

# Why so hard? Rule-of-law, reform, and state sovereignty in Ukraine and Moldova

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## Abstract

Unlike their luckier neighbors to the west, Ukraine and Moldova did not enjoy a convenient geographical location, a national consensus, a clear identity or the state traditions to make their transition effective after the meltdown of the Soviet empire. Their initial transformation was gradual, with leaders at the helm inherited from the communist past. Thus began an evolution, in many ways similar to that of many other CIS (Commonwealth of Independent States) countries, that led to an oligarchic but pluralistic Ukrainian and a captured oligarchic Moldovan state. So far, reform efforts have not been successful, demonstrating the strength of the new systems that came into being. In Ukraine two revolutions aimed at radical reforms but the first one failed and so far the second did not deliver the kind of liberal state that demonstrators and Western partners expected alike. The case of Moldova is similar but here mistakes of the Western partners also contributed to the current, unreformed outcome. Increasingly, the issue centers around the rule-of-law, the establishment of a competent and independent judiciary – in a geopolitical space that could not be further away from what Luttwak 26 years ago imagined with his description of a transition to geoeconomics. In large parts of the world, including Eastern Europe, bad old traditional geopolitics is very much alive and shapes everyday life in the most dramatic way.

**Keywords:** Ukraine, Moldova, transition, governance, oligarchy

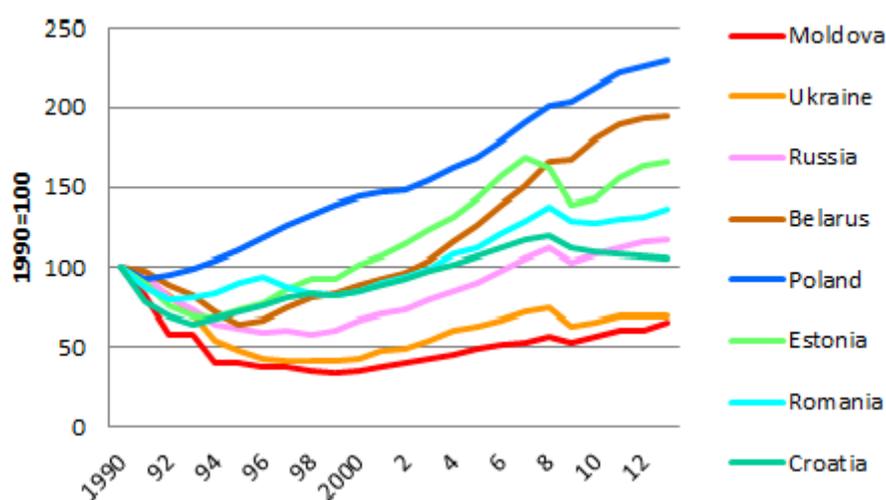
## Introduction

Both, Ukraine and Moldova have fallen in the last couple of years into deep governance-induced political crisis. In both countries, the governing elite is continuing to govern in

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the old, “oligarchic” way (the article will later on explain what this means) while there have been mass popular movements to change this. The inability to change the system of governance, in spite of mass protests and, in the case of Ukraine, two revolutions, risks the kind of popular disappointment with the “Western project” of the liberal democratic state that Russian President Putin has been trying to exploit elsewhere as well. This may bring these countries back under Russian tutelage, essentially undercutting their state sovereignty. In both countries Russia uses Russians as well as Russian speakers, along with conflicts, frozen and open, as blackmailing tools to pull these countries back under the kind of Russian influence that leaves but token sovereignty. Putin has so far not been particularly successful but neither has the West achieved much in terms of helping them to strengthen their respective states to a “point of no return.” The two countries so far have been struggling from crisis to crisis and as a result they are Europe’s poorest nations, lagging behind even the likes of Albania and Kosovo. (See *Figure 1* related to this.)



**Figure 1: Real GDP growth in various CEE (Central and Eastern European) countries, 1991-2013.** Source: Dave Dalton, economist, at <https://twitter.com/davedalton42/status/525913880216608768>.

