

Ukraine's opposition has an economic program to avert national catastrophe

by Natalya Vitrenko

Doctor of Economic Science Natalya Vitrenko is a Member of the Supreme Rada, Ukraine's parliament, and of its Committee on Economics. She spoke at an EIR and Schiller Institute seminar in Germany on Dec. 4, 1995, held after the Dec. 2-3 Schiller Institute conference in Eltville, which she and fellow Member of Parliament Vladimir Marchenko attended. Subheads have been added.

I have not yet thanked the organizers of the conference for inviting us. I am deeply convinced that Lyndon LaRouche, Helga Zepp LaRouche, and all the leaders of the Schiller Institute are carrying out an historic mission today, to save humanity. There is a kind of intellectual international being created, which appears to be the only force that could protect the world from further destruction.

I would like to take this opportunity to express to Helga my delight in her impassioned epistemological lecture [see *EIR*, Jan. 1, 1996], which gave the complete spectrum of the problems and the way to deal with them.

We share the assessment expressed by Lyndon and Helga, that what happened in the Soviet Union was not a necessary development, but a planned project of the British oligarchy. The Soviet Union was a superpower possessing every possibility to reform its economic and political system, and thereby to maintain the balance of forces on the planet. The annihilation of a superpower was conceived beforehand, and launched through ideology.

Such a course of events, naturally, suited the corrupt elite of the Communist Party quite well. But society as it was ten years ago, would not have approved such reforms as were adopted. That is why the sequence was the following: first, the discreditation of the communist idea, then the termination of the Communist Party's role as the ruling system in society. Then came the destruction of the representative branch of power. Then the disintegration of the country, and the establishment of a Presidential form of rule in each of the former republics of the Soviet Union. And then, the reforms were launched through the chosen Presidents and the agents of influence surrounding them.

This scenario was played out in each of the republics of the former Soviet Union. Our first President of Ukraine, Leonid Kravchuk, launched the International Monetary Fund (IMF) reforms. The higher-ups were not satisfied with how

they were going, however. Therefore the President was replaced and an abrupt acceleration of the reforms was ordered.

An anti-constitutional coup

A year ago, in October 1994, a schedule for reforms in Ukraine was drawn up, in Winnipeg, Canada. For the government, Mr. Roman Shpek, Mr. Yushchenko from the National Bank, and Prime Minister Masol signed this memorandum on accelerating the reforms. Society has resisted these reforms as best it could, which is why we then had an anti-constitutional coup in the country. President Kuchma used bribery and blackmail to prevail upon the majority of Members of Parliament to sign a so-called Constitutional Compact, an agreement between the Supreme Rada and the President of Ukraine.

The Constitution of Ukraine stipulates that it can only be amended by a two-thirds majority: 301 votes out of 450. But only 240 Members of Parliament signed the Constitutional Compact. Thus, juridically it has no constitutional force. Nevertheless, 64 out of the 171 articles of our Constitution have been suspended. [Mrs. Vitrenko displayed a copy of the Constitution, with the suspended articles crossed out—ed.] This marked-up copy shows what has been done to our people's Constitution.

Under the Constitutional Compact, virtually all power is concentrated in the hands of the President. And he is using that power to accelerate the IMF reforms.

In particular, Ukrainian law provides that privatization can proceed only by decision of the Supreme Rada. But the IMF set a task: Finish small-scale privatization by October of 1995, and privatize 8,000 of the 8,800 medium and large firms. The Supreme Rada would not and has not ratified such wild rates of privatization. Therefore, what we have is illegal privatization by Presidential decree.

Sale of land has also begun, by Presidential decree. Presidential decrees regulate foreign trade, and so forth.

For nearly a year, the President and the government worked without having a program. In the summer, we got a new prime minister, who began to draft a government program. He proposed to collaborate with the Parliament on this, and we thought that it would be possible at last, to influence the composition of the program in a normal way.

Interventions by the opposition

I am a member of a group of scientists, who have been working for a long time on an economic reform program that would be in Ukraine's national interests. This past summer, we conveyed all of our proposals to the new prime minister, Mr. Marchuk. But when, this past fall, we saw the draft program proposed by the government, we discovered that the entire ideology of the IMF reforms is preserved and even amplified in the new government program.

In mid-September, the President and the prime minister convened a conference with broad attendance by Ukrainian economists. Its purpose was for the economists to endorse their postulates. It is typical of the situation, that there generally was no such endorsement; in one form or another, practically all the economists spoke out against what was outlined in the program.

