

# IMF Sponsored “Democracy” in The Ukraine

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*There is an ongoing and deliberate attempt by foreign powers to spearhead the destabilization of Ukraine including its state structure.*

*There is a long history of colored revolutions in Ukraine going back to the 1990s.*

*The protest movement in Kiev bears a marked resemblance to the “Orange Revolution” of 2004 which was supported covertly by Washington. The 2004 “Orange Revolution” led to the ousting of the pro-Russian Prime Minister Viktor Yanukovich, spearheading into power the Western proxy government of President Viktor Yushchenko and Prime Minister Julia Tymoshenko.*

*Once more Viktor Yanukovitch is the target of a carefully staged “pro-EU protest movement”. The latter was launched following president Yanukovitch’s decision to cancel the “association agreement” with the EU.*

*The mechanisms of interference are in some regards different to those of 2004. The protests are supported directly by Brussels and Berlin (with EU officials actively involved) rather than by Washington:*

*“The right-wing parties leading the protests in coordination with EU officials and politicians had called for a “million man march.” Ultimately, some 250,000 to 300,000 people gathered on Maïdan (Independence) Square. It was the largest protest in Kiev since the 2004 “color revolution” organized by US and European imperialism—the so-called Orange Revolution that ousted the pro-Russian Yanukovich and brought the pro-Western tandem of President Viktor Yushchenko and Prime Minister Julia Tymoshenko to power.*

*Evgenia Tymoshenko, the daughter of former prime minister and billionaire natural gas magnate Julia Tymoshenko, whom Yanukovich has jailed, read a message from her mother calling for Yanukovich’s “immediate” ouster. (See [Alex Lantier, December 8, 2013](#))*

*The following article first published in November 2004, focuses on the October-November 2004 “Orange Revolution” directed against then prime minister Viktor Yanukovich, while also providing details on the insidious role of the IMF and the World Bank in imposing the neoliberal economic policy agenda on behalf of the “Washington Consensus”.*

Michel Chossudovsky, December 2013

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November 2004

*Opposition candidate Viktor Yushchenko in the Ukrainian presidential elections is firmly backed by the Washington Consensus.*

He is not only supported by the IMF and the international financial community, he also has the endorsement of [The National Endowment for Democracy \(NED\)](#) , [Freedom House](#) and [the Open Society Institute](#) , which played a behind the scenes role last year in helping “topple Georgia’s president Eduard Shevardnadze by putting financial muscle and organizational metal behind his opponents.” (New Statesman, 29 November 2004).

The NED has four affiliate institutes: [The International Republican Institute \(IRI\)](#) , the National Democratic Institute for International Affairs (NDI), the [Center for International Private Enterprise \(CIPE\)](#) , and the American Center for International Labor Solidarity (ACILS). These organizations are said to be “uniquely qualified to provide technical assistance to aspiring democrats worldwide.” See IRI, <http://www.iri.org/history.asp> )

In the Ukraine, the NED and its constituent organizations fund Yushchenko’s party Nasha Ukraina (Our Ukraine), it also finances the Kiev Press Club. In turn, Freedom House, together with The Independent Republican Institute (IRI) are involved in assessing the “fairness of elections and their results”. IRI has staff present in “poll watching” in 9 oblasts (districts), and local staff in all 25 oblasts:

“There are professional outside election monitors from bodies such as the Organisation for Security and Cooperation in Europe, but the Ukrainian poll, like its predecessors, also featured thousands of local election monitors trained and paid by western groups. ... They also organised exit polls. On Sunday night those polls gave Mr Yushchenko an 11-point lead and set the agenda for much of what has followed.” (Ian Traynor 26 November 2004, the Guardian, <http://globalresearch.ca/articles/TR411A.html> )

Needless to say these various foundations are committed to “Freedom of the Press”. Their activities consist not only in organizing exit polls and feeding disinformation into the Western news chain, they are also involved in the creation and funding of “pro-Western”, “pro-reform” student groups, capable of organizing mass displays of civil disobedience. (For details, see Traynor, op cit) In the Ukraine, the [Pora Youth movement](#) (“Its Time”) funded by the Soros Open Society Institute is part of that process with more than 10,000 activists. Supported by the [Freedom of Choice Coalition of Ukrainian NGOs](#) , Pora is modeled on Serbia’s Otpor and Georgia’s Kmara.

