Oleh Havrylyshyn

Ukraine: Greatest Hopes, Greatest Disappointments

TRANSITION IN PERSPECTIVE
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I. INTRODUCTION

On Nov. 18, 1989, shortly after the fall of the Berlin Wall I returned for the first time since my birth to Ukraine, and as the taxi passed by the square clock tower in Kyiv’s Central Square, I was seized by the emotion of its electronic letters spelling out in Cyrillic the day of the week, and month – in Ukrainian. So this is why I had spent all those Saturday mornings in Toronto’s Ukrainian school. This spark signified a hope and expectation that Ukraine would be independent and free from the constraints of a misguided socialist system, indeed analysts of the Deutsche Bank (1992) scored Ukraine’s future prospects as by far the highest amongst former Soviet Republics. This great hope turned into a great disappointment as the first President, Kravchuk, virtually ignored economic reforms and oversaw the start of a long economic decline. Within a decade both democratic and economic institutions were captured by insider vested-interests, at a cost to the population of one of the deepest economic recessions in the entire post-communist region. When Kuchma was elected President in 1994, he surprisingly raised hopes anew by actually beginning to undertake serious economic reforms, but these too were disappointing in their limited scope and his policy reversal within a few years. In November 2004 Independence Square- the Maidan as it was by then called – became the location and symbol of the Orange Revolution for yet a third cycle of renewed hope under President Yuschenko. This only led to an even greater disappointment and continued lagging performance. A new window of opportunity is once again opened by the EuroMaidan victory in Feb 2014 and the gratefully clean and overwhelming election of a new President, Poroshenko. Is the fourth time lucky? One can certainly not only hope, but work towards such an outcome. But it is rather ironic that this same clock tower symbolizes hope in the very fact that it has burned down in the resistance to police forces. While the question of how best to go forward to avoid another disappointment is central today, good analysts never forget the dictum that those who forget history are bound to repeat it. Thus this chapter will focus largely on this short history and attempt to understand why. Already three times, the hopes turned into disappointments.

The chapter is organized as follows: Sec. II provides an overview of Ukraine’s progress in transition and economic performance using a number of now-common quantitative indicators such as the EBRD Transition progress Index (TPI). These confirm the wide consensus that Ukraine has been moving forward much more slowly than the leading transition countries of Central Europe and the Baltics (CEB). To say Ukraine has underperformed since independence is not new, but having nearly 25 years of data for such indicators allows one to investigate more

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1 I wish to thank the Peterson Institute and the editors of this book for the honour and opportunity to join such an illustrious group of transition experts and practitioners. The chapter has benefitted greatly from the insightful comments and suggestions of Anders Askund, Alexander Motyl, participants of the Budapest Conference May 6-7,2014, and the editing assistance of Vijay Khosa. XiaofanMeng was most efficient in assisting to prepare tables, figures, data-search, and text formatting.
deeply the reasons why it happened. Sec. III attempts to explain Ukraine’s lagging performance, looking at each of the five presidential terms, and what might have been done differently.

II. EVOLUTION OF ECONOMIC AND DEMOCRATIC REFORM

I consider here three aspects of Ukraine’s transformation: first its progress towards becoming a market economy and in parallel development of a democratic state; second the resulting economic performance; and third the social impacts of the transition.

II.1. Economic reforms

To track how economic reforms are moving a country towards becoming a market economy, the EBRD has since the early nineties compiled an annual ‘score’ of how much progress has been made towards a market economy, the Transition Progress Index (TPI) with values from “0 to 4.3.” The broad picture for Ukraine and other transition countries is in Fig. 1, which shows for the period 1990-2012 the value of this index for 16 selected but representative transition countries. It is evident that Ukraine started very slowly with virtually no forward progress for three years very unlike the case of the great majority of transition countries. This marks the first cycle of hope and disappointment. The second cycle came in 1994 as the first serious steps of stabilization and reform were taken under Kuchma (reflected in the rise of the TPI, Fig.1). But again disappointment soon followed as the reforms stalled by 1996-97 and despite another limited effort in 2000, continued to lag far behind not only the leaders in the CEB, but even behind some FSU neighbors like Russia - despite its reversals - as well as Kyrgyz Republic, Armenia, Kazakhstan... At the same time it is notable that no great reversal occurred seen after 2000 in much of the FSU. and its progress to a liberal market Ukraine’s progress did move forward in lurches. But behind this apparently upward long-term trend and lack of reversals there hides the third cycle of hope – disappointment: the failure of the Orange Revolution. I discuss the deeper factors in Section III, but it is worth remarking that anyone familiar with the nature of that event would expect to see in the years following 2004 a leap forward in economic reforms, that is a sharp rise of the TPI. Nothing of the sort is visible in Fig. 1 because nothing of the sort happened - the relative flatness of the curve depicts correctly this third disappointment. Also somewhat of a surprise is the fact that the TPI did not see a major reversal after the 2010 election of Viktor Yanukovich as President.

By 2013 Ukraine’s TPI had still only reached a level of about 3.3, in the range the EBRD would define roughly as a partially functioning market economy with many elements of government intervention still prevalent. While it ranks today second only to Russia in the FSU group, that is little comfort given the group has continued to fall behind the leaders in Central Europe and the Baltics, most of which are widely considered to have virtually completed the transition.

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2 This Index is not without shortcomings and debates on its validity well beyond the scope of our work. But it is widely used and the consensus seems to say the broad picture it paints is not far wrong. In the transition literature it has been helpful as a framework around which to build in-depth analysis.

3 Incidentally, the chart gives a very clear picture of how short-lived was the “Big-Bang “ in Russia that Aslund (this volume) discusses; Russia’s major reversals in 1998 and another about 2005 are strikingly visible.
II.2. Democratization trends

Ukraine’s path to democracy has been slightly more felicitous than its economic transition, certainly within the FSU. Thanks to widespread media coverage of both the 2004 Orange Revolution and the Euromaidan Revolution in 2013-14, it is widely understood in the world that Ukrainian desire for democracy is very strong among the people, and eventually forces the hand of even reluctant leaders. The technical evidence confirms this, Table 1 illustrates the
main trends over time, using the Freedom House scores for democracy. At the start in early to mid-nineties Ukraine was among the best in the FSU9 group, and about as good as the lagging Balkan countries. But already in the second half of the nineties it showed some reversal of democratization, similar to but less than seen throughout the non-Baltic FSU region. This reversal reached its worst point in 2003, the eve of the Orange Revolution. Note the score of 4.9, which was still much better than the rest of the FSU9 at 5-7 points, not to speak of the three laggards with 6-7 ratings.

