the global demand for food. Agriculture is a big business and there are plenty of buyers, if you provide the right price of course. Ukraine not only has fairly cheap labour, it has the soil, the land, the expertise, the know-how and the nearly perfect geographic location to supply both West and East.

China, India, Middle East, Africa, even Russia, but especially the EU are food importers. Their demand for food is only growing. Special attention must be paid to Western Europe where food prices are astronomical while many people go hungry. EU desperately needs another close by food supplier to ease the burden of food expenses of their ordinary citizens, or face potential hunger-riots. Those who visited EU know what I'm talking about, a 20 Euros for a sandwich will soon have its consequences on ever poorer European people. Right now Spain is revolting because people can't afford food and rent at the same time. Greeks already went through this and are barely surviving. The last but not least is the United States, which is a major food exporter, and yet has over 40 billion people who do not know what they will eat tomorrow. That number is growing.

It is clear, the world desperately needs another major food producer. Ukraine is the number one contender for this position. Above all it does not need to burn down rain

forest nor does it need GMO plants or pollute its products with fertilizers. Again Ukraine must ask for contracts not credits from the EU and the world at large.

Now, this is very important, in order for Ukraine to flourish and not become a nation of farm slaves, that will revolt once again, it must develop agriculture the smart way. First, under no circumstances allow consolidation of farms into super-farms and second, under no circumstances allow any foreign multinationals to enter the market, as they will destroy it. The government must be resolute on this issue. Ukrainian agriculture sector must be decentralized, consisting only of small and midsize farms. Mega farms must be few and strictly regulated. If this is not done then the country will become one large mega-farm with oligarchs at the helm. People once again will be exploited and poor. The fertile land will be drained of all nutrients in a decade or less as mega-farms are not sustainable. Examples of this type of exploitation can be found all across Africa and South America.

Another key point to make, no one needs to be forced into farming. By offering simplified business registrations, tax breaks, cheap land, government subsidies, guaranteed purchase of product, grants, free or cheap tuitions in the field of agriculture and other incentives, Ukrainian people will move heaven and earth to enter into and start farming businesses. Above that there are already hundreds of thousands of small farmers, across the entire country, that are ready to supply Ukraine and the world with high quality cheap food.

I say this not from simply talking with such farmers, but as an ex-owner of a small failed swine farm in central Ukraine. We were breeding free range, chemical free, happy pigs that lived a very good life, before going under the knife. We did not do this for any “green” reasons but because that is how most people keep livestock in Ukraine, why poison animals when you don’t have to. That is the mentality there. Then Yanukovich signed a deal with Poland to supply subsidized pork from their mega-farms at “impossible to compete with” prices, he killed all small swine farms in Ukraine, ours included. Considering Ukraine prides itself on its pork and almost worships the pig as their national animal, what Yanukovich did should be considered as cultural and economic treason.

The case for agriculture and farming is clear – I literally guarantee that this sector alone will provide enough money to make Ukraine a rich nation. What about other sectors? I will go through them quickly as they are all secondary in comparison to the potential of the agriculture.

Next largest economic sector is mining and metallurgy. This is a big powerhouse that provides a lot of income for the nation. In fact, I have a friend who lives in a small Ukrainian village where, in the depths of the earth, massive iron deposits were found; the village will likely be relocated in the years to come. By its nature mining and metallurgy cannot be a small business thus oligarchs are inevitable. The government must do two things here. One, nationalize or become equal partners in these business; I prefer nationalization. Two, regulate it very effectively so the wealth they generate stays in the country rather than go into offshore accounts of their oligarch owners. That will add billion of dollars to Ukrainian economy very quickly (within a year or less). No need to worry about steel buyers, they will not go anywhere as the world’s demand for steel is only increasing.

Defence sector holds great potential for Ukraine. It is something they can do well. Ukraine still has a lot of very smart Soviet trained engineers, builders and designers. They can supply the world with cheap good quality military technology. The problem, once again, is the corrupt government officials and oligarchs that are “milking” this sector purely for their own gain. Most of this sector is marked as top secret by the government, which means zero accountability in front of the nation. In a corrupt country like Ukraine almost no money comes back into the nation’s budget from its military industrial complex. That is billions of unaccounted dollars.

Ukraine has a fairly good industrial base for building heavy transportation (trucks / planes / ships). None will yield quick profits but have tremendous potential for growth in the years to come. By implementing the above described steps that industry will flourish.

Another strong sector is trade, retail, shopping and service, which all together probably should be right after the agriculture sector. These businesses primarily dominate in the city centers, however are necessary everywhere. With tax reform, anti-bureaucracy and corruption measures, and above all after monetary reform, these sectors will naturally grow. As long as the government pays attention to the small businesses and implements laws that allow people to easily start such enterprises, things will develop fine on their own. Lots of income can be expected from this sector within two years.

Lastly, Ukraine has an energy sector and it is a costly one. There are a number of nuclear power plants in the country that are producing electricity. It is possible to build more but in this case safety and cost comes first. This means this cannot be done in a crisis or even during the recovery period. Ukraine is a transit nation for Russian natural gas which is no longer under discount, thanks to the protesters and the nationalist interim government. It is an expense rather than an income sector. What Ukraine needs to do is, like Europe, start investing in renewable energy, primarily wind and solar. That again is something that will need to be done later, after the crisis has passed. Overall the energy sector will not provide any immediate income to the nation’s budget.

STEP 9 – Invest in Education:

Ukrainian government must immediately start investing in education. It should support and develop current schools, colleges and universities and build new ones. The government must further provide subsidies to higher education so that everyone who wants it can get a post secondary education. It must also launch a massive re-qualification campaign to upgrade the skills of its workforce. This will take people off the streets and put them into the class rooms. Everything is already in place to do this - universities are there, teachers are there, the hungry for knowledge people are there as well.

