

# Ukraine is being most cruelly destroyed

by Dr. Natalya Vitrenko

Respected colleagues, I would like to pick up on the thought expressed by Mr. LaRouche, and propose that Clinton assemble the representatives, the leaders of all the foremost countries, and ask them: Let us assess the situation today, and, if we don't like it, let's change it.

Then the question arises, with respect to our President and the Russian President, and others: What would they reply to Mr. Clinton? Are they not quite satisfied with the situation in their countries?

In fact, they like it very much. They are making their own personal, enormous fortunes. They believe in their own immortality, and they think that they will bequeath this money to their children, grandchildren, and great-grandchildren for 300 years ahead. Everything looks fine and dandy to them.

I have a document in my hand, which is the text of a speech given by our President [Leonid] Kuchma, at a special session at the Davos World Forum, on Feb. 1, 1997. Yesterday, our colleague Mr. Tarpley, when he was interviewing us for television, asked, "What is with your President? Don't your leaders see what is happening in the country? How can they look people in the eye?"

Let me tell you what President Kuchma said to the World Forum. I quote:

"An objective and unbiased analysis of the five-year process of building the nation of Ukraine, gives grounds to conclude, that the policy of affirming our independence has become irreversible, as has the policy of the accelerated reform of socio-political and economic life. The adoption of the Constitution, may be called one of Ukraine's greatest achievements."

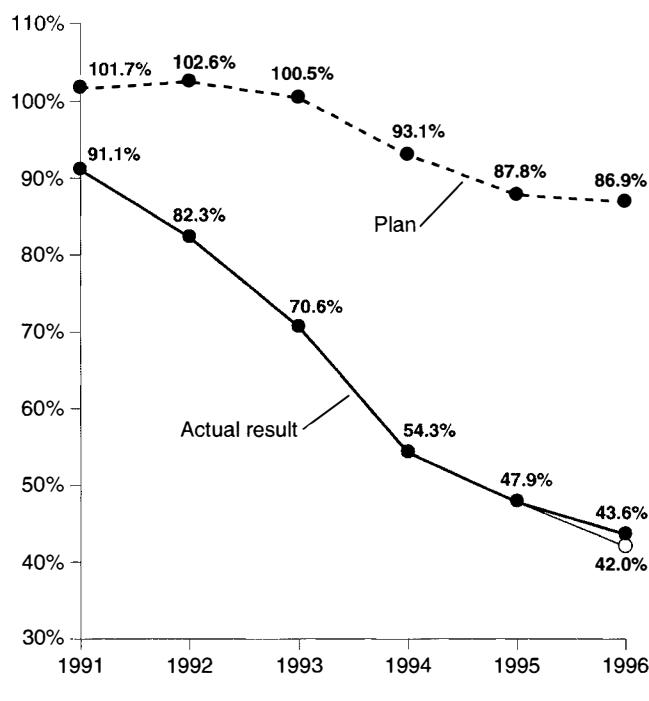
I say, that the adoption of that Constitution is a special black page in the history of our country, for which reason, Volodymyr Marchenko will discuss that in some detail.

Let us resume the quotations from Mr. Kuchma, on the economy: "In our country, a slight but nonetheless real increase in industrial production may be observed." These are the words of the President of a country, where industry is collapsing at a terrible rate, and therefore I will leave all that mysticism on the conscience of the President, and I would like to shift over to concrete data.

In order to see the shape of the curve of collapse of Ukraine's GDP, the solid line, below, is the actual annual change in GDP (**Figure 1**). Note particularly 1996: The government promised a 1% decline in 1996. My forecast was for

FIGURE 1  
**Decline of Ukraine's Gross Domestic Product, 1991-96**

(percent of 1990 level)



a 9% decline. The actual decline was 10%.

If we look at the broken line, above, we see, year by year, the promises made by the government. Each year, they promised that there would be only a slight decline. For 1997, they promised 1.7% growth. Yet, every year, it falls further, and nobody is held responsible.