**TABLE 1. FREEDOM HOUSE DEMOCRACY SCORE**

(Selected countries and years : Scores : 1= best, 7= worst.)

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The disappointment of the Orange Revolution is dramatically clear in these scores: notwithstanding the unquestionable democratic victory of the “demos” on the Maidan, actual governance led to very limited improvements in democratization by 2010. Increased media freedom and evolution of civil society were enough to have Freedom House lift Ukraine’s status from Partially Free to Free, but its overall score remained far behind those of Central Europe. In contrast, corruption rankings by Transparency International reveal little or no improvement: in 2003 Ukraine was at position 106 of 166 countries (64th percentile) and by 2010 it ranked 146 of 180 (81st percentile) that is to say, worse.

**II.3. Resulting Economic Performance**

The central economic performance issue of the transition period has been how rapidly a country recovered from the inevitable decline of output in the early years. Official statistics tend to exaggerate the output decline due to the problem of comparing socialist measures of output (NMP) and the market economy definition (GDP). But no one questions there was a substantial decline probably more than 10-15% in countries which recovered by 1993-95, and in some cases that did not see recovery until the late nineties the fall was over 50%. This difference is often taken to mark out the more successful from the less successful ones. Ukraine

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4 Defined in Havrylyshyn (2006) for purposes of historical comparisons as the nine non-Baltic former republics that undertook some moderate degree of economic reforms, unlike the three laggards Belarus, Turkmenistan and Uzbekistan which barely moved from a socialist regime.

5 The Reporters Without Borders ranking had improved to 87th place by 2008. Unsurprisingly it deteriorated sharply and immediately to 131st place in 2010. After the election of Yanukovich.
as is clear in Figure 2 was in the latter group. It was among the last to experience a recovery and even after 20+ years to be near the low end of per capita income rankings. Just how much of a disappointment this was is best understood by noting that at the end of the Socialist period, Ukraine’s estimated per capita GDP was considered to be about the same as that of Russia, Belarus, and Poland. By 2012, World Bank data showed Ukraine at about $4,000 far behind Poland at about $US 13,000. To see Poland outpace Ukraine to reach a value three times higher, can only be attributed to its much more vibrant move towards a market economy, including the consequent acceptance into EU membership. Indeed this comparison plays a huge role in understanding why Ukrainians from the western regions overwhelmingly favor an EU orientation; they have more opportunities through TV, travel, work to see Poland’s achievements directly. And they do attribute its success to the EU orientation. If one speaks of hopes and disappointments, for Ukrainian people, this GDP comparison is a very real thing, unlike the abstract TPI values we social scientists use to measure transition progress.

Many other economic performance statistics could be cited to confirm Ukraine’s weak performance. An important example is the amount of Foreign Direct Investment which is closely related to growth performance and prospects. Since the start of transition, the cumulative per capita amount is reported by the EBRD. In 2010 this totaled $674 for Ukraine, slightly above the average for the FSU, but far below the levels of Central Europe and the Baltics. The Czech Republic tops the list with $6,337, and the Baltics average $3,876.

II.4. Social Impacts of transition policies

Since the main reason given publicly by Ukraine’s first government for gradual reforms was the avoidance of social pain, it is relevant to show what in fact was the social impact. The ten year decline in GDP per capita suggests social pain was not avoided but in fact made greater by slow reforms. Finer measures of well-being are provided by the Human Development Index (HDI done annually by the UNDP and these show in Poland, Central Europe and Baltics a mild decline for 4-5 years followed by strong improvements, while in Ukraine the deterioration in social well-being was both deeper and lasted much longer.

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6 I use values of GDP per capita in $US over the long term rather than GDP growth rates, as the latter are done in domestic currency and miss out on effect of productivity gains then translated into appreciation. Fig 2 shows nominal rather than PPP, though the latter also shows the same trend.

7 In Havrylyshyn (2006, 2007) the analytical argument is made that the economic success of CEB was indeed due to reform advancement, and that EU membership played a role- but not simply as pressure to reform, rather in a more complex circular causation between a country’s inherent commitment to reform and the EU requirements.

8 Details are shown in Havrylyshyn (2014) as well as a discussion of the wider debate between advocates of gradualism who argued this was needed to minimize social pain, and advocates of rapid reform arguing the opposite., and today adduce the evidence of HDI showing indeed slow reformers suffered much more social pain.
III. EXPLAINING UKRAINE’S LAGGING PERFORMANCE


Gorbachev’s Glasnost led to rise of popular opposition movements advocating democratic and economic liberalization, including independence of Republics. Rukh in Ukraine was instrumental in pushing toward independence, and by 1992 its leaders achieved agreement with the leading members of the Ukrainian Communist Party, in particular the newly appointed First Secretary (Date ???), Leonid Kravchuk, who committed himself and colleagues initially to sovereignty within a reformed Soviet Union and eventually to full independence as the Union fell apart in late 1992. This doubtless helped Kravchuk win handily the election for Presidency of Ukraine, but also ensured that unlike Central Europe most of the top echelon of the renamed party remained in power.

To say that the government of Kravchuk had very little interest in economic reforms is almost an understatement and not new. The important question is why. Amongst Ukrainians the
widely accepted answer then and now is that his deal to support independence meant the first policy priority became “nation-building;” its political institutions, philosophy and symbols such as the trident and the Blue-and-Yellow flag. That he maintained his part of the bargain is not in doubt, and for this he is given a lot of credit. But that the consequent delay in economic reforms caused the poor performance, opened the door to oligarch formation, and weakened the economy so much that this threatened sovereignty, is not adequately recognized. How did this evolve? Despite the popular strength of the Rukh movement in public demonstrations for independence throughout 1991-92, Vyacheslav Chornovil its leader got only 23% of the vote in the Presidential election. Kravchuk’s win is attributed by Kuzio and Wilson (1994, p41) to his striking a “Faustian Bargain” with Rukh: he would steadfastly support independence on condition that he and his colleagues of the renamed communist party would provide the major part of a new government; in a word no lustration. As noted, both sides kept to the bargain, resulting in the common and favorable interpretation on why economic reforms were delayed: the priority had to be put on nation-building tasks like Ukrainianizing the institutions of government, its laws, structures, symbols.

