IMF loans $17 billion to Ukraine to repay banks, loot economy

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The International Monetary Fund (IMF) yesterday formally signed off on a $17.5 billion, four-year loan to the far-right regime in Kiev.

It is a desperate attempt to pay off Wall Street, and keep NATO's puppet regime in Kiev from going bankrupt after the failure of its attempt to reconquer east Ukraine from pro-Russian separatists.

After taking power in a putsch led by fascistic anti-Russian militias in February 2014, the Kiev regime has plunged the country into a civil war, targeting the industrial heart of the country in the eastern Donetsk area, and largely cutting off trade with Russia.

As a result, Ukraine has fallen into an all-out economic depression. After shrinking by a stunning 7 percent in 2014, its economy is projected to contract by a further 5.5 to 12 percent this year. Though its currency, the hryvnia, has recovered half of its losses since the signing of a cease-fire in Minsk last month, it is still down 27 percent this year.

Initial IMF payments will go to key creditors of the Ukrainian government, which include major US financial firms PIMCO, BlackRock and Franklin Templeton Investments. The Russian government also owns roughly $3 billion of Ukraine's $69 billion debt.

"The four-year extended agreement will support immediate economic stabilization in Ukraine and a set of deep and wide-ranging policy reforms," IMF Managing Director Christine Lagarde said in Washington, DC. As much as $10 billion may be disbursed immediately to stabilize Kiev's finances.

The IMF and the Kiev regime reportedly hope that the package might grow to a total of $40 billion, based on further contributions from the United States and the European Union, and debt forgiveness of $15 billion by Ukraine's creditors.

Lagarde indicated that the IMF was extending the loan because it is confident the far-right Kiev regime will support IMF austerity measures: "The Ukrainian authorities continue to demonstrate a strong commitment to reform," she said. "They have maintained fiscal discipline in very difficult conditions, allowed the exchange rate to adjust, and have increased retail end-user prices for gas."

The 2015-2020 economic agenda of Ukrainian Prime Minister Arseniy Yatsenyuk, endorsed by Lagarde as the precondition for the IMF loan, savagely loots the working class. As spelled out by Yatsenyuk last December, it lays off 10 percent of government employees, cuts education spending by 20 percent and health care spending by 40 percent, eliminates two years of free public schooling, and eliminates price controls on medicine and energy, including natural gas. Home heating costs could as a result triple or even quintuple in the coming years.

Claims that Yatsenyuk's attacks on the working class are necessitated by a lack of money are a cynical fraud. In 2008, the wealth of the 50 richest Ukrainian oligarchs was estimated at over $100 billion. As Yatsenyuk prepares his cuts, the European Central Bank (ECB) is preparing to plunge 1€ trillion ($1.06 trillion) into the major European banks.

This reactionary agenda aims to save the criminal business oligarchy that emerged in Ukraine with the restoration of capitalism in the Soviet Union in 1991, and turn it into a pliant tool of US and European imperialism.

Financial commentators initially reacted coolly to the IMF deal, pointing out that it could not end the civil war and the resulting economic crisis in Ukraine. Indeed, even as the IMF deal was unveiled, US government sources were announcing the delivery of tens of millions of dollars in weaponry to the Kiev regime in the face of warnings from Moscow that it views such weapons as threats to Russian national security.

"Everyone is wondering about what is happening next, and what people are really looking out for is the details on Ukraine's debt restructuring. Unless we see a peaceful and lasting resolution of the conflict, not on paper, but in reality, it will be really hard to reduce capital flight and improve the economic situation," William Jackson of London-based Capital Economics told Bloomberg News.

Sergei Arbuzov, who headed the National Bank of Ukraine until last year's putsch, criticized the IMF deal in an interview with *Russia Today* for doing too little to restructure Ukraine's debt.

"Ukraine had all the reasons to talk with the IMF and international creditors not about the loan, but about debt relief and the restructuring of the remaining debt in long-term securities with low profitability. I do not see the reason for the allies to refuse to make concessions to a war-torn country. ... Instead, we've come up with an involuntary servitude variant, without even trying to negotiate," he said.

Arbuzov attacked energy price increases for Ukrainian consumers for not resolving infrastructure and management problems at Ukraine's national gas company, Naftogaz. "The technical losses of Naftogaz alone are 20 percent, and these issues cannot be solved by raising rates," he said.

He also pointed to the irrationality of the Kiev regime's attempt to orient Ukraine's economy towards Europe and away from Russia and China.

"The European market has no need for Ukraine. Last year, despite the favorable terms of the EU, our exports there grew only 1.5 percent. At the same time, we lost the markets of other countries, and the exports to some of them fell by 30-40 percent," he said. "In 2013, during my visit to Beijing, we agreed on projects worth $30 billion. The new authorities weren't able to realize virtually any of them, only having started the implementation of a swap with China signed back in 2012."