

# The Bitter Taste of IMF “Economic Medicine”: What the US-backed Regime is Planning for Ukrainian Workers

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Behind incessant rhetorical invocations of a “democratic revolution,” Ukraine’s newly-installed government of former bankers, fascists and oligarchs is preparing draconian austerity measures.

The plans being drawn up are openly described as the “Greek model,” i.e., the programme of savage cuts imposed on Greece by the International Monetary Fund (IMF) and European Union (EU) that has caused Greece’s economy to collapse by nearly 25 percent in five years and produced a massive growth in unemployment and poverty.

In the case of Ukraine, however, this social devastation is to be unleashed against a country that has already been subjected to the scorched earth economics of capitalist restoration. Even before the latest events, Ukraine was the 80th poorest country in the world based on gross domestic product per capita, behind Iraq, Tonga and Bosnia-Herzegovina.

More than one quarter of its population—11 million people—live below the official poverty line, which is set at a meagre 1,176 UAH (\$127) per month. The situation is far worse than official figures indicate, however. With an average monthly wage of only 1,218 UAH (\$131), or 79 US cents per hour, millions more survive barely above subsistence level.

The official unemployment rate of 7.5 percent masks large numbers of unregistered and underemployed workers. It is, moreover, held down by high emigration, with tens of thousands fleeing the country in search of jobs. The equivalent of 15 percent of Ukraine’s population has left the country, giving it one of the largest diasporas in the world. Between 1991, when the Soviet Union was dissolved, and 2010, Ukraine’s population shrank from 51.7 million to 45.9 million.

Besides migration, the population decline is a consequence of Ukraine’s contracting birth rate, which is among the lowest in the world. Tragically, the country also has the highest maternal mortality rate in Europe, part of a health crisis that has seen incidences of HIV/AIDS grow to epidemic proportions, with 57 new cases a day identified in 2012.

Poverty has played a major role in the spread of HIV/AIDS—especially in parts of the formerly heavily industrialised regions of the east and south, where conditions are already depression-like.

In poverty’s wake has come an explosion of all manner of social diseases—from drug abuse

and alcoholism to prostitution, with every sixth prostitute reckoned to be a minor. This is an underestimation, as Ukraine is a major hub of human trafficking, for the purposes of both sexual exploitation and forced labour.

These conditions are a direct consequence of the counterrevolutionary role of the Stalinist bureaucracy and its betrayal of the October 1917 Revolution, which reached its climax in the destruction of the Soviet Union and the restoration of capitalism.

As a result, Ukraine has been reduced to a pawn in US and European imperialist designs on Russia. In addition to the dangers of civil war and a global military conflagration, Western-backed efforts to pull Ukraine away from Russia have caused ever greater social misery for the masses, first in the aftermath of the so-called “Orange Revolution” of 2004, and then in the wake of the 2008 global capitalist breakdown.

Between 2008 and 2009, for example, Ukraine’s GDP fell by 15.1 percent while unemployment tripled to 9.4 percent. The former Stalinist bureaucrats and mafia-oligarchs who enriched themselves by stealing former state property have continued all the while to plunder state assets and pile up even greater personal fortunes.

Much worse is to come. Ukraine’s total debt is now estimated to be around \$80 billion. With its currency having depreciated by 20 percent on the dollar since the start of the year, depleting currency reserves and increasing capital flight, Ukraine’s debt will rapidly grow even larger.

The IMF and EU are said to be working on a “rescue” package of just \$15 billion. Not only is most of this earmarked to cover repayments to the Western banks, it is also tied in to massive cuts in spending for pensions and fuel subsidies. Since 1998, Ukraine has been involved in various IMF “structural reform” programmes, all of which have had to be abandoned within one year because their consequences were considered too socially explosive.

It was what former Prime Minister Mykola Azarov described as the “extremely harsh conditions” of a renewed IMF loan brought forward on November 20 last year that led to the government’s decision to put off signing the EU-Ukraine Association Agreement. That decision, in turn, became the pretext for the US- and EU-sponsored protests and resulting putsch.

The Western powers now intend to seize the moment they did so much to engineer. Writing in the *Financial Times* in February, Anders Aslund, a former adviser to the Ukrainian government, welcomed the Western-backed coup as an opportunity to impose austerity. The crisis in Ukraine meant that a “radical reform programme should be easier to undertake... than in many countries that have faced similar crises in the past,” he wrote.

The *New York Times*, the mouthpiece of American imperialism, cracked the whip in an editorial published Friday under the headline “Fixing Ukraine’s Economy: The country’s leaders need to reform wrongheaded energy and exchange-rate policies.” The editorial denounced “wasteful energy subsidies” and demanded that the Western-installed puppet government get to work “raising retail gas prices for most consumers.”

An IMF mission has already been at work over the last fortnight, meeting with the minister of energy and coal and representatives of the National Bank of Ukraine and the gas distributor

Naftogaz. It reports that its work is “progressing well” and that the new authorities are committed to “economic reform.”

These “reforms” include further currency devaluation, major cuts in public spending and pensions and, in particular, an end to state energy subsidies, which are a life-and-death matter in a country where temperatures can fall as low as minus 20 degrees.

The *Financial Times* reports, “Sixty state agencies in various EU countries have already concluded so-called twinning agreements that aim to refashion their Ukrainian counterparts in their image.”

A 10 percent collapse in GDP is publicly spoken of by economists. Prime Minister Arseniy Yatsenyuk, handpicked by Washington to replace the ousted elected president, Viktor Yanukovych, has stated baldly that he will be “the most unpopular prime minister in the history of my country.”

Sergei Taruta, the oligarch recently appointed governor of the Donbass region, gave an indication of the timeframe for implementing these measures. Describing himself as an “anti-crisis manager,” he said he would take the post only “for six months or a year,” adding, “In that time I want strong people to come into government and then I will leave them to it.”

His comments shed light on why the US and the EU powers are so willing to sign off on a government staffed by fascists and extreme-right paramilitaries. On Thursday, the Ukrainian parliament voted to establish a 60,000-strong National Guard recruited from “activists” in the anti-Russian protests and from military academies.

The force will be overseen by the new security chief, Andriy Parubiy, a founder in the early 1990s of the neo-Nazi Social-National Party of Ukraine. His deputy, Dmytro Yarosh, is the leader of the paramilitary Right Sector. It is the Ukrainian equivalent of Hitler’s storm troopers.

In addition to aiding the West in its provocations against Moscow, the main responsibility of these elements will be to carry through a social onslaught against the Ukrainian working class at the behest of international capital.

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