

Old and New Challenges of the Current Ukrainian Leadership

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In February 2010, Ukraine saw the inauguration of its fourth president since independence in 1991. The fiercely contested presidential election had been won by Viktor Yanukovich, the leader of the Party of Regions. The elections were generally perceived to be free and fair. Yanukovich's victory was clear and not seriously disputed. It was, however, not an overly impressive win: Yanukovich received the lowest share of the vote of any winner in a presidential race since independence. Even the fact that the elections took place at the time of very acute economic crisis and that Yanukovich's opponent in the second round was an incumbent prime minister – sitting governments usually suffer significantly in times of crisis – did not help to make the victory more convincing.

Regardless of the actual strength of Yanukovich's electoral mandate, the expectations for change have been, and remain, very high. Obviously, different constituencies inside the country have quite different types of changes in mind. There are, however, some widely shared expectations that constitute a common denominator for the shifts that Ukrainian society hopes for. The following three items would feature prominently on any hypothetical list of society's wishes: reducing ideological polarization and regional divisions, strengthening the governability and effectiveness of state apparatus, and improving the health of the economy.

This contribution provides an overview of how the new Ukrainian administration has started addressing these desires, each of which constitutes a formidable challenge for the government. At the time of writing, the new president had not been in office long enough to make it possible to offer any definite assessment of the strategies and approaches he is likely to pursue. What follows is a very preliminary analysis of first steps, and possible trajectories suggested by these steps.

National Unity

Ukraine's ethno-cultural heterogeneity does not need to be a liability for the country's political and economic development. After all, many countries that are just as culturally diverse as Ukraine manage to turn this to their competitive advantage. The problem is not diversity per se but rather the growing politicization of ethno-cultural differences in Ukraine over the last decade. Some scholars prefer to conceptualize Ukraine's diversity using the

term “regional differences” rather than “ethno-cultural differences” – these are legitimate and consequential conceptual disagreements – but the essence of the problem remains the same: Ukrainian politics is increasingly organized along ethno-cultural rather than socio-economic lines.

The most recent presidential election confirmed this pattern – voters in different parts of Ukraine had radically different preferences in terms of candidates. Identity politics and related geopolitical issues were used by the candidates to rally their core supporters and mobilize the base, irrespective of the costs for social cohesion or national unity. The election results revealed a familiar pattern: The vote for the two leading candidates was heavily concentrated in the east and the west of the country, with the centre regions showing less unequal distribution of votes for the two candidates. Yanukovich’s rival, Yulia Tymoshenko, was, however, the clear winner in all the central regions of Ukraine, including the city of Kyiv.

Prioritizing ethno-cultural differences over other kinds of social differences, and turning the former into the basis for defining society’s primary political cleavage is highly problematic unless a society is already deeply divided in ethno-cultural terms (on the model of Northern Ireland, for example). The organization of politics along classical ideological lines – usually left-right divisions over the economy and wealth redistribution – is superior to the organization of politics along ethno-cultural or regional lines. This thesis has strong theoretical foundations. It is also borne out by the experience of many Western democracies where socio-economic divisions and the left-right party competition that exploits them form the principal cleavage line and structure the entire political process. Much of the Ukrainian political class nevertheless seems bent on pursuing a course of action that hardens ethno-cultural identities and turns them into the main source of political conflict.

While ethno-cultural differences have always been a factor in Ukrainian politics, their politicization became firmly institutionalized in the 2000s with the events of the Orange Revolution and especially the 2006 legal changes that introduced a fully proportional electoral system (proportional representation, PR). The introduction of PR empowered political parties at the expense of independent or unaffiliated regional politicians, who played a major role during the first decade of transition. In the second half of the 2000s, having acquired a monopoly on political representation, Ukraine’s political parties started to face the need to articulate coherent positions and to build social support for politics based on ideologies. Instead of pursuing the difficult task of building universalistic political agendas based on the pursuit of policy programmes that distribute benefits and costs to all citizens, the main political parties choose an easier route – to campaign on ethno-cultural differences and promises to deliver benefits in a targeted fashion to their regionally concentrated clienteles.