I would like to emphasize, that Ukraine is not Rwanda or Ecuador. Ukraine is a country in the center of Europe, a country which produced equipment for the space program, and the most modern submarines; a country which had the highest level of education in the world. Out of every 1,000 people employed, 974 had finished high school, and received special vocational or higher education. We were ahead of Russia and every other country in the world, in this regard. And, *this* country, in the middle of Europe, is being destroyed in the cruelest way.

There was not, in any other country in twentieth-century history, such a rate of collapse of GDP. Let me make two comparisons.

The first, is the U.S.S.R. during the Second World War. Only during the first year and a half of the war, when the Soviet Army was retreating, did production fall, and the GDP declined by 24%. By 1943, growth had recommenced. The second comparison, is fascist Germany, which *lost* World

FIGURE 2

**Output of the key types of industrial products in Ukraine, 1990-96**

(million tons)

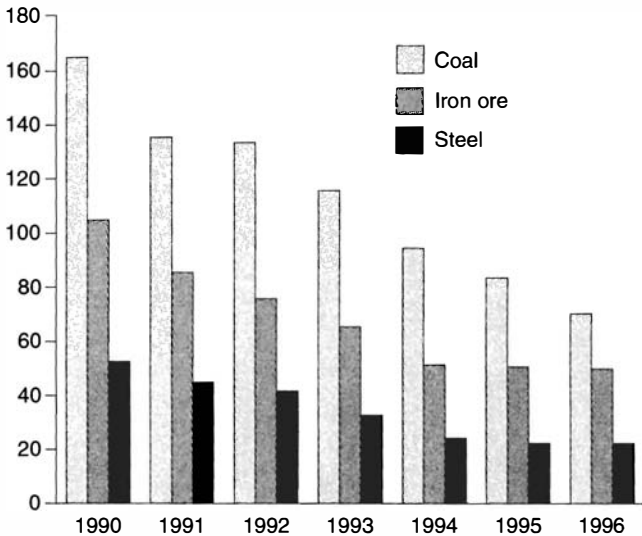
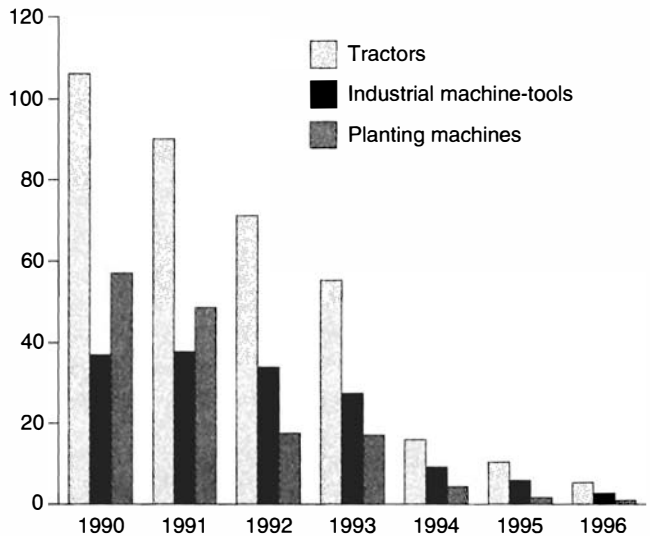


FIGURE 3

**Output of the basic types of engineering industry products in Ukraine, 1990-96**

(thousand items)



War II. The collapse of its GDP was 56%. Ukraine has lost 58% of its GDP.

Now, let us turn to the physical economy, and see the destruction of the most important sectors. This is Ukraine's basic industry: coal, iron ore, steel (**Figure 2**). The destruction of these sectors is continuing, although not as rapidly. Foreign investors still have a use for these products in Ukraine. Half the investments in the country (which are inadequate overall), go into these sectors. Nevertheless, look at coal mining; it has fallen more than twofold. Steel, two and a half times. The most intense destruction in Ukraine, is of machine building (**Figure 3**). This is the intellect of the nation, the concentration of high technologies. These are the products, without which a country can not exist. And I draw your attention to the fact that these are not tanks, submarines, or missiles, because we were told that Ukraine had too much of that military production. Here, we're talking about tractors, machine tools, and planting machines.

