
Preface

After the collapse of the Soviet Union, all of its former republics had to build new political and economic structures. Ukraine has experienced one of the most difficult and prolonged transitions because of its hesitation to break fully from the old system, including persistent widespread corruption. Given its geography, Ukraine's leaders tried to keep good relations with both Russia and the European Union, without opting fully for either in economic terms.

How Ukraine descended to the depths of economic and political dysfunction from these hesitations, and what it should do to pursue successful development, is the subject of this important study by Dr. Anders Åslund, one of the world's leading experts on the transition of one-time communist states to market economic systems and political freedom. Dr. Åslund also explains how Ukraine's worsening economic problems have been inextricably tied to political tensions with Russia, even before Russia directed military forces to annex Crimea in 2014, and of course all the more so since that invasion.

In this study, Dr. Åslund, a longtime senior fellow at the Peterson Institute for International Economics, lays out a sweeping agenda for political and economic reform for a country that he has studied for many years. His 2009 book, *How Ukraine Became a Market Economy and Democracy*, won wide acclaim for its analysis of the sources of difficulties in the only partial Ukrainian transition. In this new book, he explains why incremental measures toward liberalizing the economy, eliminating corruption, and removing wasteful subsidies and regulations will not address the grave nature of Ukraine's underlying problems. Dr. Åslund contends that only a radical program of reform will address Ukraine's deep-rooted dysfunction and strengthen its economy. So doing would enable Ukraine to stand up to Russian-backed pressure, thereby stabilizing its situation, as well as improving its longer-term prospects. In ad-

dition, Dr. Åslund calls on the West to supply vital economic assistance to pave the way for reform. In the fall of 2013, the country's record of fiscal and international deficits caught up with the leadership in Kyiv. Faced with a run on international currency reserves and sharply contracting economic output, then-president Viktor Yanukovych equivocated where to turn. Should Ukraine ask the European Union for help—or Russia, which feared Ukraine shifting orientation to the West? Increasingly, as Dr. Åslund documents, the Ukrainian population doubted Yanukovych's leadership.

After first choosing to pursue a deeper relationship with the European Union, Yanukovych changed his mind under pressure from Moscow. That reversal provoked an uprising that focused not only on that decision but also on the corruption and poor economic policies that had strangled the Ukrainian economy for years. As protests mounted, and police actions sought to counter them, the parliament voted Yanukovych out of power in late February 2014. This was a democratic breakthrough that gave rise to hope for an economic breakthrough as well. A presidential election in May installed Petro Poroshenko as president and parliamentary elections in October offered more hope for improvement (both elections deemed free and fair by the Organization for Security and Cooperation in Europe). Given the difficult security situation, as well as domestic political resistance to reform, Dr. Åslund importantly offers a clear list of policy priorities in this volume.

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Adam S. Posen
President
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