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Ukraine – From Orange Revolution to Failed State?

by Andrew Wilson

As the former Ukrainian ambassador to the US Yurii Shcherbak has recently complained, the Russian press is currently full of *schadenfreude* at the prospect of Ukraine becoming a 'failed state';¹ - and not just from the usual suspects on the nationalist right.² For example, the March 2009 issue of Gleb Pavlovskii's *Russkii zhurnal* came out under the highly suggestive title - 'Is the de-sovereignisation of Ukraine manageable?' Inside, Sergei Karaganov casually speculates on the difference between 'passive de-sovereignisation' resulting from local state incapacity to 'managed de-sovereignisation', i.e. a process that Russia actively encourages. The suggestion is that the only open question for Karaganov is whether the Ukrainians need pushing over the abyss, or whether they will jump off themselves.³

Ukraine's current travails are real enough. But what is the Russian definition of a 'failed state'? The Russian line, most notoriously expressed by Putin in his (originally) private remarks to Bush at the NATO Bucharest summit in 2008,⁴ echoes the famous 1994 CIA report:

Ukraine is a very complex state. Ukraine, in its current form, came to be in Soviet-era days. ...From Russia the country obtained vast territories in what is now eastern and southern Ukraine..... Crimea was simply given to Ukraine by a CPSU Political Bureau's decision... one third of the population are ethnic Russians. According to official census statistics, there are 17 million ethnic Russians there, out of a population of 45 million. Some regions, such as Crimea, for example, are entirely populated by ethnic Russians. There are 90 percent of them there....If the NATO issue is added there, along with other problems, this may bring Ukraine to the verge of existence as a sovereign state

Apart from demonstrating Putin's casual approach to statistics, this statement says more about Russia than it does about Ukraine. Putin is really making an '**artificial state**' argument. Artificial states may be more likely to fail,

¹ Yurii Shcherbak, 'Ukraina yak failed state – mify ta real'nist', *Den*, 21 May 2009, <http://www.day.kiev.ua/274251> and <http://www.day.kiev.ua/274238/274238>

² Though those with strong stomachs can check out Aleksandr Dugin's send 'tanks to Kiev' speech at <http://tap-the-talent.blogspot.com/search/label/Dugin>

³ See the special issue of *Russkii zhurnal*, no. 6, 16 March 2008, "Opravlyaema li desuverenizatsiya Ukrainy?" ("Is the de-sovereignisation of Ukraine manageable?"). Karaganov's interview is at <http://russ.ru/Mirovaya-povestka/Nikomu-ne-nuzhnye-chudischa>

⁴ "What precisely Vladimir Putin said at Bucharest", www.mw.ua/1000/1600/62750/

but the two questions are logically distinct. As is the further question about how the Ukrainian public might react to growing state weakness, despite the prediction by at least one other Russian that the current 'systemic crisis' is a 'question of life or death', and will lead to 'a growth of lack of faith in the Ukrainian project as such'.⁵ The logic of Putin's argument is presumably the following: first, Russia has more of a right to interfere in the affairs of 'artificial' states (with failed states, the 'right to interfere' might imply an 'obligation to clear up the mess'); second, Putin is trying to undermine Ukraine's credibility as a worthy partner for NATO, and increasingly for the EU – as the last sentence in the above quote clearly shows.

But the concept of a 'failed state' is notoriously elastic. Most of the phenomena often cited, such as corruption, a breakdown in the provision of public goods like law and order or welfare, and human flight, are symptoms not definitions of state failure, and are shared by many states to some degree. A fully failed state has lost the capacity for sovereign government: as evidenced by a loss of control over its territory or population or key private interests, or the interference of foreign powers.⁶ The Crisis States Workshop defines 'a "failed state" as a condition of "state collapse" – e.g., a state that can no longer perform its basic security, and development functions and that has no effective control over its territory and borders. A failed state is one that can no longer reproduce the conditions for its own existence.'⁷

The 'Failed State Index' used by the Fund for Peace and Foreign Policy, looks mainly at symptoms – as it is looking for evidence - grouped in twelve 'Indicators of Insecurity'. But if we use its methodology, Ukraine actually improved its score from 2005 to 2006, though it has since stagnated.⁸ Ukraine actually scores better on 'failed-state-ness' (a global 108th in 2008, first is worst) than it does on other measures, such as the Corruption Perceptions index (134th in 2008, first is best).⁹ Ukraine is clearly not an archetypal failed state like Sierra Leone or Somalia. That said, the assessment for 2009 will be interesting. Ukraine's economic problems are well-known, although Anders Åslund has talked up the prospects for recovery.¹⁰ Political crisis is endemic. Ukraine has also suffered a serious break-down in the judicial sphere.

