Foreign lenders continue to strangle Ukraine

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Foreign lenders continue to saddle Ukraine with billions of dollars of debt, even as experts predict that the country's GDP will fall by 45 to 50 percent this year. While massive amounts of arms and money to purchase weaponry are flooding Ukraine free of charge, the financing Kiev needs to stay afloat and address extensive damage to infrastructure is a fraction of what is required, primarily aimed at paying off current debts, and frequently coming in the form of relatively short-term loans.

In early March, the International Monetary Fund (IMF) announced a $1.4 billion assistance package for Ukraine. Since the invasion, the EU and the World Bank have respectively pledged financial support of $1.2 and $3 billion, with funds being released in stages.

The IMF has additionally created an international account through which other states, thus far including Canada, Poland, and the Scandinavian and Baltics countries, can funnel money to Kiev in the form of "loans and grants." The World Bank too has set up a "Multi-Donor Trust Fund" that is drawing in financing from the UK, Japan, Austria, Switzerland and elsewhere. Ukraine is also tapping into a $2.7 billion tranche of IMF funds released late last year.

The pledges of these institutions and foreign governments are nothing compared to Ukraine's needs. Experts expect the cost of the damage to Ukraine's infrastructure to be from $220 billion on the low end to nearly $600 billion. The School of Economics in the capital city estimates that about $4.5 billion of destruction is happening every week. In mid-April, the Zelensky government declared that without receiving $7 billion each month through the summer, it could no longer function.

Kristalina Georgieva, managing director of the International Monetary Fund (IMF), told the BBC, "We found [the money] for the first and second month," but not yet for subsequent months, as the lending agency is banking on an economic recovery in parts of Ukraine outside the war zone and "remittances from those who now work somewhere else starting flowing."

In other words, the millions of refugees fleeing Ukraine—overwhelmingly women, children, and elderly men because adult men under the age of 60 cannot leave the country—are, having become a low-wage labor force across the EU, expected to bear the cost of the destruction of the already impoverished country in a war provoked by the US and NATO.

Even prior to Russia's invasion, Ukraine was already shouldering massive external debt. It was built up over the course of three decades of endless borrowing, with every new cycle requiring the imposition of austerity measures that made millions destitute and opened up new profit-making opportunities for foreign investors.

According to World Bank data, the country owes external lenders $129 billion in prewar debt, the equivalent of 78.8 percent of its GDP. Kiev expects to repay $16 billion this year. In addition to outstanding loans and accumulated interest, Ukraine is also coping with various penalties and fees for failing to meet criteria set by international lenders. In 2022, Ukraine is supposed to fork over $178 million in loan surcharges to the IMF.

In an April 20 article in *Deutsche Welle*, Ukrainian economist Oleksandr Kravchuk objected to the fact that the "sums [from international lenders] are clearly not enough for financial stability," noting that "the country's debt dependence and debt burden will only grow," even if interest rates are low. He called for, as have some other political figures and commentators in the West, the cancellation of Ukraine's debts. No such measure has been forthcoming.

The terms of the current IMF agreements with Ukraine clearly state that all of the loans are subject to the requirements of "precautionary and liquidity lines," "stand-by agreements," "financial credit lines," and other restrictions and obligations. These include an escalating series of financial punishments when the debtor exceeds certain dollar thresholds and time frames. In short, interest rates increase as the loan amount grows and the length of the time that it takes the borrower to pay it back extends. The loan recipient has at most five years to extinguish his debt.

The EU announced a few days ago that it would suspend tariffs on Ukrainian imports for one year and work to speed up progress on a free-trade agreement in an effort to help the country's economy. With a GDP that is falling by half, what exactly Ukraine is supposed to sell to the EU is unclear.

Ukraine's debt is growing with private lenders, both individuals and institutions, as well. So far Kiev has sold $1 billion of war bonds. They are to be paid, with an interest rate of 11 percent, in a year's time. According to CNN Business, the Zelensky government is now appealing for crypto-currency donations and seeking funding with "non-financial tokens."

The International Monetary Fund, the World Bank, and other major lenders all see the war as a means to dramatically extend their control over the resources of Ukraine and force the country to further cut social spending and open up its economy to outside investors. Ukraine is, for instance, home to one-third of the world's "black earth" soil, among the most fertile land to be found.

Writing in the *Atlantic* on April 11, David Frum, a well-known political commentator and former speechwriter for President George W. Bush, insisted that the measures taken by the West to help Ukraine "prove not a burdensome gift to charity but a mutually beneficial investment." He insisted that the country would have to address "internal corruption" and "predation" and endorsed the suggestion of the leading economist Anders Aslund that Ukraine "overcome the deficiencies of its judicial system by opening new trade courts, staffed by foreign judges who earn international salaries but apply Ukrainian law."

About a week later, former US Ambassador to Georgia and Kazakhstan and currently a fellow at the RAND Institute, William Courtney, penned a piece with colleague Khrystyna Holynska in the American newswire UPI underscoring similar themes. The authors castigated Ukraine for inhibiting investors and having "backtracked" on previous promises to the IMF to liberalize Ukraine's economy. They demanded that the rebuilding process come with extending "an efficient market for private land" and speeding up the privatization of 3300 state-owned enterprises. They also insisted on the full implementation of "gas price reform," a euphemistic way of demanding that Kiev completely end all price controls on home heating and cooking fuels.

While a tight grip is being kept on economic aid to Ukraine, NATO countries are tripping over themselves on a nearly daily basis to announce the dispatch of ever-more lethal weaponry to the country. As of mid-March, according to the US State Department, Washington alone had sent $2 billion of "security assistance" to Kiev since President Biden took office. Congress is now on the verge of approving the White House's request for another $33 billion in aid, of which more than $20 billion will be of a military character. The UK, France, Germany, and every other EU state are rushing weapons to the east European country and areas near Russia's border. They have not the slightest qualms about turning the region into a wasteland, a factor that might figure into their calculations as to the wisdom of handing the Kiev government a great deal of "no-strings-attached" money.