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A social breakthrough and an economic slowdown in Ukraine

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Abstract:

Recent revolutions were either successful as in Georgia, where the living standards were improved or a great fault as in Yemen, Libya and Syria, where a civil war started. What are the underneath reasons of a successful revolution? Why in some countries anti-governmental protests brought prosperity while in others continuous military conflicts and social deprivation? This paper provides a multi approach analysis of the Revolution of Dignity in Ukraine, shows visible and hidden preconditions as well as key social and economic outcomes. It concludes that despite a fundamental shift in the social identity and ideology of the nation, there are number of negative economic results, which slow down economic development and further social improvement.

JEL Classifications: O11, O35, I31

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1. Introduction

The main purpose of any kind of a revolution is to make required fundamental changes in order to improve the living standards of population as well as replace old and inefficient methods of doing business and governing to the latest ones.

Lately, revolution movements and protests against the existing ruling party were seen around the world. The first successful revolution within Post-Soviet countries took place in Georgia in November 2003 and is called as the Rose Revolution. As a rule, all revolutions are started by unsatisfied people protesting against the Parliament or the President, the situation in Georgia was not an exception. Georgians went on streets to protest against the new elected Parliament, as the results were different as predicted by surveys, people suspected fraud and went on protest. As the result on protests new President and Parliament elections were organized and the new progressive team took the power. To understand if the revolution was successful or not we need to look for gains, shortly after the election of the new President he started fundamental reforms, firstly, against corruption, next, renovation of infrastructure, public sectors, defense forces, in such a short period of time they increased their GDP as well as the state budget. Noteworthy, Georgia moved from the communist ideology to the Western, and now actively moving to the joining to the European Union and NATO (News 24, 2014; Kiguradze, 2013).

Another well-known revolution was seen within Arab countries and called the Arab Spring, which started in December 2010 in Tunisia and protest movements have expanded to Libya, Egypt, Yemen, Syria and Iraq, moreover, major and minor protests were seen almost in every Arab country: Algeria, Jordan, Oman, Sudan, Bahrain, Kuwait, Morocco, Lebanon, Saudi Arabia, Iran, where some governmental changes were made or

protests were strangled. The outcomes of these protests vary regardless their close geographical location and religion. The positive outcomes were noticed in Libya, Yemen, Tunisia and Egypt where the dictatorships were overthrown and the worst ones are in Yemen, Libya and Syria where a civil war started (Gardner, 2011; BBC News, 2016). Based on the mentioned above it's not easy to declare if a revolution itself brings something new and progressive or just worsens already unsatisfied living conditions and distrust to the government. Regarding social and economic outcomes of the Arab Spring, key points are the following: redistribution of the nation income towards bigger share in defense and military sectors, decline in production, reduction in inflows from working migrants, closure of international cooperation, wide spread of refugees and reduction in tourism industry as the region is military unstable.

The analysis of the previous revolutions highlights the necessity to study in details the latest revolution in Europe, the Revolution of Dignity in Ukraine, and to declare the main social and economic changes between pre- and post-revolution period.

To understand visible and invisible factors that pushed people on the streets, we need to study the preconditions of the protests, instability and the government overthrown, based on the nature of the factors they are divided into external and internal.

2. External negative economic shocks

The hidden cause of all latest military conflicts is the distribution of power and the wiliness of the world's leaders to benefit from the economic integration, and Ukrainian crisis is not the exception. Ukraine is located in the shared neighborhood of Russia and Europe and both sides tried to integrate with Ukraine by implementing an "easier" trade policy or by forming the Customs union (Langbein, 2016). European Union attempted to integrate with Ukraine through a signing an Association Agreement and Deep and Comprehensive Free Trade Area (DCFTA), mentioned agreement would give the access to the European market and later elimination of 95% of tariffs after implementing required reforms in order to harmonize the technical norms and standards with European ones (Delegation of the European Union to Ukraine, 2016). Potential EU membership of Ukraine would bring foreign capital, outdated technologies could be updated by new comers and as the overall result Ukraine would receive competitive advantages as political stability, freedom from oligarch's capital, safe and fair economic environment, reliable legislations regarding protecting rights of all economic agents. Opened borders with European enterprises will lead to a spillover of new forms of management and organization as well as new know-how to Ukraine, which will bring new methods and rules of doing business pushing down the old highly corrupted business environment and most probably will change the trading pattern of Ukraine in accordance to the existing trade scheme that already exists within the EU. The alternative initiative was suggested by Russia, to join the Customs Union with Belarus and Kazakhstan, as the advantage Ukraine would receive a reduction in the gas prices and a 15 billion USD loan, but would get under Russia's dominance, which it turn would inhibit the further movement towards European Union (Tridico et al., 2016).

Despite the common Soviet background of Ukraine and Russian Federation there are some fundamental differences in the ideological perception of the nation as well as different standards of doing business and attitude towards fighting against corruption. While Ukraine was trying to build up a "national" perception of the country, underlying and highlighting the culture and traditions, Russian Federation was aiming at building up a "state" image of the country proving its remaining influence and power in the global scale as well as following the goal to capture new regions to enlarge the existing territory, showing that the most valuable is the strength of a country and its place in the world decision making process (Kiryukhin, 2016; Kulyk, 2016). According to the mentioned above there was invisible tendency in the creation of the social bounders between

Ukrainians and Russians only based on the different perception of the country, that represents the unstable background that was really for any nation-based conflicts both within the country and between countries.