I intervened very forcefully, and said in the presence of the President and the prime minister, that we were confronted not with mistakes by the government, but rather a well thought-out and continuing strategy for the destruction of the national economy. I said to President Kuchma, "You have not thought up anything new here, Leonid Daniilovich. You are continuing what Kravchuk began three years ago."

To back up what I was saying, I displayed the Schiller Institute's graphs on the growth of the world debt, the indebtedness of all countries in the world, under the influence of IMF policies. Then I stated, that we Ukrainian economic scientists had despaired of being listened to by anybody in the government, and that therefore we would not be submitting any more economic proposals, but when the government's reform program would be discussed in Parliament, we would be there to present our own, completely alternative program.

On Oct. 11, 1995, the Supreme Rada of Ukraine debated the government's program. In it was inscribed, to the letter, fulfillment of the recommendations of the IMF and other international financial organizations: the orientation of Ukraine's foreign policy to the West, a policy of stimulating the bankruptcy of firms, an accelerated development of securities markets, and the invitation to foreign investors to take part in share auctions in Ukraine.

In order to have the right to speak in the debate, we had to gather the signatures of 150 Members of Parliament for 20 minutes of speaking time. This was difficult, but Vladimir Marchenko headed up this work, and everything was juridically properly prepared. Thus, directly after the prime minister's presentation, I spoke and submitted the alternative economic program, which was titled "Economic Program to Avert National Catastrophe."

I began my presentation with a summary of the absolutely hideous economic condition of the nation. For maximum affect, we prepared one large summary graph, which showed that in the space of four years, Ukraine's Gross Domestic Product fell 42%; the volume of industrial output fell by one-half; total capital investment fell two and a half times over all.



Dr. Natalya Vitrenko during a U.S. tour in April 1995. To her right is fellow parliamentarian Vladimir Marchenko. They are leading a fight to tell the Ukrainian people the truth about how, and by whom, the national economy is being destroyed.

For today's occasion, I have prepared a further graph, from the standpoint of physical economy (**Figure 1**). I think that a textbook titled *How to Destroy an Economy* remains to be written. This is also an art, by the way, to take an economy and annihilate it. You see in the graph the collapse of production of almost all of the most important products. All those growth rates are negative, for absolutely every branch of industry: basic industry, machine building, consumer goods, and food products. Our machine-building sector is being destroyed at a particularly ferocious rate. That sector, of course, concentrates the nation's intellect, skills, and high technology. The share of machine building in our GDP has declined from 27% down to 15%.

You see on the right of the graph, that there is just one product, for which output is increasing in Ukraine: vodka. Vodka production has risen by 16%.

On the backdrop of the collapse of physical production, we have the phenomenon of the dissipation of skilled personnel.

