
POLISH ECONOMIC REFORMER APPOINTED ADVISER TO UKRAINIAN PRESIDENT

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Leszek Balcerowicz - the author of Poland's post-communist transition to a market economy - has been appointed adviser to the Ukrainian president. The often contentious figure will have plenty to contend with in Kyiv.

Poland's first post-communist finance minister between 1989-1991, Balcerowicz will become Ukrainian President Petro Poroshenko's cabinet representative in the new government of Prime Minister Volodymyr Groysman, which took power earlier this month amid ongoing economic crisis and conflict in the east of the country.

To put the unconventional - and for many Ukrainian nationalists perhaps not entirely popular - appointment into perspective, one needs to recall that Ukraine's economy is smaller now than it was in 1992, shortly after the collapse of the Soviet Union. Ukraine and Poland then had similar-sized economies, but Poland's economy is now twice as big as Ukraine's.

Ukraine last week emerged from its prolonged political crisis that had paralysed the government and frozen the release of Western loans, with the appointment of Poroshenko's protege Groysman following the resignation of Arseniy Yatsenyuk.

In the country's biggest government shakeup since Ukraine's February 2014 pro-EU revolution, the president also cast aside finance minister Natalie Jaresko, who had arranged a crucial debt restructuring deal and championed IMF-backed policies since her appointment in December 2014.

Poland the savior

Poland has been very vocal in its support for the pro-democracy movements in Ukraine since 1991, when the USSR broke up and Ukraine gained independence, and in particular since the 2005 Orange Revolution and the Maidan events of 2014.

However, Poland - seen by some in Ukraine as the country's historic enemy, rather than Russia - such assistance has not always engendered affection. Moreover, some in Kyiv well realize that Balcerowicz's bitter medicine made as many enemies as friends in his native land.

Brave new world

"Ukraine's development is much better than it is pictured abroad. I have to show these achievements that are not always noticed by the West," Balcerowicz said. His future plans are to

work with the Western partners to "outline the real situation in Ukraine."

Balcerowicz's selection and the naming of Slovakia's former finance minister Ivan Miclos as the joint chief adviser to Groysman signals an attempt by Poroshenko to reaffirm his commitment to the belt-tightening measures prescribed by the International Monetary Fund (IMF).

No time to waste

In the last year alone living standards in Ukraine have fallen by half, the value of the currency has slumped by more than two-thirds and inflation has jumped to 43 percent.

Ukraine's new government has said it needs \$35 billion (31 billion euros) just to pay its bills over the next two years, which the new loans should mostly cover. It owes the Russian gas company Gazprom \$1.9 billion.

Meanwhile, the shadow economy is thought to be equivalent to 44 percent of Ukraine's economic output. In 2013, Ukraine was ranked 144 out of 177 in Transparency International's Corruption Perceptions Index.

The Medicine Man

After June 1989's first (semi-)free elections in eastern Europe since the Soviet takeover of the region after World War II, Solidarity - the Polish opposition trade union movement - won all but one of the contested seats and was faced with an economy on the brink of collapse, with inflation at over 650 percent, foreign debt crippling and food shortages chronic.

Helped by Harvard professor Jeffrey Sachs, Balcerowicz put together a 10-point plan, which almost immediately made the zloty internationally convertible, stopped the government from subsidizing failing state-owned businesses, left prices to be determined by the market rather than the Central Statistical Office, and slashed public spending.

Real GDP per capita grew almost 140 percent from 1990 to 2014 and since 1992 there has not been a year of negative growth. During the global financial crisis of 2008-9, Poland was the only European economy not to slip into recession.

Back to Kyiv

Balcerowicz wasted no time Monday asserting his views on how Ukraine should proceed, telling his hosts that deregulation to smooth the establishment of enterprises, quick auditing and, following appropriate investigation, dissolving the most corrupt parts of the state was needed.

The gas sector, a focus of high-level corruption, needs to be restructured, he said, and stolen assets recovered from officials.

"There have been reforms in Ukraine, but they were too slow and too fragmentary," Balcerowicz told reporters. "As a result, a system emerged which was not a socialist system, but was not good capitalism," said Balcerowicz, adding that Ukraine's economy had too little competition and was subject to excessive political meddling.

Kaynak/Source: