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Ukraine Is In Crisis. Here's Why the West Can't Save It.

A video roundtable explains why the IMF, Europe, and Western corporations don't have the country's best interests at heart.

Alexander Reed Kelly
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Nearly a year and a half after the Euromaidan protests ushered a new government into power in Kiev, Ukraine is still in trouble. Some 6,200 people have been killed, more than 15,000 wounded, and 1.2 million internally displaced in a civil war that had by mid-March, according to the new president, Petro Poroshenko, destroyed “around 25 percent of the country's industrial potential.”

The country's economy is out of control: Trending downward since the end of 2013, Ukraine's gross domestic product is declining at a massive, accelerating rate. The World Bank predicts GDP will contract by as much as 7.5 percent during 2015. During 2014, the amount of money brought in on exports dropped by 40 percent, and between the beginning of 2014 and spring of this year, the goods and services available in the country became nearly 50 percent more expensive as the currency used to pay for them lost two-thirds of its value.

Ukrainians need rescuing. The question is: Can the policies favored by the new government save them?

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After endorsing the anti-government protesters that filled the streets of Kiev in November, 2013, the United States gave its blessing to a change of government in the following February, one year ahead of Ukraine's scheduled democratic elections. The government that rules from Kiev today is therefore distinguished from its predecessors by its distinct amenability to US interests—and dramatic coolness to Russian concerns.

In a sign of this shift, on June 27 of last year, this government, led by Poroshenko and Prime Minister Arseniy Yatsenyuk, signed the Ukraine-European Union Agreement—the rejection of which by the previous government had precipitated the protests. The EU agreement reorients Ukraine's political, economic, and military activities toward those of Europe (and by association, the United States) and has become one of the chief instruments of Western influence in Ukrainian affairs.

The other instrument is an agreement with the International Monetary fund to receive \$17.5 billion in bailout loans in exchange for key changes to Ukraine's economic policy. By accepting this deal, Ukraine effectively forfeited its sovereignty, handing over to foreign governments the power to write its own laws. These loans are attractive to Ukraine because at the beginning of 2015 it lacked the money it needed to make payments due during the year on existing foreign debts. If Ukraine defaulted on those payments, it would risk losing the ability to borrow the money it needs to support its national budget—money which for a variety of reasons it is unable to generate itself.

So Ukraine is hard up, unable to help itself and in no position to make demands. This development, say many scholars and experts, means that this crisis has become an especially attractive opportunity for foreign interests looking to expand their wealth, property holdings and geopolitical influence. Writing and speaking from the margins of the discussion, these experts say that the policy solutions proposed by the West through the economic agreement and the IMF loans threaten only to deepen Ukraine's troubles—and with nuclear powers struggling on either side, they risk a world war.

In an effort to get a clearer view of these developments and a sense of their probable outcomes, I asked three experts to join me for a video-recorded discussion in the Brooklyn office of Verso Books. They are Michael Hudson, a former balance-of-payments economist for Chase Manhattan Bank, distinguished research professor of economics at the University of Missouri, Kansas City, and an author of a major study of the IMF; Jeffrey Sommers, associate professor of political economy at the University of Wisconsin-Milwaukee and a visiting lecturer at the Stockholm School of Economics in Riga; and James Carden, a former adviser to the State

Department on Russia and a regular contributor to *The Nation*. The three videos below are excerpts from our discussion.

Putin's role in the current showdown between Russia and the West has no doubt been significant, but his actions have also been grossly distorted by the government propaganda and biased media of Western Europe and the United States. Hudson, Sommers, and Carden regard him with the same skepticism they would any contemporary leader, but here they are chiefly concerned with understanding what is driving Western involvement. They recognize, for instance, that Ukraine possesses an abundance of natural resources that, if developed, could produce vast fortunes for whoever held the claims of ownership. This includes reserves of oil, natural gas, and minerals, including uranium—the fuel for nuclear reactors and bombs. Two-thirds of the country's surface is covered with a nutrient-rich “black earth,” soil which, despite being poorly utilized, has made Ukraine the world's third-largest exporter of corn and fifth-largest exporter of wheat. US agricultural corporations Monsanto and Cargill have made no secret of their interest in this land.