Ukraine and Moldova have not yet made an irreversible turn towards liberal democracy and a free market economy, but neither are they autocracies, let alone fully statist economies. The struggle for transition, for reform, continues and so does the struggle over the geopolitical self-definition of these two countries.

This short article sketches the evolution of these two neighbors, aspiring to full European integration, towards oligarchic politics and recurring crises.

The most useful framework of analysis for our purposes here may be that provided by Kuzio (2000) who observed that many of the post-socialist countries have embarked not only on a double transition from socialism into democracy and a market economy but also into nation-building and state-building. In fact, out of the 31 countries that were born on the ruins of the Soviet Union, its satellites, and Yugoslavia, only 5 continue to exist with unchanged state borders. He terms this process a “quadruple transition.” Rightly, he observes that this is a historically unprecedented, difficult challenge.

### **What nation?<sup>2</sup>**

In both countries, in Ukraine and Moldova, even the idea of the nation is essentially contested. In the case of Moldova, in the Soviet times the official propaganda had it that there was a Moldovan ethnic nation (King 2002), separate from Romanians. They also codified the Moldovan language as separate from Romanian although the way this took place, in the Stalinist and post-Stalinist times, it rendered the two literary languages indistinguishable from each other except for the fact that in the Soviet Union they used Cyrillic letters.<sup>3</sup> Paradoxically, significant parts of the “Moldovan” intelligentsia that was educated on the basis of the Soviet ideology of the voluntary union of sovereign nations turned against this ideology and was able to articulate a credibly different political approach: the unity of the Moldovan and Romanian nations, starting from the latter part of Gorbachev’s perestroika and glasnost.

Why, then, did Moldova not simply join Romania after the disintegration of the Soviet Union? In the period of 1989-1991, in a way not dissimilar to Ukraine, a coincidence of interests emerged among important social groups: As I wrote above, a significant part of the local intelligentsia turned against the Soviet ideology that had intended to erect a wall between the Soviet “Moldovan” nation and the Romanians. They found allies in the period of the acute crisis of the Soviet system in elements of the ruling elite, particularly those that were relatively underprivileged: the party and agricultural *kolkhoz* cadres of the “right bank” of the Nistru (Dniestr) river.

However, while the unionist idea was very eye-catching and loud on the streets of Chisinau in 1990 and 1991, it turned out during the subsequent elections that its representatives did not at all enjoy the overwhelming support of the population. Ever since, it is impossible to gain more than 10-20 per cent of the votes on a unionist platform.

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<sup>2</sup> The sources of this section are King, 2000; Wilson, 2009; Kuzio and Wilson, 1994.

<sup>3</sup> On language and identity politics in Moldova see also Socor, 2014.

The paradox that the Soviet period saw the growth of a national intelligentsia exists in both countries. However, whereas in Ukraine it was a Ukrainian intelligentsia, in Moldova the “Moldovanist” ideology was identified with the Soviet Union, and it thus came to be discredited in the eyes of many (Kuzio and Wilson, 1994: 97). On the other hand, “Ukrainian” meant quite different things to different parts of the country. In what in Ukraine is called “Galicia” (or indeed Eastern Galicia) a strong ethnic Ukrainian national identity is accompanied with the Greek Catholic religion, distinct from the Russian Orthodox Church (and also from Catholicism further West, as the Greek Catholics pledge allegiance to Rome but maintain an orthodox ritual). In the central parts of Ukraine the Ukrainian identity is more fluid, stretching from traditional village Ukrainianness to a large town identity shaped in the Soviet past. While in the West the Ukrainian language is nearly universal, in central Ukraine’s large towns Ukrainian identity may well be accompanied with the dominance of the Russian language, and in villages with the use of “surzhik:” a regionally changing combination of Russian and Ukrainian.