Ukrainian politics is not, of course, all about clientelistic linkages. As elsewhere, parties try to mix their strategies for building ties with voters; they also put some effort into forming two other types of voter linkages – programmatic and charismatic. Yet while the charisma of individual leaders has been an important (albeit inherently unstable) source of strength for some parties, appeals to regionally concentrated electorates proved to be a more enduring source of electoral success. As has already been implied, programmatic linkages – understood here as ties based on party promises of universally conceived social and economic policies – are significantly underdeveloped. Such ties usually characterize parties built on market-liberal or, alternatively, socialist ideologies. These are not the parties that dominate Ukraine’s political landscape. The very designation of President Yanukovich’s party as the “Party of Regions” highlights the intention to use regional issues as the primary basis of political appeal.

During the Yushchenko period, power in Ukrainian politics alternated between two political camps that were defined primarily in terms of ethno-cultural differences. Viktor Yanukovich’s election provided a vital opportunity to break the pattern of politicization based on these differences. This arose from the fact that Yanukovich’s party was not strong enough to form a government alone or in a coalition with minor parties. Yanukovich’s Party of Regions would have to cross the main political divide to secure the legislative majority required to form a government. There was thus a strong expectation in the weeks following Yanukovich’s election that his party would form a coalition with the party of departing president Viktor Yushchenko, who informally backed Yanukovich in the second round of elections.

A coalition of this kind was seen as instrumental for depoliticizing some of the sensitive ethno-cultural issues that tend to polarize opinions in Ukrainian society. It could also have helped to make political competition along socio-economic lines more salient: Both parties share a similar pro-market economic agenda that puts them at the same end of the socio-economic dimension of politics. Any opposition towards such an alliance would have had to pursue a more left-wing agenda. Parties that would have been outside the coalition – especially the Communists and the People’s Party (formerly the Agrarian Party) – would have had few difficulties in adapting to this competition.

However, this coalition never materialized.¹ Yanukovich also chose to defy expectations that he would show moderation in matters of identity politics. Instead, his first policy steps indicated a willingness to pursue a course that would cater to the interests of a narrow base of his most radical supporters, thus further polarizing society. A telling example of this is the

1 This is an outcome which cannot entirely be attributed to Yanukovich – his counterparts in these negotiations must also take some responsibility – but, as a key political actor, he bears a significant share of responsibility.

appointment of the very controversial figure of Dmytro Tabachnyk as minister of education. Tabachnyk has in the past provoked numerous scandals with statements such as the following: “Galitsians [author’s note: the Ukrainian population of Galitsia, the largest historic region of Western Ukraine] have practically nothing in common with people from the rest of Ukraine mentally, religiously, linguistically, or politically.” Tabachnyk has a history of making similar statements that set one region of Ukraine against another. For many in Ukraine it was hard to imagine a more divisive figure to head a ministry that is supposed to play a major role in constructing a non-conflictual narrative of national identity. The appointment unleashed a wave of protests among university students and the intelligentsia, and repeated calls for the minister’s resignation in the parliament.

A number of other developments and policy initiatives similarly had the effect of antagonizing civil society actors and invigorating political opposition. These included the promotion of a largely Soviet-centric narrative of the Second World War, the lack of a strong government response to communists’ attempts to rehabilitate Stalin, a revision of the government position on the issue of the Holodomor (the man-made famine of the 1930s in Ukraine), and the (planned or actual) scrapping of a number of cultural and educational policies aimed at reviving the Ukrainian language.

These types of issues are not simply another set of policy questions with distributional implications. They are not about routine politics of who gets what in terms of economic resources or political office. These issues are intricately linked to the core beliefs of a very substantial number of Ukrainians and evoke a strong emotional response. While fierce criticism of government action by opposition parties was predictable, the mobilization of various civil society groups and protest movements in different regions of the country was less expected. In a very short time, the cultural policies of the new government have produced a wave of indignation and furore. This provides little hope that the new president will be able to reach out to the half of the country that did not vote for him.

