



Alfred Praus

Interview with the President
of Ukrainian-Austrian Association

“Visegrad countries, partly under Kremlin’s influence and mostly under a nationalistic development are countering the “remaining” EU in some issues”

– **For some time already you have been head of the Ukrainian-Austrian Association, whose task is to establish bilateral economic relations that would be beneficial to our countries. Do you consider your work to be effective? If so, please, give examples of successful development of Ukrainian-Austrian cooperation.**

– Ukrainian-Austrian Association (UAA) is not only dealing with bilateral economic relations: we are also active in the cultural field and in bilateral aspects of social and civil life.

Taking into account that we have been registered in Kyiv only 6 months ago, I may consider the development of our activities to be remarkable indeed. Just a few examples: We are accompanying Mr. Oleksandr Savchenko, President of Business School MIB to find an Austrian partner University of Applied Sciences for a double or joint MBA or MA in Business; two Ukrainian industrial companies have mandated us to find Austrian or European partners; in culture: UAA is partner of the Viennese Charity Ball in Kyiv, both with the City of Vienna and the Ukrainian organizing agency Brandberg; in a few month we will organize a top-level Investment Conference supported by Vice-Prime Minister Ivanna Klympush-Tsintsadze and with distinguished panelists from Austria, Ukraine and members of the International Council of Business Associations and Chambers of Commerce, where UAA is honored to be a member.

– **In our country, great attention is paid to IMF loans. It has come to the point when everybody agrees that, in the final result, they are unprofitable for Ukraine, but without them it would be impossible to survive. What can You personally say or advise in this regard? And what do You think: should Ukraine try to fulfill the demands of the IMF in full obedience or not?**

– IMF, in my humble view, has contributed to an essential extent to Ukraine's having escaped a sovereign default – can you call that “unprofitable”? Complying with the requirements of IMF or not: especially in 2019 redemptions of IFIs (i. e. International Finance Institutions) loans is an extremely heavy burden on Ukraine. Not complying with the IMF-preconditions to continue or renew the programme is very dangerous for Ukraine: beyond IMF, a series of international lenders have tied their lending to the lending by IMF with the consequence that Ukraine may miss 10–15 billion

dollars in international money if it does not comply with the IMF-terms. Besides, losing the IMF will, at least in the medium term produce an adverse image of Ukraine in international financial markets — ratings will go down and interest will grow considerably, the market may even close for Ukraine.

Apart from the substantial risk for Ukraine in general, not complying with IMF-terms may destroy some of the positive image, Ukraine has managed to build under very difficult circumstances in the past years. It will (further) lessen the attractiveness of the country for foreign investment and cost growth and prosperity.

— In your opinion, should we or should we not look for an alternative to IMF loans, taking into account that they did not help anyone who tried to meet IMF demands to get out of the economic impasse?

— What alternatives do you mean, what alternatives do you see? Exposing Ukraine to China (or Russia again)? Ukraine is part of Europe and associated with the EU. Hence I feel there are no other realistic options to complying with IMF (and World Bank and European Investment Bank, etc.) conditions, unless Ukrainian politicians want to take the risk of losing all they have gained so painstakingly in the past years. Not to forget the considerable risk in terms of civil unrest such a policy may imply.

— Can Ukrainian enterprises be saved by cheap loans? And in general, do you believe in the existence of purely Ukrainian productions, unbound by Russian capital and which are not subordinated to the Russians?

— Yes, I do believe in the competitiveness of Ukrainian products and services, at least in some sectors: take IT, agriculture or aviation industry for instance. Ukraine has to build, step-by-step, a market economy eventually free of vested interests and without funds being syphoned-off: this will create a competitive economic framework. Ukraine itself and European Union, not least due to the Association Agreement, are the marketplaces besides Asia. And Ukraine should strive to create more added-value concerning the products and services offered.

— Which regions of Ukraine can be considered the most promising, and which are already exhausted, in case if real reforms begin? If it were up to You, what would You invest in?

— It is evident that Western Ukraine has seen a much beyond-average development in the past years. Not only due to the brain drain — a substantial problem for the country to be urgently addressed! — but also as a result of booming sectors (IT, automotive parts, etc.), labour market is even practically depleted in some regions there.

Where to invest: As Austrian I am prone to invest in Western or Central Ukraine; this has also inter-cultural and mentality reasons.

Industry segments: areas where there are no distinct vested interests — you would have to be a very strong international player to go to sectors which are taken by the oligarchy; machine industry, environmental projects, alternative energies, energy-efficiency, improvements in the health sector, tourism and leisure industry, and some more are sectors with a clear growth potential and viable project potentials for mid-sized Western investors, in my opinion.

— In 2018, Ukraine should pay almost 7.5 billion dollars in foreign currency under the loans. If Ukraine does not have these funds without receiving another loan, what does that mean for the country's prospects? Won't the West "let it go" into the arms of Russia, which is dreaming of seeing its future boundaries on the present western Ukrainian borders?