**Figure 2: Ukraine’s historical regions.** Source: Wikimedia Commons.

In general there is a very significant difference between the way World War 2 is interpreted through the filter of the “Soviet-rooted” Ukrainian identity and the more ethnic type, primarily in Galicia. Until very recently an almost religious version of a “heroic Soviet” identity prevailed in most parts of the country that were parts of the Soviet Union by the outbreak of the war. On the other hand, in the three West Ukrainian counties the ethnic version of the Ukrainian consciousness kept alive the mythology about the fiercely nationalistic Ukrainian Insurgent Army (UPA) and its political predecessor, the Organization of Ukrainian Nationalists (OUN). Since the OUN and UPA had extremist and fascistic elements, the two narratives, while both distortive, have been highly conflicting. Reconciling the two Ukrainian patriotic narratives is a true challenge not particularly eased by the large Ukrainian diaspora in Canada and the US that predominantly come from a very ethno-nationalistic West Ukrainian background.

### **Elite continuity in the early period of independence**

In marked contrast to Estonia and Latvia (less so but still, to Lithuania)<sup>4</sup>, early elections left the Communist elites largely intact and in dominant position in the economy and in important state functions in both countries.

This is, then, the identity background of the state and economy-building that started in the two countries in 1991-2, as the Soviet Union unexpectedly melted away. This had major and lasting impact on what kind of state and economy they built from the local ruins of the Soviet Union. And ruins they were, as the old Soviet integration patterns evaporated together with the Soviet Union. Much of the Soviet industry was rendered uncompetitive on the world markets while within the former Soviet Union simultaneous collapse and a shrinking economy reduced demand for each other’s products. These countries were also less lucky geographically than most of the former Central-East European satellites of the Soviet Union. For Hungary, Poland and Czechoslovakia, while it was not easy, it was more feasible to find Western markets to replace earlier Soviet demand than for Moldova and Ukraine, that were geographically much more isolated from them. Thus the challenge of economic reform was certainly more momentous.

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<sup>4</sup> See Lieven (1993) concerning the Baltics.

These post-communist elites also lacked the kind of understanding of the “Western” alternative economic models that their colleagues in Central Europe already understood much better.<sup>5</sup>

While in the Central European and the Baltic countries (with the exception until 1998 of Slovakia) there was a determined move towards an economic and social system compatible with that of the European countries, on the basis of the consensus wish to become integrated in both the EU and NATO, this consensus as well as the reforms towards the Western model were absent in Ukraine and largely absent also in Moldova. One also needs to understand that the EU and NATO became interested in these formerly Soviet republics only gradually. The Moldovan elite was somewhat more inclined to follow the International Monetary Fund’s (IMF), and other Western partners’, advise in the 1990s, but this opportunity was not particularly well used – partly because the Western partners did not have a detailed enough intellectual answer to Moldova’s problems. The country was wedged between two slow reformers and poor markets – Romania and Ukraine. The country needed an enormous degree of radicalism if it wanted to reap the fruits of reforms. Its bureaucrat leaders neither had the will nor the ability to conduct such radical reforms. Thus the country moved slowly away from socialism but not towards the liberal, EU-compatible state that characterized Central Europe and the Baltics in the 1990s. The Moldova of the 1990s was not as “oligarchic” as Ukraine but neither was it successful. The economy declined throughout the whole decade. This situation inevitably led to the kind of nostalgia for the Soviet past that manifested itself in the overwhelming electoral victory of the re-established Party of Communists of the Republic of Moldova (PCRM) in 2001. President Voronin’s powers were such, and his reign so long (8 years) that in the given structures it could only become what Hale calls a “single-pyramid patronal society.”