Ukraine’s identity-based conflicts are not limited to the cultural realm. The April 2010 Ukrainian-Russian agreement, which saw a considerable reduction in the price that Ukraine was paying for gas in exchange for an extension on the lease of the Sevastopol base used by the Russian Black Sea Fleet has also had powerful repercussions for identity politics. The way in which the deal was negotiated – behind closed doors and at an extremely fast pace – shocked the opposition and provided it with another reason for accusing Yanukovich’s government of dismantling the country’s sovereignty, a highly sensitive issue in Ukraine. The process of ratifying this agreement saw large demonstrations outside the parliament and the worst confrontation in years inside the parliament.

Overall, the first steps of the new administration indicate a strong willingness to continue politicizing ethno-cultural differences. The process of

social conciliation in Ukraine has already been seriously damaged by the new government's initiatives. Yanukovich seems to have learned little from his predecessor, whose often justifiable but somewhat sporadic and poorly prepared moves in the sphere of identity politics sometimes polarized public opinion and encouraged radicalism. The newly minted Yanukovich administration already faces a large number of small scale but highly vocal protests together with serious opposition in parliament – something that previous Ukrainian presidents were able to avoid during their honeymoon periods.

Democracy and Governance

The majority of Ukrainians do not put concerns about democracy at the top of their list of priorities in the post-election period. Yet the public's concerns about governability and the effectiveness of the state apparatus can be legitimately addressed only in a democratic framework. The state of Ukrainian democracy matters, both for improving governability and state effectiveness at home and for Ukraine's dealings with the external world.

One of the achievements of Yushchenko's presidency was the further democratization of public life. While observers of Ukrainian politics might disagree over who or what these achievements should ultimately be attributed to, the very fact of democratization is indisputable and is reflected in various international ratings of democratic performance, such as the one produced by Freedom House. Democratization, however, came at a considerable cost in terms of governance. The discipline and effectiveness of the state apparatus have been seriously compromised, and state authority has been generally weakened.

There is widespread fear in Ukraine's civil society that Yanukovich's attempts to improve governability will come at the expense of democracy. The early actions of the new government confirm some of these fears by indicating a willingness to limit media pluralism and to overhaul various formal rules and procedures that restrict the government's ability to monopolize political power. These steps also signal a willingness to use informal mechanisms of coercive pressure, reminiscent of practices of the "blackmail state" associated with the rule of Leonid Kuchma, Ukraine's second president. Before briefly reviewing these worrying signs, a major institutional problem of governance has to be highlighted.

The constitutional distribution of executive powers remains a major bone of contention in Ukrainian politics. The 2004 constitutional amendments considerably reduced the powers of a president. Following this reform, Ukraine remains a semi-presidential republic, but the reform legally transferred the centre of executive decision-making from the president to the prime minister. The president also lost almost all constitutional powers in

terms of cabinet appointment and dismissal. In political terms, however, the president continues to enjoy strong legitimacy due to a popular mandate. In the past, this institutional set-up encouraged fierce intra-executive competition between president Yushchenko and his prime ministers. The conflict reverberated through the entire state apparatus and bogged down Yushchenko's presidency.

Yanukovich's current strategy for reducing this constitutionally generated potential for intra-executive conflict has been to secure the appointment of a loyal and non-ambitious prime minister. By successfully doing this, Yanukovich was able to concentrate all executive powers in his hands. His ability to enjoy this level of control over the executive depends, however, on the stability of the ruling coalition. When the stability of this coalition becomes threatened by policy disagreements or the prospects of mid-term parliamentary elections, the president might face strong incentives to revise the terms of the 2004 constitutional deal and restore the pre-2004 presidential powers. If events evolve in this direction, the handling of renewed constitutional reform will be a major test of Yanukovich's democratic commitments.