As for the approaches of doing business, Ukraine starting from the Revolution of Independence in 1991 had two opposite directions of further development favorable within Western and Eastern regions, the difference in preferences was made by the dominance of Poland in the Western Ukraine and by Russia in the Eastern. Although that difference was not the cause of separation instead it balanced the overall political environment in Ukraine including the representatives of various parties and regions. Moreover, the existence of opposition forced politicians to obey the legislation at the same time improving the conditions of doing business and reducing the level of corruption. As for Russian Federation where the population is relatively homogeneous, the political power was and still is concentrated in the narrow circle of people, as a rule close to oligarchs, with this state of things it is difficult to fight the corruption and balance the influence of the ruling party (Aslund, 2008).

Under those conditions Ukraine was at the crossroad to integrate with the EU or with Russia. Based on the common past under the Soviet Union period Ukraine and Russia have mostly all common standards, their industries are connected for a long time, specifically the coal and energy industries, where Russia is the biggest trade partner, in addition, population of two countries share the same religion and traditions etc. On the other hand, the possibility to be integrated into the European society is highly preferred by citizens, as it provides exceptional possibilities for individuals in form of better living standards and social security and for businesses to enter to the European sales market. The EU-oriented path of development was the most harmful for the Easter region, which is export-oriented with around 80% of output export to Russia (Zhukov, 2016).

Till today, there is no clear approach and unique understanding regarding the best of the mentioned paths of development and modernization for Ukraine among scholars. Trading with the EU countries can worsen the economy of Ukraine and prevent modernization as the trading pattern is based on the following advantages as cheap labor and natural resources, which in turn can lead to depletion of resources and put Ukraine into the inferior position. This route seems to be beneficial only in the short-run as in the long-run Ukraine with the same level of modernization will not be able to compete with continuously developing European countries. In addition, the openness of Ukraine's market allows to substitute domestically produced goods with cheaper imports, which will make Ukraine more sensitive and vulnerable to the external shocks. On the other hand, to maintain the trading practice with Russia can lead to significant financial benefits, as from the Soviet era all Ukrainian and Russian industries were projected and built to complement each other that will increase the volume of international trade immediately. Some scientists suggest that the best path of development is to take the middle place and trade with EU and Russia at the same time (Molchanov, 2016; Katchanovski, 2016; Arbatova et al., 2016). Taking into account all mentioned above, we can conclude that the decision should be taken once as each of the paths requires different political and economic reforms as well as some changes in the methods of production to follow commonly accepted standards.

3. Internal factors

The official reason of starting protesting was the decision of the President, Victor Yanukovich, not to sign the Agreement on Association with the European Union. Particularly this was the beginning of the Revolution that brought thousands of people, mostly students and youth, on the streets. The protesting people were beaten and forced to leave by policemen, the next day, on 30th of November, 2013, more people came to

support students and show their unacceptance of the police actions, therefore, the student's protest had transformed into anti-government protesting.

The massive protesting movement was not possible if the population was not mentally ready to stand up for their future and change the governing system in general. The changes in legislation, initiated by the President in 2010, specifically, the shift from the Premier-presidential to the President-parliamentary system in order to concentrate the whole power in the President's hands as well as to control and make decisions in favor for the personal interests and interests of the members of his family or party, without any need to agree them with the Prime minister and Parliament.

Besides the political crises, there were other factors that worsen the situation of middle class, specifically the corruption and fiscal pressure from the government. The range of services that supposed to be provided costless by the public sector became less available for people or sometimes required some additional informal payment.

During the period of Victor Yanukovych ruling from 2010 to February of 2014 the overall performance of Ukraine was continuously decreasing. The first indicators that shows the depressing situation of Ukraine is the decreasing growth rate of real GDP per capita from 4.61% in 2010 to 0.2% in 2013. Ukraine faced problems not only with lower growth rates but also with the spreading of corruption, according to the Corruption Perceptions Index, reported by Transparency international, which is calculated based on the level of public sector's corruption, the rang of Ukraine got worse from 134 in 2010 to 144 in 2013 out of 177 countries, sharing the same rank with Cameroon, Central African Republic, Iran, Nigeria and Papua New Guinea (Transparency International, 2017). The growing problem with corruption was accompanied by the continuous repression of economic freedom, it was extremely low in 2010 at the 162nd place and remained low in 2013 at the 161st place out of 177 countries, sharing the same rank with Togo and Liberia (Heritage Foundation, 2017). Besides that, the way of operating and controlling the efficiency of public sector was not appropriate, as starting from 2010 the budget deficit was continuously increasing from 2.2% of GDP to 6.3% in 2011 and till 8.4% in 2012 (Trading Economics, 2017).

Mentioned macroeconomic indicators on economic and social development of Ukraine are common for each region; this disapproves the theory that the main cause of the military conflict and interregional confrontation was the increasing gap between rich and poor regions (Melnyk et al., 2016). On the other hand, still some specific characteristics can be seen for Eastern and Western Ukrainians, such as their different attitude towards "free market" and "democracy" as two key features of the European society. According to the current literature, less than 30% of Eastern Ukrainians supports "free market" system and "democracy" comparing to 42% of Western Ukrainians. This in turn indicates on the variety of opinions regarding the ongoing economic development and the place of Ukraine within the global economic environment (De Haas, 2015).

