
Natalya Vitrenko

Murder of Ukraine, to please the IMF

Dr. Vitrenko is an economist and a member of Ukraine's Parliament, the Verkhovna Rada, from the Progressive Socialist Party of Ukraine, which she leads. She was unable to attend the EIR seminar, because a Parliament resolution forbade members from travelling to any NATO country, to protest the bombing of Yugoslavia. Dr. Vitrenko communicated her remarks in writing.

I. Facts, not invented by me

In the first quarter of 1999, the Gross Domestic Product of Ukraine contracted by another 4.2%. This decline has been continuous since 1990; in 1998, GDP was at 60.2% of its previous level, and was the equivalent of \$36 billion.

Ukraine's foreign debt is growing at a catastrophic rate. It is approaching \$12 billion. Debt service payments, alone, require \$2.2 billion in budget spending by Ukraine in 1999 (while the total size of the budget is expected to be 24 billion hryvni, or \$6 billion at the current rate of exchange).

The President and the government of Ukraine prefer not even to mention the domestic debt. But 135 billion hryvni (\$26 billion) are owed, which were monies entrusted to banks by ordinary citizens. Another 16 billion hryvni (\$2.45 billion) are owed, comprising payments simply not made by the state to budget-sector employees, pensioners, students, mothers with many children, and so forth. On the order of 7 or 8 billion hryvni (approximately \$2 billion) are owed to the agriculture sector, from which, since 1994, food products have simply been collected, but not paid for. The domestic debt also includes 13 billion hryvni (\$3.2 billion) in domestic government bonds (OVGZ), accumulated since September 1998. The Ministry of Finance regularly dumps them on the National Bank, which, in turn, spends the entire, paltry sum of cash issued, on redeeming these bonds. In the first quarter of 1999, this amounted to 1.2 billion hryvni (approximately \$400 million).

Meanwhile, pensioners in Ukraine go seven and eight months without receiving their pensions. Or, rather, they don't go; they die before their time. Retired workers, veterans of labor, have an especially high rate of suicide. It would help even if pensions were at a human level, but no—in Ukraine today, a retirement pension ranges from a minimum of \$10 per month, to a maximum level of \$15. These are the insulting crumbs, thrown to 14 million laborers!

Teachers are not paid their wages (these arrears have been accumulating since 1996), which turns them into beggars, blackmailers, and bribe-takers. The rising prices for textbooks makes even secondary education inaccessible to the poorest layers of the population, of which there are hundreds of thousands of people.

Physicians, too, are turned into extortionists. The hospitals are robbed blind, and the doctors try to not even think about their Hippocratic Oath.

Scientific schools are being destroyed. The 1999 budget provides for the already humiliatingly wretched level of 0.4% of GDP to fund science. But even that is not disbursed.

The outcome of the first quarter of 1999 reveals the horrific results of the reforms: Progressive collapse of physical production. Growth of unemployment. Breakdown of financial discipline. As a result, the revenue side of the budget has been met only to 87.7% of the planned level. Within the structure of the breakdown of tax discipline, ordinary citizens carry the heaviest load.

Thus, taxes on profits were paid during the first quarter in the amount of 14.2% of the annual level, rent due for exploitation of natural gas—in the amount of 8.8%, and fees for natural gas transport—9.2%, whereas citizens paid their income tax in the amount of 16.2% of the annual total. Moreover, the definition of the income tax in Ukraine has become irrational, insofar as it is imposed on [monthly] incomes exceeding 37 hryvni (less than \$10), while the poverty level as measured in money (the only surrogate for a subsistence minimum that has been established by law) is 90.7 hryvni (\$22). The state keeps trying to finish off the ordinary person, the normal businessman, the farmer, the small or large company, the barely living economic organism—instead of helping and paying them.

Unemployment is snowballing, and in its track—crime, mortality, psychological disorders, and the collapse of public morals.

Ukraine, which not so long ago was a highly developed member-nation of the UN, has been turned into a disaster zone, where a brutalized people, corrupted officials, and overt bandits represent a threat to world civilization as a whole.