### **The formation of the oligarchic system**

In Ukraine the current oligarchic pluralism took shape similarly gradually. The presidency of Kravchuk (1991-94) was short lived as Ukraine did not accomplish the kind

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<sup>5</sup> Of course it applies less to the comparison with the Baltics where a combination of factors helped. They purged, essentially, the Russian elites in the state apparatus and, particularly in reform-frontrunner Estonia, invited foreign experts of Baltic ethnic backgrounds to introduce market reforms. Their motivation for national reawakening and Western economic reforms worked fortuitously, while they also enjoyed the advantage of Nordic markets and a friendly approach towards their assistance.

of reforms that the Central European countries did during this time. While Moldova was in the shadow, it cannot be said about Ukraine.

Kravchuk adequately addressed one of the four transition challenges: nation-building. He did it tactfully in order not to alienate the East of the country with a very different historical and identity narrative than the one prevalent in the West. That is his great historical contribution even if he started as the Ukrainian Soviet Communist Party ideology supremo. His credentials in democratic politics should not be assessed too negatively in light of what came after him. However, given his communist ideological background, capitalist market economic reform was a bridge too far. And the economic situation so much deteriorated during his presidency, including damaging hyperinflation, that he could not avoid early elections. Should Ukraine at the time have had a Balcerowicz with adequate powers, we would, perhaps, not have the problem now of oligarchy and lost territories.

With Kravchuk's successor, Kuchma, the swings started between reform and oligarchic expansion. Kuchma, whose background was in the senior management of the military industry, had to first handle the economic crisis that Kravchuk left behind. He needed the IMF for this, and thus he pledged reforms.<sup>6</sup> However, as soon as the country seemed off the hook, already in 1995, the reform-willingness dropped.<sup>7</sup> In the pro-reform period macroeconomic consolidation and the successful introduction of the national currency were among the lasting results.

In the first years of lawlessness criminality spread and played an active role in the original accumulation of capital. The main sources of capital accumulation at the time were "security" and "insurance" payments to gangs as well as the more "white collar" acquisitions of monopoly trading rights in the field of energy – particularly in the field of energy imports from Russia. Industry collapsed but the privatization that could have saved some of the industry did not take off until 2000, after Kuchma appointed Yushchenko as prime minister – in reaction to yet another crisis.

The second short-lived reform period happened in both countries after the Russian financial crisis that dashed the nascent post-Soviet recovery hopes in 1998. In Moldova its lack of radicalism and comprehensiveness in reform led to massive dissatisfaction and elections in 2001 that brought eight years of rule by the communists. Voronin came to power in 2001 after a decade of disappointment and the lack of prospects – on the back

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<sup>6</sup> See particularly Aslund, 2009.

<sup>7</sup> See Aslund (2009: 86-87 and onward) for the description of this policy reversal.

of nostalgic sentiments towards the stability of the Soviet times. He promised re-establishing kolkhozes, re-nationalizing factory assets, reuniting with Russia (and Belarus), reuniting also the Transnistrian region, and that he will pay pensions on time that, after the chaos of the 1990s, was a winning formula. None of this happened, however, except for the minimum stability of timely pension and salary payments. The country did not return to the Soviet times and even the reunification of Transnistria was aborted at the end of 2003. The nascent oligarchs of the previous period were replaced by Voronin's own trusted politician-entrepreneurs. It was a period of strong personal power by the former-Minister-of-Internal-Affairs-of-Soviet-Moldova-turned-President. This also entailed strong law-and-order and the subordination of the oligarchs as well as lower-level political barons to the chief patron.<sup>8</sup>

Voronin also had to change the ideology gradually, as back to the future was neither feasible nor desirable to him once he had the presidential power. He got gradually convinced that large scale renationalization would not produce the kind of prosperity he needed to keep power; it seemed superior to this to keep private control of assets by his favorites. In Putin's Russia he did not find a fair partner to his geopolitical ideas. He wanted to reunite Transnistria by subordinating it to his reign. When in the fall of 2003 he was willing to give major concessions to Russia, it ran aground due to the combined effects of the simultaneous Georgian Rose Revolution and massive nationalistic protests in Chisinau.<sup>9</sup> The Communist Voronin then changed geopolitical course and turned European. However, he was unwilling to reform Moldova in the way that would be compatible with rapid European integration – which otherwise could have happened, given that from 2007 it had a major advocate in Brussels, once Romania joined the European Union. Voronin was profoundly “Moldovanist,” and he did not want subordination to Romania. Culturally, he was still closer to Russia. His European turn was half-hearted and his eventual reforms timid.

