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***A Future for Ukraine:
Lessons from Poland***

**H.E. Radek Sikorski,
Speaker of the Polish Parliament**

Harvard University, 20 November 2014

Introductory Courtesies

Here in Harvard Yard, on 5 June 1947, on the steps of Memorial Church, momentous words were said.

It is logical that the United States should do what it can to assist the return of normal economic health in the world, without which there can be no political stability and no assured peace.

Our policy is not directed against any country, but against hunger, poverty, desperation and chaos.

US Secretary of State George Marshall set in motion the most profitable financial investment in human history: the reconstruction of Western Europe:

The Marshall Plan was part of a wider Western ambition after World War Two. To create a **World of Rules**.

New global institutions were set up, led by US leadership and

generosity, and with huge contributions from this University.

The United Nations. The World Bank, and International Monetary Fund. The International Court of Justice.

Despite harsh Cold War ideological differences, these institutions took root. They grew and flourished.

Why? Because the world – or at least a part of the world - had agreed that explicit international military aggression had to stop.

Differences between peoples and nations should be settled by peaceful negotiation.

The first principle of this World of Rules was self-restraint: *by cooperating, not fighting, we build a shared interest in success.*

Self-restraint - ruling out the war option - creates stability. Stability encourages investment. This creates innovation and new wealth.

The European Economic Community was only one of many institutions which flourished under this regime. It grew and grew to become today's European Union, precisely because it was based on this principle of national political self-restraint. Success bred success.

The second principle was that this World of Rules was worth defending from those who didn't accept it.

During the Cold War, this required a comprehensive Western approach, with the North Atlantic Treaty organization at the heart.

There were programmes to share intelligence, especially among the English speaking nations of the West; joint military exercises; exchanges of weapons and military technology.

Institutions such as Radio Free Europe and the BBC pushed back against communist lies and propaganda.

So successful were these economic and security institutions (usunięte) and so attractive to those who didn't enjoy them, that when the Warsaw Pact finally fell apart after 1989, the nations of central Europe made it a national policy imperative to work closely with them, or even apply to join them.

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Today I'm going to talk about two of those nations, Poland and Ukraine.

They are a text-book case in what works or fails, and why.

Between 1945 and 1989 both Poland and Ukraine were denied the chance to join the post-war economic boom in democratic Europe.

Run the numbers. See what happened.

Had Poland grown at the average rate of Germany and France between 1945 and 1990, it would have been *six times richer* when the Cold War ended.

Think of the blighted lives and sheer miserable waste that statistic represents.

Think of the countless long cold hours my own family spent queuing for basic goods.

When I was little, my grandfather was a particularly honored member of the family. As a pensioner, he had the time to stand in

line for staples for all the family.

Buying a refrigerator required queuing by rota for days. At the passport office there were 'queue committees': official lists you had to sign at least once a day.

For decades, millions of people all over the Soviet bloc wasted large parts of their lives in this awful way.

Finally in 1990/91, communism collapsed, under the weight of its own stupidity.

Poland and Ukraine and Russia alike had a new chance. To join the World of Rules as normal democratic countries. To start to rebuild and grow.

25 years on, what do you see?

Let's start with my country, Poland.

In 1990 Poland and Ukraine were both poor.

Poland's GDP was \$65 billion, a miserable total for a European country of nearly 40 million people.

But we had two huge advantages.

We knew what we wanted to leave behind.

And we knew where we wanted to go.

There was a collective national determination to do whatever it took to escape from socialism, and instead join mainstream Europe as a decent, free successful country.

This explains two key decisions taken back then, decisions whose strategic wisdom is clear now.

First, President Lech Wałęsa, the shipyard worker who changed the world, threw his personal prestige behind the radical tough-love economic reform laws prepared by Leszek Balcerowicz.

This caused pain: savings were wiped out, pensions were devalued, whole industries became unprofitable.

But it made a sharp, irreversible break with the past. The only way forward was up.

Second, former communist oppressors were made welcome in the democratic process, if they accepted the new Poland and its democratic principles. And by and large they accepted the new rules.