Experts characterize Ukraine as a country with "crony capitalism" or "oligarchism", a system full of bribing and informal connections between representatives of public sectors and the owners of "big" businesses in order to satisfy their common interests via lobbying the favorable legal norms and regulations; the practice of implementing nationalization based on lower than market value of a public entity in favor of associated individuals rather than based on a firms performance and competitive advantages. All mentioned highly corrupted schemes in public and corporate governance lead to following negative macroeconomic outcomes: unequal distribution of income, degradation of the quality of life, worsening in expectations, discouraging of the investment climate, enlargement of the pressure on the national currency, decline in inefficiency of the government expenditures, discouraging of the entrepreneurship incentives, reduction in the budget inflows, further growth of grey economy, raising the price level as a result of corruption and absence of competition, increasing state intervention in private sector activities etc. (Iridico et al., 2016; Dragneva et al., 2016; Svyetlov, 2007; Grigoriev et al., 2016).

Besides that, the overall misallocation of resources can be noticed in Ukraine, the productivity of most industries is less than the average level, moreover, the capital is concentrated in huge businesses, specifically in state-owned companies with large scale of production but with relatively low productivity, that in turn prevents new more innovative and productive firms to enter the industry. The lowering down or elimination of barriers to entry will solve mentioned distortions of output and capital, which in turn, leads to boost in productivity of manufacturing and the economy of Ukraine in general (Ryzhenkov, 2015).

Finally, the greatest strategic paradox in interactions of government with big businesses was shown off, as the representatives of the government got wealthier due to misuse of the budget money and representatives of the business, as a rule, had strong connections with the public officers, were doing extremely profitable business mainly working with Russian Federation, at the same time, investing their money in European financial institutions or offshores. As the close surrounding of the President was in dependence with Russian, Ukrainians' wiliness to join the European Union and adjust the system in accordance was inappropriate for owners of big business, who supported and collaborated with the President. That was the point of separation between the President's and associated people's interests, on the one hand, and Ukrainians' interests to improve and develop the country and to become close to the European society, on the other hand. The representatives of business that were not following the principles of competition, were against the movement towards the European Union, as according to the European legislation, market is regulated mostly by the rules of competition instead of using informal channels and personal connections.

4. Social outcomes of the Revolution of Dignity

The Revolution of Dignity changed the minds completely but in different directions in various regions of Ukraine, citizens of the Eastern Ukraine support and greet the rebellions, while the population of the rest Ukraine celebrate the turn down of the representatives of previous ruling party and their close surrounding and a shift in the strategy of international integration from Russia-oriented to European Union - oriented path. The issue is why the Eastern region was the most harmed and could not protect its maintenance under Ukraine but instead preferred to support the newly came authorities.

Regarding the mentioned concern, scientists predicted and proved the significance of some factors on the level of rebellion activities and protesting for changing the authority. There are two key factors, according to Yuri M. Zhukov; the first one is the high rate of employment in industries that are mostly export-oriented to Russia, namely: 26% in machine-building industry, 39% in mining, 22% in metal industry, the second predictor is the geographically concentration of Russian speakers, but the language factor was significant only in combination with a high employment in industry, as a separate factor it was weak (Zhukov, 2016).

As for social changes that were noticed after the beginning of the Revolution of Dignity, firstly, the level of trust between citizens increased from 45% in 2013 to 52% in 2015, as under the conditions of military conflict the mutual help and support was the crucial source of moral strength to cope with upcoming problems and literally to survive, talking about people living in the regions where military actions were taken.

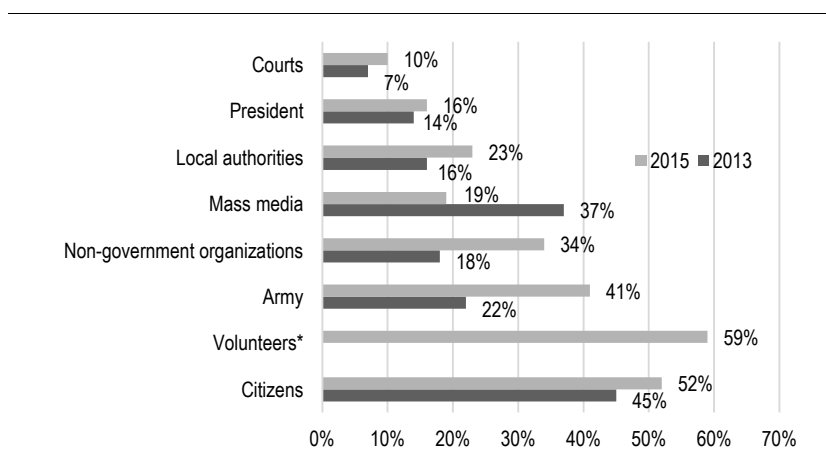
Second group of people that share 59% of trust consists of volunteers, this category was added to a social survey only in 2015, as with the capture of some Eastern Ukrainian territories volunteers became a unique chain in connection between people living in central-controlled regions of Ukraine and captured regions. Volunteers provide wide-ranged support to the civil population in a form of food, water and necessary for basic needs goods supply and army by collection charitable contributions from population,

organization and delivery of food, water and other needed goods as well as medical products and means of self-protection to those regions where governmental provision was not fully implemented.