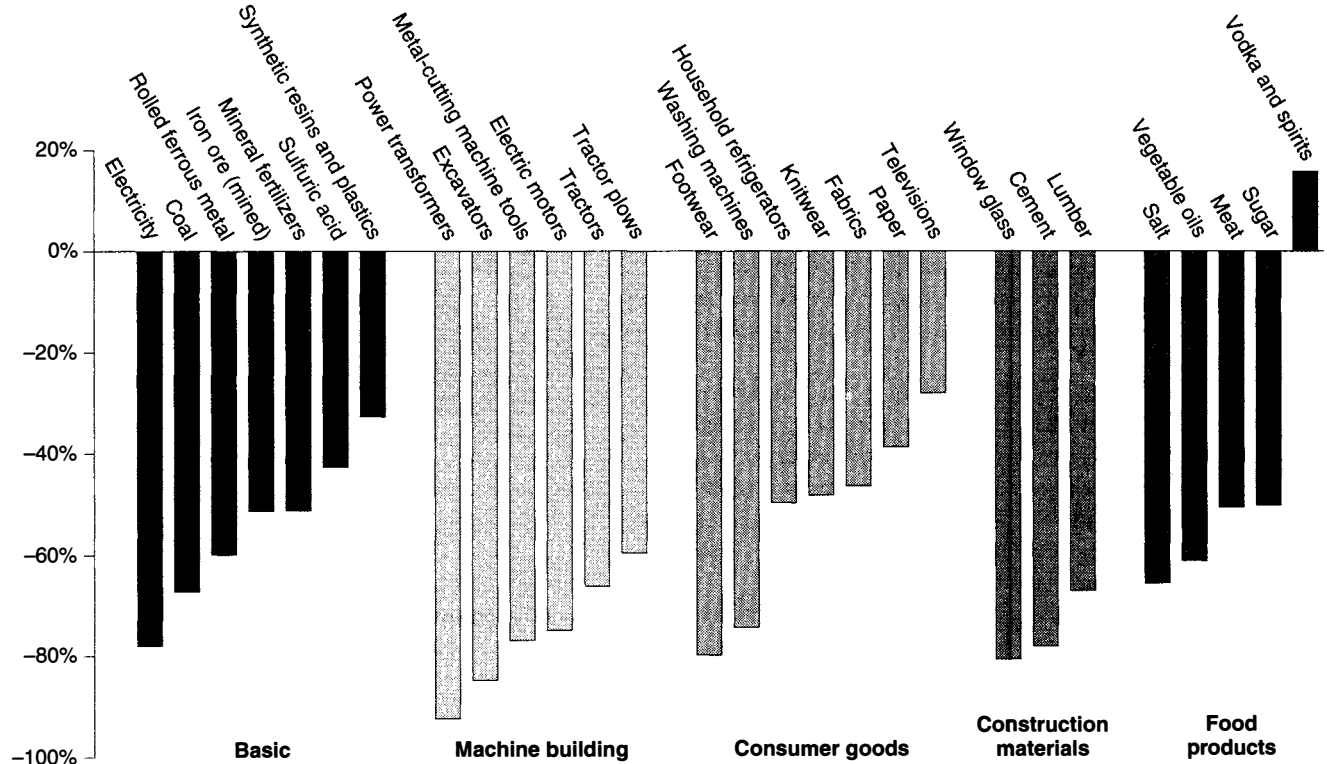
In presenting our alternative program, I said that it was based on two fundamental principles. First: the complete and immediate rejection of IMF credits and a termination of IMF interference in our internal affairs. Second: the strengthening of State regulation, to revive the economy and raise the people's standard of living. Our calculations show, that it would be possible to reverse the collapse process in the course of two months. Within two years, it would be possible to bring the country out of the pit, back to the pre-crisis level.

It was horrifying to observe the chamber of the Parliament during my speech. First of all, the nationalists were going berserk. Our nationalists did not understand, that it was by the actions of their own hands, that the national idea

FIGURE 1

Production of key categories of industrial output in Ukraine

(percent growth or decline, 1994 as compared with 1990)



was discredited in Ukraine, and Ukraine was being destroyed as a nation. I should note that it was the nationalists and the liberals, who voted for the government's program. Only the left bloc in Parliament voted against it, but we had insufficient votes to prevail.

The only answer the prime minister had to my presentation, was to read a prepared statement, in which he dubbed my speech a provocation. You know, of course, that we have an information boom in Ukraine, and Marchuk, by what he did, just made my stock go up. Thanks to this, and also our party's efforts, virtually all the regions and the entire population of Ukraine know that there is an alternative to the reforms that have been conducted.

The contending forces are unequal, however. The President has submitted a new draft Constitution, which would virtually establish a monarchy in the country. The draft has been written in the best tradition of Pinochet's Constitution in Chile. It is clear to us that if things go that way, within literally a few months, democracy will be done for in Ukraine. At that point, all the demands of the IMF and the World Bank will be implemented in full. The criminalization of power will be complete.

We will tell the people the truth

We do have grounds for hope today: Russia. If healthy forces prevail—not people like Zhirinovsky, but those who are genuinely working to unite the country and preserve its independence—this, in turn, will help our healthy forces to unite, to establish relations of equality with Russia, and to organize a no-confidence referendum on the President, insofar as the President, with his actions today, has completely abandoned the platform on which he was elected. We could create a normally functioning opposition, which Ukraine regrettably lacks today. By organizing resistance in this way, we could force the authorities to change the reform strategy, by replacing the government.

There is a second factor, which inspires some confidence, and that is the impoverishment of the population of Ukraine. The impoverishment of this highly educated people provokes a healthy reaction against these reforms and stimulates the search for an alternative.