Lyndon LaRouche is a thousand times right when he emphasizes the machine-tool industry. To destroy the machine-tool industry of Ukraine—just look at it, by a factor of 15—means to drain every other sector: industry, agriculture, construction, and so forth.

Naturally, a collapse on this scale leads to a shrinkage of jobs. Ukraine, officially, has already lost 5 million jobs. Three million more jobs are part time, which means that of 22 million jobs that existed before, 8 million have been lost. These are the economic reasons behind the growth of crime, drug

addiction, and prostitution. Not only is machine building being destroyed, but also the consumption of food and finished goods. Here, we see consumer goods (**Figure 4**).

For Ukraine, which had highly developed light industry (and Ukrainian hides were highly valued on the international market); for Ukraine, which had complete food self-sufficiency, with high-quality food, it is simply a disgrace today, to depend on imports of the lowest quality. We've also concluded, that the goods for which there is no market, which nobody wants in Turkey, China, Germany, or America, are dumped into Ukraine, as if onto a garbage heap.

In Davos, our President said that he sees positive changes in various spheres. Let us look at yet another: agriculture (**Figure 5**).

Twenty-five percent of the black-earth soil in the world is located in Ukraine. But agriculture, which was already undercapitalized—there were no large investments in agriculture—and which needed to be brought up to modern levels, today has been completely drained by an unfair price differential, and the policy of breaking up the collective farms and state farms, in favor of an ephemeral independent farmer, who was going to feed everybody.

The natural result of reforms such as those carried out in Ukraine, is not simply a collapse in the volume of production, but also an alteration of the ratio between the legal economy and the black economy (**Figure 6**). The bars on this graph show the growth of the share of the black economy in GDP. Truth be told, we had a black economy before, as well, caused

FIGURE 4  
**Dynamics of output of non-food items in Ukraine, 1990-96**

(million items)

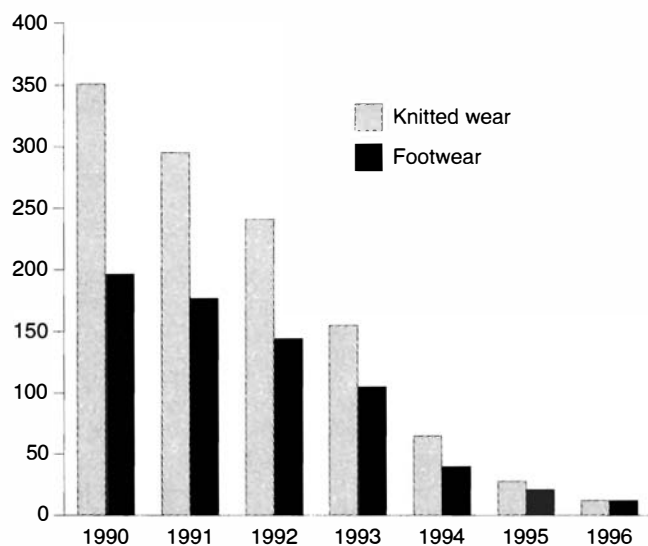
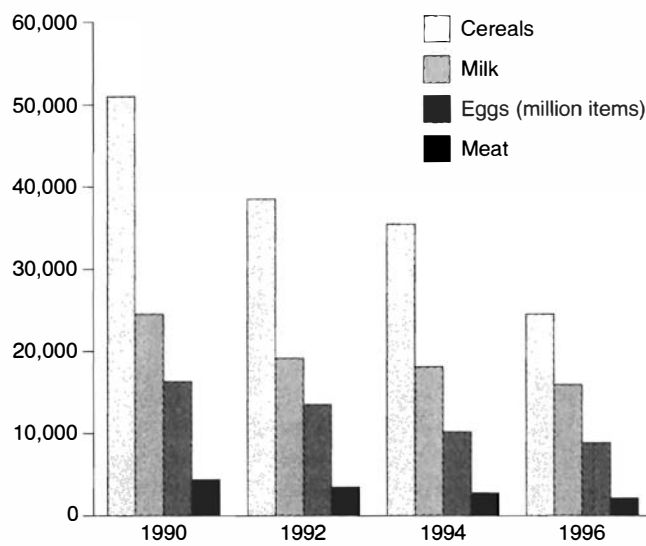


FIGURE 5  
**Dynamics of output of the basic types of agricultural products in Ukraine, 1990-96**

(thousand tons)



by imbalances between the military-industrial complex sectors, and those producing final consumer products.

