IMF pushes for more social cuts in Ukraine

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The Ukrainian government of President Petro Poroshenko is facing a serious economic crisis as the International Monetary Fund (IMF) is demanding ever greater social cuts.

Since the dissolution of the Soviet Union in 1991, the various oligarchic bourgeois regimes that have ruled the country have accepted IMF funding in exchange for carrying out a series of "reforms," such as the privatization of state-owned industries and elimination of government subsidies, all carried out at the expense of the working class.

The current IMF program, under which Ukraine has received only $8.7 billion of a potential $17.5 billion, is scheduled to expire in March of next year. The IMF has not released any funds to the country since April 2017.

The current sticking point is the elimination of household gas subsidies. Any rise in consumer prices would be correctly seen by Ukraine's working class as an even further lowering of their already precarious living standards.

After initially agreeing to raise household gas prices, Poroshenko has repeatedly continued a freeze on consumer gas prices and most recently set a new deadline of September 1 for continued government subsidies.

The government argues that without an injection of funds from the IMF, the government may start defaulting on paychecks for government workers. As of July, the country had already begun delaying pension payments to retirees causing widespread dissatisfaction.

Prime Minister Volodymyr Groysman blamed the delays on the incompetence of the country's pension fund managers, rather than any critical drop in the stability of the Poroshenko regime, and promised an investigation.

A significant percentage of Ukraine's elderly population relies on monthly pension payments to survive. One of the IMF's other demands is that the country increase the retirement age, which currently stands at 60 for men and 58 for women. Any scheme to cut pensions or adjust the retirement age would be a disaster for the over 8 million pensioners in Ukraine who live on less than $50 a month and millions more preparing to retire.

In October of last year the government attempted to appease the IMF and passed a pension "reform" bill. The bill cut back on early retirements and increased the number of years workers must contribute to the pension system in order to qualify, but stopped short of raising the retirement age or cutting payments. The move was apparently not enough for the IMF as it nevertheless refused to release any more funds to the country.

The ongoing war in the Donbass the region of the country has already given the government an excuse to cut the pensions of residents in Donbass or to make it extremely difficult for refugees to obtain their payments while living elsewhere in the country. In September of last year, the Norwegian Refugee Council reported that up to 600,000 Ukrainians had lost their pensions since December 2014, most of them elderly residents in areas in eastern Ukraine not controlled by Kiev.

There is also anxiety in Kiev that Russia's construction of the Nord Stream 2 gas pipeline will cut out its position as middle-man in the transit of gas between Russia and Western Europe and deprive it of needed foreign cash. The Nord Stream 2 gas pipeline will connect Russia directly to Germany through the Baltic Sea and is scheduled to be completed in 2019.

Naftogaz, the state-owned gas and oil company of Ukraine, is in large part only profitable thanks to the transit fees it receives from Russia as it sends gas to European countries such as Germany, which obtains 70 percent of its gas from Russia. The current transit arrangement between Russia's Gazprom and Naftogaz is set to expire January 1, 2020, just as Nord Stream 2

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is to launch.

Any losses from such transit fees would be taken out of the pockets of Ukrainian workers in the form of a rapid hike of gas prices.

Other EU members and most notably the Trump administration have criticized Germany for moving forward with the Nord Stream 2 pipeline in the midst of their confrontation with Moscow.

Further exacerbating Ukraine's fiscal situation is the fact that the Ukrainian government will be facing $15 billion in foreign debt repayments between 2018 and 2020. Even if Ukraine complies with the orders of the IMF, the scheduled influx of $2 billion will simply go to paying off foreign debt rather than into pensions and the paychecks of government workers.

In addition to the demands to ramp up attacks on the working class, the IMF and Western governments constantly harangue Kiev over "corruption." A campaign in recent months in the bourgeois press, especially in the US and Germany, has attacked the Poroshenko regime over the pervasive corruption in Ukraine—a phenomenon that has characterized the oligarchy there, as in all countries of the former Soviet Union, ever since the destruction of the USSR.

In August, the German newspaper *Süddeutsche Zeitung* reported that Ukraine loses $4.8 billion a year due to corruption. The country regularly ranks near the bottom in Transparency International's Corruption Perception Index.

In response to the criticism, Kiev in July expanded the powers of a recently created sham "anti-corruption" court, which Poroshenko himself initially opposed but then embraced when IMF cash was not forthcoming. The IMF praised the "anti-corruption" efforts but flatly refused to budge on releasing any more cash until gas prices are raised to "market levels."

Behind the bogus "anti-corruption" campaign is the concern that the obvious corruption among the Ukrainian oligarchs and their control over much of the Ukrainian economy impede US and German business interests in the country. At the same time, the imperialist powers and the IMF are using the issue to push for further attacks on the already abysmally low living standards of the Ukrainian working class.

The Poroshenko regime's hesitancy in fully implementing the IMF demands is rooted in its fear of an uncontrollable explosion of working class anger. In July, miners from Donetsk in Eastern Ukraine struck over the government failure to pay out more than $107 million promised to support the country's troubled coal mines.

Miners at the mine "Kapital'naya" went on strike, demanding that they be paid their salaries from May and June. According to Life.Ru, as of mid-July the government owed the miners over $41.6 million in salary payments. Protests and demonstrations by miners also took place in the Lviv region in West Ukraine and in the capital in Kiev.

In May, workers struck at the western Ukrainian metallurgical factory ArcelorMittal Krivoi Rog, which produces railroad tracks, demanding better working conditions and wages. The average monthly salary in Ukraine is currently around $300. There exists a vast chasm between the country's ruling oligarchic elite (as of 2015, Poroshenko had a net worth of $720 million) and the Ukrainian working class.

Under these socially explosive conditions, Poroshenko is well aware that his government's obvious servitude to the IMF would likely result in the elimination of his already slim chances for reelection in next year's presidential elections.

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