Let me emphasize I do not deny that for a former Republic of the USSR nation-building tasks were more complicated than for pre-existing sovereign states in Central Europe as analyzed in depth by many like Motyl (1993). Nor I do not suggest that the nation-building needs should have been put aside in favor of economic reforms – the argument is that both were equally needed, and a strong economy should have been recognized as being one of the pillars of sustained sovereignty and independence. That it was possible to do so is best illustrated by their simultaneous early introduction in the Baltic countries, and to a lesser extent in some other republics like Armenia and Moldova.

Even if today it is more widely accepted the delays were a mistake, that misses an important reality of those early years: the public reasons given for delays were probably masking some unspoken reasons: it was NOT in the interests of the re-colored communist elite of Ukraine to move fast on economic reforms. Like all former communist ruling classes, they were not happy to simply go away and let the changes occur: their aim was to try to retain elite power by having enough time to turn themselves into the new capitalists. (see Barnes (2003)). For this purpose the Faustian bargain was perfect: they remained in control of government operations and by delaying economic liberalization gave themselves time to regroup, and gradually proceed to establish conditions favorable to accumulation of capital in new private enterprises. Some of this was done through “pryhvatyzatsiya”, much as Aslund (this volume) describes for Russia, but with time seemingly legal means for transferring monies or assets were developed. Setting up private firms with contractual relation to a large state firm which could borrow from the central bank at 40% while inflation raged at well over 1,000%, allowed the state firm to “transfer” large amounts by overpayment for services or material provided by the private firm. This was but one of many “legal” schemes to tunnel huge resources to the new private sector. In the Kravchuk years the amounts were not large enough for new capitalists to reach oligarch status, but there is little doubt their embryonic rise date to his Presidency.

The most visible embryonic oligarchs of this period surfaced under Prime Minster Vadim Zviahilskyi, a Donbas region coal-mine director in Soviet period, who himself has to be
considered in that group along with another easterner colleague, [[FIRST NAME ??]] Landyk. By late 1994 a number of other prominent individuals are noted by observers with holdings in several industrial sectors in the center as well: [[FIRST NAMES ??]] Surkis, Medvechuk, Bakai. The last eventually became supporters of and supported by the next President, Leonid Kuchma.

The role Kuchma played in his second term to nurture the new oligarchs is laid out in the next section. But history needs to revise its relatively benign interpretation of Kravchuk’s Damascene conversion the independence cause, as the nation-builder who may have made a “little” mistake in giving too little priority to economic reforms. Two other aspects of the conventional interpretation need noting. First of all, the argument for delaying reforms was in fact more sophisticated than simply the need for putting first priority on nation-building. A second important argument loudly proclaimed by Kravchuk’s government—whether borrowed from the western literature on gradualism or home-baked—was that it wanted to protect society from the great pains of “shock-therapy”. After 20 years it is now clear that throughout the post-communist region, social pain was actually far greater in slow-reforming countries (see footnote 8). Admittedly this was not yet know, so one could call it an “honest “policy mistake; but the evidence of a lot of personal benefit flowing to the insiders suggests they were not that unknowledgeable.9

A third reason given for delay was lack of economic expertise: let’s learn, deliberate, decide what the best road to the market is, and only then liberalize the economy. It may or may not be a glib response to point out that the best road to Zurich was very quickly found. But more substantively, this claim is greatly exaggerated. True, economists trained in market economics were not as numerous as in the imperial center, but enough by late 1991 to provide the leadership and design of reform program. Top Rukh members like the economists Viktor Pynzenyk, Oleksander Savchenko, as well as some enterprise directors like Volodymyr Pylypchuk had since 1990-91 been involved in various informal groups of devising reform strategies, as had [[first ??]] Lanovey who in fact Kravchuk took on as Minister of Economic Reforms with a mandate to develop a program, or Viktor Yuschenko who soon became head of the National Bank of Ukraine. They were strengthened by the early surge of foreign economist talent, some of it from the Ukrainian diasporas of Canada and the US, and far more from various international organizations, or academia.

True, like most of the democratic, independence, groups, the local reformists lacked the discipline of old communists and squabbled with each other constantly somewhat undermining their impact. But most important their knowledge was willingly not used. Within a few months of the new government’s installation, Lanovey’s team with some external support had put together a program of stabilization and reform that the author knows well was considered a reasonable starting point for negotiations with the IMF and World Bank for their support. But Kravchuks’ cabinet rejected it as premature, too ambitious—and Lanovey soon departed, much

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9 Much less convincing were the frequent claims by politicians, heads of collective farms, the “the people had lived all their lives under socialism, so they were not yet ready for the market.” Hearing any of these statements it was difficult to resist the thought that it was the speaker who was not ready for the market.
as did Yegor Gaidar in Russia—though at least the latter had managed to implement a good portion of his program. Perhaps even worse, the reform-minded economists did not even have the full support of Rukh. The founders and main leaders of Rukh were largely belles-lettristes so their philosophical views of the market economy were not always in concert with the more neo-classical mindset of the economists within the movement, though they were certainly not communists either and accepted the need for an eventual move to a market economy. Eventually, it meant Rukh leaders were firmly supportive of Kravchuk’s priority on nation-building. In the extreme, many of them derided any early focus on economics and improving the economy as being rather infra-dig, unserious and uu-Ukrainian, as nicely reflected in the description of economics policy as a “kovbasna polityka”-sausage politics. It is beyond my scope here to explore whether such a view was so out of touch with that of the people that it contributed to their poor outcome in the first elections. But it is useful to recall that polls of the time showed that the huge majority which voted for independence in a referendum did so because they believed Ukraine would do better in improving standards of living.

Thus, economic reformers were not lacking, in government, in parliament, or as advisors be it local or foreign, and their aims were very different: to convince the powers-that-be of the need for rapid reforms similar to the ones introduced in Poland or at the least those of Gaidar in Russia in early 1992. But the “nation-building” priority approach won the day. In a York University Conference in Toronto in Fall of 1993 to assess the new direction of independent Ukraine, both Viktor Pynzenyk, a member of Rukh and a reform-oriented economist, and myself gave presentations suggesting that a strong economy must also be one of the pillars of nation-building. This was thought “philistinic” by the Diaspora crowd, and they euphorically concurred with the Kravchuk/Rukh position that this could be done later—after all, as Kravchuk had proclaimed a baby must first crawl before walking.

