



## Five years (is/is not)\* a long time in Ukrainian politics (\*Delete as applicable)

by Ian Bond,  
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It is five years since Ukraine's then president, Viktor Yanukovich, [fled](#) the country for Russia. Since then, some commentators say [a lot](#) has changed, while others say [not much](#). But however confused the picture, Ukraine still merits attention.

On March 31<sup>st</sup>, Ukraine will hold its second presidential election since 2014's so-called 'Revolution of Dignity'. None of the leading candidates is scandal-free: the incumbent, Petro Poroshenko, formerly a successful businessman, turned up in the [Panama Papers](#) in 2016, allegedly transferring funds out of Ukraine illicitly. Yulia Tymoshenko, a former prime minister who made a fortune in the murky gas business in the 1990s, has long been suspected of [corrupt ties](#) to another former prime minister, Pavlo Lazarenko (imprisoned in the US in 2006 for money laundering). And Volodymyr Zelenskiy, an actor and comedian whose best known character is a school teacher who becomes president of Ukraine, seems to be [backed](#) by Ihor Kolomoiskiy, accused by a business rival in 2015 of [ordering contract killings](#) in Ukraine.

There is plenty more to put on the negative side of the balance sheet. In 2013, Ukraine was ranked 144<sup>th</sup> of 177 countries in Transparency International's Corruption Perceptions Index; by 2018 it had only limped up to 120<sup>th</sup> out of 180. By way of comparison, when Georgia overthrew the corrupt administration of Eduard Shevardnadze in 2003 it was ranked 124<sup>th</sup> out of 133 countries; by 2008 it was 67<sup>th</sup> of 180 (and it has continued to improve, to 41<sup>st</sup> in 2018). Freedom House's annual 'Freedom in the World' reports also show little progress in Ukraine: it was rated 'partly free' in 2013 and still is.

Ukraine's population, which shrank by 13 per cent between 1990 and 2014 to 45 million, has fallen further since Russia's annexation of Crimea and invasion of eastern Ukraine; a recent [Polish study](#) cited Russian estimates (which may be exaggerated) that 1.7 million Ukrainian citizens sought protection in Russia from April 2014 to February 2018; the same study estimated that on average there were 900,000 Ukrainian citizens in Poland at any one time. As a result, Ukraine risks labour shortages.

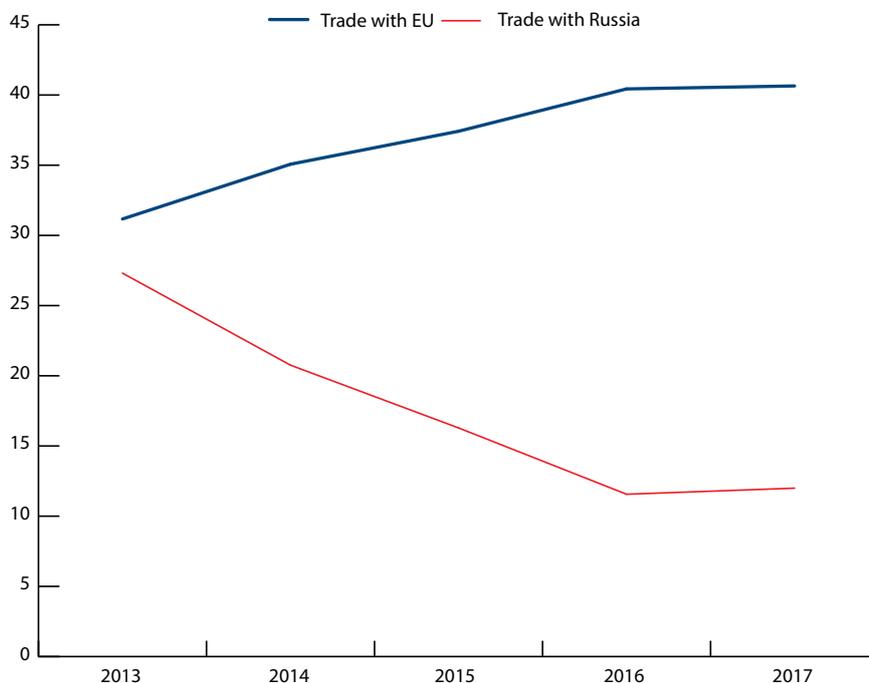
Ukraine's political leaders have a knack of making themselves and their country look bad. The interior minister, Arsen Avakov, was [associated](#) with a violent attack last year on the National Anti-Corruption Bureau, which was investigating his son; that investigation was blocked by the Chief Anti-Corruption Prosecutor, Nazar Kholodnytsky, who himself faces credible allegations of corrupt conduct. Meanwhile, the American-Ukrainian acting health minister, Ulana Suprun, credited with reforming a notoriously corrupt medical system, has been suspended from her position following a court case brought by a radical right-wing MP, and has been accused by Tymoshenko, ludicrously, of being sent by foreigners to experiment on Ukrainians.

