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Author LUDO VAN DER HEYDEN

## **Ukraine and its two wars**

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*Ludo Van der Heyden, Emeritus Professor of Corporate Governance at INSEAD and Independent Supervisory Board Member of Naftogaz*

How to withstand the Russian aggression effectively? A question, that (according to numerous polls) is essential to every Ukrainian citizen, and to every government since 2014.

In the modern world the most effective answer is: turn global, develop a strong economy, create international partnerships, and choose battlefields where you can win.

Openness to the world, international partnerships and alliances, energy security are key tools for protecting Ukraine, including on its borders. Politicians, government officials and businesses need to align on how to effectively use these tools.

And then there is Rule #1 governing any partnership: choose the right partner, agree on the rules of the game, build trust by sticking to agreements, be fair and creative, and always honor the law

### **Can't fight an old war only with old means, certainly not with Russia**

Russia's war against Ukraine is of an old type: cynical, made of brutal power, fought through intermediaries and mercenaries. It is about grabbing land, Donbass and Crimea, territorial waters, and the resources these waters contain. The world has no choice but to say no to Russia's "old war" land grab that is prohibiting Ukraine to exploit its Black Sea resources when they are so needed.

Ukraine must thus build support amongst a rainbow of friends that all stand against Russian or any other aggression. The modern world cannot tolerate this, as it cannot tolerate the attempted murder of Navalny - an episode that continues a trail that goes back to Trotsky's murder in Mexico - or the continued support for the awful Syrian regime. Russia even uses modern weaponry very well, with cyberattacks to collect ransom and to influence elections through subversive social media campaigns.

Ukraine cannot respond to « old world » Russian aggression solely in the "old way." It simply does not have enough resources. The answer lies in a combination of both "new and old world" approaches. Ukraine here could be inspired by Switzerland, which combines a neutral position with close relations with the USA, which it represents diplomatically in countries where the US has closed its embassy. Switzerland has cultivated its links with the US by hosting the European headquarters of many US global corporations. The Swiss neutrality in World War II did not prohibit the Americans to open in 1942 its Office of Strategic Services (OSS) in Bern, which was the first US intelligence service in Western Europe. It contributed to the invasion of Italy by Allied Forces against the Axis. This was tolerated by the Nazis as the country was a base of espionage for all sides.

Switzerland is an interesting – even if imperfect - comparison to Ukraine today. During WWII, Switzerland had a considerable number of Nazi sympathizers amongst its Swiss German population, all the way to high-ranking officers of the Swiss Army. Its position was precarious being surrounded by territory controlled by the Axis Powers (Ukraine fares better). The German command had drawn up plans for an invasion under the code name *Tannenbaum*. Attempts by the Nazis to initiate an *Anschluss* like in Austria failed due to the country's tradition of independence and civil liberties. The press in both countries vehemently attacked the other side. Nazi Germany often violated Swiss neutrality, particularly in the air. Allied pilots on missions against Germany sought to land their damaged planes in Switzerland. When successful, they were taken prisoner and housed mostly in Swiss hotels abandoned by tourists during wartime. Switzerland housed more than 100,000 foreign troops during WWII, meeting its obligations as a neutral power under the Hague Conventions, and strongly strengthening its links with these foreign countries, many amongst them marrying Swiss women.

Swiss towns were regularly bombed by the Allies, who then apologized they had mistaken “site, city and country” when dropping their deadly load. The Swiss always treated these events as “accidents,” but started to counter them with force. They never dropped “old war” tactics, maintaining a modern army of 850,000 people at its peak, ready to abandon its valley towns and retreat to the mountains transformed into fortresses, if necessary.

The neutrality was of value to both warring sides. The Swiss Franc was the only remaining major freely convertible currency in the world, which was useful to purchase vital ingredients for the war effort and food for its population. Both sides turned in billions of gold to the Swiss National Bank in exchange for Swiss currency. The great majority of Swiss exports were constituted of precision machine tools, watches, jewel bearings (for bomb sights), dairy products and especially electricity (produced safe from air attacks). The Alpine rail link connecting Germany with Italy was also utilized to supply the Germans with tungsten and oil delivered to Italy by neutral countries. Switzerland became a seafaring nation again for such transports and for supplying its own needs which depended for half of its food on imports.

