

In Ukraine, the Economy Has Reached a 'Zero Point'

by Taras Telyha

The end of uncertainty. The start of revival? Each August's anniversary of Ukraine's independence is followed with a multitude of articles, reviews, analytical materials in mass media, with various views on the period since 1991, and attempts to look into the near or distant future. Such reviews allows us to focus upon major problems of development, to crystalize the major items characterizing the essence of the country's reality.

Precise statistics reflect the nation's results, like a ruthless mirror—reflecting also the quality of the country's management. These data, as well as a lot of sociological research, definitely illustrate that the public confidence in the authorities—the President in particular—has sunk below the lowest conceivable limits.

So, what is happening in Ukraine today? What is the Ukrainian people going to expect in case of implementation of the President's plans, which he clearly outlined at the ceremony on the 12th anniversary of independence, on Aug. 23? In order to answer those complicated questions, we should look back at the last year and a half, starting with March 31, 2002, when, after the recent elections to the Supreme Rada (parliament), the wild gangster regime of "criminal-communist capitalism" cracked and nearly collapsed.

Economy Thrown Back Into the Past

Two parameters—the level of economic development and the availability of political freedoms—determine the place of a country in today's global community. It is bad to be a well-fed slave, but it is a hundred times worse to be deprived both of freedom and elementary material possibilities while living in early 21st-Century Europe. Unfortunately, this is the case of today's Ukraine.

In May, the Center of Political and Social Research named after Alexandr Razumkov, renowned for its reliable sociological research, conducted a new poll, publishing its results in *Zerkalo Nedeli* (*Weekly Mirror*). The sociologists focussed on the major indices of the level of life of Ukrainians: the structure of incomes and expenses, the purchasing capability of the population, and so forth.

The results were striking even to the most pessimistic readers. About 26% of the population can't afford anything, including food; 42% can feed themselves, but not afford clothes; 24% afford both, but can't purchase absolutely neces-

sary technical means of survival, like a refrigerator; and only 6% are able to make substantial purchases.¹

According to independent research, the average monthly salary in Ukraine does not exceed \$80 (by comparison, Poland's is \$500; Russia's \$165; Belarus', \$120). The minimum salary is around \$35—half an adult's survival minimum. The growth of GDP, which is the subject of pride of state officials, is determined by money transfers from Ukrainians employed outside the country (about \$5-7 billion annually).

Other typical characteristics of the economic situation: About 60% of the national economy hides in the "shade" of the informal or illegal economies; the foreign debt of Ukraine is at \$14 billion (\$1.84 billion to the International Monetary Fund); the state budget comprises less than \$10 billion (\$200 per person); the average pension is around \$30 monthly. At the same time, over 80% of tax revenue is paid by citizens with an average monthly income of \$100.

The picture can be completed with one more figure: The fortunes of the 10-12 richest Ukrainians would be sufficient for paying the whole foreign debt. No wonder that productive investments are close to zero, agro-industry is depleted, and 70% of GDP (the production of metallurgy, the timber industry, and other natural resources) is exported. No wonder that, according to various calculations, at least 60-70% of Ukraine's economy is in the hands of oligarchic clans from neighboring Russia. The slow but "permanent" decline of the level of life of over 80% of Ukraine's population has become its major feature, and this fact can't already be ignored by the criminal regime, which is alone responsible for the profound systemic economic catastrophe.

'Democracy in Ukraine'

The regime has established a matching system of political power. Its major feature is absence of any responsibility for any acts of the bureaucracy, starting with President Leonid Kuchma personally; a secretive atmosphere of fear and uncertainty even among top state officials, in case they should not

1. Russian researchers describe a similar picture, though the average incomes in Russia are higher. In some regions of Russia, the situation, however, is much worse, as the climate and soil are unfavorable for agro-industry. The author emphasizes the quality of Ukraine's soil (the best in the former U.S.S.R.), as the country's strategic advantage.

be sufficiently devoted to the President and his clique. This system fosters an accelerated plunder of the country. Practically all the cadre decisions (involving, primarily, either outsiders or seriously compromised figures) are motivated with the task of keeping the incumbent regime afloat.