But Ukraine can also point to many positive changes in the past five years. Above all, it is still an independent state: when Russian forces seized Crimea in February 2014 with hardly a shot fired, and then took over cities in eastern Ukraine disguised as 'separatists', it looked as though the country might break apart. It has not. More than 10,000 people have been killed in fighting in the Donbas, Ukraine's industrial heartland, and the Russians and their local proxies still hold the two biggest cities, Donetsk and Luhansk. But Russian president Vladimir Putin, who suggested in the spring of 2014 that Russia might re-create the historical region of 'Novorossiya' in southern and eastern Ukraine, has been unable to add to his territorial gains. Ukraine's army is a lot stronger and more cohesive than it was, it has received training and some equipment (including anti-tank missiles) from NATO countries, and would make any Russian push westwards a bloody and unprofitable affair.

The economy is improving. Gross domestic product (GDP) shrank by 6.6 per cent in 2014 and 9.8 per cent in 2015; it has grown in each subsequent year, with the IMF projecting growth of 2.7 per cent in 2019; in purchasing power parity terms, it should exceed the 2013 figure for the first time this year. In December 2018 the IMF agreed to lend Ukraine \$3.9 billion over 14 months. Despite the loss of production from war-damaged areas in the east, the annexation of Crimea and Russian trade sanctions against Ukraine, exports have risen in each of the last three years; in the first 11 months of 2018 exports to the rest of the world increased by 10 per cent; exports to the EU grew by 15 per cent.

The EU-Ukraine association agreement signed in 2014 significantly reduced barriers to Ukraine's trade with the EU; coupled with Russia's efforts to block Ukrainian exports, the result has been a big shift in the pattern of Ukraine's trade since 2013 (Chart 1). Preliminary Ukrainian figures suggest that trade with the EU grew and trade with Russia shrank further in 2018. Ukraine is much less vulnerable than it used to be to Russian attempts to put economic pressure on it.

Chart 1: Ukraine's trade with the EU and Russia as a percentage of its total trade



Source: World Bank World Integrated Trade Solution.

Reform of the Ukrainian state gas company Naftogaz since 2014 has enabled it to go from making huge losses to making a major contribution to Ukraine's state revenues. Naftogaz expected to earn around \$3 billion from transit fees on Russian gas in 2018. At the same time, Ukraine is no longer reliant on direct gas supplies from Russia: since 2015 it has bought all its gas from other suppliers, taking advantage of EU gas market liberalisation.

While corruption remains a major problem, Ukraine has taken a number of steps to tackle it, and to improve public administration, as a recent [Chatham House report](#) by John Lough and Vladimir Dubrovskiy set out. A transparent system of compulsory e-procurement for most parts of the public sector, 'ProZorro', devised in part by Ukrainian civil society organisations, was introduced in 2015. The Open Government Partnership, an international organisation bringing together governments and civil society groups, [estimated](#) that in its first two years ProZorro saved Ukraine over \$1 billion. Another important innovation in 2016 was the introduction of electronic asset declarations for all public servants. Some chose to resign their posts rather than make their wealth public, but most complied. There is still a lack of resources to verify all the declarations, but the United Nations Development Programme's office in Ukraine [described](#) the system as "clearly a major achievement in Ukraine's pathway to reform".

Finally, on the positive side of the ledger, Ukraine has lively, contested politics. Writing for *Politico*, Balázs Jarábik of the Carnegie Endowment called next month's vote '[Ukraine's joke of an election](#)'; that is unfair. Ukrainians, unlike their neighbours in Russia, will have a genuine choice at the polls, albeit between flawed candidates. Ukraine had a tradition of activism before the Maidan protests (in the Orange Revolution of 2004, protests against a rigged election forced Yanukovich to submit to a new contest which was won by his opponent, Viktor Yushchenko), but it has grown stronger since 2014, as Natalia Shapovalova found in 2018 [research](#) for Carnegie Europe. Fiscal decentralisation has given regions

and municipalities more power over raising and spending money, decreasing the centre's powers of patronage and increasing local accountability.