This released Poland's political and moral energy. All parties shared basic goals. They could and did compromise to take tough decisions.

Poland's steely collective will to succeed has paid off. Look where we are now.

Our exports are now eleven times what they were then.

Our GDP is more than double in constant prices, eight times more in current prices.

Our GDP per capita was just above 30% of the EU average. Now it's nearly 70%.

Now look at Ukraine.

Ukraine emerged as an independent state in late 1991, when the Soviet Union collapsed.

It too had been held back by communism. But it had important advantages: a strong industrial base, vast stretches of fertile, -soil, cheap electricity from nuclear power plants and cheap gas, thanks both to its own resources and the Russia-Europe transit pipeline which ran beneath its territory.

However, Ukraine had key disadvantages.

It had been part of the Soviet Union since 1917, and part of Tsarist Russia before that.

Soviet-legacy institutions and attitudes ran deep.

There was no democratic tradition to inspire people. Many of Ukraine's best people opted to stay on in Moscow and became Russian citizens. There was no Lech Walesa, or anyone else with moral authority, to stand behind the economic transformation.

Reforms got off to a slow start. Tough decisions were ducked.

Above all, Ukraine failed to join the World of Rules.

Instead of adopting the packages of reform laws needed to make a modern society work, Ukraine's elite preferred corrupt business and secret deals, often under intrigue and manipulation from a far wealthier and more powerful Russia.

The comparison today between Poland and Ukraine is really stark.

Again, the basic numbers speak for themselves.

Last year Poland's nominal GDP passed \$500 billion.

Ukraine's is still far below \$200 billion, and that's for a country

with almost 20% more people than us.

This helps explain the current crisis in Ukraine.

Ukrainians themselves see that Ukraine hasn't followed Poland.

They see their country underperforming – missing out on the prosperity and stability that comes with joining fully in the European branch of the World of Rules.

Now for the second time, Ukrainians have taken to the streets in huge numbers to reject discredited leaders and discredited policies. They want reform, and a clear sense of direction.

They want to make up for twenty years of lost time and missed opportunities.

They know that means a momentous national choice: *pain now, for gain later.*

It means adopting tried and proven IMF-led adjustment programs.

Energy prices need to move to world levels.

You just can't create a competitive economy when your households and industry cover only 20% of the market price of gas.

The shortfall has to be covered by subsidies, that eat up great chunks proportion of your national budget and horribly skew national resources decisions.

For years the IMF have urged Ukraine's leaders to start moving to more realistic energy prices, offering schemes to help poorer citizens during the transition.

For years, those leaders wouldn't listen to sensible arguments aimed at making Ukraine's energy sector less wasteful: households gas meters, insulated homes.

Successive Ukrainian prime ministers personally told me that they would do what's right as soon as they won the next election. Then they didn't.

Second, it means implementing the Association Agreement with the EU with its anti-corruption procedures, legal norms and technical standards.

As Poland shows, no country need go through this alone. Ukraine needs friends and supporters.

It has them. The EU and USA and the world's financial institutions stand ready to help.

In April Ukraine unveiled a comprehensive program of economic reforms backed by a \$17 billion two-year loan approved by the IMF's Executive Board.

The loan aims to restore macroeconomic stability, strengthen economic governance, and launch economic growth while protecting vulnerable groups.

Ukraine has received \$4,6 billion of this loan. The EBRD is launching a special Ukraine Stabilization Account and planning to engage \$1.3 billion in 2014 alone.

As you know, Ukraine has been the focus of both the G-20 meeting in Brisbane and last Monday's Foreign Affairs Council in Brussels.

Help for Ukraine has to come with the usual tough-love conditions on transparency and good governance.

Poland has had plenty of this nasty-tasting conditionality medicine.

That's why we are in such strong shape today.

We'll do what we can to help Ukraine take its dose too.

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After two wasted decades, Ukraine's journey to success and growth would have been difficult enough, even under benign conditions.

Ukraine does not have benign conditions.