Western energy interests have similarly worked to position themselves to gain access to Ukrainian petroleum. In spring of 2014, three months after the pro-Western government came to power, the Ukrainian energy company Burisma Holdings announced that Hunter Biden, son of US Vice President Joseph Biden, had been appointed to its board of directors.

These resources would become available to international interests mainly through the changes to Ukrainian economic policy prescribed in the Ukraine-European Association Agreement President Poroshenko signed in June 2014. But raw resources are not the only prizes sought by Western statecraft.

Formed immediately after the end of World War II to finance the reconstruction of Europe, the International Monetary Fund has operated for seven decades with a mandate to help develop the economies of less-than-wealthy nations by organizing and administering loans from creditors around the world (though mainly from the United States and Europe). The IMF offered its current package of loans to Ukraine under the pretense that, in addition to enabling the government to pay its debts, the terms that come with them will help develop the national economy and bring about needed reforms, including some aimed at cleaning up the government's notorious culture of corruption. Hudson says these loans amount to little more than a tool for keeping the country “on a short debt leash”—a form of servitude that empowers the United States to use the Ukrainian government as a regional extension of US political, military and economic power. But we don't need to begin with Hudson to realize that the IMF program won't help ordinary Ukrainians. President Poroshenko himself told Ukrainians that neither the loans nor the reforms would help them.

“Life won’t improve shortly,” he said in mid-March, shortly after the fund approved the loans. “If someone understands the reforms as improvement of people’s living, this is a mistake.”

Sommers sympathizes with Ukrainians who want to believe that joining the West would raise their standard of living to that which became standard throughout the United States and much of Europe in the post-war period. But that’s not likely to happen, he says, because the policies being “offered” to Ukraine are the “exact opposite” of those that made Europe prosperous after World War II.

Indeed, certain reforms will make essential goods far more expensive for Ukrainians. In the name of bringing the price of oil in line with that sold on European markets, state subsidies for cheap heating oil will disappear. Estimates say the price of gas will rise 280 percent by 2017. Ukrainians who recognize this are not pleased.

“I’ll just have to stop eating, I guess,” 77-year-old pensioner Valentina Podenko told Business News Europe earlier this year. “I didn’t know [the gas charges] will increase, especially by that much.”

Life won’t simply get more expensive; the state may also lose its assets and the industries it operates and owns. In the event that the country can’t pay back the money it borrowed, the IMF—through “conditionalities” stipulated in the agreement—may legally seize ownership of those assets, selling them off to foreign bidders in waves of privatization. Loss of these industries will mean the loss of revenue sources—which will mean less money available to the government to pay its budget and support its operations, including social welfare programs. Hudson warns that with its major source of independent funding gone, the government will be forced to go further into debt to pay its bills. Ukraine will thus become a permanent debtor until its foreign owners relinquish control or another political revolution occurs.

Some number of Ukrainians will have the means to uproot their lives and pursue better conditions elsewhere. As the country deteriorates along the well-tread lines of austerity, social unrest and armed violence, large numbers of the skilled and educated can be expected to flee.

Outsiders may think this crisis has no significance for their lives. They are wrong. The states that are opposed in this conflict are modern, industrialized, and nuclear-armed, therefore many experts recognize the whole crisis as the most dangerous global political and military development since the end of the Cold War. Following the collapse of the Soviet Union in 1991, the United States spent nearly a quarter of a century as the world’s economic and military superpower, opposed only occasionally by militant groups operating out of third-world nations. Conditions have changed since then, and now the United States finds itself locked in a potentially existential battle with a highly organized nuclear power.

At present, four months into a largely successful cease-fire between the government in Kiev and the rebels in Ukraine's east, it might appear that the risk of outright war between the Western powers backing Kiev, and Russia, which backs the rebels, has diminished. But preparations being made by governments on either side suggest otherwise.