Changes of government in Poland and other former champions of Ukraine's integration into Europe mean that Ukraine does not get as much attention from Brussels as it used to. But it is in the EU's interest that Ukraine's transformation succeeds. If Ukraine implements its EU association agreement properly, the largest country in Eastern Europe will have adopted the vast majority of EU standards. If its economy becomes more integrated with that of the EU, and if its growth matches that of Poland, Ukraine will become an important economic partner for the EU. It aspires to more: it has been asking for a perspective of EU membership since the mid-1990s. But whether a successful Ukraine is allowed to start down the road to Brussels or not, with consistent EU support it could become an example to Russia of a different kind of post-Soviet state, with democratic governance and a more open economy.

For Putin, on the other hand, if Ukraine succeeds in integrating into the EU's 'sphere of influence' (not that the EU thinks in such terms) it will be a severe blow to his vision of Russians and Ukrainians as "one people", as [he told](#) the CER's director, Charles Grant, in 2013. The formal declaration by the Ecumenical Patriarch of the Orthodox Church in January 2019, that the Orthodox Church of Ukraine is independent of the Russian Orthodox Church has further undermined Putin's attempts to portray Ukraine as a natural part of the 'Russian world', along with Belarus.

The next few months will be dangerous for Ukraine. Putin is likely to keep trying to disrupt its increasingly Western orientation. There will be scope for mischief-making around the transfer of church property from the Russian to the Ukrainian Orthodox Church. The presidential elections could be a source of tension. None of the likely winners is overtly pro-Moscow, but Russia will certainly try to influence the election process, by propaganda and other means. To increase confidence that the elections are free and fair, Ukraine should facilitate a major election monitoring effort by the Organisation for Security and Co-operation in Europe.

The elections are taking place against a background of renewed military tension in and around South-East Ukraine, and Russian efforts to increase economic hardship there. Russia is seeking to discourage international shipping from using the important Ukrainian ports of Mariupol and Berdyansk on the Sea of Azov, delaying ships while it inspects them. On November 25<sup>th</sup> 2018, it fired on and seized three small Ukrainian naval vessels which were trying to enter the Sea of Azov, and is still detaining the crews.

Western reactions to the incident have been low-key, despite the fact that it challenges principles of freedom of navigation that Western countries would normally defend. NATO is at risk of allowing Russia to dominate both the Sea of Azov and the Black Sea from its Crimean bases; it should step up the allied naval presence in the Black Sea. The EU is already investing in transport corridors in Ukraine; it is important that it prioritises land connections with Mariupol and Berdyansk, as a partial solution to the problems caused by Russian restrictions on maritime access.

NATO and the EU should both look at what more they can do to help Ukraine increase its military and institutional resilience in the face of Russia. The Minsk peace process, involving France, Germany, Ukraine and Russia, has reduced the level of violence and should not be abandoned. But the process will not solve the conflict in the east, because it relies on the fiction that Russia is a disinterested mediator rather than an active participant. Europeans should follow the US [example of plain-speaking](#), and say openly

that the war is “a hundred per cent a Russian-led operation”, against which Ukraine has the right to defend itself.

At the same time, the West should keep the pressure on the incoming Ukrainian president to increase the pace of domestic reform. Ukraine cannot use the war as an alibi for not tackling corruption; on the contrary, war makes it more urgent to stop officials and business figures diverting national resources into their own pockets, and to strengthen anti-corruption institutions. But the West also has a responsibility not to provide shelter for corrupt Ukrainian officials and their money: both Yanukovich’s cronies and Poroshenko’s [have made extensive use of](#) offshore financial centres including Austria, Cyprus and UK Overseas Territories to hide their wealth.

Ukraine has contended with enormous challenges since the Maidan, and has made real progress. Ukrainians and Westerners alike cannot afford to rest, however. Five years is long enough for a lot to happen in politics; but not long enough for the fundamental changes needed for Ukraine to break free of Russia’s malign influence and its own past.

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