The poor receptivity of available economics knowledge internally or externally is finally reflected in the story of a renowned physicist, Akademik Yukhnovskyy who was for a time Deputy Prime Minister in charge of Economic and Social affairs. His credentials within Rukh, democratic and patriotic circles were and remain unquestioned. As an intellectual and skilled mathematician, he was intrigued by the question often put to economists: how can you ensure that the market will provide the needed quantities of basic goods for consumers, bread, kovbas, shoes etc? He too was not satisfied with the economists’ answers that the market could do this. Hence he invested his personal time looking at this problem through a mathematical approach—and indeed after some long weekends he announced he had found the answer—the market could and did provide all needs through a series of iterations of prices, supply, demand—in a word he had rediscovered the equations of Walras and the process of “tatonnement” that led to an equilibrium. Certainly an impressive feat, but sadly not only was

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10 I am grateful to the work of Emilyia Umrykhina on this issue, a University of Toronto course essay, which provided many new insights including a comparison with Solidarnocz on economic strategy.

11 As early as 1990-91, the author as well as Anders Aslund and others were amongst them.
this long-known in economics, but the math thereof was even less able to convince members of Kravchuk’s government than the intuitive stories about Adam Smith and the Invisible Hand.

What could have been done differently under Kravchuk? To suggest liberalizing reforms should have been done is correct but meaningless. That is what the few reformers in Ukraine desired and recommended, but the whole point of the above discussion is that this was not the aim of the Kravchuk government, and even the Rukh opposition did not feel strongly about this as a priority. At most, one might in retrospect say that the reformers should have been more united, and made much more efforts to convince the Rukh leadership to stand behind them. Within Rukh there should have been a more resolute orientation to appoint a top-leader someone who would be responsible for the economic mandate, rather like Solidarnocz with Lech Walesa heading it overall bur allotting to Leszek Balcerowicz the lead on economic matters, or Charter 77 with Vaclav Havel as the political leader but ceding economics to Vaclav Klaus.\(^\text{12}\)

Was there anything that Kravchuk might have done even while pursuing a delay strategy for economic reforms? Yes, it surely was possible to at least begin an approach towards the EU, raising the question of eventual membership and the mechanics of an Association Agreement. This would by no means be inconsistent with the general notion of Ukrainian independence and globalization that Kravchuk’s philosophy expounded. It was not done because of a misperception that the EU “did not invite us “as it had done central European countries, and hence didn’t really want us —a serious misunderstanding of the EU process and of the simple reality that all of these countries were not invited but took the initiative to invite themselves, to knock loudly and many times on the doors in Brussels.

### III.2. Reforms and Performance under Kuchma I: 1994-98: A Small-Bang?

In July 1994, Leonid Kuchma, who had been PM under Kravchuk until September 1993 and put in his candidacy for the Presidential election, made a personal visit to the US, meeting with many political and business figures with interest in Ukraine. I was at the time Alternate Executive Director to the IMF board, and de facto representative for Ukraine’s interests at the Fund. In an informal meeting with Kuchma, it became clear he was firm on his intention to make a much more serious start on reforms than he had been able to do as PM, including agreeing to an IMF program. I strongly urged him to meet with the Managing Director Michel Camdessus to express his aims and plans for a significant program of stabilization and reforms. Camdessus agreed to such a meeting, and was convinced that a new window of opportunity could open if Kuchma won the election. Kuchma invited him to come to Kyiv after the election. Indeed, upon winning the election, he asked that I extend an official invitation to Mr. Camdessus, and within a couple of weeks he flew to Ukraine as the first high level visitor to President Kuchma.

With a new economic team headed by Pynzenyk, Kuchma, a Red Director who had been head of one of the Soviet Union’s largest and most important firms –Yuzhmash, manufacturer

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\(^{12}\) It is well know that neither Walesa nor Havel were fully comfortable with the Big Bang approach, but recognized the importance of leaving this area to economic experts within the movement. In Rukh there never was a Balcerowicz or a Klaus —nor even the desire to find one.
of heavy equipment as well as ICBM’s-soon oversaw an agreement for the first IMF program in Oct. 1994, and a simultaneous leap forward in economic reforms: deregulation of trade, prices, market operations, as well as preparations for the large privatization program in 1966. That these measures were real enough is evidenced by the sharp upturn of the TPI index, in Fig 1. The leading element of this effort consisted of a visible reduction in the budget deficit from more than 5% of GDP in 1994 to 3% in 1996, as well as a sharp cut in monetary expansion by the NBU (led by Yushchenko) with a resulting decline in inflation from over 10,000% in 1993, to 182% by 1995. This also allowed finally a full-fledged introduction of a new convertible currency, the hryvnia, in September 1996, and a freeing up of the foreign exchange market. The overall success of this effort is captured in the fact that the hryvnia value held well, not suffering from the speculative attack feared by many.

But this was not enough to produce the economic recovery one had by now seen in virtually all Central European and Baltic countries. GDP decline became a bit less negative, but continued in 1966 and 1997 at levels of about [-5%]. The reasons for a lack of positive growth are debated to the present day; at the time explanations proposed included a still high inflation in the double digits, the still very limited improvement in the economic reforms, and for many both outside and inside Ukraine, the “austerity” of the budget policy with its alleged Keynesian negative effects. The last merits a few comments. By the mid-nineties many observers inside and outside of transition economies, began to criticize the IMF, Washington Consensus, and Big-Bang reforms for the very un-Keynesian policies of budget and credit cutting during a period of sharp recession, arguing that stimulus was needed. This was well met by the old communist elites and red directorate, who of course would benefit greatly from continued credit and subsidization. It was not therefore easy for reformers to argue this would be counterproductive as long as the “soft-budget” environment so thoroughly explored by Kornai prevailed. And given the still very low levels of progress in reforms achieved, (Fig. 1: values of 2.5-2.8, cf values of 3.0-3.7 for much of CEB group), plus still predominant state ownership of large firms, the soft-budget environment was very much in play.

In the end, the forces that argued for stimulus rather than further liberalization, whether for intellectual reasons or self-interest, won the day, and by the end of Kuchma’s first term his reformist inclinations came to an end, perhaps as early as the fall 1966 appointment of Pavlo Lazarenko as Prime Minister. I address more fully the question why the reform wave stopped more fully in the next section.


Popular views of Ukraine’s evolution associate oligarchs with the presidency of Kuchma—this is not incorrect but is incomplete. I have argued above that the embryonic beginnings of oligarch development actually came under Kravchuk, and probably not without his complicity. That he has escaped this historical responsibility may be explained by two considerations. The magnitude of new capitalist wealth until 1994 was still too small to be visibly identified as “oligarchic”. Also, Kravchuk was in fact successful in establishing an independent Ukraine as he
had promised in his bargain with Rukh, making the underlying oligarchization far less visible or important.