In keeping with a stream of antagonistic remarks toward Moscow by US President Barack Obama and British Prime Minister David Cameron, NATO's top military commander, Philip Breedlove, has urged armed responses to nearly every movement the Russian military has made since the region was destabilized upon the fall of President Viktor Yanukovich's government.

Claiming an increase in Russian military activity along their borders, the Nordic countries—Norway, Sweden, Denmark, Finland, and Iceland—in April announced their intent to form a military alliance to oppose “Russian aggression,” which they called the “biggest challenge to European security.” On the same day it was reported that Poland would spend \$44.6 billion modernizing its arsenal with a new missile defense system, attack helicopters, submarines, armed vehicles, and drones.

Observers on all sides are eager to assign blame for the danger these developments represent. The prevailing view among Westerners—and Western-looking Ukrainians—is that Putin provoked Ukraine's new government, and by extension, the West. Putin has left no doubt about his willingness to use force (in March he told reporters he was prepared to use nuclear weapons if the fighting on his border spiraled out of control), but what is the evidence that Putin instigated the conflict? Western leaders claim he fired the first shot, so to speak, when he sent Russian soldiers into the Crimean peninsula after the change of government in Kiev. What they don't mention is that the United States has been meddling in the affairs of eastern Europe for decades.

This interference has taken two forms: The steady expansion of NATO military bases eastward into former allies and members of the Soviet Union (a development that violates a promise made by US President George H.W. Bush to Soviet President Mikhail Gorbachev) and the funding of “pro-democracy” initiatives in former Soviet allies and members like Ukraine, where, since the end of the Cold War, the United States spent \$5 billion on efforts to turn the country's politics in its favor. During the height of the Maidan protests, just before the fall of Yanukovich, top US State Department officials Victoria Nuland and Geoffrey Pyatt were caught on tape deliberating which potential replacement would best serve US interests. Less than two weeks after Ukraine's old government was driven from power, Nuland and Pyatt's pick—Arseniy Yatsenyuk—was seated in the prime minister's chair.

The transfer of control over Ukraine to an aggressively pro-Western regime thus constitutes the successful culmination of years of work by US officials. Indeed, Carden suspects that the invitation for Ukraine to join Europe's economic association will serve as a means to expand

NATO's jurisdiction through Ukraine and up to Russia's western border. "With all the trouble that the European Union is having digesting its newest members," he asks, why would they want "to bring on a basket case like Ukraine?" From the Russian perspective, NATO's old Cold War goal—of encircling Russia with its forces—is being achieved.

American officials want the world to believe that Ukrainians are locked in a battle for liberation from Putin, that Russian military activity in east Ukraine is part of a plan to recover Ukraine for the benefit of Russia, and that Europe and the United States are offering Ukrainians freedom, democracy, and a shot at life in a "free market." They do not add, as Sommers does, that the Russians who inherited the collapsed Soviet Union also hoped Russia and the United States would become economic partners. They looked to the United States for help with development, but were disappointed. This unfortunate result is consistent with the policy of Carter-era national security adviser Zbigniew Brzezinski, which states that the United States should treat any country that is economically self-sufficient as a military threat. Washington thus supported the anti-Russian Maidan movement in Kiev, Hudson says, in part to undermine and further isolate a Russia that, under the leadership of Vladimir Putin, had recovered both its self-sufficiency, its pride, and—in the US view—its obstinance.

American officials certainly do not admit that Russia's behavior in this conflict is very similar to the United States' in the Cuban Missile Crisis of the Kennedy era, when Washington reacted belligerently to Soviet premier Nikita Khrushchev's attempt to put a nuclear missile base in Cuba. With Ukraine on track—via the association agreement signed by President Poroshenko in June—to become a host of NATO forces, and with US officials and Western military leaders frothing at the mouth, Russia is understandably anxious over the possibility that a former adversary will once again become an open enemy. As a result of this struggle, Hudson, Sommers, and Carden caution, Ukraine, Europe, and the rest of the world are becoming less rather than more secure.