Ukraine did not succeed, either, in getting out of the kind of oligarchic order that it gradually had slid into during the Kuchma years. After the 1998 crisis, in order to please the international donors, particularly the IMF, Kuchma nominated Viktor Yushchenko as prime minister who earlier was responsible, as the governor of the central bank, for the successful introduction of the national currency, the *hryvnia*, and for a similarly

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<sup>8</sup> A theoretical interpretation of patronal politics in the CIS (Commonwealth of Independent States) space can be found Hale, 2015.

<sup>9</sup> For a very detailed description of this dramatic event see Hill, 2012.

successful anti-inflationary macroeconomic policy. In 2000, Yushchenko introduced a new wave of reforms, including breaking those monopolies which had been responsible for the rapid enrichment of some of the new oligarchs. He also started privatization in the field of energy. This, for the first time since gaining independence, gave large productive assets into private hands.<sup>10</sup> In this way another class of oligarchic power emerged but at least in the productive sectors, as opposed to the pure rent-seeking seen in the case of the earlier oligarchic formations. He also opened up privatization to foreigners but in the prevailing circumstances of regulatory uncertainty practically only Russian investors capitalized on the opportunity, besides the domestic oligarchs.

Still, the fact of introducing competition in the process, and the attempt to kill some of the local monopolies made Kuchma's presidential team (a subset of oligarchs) unhappy and it was only a question of time that Kuchma replaced him with the man of the "Donbass clan", Viktor Yanukovich. It is characteristic of the birth of Ukrainian oligarchic capitalism that a man with a criminal history as a repeated offender could be put forward for this position. At this juncture, the biggest challenge for Kuchma became balancing between the different oligarchic interests. Unlike Putin in Russia (or on a much smaller scale Voronin in Moldova), he was not able to get the upper hand over the oligarchs. Thus his presidential nominee in 2004 was Yanukovich, in spite of his clear misgivings about the candidate.

What was on the minds of the members of the "Donbass clan" was undoubtedly to nominate one of theirs but one who is not that so strong economically that he could grow above them. This consideration also played a role in the nomination of Putin in Russia where it spectacularly backfired. In Ukraine the nomination and the effort to manufacture the election results eventually failed and the Orange Revolution at the end of 2004 put in charge the two reformer leaders of the 2000 government. Many observers, including the author of this study, thought that this was the moment for Ukraine to correct the earlier detour from transition and follow the path of the Central European and Baltic reformers. It turned out that this was not to happen.

Given that in all the CIS countries, with the exception of Georgia,<sup>11</sup> a kind of patronal or mafia state has prevailed over the last quarter of a century, it is a legitimate

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<sup>10</sup> For a good description see Aslund (2009: 133-143).

<sup>11</sup> At the time of its Rose Revolution and the ensuing reforms, Georgia was still a member of the CIS. On the Georgian reforms see Burakova, 2011.

question to ask if the failure of the Yushchenko–Tymoshenko team was a structural inevitability, or if there really was a different path to take?