These commitments started to be questioned as the new president was still forming the government. The existing parliamentary rules and procedures for forming a governing coalition in parliament were quickly revised by pro-Yanukovich deputies to suit the needs of the new president. The earlier rules, confirmed by a Constitutional Court decision, allowed only parliamentary factions but not individual deputies to form a coalition. This is a rare norm in the parliamentary practices of democratic states; it was adopted by the Ukrainian parliament in order to stop the practice of frequent migration of deputies among factions. Migration of this kind was an important tool in president Kuchma's control of parliament. Pro-presidential parliamentary majorities during Kuchma's presidency were constructed by using informal incentives or disincentives to affect the decisions of individual deputies about joining a parliamentary faction.

The Kuchma-era parliamentary procedure was reinstated after Yanukovich's election, protests from the opposition notwithstanding. The Constitutional Court – despite its own earlier decision, but in a familiar pattern of serving the interests of whoever is in power – approved the new rules for coalition formation. The pro-Yanukovich government coalition, which would have been impossible without the defection of a number of individual deputies from opposition factions, was legitimated by this decision. Among the defectors from the opposition factions were a number of business people, some of whom informally explained that their decision to support a new coalition was motivated by fear that the government would take action against their economic interests if they were to remain in opposition. Other defectors appear to have been rewarded via the allocation of government posts to their close relatives. Overall, executive domination

and clientelistic practices seem set to return in full force to the Ukrainian parliament. The defection of deputies induced by positive or negative sanctions on the part of the executive are a very important indicator of how limited the role is of programmatic/ideological factors in Ukrainian politics and how weak the social norms are that prevent such en masse defections in consolidated democracies.

Another example of a problematic change of the ground rules is provided by the new coalition's decision to postpone local elections for almost a year, something that the opposition claims the constitution does not allow the government to do. In a somewhat similar but more radical way, the government wants to address the issue of local self-government in the capital city. Pro-Yanukovich forces traditionally enjoy a low level of support in Kyiv. A draft bill introduced by the government proposes an overhaul of the system and the abolition of direct elections for the mayoralty of Kyiv.

Developments in the media also signal problems for democracy. In the past, sustaining pluralism in this sphere was made easier by Yushchenko's personal commitment to freedom of speech. According to the dominant view in the media, the situation changed significantly for the worse with the arrival of the new government. The leading media watchdogs – the *Telekritika* website, the Academy of the Ukrainian Press, and the Institute of Mass Media – report a number of moves directed at monopolizing control over media, and accuse the new government of orchestrating them. Journalists working in the newsrooms of two leading television channels – STB and 1+1 – published open letters blaming the channels' managements for subjecting news coverage to politically motivated censorship. The international organization "Reporters Without Borders" has voiced concern about the deterioration of media freedoms in Ukraine.²

While problems with democracy are mounting, what do the prospects for improving state effectiveness and governance look like? Although it is too early to discuss substantive policies for state reform, appointments to key political and bureaucratic positions can be seen as precursors of what is likely to come in this area. Ukraine's leading political weekly, *Dzerkalo Tyzhnia*, ran a series of reports in April 2010 about key appointments in central and regional governments. The main conclusion of these reports is that, when it comes to making appointments, loyalty trumps professionalism for president Yanukovich's government.

Further concerns are raised by the persistence of a pattern of appointing representatives of big business to important government posts. A telling example of this is the appointment of one of the owners of the largest and the least transparent media groups to head a national security agency. Valeriy Khoroshkovskiy, the head of Security Service of Ukraine, is also a member

2 See, for example, Reporters without Borders, *Disturbing Deterioration in Press Freedom Situation since New President Took Over*, at: <http://en.rsf.org/ukraine-disturbing-deterioration-in-press-15-04-2010,37027.html>.

of the highly influential judicial institution, the High Council of Justice. It is difficult to imagine an individual representing a single and allegedly foreign controlled business group amassing so much economic and political power in a transparent democratic setting. A popular online newspaper, *Ukrainska Pravda*, reported, also in April 2010, that Security Service of Ukraine recently started an investigation of the results of one of the auctions of media frequencies. The auction results were not beneficial for the media group with which the head of the security service had been associated. In summary, Yushchenko's old and unfulfilled promises of depoliticizing the bureaucracy and separating big business and government remain relevant to Ukraine under the new administration. The appointment policies of this administration suggest that little progress should be expected in this direction.