The events in Crimea and eastern Ukraine are dramatic and dangerous.

They threaten Ukraine's stability. And they pose a new kind of test for the transatlantic alliance set up to protect the West and its rules.

Let me demolish, on the record, an assertion heard quite often both in Moscow and in Western capitals: that the Ukraine crisis has been 'provoked' by Western governments in general, and by NATO in particular.

As few now seem to remember, when the Cold War ended the Transatlantic team of North America and Western Europe welcomed central and eastern European countries into modern democratic society.

But the impetus for NATO enlargement did not come from a triumphalist Washington. On the contrary, the US initially resisted even the break-up of the Soviet Union.

Since 1990 12 European states have asked to join NATO. They all

chose for themselves to belong to this cooperative military alliance.

NATO membership was a key part of 'locking in' their turbulent democratic reforms.

NATO programmes helped modernise our armed forces, and bring them fully under civilian control.

NATO played a vital role in helping all these countries make a clear break from secret communist-era military intelligence machinations, right at the heart of a supposedly independent state.

While this slow, cautious and – as I remember well – in some ways reluctant enlargement did eventually take place, constant efforts were made to reassure Russia.

Russia was welcomed to the Council of Europe, World Trade Organization and given closer relations with the European Union.

No NATO bases were ever placed in the new member states.

Until 2013, no NATO military exercises were ever conducted in Poland, the Baltic states or anywhere else on the Eastern flank.

No nuclear installations have been moved to the territory of new member states, even though Russia has them less than 100 kilometers from our border.

A NATO-Russia Council was set up and Russia was promised that as long as it respected borders in Europe, no substantial combat forces would be moved East.

Largely in response to Russian objections, Ukraine and Georgia were in fact denied NATO membership plans in 2008.

In pressing the re-set button with Moscow toward Russia, President Obama changed the configuration of the proposed missile defense installation in Poland, then suspended its Phase 4 which Russia disliked.

In short, the assertion that Russia was “humiliated” during this period is ridiculous.

Russia took charge of all the former Soviet nuclear weapons, some transferred from Ukraine in 1994 when Russia recognized Ukraine’s borders, including Crimea. Ukraine’s territorial integrity was guaranteed in the Budapest Memorandum by Russia, US, UK and France.

Presidents Clinton and Bush treated their Russian counterparts as fellow “great power” leaders and invited them to join the G-8, even though Russia did not qualify to join this group at that time, either as a large economy or as a stable democracy.

The US spent billions of dollars working with Russia to reduce Cold War nuclear and chemical weapons stocks, and to achieve new, better arms control agreements.

All sorts of smaller but practical projects have been set up with Russia. The NATO-Russia Cooperative Airspace Initiative aims to prevent aircraft hijackings. We have agreed to help destroy dangerous ammunitions stocks in the Kaliningrad exclave.

Russia has benefited from all these programs, and many more.

Freed from decades of self-inflicted communism, it has joined the global economy as a normal country.

It’s seen the benefits. Its GDP was a feeble \$570 billion in 1990. By 2013 it has grown to 2,1 trillion.

So, in the years following the end of the Cold War, did NATO and EU governments show unwavering hostility towards Russia?

Did we cynically 'take advantage of Russia's weakness'?

Have we been 'humiliating' Russia?

I answer those three questions in three words. No. No. And no.

The record since the Berlin Wall came down shows NATO and the European Union and their individual member states all working hard, and in good faith, to build normal, purposeful relations with Russia.

And it shows that Russia itself benefiting hugely from this support.

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Poland has played its part in this historic Western effort to normalise relations with Moscow.

Down the centuries Poland's relations with Russia have been long and dramatic. We remember our grievances all too well – over a century of partition, attack on Poland in 1939 together with Hitler, 45 years of Communism. The Russians have just celebrated on Nov 4th their Unity Day which replaced the anniversary of the October Revolution under the USSR. It commemorates a popular uprising in 1612 which ejected Polish occupiers from the Kremlin. At the end of it, the ashes of a Polish-supported usurper was loaded into a cannon and shot back towards Warsaw. It was largely a private expedition but in the course of it, our ancestors did burn down Moscow.

