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Ukraine Is Losing Its Economic War With Russia

Україна програє економічну війну з Росією

За відсутності значних змін у політиці Заходу Росія, судячи з усього, доб'ється своєї мети, спрямованої на економічне руйнування України. Російська економіка несподівано демонструє свою міцність перед обличчям тих викликів, з якими вона стикається, тоді як Україна несподівано показує слабкий результат.

<http://www.forbes.com/sites/markadomanis/2015/05/18/ukraine-is-losing-its-economic-war-with-russia/>

The New York Times published a sobering and largely downbeat assessment of Ukraine's political and economic situation earlier today. The article strongly suggests that the earlier sense of optimism surrounding economic reform has, by this point, totally evaporated. Pretty much across the board, earlier expectations about the efficacy of liberalizing reforms are being rapidly adjusted downwards to account for an economic collapse that continues to gather momentum.

The blame for Ukraine's accelerating economic implosion, of course, lies in large part on Moscow. The Russian government is actively and quite-openly trying to undermine Ukraine's attempts to re-orient itself towards the West. It's not exactly breaking news that the Russian government was opposed to the overthrow of Viktor Yanukovich and has done everything in its still-considerable power to undermine Poroshenko, Yatsenyuk, and the rest of the post-Maidan government. Nothing that's happening in Ukraine is happening in a vacuum, and Russian policy has been consciously focused on maximizing economic pain and dislocation.

The important question is not whether Russia is *justified* in its attempts to economically blackmail its neighbor (anyone with a functional moral compass recognizes that almost all Moscow's recent actions in Ukraine are deplorable) but whether or not they will work. Essentially, the important debate about Ukraine's economy is whether the impact of aggressive economic reform coupled with Western financial assistance would

outweigh the impact of Russian tariffs, sanctions, and destabilization in Donetsk and Lugansk.

To date, the evidence unfortunately suggests that Russia's effort to economically strangle Ukraine's pro-Western government is having its intended impact. The economic damage that Russia has suffered (even in the face of reasonably robust set of Western sanctions) has been *substantially* outweighed by the damage it has inflicted on Ukraine.

None of this is written in stone. It is entirely *possible* that the West will finally provide Ukraine with the financial resources to put itself back on solid ground and to more effectively resist Moscow's attempts to undermine its economy. A sufficiently large pile of cash would, at a stroke, make many of Ukraine's seemingly intractable problems look a lot less daunting. The United States and its European allies clearly have the ability to do this, but they have so far lacked the will: even as Ukraine's needs have ballooned over the past year, the amount of Western aid promised to Kiev has remained extremely stingy.

The sad truth is that absent some kind of major change in Western policy Russia seems as if it is likely to succeed in its goal of economically crippling its neighbor. So far Russia's economy has been unexpectedly robust in the face of the challenges thrust in front of it while, at every turn, Ukraine's has performed unexpectedly poorly. The lesson that the Kremlin has taken away from this experience is that if they just hold out a little while longer the antagonistic government in Kiev will simply collapse.

Unless something changes soon, Ukraine is heading straight for an economic and financial implosion. It's unclear exactly what type of political impact that will have (pro-European attitudes might have become so popular that the next government will be of a broadly similar outlook) but the social and human costs will be enormous.