In his first term Kuchma certainly began as a reformer, and had this continued, the rising power of the new capitalist vested interests might have been mitigated, oligarchization in its extreme forms might have been stopped. But as he began to worry about lack of economic growth, and to pay more attention to the advice of his former colleagues in the Red Directorate nomenklatura – many of whom were well on the way to oligarch status as noted above – he turned back to gradual reforms and allowed a less transparent process of privatization, regulation, policy making. In so doing there is no question that he nurtured the consolidation of Oligarch power, and of course thereby assured their political support for his presidency and that of his anointed favorites, including in the 2004 presidential election of his PM Viktor Yanukovich.

The success of new oligarchs in their efforts to influence Kuchma is the first explanation of why he ended the 1994-95 reform wave. Their influence began to grow already in his first term, and the appointment of one of them, Pavlo Lazarenko who had made his fortune in the huge rent-seeking loopholes of energy policies, marks the reformist reversal. But Kuchma was not simply affected by this power, but also disappointed by the failure of reforms to give quick results. The lack of economic recovery led him to accept the arguments for direct stimulation of economic growth – some of which involved subsidizing large enterprises, collectives and thereby of course promoting the strength of new capitalist oligarchs. He was also disappointed in the lack of enthusiasm in the EU for closer integration of Ukraine despite his nomination Yuschenko, a s PM in late 1999, and their insistence that first Ukraine must do more reforms. Last, he felt somewhat betrayed that after his international outreach including agreement to give up nuclear arms, he became a pariah in the west for a number of events attributed to him with varying degrees of hard evidence. These included the murder and beheading of the journalist Gongadze, and related secret tapes revealed by Melnychenko, an aide in the President’s Administration, as well as the alleged sales to Iraq of radar equipment during the first Iraq war. The evidence for the last in particular was most uncertain.

But it was not an entirely straight-line movement to an oligarch-based regime. As an early international recognition of his 1994-5 reformist surge gave him exposure beyond Ukraine, he attempted to enhance this reputation by balancing his policies and key appointment with a western orientation. In Dec. 1999 with a sharply deteriorating external debt situation, Kuchma with the support of many oligarchs, appointed Yushchenko as PM, in the hopes that a renewal of a reform orientation under an individual considered highly in the West, would resolve the financial problems. In this capacity Yushchenko undertook a vigorous and comprehensive program that went far beyond what Kuchma and his oligarch supporters expected. It included a relatively transparent set of privatizations, a radical clean-up of the murky business of energy

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13 A symbolic event reflecting Kuchma’s changed attitude towards oligarchs was his acceptance of the return to Ukraine of former PM Zviyazhiskiy. In my meeting with Kuchma the candidate in Washington, spring 1994, he had openly and sharply attacked Zviahilski and cronies as crooks that needed to be dealt with; indeed he and others

led by someone who knew its insides well—Yulia Tymoshenko, until then known as the Gas Princess of Ukraine while second in command of Lazarenko’s energy empire. It also involved a new turn to greater efforts at integration with the EU.

Within a year the oligarchs who had convinced Kuchma to appoint Yuschenko as the savior of the indebtedness situation, realized he and in particular Tymoshenko were going far beyond what they wanted. She was removed and indeed charged with corruption in January 2001, while Yuschenko was dismissed by April. Henceforth solidly in the camp of the new oligarch vested interest, Kuchma took an as PM in Nov. 2002 an ally from this group, the Governor of Dnipropetrovsk Viktor Yanukovich who presided over a period of oligarch consolidation, frozen economic reforms, but fortuitously a long–awaited rebound of economic growth. In the Nov. 2004 elections, Kuchma could not run for a third term of the Presidency, and supported Yanukovich in the Presidential election of Nov. 2004, which were found to be fraudulent and were followed by the first Maidan popular demonstrations, the Orange Revolution, which was won on the streets of Kyiv with at first thousands and then hundreds of thousands of demonstrators. In a re-run of the election overseen by EU intermediation Yushchenko won and became Ukraine’s third President.


The short period of the Yuschenko-Tymoshenko partnership in government laid the basis for their eventually successful bid in the 2004 presidential elections, the Orange revolution. Their successful co-operation then, the resulting jump in economic reforms, a partial but dramatic attack on energy oligarchs which the IMF praised for its resulting closing of tax loopholes and great contribution to fiscal stabilization—all these were well regarded by the population and western institutions. For those who came out on the street in miserable winter conditions, this was considered a great victory against a corrupt, abusive, and ostentations new class. But in retrospect the installation of a new democratically chosen President was the end of the victory, as the Orange regime started to sour almost immediately.

This is a story too well-known to need elaboration here. First I will illustrate how limited any actual reforms were with reference to the same indicators used in preceding section. Then I will consider on a few of the common interpretations given for the failure of the Orange Revolution, and suggest some contrarian hypotheses.

General economic reform progress is shown in Fig.1. While the leading reformers in the CEB group continued to move towards the top values of TPI ( >4.0 ), from 2004 to 2010, Ukraine’s score remained largely flat with at best a modest increase in 2008 to a mere 3.4. The best that can be said is that Ukraine rose to the top of the FSU group, as in many of them there were

15 Quite visible in both Fig. 1 and Fig. A.7, in particular a second leap in small-scale privatization as well as further liberalization of foreign exchange.
reversals or stalling - Russia, Kazakhstan, Kyrgyz Republic. Fig. 3 tells a finer tale: in all this time, the only areas of material improvement were in foreign trade and very slightly in government regulations. The most damning statistics on the dearth of orange reforms concern corruption and Doing Business. Throughout the Yushchenko years, Transparency International rankings for Ukraine put it at about the 70th-80th percentile of countries, with no real trend of improvement and a ranking in 2010 as 134th of 178 countries. This was broadly in the same range as was Russia. The Doing Business Report shows the same: starting at 124th of 155 countries in 2005, it remained in much the same ranking position in 2009, being 147th of 183.

True there were many initiatives of closing tax loopholes, including temporarily successful ones related to energy, there was a much more significant effort devoted to closer ties with the EU, a special Ministry was set up for this, some formalities were signed—but with internal dissension beginning as early as mid-2005, especially in the open conflicts between Yuschenko and Tymoshenko, political and administrative energies were wasted on these differences and any serious progress on economic reforms suffered. A similar story can be told about correcting past abuses of insider privatization, Tymoshenko’s early proposals on renationalizing many firms and redoing “properly” their privatization, scared not only oligarchs but Yuschenko and may foreign observers who feared this would go too far as a populist move and undermine the business climate. Due to this and some other proposals Tymoshenko was stuck with the sobriquet “populist” somewhat unfairly as in the event, only one major episode occurred and it served to reveal just how favorable insider privatizations had been. The Kryvorizhstal metallurgical complex had been privatized for less than one billion dollars, in a very restrictive auction which only allowed a small handful of insiders, oligarchs to bid. This was reversed in court, the monies were returned, and in a few months a new auction was organized, at which a foreigner, the Indian entrepreneur Mittal of Acellor, paid over $4b.