The Economy

Ukraine's civil society might have been less vocal about the deficiencies of Yanukovich-style democracy if the new government had signalled a credible commitment to deliver on socio-economic issues. Ukraine's challenge in this domain is not simply to find a means to recover from the recent global economic crisis that hit Ukraine especially hard. What is required is a large number of major structural reforms that have been long overdue, even prior to the start of the recent meltdown in the global economy.

There is a broad and well articulated understanding of what has to be done. One authoritative statement recently produced by a non-partisan expert group, which includes analysts from leading Ukrainian think tanks and the academic community, contains a list of twenty-two priority measures in the socio-economic realm. The list includes measures to overhaul the budget formation process and social welfare system, pension and health reforms, comprehensive tax and property rights reforms, land privatization, and public utility and transport sector reforms.³

Most of these reforms would require time to get off the ground, and the new government has not yet been in office long enough to deal with various issues seen as preconditions to tackling them. The government has, however, already made explicit its intentions in the socio-economic sphere, making detailed and comprehensive declarations in its 2010 programme of social and economic development and the 2010 state budget enacted by the new parliamentary majority. These documents allow some preliminary evaluation of the government's intentions.

The expert assessment of both documents has been highly critical. Admittedly, the government inherited a very difficult economic situation and

3 Cf. Reform Support Network, *Roadmap for Reforms for Civil Society*, March 2010, an English summary is available at http://parlament.org.ua/upload/docs/Road_Map_final_eng.pdf.

has to exert a great deal of effort in addressing the most urgent current economic problems. Yet, in 2010, the government plans to implement very little of the reform package envisioned in the *Roadmap for Reforms* document, as mentioned above, or those outlined in several other policy recommendation reports produced by various domestic and international organizations. Many necessary reforms can have painful social consequences at the early stages of their implementation; a government decision not to start these reforms immediately after the elections also diminishes the probability of their being launched at a later stage. The political costs of launching these reforms will be much higher for the new president after his post-election honeymoon period is over. The electoral timetable, which includes both local and parliamentary reforms in the course of the next two years, will dictate other priorities.

The strategy adopted by the new government appears to amount to the ad hoc patching up of some of the most obvious cases of economic mismanagement, strengthening government regulations and government interventions in particular sectors of the economy, improving tax collection, and similar types of policies. The strategy does not include comprehensive measures intended to deal with the huge burden of various types of social welfare payments, with systemic corruption, or with monopolies in various sectors of Ukraine's economy.

Political confrontation provoked largely by the policies discussed in the first section of this paper made it impossible for the government to seek broad cross-political spectrum support for structural reforms. This prevents even ordinary types of deliberation about the budget and economic policy issues. Both the 2010 budget and the government's programme were passed by the parliament in less than ten minutes, without any discussion on the parliamentary floor. Regardless of whether the complete lack of consultation and deliberation was merely an unfortunate coincidence or a deliberate strategy on the part of the new government coalition, the end result is a set of documents that lack the usual benefits associated with critical discussion and outside input.

As there is no hope of the opposition co-operating on overcoming the consequences of the economic crisis, the government has to act alone. It seems to be basing its policies on the expectation that a global economic recovery, which has already improved demand for products from such traditional export sectors of the Ukrainian economy as metallurgy, will help to stabilize the nation's economy and limit the problems of a huge budget deficit. This in turn will enable the government to continue policies of external borrowing, which, critics say, just encourages a familiar pattern of living beyond one's own means.

