

The World Has Changed: Moving to an Officially Post-Post-Transition Region

The phrase “the world has changed” has been thrown about a lot recently, especially in conjunction with the Covid-19 pandemic and its profound impact on our way of life. In fact, I note that rarely is this phrase uttered as a positive, it is almost never “the world has changed, hooray!” Instead, it is “the world has changed.” And sometimes, this phrasing can only come after the fact, in recognition that an epoch-making change has occurred, something which takes time to process but, once realized, brings with it the uncertainty of the unknown.

On February 24, 2022, the world did in fact change, and once again not for the better. The armies of the Russian Federation invaded the sovereign nation of Ukraine unprovoked, on flimsy and spurious pretexts, and have caused massive carnage and civilian deaths. The faltering invasion, unable to secure any targets and constantly resisted by the Ukrainian armed forces, threatens to bog down in a humanitarian catastrophe of epic proportions. To attempt to force Russia to abandon its invasion, the West has engaged in a series of heretofore unthinkable sanctions, including sanctioning the reserves of the Central Bank of Russia (CBR), forcibly de-globalizing the country in one fell swoop.

As of this writing, Ukraine continues to stand, and Russia is appearing increasingly desperate. But there is a deeper lesson which has come from this conflict, and it has its roots in the economic transition in the region which started 30 years earlier. When we think of the divide between the gradual reformers and those who underwent faster reform, the results are no contest: over the first twenty years, the countries which set the stage for market institutions, which stabilized macroeconomically, and which placed constraints on their executives saw the most growth. Countries in Central and Eastern Europe, with a goal of EU accession but also dedicated to getting out of the shadow of communism, saw the largest structural changes and now have truly moved post-transition. Even the global financial crisis was unable to derail some countries in the region economically, even as it created fertile ground for political ideologies at odds with a market democracy.

Contrast this with the bulk of the former Soviet countries (excepting, as always, the Baltics), who moved slowly, refused to introduce political pluralism, and, if they did not have the good fortune to be sitting on top of oil, stagnated. Until 2014, Ukraine was counted in this category. As I related in my book (Hartwell 2016), Ukraine has a long and proud history as a sovereign nation but squandered its independence from Moscow in the 1990s and early 2000s to reverse reforms and bicker about politics rather than enact the reforms needed to grow. The Orange Revolution of 2004–05 was a first attempt to break from this quagmire, but even then, a fractured opposition-turned-leadership meant that the necessary reforms still did not have the political will. It was only after Viktor Yanukovich attempted to put Ukraine squarely in the Russian orbit in 2013 that society pulled Ukraine on the Western path and away from the corruption and overweening state of a stalled transition.

Russia too was in a stalled transition of its own, a direct consequence of its lack of political transition. The choice of Vladimir Putin as Prime Minister in 1999 will forever be seen as the black mark of Boris Yeltsin's Presidency, as it led Russia down a path of political and economic concentration. Rebounding from the 1998 crisis and enacting some pro-market reforms in his first term, Putin also led the Russians into a series of adventures at home and abroad, brutally crushing Chechnya, invading Georgia, using the power of the state against Moldova, Ukraine, and (at times) Belarus, generating atrocities in Syria, and then escalating with the *Anschluss* of Crimea, invasion of Donbas, and shooting down of a civilian airliner throughout 2014 and 2015. With sanctions piling up but not actually achieving levels of deterrence, Putin's regime became more criminal, and the economy became more concentrated – reliance on oil and gas has skyrocketed, state-owned firms dominate the landscape, and a mezzanine tier of production has disappeared.

What we see today is now a conflict between countries stuck in transition, although Ukraine was mobilized after 2014 to finally undertake many of the reforms it needed. Was it perfect? No, it took far too long for the “temporary” Land Sale Moratorium to be repealed, and the role of the state is still far too high. The judiciary still has problems, and other reforms are urgently needed. But these must wait for the war to be over . . . the question is whether the delayed reforms of the past eight years are enough for Ukraine to have built the resilience it needs to overcome the invasion? Will others, such as Georgia (which started its transition sooner in dramatic fashion but has stalled) and Moldova (also a delayed reformer) be able to take this opportunity to enact the sweeping reforms needed? If Ukraine survives, can it become the country that it could have been, nay, *should* have been since 1991?

Russia, on the other hand, is reaping the whirlwind of its two decades of cronyism and corruption, as hubris and overconfidence are showing, none more starkly as in the equipment that the military is abandoning in droves in the Ukrainian countryside. With forced de-globalization as a result of its invasion, the question remains where Russia goes. Is this an actual “reset,” turning Russia off and back on again, which will allow it to begin again its liberal path? Or is this a backsliding unseen globally since 1918, where a country that could have been liberal and prosperous instead turns itself into a massive North Korea?

With EU accession and the movement of countries into the “middle income” tier from the World Bank, much of our region could have been said to be safely “post-transition” (accepting the fact that countries are always transitioning in reality and, in terms of politics, some of the old fears – such a populism – were back). However, the downward spiral of Russia and its invasion of Ukraine shows that the lessons of transition are back with a vengeance. The world has changed, but into a post-post-transition era. We are no longer at the beginning of transition, able to reorient from a Soviet mentality, because other mentalities have taken its place (however similar). But we are definitely not post-transition anymore, because the incomplete nature of the economic and political transition east of Poland (and, to some extent, the incomplete institutional transitions in Czechia, Poland, and Hungary) continue to create difficulties for the economies of the region. And, in this catastrophic instance, they have led to a humanitarian disaster.

In sum, transition always mattered, but it matters even more today. More transition, not less, is the only remedy going forward.

Слава Україні! Героям слава!

Reference

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