

Austerity-fuelled political 'bomb' explodes in Ukraine

by Rachel Douglas

"A time bomb," Dr. Natalia Vitrenko termed the reelection of Leonid Kuchma as President of Ukraine, by a minority of Ukrainian voters and with his ardent commitment to the monetarist rules of world finance (see interview in *EIR*, Dec. 17, 1999). Barely two months later, Member of Parliament Vitrenko is leading a hunger strike and overnight sit-in by Verkhovna Rada (Supreme Council, or Parliament) members in their chambers. The Verkhovna Rada has split into two bodies, each with its own speaker and each claiming legitimacy, while Kuchma prepares a national referendum that will make it easier for him to disband the Parliament. On Feb. 3, as Kuchma sent armed troops to blockade the opposition Verkhovna Rada members, the specter of Moscow 1993—a violent suppression of Parliament by a President acting in the name of "reform"—rose over Kiev.

Before the political explosion, detonated by Kuchma's referendum gambit, Ukraine was already a nation devastated by economic collapse. The population of Ukraine fell by 400,000 in 1999, following the net loss of 2 million people in 1992-98. The regime's priorities, however, were signalled on Dec. 29 by Kuchma's signing of a decree to accelerate the rate of privatization, selling off 2,200 companies in the year 2000, compared with 435 in 1999, and on Jan. 6, when the government sent a revised draft 2000 budget to the Verkhovna Rada. The zero-deficit budget mandates total spending of 31.46 billion hryvni (\$5.76 billion), of which fully one-half, \$3 billion, is for debt service.

In tandem with these economic demands, Kuchma launched his referendum. On Jan. 15, he issued a decree for a vote to be held on April 16 on six questions. Among them are proposals to reduce the number of Members of Parliament, make the legislature bicameral, and eliminate the legal immunity of Members of Parliament, but the essence of the initiative is expressed in Question No. 1: "Do you express no-confidence in the Verkhovna Rada of Ukraine, 14th session, and do you support the addition to Part 2 of Article 90 of the Ukrainian Constitution, the following: 'In the event of a national referendum of no-confidence in the Verkhovna Rada of Ukraine, this gives the President of Ukraine grounds to dissolve the VR of Ukraine?'" (The questions that appeared in then-Russian President Boris Yeltsin's April 1993 referen-

dum, such as "2. Do you approve the socio-economic policies carried out by the President of the Russian Federation and the government of the Russian Federation since 1992?" were a model of subtlety, by comparison.)

On Jan. 11, the Verkhovna Rada voted up a temporary moratorium on national, as well as local, referendums. That bill would later be vetoed by Kuchma. But two days after its passage, supporters of Kuchma succeeded in crafting a majority of 241 (out of 450) Members of Parliament and began to collect signatures to oust Speaker Oleksandr Tkachenko (Peasant Party) and Deputy Speaker Adam Martynyuk (Communist Party). With 235 such signatures reported to be in hand, a vote of no-confidence was taken against Tkachenko, which he and other opposition leaders rejected as tainted by the illegal use of proxies. On Jan. 20, the marginal majority walked out, reconvened at another venue, and elected Ivan Plyushch as Speaker.

Tkachenko charged that Kuchma's referendum had "no other goal than to install unlimited Presidential authority, destroying the Parliament, and limiting the rights and freedoms of all Ukrainian citizens." If the Verkhovna Rada is eliminated, said Tkachenko, the nation "will be ruled by the International Monetary Fund." He charged that Kuchma wanted a puppet legislature, "to legalize the dictatorship of oligarchs."

Socialist Party leader Oleksandr Moroz decried the "dictatorship" and "a coup" by Kuchma. Vitrenko, who was a leading opponent of Kuchma's in the Presidential race last year, charged that the President had become "a plotter," who should be put on trial together with the Members of Parliament who had walked out.

On whose behalf?

"Every effort is being made to establish a dictatorship in Ukraine," reports our Kiev correspondent, "But the question is: Whose dictatorship, dictatorship by whom? A weak President with no will of his own, who has managed during seven years of his rule (as Premier, then President) only to worsen the situation of the country? The people around him? Or, more likely, the international financial oligarchy, sucking the blood of its latest victim?"

Yuri Yekhanurov, named Deputy Prime Minister by Kuchma, said on Jan. 4 that Kiev looks forward to the arrival of an International Monetary Fund (IMF) delegation to discuss resuming disbursements from the Fund's \$2.6 billion credit to Ukraine. This might happen, said Yekhanurov, if "69 preliminary measures" are implemented beforehand. The Russian daily *Kommersant* wrote on Jan. 26, that "Yekhanurov's hopes are likely to remain unrealized," because what the IMF is demanding is legislative approval of the ambitious privatization program for 2000, and passage of the revised 2000 budget with severe austerity in the social services sector, and elimination of tax exemptions. Premier Viktor Yushchenko promises "a completely new budget process," featuring better tax collection, and spending cuts (in areas other than debt service), but there lacks a functioning Parliament to push them through.