But, beginning in 1991, the black economy began to grow so rapidly, that by 1996, two-thirds of the GDP comprised goods and services from the black economy. Thus, Ukraine is going in a totally criminal direction, and becoming a country which is dangerous not only for life, but also for foreign investment, and for foreign visitors, because of the monstrous growth of crime.

### The IMF boa: ‘deregulation, stabilization, privatization’

Of course, we have to answer the question: Why is this happening? Who proposes such recipes for economic reform?

It’s easy for me to address this audience, because I see people I have known for two years, and who know where I stand. In my article and our interviews, which were published in *EIR* in 1995 [April 14 and May 5, 1995] and at the beginning of 1996 [Jan. 5, 1996], we exposed this problem, and showed, with names and dates, when and how the IMF came to Ukraine, *through whom* it went to work, and continues to work there today, and how the government and the President, and the majority of the members of Parliament, while taking money from the IMF, and political support, do everything in their power to implement the recipes of the IMF, and carry out only those reforms that their masters allow them to.

The IMF got Ukraine hooked in 1992. That year, the first IMF credit was received: \$400 million. Today, Ukraine’s for-

eign debt is \$9.7 billion. (The solid line shows the growth of the foreign debt: \$9.7 billion). For 1997, eight percent of budget expenditures are allocated for debt service.

While granting these credits, the IMF sets strict conditions for the nature of the reforms. Its classic tendency is well-known: deregulation, macroeconomic stabilization, and privatization.

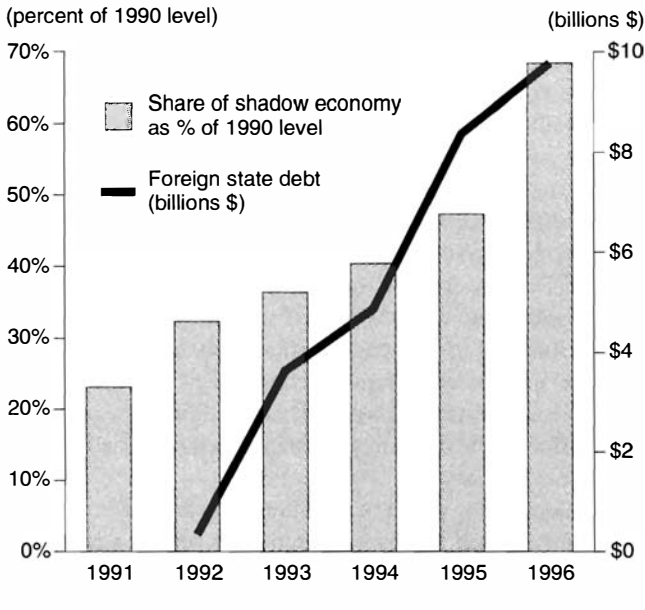
And here we have our President at Davos, giving his annual report to his masters, on how well he has fulfilled the instructions—to the letter. Prices have been decontrolled. Not only is there no foreign trade monopoly, there’s virtually no regulation of foreign trade. It has been preserved only for a few categories of goods.

For the sake of macroeconomic stabilization, social programs were slashed. In the name of this same mythical “stabilization,” as Tatyana Koryagina already told you (and, I should say, the masters are the same; therefore, the reforms are twin brothers), wages are not paid in Ukraine, either. Wages that have been earned are not paid, and, in violation of the law, the minimum wage level is not revised. Our law requires that, before the budget is adopted for a new year, the minimum wage level must be reviewed, in light of how much the cost of living has risen. But, insofar as the masters don’t permit this, in violation of the law, the minimum wage was not revised in 1996 in Ukraine. The minimum wage and minimum pension remain at \$8 per month.