The Freedom of Choice Coalition acts as an Umbrella organization. It is directly supported by the US and British embassies in Kiev as well as by Germany, through the Friedrich Ebert Stiftung (a foundation linked to the ruling Social Democrats). Among its main “partners” (funding agencies) it lists USAID, the Canadian International Development Agency (CIDA), Freedom House, The World Bank and the Charles Stewart Mott Foundation.

( Complete list at <http://coalition.org.ua/en/index.php?option=content&task=view&id=29&Itemid=51> )

In turn, Freedom of Choice Coalition directly funds and collects donations for Pora (See <http://pora.org.ua/en/content/view/83/95/> )

### The National Endowment for Democracy

Among the numerous Western foundations, the National Endowment for Democracy (NED), although not officially part of the CIA, performs an important intelligence function in shaping party politics in the former Soviet Union, Eastern Europe and around the World.

NED was created in 1983, when the CIA was being accused of covertly bribing politicians and setting up phony civil society front organizations. According to Allen Weinstein, who was responsible for establishing the NED during the Reagan Administration: "A lot of what we do today was done covertly 25 years ago by the CIA." (Washington Post, Sept. 21, 1991).

In the former Soviet Union including the Ukraine, the NED constitutes, so to speak, the CIA's "civilian arm". CIA-NED interventions are characterized by a consistent pattern. In Venezuela, the NED was also behind the failed CIA coup against President Hugo Chavez and in Haiti it funded the opposition parties and NGOs, in the US sponsored coup d'Etat and deportation of president Aristide in February 2004. (For details, see Michel Chossudovsky, 29 Feb 2004, <http://www.globalresearch.ca/articles/CHO402D.html> )

In the former Yugoslavia, the CIA channeled support to the Kosovo Liberation Army (KLA) (since 1995), a paramilitary group involved in terrorist attacks on the Yugoslav police and military. Meanwhile, the NED through the "Center for International Private Enterprise" (CIPE) was backing the DOS opposition coalition in Serbia and Montenegro. More specifically, NED was financing the G-17, an opposition group of economists responsible for formulating (in liaison with the IMF) the DOS coalition's "free market" reform platform in the 2000 presidential election, which led to the downfall of Slobodan Milosevic.

Copy and Paste? [The Center for International Private Enterprise \(CIPE\)](#) has a very similar mandate in the Ukraine, where it directly funds research on "free market reforms" in several key "independent think tanks" and policy research institutes. The Kiev based International Center for Policy Studies (ICPS) is supported by CIPE. It has a similar function to that of the G-17 in Serbia and Montenegro: A group of local economists hired by ICPS was put in charge of drafting, with the support of the World Bank, a comprehensive blueprint of post-election macro-economic reform.

### Who is Viktor Yushchenko? IMF Sponsored Candidate

In 1993, Viktor Yushchenko was appointed head of the newly-formed National Bank of Ukraine. Hailed as a "daring reformer", he was among the main architects of the IMF's deadly economic medicine which served to impoverish The Ukraine and destroy its economy.

Following his appointment, the Ukraine reached a historical agreement with the IMF. Mr Yushchenko played a key role in negotiating the 1994 agreement as well as creating a new Ukrainian national currency, which resulted in a dramatic plunge in real wages.

The 1994 IMF package was finalized behind closed doors at the Madrid 50 years anniversary Summit of the Bretton Woods institutions. It required the Ukrainian authorities to abandon State controls over the exchange rate leading to an impressive collapse of the currency.