The level of trust to army increased from 22% in 2013 to 41% in 2015, as with a start of a military conflict the role of army became exceptionally important in the context of further possible capture of Ukrainian territory. Ukrainians' attitude to the army was shown in a form of permanent financial, physical and emotional support by provision of food, clothes, goods for personal needs etc. During the latest time there was a huge wave of voluntarily joining to the army by youth and adults as well, contrasting the previous practice of seeking formal or informal ways to avoid serving in the army, which indicates an increase in the average level of patriotism and wiliness to protect the homeland.

As for non-governmental organizations, they had shown their power and influence during and after the Revolution of Dignity and the level of trust to them almost doubled from 18% in 2013 to 34% in 2015. First of all, during the Revolution non-governmental organizations acted as a catalyst to attract the citizens' attention to the current depressed economic situation and upcoming possibilities to overcome existing problems and develop the civilized Europe-oriented economic system. Secondly, with a change in the ruling party, non-governmental organizations started monitoring decisions made by the newly elected public officers in order to prevent the misuse of the current power and possibilities to lobby personal interests, like it was with the previous party; and controlling the changes in the legislation and their accordance to the existing law to avoid the creation of norms with "grey" gaps, which can be used to escape from the possible penalty etc. Thirdly, with start of a military conflict, non-governmental organizations play a role of a middleman between army involved in the military conflict and citizens that are willing to support and encourage army by all available means, starting from providing means of personal-protection to handwritten letters of support from children.

FIGURE 1. PRE-REVOLUTION AND POST-REVOLUTION LEVEL OF TRUST



Source: Volosevych, 2016.

Note: * - The category was added only in 2015.

The reputation of the mass media channels decreased sharply from the level of trust at 37% in 2013 to 19% in 2015, the reason for that change was the broadcasting of unreliable and sometimes contradicting information and misusing its audience for propaganda in a form of sharing fake news or modifying them in someone's favor. With the total accessibility to the Internet, where the publications of independent organizations

can be easily found and compared with the "official" broadcasting information of biased means of mass media, the fact of information misusing was clearly visible for everyone.

As the previous ruling party and the President were removed from their position in February of 2014 and newly elected President Petro Poroshenko and his party came to power, Ukrainians fully supported the upcoming reforms and prospective steps towards the joining the European union, that was the reason for an increase in the trust level to the authorities at all levels from local level (from 16% to 23%) to the President (from 14% to 16%). Special case is on the trust to the courts, as a rule, for post-communist countries, the big issue is about a highly corrupted system of courts, which can misuse the current legislation in favor of rich people or individuals that are closely connected to the public officers or any type of authorities. Lately, a program of reforms was initiated by the President in order to "clean" the existing system of courts and to build up trustful image of courts, from 2013 to 2015 there was a slight increase in the level of trust from 7% to 10%, still courts have the lowest level of reliability compared to other authorities (Figure 1).

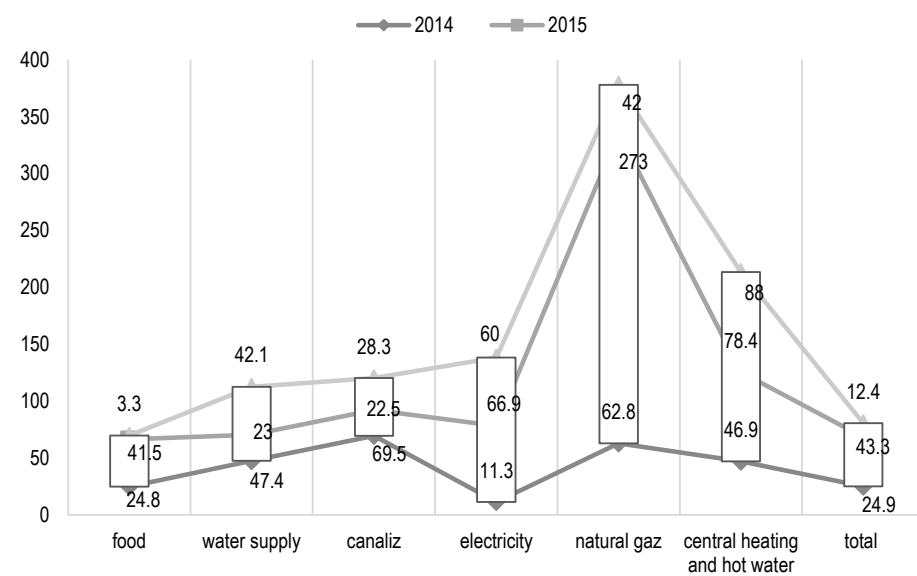
5. The economic outcomes of the Revolution of Dignity

The economic situation in Ukraine even before the Revolution of Dignity was weak and unstable, and further with the start of military interventions and massive instability in the Eastern part of Ukraine, the economic system and the overall competitiveness of Ukraine got worsen gradually.