II. Causes

All of this is happening not according to some objective laws of nature, but in the interests of the former (and present!) ruling class of the party and economic *nomenklatura*. They are the ones who have perverted the very essence of the socialist idea as an idea of social justice, and have provided prosperity for themselves, under conditions of a double standard of morality and a quasi-legal state; in order to secure property rights for their heirs, they unleashed the reforms, on orders and with credits from the IMF [International Monetary Fund], that have so destroyed the nation.

In April 1992, the government of Ukraine signed its first Memorandum on Economic Reform Policy with the IMF. It



Natalya Vitrenko with Volodymyr Marchenko, both leaders of the Progressive Socialist Party of Ukraine, at a Dec. 23, 1997 press conference in Kiev. She is holding up LaRouche's "triple curve" schematic diagram.

has been addicted to the IMF drug needle, ever since. Credits are issued with conditionalities and with interest. The conditions are directed, with great severity, toward the destruction of domestic physical production and the utilization of the country's financial resources exclusively for purposes of speculation on the financial markets. The pricing, taxation, and banking policies that are dictated, drive incomes into the shadow sector. As a result, budget revenues decline, while—in order to hold down that strictly monitored parameter, the budget deficit—the spending side of the budget is rapaciously shredded. Recognizing that the revenues planned for 1999 will not materialize, the government of Ukraine, with its resolution of March 22, 1999, is carrying out budget sequestration in a greedy and disproportionate manner. It reduces the budget deficit from 1% to 0.7% (that is, to 1 billion hryvni or \$240 million). On average, allocated budget spending has been disbursed during the first quarter at the level of 74.8% of the planned levels. But the variation among different categories of spending is absolutely wild: For servicing the foreign debt, 40% of the planned total for the year has already been spent, while not one kopek was disbursed to finance children's homes or boarding schools for orphans!

Instead of assessing this reform policy as ruinous and effecting a radical change of emphasis, the government of Ukraine signed a new Memorandum with the IMF in the summer of 1998. This one covers the period from July 1, 1998 to June 30, 2001. It is linked with the promise of a \$2.2 billion EFF [Extended Fund Facility] loan.

The policy remains as before—the same emphasis on intensive privatization (the sale of agricultural land has been promised), increased tax pressure while privileges are eliminated, and reduction or termination of most subsidy programs and of general subsidies within the social protection system.

It provides for an overall revision of social payments and a steep reduction of social programs. Customs duties on imports are reduced, inflation is maintained at a low level at any cost, the number of public-sector employees is reduced, the bankruptcy procedure is speeded up and simplified, and much more. Naturally, the IMF proposes what corresponds to the interests of preserving and multiplying its capital. But this absolutely fails to correspond to the interests of the people of Ukraine.

III. The struggle of our parliamentary group to change the reform policy

Victory in the 1998 parliamentary elections gave our Progressive Socialist Party of Ukraine the opportunity to enter the Parliament as a parliamentary group. Our group immediately engaged in a struggle to change the reform policy.

In July 1999, our parliamentary group introduced a budget resolution, as an alternative to the resolution from the Budget Committee. Whereas the latter proposed to continue the reforms under IMF conditionalities and with IMF credits, to continue to inflate the OVGZ pyramid, to accelerate privatization, and so forth, we offered a radical alternative: Abrogate the agreement with the IMF, and freeze payments on the foreign debt, as well as OVGZ debt. We proposed to implement a mechanism for reviving domestic production, and to adopt laws and institute procedures for the restitution of capital taken out of Ukraine and of defaulted commercial bank loans issued in 1992, and to begin, in 1999, the restitution of the population's savings (to be completed within three years), and much more.

All the parliamentary groups, except for ours, supported the budget resolution from the Budget Committee (291 voted in favor of it). We announced the formation of a socialist op-

position.

Subsequently, as an opposition parliamentary group (and, naturally, an opposition party), we have introduced our own document on the basis for Ukraine's domestic and foreign policies, and our own versions of solutions for the most important social problems—draft legislation on the poverty level and minimum wage, on labor compensation, on the payment of pensions, on utilities payments, and on labor collectives. We initiated a comprehensive parliamentary review of the question of the Memorandum with the IMF.

