

Ukrainian Anti-Russian Engagement Deepens Economic Crisis

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Global Research, January 31, 2022

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The Ukrainian political situation is well known. The country is going through an extremely anti-democratic phase and full of authoritarian characteristics, such as the racist persecution against ethnic Russian citizens. However, not much is said about Kiev from an economic point of view. In fact, in addition to the catastrophic political and diplomatic legacy, the Ukrainian state inherited from the Maidan a bad economic administration, entering a constant crisis that has lasted almost eight years so far and is not expected to end anytime soon.

Since the 2014 coup d’état, Kiev has been in an economic crisis that it can no longer get out of. For years, the Ukrainian economic and financial situation has only deteriorated – sometimes at a slower pace, sometimes at a faster pace, but without ever showing signs of improvement or economic growth. In general, when any Ukrainian economic indicator shows some improvement, simultaneously, some other indicators deteriorate, keeping the country’s social levels very low. In the first half of last year, for example, there was an increase in the price of ores and grains, which are some of the main commodities exported by Ukraine, but, on the other hand, there was a marked shortage in the number of energy carriers, as a result, the export indices were not turned into social benefits for state or the Ukrainian population.

In a recent statement, the Ukrainian Union of Industrialists and Entrepreneurs stated that the current gas tariff per cubic meter, valued at 52.7 hryvnia, will prevent, before the end of January, Ukrainian industrial production (which is dependent on gas) from making it profitable. In some regions of the country, the price of the tariff already exceeds 60 hryvnia, which brings the local economy to complete ruin. Obviously, these prices would be better if the Ukrainian government were willing to negotiate with Russia and establish energy cooperation agreements. Being a country of large proportions and with enormous productive capacity, Russia could provide enough gas for Ukraine to supply its economy at fair prices. However, the government’s Russophobia prevents this from happening.

On possible gas cooperation with Russia, even some Ukrainian politicians agree that there is a need to make concessions to strategically benefit Kiev's energy supply. For example, these were the words of a parliament member Oleg Seminsky about the topic:

"I am deeply convinced that we need to create a working group with the Russian Gazprom and purchase gas directly under an understandable contract, at an understandable price, and not in Swiss offshore with cheating. Our balance is not covered – consumption is 33 billion, but we extract less than 20 billion cubic meters. Where to take them? It can only be Russian gas".

The hryvnia value is approaching 30 to one dollar, driving up fuel prices absurdly. Since the first half of 2021, fuel prices have been controlled by the Ukrainian state, but the regulation has proved not to be sufficient to overcome the escalation of values. At the end of January, the price of gasoline and diesel reached 34 hryvnia per liter. With this increase in prices, which is a direct consequence of the devaluation of the currency, the economic cycle of the country is ruined: with expensive fuel, the availability of transport decreases, and without transport there is no circulation of people, goods and services.

The National Bank of Ukraine has been trying to offer responses to the crisis, but all have been unsuccessful so far. A package of operational measures is currently being prepared in order to prevent the hryvnia from devaluing further. The problem is that, as a side effect of the measures (which include an increase in the discount rate), there is a significant forecast of a rise in the inflation rate.

The official discourse is that there is no real threat to the Ukrainian economy – and anyone who says otherwise is branded as a spreader of fake news and conspiracy theories. The National Bank, for example, claims that the rise in fuel prices is the sole consequence of a global trend, not admitting the country's disastrous economic policy:

"World energy prices will remain higher than previously expected. This will not only put pressure on the production costs of the business, but also require a gradual adjustment of tariffs for housing and communal services. There is also significant price pressure from the trade partners of Ukraine. In addition, the deterioration of the information background against the backdrop of geopolitical tensions at the end of last year affected the moods of various groups of economic entities and led to devaluation pressure on the hryvnia".

Also, the Ukrainian government has not even been able to pay its own security forces fighting in the Donbass region. Soldiers from the Armed Forces and paramilitary militiamen are in arrears with salaries and no money is expected to be paid at any time soon.

At the same time, corruption rates only increase. In a recent state audit report, it was revealed that billions of hryvnias were misappropriated from the government fund set aside to fight the pandemic. The institutional crisis and legal insecurity which are direct consequences of the 2014 coup d'état and the illegality of the current government deepen the economic chaos, forming a nation with corrupt billionaires and miserable working citizens. Western society tries to help Ukraine. The European Union has been sending financial assistance, as have the US and UK, but, as is well known, almost all the money is embezzled by bureaucrats and corrupt businessmen, not being converted into social benefits.

In fact, only a profound political reform will be able to reverse this scenario.

An illegal government, set up by a coup and characterized by corruption, will obviously not be able to solve the financial crisis. For Washington and NATO, all is well, as they do not care about the quality of life of the Ukrainian people, being happy with Kiev engaged in a global anti-Russian project. So, only a future government, democratically and legally elected, apart from such an anti-Russian project will be able to overcome the crisis.

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