In the view of many Ukrainian economic analysts, another major element of the overall economic strategy is to obtain financial subsidies and economic favours from one of Ukraine's main economic partners, the

Russian Federation, in exchange for strategic geopolitical concessions. The controversial April 2010 agreement with Russia that secured a reduction in the price of Russian natural gas sold to Ukraine in exchange for the continuation of the navy-base lease is seen by many as an indication of the approach that the new government will take. This sentiment runs through a number of analytical pieces published in *Dzerkalo Tyzhnia*, for instance. The weekly's analysts expect a series of deals in other economic sectors that will see the government reversing political decisions made by the previous administration or relinquishing control over strategic assets in exchange for financial subsidies.

For an analysis of the geopolitical aspects of the April 2010 agreement and other government plans, the reader will have to consult other accounts. The gas deal, however, provides a good illustration of the many issues connected to reform of the Ukrainian economy. Some of them are briefly mentioned here. While the new arrangement secures a very considerable reduction of gas prices, it does not help to address the structural problems of energy dependency. By enabling the government to persist in maintaining extremely low gas prices for households, it also illustrates the government's unwillingness to undertake unpopular reforms. And it produces a very concentrated group of winners – a small group of so-called “oligarchs” controlling energy-intensive industries in the east of the country. The deal is designed to benefit only the current government politically: While the navy-base lease has been extended for 25 years, the reduction in gas prices only applies to the first ten, which is also the maximum length that president Yanukovych can remain in office, provided that he is re-elected.

The oligarchs are a core and resource-rich constituency of president Yanukovych's government. The influence of this constituency over the design of economic policies constitutes another major challenge for the new government. Will economic strategy be dictated primarily by the interests of this constituency in typically clientelistic fashion, with financial support provided to politicians prior to elections being exchanged for favours when these politicians are in public office? The interests of this constituency are numerous. For one thing, they want to maintain control over industries they own, so there are limits to how much dependence on foreign capital they are willing to tolerate – thus the experts' concerns about Ukraine losing control over strategic assets might prove to be exaggerated. More critically for the prospects of economic reforms, Ukraine's oligarchs have an established record of seeking privileged public works contracts, regulatory decisions, subsidies, and monopolies. Whether the new administration will be willing to restrain rent-seeking behaviour and resist the temptation to sell protection against market uncertainty remains an open question for some in Ukraine. For others this question has already been answered in the negative.

Conclusion

This contribution provided a brief overview of Ukrainian affairs at the start of Yanukovich's presidency. It outlined some of the major challenges that the new presidential administration faces and discussed some of the initial steps it has taken. These have proved controversial, posing questions about Ukraine's unity and the direction of its political and economic development. While questions about unity are frequently raised by commentators, including the current author, it is important to keep in mind that the country's internal cohesiveness is much greater than it might appear to a casual observer of Ukraine's fractious political scene. Ukraine is not a deeply divided society. There is overwhelming public support for maintaining the integrity of the country and any talk of separation is received very badly in both the east and the west of the country. While the first steps of Yanukovich's administration postpone social conciliation, they do not prevent it.

The verdict on Yanukovich's ability to deliver on the dual goals of political and economic development will be uncertain for quite some time. Over the past five years, Ukraine has made significant progress in democratizing public life. Now there appear to be doubts about whether these gains will be sustained and consolidated under the new government. President Yanukovich's administration faces serious questions about its commitment to sustaining political pluralism and guaranteeing an equal playing field for all participants in the political process. The answers to these questions will also shape the government's ability to address problems of governance and state effectiveness. No less challenging are issues of economic development. While few doubt the new government's ability to stabilize the economy, it has yet to give any credible signs of determination to pursue much needed structural reforms.

Achieving progress on these political and economic objectives is vital for Ukraine's European aspirations. This is one area where the new government seems to be willing to accept some continuity with the objectives and policies of the previous one. It claims that European integration remains a priority. Domestic developments related to various issues raised in this contribution will constitute a major test for how genuine the resolve is to pursue this course.