Yushchenko as Head of the Central Bank was responsible for deregulating the national currency under the October 1994 “shock treatment”:

- The price of bread increased overnight by 300 percent,
- electricity prices by 600 percent,
- public transportation by 900 percent.
- the standard of living tumbled

According to the Ukrainian State Statistics Committee, quoted by the IMF, real wages in 1998 had fallen by more than 75 percent in relation to their 1991 level.( <http://www.imf.org/external/pubs/ft/scr/2003/cr03174.pdf> )

Ironically, the IMF sponsored program was intended to alleviate inflationary pressures: it consisted in imposing “dollarised” prices on an impoverished population with earnings below ten dollars a month.

Combined with the abrupt hikes in fuel and energy prices, the lifting of subsidies and the freeze on credit contributed to destroying industry (both public and private) and undermining Ukraine’s breadbasket economy.

In November 1994, World Bank negotiators were sent in to examine the overhaul of Ukraine’s agriculture. With trade liberalization (which was part of the economic package), US grain surpluses and “food aid” were dumped on the domestic market, contributing to destabilizing one of the World’s largest and most productive wheat economies, (e.g. comparable to that of the American Mid West).

By 1998, the deregulation of the grain market had resulted in a decline in the production of grain by 45 percent in relation to its 1986-90 level. The collapse in livestock production, poultry and dairy products was even more dramatic.

(See <http://www.imf.org/external/pubs/ft/scr/2003/cr03174.pdf> )

The cumulative decline in GDP resulting from the IMF sponsored reforms was in excess of 60 percent (from 1992 to 1995).

Propaganda in support of the “Free Market”

Under these circumstances, why would Yushchenko, who was closely associated with the process of economic destruction and impoverishment be so popular? Why has the public image and political reputation of an IMF protégé, namely Mr. Yushchenko remained unscathed?

What the neoliberal agenda does is to build a consensus in “the free market reforms”. “Short term pain gain for long term gain” says the World Bank. “Bitter economic medicine” is the only solution, much in the same way as the Spanish inquisition was the consensus underlying the feudal social order.

In an utterly twisted logic, poverty is presented as a precondition for building a prosperous

society. This consensus presents a World of landless farmers, shuttered factories, jobless workers and gutted social programs as a means to achieving economic and social progress.

To sustain the consensus and convince public opinion, requires “turning the World upside down”, creating divisions within society, distorting the truth and ensuring, through a massive propaganda campaign, that no other viable political alternative to the “free market” is allowed to emerge.

Why is Yushchenko so popular? For same reason as George W. Bush, running on his record of war crimes is popular.

And because his opponent, outgoing Prime Minister Yanukovich does not represent a genuine political alternative for The Ukraine, which forcefully challenges the international financial institutions and the interests of Western corporate capital, which are destroying and impoverishing an entire nation.

The 2004 election in the Ukraine was built on a massive propaganda and public relations campaign, supported by the US, with money payoffs by Washington for political parties and organizations committed to Western strategic and economic interests. In turn, US intelligence, working hand in glove with various foundations including the NED, has consistently supported this process of civil society manipulation. The objective is not democracy, but rather the fracturing and colonization of the former Soviet Union.

The IMF and “Good Governance”

In the Ukraine, the IMF not only intervened in the implementation of the macroeconomic agenda, it also intruded directly in the arena of domestic party politics. As in Russia in 1993, the Ukrainian parliament was seen as an obstacle to the implementation of the “free market reforms”. In 1999, under due pressure from Washington and the IMF, Yushchenko was appointed Prime Minister:

Yushchenko’s candidacy had been proposed by 10 parliamentary groups and factions, and Kuchma agreed with their choice...

The weightiest argument may be the International Monetary Fund’s desire to see Yushchenko as Ukraine’s prime minister, because the provision of the former Soviet republic with extended finance facilities depends on that.

Several parliament members believe the IMF is ready to extend a loan worth 300m dollars to Ukraine in January in case Yushchenko becomes prime minister. (ITAR-TASS news agency, Moscow, 17 Dec 1999)

Following his appointment, Yushchenko immediately set in motion a major IMF sponsored bankruptcy program directed against Ukrainian industry, which essentially consisted in closing down part of the country’s manufacturing base. He also attempted to undermine the bilateral trade in oil and natural gas between Russia and the Ukraine on behalf of the IMF which had demanded that this trade be conducted in US dollars rather than in terms of commodity barter.

