Part 1

Impoverishing Ukraine: What the US and the EU have been doing to the country for the past 30 years

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This the first installment in a two-part series. Part 2 can be read here.

At last Wednesday's gathering of US congressmen to hear the words of Ukrainian President Volodymyr Zelensky, House Speaker Nancy Pelosi opened the event by crying out, "Slava Ukraini"—"Glory to Ukraine"—no less than five times. This expression has become popular in Washington, London, and elsewhere as of late, with British Prime Minister Boris Johnson also bellowing out the cry in a session of the House of Commons and on Twitter.

American President Joe Biden, while not yet tackling the two Ukrainian words, claims at every moment that the more than one billion dollars' worth of armaments he has poured into Ukraine—enough for every citizen to kill every other multiple times over—is to defend the "freedom" and "dignity" of that nation.

The origins of the term "Slava Ukraini" reveal something about the real relationship of the US and NATO to Ukraine's working masses of all ethnicities and linguistic groups—Russian, Ukrainian, Jewish, Polish, etc. As biographer Grzegorz Rossolinski-Liebe explains in his book about Ukrainian fascist leader Stepan Bandera, "Slava Ukraini" was part of the salute delivered by members of the Organization of Ukrainian Nationalists and its military wing, the Ukrainian Insurgent Army, which were collectively responsible for the mass murder of tens of thousands of Soviets, Jews and Poles during World War II.

Neither the United States nor the EU nor any of their related institutions care now or have ever cared about the people of Ukraine, much less their liberty. Even as they have been using the country as a cat's paw in their battle with Russia—as a result of which massive amounts of firepower are making their way into the hands of today's Ukrainian fascists, and parts of the country are being blown to bits—the US and the EU have been economically strangling the Ukrainian people for decades.

As measured by GDP per capita, Ukraine, with its 44.13 million inhabitants, is the poorest or second poorest country in Europe. It competes with Moldova, with about 2.6 million people, for these inauspicious titles.

The bottom 50 percent of Ukraine's population gets just 22.6 percent of all the country's income and 5.7 percent of its wealth. The top 10 percent own nearly 60 percent of Ukraine's net personal assets, according to the World Inequality Database, a publication put out under the directorship of three of the globe's leading specialists in inequality—Thomas Piketty, Emmanuel Saez, and Gabriel Zucman. In 2018, Ukrainian households' average net savings stood at minus $245.

The median household income in Ukraine is around $4,400 a year, about on par with that of Iran, whose economy has been operating under crushing sanctions for years. The average wage in Ukraine is estimated to be just €330 a month, and the state-mandated minimum a worker can be paid is €144. According to the Ukrainian government, an individual ought to be able to survive on less than half that amount, as the subsistence minimum is €64. Retirees who are at the bottom rung of the pension scale take home €50 a month.

The country's Institute of Sociology reports that the typical Ukrainian family spends 47 percent of its total income on food and another 32 percent on utility bills. In 2016, nearly 60 percent of people were poor according to government standards, including 60 percent of kids. That poverty rate dropped to "only" 37.8 percent in 2019. The UN Food and Agricultural Organization found that in 2020 15.9 percent of Ukrainian children under 5 were malnourished, and in 2019 17.7 percent of women of reproductive age were anemic, a condition caused by lack of iron in the diet. That number has been steadily rising since 2004. Twenty-four percent of the population is obese.

Between 2014 and 2019, the birthrate fell by 19.4 percent. Ukraine's mortality rate is extremely high—14.7 per 1,000 people. It is well above that of many countries in Africa, the poorest continent on the globe. Its suicide rate, according to the World Bank, ranks 11th in the world. With deaths outstripping births by more than two to one and hundreds of thousands emigrating annually in search of anything better, the country's population has shrunk every year since 1993. There are 8 million fewer Ukrainian citizens today than there were 30 years ago.

One could go on. Apart from the super-rich and a narrow layer of middle and upper-middle class people concentrated in the major cities, Ukraine is a sea of deprivation.

This is a direct outcome of economic policies imposed on the country by the very states that today parade around declaring their love for Ukraine. In an immediate sense, the current situation has its roots in the 2014 US-backed coup that brought to power a government in Kiev that immediately signed an association agreement with the EU requiring it to implement severe austerity measures. But it has even deeper roots.

The social and economic disaster in that country can be traced back to the Stalinist bureaucracy's dissolution of the Soviet Union at the end of 1991 and the restoration of capitalism in all of the newly independent nation states, which saw their full integration into global financial and trade networks. Through a series of policies collectively known as "shock therapy"—worked out in close collaboration with Western advisers—nationalized property was transferred to private hands. Former Communist Party officials and their children, economic managers and directors of major Soviet factories and sections of industry, as well as criminal elements active in the shadow economy, won out at the expense of the working masses, through a combination of outright theft and bargain basement fire sales of Soviet resources.