### **Why so hard to reform?**

Georgia's example indicates that the kind of patronal state that worked in Ukraine as well as in Georgia can be reformed. Moreover, the Georgian reforms happened in front of the Ukrainians since the Ukrainian revolution followed the one in Georgia a year later. Also, the international community made available considerable expertise to support reforms.<sup>12</sup> Thus, there was an opportunity to overcome the inertia of oligarchic politics. The fact that this did not happen is due to several factors. First, the incoming Prime Minister, Yulia Tymoshenko, was the kind of populist who did not believe that liberalizing reforms can be popular. While she initiated a transparent re-run on the privatization of the giant steel combine Kryvorizhstal, she also applied the kind of anti-market populism, e.g. in price controls, that the Saakashvili government never contemplated, let alone implemented. Second, the President played a laid-back role at first, and only then tried to undermine his inadequate but politically very skillful Prime Minister. This fatally weakened the reformist coalition and gave a new breath of life to the Donbass team, with, incredibly, the discredited Yanukovich at its helm. In Georgia, leadership was crucial to the breakthrough reforms while it was totally absent, surprisingly and disappointingly, in Ukraine after the Orange Revolution. Third, in Georgia there was an adequate combination of ideologies for a breakthrough reform: Saakashvili addressed corruption with a genuine determination. He combined this with a libertarian approach to the state that in the circumstances was adequate as it is much easier to fight corruption in a reduced, deregulated state than in a large, redistributive one that Ukraine had been – and remained, under Tymoshenko's populist drive. Forth, Ukraine is a large country with a much larger and more powerful oligarchic class than Georgia's, and also more important for Russia. Thus the system's inertial force is stronger than in Georgia. Nevertheless, if similar determination and reformist intelligence would have been in place, Ukraine could have turned the corner. However it did not, and the split post-revolution camp gave a renewed chance to Yanukovich and his Donbass-gang to regain power.

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<sup>12</sup> The author at the time was UNDP's Regional Director for Europe and the CIS and in this capacity he assembled an expert group, styled on the Hungarian Blue Ribbon Commission with identical name and issued its „Proposals to the President: A New Wave of Reform” (Blue Ribbon Commission. UNDP, 2004).

Yanukovych won the presidential elections with a small majority in 2010 but immediately acted to narrow the democratic space by violating the constitution as well as by putting his competitors (and sometimes his political partners) in prison. Geopolitics played an important role. Since the European idea was popular, and he understood the disadvantages of being dependent on Putin, he continued to pursue negotiations for an Association Agreement with the EU. Some reforms he was able to put into legislation and in rare cases he even implemented them better than his chaotic and internally divided predecessors. However, in the last minute, he found the Russian offer of a 15-billion (USD) loan more attractive than association with the European Union, with all the rule-of-law strings attached. Even though his successors did not investigate the abuses of power during the Yanukovich era, nor those during the Euromaidan uprising, the victory of the protestors opened the windows to look into the governing style and methods of Yanukovich.

Before turning to the post-Yanukovich era, we need to see what happened in Moldova. The outcome of the systemic evolution of Moldova was very similar even though it could have been very different. While Ukraine, through the disjoint among its reformist-pro-European politicians, elevated Yanukovich to the presidency in 2010, in Moldova seemingly the opposite happened: the forces with the “pro-European” banner won in the October 2009 repeat elections. The clear expectation was that this would speed up reforms towards Europe. In actuality, the process was full of paradoxes. It is legitimate to call the communists not-pro-European since their domestic policies were almost as ambiguous as those of Yanukovich. They were bargaining intensely for an Association Agreement and particularly for two freedoms: a visa-free travel regime in Europe and a free trade agreement. On the other hand, Voronin’s policies favored economic monopolies, his oligarchs were stifling foreign investment, and the judiciary was certainly not independent. He was lucky insofar as his reign coincided with the generally strong growth period of the whole CIS area – it was also the period of the guest-worker exodus from Moldova (and elsewhere) that improved the foreign incomes of the state dramatically through very strong growth in remittances. The dissatisfaction with his reign that manifested on April 7, 2009, two days after the election that the communists won, was not primarily of economic origin but had its roots in constrained freedoms.