Switzerland also eagerly hosts international organizations – like the Red Cross, the Olympic Committee, and FIFA (and, following WWII, UNESCO, WTO, FIFA and many others) – as part of its neutrality policy.

### **Partnership and Collaboration**

So, integrating the new world more fully is part of the “new world” tools that Ukraine ought to develop more fully in its approach to security. International courts are part of this new way, so is the UN, which - even if its Security Council, a relic of WWII, is too much « old world » to its detriment. However, we all should be grateful that the UN has successfully spearheaded the Global Compact for Sustainability in its “modern” fight against climate change. Its World Food Program received the 2020 Nobel Peace Prize.

The most telling “new world” functioning has been the war against COVID. The level of partnership amongst scientists first, then amongst small bio-techs and big pharma, and finally governments has led to a great victory: the development of several effective vaccines in less than a year which is a factor of 10 gain compared to the “old way.” The big need now is how poorer countries will get access to a vaccine that richer countries are currently benefiting from. That will require an even greater “new world” partnership.

One of the biggest pillars for Ukraine's security is partnership. That requires trust, fair play, joint interest and mutual commitment. In the years to come, Ukraine risks facing chaotic dynamics in the East, as we know today, unless Kyiv can join a bigger “club” such as NATO or the EU. Clubs are good at rescuing their members and at keeping them in line. The joint initiative with Georgia and Moldavia, under EU sponsorship, is a great way to gain leverage in the region. Even if today the EU is still a weak club that must gain credibility by keeping its Orbans in line. Other great allies are Finland, a country that also has suffered from Soviet

aggression, and Romania, an EU country with whom Ukraine shares a border, the Black Sea, and history.

EU is part of the modern, multi-cultural world where nations, previously at odds, join in a common and rather innovative project to create a new world. The EU just announced its Green Deal making it the most advanced region in the world in the war against climate change. Its innovation and its economic power are underestimated and underleveraged. Its lack of imperialism and commitment to its people are unequalled amongst the great powers.

### **Safe, sustainable and competitive energy is the key to the security club**

This leads us to energy, which unfortunately fuels wars and is part of the arsenal. We saw this in World War II, more recently in the Middle East, we also see it in Ukraine. Europe is resource poor and has huge needs. That is why it is so eager to trade. That is why it is organizing its European energy market. Markets are excellent at providing opportunities for both buyers and sellers. They also keep costs low and benefit consumers.

Ukraine has plenty of resources that it can bring to this market. It can provide alternatives to Germany to help secure its energy supply. Though its wells are largely depleted, new wells are being explored and should increase the resource base. This is where foreign partners provide multiple keys: buyers, provision of credit and technology, joint exploration and production.

The rule of the game in partnership is mutual interest. It is about win-win, and not win-lose. Foreign partners are willing to invest if they trust their investment will pay off and will serve the purpose the investment was directed at. A good corporate governance regime, with strong institutions that ensure that markets function properly and courts can be trusted to enforce the rule of law on contracts and agreements with foreigners, is a must. This is why corporate governance reform is not just an option or a good idea; it is vital for Ukraine to compete in the global arena as a democratic state.

The modern global game is played for win-win with allies. Russia plays this game relatively well, when it sees this to be in its interest. It benefits greatly from selling its oil and gas in international markets, as Germany and transit through Ukraine attest. It abides by arbitration decisions of international courts (as was the case in the award won by Naftogaz against Gazprom for abuse of market position). If international companies do not interfere with local politics, foreign companies are very welcome and left to operate without much interference, which in turn leads them to share a more favorable view on Russia.