Out of this wrecking operation, competing factions of big business emerged in Ukraine that were centered in Donetsk in the east and Dnipropetrovsk to its west, with coal mining and processing, energy production and transit, and metallurgy being their main sources of wealth. Banking and media empires emerged, and new sources of profits were soon realized in consumer products and agriculture.

The ranks of Ukraine's billionaires began to grow from this period forward—Victor Pinchuk ($1.9 billion), Renat Akhmetov ($7.6 billion), Igor Kolomoyskyy ($1.8 billion) Henadiy Boholyubov ($1.1 billion), Petro Poroshenko ($1.6 billion), Vadim Novinsky ($1.4 billion), and on. For decades, Ukrainian politics has been consumed by conflicts, alliances, splits in alliances, and warring among them, which have intersected with the question as to whether the country would be pulled into closer economic relations with Europe, maintain its strong ties with Russia, or somehow manage the two simultaneously. The warfare has unfolded as geopolitical tensions between Washington and Moscow have grown, with Ukraine understood as a key zone of competition.

During the 1990s, even as great sums were being accumulated at one end of the spectrum, Ukraine's economy was in free-fall. With per capita GDP declining by 8.4 percent between 1993 and 1999, its economy was among the worst of any European country. Inflation was at times completely out of control, reaching an annual high of around 376 percent in 1995, thereby wiping out the savings and spending power of Ukrainian workers early in the process of market restoration.

"Many young people, who lacked alternatives in the early 1990s, joined gangs and were used as pawns in the process of accumulation by criminals," observes political economist Yuliya Yurchenko in her 2018 book *Ukraine and the Empire of Capital*, with warfare between competing business clans producing at times bodies in the streets. A two-and-a-half fold increase in crime between 1988 and 1997 was largely driven by various forms of "theft, robbery, swindling, and extortion" and "bribe taking, counterfeiting, and trading in narcotics," she notes.

During this time, Ukraine received 10 loans from the International Monetary Fund (IMF) and the World Bank, in the start of what would be a near-constant process of borrowing from international financial institutions over the course of the 2000s and 2010s. The terms of the loans have centered around a 1994 "Memorandum on Questions of Economic Policy and Strategy" signed by Ukraine and the IMF that, in the words of Yurchenko, "effectively limited Ukraine's government decision-making power."

Agreements with other international financial institutions, such as the European Bank for Reconstruction and Development, drafted on the principle of cross-conditionality—i.e., creditors set terms that coincide and reinforce one another—established similar limits. The noose around the loan recipients' neck tightens in multiple directions.

Lenders demanded that the government in Kiev end policies that created obstacles for foreign trade, eliminate price regulations, reduce the state budget deficit, cut subsidies to "unproductive" industries, make manufacturing outlets more competitive by modernizing their plants and laying off workers, privatize more state-owned property, cut budgetary expenditures by targeting social programs and pensions, and impose value-added taxes such that the collection of money from sales would fall more heavily on consumers as opposed to business.

While these processes have accelerated and/or slowed down at times depending on whether the administration in Kiev has been more US- or more Russian-allied, every Ukrainian government has been a partner in implementing the demands of global capital. Having emerged out of the ashes of the great barbeque that was the breakup of the Soviet Union, the ruling class of Ukraine is a comprador class in the most complete sense of the term.

In 1998, for instance, Ukraine's parliament granted President Leonid Kuchma the authority to impose a 30 percent reduction in government expenditures. This was done because the IMF told the country to do so. "In addition to meeting fiscal and monetary targets, the government must pass legislation on privatisation, tax reform, energy and agricultural sector restructuring, and flushing out its massive 'shadow economy,'" observed an August 1998 article in the *Financial Times*.

"The reforms," writes Yurchenko, "created mutually reinforcing negative effect on the economy by opening up outdated industry for competition with foreign transnational corporations and by reducing financial state support for enterprises and citizenry thus making the latter poorer and the former even less competitive with expected negative aggregate consumption and potential revenue drop."

Ukraine's debt continued to balloon over the course of the coming years, increasing from $10 billion in the period from 1997-2002 to $100 billion in 2008-2009, the equivalent of more than 56 percent of the country's GDP and more than double the total value of all its exports at that time. While it has fluctuated in recent years, it is basically at the same level today as it was a decade ago. As a result, Ukraine has ended up in a constant cycle of indebtedness, careening at times towards default due to broader crises in the world economy, such as the 2008-2009 crash.

To be continued