Economic shocks

While the standoff in Parliament developed, the population of Ukraine experienced the latest round of economic shocks. Bread prices increased during late 1999 and the first days of the new year, by 10-20% in Lviv, and as much as 40% in Kharkiv.

On Jan. 20, Kuchma accepted the recommendation of Deputy Premier Yulia Tymoshenko and Premier Yushchenko to declare a three-month state of emergency in the energy sector. Tymoshenko had warned that fuel supplies in the country were at only one-third the normative level, while four out of the six oil refineries in the country had stopped production. Yushchenko said that it was only the daily cutoffs of 20% of national electricity consumption, for periods of 10 to 12 hours each day, which had "prevented a disaster" such as the power in the grid dropping to the level where nuclear power plants shut down. Even as Kuchma promotes more privatization, nationwide the energy emergency is such that a roll-back of some privatizations in that sector, in cases where "companies were privatized in violation of the law and with manifestations of corruption," is contemplated in the government plan.

Our correspondent reports that it is virtually impossible to obtain precise official figures, regarding: 1) the cost of imported oil and gas supplies for Ukraine, 2) the cost of shipping oil and gas across Ukrainian territory to the West, 3) Ukraine's indebtedness to its energy suppliers, chiefly Russia, and 4) the real requirements of Ukraine for imported fuel. On Jan. 12, Tymoshenko revealed that Ukraine's combined state and private-sector debt to the Russian natural gas giant, Gazprom, was \$2.23 billion (as against the \$380 million acknowledged by the national company Naftohaz Ukrainy as its share of that debt), even as she urgently negotiated with Gazprom chairman Rem Vyakhirev to buy more natural gas. She also stated for the record that Ukraine has been siphoning off \$10 million worth of natural gas each day from the Russian transit pipeline across Ukraine, without permission or payment, as a

result of which "the transit line has been practically blocked for Ukraine, because Russia does not want to tolerate this outrageous situation."

It was brought home to delegates at the Political Assembly of the Council of Europe, meeting in Strasbourg in late January, that the determining factor in the Ukraine crisis is the atrocious state of the economy, under the IMF-mandated "reform" policy carried out by Kuchma. This was detailed by Communist Party leader Petro Symonenko, who lost to Kuchma in the Presidential election run-off, at a Jan. 25 press conference, where Symonenko repeatedly spoke of the growing social and political tensions in his country. Asked by *EIR* to give precise figures on the economic deterioration, Symonenko replied that as an engineer by training, he was grateful for a question about the real economy. Reminding the press that Gross Domestic Product is now only 30% of its 1990 level, industrial production only 15-20% of its level a decade ago, and agricultural output well under half what it was in 1990, Symonenko pointed out that the state budget spending level of just under \$6 billion is 10% the size of Finland's, whereas Finland has a population of 5 million to Ukraine's 49 million!

A flash-point

"Ukraine, which not so long ago was a highly developed member-nation of the UN, has been turned into a disaster zone, where a brutalized people, corrupted officials, and overt bandits represent a threat to world civilization as a whole," Vitrenko said in her address to *EIR*'s April 1999 Bonn seminar on the nation-states' alternative to the prospects of world financial crisis and war (*EIR*, May 7, 1999).

Nearly a year later, her warnings ring true to a growing number of strategists in the East and the West. The situation in Ukraine is "very difficult, and rapidly escalating," an Austria-based expert on the former Soviet Union observed to *EIR* as the Verkhovna Rada showdown developed. In that setting, says a retired senior diplomat with experience and connections in Ukraine, there is reason to be concerned over what will happen, if NATO Secretary General Lord George Robertson and others continue to talk about NATO training Ukrainian forces. "This is impossible for the Russians to accept," he warned. "This is precisely the kind of thing that could lead to World War III, if it is not stopped."

On Jan. 29, the London *Daily Telegraph* reported that the training program will proceed, following Robertson's meeting in Kiev with Kuchma and Yushchenko. Robertson, motivating the project as worthwhile to "expand the pool of trained forces for effective crisis management in Europe," couched the announcement in nasty terms: "Such a reform will be painful. NATO can assist Ukraine. A military that is transparent, democratically controlled, and fully accountable is part and parcel of a mature democracy. And a military that adopts modern management techniques will spend scarce resources more efficiently."