The first indicator of the economic strength is the GDP per capita, dynamic of the GDP per capita within European countries for the last 12 years shows the level of Ukraine among geographically and economically close countries as Moldova, Belarus, Romania, Russian Federation and the average level for countries with lower and upper middle income. Among the mentioned economies, Ukraine shows a negative tendency, specifically after the Revolution, the decrease was seen from 4,029 US \$ in 2013 to 3,104 US \$ in 2014 and even twice lower level of 2,114 in 2015 (see table). The latest level of GDP per capita was equal to the level of 2009 and 2006, and it dropped till the level of Moldova, the weakest economy in the region, that proves the economic slowdown of Ukraine in the post-revolution period.

The second mark that illustrates the overall performance of the economy is the inflation rate, the negative tendency in the post-revolution stability of Ukrainian currency is shown in the table below. Starting straight after the beginning of the Revolution in 2014 the purchasing power of Ukrainian Hryvna (UAH) was dropping gradually, firstly with the rate of almost 25% in 2014, after that the situation became even worse, the highest reduction in the power of currency was equal to 43.3% in 2015. The sharp increase in the price level mainly was caused by the military occupation of the Eastern regions of Ukraine, as those regions are important as a source of coal that is the key provider of energy for producers and consumers. With the military interventions to the region the access to the public coal mines was lost, as the control of the mines was taken by the invaders; consequently, Ukraine had to switch to another supplier of coal to satisfy the needs of manufacturers and consumers. Thus, the price for all types of utilities increased, especially huge rise was in the price of natural gas in 2014 it was equal to 62.8% in 2015 in increased by 273% and later on still there was a rise by 42% in 2016. Other types of utilities got more expensive lately, as the same resource is required to provide them, the electricity price increased by around 67% in 2014 and 60% in 2016, the costs of providing the central heating increased by almost 47% in 2014, by 78.4% in 2015 and by 88% in 2016 (Figure 2). The incredible increase in the price for utilities accompanied with the decrease in the GDP per capita worsen already unstable economic situation of households, especially, vulnerable groups. The latest data shows that the current state is still unstable, but with lower rates of inflation compared to the previous years.

FIGURE 2. OVERALL INFLATION RATES (FOOD AND UTILITIES)

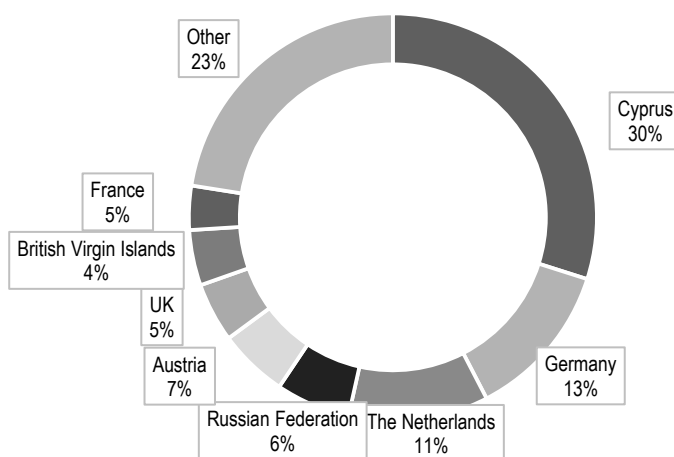


Source: The Ministry of Finance of Ukraine, 2017.

The losing of purchasing power of the currency is crucial not only for citizens and domestic economy, this fact discourages investors to sink their capital into domestic economy, that in turn, limits the possibility to recover and stabilize the economy. Thus, foreign direct investments (FDI) decreased gradually with the start of the Revolution, in pre-Revolution period the FDI were at the level of 8.175 billion USD in 2012 and 4.509 billion USD in 2013, with the start of military interventions and political instability the level of FDI decreased to 847 million USD, that is more than 4.5 times less comparing to the previous year, in 2015 there was a slight increase in FDI to 3.05 billion USD. However, the rise in FDI occurred not due to economic development but rather as a result of the recapitalization of banks with foreign capital, a policy, that was introduced by the government in order to protect and support the financial sector. The main reason for implementing that strategy was a reduction in financial assets. As the result of an increase in the exchange rate of Ukrainian Hryvna from 8 UAH per USD in 2013 to the average of 27 UAH per USD in 2015-2017 the probability that credit funds will not be returned increased; the ability of households to save the money decreased as a result of a reduction in the purchasing power of currency; all mentioned had led to the total distrust to the financial institutions from both sides businesses and individuals.

The origin of FDI in Ukraine varies, but still the leading share (30%) is coming from Cyprus, as a rule, investments are made by the Ukrainian or Russian companies that are registered in Cyprus due to the low taxation and special legal status. 13 % and 11% of total FDI are coming from Germany and the Netherlands, thus Indian ArcelorMittal uses its Germany subsidiary to invest and control a steel plant in Ukraine (Averchuk, 2017). The Netherlands is the world known as a conduit for capital from all countries, that means that the Netherlands are only a formal origin of investments but not the real. The rest countries have smaller shares in total FDI, Russian Federation with 6%, Austria with 7%, the United Kingdom and France with 5% etc. (Figure 3).