Nothing other than the commitment from the government is standing in the way. New government must appoint good leadership to the Ministry of Education, not from the ultra right nationalists but from well educated professors that are found in abundance in every corner of the country. I know this because I met many of them personally. These are truly smart people who know how to teach and lead. Unfortunately they are not politicians and thus cannot break into the current establishment. If Ukraine is to thrive, it is the establishment that must seek such people out and ask for their help. To sum it up I would like to say that Ukrainians are smart and capable people - they will learn quickly.

STEP 10 – Investing in the Middle Class:

Great emphasis should be placed on middle class and small as well as midsize businesses. The government must give as much rights, power and security to the middle class as it can. This will automatically take the country out of this crisis and into prosperity.

The backbone of any nation is the middle “working” class and small business. It is them who create economic growth and it is them who the government must help and bail out first. After all it is not the oligarch or the politicians that revolted in the center of Kiev; it was the common folks who had enough. Granted, they went the wrong way about it, but nonetheless everyone can agree that Ukrainian people had enough, even Putin acknowledged this!

I guaranty that if right now, amidst this crisis, government started spending its resources on teachers, doctors, engineers, police, military, etc. and pay them slightly more than what they got before, all protest would cease, everyone would simply get back to work. Everyone must understand that this crisis is not over joining the EU, it is about poor economy and unbearable life standards. Same can be said for the Greeks and the Spaniards by the way.

Next step to support the middle class is to decentralize the government while giving more power to the parliament, regional representatives and people themselves. It is crucial in order to prevent another totalitarian oligarchic regime.

It is important to understand that right now Ukrainian people feel that they have no purpose. They are screaming “we want better life” but their leaders do not know how to bring this about, they have no specific goal or plan of action. Everyone only understands the general idea but now they need those specific goals to unify and put the country to work. Further more the Ukrainian people desperately need clarity, guidance and honesty from their leaders. Today the masses are confused and very polarized.

The interim government must immediately do the following:

1. Spend money on the middle class (pensions / healthcare / education etc.).
2. Invest in small and midsize businesses.
3. Give more constitutional rights to the middle class.
4. Decentralize government by giving more power to the regional authorities
5. Provide the people with as much information as possible.
6. Give the entire nation a plan of action.

The above suggested activities will get the ball rolling. Naturally a team of social, legal, financial and other experts must be brought together to determine the best course of action on how to empower the middle class. The only thing that the government has to do is give the order and provide political backing to such individuals. Ukraine has a lot of smart people especially in the academic community that will quickly figure out the best way out of this crisis. I’m certain of this.

That is what the Ukrainian leaders should be doing right now 24/7, without sleep, break or pay – it is their patriotic duty to rebuild the nation. If someone is not up to the task, they should quit or be fired; their position must be given to someone more qualified and who can do their job better.

CONCLUSION

“Ukraine must become a bridge between East and West, not a wall”

The key to a great leadership is turning disadvantages into advantages. Ukraine geographically is stuck in the middle of Europe between East and West. What may appear to many as a disadvantage at the first glance, may be a tremendous advantage in disguise.

Ukraine must become a bridge between East and West, not a wall. It is in a unique position where the people understand the Russian culture and are eager to learn the European ways. If the new government skilfully manages this, Ukraine stands to become a Mecca for businesses from both sides.

Everyone, especially Ukrainians must understand that Russia does not want to rule or invade Ukraine, it is too much of a problematic country to own. EU does not want Ukraine for the same reason. The fact is, everyone wants to use Ukraine for their own gain but nobody wants to be responsible for it. Ukraine cannot enter NATO either. Why? Apart from not being ready militarily, it is too much of an aggressive move towards Russia and will have major global repercussions. That is not good for business, so no one wants that. Ukraine must realize this, seize the opportunity and stand up for itself.

If you look at everything that I’ve written here, I’m sure you can see that Ukraine can be a strong and proud nation without siding with anyone.

A team of qualified professionals can recover Ukraine in a short period of time. All they need is a strong willed leader that can represent them. I would really like to stress this again and again: Ukraine is not a helpless inexperienced child. It is an experienced nation that is simply going through difficult times, like many nations have. Above all it is full of highly qualified people to do the job. It is possible to achieve everything I’ve stated within two years. Just in case you need more convincing, here again are the 10 step action plan I propose:

- STEP 1 – Situation assessment**
- STEP 2 – Develop a plan of action**
- STEP 3 – Establish basic immediate security**
- STEP 4 – Immediate strict anti-corruption laws**
- STEP 5 – Immediate monetary reform**
- STEP 6 – Immediate tax reform**
- STEP 7 – Anti-bureaucracy measures**
- STEP 8 – Strengthening key economic sectors**
- STEP 9 – Investing in education**
- STEP 10 – Investing in the middle class**

To those who don’t agree, I would like to say this - at least I provided a plan which can be criticized, modified and above all tested. Nothing even remotely close has come out of Ukrainian, US or EU leaders. On this basis, this body of work is the only public plan of action to date.

With this article, I wish to start a dialog between all professionals that support the concept of a systematic approach and using qualified experts, rather than politicians to rebuild a nation. If you agree I invite everyone to comment on what you think must be done first, second and so on. I proposed my vision and I would really like for people to jump in with their own constructive ideas and criticism on how it can be improved, changed or advanced further. Lastly, I would really appreciate to see comments what you personally would do, if you were in charge of fixing Ukraine.



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