This is surrealism. As an economist, I cannot explain to you what this even means. The expenses for a child are defined

FIGURE 6

**Growth of the share of the illegal economy in the GDP, and in Ukraine's foreign debt**



as one-third of the minimum wage; therefore, a single mother, who is raising one child, receives approximately \$3 per month.

Looking at the wage structure in Ukraine, we find that 71% of the Ukrainian population receive less than \$1 per day, \$25 per month (Figure 7). Twenty-seven percent receive more than that, but less than \$50 per month, and 2% of the population receive more than \$50 per month. Essentially, this doesn't express very much, because any normal person will ask, "How, then, do people live?"

People are essentially cast by the state into various areas of the informal economy. They survive by means of their kitchen gardens, they survive by engaging in speculation, they survive by selling their labor power in Russia, Turkey, the Czech Republic, Germany, wherever they can find work.

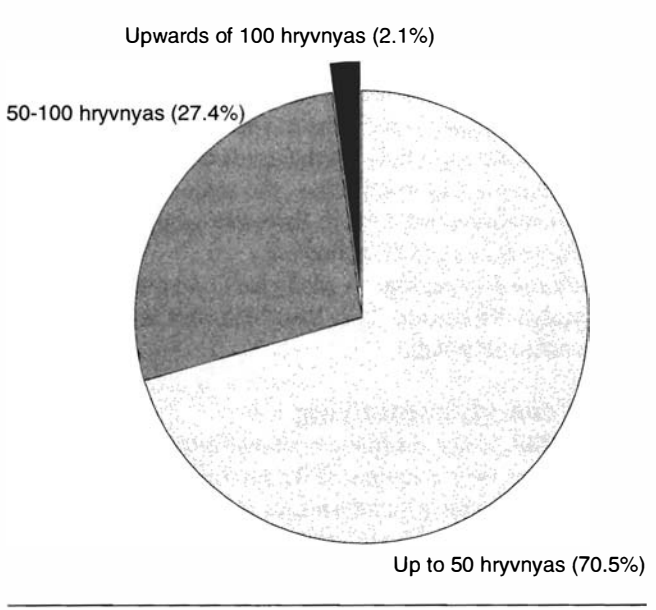
But it's intolerable, for a state to force its citizens to resort to such activity in order to live. This is the face of macroeconomic stabilization, according to the IMF's prescriptions.

They demand more and more with their conditionalities, up to and including totally irrational things. For example, one of their demands for 1997, is to raise the pension age to 65 for men and 60 for women. Before, it was 55 for women and 60 for men; the IMF wants it to be 65 for men. But the average life expectancy for men in our country today, is 62 years. We may conclude that men are not supposed to receive pensions at all.

The IMF's third demand is mass privatization. In Davos, the President reported that the privatization of smaller enterprises has been finished in Ukraine, and that masses of Ukrai-

FIGURE 7

**Distribution of Ukrainian families, by level of real income per family member**



Source: October 1996 "Socis-Gellap" survey.

nian citizens have become property-owners. Well, you just saw the structure of incomes, and you can draw your own conclusions about what kind of property-owners receive a dollar or less per day.

An even slightly attentive analysis of the property situation today, shows that the remaining state property, which comprises approximately 42% of enterprises, is, in effect, no longer under state control. These firms have become the property of their directors, who, in the absence of any supervision, simply loot this property. They buy raw materials wherever they can, and sell their products wherever they feel like it. Those who want to, pay wages; those who don't want to, don't.

But, at the same time, each of these directors is a contract employee, and, should he object to the policy at all, he is immediately kicked out, and he loses that source of income. Fifty-eight percent of the property is no longer state property. Five or seven years ago, people came to Ukraine to promote these reforms, including [Harvard economist] Jeffrey Sachs, [then Polish Premier Leszek] Balcerowicz, [then Czech Finance Minister] Vaclav Klaus. They argued that non-state property, was the most effective form of ownership, especially private property, and mixed-ownership firms.

