

Ukraine Doesn't Need Sympathy, It Needs Cash

By [Mark Adomanis](#)

May 12, 2015



U.S. Vice President Joe Biden's recent video address to a Ukrainian donor conference was a handy illustration of the huge disconnect between Western words and deeds.

Ukraine, Biden said, was facing a "humanitarian catastrophe" in the Donbass as more than 2 million civilians have been displaced by fighting between government forces and Russian-backed separatists.

And the vice president pulled no punches in assigning blame for this catastrophe: He placed the responsibility squarely on the shoulders of the Russian government which had sent tanks, missiles, mercenaries and troops into Ukrainian territory. Biden pointedly denounced "Russian aggression" and said that U.S. and EU economic sanctions should remain in effect until the Minsk agreement is implemented in full.

Biden's performance at the conference wasn't a departure from his previous position or any kind of escalation. Rather, it was simply a continuation of the robust rhetorical line that has

come from Washington since the crisis started.

Biden, U.S. President Barack Obama, U.S. Secretary of State John Kerry and other high-ranking politicians have consistently and passionately defended Ukraine's right to make its own political decisions, free from Russian meddling and interference while also being withering in their criticisms of Moscow's mendacity and brutality.

But talk, as they say, is cheap. Rhetorically affirming Ukraine's sovereignty is easy and cheap. Taking practical steps to defend that sovereignty is difficult and expensive.

During his address, Biden noted with pride the fact that the United States will grant an additional \$18 million to help alleviate the suffering of refugees in Ukraine's east. He also said that the U.S. has cumulatively given \$43 million in humanitarian financial aid since the start of the crisis.

But simply using Biden's own information shows how totally insignificant and paltry American assistance has actually been. A simple calculation shows that the U.S. government has allocated \$21.50 of humanitarian assistance per refugee over the past year.

As should be obvious, that's nowhere near what it requires simply to feed someone for that length of time, much less what it costs to pay for their medical care, housing, transportation or education. Indeed, when you take a step back, America's humanitarian assistance can look like a cruel joke when compared to the enormous (and worsening) humanitarian crisis currently facing Ukraine.

The Europeans have been slightly less stingy than their American allies; a fact sheet from early April indicated that the EU has cumulatively given Ukraine a total of 139 million euros in humanitarian assistance since the start of the crisis, but even here the scale of aid is nowhere near the magnitude necessary to feed, clothe and shelter the enormous numbers of refugees, a project that will likely cost billions of dollars and last for many years.

So far, the West has seemed willing to spend just enough money in Ukraine to prevent complete and utter catastrophe, but not enough money to actually remedy the situation.

The West's extreme reluctance to spend resources in Ukraine is actually very well demonstrated by one of the supposed successes — the IMF bailout program. One of the oft-forgotten aspects of Ukraine's "\$40 billion bailout" is the fact that more than a third of the total "assistance" (\$15.3 billion) was supposed to come through debt restructuring.

This isn't money being given to Ukraine, but money that Ukraine is supposed to pay its creditors but won't. Basically, it's a nice version of default.

This restructuring would obviously impose very real costs on those private groups that have previously lent Ukraine money but, noticeably, it doesn't require any outlay on the part of Western governments.

There won't be a line item in a budget somewhere that will record the billions upon billions of dollars that are going to arise from the restructuring. To politicians, then, restructuring is essentially a cost-free way to provide Ukraine with a necessary financial lifeline.

But just because the costs are hidden doesn't mean they aren't real. Any default on Ukraine's private borrowing will make future borrowing more difficult and expensive: If there weren't enormous costs associated with doing so, every country would simply "restructure" its debts in a similar fashion.

And that's before taking into account the very real possibility that hedge funds (which have been buying up Ukrainian debt on the cheap over the past few months) won't be able to force Kiev to repay all of its bills in full in much the same way they're trying to do with Argentina.

In other words, even if Ukraine can save \$15 billion worth of debt repayment as specified in the IMF program, these "savings" will be partially (and perhaps even entirely) wiped out by additional future borrowing costs. That wouldn't be the case if Ukraine were simply given direct financial assistance.

If the West genuinely wants to bring Ukraine into Europe, it is going to have to honestly and forthrightly face the huge financial costs of doing so. The West, in other words, is going to have to put its money where its collective mouth is. The reform process that Ukraine is currently attempting cannot be done on the cheap.

Experience in post-communist Europe demonstrates that those countries that have been most successful (like Poland) have gotten tens or even hundreds of billions of dollars' worth of aid to help smooth the transition. Ukraine isn't going to be any different.

Mark Adomanis is an MA/MBA candidate at the University of Pennsylvania's Lauder Institute.

The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.

Original url:

<https://www.themoscowtimes.com/2015/05/12/ukraine-doesnt-need-sympathy-it-needs-cash-a46491>