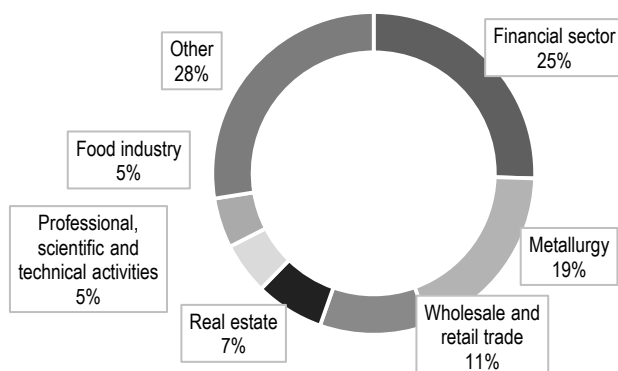
FIGURE 3. FDI INFLOWS BY COUNTRY, 2014.



Source: National Bank of Ukraine, 2017.

There is another factor that discourages foreign investors besides the overall unstable economic situation. According to the sectoral distribution of FDI in Ukraine illustrated in the Figure 4, the biggest share (25%) is invested in the financial sector, the reasons were discussed before, and the second share is metallurgy (19%). As the military interventions are taking place in the Eastern Ukraine, the territory that is known by its massive metallurgy sector, the attractiveness to invest funds in the production that is located in the uncontrolled territories decreased. Thus, the analysis shows that Ukraine still has not reached to the pre-revolution level of FDI, present level is lower by 30% comparing to FDI in 2013.

FIGURE 4. FDI INFLOWS BY INDUSTRY, 2014.

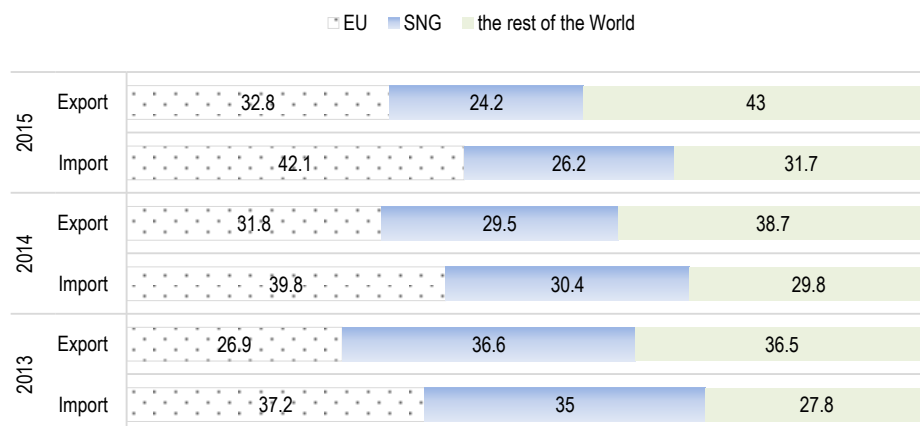


Source: State Statistics Service of Ukraine documents publishing, 2017.

With the start of the Revolution of Dignity as the future priorities were changed from the development in cooperation with Russian Federation and other post-Soviet countries to the incentives to become economically and socially closer to European countries. The steps toward economic cooperation with Europe were made, especially regarding the standards of production that in turn make easier the trading procedure etc. The recent data on export and import partners shows the European-oriented movement, the share of export with the European countries increased from 26.9% in 2013 (pre-revolution period) to 32.8% in 2015, the share of import increased by 4.9%, at the same time the share of trade with post-soviet countries decreased by 12.4% in export and by 8.8% in import (see Figure 5).

The overall tendency in the international trade is constant, the share of export is around 30% of GDP with slight fluctuations, 30.6% in 2012, 30.447% in 2013, 30.3% in 2014 and 29.53% in 2015. Regarding the imports of goods and services it is around 30% of GDP as well, with 30.16% in 2012, 29.85% in 2013, 29.78% in 2014 and 28.79 % in 2015 (World Bank, 2017).

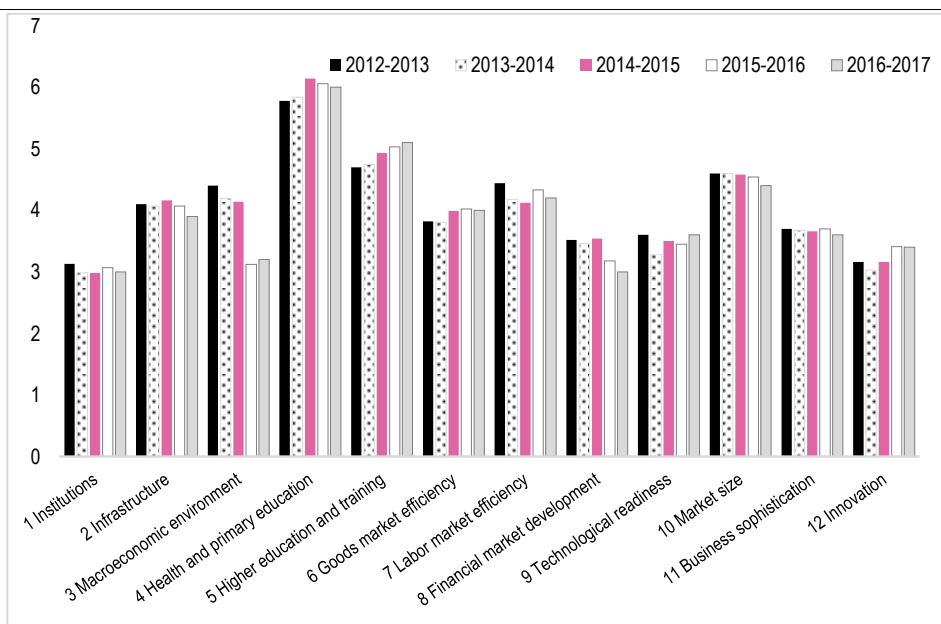
FIGURE 5. INTERNATIONAL TRADE (SHARES)