Unlike in Ukraine, in Moldova the European Union had a very large, at the time almost infinite leverage. It is a small country and its EU neighbor, Romania, pays special attention to it. Yet, this leverage was not used adequately – in fact it was wasted. The

fundamental problem with the EU's approach was that it did not apply strict expectations, or conditionalities. The emerging coalition used the EU banner but it also misused it. The first test of the application of the rule-of-law was the election of the president. The Moldovan constitution prescribes that the Parliament choose the President with a 61 per cent majority. In 2009 and 2010 the governing coalition did not have this majority. Instead of what this rule implies – a consensus-seeking process – the then-temporary President Ghimpu chose an the unconstitutional road. At this moment both the European Union and the Council of Europe looked the other way, endorsing the violation of the rules in the name of keeping the communists out of power.

This triggered a slippery slope whereby the ruling coalition pretended that it did the “right things” while the EU tried to convince the member states that Moldova “deserved” the associate status, along with free trade and visa free travel. The confusion was multiple: first, it is wrong that visa free travel for citizens should depend to such an extent on the rulers' behavior when it is in fact a reward for citizens. Second, conditions in Moldova did not deteriorate all of a sudden in 2013 – instead, in the previous period, a lax conditionality regime of the EU (and to some extent the US) allowed the systemic evolution of the country to degenerate. A disciplined approach from the EU would have resulted in better systemic evolution in Moldova.

The country from 2013 gradually slipped into wavering between a failing and a captured state. In 2013 a covered-up fatal hunting accident triggered a show-down between the Prime Minister Filat – seemingly rising into dominance in the country – and the richest oligarch, Plahotniuc.<sup>13</sup> Plahotniuc's career is very important here: he grew into a strong business position under Voronin as a partner of the President's son but jumped ship with perfect timing in 2009. He essentially bought up the Democratic Party with the then-heavyweight Marian Lupu whom he gradually subordinated. Behind the scenes, he gained power with a combination of bribes and blackmail: via collecting *compromat*. In this way he gradually took control of the power institutions of the country, particularly a large chunk of the security services as well as, critically, the prosecution service. In the duel between the two strongmen of the country surprisingly Plahotniuc gained the upper hand, and this culminated in Filat's taking into custody in October 2015, and his sentencing to nine years recently.

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<sup>13</sup> See Mizsei (2013) on this.

The European Union has gradually tightened its approach towards the country that in 2013 was still regarded in Brussels as the top performer among the Eastern Partnership countries. It has also strengthened the growing social dissatisfaction with the kleptocratic elite that got accentuated by the “fraud of the century:” a banking theft that left a hole in the banking sector equivalent to 12 per cent of the country’s GDP, a kind of world record.<sup>14</sup> However, the resourcefulness of Plahotniuc is illustrated by the way he managed to release the valve from the growing balloon of social protest. In May 2016 the Constitutional Court, with a convoluted argument, invalidated the decision of its predecessors 16 years ago that established the rules of voting for the president. Thus, instead of parliamentary elections, a presidential election will follow in October 2016 – giving more opportunities for the powerful but intensely unpopular Mr. Plahotniuc to manipulate the scene.

Moldova still declares its allegiance to Europe. However, its leaders and society will have to play out if the country is going to move towards establishing the rule-of-law. In the opposite case, its conflict with the EU over the absence of serious reforms may push the country towards Russia over time.

While Moldova sunk gradually into lawlessness, in Ukraine Yanukovich’ rule ended with the Revolution of Dignity in November 2014. As a response to the victory of the pro-democracy and pro-Europe popular uprising, Russia aggressed on the territorial integrity of Ukraine and occupied the Crimea and, combined with local separatists and simple criminals, large chunks of the two Donbass regions, Donetsk and Luhansk. Ukraine needed to reform in those extremely difficult circumstances. However, not only the external threat proved to be difficult to face but also the forceful logic of the oligarchic system. A presidential election, the competitive character of the coalition government, and a parliamentary and local election within one-and-a-half years gave plenty of opportunity to the oligarchs in this very expensive political system to insert their interests throughout the political process, and to undermine the ethos of deep, thorough systemic reform. The international analysts and official local reformers have created plenty of reform scorecards but these scorecards do not reflect on the fact that in some critical areas