Light industry is the most privatized sector in Ukraine. Eighty-eight percent of the enterprises there are no longer state-owned, but the decline in production in that sector is the greatest, and there is the largest number of idle factories.

If we look at private property as such, it's all in the shadows. Those who are actually property-holders, are afraid to be identified as owners, even if they have the majority share. They see the grapes of wrath ripening, and are afraid that if things blow up, they'll be the first victims.

Mass privatization has led to a situation, wherein the majority of the population has lost the right not only to manage factories, but even to work at them. The actual right to control the property is concentrated in the hands of the former higher [ruling Communist] party elite, the major figures of the shadow economy, and foreign investors with a shady past, like George Soros and his followers.

**Tatyana Koryagina:** A shady past, and present.

**Natalya Vitrenko:** Yes. Yes, both past and present—you're absolutely right.

### Mines closed, towns dying

The IMF, seeing that there is no resistance in the country, and that the upper echelons of the establishment have been bought off, continues its reforms, each time advancing some new political figure, who is totally committed to the reforms. Here is a picture of the current prime minister of Ukraine,

Pavlo Lazarenko. He is a terrible figure in our state, who promises to support the current President, but is actually laying the ground for his own Presidential campaign.

In this interview, Pavlo Lazarenko says that the government has managed to make a break with the negative trends. The problem is, that we and he are speaking different languages. We say that the tendency is lower and lower, and worse and worse; they say that the turnaround has taken place, and the way out of the crisis is in sight. And, they are so sure of the support of the IMF, that they totally overtly and blatantly cite their masters' orders.

Lazarenko writes, "We are going to shut down the coal mines." That is a demand from the World Bank, and the IMF. The World Bank said, "We'll extend \$300 million to you." Only \$300 million! They give billions for the Mexico crisis, but \$300 million for Ukraine! It's insulting. You, at least, get billions to be destroyed; we are destroyed for mere millions. They offer this \$300 million, on condition that one hundred coal mines be closed.

A month ago, Volodymyr Marchenko and I were in Donetsk, and visited the coal mine named for the newspaper *Pravda*. It is being closed. There are coal deposits there, which could be mined for another 30 years. Five new drifts have been cut. But the order was received, to flood the mine within 17 months, although the technical norm is 30 months for the shut-down of an unprofitable mine.

This is just *massive* destruction. The entire town around such a mine dies. When we had discussions with the local inhabitants, the most painful thing was to see the faces of these 30- to 40-year-old men, who had lost their jobs.

What does Pavlo Lazarenko say, about what awaits Ukraine in 1997? "We are going to switch off power, to those who are behind on their electricity bills."

We have public-sector factories standing idle, because of the non-payments crisis. Everybody owes to everybody else. The creditors' side of indebtedness has reached 82% of GDP. The debtors' side is a little bit less. Instead of issuing money or circulating bills of exchange, in order to get production going again, instead of providing to enterprises the circulating capital they need, i.e., the ability to function, the premier says that their electricity will be turned off. He says, in conclusion, "Those who are unable to work in the new way, will experience real bankruptcy."

Forty-six thousand enterprises have gone bankrupt in Ukraine. This is what the current regime is preparing, and this is the brutal face of the IMF. And I would simply note that the World Bank and the IMF are treating Ukraine more and more harshly.

I'll show you just one example: credits for the development of enterprises. The World Bank is extending \$330 million, in three tranches of \$100 million each. Nine million goes to pay consultants, which is how our colleagues in Parliament, as well as government officials, are bought off. One million is for the duty-free supply of computers and other equipment

## Vitrenko presents 'New Bretton Woods' appeal

Ukrainian members of parliament Natalya Vitrenko and Volodymyr Marchenko presented the "Urgent Appeal to President Bill Clinton to Convoke a New Bretton Woods Conference," at a press conference in Kiev, the capital of Ukraine, on Feb. 25. The appeal (for full text, see *EIR*, March 7, p. 42) was issued, with Dr. Vitrenko and Helga Zepp LaRouche, the founder of the Schiller Institutes internationally, as its initiating co-signers, following the Feb. 15-16 Schiller Institute conference in Reston, Virginia.