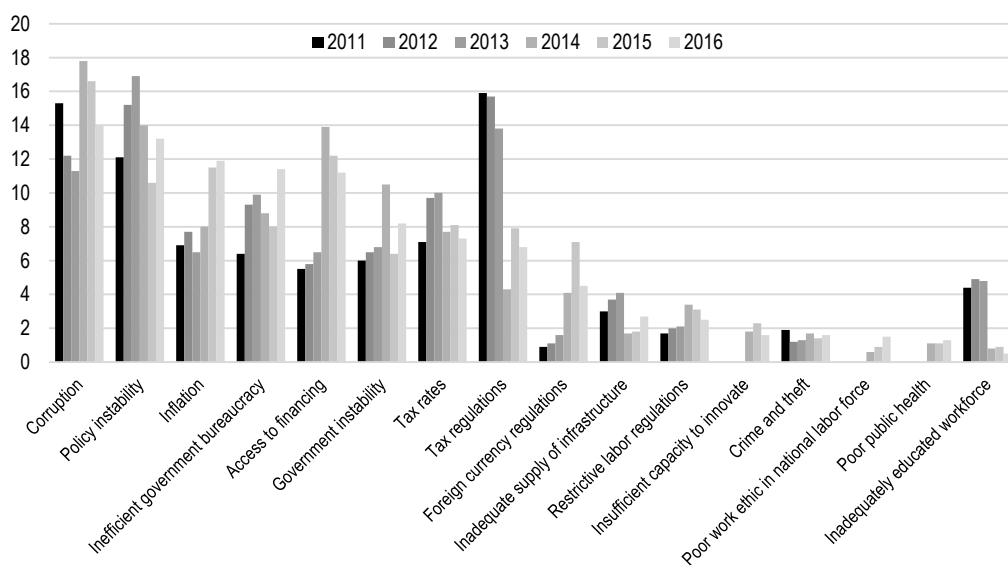
Source: State Statistics Service of Ukraine documents publishing, 2017.

The dynamic of macroeconomic indicators, that was discussed above, proves the post-revolution slowdown of the economy in Ukraine, even as lately some improvements were seen, still the current situation is close to the economy in the pre-revolution period, 2013-2014.

In this context it's needed to evaluate the performance of the economy in the scale of its competitiveness, thus, the index published by the World Economic Forum for pre- and post-revolution period in Ukraine, shows the overall fluctuations (see Figure 6). Based on the 2016-2017 ranking, Ukraine is on the 85-th place out of 138 countries, sharing the same rank with Namibia and Greece, according to the 2015-2016 report Ukraine was at the level of 79th, that shows an overall reduction of the economy's competitiveness lately. Within 12 parameters of competitiveness, only four of them were improved recently, the rest of them got worsen with the start of the revolution.

FIGURE 6. GLOBAL COMPETITIVENESS INDEX OF UKRAINE


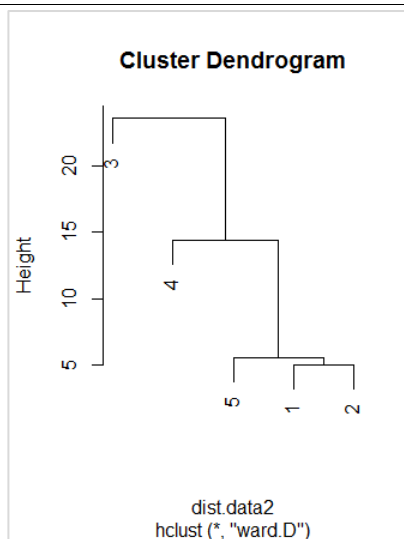
Source: The World Economic Forum, 2017.

FIGURE 7. THE MOST PROBLEMATIC FACTORS FOR DOING BUSINESS IN UKRAINE


Source: Foundation for Effective Governance, 2017.

The biggest changes can be seen in macroeconomic environment, the reduction from 4.4 to 3.2 points, labor market efficiency reduction from 4.44 to 4.2, basically due to the currency devaluation, rather than labor participation, the level of financial market development shows the recent crisis in financial sector, basically as the reactions of households and business on the unstable exchange rates and uncertain future economic situation in general, lower representation and participation of foreign financial institutions in the domestic sector, the index fell from 3.52 to 3.0. The market size index decreased from 4.6 to 4.4 as a result of the military interventions in some Ukrainian territories as well as a reduction of the purchasing power of the currency. The overall tendency is negative, as the key factors of improvement Ukrainian economy and encouraging foreign investors such as macroeconomic stability, financial market development and innovations are getting worse lately, at the same time making the crises wider (World Economic Forum, 2017).