⁵ Andrei Stavitskii, 'Ukraina i global'nyi krizis: prigovor uzhe vynesen?', <http://odnarydina.ru/articles/6/666.html>, dated 21 May 2005

⁶ For a discussion, see Robert I. Rotberg (ed.), *Why States Fail: Causes and Consequences*, (Princeton, 2004).

⁷ See <http://www.crisisstates.com/download/drc/FailedState.pdf>

⁸ Ukraine rated at 88.8 in 2005 (39th), 72.9 in 2006 (86th), 71.4 in 2007 (106th) and 70.8 in 2008 (108th); see http://www.fundforpeace.org/web/index.php?option=com_content&task=view&id=17&Itemid=80

⁹ See http://www.transparency.org/policy_research/surveys_indices/cpi/2008

¹⁰ Anders Åslund, 'Ukraine Above the Rest in Crisis Management', *The Moscow Times*, 22 April 2009, <http://www.themoscowtimes.ru/article/1028/42/376481.htm>

Ukraine is not a failed state on the above definition. But it is not a successful state either. It could plausibly be described as a 'risk state' or a 'fragile state', or even a 'crisis state'. Various adjectives could be chosen, but I have chosen to label Ukraine an '**immobile state**', in order to highlight what I see as the key problem of political stasis at an elite level. More exactly perhaps, Ukraine could be called a 'slow-moving state'. It has shown it can adapt under pressure, but it never quite adapts enough. It is a tortoise when it needs to be more of a hare in response to current crises.

Many of the reasons for this political gridlock are well-known. Ukraine's well-known regional, linguistic and other divisions will always be a factor, if not in the exaggerated form described by Putin. Others have talked about constitutional gridlock and the weaknesses of the party system. But, as Paul D'Anieri has shown,¹¹ none of these are in themselves a decisive factor. The same regional and ethno-linguistic divisions were also present under Kuchma in 1994-2004, when the political system was if anything too centralised and unbalanced towards autocracy. They are not the main reason why Ukraine should suddenly now be at risk of becoming a failed state. Ukraine did not fail in the 1990s. These underlying problems have, however, always made it difficult for Ukraine to become a successful state.

- They do, however, support the **balance of the clans**. Ukraine's well-known 'pluralism by default' has often been presented as a comparative advantage,¹² but in the years since the Orange Revolution it has meant an unhealthy gridlock between the half dozen or so business groups that finance the political system. One little-noticed aspect of the 2007 elections was the way in which several business groups simply switched sides. The major oligarchs played musical chairs: Renat Akhmetov's group in the Party of Regions actually went up from around sixty deputies to around ninety, but the party's main financier was now Dmytro Firtash. The Industrial Union of the Donbas (IUD) and Privat swapped places, with Privat now supporting Yushchenko and the IUD backing Tymoshenko, as her other sponsors like Kostiantyn Zhevahov's Ferrexpo took a big hit from the global economic crisis. Vasyl

¹¹ Paul D'Anieri, *Understanding Ukrainian Politics: Power, Politics and Institutional Design*, (New York: M.E. Sharpe, November 2006).

¹² Lucan D. Way, *Pluralism by Default: Challenges of Authoritarian State-Building in Belarus, Moldova and Ukraine*, (Glasgow: Centre for the Study of Public Policy, 2003).

Khmelnyskyi, formerly close to ex-president Kuchma, invested an alleged \$30 million in Volodymyr Lytvyn.¹³

This merry-go-round has allowed the oligarchs to protect their interests. But it may not last forever. Anders Åslund has suggested that the current economic crisis might be 'Ukraine's 1929' – i.e. a slump, but also the twilight of the old economic order, and the end of the 'robber baron' era.