*Selski Vesti*, one of the largest-circulation newspapers in Ukraine, covered the press conference on the Appeal, as did the newspaper of Ukraine's parliament, the Supreme Rada.

On Friday, Feb. 28, Vitrenko took the floor in parliament, to present the Appeal, with its blistering indictment of International Monetary Fund-guided destruction of national economies, including that of Ukraine, and its call to reinstitute national sovereignty in economic practice. Her speech, in which she urged fellow Ukrainian parliamentarians to sign the Appeal, was carried live on radio. To date, 50 members of the Supreme Rada have signed.



*“Ukraine is not Rwanda or Ecuador. Ukraine is a country which produced equipment for the space program, and the most modern submarines; a country which had the highest level of education in the world. And, this country, in the middle of Europe, is being destroyed in the cruelest way. . . . In fascist Germany, which lost World War II, the collapse of its GDP was 56%. Ukraine has lost 58% of its GDP.” Here, Germany begins to rebuild at the end of World War II.*

for the consultants.

Here are the conditions under which the tranche is issued. They demand the elimination of indicative prices for cattle and hides. That means that, as a nation, we’re not even allowed to set price norms. Elimination of all export duties on cattle and hides. Elimination of accounting procedures to record exports; that is, the country is forbidden even to keep track of what it has exported, and what imported. No record. Last of all, the finale, is the elimination of any quality control on imported goods. Thus, we are obliged to accept whatever is shipped in from all over the world. For this, we get \$100 million.

Thus, you see, the picture in Ukraine, as in Russia—although, indeed, our situation is worse—shows that our society is really on the verge of revolutionary unrest. We are beyond the point, where there could be just an evolution.

### **Potential for political mass strike**

Two years ago, I myself proposed an economic program, and we hoped, if the Parliament had voted it up, to change the reform policy. Today, we are convinced that neither the President, nor the parliament, nor the government, will change the reform policy. It suits them quite nicely. So, the destruction may continue, and Ukraine become the sewer of Europe. The majority of the population will perish, because you have everything at once: criminality, various diseases, AIDS has begun to spread in the country. Or, there will be some conscious resistance of the population against this policy.

Therefore, today, as leaders of our party, which is called the Progressive Socialist Party of Ukraine, we have supported the initiative of the All-Ukrainian Union of Workers, to conduct a nationwide strike on March 18, the anniversary of the Paris Commune. We think that, if this action succeeds as a mass strike, objectively the workers will move from economic demands to political ones. Early parliamentary elections should be demanded. We will have to run for Parliament and win, and to create a government with a new reform program.

We know the President will oppose us—any President will oppose us, be it Kuchma, Lazarenko, Moroz [the head of the Socialist Party], or various others who are starting their run for the Presidential seat. But, each of them pulls the blanket tight only around himself. And each of them is so greedy and ambitious, that, without a doubt, the IMF will buy them off totally.

Therefore, if our Parliament were to abolish the post of President, Ukraine would become a parliamentary republic. We think that that would be the best way.

Therefore, with reference to the ideas expressed in the Declaration of our conference [here], I would like to introduce as a recommendation in the declaration, the conception of building a coalition in each country. The LaRouche movement is becoming a force to contend with, throughout the world. The number of its supporters is growing. And, thus, I would like to formulate it in such a way, that in each country, all efforts go to the formation of a coalition, and, by formation of such a coalition, to move to replace the regime, and, in that

shift of regime, to put the emphasis on the representative branches of power, ensuring the dominance of the representative branch.

