

Ukrainians Get IMF's Bitter Medicine

Exclusive: Though lacking legitimacy from national elections, Ukraine's coup regime has approved a harsh IMF austerity plan that hits Ukraine's "99 percent" the hardest and asks little from the country's "1 percent," including the corrupt "oligarchs," reports Robert Parry.

By Robert Parry

It's a safe bet that most of the Ukrainians who flooded Maidan Square in Kiev in February did not do so because they wanted the International Monetary Fund to make their lives even more miserable by slashing subsidies for heat, gutting pensions and devaluing the currency to make everyday goods more expensive.

But thanks to the U.S.-backed coup that ousted elected President Viktor Yanukovich and replaced him with a regime including far-right parties, super-rich "oligarchs" and technocrats with little sympathy for the suffering of average people, that's exactly what happened. Although lacking legitimacy that would come from national elections, the coup regime pushed through the demands of the Washington-based IMF.

The process began just 10 days after the violent Feb. 22 coup that forced Yanukovich to flee for his life. IMF officials landed in Kiev on March 4 to hammer out a deal that acting Prime Minister Arseniy Yatsenyuk, himself a chilly bank technocrat, has acknowledged is "very unpopular, very difficult, very tough."

What is also striking about the IMF plan is that it puts virtually all the pain on average Ukrainians. There is nothing in the economic "reform" package that extracts some of the ill-gotten gains from Ukraine's ten or so "oligarchs," the multimillionaires and even billionaires who largely plundered Ukraine's wealth after the collapse of the Soviet Union in 1991.

There is no plan for demanding that these "oligarchs" kick in some percentage of their net worth to help their own country. Instead, hard-pressed citizens of the United States and Europe are expected to carry the financial load.

The U.S. Congress voted by large bipartisan majorities to have the American taxpayers provide \$1 billion in aid to Ukraine's coup regime. Further, the IMF predicts that its \$18 billion in loan guarantees could generate up to \$27 billion from the international community over the next two years.

Though the IMF plan includes some promises about fighting corruption, there is no requirement that the West's billions of dollars will go toward government

programs that might actually strengthen Ukraine and help the average Ukrainian by putting the jobless to work. Nothing about upgrading the infrastructure or providing improved educational opportunities, better health care and other programs that might reduce some of Ukraine's social pressures and make it a more viable nation.

For instance, investing in roads and rail could make Ukraine a more attractive investment opportunity for agricultural corporations eyeing the country's rich soil which historically has made it the breadbasket for much of Central and Eastern Europe.

Cookie-Cutter Approach

Instead, the IMF has applied its usual cookie-cutter approach toward a troubled nation: reduce public spending, slash social programs, eliminate energy subsidies, devalue the currency, raise taxes, impose triggers for more austerity if inflation rises, etc.

Some economists project that the cumulative impact of the IMF "macroeconomic reforms" could result in a 3 percent contraction of Ukraine's already depressed economy, which fell into a severe recession after the Wall Street crash of 2008 and has been inching along at almost zero growth the past two years. But Yatsenyuk warned parliament that the drop in the GDP could be more like 10 percent if corrective actions were not taken.

But those actions will inflict more hardship on the Ukrainian people – their "99 percent" – while giving Ukraine's "1 percent" pretty much a pass. Yet, beyond fairness, there's also the question of the legitimacy of the coup regime taking on new debt obligations without the consent of the Ukrainian people.

After the violent ouster of elected President Yanukovich on Feb. 22 – after he rejected the IMF's terms – the post-coup parliament cobbled together a new government which involved handing out four ministries to far-right parties whose armed neo-Nazi militias had spearheaded the coup.

Yatsenyuk was the personal choice of U.S. Assistant Secretary of State for European Affairs Victoria Nuland to lead the new regime. Weeks before the coup, Nuland was caught discussing with U.S. Ambassador to Ukraine Geoffrey Pyatt who should serve in a new government. Nuland said in a phone call to Pyatt that was intercepted and posted online that "Yats is the guy" – and he was installed as prime minister once Yanukovich was gone. [See Consortiumnews.com's "What Neocons Want from Ukraine Crisis."]

Ukraine's parliament has set a presidential election for May 25, and protesters in the Maidan also sought quick parliamentary elections. But Western diplomats

have been urging a delay in the parliamentary balloting as well as postponement of the most onerous IMF provisions until after the May 25 vote. That way the election will have come and gone before the beleaguered Ukrainians truly understand how painful the IMF austerity will be.

As the New York Times reported, “Senior Western officials said on [March 26] that the loans from the United States and from the I.M.F. would be structured to get the government through its first few months without undue political upheaval, putting off some of the more difficult changes until after the May election. The West has also chosen not to press for early parliamentary elections, one senior official said, because ‘the priority now is stabilization in Kiev and de-escalation with Moscow.’”

Given such bleak economic prospects – and evidence of Western manipulation of the political process – is it any wonder that more than 90 percent of the voters in Crimea opted to leave Ukraine and rejoin Russia?

Investigative reporter Robert Parry broke many of the Iran-Contra stories for The Associated Press and Newsweek in the 1980s. You can buy his new book, *America’s Stolen Narrative*, either in print here or as an e-book (from Amazon and barnesandnoble.com). For a limited time, you also can order Robert Parry’s trilogy on the Bush Family and its connections to various right-wing operatives for only \$34. The trilogy includes *America’s Stolen Narrative*. For details on this offer, click here.