Our struggle has produced certain results. No matter how hard Ukrainian President Kuchma and the Pustovoitenko government, which is obedient to him, tried during the summer of 1998 to raise utility fees by 20%, they did not succeed. Only after the Constitutional Court intervened in February 1999, were the fees raised, effective April 1, 1999. We did, however, manage to pass a parliamentary resolution, banning evictions from apartments and turning off the lights, heat, water, or gas for reasons of non-payment, if payments for these services exceed 15% of a family's total income actually received.

Although it was only by a few hryvni, we succeeded in raising the poverty line and the minimum wage in the country, and we stimulated closer attention to the problem of pensions. We managed to block the adoption of numerous anti-popular pieces of legislation and to stop the ratification of some treaties that were disadvantageous for Ukraine.

On March 24, 1999, a review of the question of the Memorandum with the IMF did take place in the Parliament. We forced the Communists, who constantly lay claim to the role of defenders of the people, to introduce a draft resolution to recall the Memorandum. In our own resolution, our parliamentary group presented a principled evaluation of what is happening, and proposed to abrogate the agreement with the IMF. At the same time, we supported both the Communists, and "Hromada," with its still softer assessment of the IMF. Our tactic was successful, as the Parliament voted to condemn the actions of the government in signing the Memorandum with the IMF, as a gross violation of the Constitution of Ukraine.

There were certain intrigues around this formulation. Speaker A. Tkachenko, grovelling before the IMF and President Kuchma, became a spokesman for the Fund's ideas in Ukraine and tried to force the resolution through, without the critical reference to the activity of the government. Although both the Communists and "Hromada" (the parliamentary group of P. Lazarenko) raised no objection to this gross flouting of the Rules of the Verkhovna Rada of Ukraine, the process of condemning this policy cannot be stopped.

The people of Ukraine are opening their eyes. The authority of our party is rising steadily. I am convinced that we shall unite all the progressive forces in our society and radically change the policy of economic, as well as political reforms in Ukraine.

Discussion

How to bring about a just world order

Anno Hellenbroich: *I propose that we now take another 20 minutes or so for discussion. Before I open the floor to discussion, let me say that I have here a note from the Foreign Ministry of the Slovak Republic, where the Department of International Economic Relations sends best wishes. . . . Now, I invite questions. I see here Prof. Taras Muranivsky, president of the Schiller Institute in Moscow.*

Taras Muranivsky of Russia

I am from Russia, and Russia has been discussed today very actively. It is very good that we are having such an interesting discussion and such an interesting conference. I can say that I like the reports from everybody here today, in general. Each has spoken his own truth, despite some different points of view among these people.

But, I will say one thing. Our thoughts and our approach to the difficult and very complicated problems of the contemporary situation in the world must be known to more people, and more circles, than those represented in our audience. I propose to prepare a short letter to the governments of all NATO countries, in the name of our conference, to condemn the bombing and this aggression that we have in Europe today. I think that not only we, but many circles of people and scientists, are sending such letters now, and maybe they will hear and they will think over what to do. . . .

But, I think that Russia's first step is a good step: humanitarian help—food, clothes, and so on. Bear in mind, that they send these supplies not to Serbians, but to Albanians, Serbians, Hungarians, and all the people who live there and are refugees, and need this help. This is a very important thing.

Now, the second step ought to be, I think, what we discussed with one of our good friends, my friend and Lyn's friend, Pobisk Kuznetsov. Our Patriarch was in Serbia yesterday, but it would be better for the Russian Orthodox Patriarch, the Roman Catholic Pope, and maybe somebody from the Muslim side to meet, and to hold a big, multi-confessional conference. Not like Nicolaus of Cusa in 1438, and for several years thereafter, and then several years, but a conference of three days' duration. They would have there different people, the representatives of different people. It would be another influence in the situation. Maybe our conference can initiate this idea. You have contact with the Vatican, and we can do something through Russia, through our Patriarch, and the