When the Cold War ended, Warsaw and Moscow made efforts together to put things on a strong, good track.

President Yeltsin threw away one of the greatest lies ever told by the Soviet Union about Poland. He acknowledged that Stalin was responsible in 1940 for the mass murder of some 20,000 Polish POW officers, in Katyn forest and elsewhere.

Though it took a few years, Soviet troops finally left Poland.

In recent years, Poland has made a systematic effort to improve relations with Russia.

As foreign minister, I re-launched a joint commission on Polish-Russian history.

We negotiated a border arrangement that allows Russians living in the Kaliningrad district to travel back and forth to Poland with ease.

We expanded trade and business contacts. There was improvement.

In 2009, President Putin came to Poland on the 70th anniversary of the outbreak of the war in 1939.

This was the first time that a Russian leader had acknowledged that World War II began in September, 1939 with the Nazi-Soviet invasion of Poland, and not in 1941 when Hitler attacked the USSR.

In 2010, President Putin was the first Russian leader to pay respects to our murdered officers at Katyn. Our Churches published joint letters in the spirit of mutual forgiveness and reconciliation.

Should we regret doing all this?

Of course not. Good faith moves to build new areas of cooperation and opportunity. This is what diplomacy is all about

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So where has it gone wrong?

The basic problem is that the current leadership in Moscow depends on corrupt business structures and media manipulation to keep power.

The Russian elite is dominated by former KGB officers who, starting in the late 1980s, used Russian state money, sometimes laundered through Western offshore banks, to purchase land, natural resources and property on a vast scale.

To protect this wealth, they must prevent the outbreak of a democratic revolution of the kind that shook central Europe in 1989, or an anti-corruption revolution as took place on Kiev's Maidan square early this year.

Using military invasions of Georgia and now Ukraine, or strong-arm tactics as in Armenia, or corrupt political proxies in Moldova, they seek to stop nations of the former Soviet Union from daring to join the successful institutions of the West – and from setting an example that Russians might want to follow.

They are playing games with our public opinion through propaganda tricks. Paid Internet “trolls” pollute our newspaper comment pages, and Twitter, Facebook and other sites. They roll out fake “experts” with fake authority.

They try to legitimise extreme political forces of all kinds, paying for far-left anti-American rhetoric on their English-language Russia today channel, while simultaneously supporting far-right anti-European politicians in Europe.

Not content with all that, they are testing our very military resolve.

Russian planes buzz American, Swedish, Danish, even Canadian planes.

Russian troops have captured an Estonian security officer working on the Estonian side of the border. The Russian navy captured a Lithuanian fishing boat and held it for ransom.

All these obnoxious ploys are intended to nibble away at Western resolve, and our own and wider faith in NATO Article 5. To test the value of our mutual security guarantees.

But also, as events this year in Ukraine have shown, to challenge head-on the most basic rule of international law and the World of Rules: that international borders cannot be changed by force.

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The international response to Russia's policies has been restrained. It has been designed to raise the cost to Russia of undermining Western institutions.

The policy is working, up to a point.

Russia's president has admitted that the price his country is paying is high. Let's run the numbers again.

In the decade from 2002-2012, Russia's economy grew on average 5% per year. Russia, like Poland, was integrating with the global economy, and seeing positive results.

If Russia grows at that same rate from now until 2025, its GDP will be \$bn 3771 – from today's \$bn 2100.

If instead Russia grows at only 1% over the next decade because of sanctions and global mistrust of its intentions, its GDP in 2025 will be far less - \$bn 2366. Cumulatively over the decade, Russia will have lost the staggering sum of over \$8198 billion! Its leaders have decided to gamble with their own citizens' lives and hopes, by looking to the past, not the future.

Some of Russia's citizens are wondering whether this enormous price is worth paying – and what Russia is getting for it?

Tens of thousands of Russians marched recently in a march against the war in Ukraine.