That the Orange Revolution soured and failed to meet its promises is not in dispute. But the reasons why it did so are still being debated. I discuss briefly some of the main ones, and propose certain re-interpretations that may be considered provocative. But the lessons to be drawn from this failure are far too important in social science thinking to be elided for political correctness. The leading thesis is that Tymoshenko was a difficult personality, and Yuschenko was too jealous of her greater popularity to find a reasonable way to deal with this. Personal conflicts among politicians of the same party are common and do explain splitting of ways, but rarely can be blamed for a total failure of a government. Some attribute equal “blame” to both, some more to one or the other. I would propose that the overall disappointment of the five-year orange –rule has to be more attributable to Yuschenko for two reasons. First, Tymoshenko was removed in early September 2005, hence served a mere 8 months; no matter how strident, difficult, and populist her rhetoric in this period, actual results were limited to one successful re-privatization and several praiseworthy fiscal and trade liberalization measures. Yuschenko remained President and chose his own future PM’s – Yekhanurov, an ally, and Yanukovich, clearly not - thus history must hold him responsible primarily for the outcome after five years. True < Tymoshenko managed to make a deal after a parliamentary election win to become PM again in 2008—but it is widely agreed
that Yuschenko was not pleased with this deal and “he never gave her government a chance to work.” ¹⁶ As shown, the advances on liberalization, corruption, business climate improvements was modest at best.

A second reason for faulting Yuschenko is that as the senior person in the duet, he not only had more power overall, but more responsibility to find a way to reconcile the personal conflict, resolve any tactical differences, and work towards what were undoubtedly common broad goals. It is difficult to point to any of the main objectives of the Orange Revolution on which the two had fundamentally different visions. Jealousy about her popularity, her flamboyance and the de facto perception of a status as the First Lady, should not have stood in the way of leading. Related to this is an arguable observation: in earlier periods when the “young Turks” of the reformist groups allowed petty jealousies to diffuse their forces in debates with the Rukh or Kravchuk forces, it was often remarked that Yuschenko as head of the NBU worked hard to diffuse these squabbles and unite reformers. Yuschenko as President did not do this so well.

A less developed analysis of the Orange failures concerns the regrouping of the defeated oligarchy. It is not easy by definition to give evidence of backroom dealings, but there is little dispute on the fact that on the whole the oligarch supporters of Kuchma and Yanukovich were little impacted. No prosecutions, or seizure of assets, or damaging taxation—as occurred with Khodorkovsky in Russia—took place. In any renationalization, the original payment was returned; any breaches of the law that may have occurred in such insider deals were not in the end prosecuted. Anyone following the lists of Ukraine’s richest 100, or the Forbes list of world billionaires, saw no diminution in wealth, but on the contrary continued growth thereof. I do not wish to suggest there should have been more of the actions demanded by the Maidan of putting the bandits in jail—like most economists I am ambivalent about what is best for an oligarch-captured society: a wholesale round of punishment for past injustices, imposition of penalties, or ensuring a truly open competitive business climate. The main point I wish to make however is that the reality of the power and influence of the oligarchs was not diminished. The strongest single piece of evidence is the critical fact that the all-important indicator of competitiveness in the EBRD index, “Competition Policy” (Figure A7) remained flat throughout the Orange regime and that at an extremely low value of 2.4! Perhaps only symbolic, but perhaps not, was the return of Yanukovich as PM in Aug. 2006- a mere 20 months after his 2004 humiliation. This certainly marks explicitly that “Oligarchy (was) Restored.”¹⁷


The closing of the Orange chapter and the return to power of the earlier forces, the major “new capitalist businessmen” which the oligarchs prefer to name themselves, and their frontal political vanguards, the Party of Regions, came in January 2010 as Yanukovich handily won the Presidential election judged to be largely open and fair by external observers. The dissension between elements of the original Orange coalition is most poignantly reflected in the fact that

¹⁷ Aslund,(20090, p.217 . How much Yuschenko fell into the clutches of oligarchs will be disputed, but as Aslund goes on to show, most of the presidential administration was cleansed of “orange “ people once it was headed up by Viktor Baloha , very much a man of the oligarch forces.
his margin of victory over Tymoshenko, was about equal to the percent of voters marking their ballots “For No One” as had been publicly recommended by Yuschenko and Our Ukraine factions, and many former Rukh intelligentsia. The pro-Tymoshenko forces described this as treachery and complicity equivalent to saying “better Yanukovich than Tymoshenko.” Whether this did or did not make the difference, the wound festers –once again a case of democrat-reformer forces disunited to the advantage of the inheritors of the former communist ruling powers. As the old saying in American politics puts it, “when your opponents are squabbling, stand aside and pick up the pieces.”

It is early days for a compelling analysis of the short-lived Yanukovich regime, though most interim assessments give it a quite negative rating. Its many laws to restrict open and democratic procedures, undermine opposition opportunities for local elections, and restrict media, are well documented. Equally well known though less easy to document are its efforts to reward financially its cronies and apparently more than earlier Presidents, family members. Its most odious aspects involved abuse of the law to put in jail major opponents –and future political threats – starting with Tymoshenko but including several other prominent politicians. Western politicians, and in particular European ones persisted to the end with demands for her release. But the political prisoner” view was not held by all Ukrainians, as she was widely disliked for her flamboyance, her corrupt Gas Princess origin. Interestingly, the corruption perception is somewhat at odds with the actual case brought by the Procurator’s office: given Tymoshenko’s past history and the soviet tradition of “Kompromat” it should have been very easy to develop or fabricate evidence of corruption, old or new. In fact the charge was mishandling of her political responsibility in agreeing to a gas deal very unfavorable to Ukraine. Western politicians and legal experts strongly argued government official’s bad judgments are not normally considered a criminal offense unless there is evidence of personal financial benefit.18