FIGURE 8. THE VERTICAL CLUSTER OF THE PRE- AND POST-REVOLUTION YEARS BASED ON THE IMPROVEMENT/WORSENING IN TERMS OF DOING BUSINESS, 2011-2016.



Source: Own elaboration.

Note: "1" represents the changes between 2011 and 2012, "2" - between 2012-2013, "3" - between 2013-2014, "4" - between 2014-2015, "5" - between 2015-2016.

Under those conditions and tendency, the priority must be given to the improving the environment of doing business for domestic and foreign investors. Based on the survey conducted by the Foundation for Effective Governance, there are eight most problematic factors for doing business in Ukraine (see Figure 7). The figure illustrates the changes in the opinions regarding the problems of doing business in Ukraine, starting from 2011 there were some key problems, namely: corruption with 15.3% of representatives, the biggest issue for all post-soviet countries, tax regulation with 15.9% as the taxation system is not transparent with "grey" gaps for misuse of the regulation, and policy instability with 12.1% due to still forming the governmental overall strategy and institutional background. With the start of the revolution we can see the changes in the global perception of Ukraine as a place of investing, some factors become more important some have lost their significance. The negative outcomes of the revolution can be described as an increase in corruption from 15.3 % to 17.8 % in 2014, as with a new ruling party the uncertainty regarding the corruption increased and later slowly decreased but still had not reached the pre-revolution level of 2013 with 11.3 %.

The descriptive and analytical analysis implemented above on the macroeconomic outcomes of the revolution of Dignity shows that Ukraine had not yet reached its pre-revolution level as regarding economic growth, global competitiveness and living standards. To proof this statement, we built the cluster dendrogram based on the changes in the most problematic factors for doing business in Ukraine from 2011 to 2016, that indicate the overall performance and development of Ukraine in pre-revolution and post-revolution times (Figure 8). The clustering analysis identifies the main cluster which consists of 2012, 2013 and 2016 years, the rest periods (2014 and 2015) were not grouped into the cluster, that proofs the previous conclusion.

6. Conclusions

Latest revolutions that started as protest movements in Georgia in 2003 and within Arab countries in 2010 show that a revolution and the following Parliament or Presidential overthrowing doesn't mean moving to the brighter future, economic growth and improving living conditions. The literature available indicates that it's impossible to predict what kind of results will be reached.

To evaluate the positive and negative outcomes of the Revolution of Dignity the obvious and hidden factors pushing people on the streets should be named. Most of the visible factors are connected to the low living standards, highly corrupted state sector, low level of social security, distrust almost to all branches of the state, even distrust between people and the radical change in the direction of the development from Europe-oriented towards Russia-oriented that played a crucial role and was followed by mass protests. As for hidden factors the key ones are: the geopolitical location of Ukraine just between the European Union and Russia, interrelated industries, that were formed in the Soviet era and were designed to complement each other, which hold tight cooperation and made costly to shift towards European market, energy dependence of Ukraine on Russia, disparity in ideology, Ukrainians were considering themselves as a separate nation while Russians were considering themselves and Ukrainians as a part of a Post-Soviet community.

The most important is to evaluate the real consequences, with a start of military interventions Ukrainians got more connected in order to protect their land and support the army mostly by volunteering, as a result social capital was accumulated as the level of trust between people increased as well as the trust to all branches of the state. As the means of mass media were used as propaganda, the trust to them decreased, in addition, the wide usage of the Internet provided better understanding of the real state of things, minimizing the negative impact of unreliable sources. Moreover, with the beginning of the Revolution, greater percent of people living in Ukraine started to identify themselves as Ukrainians, which maintains the national identity during the crisis period. Although those years there was a real boom in creating non-governmental organizations, which were established to connect people who need help: army and involuntary resettled individuals and those who can provide aid: citizens and businesses.

The economic outcomes are not so prospering, starting from 2013 till 2015 there was a reduction in GDP per capita, Ukraine reached the level of lower middle income countries, which was caused by the need to direct a bigger share of national income into defense and military sectors, loss of some previously established trading connections with Russia, moving towards new European market and making sometimes costly changes in the production as well as in the legislation to harmonize the legal system of Ukraine with the European one. Exceptional hard times were experienced by consumers as the purchasing power of the national currency decreased by 43.3% in 2015, which was accompanied by an increase in the price of food and utilities, the prices of food increased by 41.5%, electricity by 66.9% and natural gas by 273% in 2015. The only one positive result that can be seen is the complete shift from the Russia-oriented international trade towards

European-oriented, where the share of import and export to the European Union increased by 5% and the share of trade with Post-Soviet countries decreased by 10%.

Implementation of the vertical cluster model shows that currently Ukraine is nearby its economic and social conditions as they were in 2011 and 2012 years, degradation was reached as even before the Revolution economy was highly corrupted and living standards were low but with military interventions and shifting toward the European market it became even more complicated to rebuild the economy as a whole, in addition, Eastern regions of Ukraine require enlarged financing to stabilize the situation there.

It is obvious that in the short-run Ukraine will be developing gradually, as it changed completely the direction of the cooperation as well as main trading partners and has to restructure the whole manufacturing sector in accordance to the needs of the Europe as the key trading partner, but in the long-run, following this path, Ukraine can join to the most innovated and advanced business community with opportunities to fit in the empty niche based on Ukrainian's comparative advantages.

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