Logically, this thought can be divided into three separate questions. First, have particular oligarchs been hit particularly badly by the current crisis, shifting the balance between the parties they support? (Though any given oligarch could decide to gamble his declining fortune by investing *more* in politics, which seems to be the best explanation by Firtash's rise and apparent fall in 2008-9). Have particular sectors suffered more? Steel obviously, which should most affect those supported by the likes of Akhmetov and Zhevaho, but steel barons are everywhere in Ukrainian politics. Current politics also plays a part. *If* Rosukrenergo really is out of the gas transit market, both the president and the Party of Regions will lose massive campaigning resources. In the spring it seemed that other business interests were lining up behind Tymoshenko and Yatseniuk, and migrating away from Yanukovych, but this changes every week.

Second, are 'bad' oligarchs likely to suffer more than 'good'? Possibly. There are some signs that the major source of rent-seeking by the likes of Rosukrenergo is in decline, as Central Asian gas prices go up, European prices go down, and Gazprom grows cash-desperate and is in no mood to share remaining rents.

Third, even if all 'oligarchs' are hit equally hard, their collective downfall could pave the way for a new type of politics. But Ukraine must survive the economic crisis first. Hryhorii Nemeriiia's judgement that "No one has the money to pay for political technologists anymore" may therefore be premature.¹⁴ In the boom years, the sheer amount of money to be made in the merry-go-round was one reason why it continued.¹⁵ In the slump, it would seem to be irrational to opt out of the fight for declining resources.

¹³ Anders Åslund, *How Ukraine Became a Market Economy and Democracy*, (Washington, DC: Peterson Institute, 2009), p. 221.

¹⁴ Conversation with the author, 15 May 2009.

¹⁵ Edward Chow and Jonathan Elkind, "Where East Meets West: European Gas and Ukrainian Reality, *The Washington Quarterly*, vol. 32, no. 1 (January 2009), pp. 77-92; Margarita Balmaceda, *Energy*

- The way that **Russia** has played Ukrainian politics since 2004 also promotes political gridlock. Instead of backing one candidate one-sidedly (Yanukovych obviously in 2004), Russia now plays across the political spectrum. It finds plenty of willing partners, but, as Dmitrii Trenin has said, 'there have never been and never can be pro-Russian politicians in Ukraine',¹⁶ in the sense of slavish service at least. Ukrainian politics is too anarchic and too free. The current favourite can always take the money and run. Another will always be bidding to take his or her place. But then Russia will back his or her rivals in turn. Once again, it is difficult for a clear winner to emerge.

This brings me to another point about the global economic crisis. Ukraine is undoubtedly hit worst than most, but what matters most in a recession is relative strength – of who emerges relatively stronger. According to one Russian, 'Ukraine is cheap, we can buy it'.¹⁷ Russia has clearly not retrenched yet. In the short-term it is upping its ambition. First, there are obvious economic moves. In January 2009 Vneshekonombank, where none other than Vladimir Putin is chair of the supervisory board, bought Ukraine's troubled Prominvestbank for a knock-down price of \$150 million - and promptly injected \$900 million.

But there is also a broader context. In times of recession, Western states revert to utilitarian cost-cutting; but Russia thinks geopolitically. It is prepared to invest to win friends. If we thought Russia got its fingers burnt at the last Ukrainian elections in 2004, then the extent to which Russia has been a factor in the recent Moldovan elections – and in supporting the authorities in the subsequent crack-down – shows that Russian ambition is back.

One might add the fact that, in broader foreign policy terms Ukraine's multi-vectoral equidistance between Russia and the West is both a strength and a weakness. It allows Ukraine to play like Tito, and build up some sovereign statehood. But it also allows

Dependency, Politics, and Corruption in the Former Soviet Union: Russia's power, oligarchs' profits and Ukraine's missing energy policy, 1995-2006, (London: Routledge, 2008).

¹⁶ Dmitrii Trenin, 'Russia-Ukraine: Problems will Remain', dated 29 March 2006, at <http://www.carnegie.ru/en/pubs/media/73992.htm>.

¹⁷ Off the record interview with the author, 21 October 2008.