The standard of living in Ukraine today is even 25% lower than in Russia. The average monthly wage in Ukraine is \$55, but that is a fictitious mean, which does not reflect the income polarization in the population. In fact, 78% of the

population, according to official data, lives below the physiological subsistence level. This subsistence level is currently defined as an income of \$35 per month. The official minimum wage in Ukraine has remained, for two years now, at 30¢ per hour. And although, of course, that minimum wage is not what anybody receives, the entire wage, pension, and subsidy system is grossly distorted. When the Parliament of Ukraine attempted to raise the poverty level to \$28 per month, the government refused.

Meanwhile, the cost of a minimum consumer's market basket is \$128 per month for one person. Thus, neither the average wage, nor the poverty level wage attains even half the cost of a minimum market basket of consumption. This is what drives people to steal, to violate the law in all kinds of ways. This lowers the birth rate and raises mortality.

The government replies to all of our proposals to raise wages and pensions, by saying that there is no money. But we are able, by speaking from the rostrum in Parliament, to convey some of the truth to the people. I would like to cite just one particular example. All the debt payments Ukraine owes in 1995, on credits from the IMF, the World Bank, the European Bank for Reconstruction and Development, and the European Community, total \$4.7 billion. Meanwhile, all of Ukraine's light industry has been deliberately destroyed. We have calculated that due just to the export of raw materials, at dumping prices, and the refusal to finance domestic job-creation, Ukraine lost at least \$5 billion.

Ninety-five percent of Ukraine's flax harvest, for example, has been exported to Germany and Italy at dumping prices—\$130 per ton. We receive only one-ninth of this quantity back in the form of finished fabric, for which we pay \$8,000 per imported ton of linens fabricated from the flax we exported. We are exporting the output of our light industry, semi-manufactureds and finished goods, to Germany and elsewhere. When we re-import any of this as finished products, we are paying \$2,000 per ton, expressed in conventional weight units.

When I presented this state of affairs on Ukrainian TV, I pointed to the sweater I am wearing today as an example. It was manufactured in Poltava, Ukraine and cost \$5.50. We are capable of processing and manufacturing all of this ourselves. We have, for example, a technology for cottonization, to make cotton out of flax.

Therefore, I must say that the government hears, they know what we are saying, but neither the President, the prime minister, nor the parliamentary majority has any use for this information. We believe, nevertheless, that our people need to know it, and that our efforts are not in vain. We will be doing everything possible to bring the ideas of Lyndon LaRouche and of the Schiller Institute, as ideas that generalize the prospects for world development, deeper into the awareness of our people, and to supplement those ideas with our own. And I would like to believe that there will still be democratic elections, in which we shall win.

Speculators blow out Chile's pension fund

by Dennis Small and Cynthia Rush

EIR has confirmed that Chile's much-vaunted privatized pension fund of \$25 billion is, in its majority, invested in highly speculative paper linked to the international derivatives bubble. For that reason, it is only a matter of time until the entire pension fund goes up in smoke—like Barings Bank, Orange County, California, the Mexican financial system, and other big derivatives players before it. Already, the Chilean fund lost a whopping \$1.5 billion—about 6% of its value—in the month of September 1995 alone.

This new information underscores what *EIR* magazine had already warned of in its July 21, 1995 cover feature, "An Obituary for London's Chilean Economic model": that the Chilean model, which is being shoved down the throats of many eastern European and developing-sector nations today by the City of London and Wall Street, on the grounds that is the only means to achieve economic stability, is a deadly hoax. Governments which have adopted, or are considering adopting, aspects of the model imposed on Chile in 1973 by followers of mad economists Friedrich von Hayek and Milton Friedman, should take heed before it is too late. They should especially avoid like the plague imitating what is widely propagandized as Chile's greatest "success": the privatization of its pension system.

Remember Mexico

Sources in Santiago involved in the pension privatization from the very beginning, have confirmed that in September 1995, Chilean pensions funds lost about \$1.5 billion of their total value of about \$25 billion. One-third, or \$8 billion, of the fund is invested in the Santiago stock market, they report, and the loss apparently came about as a result of "market fluctuations," which wiped out \$1.5 billion, or about 20%, of those \$8 billion. In October and November, the losses were reportedly recouped due to the markets "bouncing back."

But the truth is that the entirety of the \$25 billion could go up in smoke at a moment's notice, as can be seen by examining its placement:

- \$8 billion are invested in a volatile, derivatives-laden Santiago stock market;
- \$7 billion are invested in equally unstable mortgage securities, bank deposits, corporate debt, and overseas in-