A number of puzzles remain about the aims and motivations of the Yanukovich Presidency that historians will want to resolve in the future. First, why was he willing to go as far he did with the preparations of the EU Association Agreement before backing out? The issue here is that in fact many changes were accomplished in advance of the AA which was enough to satisfy the EU side to be willing sign the Agreement in Vilnius in Nov. 2013. One possible explanation may be that Yanukovich and his supporters did worry about the economic downturn during the global recession, and sought some palliatives that might overcome this, and also gain some international reputation as good stewards of the economy. They surely recognized that their own profits were dependent on a healthy Ukrainian economy. At the same time, they only went as far with any stabilization or liberalization policies as still allowed not only the continuation of oligarch supporter’s position, but for Yanukovich allowed expansion of his personal aims to expand the family-business, allow relatives and close friends to gradually join the ranks of oligarchs. Thus until November Yanukovich’s balancing act seemed surprisingly

18 My students in a senior seminar at University of Toronto found compelling the comparison with the just-resigned Premier of Ontario, whose “mistake” of revoking some power-plant contracts led to suits by the contractors costing the Ontario tax-payer at least more than $500 b. McQuinty helped win one local election this way, but had absolutely no personal financial benefit. He resigned partly because of this—but no one dreamed of putting him in jail for a bad decision.
quite successful. Why did he then renege on it at the last moment? The official reason given was that the EU had not offered enough financial support: this is not entirely convincing however, as the long period of preceding negotiations had not included on the agenda much if any proposals of upfront monies. An alternative albeit speculative explanation is that Yanukovych had gone far beyond any earlier informal agreements with Moscow had limned out, and Putin decide to call him on this. What the price may have been, whether it was Moscow pressure that prevailed in the end, remains to be studied. The only evidence is circumstantial: the visit(s) to Moscow just before the Vilnius summit, and a subsequent one announcing the $15b allegedly unconditional loan.

V. SUMMARY

In this section I will summarize some of the main hypothesis explaining Ukraine’s lagging performance since independence, and on this basis answer some of the common questions addressed in this volume. But first an important qualifier – the view that Ukraine’s performance lagged far behind others and far behind the expectations, should not be overstated: Ukraine is not a failed state, and there are several important positive achievements since independence; I mention three only. First, the people of Ukraine have demonstrated in many ways the inherent democratic aspirations, and outside institutions like Freedom House do score it throughout the period as a far less authoritarian state than most of its FSU neighbors. Second, despite the lagging economic reforms, clear progress has been achieved on the economy. There has been considerable basic market liberalization, though institutions and Rule-of-Law lag far behind. But reforms have been at least enough to generate a strong economic recovery since 2000, increase incomes, consumer standards, and social wellbeing. Perhaps the most dramatic change concerns Ukraine’s globalization. It is a much more open economy than Russia, and its trade orientation outside of the old USSR networks is substantial, indeed many econometric studies suggest it has reached a more or less “normal” geographic diversification of exports. Third, even before the huge flow of world sympathy for the Euro-Maidan demonstrators, Ukraine was not only formally recognized as a “nation” world-wide, most importantly, people throughout the world now associate the name Ukraine with the word “nation.” True, the respect is not for the politicians of Ukraine, but for their ice-skating stars, other Olympians, football players, boxers, entertainers- and the vast numbers of demonstrators for freedom in 2004 and 2013. That is why on the streets of the world the occupation of Crimea was seen simply as a military land-grab, with no attention being paid to what some politicians and talking-heads consider to be relevant, like “was it not always Russian?” It would seem bold-faced irredentism is better understood at the level of popular horse-sense.

But a considerable lag exists, and the most important explanation for it is the slow beginning and perhaps even intentional delay in reforms. Most past analysis has given Kravchuk a bit of a pass on this. For example, Wilson (2009) in an otherwise excellent book may have been too charitable to suggest: “(Kravchuk) had no real means of challenging the thousands of entrenched apparatchiks.” For a start, the beneficiaries were not the thousands of apparatchiks

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19 Many high level officials also paid several visits to Moscow.
20 Havrylyshyn (2014)
but the tens or at best hundreds of top nomenklatura individuals who became the new capitalists, some eventually rising to oligarch heights. Furthermore, it stretches belief that Kravchuk did not know this was going to happen. Lastly, his government’s explanations for the delay – avoid pain; develop first institutions so people learn how to operate in the market – were all promises unfulfilled.

Associated with my revisionist interpretation, I believe it is important to clarify that Rukh leaders were unwittingly complicit in this façade, accepting that the economics could come later, denigrating the argument for rapid reforms made by their own economics experts, as infra-dig philistinism. They also accepted the self-serving argument of Kravchuk that Ukraine did not have enough economics expertise yet - an argument I have shown had no validity.

Another common view is that Kuchma gave birth to the oligarchs — I have proposed this is only true in the sense that the embryonic evolution of new capitalists allowed under Kravchuk, was given a big boost by Kuchma in his second term, as he became disillusioned by the lack of growth results from the real albeit modest reforms he introduced in 1994-96.

A more complex explanation that also deserves further analysis concerns the possible counterfactual of an earlier move towards EU integration, with Association Agreements like those for Central Europe and the Baltics. Most Ukrainian leaders were uninterested or hugely misunderstood the EU Accession process, and sloughed off this approach saying the EU is not inviting us, so that means they don’t want us. Had Ukraine struck when the memories of the rapturous Deutsche Bank reports praise of its potential was fresh, things may have gone very differently. Whatever the problems that the EU faces today with the Euro-zone maladjustments, most observers of the accession process that 11 countries have gone through so far agree that for these new members this provided a big boost for their economic and democratic transition, and on the whole very good economic results.

A last hypothesis to put on the table, again revisionist, concerns the reasons for the failure of the orange revolution. The proposition that by 2004 the oligarchy was so firmly established that it could not be so easily removed is often noted and it is absolutely correct; they bounced back quickly after the 2004 defeat, and began to turn the Orange government in directions favorable to them. But this is not the whole story: a part of the explanation must deal with the inability of the main Orange leaders to work in concert to correct the incentive system with its extensive rent-seeking opportunities, and thereby overcome eventually the power of the oligarchs. This lack of unity amongst reformers started early on; unlike the disciplined former communists, the new democratic reformers have since independence given too much energy to their individual ambitions, and squabbled constantly about leadership, minor tactical differences in strategy, even though their overall aims for the new Ukraine were broadly similar. This internecine competition reached extremes in the struggle for prominence between Yuschenko and Tymoshenko, recognized by observers as more personal than philosophical. The easiest interpretation is to blame all equally, but I have suggested that misses the point that Yuschenko was after all the top leader with the greatest power to implement a chosen policy direction, and with Tymoshenko having the Prime Ministership for a mere 8 months at the start of the five year term and then in her 2008 term being blocked on most actions by Yuschenko, suggests
tYushchenko should bear the main responsibility for not fulfilling the aims of the Maidan activists.