They have sacked “our own” Prime Minister!

Yushchenko was accused by his opponents of having put the interests of the IMF ahead of

those of the country. In 2001, Yushchenko was sacked as prime minister following a non-confidence vote in the parliament:

“Viktor Yushchenko has fulfilled obligations to the IMF better and more accurately than his duties to citizens of his our country, Olena Markosyan, a Kharkiv-based analyst, has opined in Ukrainian centrist daily Den” (BBC Monitoring, 16 Nov 2004)

“This [Yushchenko] government openly states that it executes all IMF recommendations. Though the government declares the social direction of its policy, actually it is carrying out an anti-social, anti-national policy,” said Communist Party leader Heorhiy Kruchkov ( quoted in Financial Times, May 17, 2001)

The international financial community took immediate action. The Ukraine was back on the creditors’ blacklist.

“The West, which openly put its stake on Yushchenko recently, is not likely to sit on its hands. There is no lack of instruments to bring pressure on Kiev. Most probably the question of resuming IMF, World Bank and EBRD credits to Ukraine will be put on hold because they were expressly linked with Yushchenko’s stay in power.... Talks with the Paris Club on restructuring Ukraine’s \$1.2 billion debt may run into difficulty... Not surprisingly, (Ukrainian President) Leonid Kuchma yesterday hastened to distance himself from what is happening and spoke critically about the Rada [Parliament] decision. (Vremya Novostei, 1 May 2001, original Russian)

IMF Managing Director Horst Kohler was adamant. “Yushchenko has gained a lot of credibility outside of Ukraine, and I think he also deserves support inside of Ukraine.” (quoted in the Financial Times, 27 April 2001). The IMF Head did not mince his words:

“He added that the IMF respects Ukraine’s right to choose its leaders, but maintained that the direction of reforms must be preserved. He questioned the wisdom of the VR spending time on maneuvering for a vote of no-confidence in the government while reforms need to be implemented.”

Replicating Yugoslavia. The Partition of The Ukraine?

A few months after his dismissal in 2001, Yushchenko was in Washington for talks with senior members of the Bush administration. He was back in Washington in early 2003 under the auspices of the International Republican Institute. During this visit, he met with Vice President Dick Cheney and Deputy Secretary of State Richard Armitage.

The Neocons had carefully “set the stage” for the October-November 2004 presidential elections.

Yugoslavia was a dress rehearsal for the fracturing of the remnant republics of the former Soviet Union. As recent developments suggest, the break up of the country, namely the partition of The Ukraine, modeled on the experience of former Yugoslavia is, no doubt, one among several transition “scenarios” envisaged by the Bush administration.

Creating divisions between Ukrainians, Russians, Tatars in Crimea and other ethnic groups, between Russian Orthodox, Ukrainian Orthodox and Ukrainian Catholics, etc. is part of Washington's hidden agenda.

#### Military Realignments in support of the Free Market

Militarisation supports the Free Market and vice versa. The CIA oversees the NED. The donor community including the Washington based Bretton Woods institutions collaborate with the European Union, NATO and the US State Department.

War and Globalization go hand in hand. While Yushchenko is considered a protégé of the international financial community, his colleague and political crony, former Defense Minister Yevhen Marchuk is a unbending supporter of US and NATO military presence in the region.

It was largely the initiative of Yevhen Marchuk as Defense Minister to send Ukrainian troops to Iraq, a decision which was opposed by the majority of the Ukrainian population.

In August, Marchuk met with Defense Secretary Donald Rumsfeld at The Crimean seaside resort of Yalta.

On the agenda of the August talks: Ukraine's participation in the Iraqi war theater but also the upcoming Ukrainian elections. Defense Minister Marchuk announced following these meetings that Kiev would continue to participate in "the coalition of the willing" and would maintain its troops in Iraq.

Marchuk was sacked in September, barely a month before the first round of the presidential elections.

