

The Forbes logo is centered at the top of the page. It consists of the word "Forbes" in a white, serif font, set against a solid black rectangular background.

# The Hidden Power Of ESG - Part 1 Of 3-Part Series: Interview With The Former Finance Minister Of Ukraine

Joan Michelson

May 16, 2022

*This is Part I of a three-part series from an extensive interview with the former finance minister of Ukraine. The third one includes how to help Ukraine. She also gave career advice. Part I is [here](#).*

## **Part I: The Enabler**

For years after World War II, there was a prevailing theory that when we are trading partners, we are less likely to have conflicts. Labeled “the liberal peace,” political scientists across disciplines believed “that mutual economic interdependence can be a conduit of peace,” because it “limits the incentive to use military force in interstate relations,” as the Cato Institute put it as recently as 2020.

Companies opened markets across the globe and leveraged that access to reduce costs, building international supply chains. In the process, they created a complex web of trade, commerce and shipping that kept shareholders happy and executives on airplanes. It grew local economies, but also exacerbated global warming by increasing emissions from the extensive shipping, travel, deforestation, and power and manufacturing plants that spew CO2 at stifling levels. Many of these suppliers in developing countries have been found to provide substandard working conditions and wages as well.

## **Russia’s war against Ukraine is resulting in massive shortages of food, computer chips and more**

Ukraine has benefited a great deal from globalization too, of course, exporting critical components of the world economy. Recent reports have focused a lot of attention on the impact of the war on the food supply, because Ukraine is often called the “breadbasket” of the world.

The head of the UN World Food Programme, David Beasley told CBS News’ “Face the Nation” that Russia is using hunger as a weapon of war, by not allowing food supplies to get through to civilians and bombing and robbing food storage facilities and farms. The World Bank lists

Ukraine as the 5<sup>th</sup> largest exporter of wheat, a major exporter of barley and maize, and the largest exporter of sunflower oil in 2020. But with Ukraine's farms under attack and Russia sanctioned, Ukraine and many countries are at risk of much worse food insecurity.

Ukraine exports other critical non-food commodities as well. "One element that people don't think of often, is that about 70% of the value-added neon gas in a semiconductor chip comes from Ukraine," Natalie Jaresko, the former finance minister of Ukraine explained in an exclusive extensive interview on my Electric Ladies podcast recently. "So, we had semiconductor chip supply problems during COVID; those problems are going to be accelerated. And, we think that that's just computers, but it's telephones it's automobiles. Semiconductor chips are critical to so much of our lives now."

In addition, "Ukraine is number 12 in the export of steel...and serves as a major parts supplier to the automotive industry in Europe. So, almost all the wire harnesses that go into European cars are manufactured in Western Ukraine," Jaresko added. The war is rippling through the auto sector, causing further supply chain issues that could raise automobile prices.

Overall, "the (Ukrainian) economy is unfortunately, again, being suffocated," Jaresko lamented, "the estimate is ...right now, halfway through the year, a 50% decline in GDP."

### **Ukraine's IT talent base is another global export – and is now being weaponized to defend Ukraine**

The Ukrainian IT community "pre-war was extremely important globally," Jaresko said, including an underground IT community that has mobilized to fight Russia. "Now, they've become during the war, an interesting new field of defense and even offense," she explained.

"They formed something called an IT army and they organize, to be perfectly frank, cyberattacks against Russian entities, whether they are governmental, non-governmental. They interfere in the (Russian) press to be able to show and expose the pictures of the true atrocities to the people of Russia who don't have access to freedom of the press," she added. Their strong crypto community has raised significant donations too," she said. The founder of WhatsApp is from Ukraine.

### **"We thought globalization was going to make peace"**

Jaresko, a formidable international finance executive and policymaker with 30+ years of experience, believes that globalization itself is partly to blame for the war. "We thought globalization was going to make peace, and we thought that if everyone was participating. I think our naivete on that issue is partly been how they abuse the system." It seems the "liberal peace" doctrine has not been able to control the corruption enabled by today's high-tech globalization.

She argued that it is precisely these integrations across the economy that have made it *easier* for these autocrats to manipulate western society, and *harder* for countries and companies to hold Russia accountable and to sufficiently defend democracy: "The autocratic countries use the monies that they earned, the riches that they had, to then influence our politics," and institutions.

“We never required, for example, transparency and beneficial ownership,” she added. “We are fermenting a system where ill-earned money is being used against us... And it's not just Russia. China does it and others.”

### **The web of dark money that globalization enabled**

Much has been written about how Russian dark money has been hidden behind layers of entities and current systems are insufficient to defend against it. *The Atlantic*'s Anne Applebaum – one of the most prolific authors on the topic, including her recent book, *Twilight of Democracy* – summarized it well in her opening statement before the Senate Foreign Relations Committee recently: “Nowadays, autocracies are run not by one bad guy, but by networks composed of kleptocratic financial structures, security services (military, police, paramilitary groups, surveillance personnel), and professional propagandists. The members of these networks are connected not only within a given country, but among many countries.”

The Anti-Corruption Data Collective reports that seven post-Soviet oligarchs who are “connected to interference efforts, have donated between \$372 million and \$435 million to more than 200 of the most prestigious non-profit institutions in the U.S. over the past two decades,” according to *Foreign Policy* magazine.

The list ranges across sectors and political ideologies, from the Brookings Institution and the Council on Foreign Relations, to universities, the Museum of Modern Art (MOMA) in New York City and the Kennedy Center for the Performing Arts in Washington D.C.

Jaresko also discussed a novel way to fix it. Read about it in Part II of this series.