Finally, I turn to some of the common comparative questions addressed by all chapters in this volume.

1. *Which were the main goals of the post-communist reform in your area/country? What did you want to accomplish?* Section III. Has addressed this question for the most critical, period of the first few years after Independence. In short, the problem was that reformers who wished to see rapid actions, were unable to convince the decision makers of Kravchuk’s government, whose personal interests were best served by going slowly and finding ways to become the new capitalist elite. The democratic-oriented opposition, Rukh for their own reasons supported the go-slow strategy, believing that economic reforms were second in priority to “nation-building.”

2. *Which were the greatest problems that you anticipated?* As most reformers in the region, we expected a lot of resistance from the population, since the old “dinosaur” factories had to be shut or converted and their huge excess employment reduced, causing considerable short-run pain. The paradox was that in fact output declined, jobs were lost (or at least pay packets), but not because there was too much reform—as shown there was virtually none- but because there was too little. The real cause of the social pain in Ukraine was the continuation of “soft-budgets”, and inflationary policies. Trying to explain this to the population has never been easy in any economy, but even more difficult when the politicians created the opposite myth. That eventually Poland and others implementing rapid reforms suffered less and recovered sooner was not yet demonstrable in 1993-95; until then in fact “apparent ‘shock-therapy “ was indeed associated with social pain. Time-lags for positive effects of good policies have never been enough to convince people who have lost jobs.²¹

3. *What turned out to the greatest problems in practice?* Throughout the transition region, the biggest unanticipated problem was that opposition to reforms did not come primarily from the vast bureaucracy, but rather from the much smaller group of individuals at the highest levels of the nomenklatura, who as insiders were best able to divert the process to allow them to “privatize” a large part of state assets. It did not take long to realize this, but understanding this was happening even as early as about 1994, was already too late. These “new capitalists” became the major opposition to

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²¹ Witness the grumbles in Ukraine today –especially in the East – that this new 2-month government has not given them back their lost jobs due to decline in exports to Russia.
completing economic reforms, and while such a class developed in Central Europe as well, in Ukraine they were also in control of government.

4. Was there a second wave of reforms? How did it differ from your first reform wave? The Kuchma reform uptick in 1994-96 was not really the second wave, but rather the first true wave of reforms. It differed from the first years as it went beyond just allowing self-interested private sector development and actually liberalized markets, trade, stabilized finances, the currency and so on. But it was similar to the first years actions in that it was put in place by the same broad group of “nomenklatura” people of old, with at most a few leading figures from amongst reformers to do the technical work. The continued control by the old nomenklatura goes a long way to explain its reversal by 1998. A key consequence was the full blossoming of the oligarchs in this period.

5. What do you consider the greatest achievements of the post-communist reforms in your country/area? Despite the lag of reforms and the considerable economic underperformance after 20 years, Ukraine is today a completely different economy and society compared to the Soviet period. Three main achievements must be noted. First, the standard of living may be far behind that of Central Europe, but it is far higher than in the Soviet period. Numerous measures of consumption levels can be adduced as evidence; let me only note that home ownership has led to higher metrage per person, appliances and plumbing approach western standards, automobile and telephone ownership has vastly increased, and many middle class Ukrainian’s take vacations in popular European resorts. Second, the economy is still subject to severe bureaucratic barriers, government interventions, influence if not control by the economic hence political power of a handful of extremely wealthy oligarchs. Nevertheless, basic market liberalism is in place, opportunities for all exist even if difficult. Third, Ukraine is bow widely accepted as a nation and not just a province in the Russian-Soviet empires of the past. International organizations and more important people on the street have no doubt that there is such a nation as Ukraine, and that military invasion of its territory, as in Crimea, is a violation of its sovereignty. For such people the niceties of when Crimea was “given to Ukraine are nonsense.

6. What do you consider the greatest shortcomings and mistakes of the post-communist reforms in your country/area? The prime achievement is not in the economy, but the polity. While Ukraine has not reached the “fully democratic” scores of Freedom House that are attributed to most of Central Europe, it has been consistently among the most democratic new nations in the FSU. An even stronger manifestation of its democratic orientation has been the two Maidan Revolutions, in 2004 and 2013. These not only reflect the strong underlying desires and quest for democratic freedom by the “demos”, but the fact such huge demonstrations could take place with considerable success, suggest that even the more authoritarian inclined political leaders of Ukraine are not
prepared to use all the force necessary to suppress the democratic urges of the population.

7. How has the perspective on the reforms changed today? Very much so: even before the Feb 2014 resignation of Yanukovich and the new interim government came into power, many of the ruling classes, politicians and business people, oligarchs, had become aware of the need for some minimum of reforms to stimulate economic growth and catch-up to Central Europe, Amongst the people, a clear majority had turned to favor closer ties to the EU, largely on the visible evidence of how much better off were the new members of the EU like Poland and others. True, many in the East were at best ambivalent, but arguably this was due to the misleading propaganda about the EU orientation causing reduction in exports to Russia, which in many eastern factories was very important. The fact of such exports truly falling through 2013 was visible: the fact that this was due to formal border restrictions imposed by Russia was less so. But this is a topic for another paper.

8. What would you have done differently? what could and should have been done differently? In section III.1 I have already answered this question to some extent. Of course, reforms should have moved much faster, but reformers had no impact in the social discussion on this. It merits saying that Rukh whose aim was a western oriented society and a strong independent Ukraine could have and should have understood the importance of economic reforms in parallel with other pillars of nation-building. Reformers would have been well-served to learn from the Bolshevik code of the importance of being united and avoiding open squabbles. This was already a problem in the Kravchuk and Kuchma year—it became a disaster in the Yushchenko years. The greatest fault of Yushchenko as THE top leader of the Orange revolution was not finding solution to this. Finally from the beginning and throughout, there should have been much more effort to knock on the doors in Brussels and major European capitals to insist on Ukraine being put on the tracks for Accession. The best and earliest missed opportunity was about 1992-93, leveraging the arguments on the first comprehensive assessment of economic prospect for post-communist countries by Deutsche Bank, which put Ukraine among the top handful of countries with the strongest potential. Is this a lesson for a new government? Yes. While the past economic record cannot point to huge and rapid economic prospects, the universal sympathy for Ukraine is once again a CARPE DIEM opportunity.
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