#### Attempting a Coup d'Etat?

In a televised address on November 25th, Marchuk, sent a message to the military, police and security forces to disobey the authority of the civil authorities, namely the government of Leonid Kuchma.

"Ukraine's former defense minister and head of the National Security and Defense Council has declared that he's convinced that opposition leader Viktor Yushchenko is entitled to be recognized as the president of Ukraine.

Former Defense Minister Yevhen Marchuk called on President Leonid Kuchma and Prime Minister Viktor Yanukovich to exercise good sense. Marchuk underscored that there should be no bloodshed in Ukraine.

Marchuk appealed to state security officers not to fulfill illegal orders and to remember their official honor and dignity.

He stressed that election fraud in the Nov. 21 presidential run-off election, which the government says was won by Prime Minister Yanukovich, was on a mass scale. He said that there is only one way out of the tense political stand-off that has engulfed Ukraine since Monday: negotiations between equals.

Marchuk also appealed to Russian Ambassador to Ukraine Viktor Chernomyrdin to pass along to Russian President Vladimir Putin only objective information. He reminded officers of the Russian Black Sea fleet in Sevastopol that they are on the territory of a foreign government, and that they should remain mindful of

that, calling on the Russian Federation's defense minister to obey the law." (See Kiev Post, 26 Nov 2004 and Kanal 5 transcripts, BBC Monitoringm 26 Nov 2004)

This statement by Marchuk, which calls upon the Armed forces and the Police to go against the government, essentially sets the stage for a US-NATO sponsored Coup d'Etat.

#### Power Struggle: Oil and Pipeline Corridors

Behind the presidential elections, there is a power struggle between pro-US-NATO and pro-Russian factions within the leading political establishment and the military.

What is at stake is not only the maintenance of the IMF sponsored macroeconomic agenda, strategic US-NATO military interests in the region are also at stake.

The objective of the Bush Administration is to install a Ukrainian government which is firmly aligned with Washington, with the ultimate objective of displacing the Russian military from the Black Sea.

In this regard, The Ukraine has already signed several military agreements with NATO and Washington under the government of Leonid Kuchma.

The Ukraine is a member of GUUAM, a military alliance between five former Soviet republics ( Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova). This military alliance was initially designed in 1997 by the Ukrainian National Security Services (NSBU) in close liaison with Washington. Its objective was to undermine the alliance between Russia and Belarus, signed between Moscow and Minsk in 1996.

The Ukraine also signed agreements with Poland and the Baltic states, pertaining to the control of transport corridors and pipeline routes.

GUUAM lies strategically at the hub of the Caspian oil and gas wealth, "with Moldava and the Ukraine offering [pipeline] export routes to the West." The objective of GUUAM was to exclude Russia from the Black Sea, protect the Anglo-American pipeline routes out of Central Asia and the Caspian sea and essentially cut Russia off not only from the Caspian sea oil basin but also from the Black sea.

Coinciding with the ceremony of NATO's 50<sup>th</sup> anniversary at the outset of the war on Yugoslavia in 1999, the heads of State from all five GUUAM countries were present including President Leonid Kuchma of The Ukraine. They had been invited to NATO's three day celebration in Washington to sign the GUUAM agreement under NATO and US auspices.

Georgia, Azerbaijan and Uzbekistan, immediately announced that they would be leaving the Commonwealth of Independent States (CIS) security union, which defines the framework of military cooperation between the former Soviet republics, as well their links to Moscow:

"The formation of GUUAM (under NATO's umbrella and financed by Western military aid) was intent upon further fracturing the CIS. The Cold War, although officially over, had not yet reached its climax: the members of this new pro-NATO political grouping were not only supportive of the 1999 bombing of Yugoslavia, they had also agreed to 'low level military cooperation with NATO while insisting that 'the group is not a military alliance directed against any



third party, namely Moscow.' Dominated by Anglo-American oil interests, the formation of GUUAM ultimately purports on excluding Russia from the oil and gas deposits in the Caspian area as well as isolating Moscow politically." (Michel Chossudovsky, War and Globalization, the Truth behind September 11, Global Research, Montreal, 2002, Chapter V)

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