— As already stated, I see more the year 2019 to be most stressing the country's liquidity. In order to receive the funds indispensable for surviving the year 2019, Ukraine has to do its homework, however, still in 2018 — well prior to both the presidential and parliament elections — and this is the problem in my view.

— Our Ukrainian experts say that during the time of Yanukovich, the government and the NBU artificially created a deficit of the Ukrainian currency, taking away billions of hryvnias from the sale of gold and foreign currency reserves from the Ukrainian economy. That could not end in anything good for Ukraine, so the previous leadership deliberately provoked our citizens' protests in order to have an excuse "to jump off" from the captain's bridge of our economy and to avoid more serious responsibility. In other words, Maidan helped them, and today they live in security in Russian estates. Don't the Western politicians mean this when demanding to

resume cooperation with Russia to make it possible to obtain significant revenues again?

— As a foreigner and with UAA being non-political, I would not comment on developments in the past. It seems to me that the enhancing quest of Western European politics and business to cancel or at least alleviate the sanctions on Russia and to resume cooperation with Russia has a simple business motive: for Western European business relations Russia versus Ukraine is maybe 10:1; i. e. Russia is by far more important as business partner. And finally media-politicking and subversive influence of the Kremlin also plays a role in that.

— **You have the opportunity to observe the state of our economy, the work of the government and the Verkhovna Rada's law making. Do their actions speed up our default? And if so, how will this affect our society? Are we on the verge of extreme inflation, card system for food, etc.?**

— I am not a top economist, I am looking at things and developments as a more or less experienced businessman with a not too bad overview with regard to the Ukrainian economy. And I am in agreement with many economists and top bankers that development has slowed down over the past months, in some cases has come to a standstill or has even shown a reverse trend. There are elections not too far ahead. Much will depend on the political choices mentioned above. And yes: I do see a considerable risk for the economy and for the civil peace, should old habits prevail.

— **What is the reason for the fall of the US stock market, which is considered to be the peak one, and who benefits from it? Will it not affect the sanctions imposed on Russia for its actions against Ukraine?**

— Again, I am not a top economist. From my perspective the stock market slump experienced in the US recently is simply a correction reaction in a hyper-nervous environment. Just compare the upward move of the Dow Jones in the past year. On the other hand I deem the development and extreme volatility of cryptocurrencies an even bigger threat to the financial markets.

— **In Your opinion, why did the banking community allow the destruction of our banking system? Why was there no public discussion of banking "reform", which caused irreparable harm to the banking business, small and**

medium-sized businesses, which accounts for at least half a trillion hryvnias?

— As far as I am aware of, the banking sector had been extremely corrupt with a series of major players syphoning-off many billions of Euros or dollars to the detriment of institutional and private depositors. This HAD to be cleaned up and this has been one of the few great success stories in the past years. How could a relatively weak and depleted country like Ukraine compensate in full such self-service practices? I think that it was enormously brave and financially exhaustive at least to rescue Privatbank. Ukrainian laws foresee the compensation of private depositors' losses with certain limits. Manly international banking groups, like the Austrian Bank Aval, however, had suffered vast losses indeed.

— **How high is the probability of the collapse of the Eurozone and the European Union? Who and why may want this and to whom it is beneficial?**

— EU and EURO, in my humble opinion, are exposed to some risk indeed: Visegrad countries, partly under Kremlin's influence and mostly under a nationalistic development are countering the "remaining" EU in some issues like refugees or the legal system; inequalities in economy are burdening some of the weaker EURO-economies; the idea of the "United States of Europe" has become more of a dream meanwhile, in my opinion. Therefore it is at least conceivable that there may evolve in several years a Europe of two different speeds or a core Europe within the European Union.

— **Recently our President has announced that in 2021 Ukraine will have a prospect of EU membership. In Your opinion, is his statement too optimistic, especially in the current situation, when there are more than 900 Russian tanks near the eastern borders of Ukraine, which plan to reach, if not the English Channel, then the Carpathians for sure. And one more: everybody is talking about the next wave of enlargement of the European Union, but Ukraine is not mentioned as part of this "wave"...**

— EU, in my opinion, will not invite Ukraine to become a candidate country with a war going on in the Eastern part, be it open or frozen. So will this conflict be over in 2021?

EU should first settle their internal problems and there are many, some of which I have mentioned. And only then EU should offer candidate status to

neighboring countries which deserve such offer: stable, predictable and reliable. This is my credo as a top-manager. There is a long way to go for Ukraine. And to be very clear: I do hope that Ukraine will make it in the shortest time possible!

Finally, political statements in Ukraine, all the more with elections looming at the horizon, should not be taken too serious.

And I would not be so concerned about further Russian invasion moves.

— **During the joint press conference with President Petro Poroshenko in Vienna,**

Federal Chancellor of Austria Sebastian Kurtz said that Austria is ready to consider its participation in the UN peacekeeping mission in the Donbas. Does this statement imply, along with political, some other considerations?

— In my feeling, Austrian Chancellor's statement is based on the general preparedness of Austria to join international missions (like many in the past) on one hand, and on the interest of Austria to settle the conflict in the East on the other hand. I do not see a hidden agenda in this connection. ■