

The Political Economy of Ukraine's Choice, or Why the Orange Revolution Could Not Succeed

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Abstract

Ukraine's economic and political development since 1991 has been driven by an ambiguous strategy of geopolitical oscillations between the European Union and Russia. The dilemmas of "Ukraine's Choice," which could not be resolved by previous administrations, contributed to the erratic policy shifts, stifled development, and considerably lowered the country's international prestige. The 2004 Orange Revolution saw the country united in a hope to jumpstart long-overdue democratic reforms. The new pro-western leadership proclaimed the course on joining the EU and NATO, while taking Ukraine's readiness to "return" to Europe for granted. A year later, the "orange" elite split over reciprocal accusations of corruption. The revolution failed to bring about the expected changes. Ukraine's membership application to the EU has been discouraged. Parallel to that, Russia has nearly doubled the price of gas deliveries to Ukraine. As the Orange Revolution could not address deep structural underpinnings of political corruption in the country, the following questions arise:

- How successful has Ukraine been in achieving genuine political and economic freedom?
- Does European orientation of the Yushchenko government make Ukraine any more pro-market than before?
- What is, and what should be Russia's role in Ukraine's political and economic development?

The paper addresses these questions in the following sequence: first, we analyze the history of the Ukrainian relationship with European Union and Russia; second, we look at the Orange Revolution and its aftermath, next, we analyze the existing overlap between formal and informal market institutions in Ukraine and the effects of corruption and patronage politics on economic and political life in the country.

Keywords: Ukraine, Russia, Orange Revolution, European integration, corruption, foreign policy.