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<sup>14</sup> A very good political analysis of the bank fraud is available at <https://moldovanpolitics.com/2016/05/19/anti-corruption-policy-failure-the-case-of-moldovas-billion-dollar-scandal/>. See also: <http://www.economist.com/blogs/freeexchange/2015/08/eastern-europe>.

there has not yet been any breakthrough.<sup>15</sup> The situation is somewhat reminiscent of 2004. The comparison with the Georgian reforms still holds: while the Georgian reformers targeted corruption as the main enemy of the country in 2004, this was only pretended in Ukraine from 2014. However, there was a very big difference in the approach of the Western partners this time, and Ukraine was heavily dependent on them. Demands by the IMF, the US as well as the European Union were more concrete and assertive regarding the “fight against corruption,” with the recognition that corruption in Ukraine is systemic, with a view to the independence of the judiciary and rent-seeking in the energy sector. As to the latter, some notable successes have been achieved and indeed the budgetary subsidization of the oligarchs seriously decreased. In the other two areas, however, there has not yet been any noticeable breakthrough. In a situation of a lack of energetic reform leadership – and Ukraine after 2014 certainly qualifies in this respect – it is inherently difficult for foreigners to apply conditionality effectively. There is always plenty of tricks that can be applied to duck conditionalities.

The two revolutions, in 2004 and in 2014, created a large civil society that has a wide range of activities. Part of this civil society is a set of think tanks who are very instrumental in articulating reform expectations. Thus there is a coalition between reform-minded MPs and politicians, civil society and Western partners of Ukraine. Whereas the reforms so far are disappointing and way behind the expectations of the Euromaidan in 2014, it would be too early to write off the developments of the last two years as yet another failed revolution. Among the positive systemic developments one can list the reduction of rent-seeking possibilities, the partial cleaning up of the banking sector, initial steps towards police reform, and some inconclusive but initial steps on the way towards judicial autonomy. There are tentative signs that the National Anti-Corruption bureau, together with the general prosecutor’s office, may be taking up some of the large corruption cases. While it would be very naïve to believe that the choice of cases and their timing is free of politics – on the contrary, they are purely political – some highly visible cases could become deterrents for further corruption and can also deliver a certain feel-good factor to the population that has become very apathic towards politics overall.

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<sup>15</sup> See also <http://euromaidanpress.com/2016/02/04/a-year-of-reforms-in-ukraine-the-best-the-worst-and-why-they-are-so-slow/#arvlbdata> and <http://carnegieendowment.org/2016/02/19/ukraine-reform-monitor-february-2016-pub-62831>.

## Summary

Both Ukraine and Moldova have lived for a very long time in the double ambivalence of reform vs. oligarchy, and West vs. East. The two are deeply interconnected: a regime that is not democratic and does not reduce systemic corruption cannot be attractive to the European Union, while a clean government will not choose Russia as its long-term geopolitical ally. On the other hand, what is best for Putin's Russia to deal with is a corrupt mafia state where it can make the chief patron of the state its ally. Even though any head of state would see Putin's alliance a discomfiting one, without the prospect of European integration their room for manoeuvre will inevitably be reduced, as November 2014 illustrated. In certain circumstances deeply corrupted and increasingly illegitimate leaders may still choose the Russia option as the lesser presumed immediate evil. Thus, in the case of the two neighboring countries there has been a dynamic balance between the two geopolitical forces.

In the case of Moldova, after 2009 the EU had the leverage to seal a long-term geopolitical alliance through systemic reforms. Neither the technical know-how nor the political skills were present in the EU for this, however.

From 2014 the EU has been, together with the US, better allies in change in Ukraine as well as in Moldova. Now, however, the overall international circumstances make exerting this influence more difficult for a much weakened Western alliance. Still, with the right skills and determination, this battle can be won – also for the benefit of a more stable and peaceful international order. Particularly Ukraine's future trajectory will have a critical influence over the international order.

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