A small number, but far more than the 8 brave people who dared demonstrate in Moscow in 1968 against the Soviet Union's invasion of Czechoslovakia.

But we know that even they are not the only ones who are asking whether it is worth hundreds of billions of dollars to fly the Russian flag over the impoverished Crimean peninsula.

Is it worth hundreds of billions of dollars so that criminals and mercenaries can destroy Ukraine's Donbas region?

How many Russian soldiers have died or been seriously injured in Ukraine? Russian families aren't told the truth. They want to know what's happening.

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Maybe Russia's leaders too are starting to conclude that this price is not worth paying.

I truly hope they do. But we need to be prepared if they don't, at

least in the short term.

We need to think hard about the health of those institutions we set up a half a century ago.

First and foremost, we need to face a grim reality. Hard, sharp security questions are being posed to us in Europe once again.

The NATO that we have now is not the NATO we need to deal with them.

If we were starting from scratch now, nobody would put NATO troops and equipment where they are now. NATO should shut down unnecessary commands and legacy bases, and get back to its primary mission: deterrence.

NATO is a defensive alliance. But for deterrence to work, our military capability has to look - and be - serious.

Second, follow the money.

Have we been complacently turning a blind eye to an uncomfortable truth: that our own tangled, over-complex banking systems have been exploited by international semi-criminal networks, not only from Russia but all over the world?

Simply by firmly enforcing existing money-laundering laws and asking hard questions about murky money, we will help ourselves and help others who are trying, against high odds, to join the World of Rules. Peoples around the world would be empowered and kleptocrats would be restrained if only we implemented existing laws!

Third, we need to think hard about how Europe and the USA work together in Ukraine and other countries wanting our help. It's demoralizing for them that so much Western money is wasted

through duplication and institutional jostling for position.

Swedish technical assistance agencies and Dutch or American technical assistance agencies shouldn't be duplicating or contradicting one another's programmes.

Technical expert "advice" works best when supported by pragmatic peer-to-peer consultations.

Ukrainian ministers turn to their Polish counterparts to ask what we think: *"You Poles have been through this. What makes sense?"*

We do our best to tell them.

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Here in Harvard today we honor the memory and leadership of George Marshall.

Back in 1947 Ukraine, like Poland, was blocked by Stalin from taking part in those generous programs that he launched.

Let's help Ukraine now, when at last it is free to ask for, and ready to receive, our help.

The principled way out of this crisis is based on all sides returning to the principles that George Marshall articulated right here in Harvard in 1947.

Teamwork. Cooperation. Russia's return to the World of Rules.

If this happens, sanctions can be lifted. Russia can again participate normally in international financial markets and institutions.

All Russia's grievances concerning Ukraine or anywhere else can be tackled sensibly and fairly through the UN or OSCE or Council of Europe, or other fora created for precisely such problems.

Moscow itself asked to join all these organisations when it wasn't a founder partner when they were set up.

Moscow itself has pledged to respect their rules.

Be very clear, here in Harvard today, what is at stake in Ukraine.

The alternative to working through these issues normally and peacefully in a spirit of successful partnership is a new dividing line across the European continent. It won't be made of iron but it'll be real enough.

On one side of the line are countries and peoples free to choose their own democratic destiny.

On the other side are countries in a decaying Twilight Zone. A blighted, unhappy and unstable place outside the World of Rules.

If we get this wrong, our shared Western decades-long strategic ambition to create a Europe whole and free will falter.

I have stood in Kiev with ordinary Ukrainians demonstrating for the right to live decently and peacefully.

They want only what we Poles now have: to move on from drab oppression and start being successful. Part of the Western family of nations led by this country, the USA.

Ukrainians under terrible pressure have voted this year. They have voted for the values that this university represents.

They have voted overwhelmingly for pluralism and honesty in domestic politics, respect for minorities, cooperation with neighbors and association with the European Union.

The values that have helped Poland achieve such success in the past two decades.

These values can in turn bring success to Ukraine – and, yes, to Russia too.

Thank you