Ukraine to play the balancing game or the chicken game (Ukraine is 'too big to fail') to extract resources, rather than embarking on serious reform.

The third reason for political gridlock is the persistence of '**political technology**', as shown in the recent dress-rehearsal vote in Ternopil – which is particularly depressing for a regime created by the protest against such fraud in the Orange Revolution.

The Ternopil vote was marred by outright vote-buying and the abuse of 'administrative resources'. But the grand-scale centralised theft that marred the 2004 campaign is unlikely in 2009-10 – in part precisely because Ukraine is too decentralised, and the central state is too weak. Most of the main candidates will be able to cheat to an extent, probably cancelling each other out – though the winner in a competitive fraud can gain an edge, as with Kennedy vs Nixon in the US presidential election in 1960.¹⁸

Other types of 'political technology' that were supposed to have been marginalised by the Orange Revolution are back, as with the fake nationalist party 'Svoboda', covertly backed by the presidential administration. Suddenly, the air is full of renewed talk of 'technical parties' and 'technical candidates' in the upcoming presidential election. Much of the talk is conspiracy theory – such as whether Arsenii Yatseniuk is a 'life-raft' for Yushchenko forces or a genuine alternative. And whether he represents kosher oligarchs like Pinchuk and Taruta, or more controversial figures like Firtash and Khoroshkovskiy.

I can only suggest a tentative hypothesis as to why 'project' parties making a comeback. The relatively free mass media that is one of the most enduring changes since the Orange Revolution has been the best antidote to such projects. In both the 2006 and 2007 elections a lot of money was wasted on such parties (Ne Tak!, Eko+25%, Viche in 2006; the 'renewed' Communists, Hromada and Regional Active in 2007 – though the Lytvyn project was ultimately successful). Although you can fool some of the people some of the time, the kind of broad-based project equivalent to Russia's Unity in 1999 is now a difficult sell in Ukraine. The only answer I can suggest for their apparent partial rebirth is that people are (in the short-term at least) more receptive to quick-fix populist messages

¹⁸ This suggestion was made by Paul D'Anieri.

in a recession, and may filter out their scepticism to a greater extent.¹⁹ Svoboda's crude economic nationalism fits this pattern, but so does the unproven idea of Yatseniuk as the 'Ukrainian Obama' (he has yet to show he can offer 'change': his current strategy has been described as sitting by the river Dnipro and watching the bodies float by).

If the return of 'project parties' and 'technical candidates' is surprising, 'black PR' and 'kompromat wars' were always going to be harder to eradicate. Accumulated kompromat would still be powerful, even if the underlying political and economic system had changed. But it hasn't. Economy and society are still dominated by 'circles of interest' (*krugovaia poruka*) that maintain a 'circle of kompromat' to check one another in a type of 'mutually assured destruction' or 'Mexican standoff'.²⁰

Resurgent political technology is also contributing to political gridlock. It makes weak players competitive. Yushchenko's opinion poll ratings are rock-bottom, but he can still play a destructive role in the election – in fact possibly a decisive role in who reaches the second round. Negative political technology also prevents strong players, currently Tymoshenko and Yanukovych, from striking out in front.

In Russia, the Kremlin is the monopoly player, after it destroyed Yukos's attempt at political entrepreneurship in 2003. In Ukraine, the abuse of normal politics is competitive. All players check each other with 'spoiler parties'. If Arseniuk is a 'technical candidate' against Tymoshenko, then Serhii Tyhipko may well be a technical candidate against him in turn.

Lastly, of course, so much political manipulation rightly destroys public faith in all politicians.

So, to conclude, Ukraine is not a failed state in a conventional sense, but it is stuck in a twilight world, where it is difficult to fail, but difficult to be too successful either. And the longer-term structural problems I have briefly enumerated will still be around in a year or two, regardless of who is elected as president in January, and regardless of whether Ukraine recovers from the current economic crisis or not.

¹⁹ Highly personalised presidential elections are also a factor.

²⁰ Alena Ledeneva, *How Russia Really Works. The Informal Practices That Shaped Post-Soviet Politics and Business*, (Ithaca and London: Cornell University Press, 2006).