### **To use the key Ukraine must gain trust and follow common rules**

Ukraine has too many old world oligarchs and too few friends in the new world. Ukraine is weak in attracting international companies: it attracts international players that invest in Ukrainian companies, but has few international operating companies outside the financial and hotel industries. Foreign companies stay away from Ukraine, its reputation is terrible. Foreign ambassadors warn their businessmen about the risk of investing and doing business in Ukraine. The account is classic: you cannot trust corporate governance in Ukraine, the country litigates too much, its courts are populated with too many corrupt judges, and politicians and oligarchs have way too much power in enterprises, and in Government. The Nordstream 2 decision was fueled also by distrust in Ukraine and its institutions, compounding its inability to play the modern game.

President Zelensky finally has called the end of the “old” Ukraine where oligarchs exploit the country with the support of the Government. He must be congratulated for it and much road has been traveled in the short time since Maidan in 2014. Ukraine should go further. The country is still missing out on resources that could be provided by foreign companies. It also needs better and stronger links with foreign governments. Ukraine is too internally oriented, making things too complex and risky for foreigners, when it does not call them out as overpaid profiteers who take jobs Ukrainians can do better and cheaper.

As a modern player, Ukraine might usefully come forward not with demands about what other countries should do for them, but take the lead presenting “a mutually beneficial package for Europe and for Ukraine.” Instead, of blocking Nordstream 2 and asking for a win for Ukraine and a loss for Germany, which will not succeed -- Ukraine needs to take greater leadership in the international arena and present its strengths: a huge economy, a pipeline, and resources not under Russian control, links with other regional countries and Russia as well (not politically acceptable now, but value for Russia and others), an openness to international investors, strong education and great people willing to make a difference. The ambition to be a trusted leader in its region, deepen its collaboration with neighboring countries, and see which other countries, like Romania, Canada, the Scandinavian countries, it might link more with. The return to a good relationship with the US is crucial here.

But one condition: it needs to do so on win-win arguments and not by insisting on beg-thy-neighbor compensations and win-loss proposals.

### **The key to success: an alliance by those who believe in a progressive Ukraine**

Ukraine’s inability to build strong and modern partnerships is used, cynically, by Russian propaganda, referring to the country as “a failed state.” To support this notion would be a terrible mistake, for it will turn Ukraine into a second Belarus.

Europeans should understand that long-term contracts with Ukraine are in their interests too, by providing EU with more energy options and another strong partner. Then leveraging this commitment into full progress on reform and transition to a “modern” economy.

This was started in 2015. It is now an excellent time to repeat and deepen this kind of dialogue. And be a tough partner, as Naftogaz was when it denounced unfair Gazprom practices and won. That was at the heart of the 145 billion UAH transfer by the company to the Government even in a pandemic year.

For all these reasons, the path forward for Ukraine lies in facilitating the access to its economy and its resources to more foreign companies, not to keep the Ukrainian market as a quasi-monopoly of a few big local and monopolistic players.

Ukraine must do its homework too. First of all - realize, that there is no unconditional love in geopolitics. Ukraine has to show a real intention to stay alive in the global world by its own actions.

The deeply-rooted corruption problems, the inability to maintain reforms and to implement real legal reform – all these problems will not pass by just by changing the names. It is not enough to change the head of the National Bank, or Prime Minister, or the Head of Constitutional court to persuade international partners of a real political will to create a “new” Ukraine. Progress on the path must be visible, one step at a time, but with constancy, steps following each other in good pace.

The way Ukraine follows the rules should be changed. Ukraine has to render its judicial system more independent from the executive. It has to adopt a zero-tolerance approach on corruption. And allow corporate supervisory boards to intermediate and truly supervise between politicians seeking quick political gains and the state-owned enterprises.

This is the second war Ukraine needs to win. It is a war of Ukraine with itself. This second war is a pre-requisite to win the first one. Not an option, but a fundamental rule of the game in the « new world. » Not something to push for only when times or foreign partners demand it.

Ukraine has paid enough tribute to “old wars” and the “old world.” Time to join “the new world” and show it what it is capable of.

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*The views in this paper are solely those of the author.*