The first step of the new regime, would be to put in place a ramified supervisory system, recruiting millions of people into monitoring functions. It seems to me, that this will be the right sort of mechanism of popular enthusiasm, if each person himself takes part, and has the opportunity to monitor things and influence change. Then, taking a total inventory of each country's resources, because not everything in Bolivia, in Mexico, in Bulgaria, in Russia, and in Ukraine, has yet been stolen or destroyed; on the basis of a full inventory, to know what the people actually have, then to create a bank in each country, with its own powerful financial system, and, of course, to replace the world financial system, because it would be very difficult to hang on in just one country. And then, we will move to build the Eurasian Land-Bridge.

Then, the new regimes, with the new economic policy, with healthy finances, will work to create new jobs, in order to raise the standard of living in their countries, and to assist the recovery throughout the planet. Then, our prospects are truly bright.

## No support for IMF's 'imposed' reforms

by Volodymyr Marchenko

Taking part in the work of these conferences, both today's and the one that took place over the weekend, I got the impression that the LaRouche movement has delved thoroughly into the economic recipes imposed by the International Monetary Fund, and precisely forecast the consequences to which those reforms would lead, and, with the passage of time, is proceeding to more precise proposals about what needs to be done as alternatives to the IMF reforms.

How the IMF works, how its policies are imposed in our country, is clear. The recipes are the same for everybody: Credits are offered, with conditions attached, and there is no responsibility assumed for the results.

The scientists and citizens within the countries, however, having become familiar with the IMF proposals, have themselves already, to a significant degree, been able to forecast the sorry consequences, if they're implemented in every country. Neither the workers, nor people in industry and agriculture, nor the economists, nor the politicians, nor the citizens accept these reforms. And, there is no mass political support for these reforms within Ukraine. We refer to these reforms as "imposed"—against the will of the people.

How could these reforms be implemented in Ukraine and

other countries? Here, I would like to draw the attention of the LaRouche movement to the matter of the organization of power within a nation, because, in our view, it was precisely the organization of power, that made it possible to open the borders of our country to the IMF's policies.

The struggle to change the constitution in each country of the former Soviet Union, took place in different ways. It was a very fierce battle, almost everywhere. Tatyana Koryagina, as a deputy of the Russian Parliament, the legislative branch of the government, together with her colleagues, came under artillery fire in the White House. After the gross violation of the Constitution and the rights of parliamentarians, an illegal referendum was held, to adopt a new Constitution of Russia, which concentrated virtually all the power in Russia in the hands of one person, the President.

### A forced constitution

The constitutional revolution in Ukraine proceeded in a milder form. The Constitution of Ukraine, however, was adopted against the will of the people, at night, when the parliamentarians were forced to work 24 hours a day, and there was free champagne being served to the deputies at the canteen in the Parliament. At the same time, the deputies were threatened with the possible dissolution of Parliament, and a ban of those parties that did not agree with the new constitutional conception. The articles of the Constitution were voted on not one at a time, as they should have been, but by groups of articles. Ukraine's Constitution was adopted with gross violations of procedural norms.

I would like to touch on just one problem of the Ukrainian Constitution—the powers of the President of Ukraine. Let us consider, whether it would be possible for our President to change the economic reform policy within the country.

Tatyana Koryagina gave the example of how people with mental problems were the ideologues for the economic reforms in Russia. We can cite similar examples in Ukraine. Let me mention one person: Viktor Penzenik, an ideologue for the implementation of IMF-prescribed reforms in Ukraine. Four times, the Parliament of Ukraine has forced the resignation of one or another government in which Viktor Penzenik was working, either as minister of economics or vice-premier. Yet, Viktor Penzenik remained and kept working under all the premiers; he's on his fourth prime minister.

Two years ago, the Council of Industrialists and Entrepreneurs of Ukraine passed a resolution, which was an ultimatum to President Kuchma, demanding the removal of Penzenik as an ideologue of destructive economic reforms. When they met with us, these industrialists were absolutely certain that Penzenik would be removed. However, he remained, and he's continuing to implement the same policy to this day.

How did this become possible?

I would like to draw your attention to the powers with which the President is endowed, in Ukraine. This is Article 160 of the Ukrainian Constitution. I will try to enumerate the