Today's government, in particular, is formed mostly from representatives of political parties which, though loyal, found themselves left out of the Rada, or just at the brink, by their low popular results in the last elections. Therefore, any movement in the administrative corridors, any talks over a necessity of political reforms or amendment of the present Constitution, is regarded by the population as just a new trick for the legitimization of the ruling regime.

Meanwhile, Kuchma's permanent demagoguery about "democracy in Ukraine" is motivated by the fact that in 2004, in accordance with the Constitution, his 10-year rule must expire. Kuchma, as well as his closest circle (in particular, his son-in-law Viktor Pinchuk, one of the richest Ukrainians of today), are naturally concerned over the possibility that as soon as their reign is over, they may face responsibility for all their actions before the nation for the first time. Not accidentally, Kuchma eight times vetoed the draft Election Code, based on the principle of proportional representation of parties—the law which could open a way for democratic transformation and emergence of a civil society in Ukraine.

Again in his speech on the occasion of the independence anniversary, the President, with scarcely concealed irritation, attacked his political opponents, probably forgetting that 90% of the population could be included in this category. The purpose of the organized Ukrainian political brawl (the 2004 election campaign, which actually started the next day after the 1999 re-election of Kuchma) is either to prevent the political triumph of opposition leader Viktor Yushchenko; or, in the case of his success, to restrict the Presidential power—now that Kuchma will not exercise it—and in that way allow the present bureaucratic system to stay intact as long as possible.

Is There a Solution?

During the several months following, Ukraine was a focus of international attention. Certainly, the major subject was Ukraine's participation in the Anglo-American invasion and occupation of Iraq. Though the deployment of Ukrainian servicemen was approved by the Rada, public opinion denounced the move. Nearly everybody is convinced that this choice was made under pressure, rather than persuasion, from Washington. Meanwhile, its consequences may be much worse than the Parliament had calculated.

As in previous years, the foreign policy of Ukraine has remained reflexive, ambiguous, and hardly predictable; and in its effect, anti-Ukrainian, yielding up the country's national interests for the benefit of any "partner." The permanent flirtation with various partners, including the globalist-euphoric leadership of the United States, and the traditionally problematic link with Russia, was not successful: The investment

climate in today's Ukraine is near the worst in the world. Is it accidental that as many as 6 million Ukrainians are permanently employed abroad—mostly in an illegal status and without any rights—while stock companies owning a great deal of Ukraine's wealth are registered outside the country (mostly offshore)?

What are the prospectives for the solution of the profound political and financial-economic crisis? The answer is up to the people of Ukraine, who, despite the policy of near-genocide, has managed to maintain the best historical tradition of attitude towards labor and their native country.

In late May-early June, exactly at the time when the Razumkov Center was calculating the results of its poll, the author was fortunate to follow a delegation of 40 German farmers across ten (out of 25) regions of Ukraine. The visitors were mostly impressed with the wonderful soil from Kiev, Cherkassy, and Poltava, down to Kherson and Odessa; and the conditions of labor of Ukrainian peasants, which they compared with what they had seen in many other countries. However, the attention of the guests was focussed not only on the agro-industry, but also on the beauty and wealth of the country, and the warmth and hospitality of the citizens.

A Parallel With Argentina

A detailed acquaintance with the organization of work of various producing and processing industries, and numerous meetings with common people in an atmosphere of confidence and professional understanding, strongly impressed both the Germans and Ukrainians involved. The guests just wondered how a country with such a diligent, talented, and beautiful people, could have found itself in such a catastrophic situation.

A witness coming from outside finds it hard to characterize the reality of Ukraine, or to express a view independent of political sympathies. Still, our guests found an adequate parallel: the economically disastrous situation in Argentina.

In the heart of Russian-speaking Yalta, the guests were surrounded by a flock of schoolchildren. In the Ukrainian language, they told the German guests about their love for their Motherland, and their intention to live and work in a new way for the benefit of their land and their people. One German expressed the general view: Ukraine is today at a "zero" point, from which it must turn upward. The truth of that view was proven by a lot of bright paintings along a highway in Simferopol, left by participants of an all-Ukrainian school art competition. The motto "Ukraine is my beloved Motherland!" was dominating among them.

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