# Schiller Institute thwarts the IMF's plans in Ukraine

by Karl-Michael Vitt and Susan Welsh

International Monetary Fund Managing Director Michel Camdessus told the IMF annual meeting in Washington on April 24 that the Fund must stop giving its member nations "the benefit of the doubt," and must shift to an even more draconian policy in order "to convince them to take the harsh steps they need" (see article, p. 4). Among the many nations whose economies are being destroyed by IMF austerity programs, Ukraine is one where Camdessus's "No More Mr. Nice Guy" threat is sure to send out political shock waves.

On April 12, as *EIR* has reported, the Parliament of Ukraine rejected the IMF's demand for sweeping privatization of state-owned enterprises, a central element of the "reform" package put forward by the Fund. Parliamentarian and economist Dr. Natalya Vitrenko, chairman of a subcommittee of the Parliament's Commission on Economic Policy, was among the chief opponents of the measure, as the *Wall Street Journal* reported the next day. You will find in the following *Feature* an interview with her and fellow parliamentarian Vladimir Marchenko, in which they mince no words describing the effect that the IMF's policies have had on Ukraine's economy. As Mr. Marchenko stresses, the economic crisis has reached the point where a social explosion of potentially devastating consequences becomes a real possibility.

Vitrenko and Marchenko had been hosted by the Schiller Institute for a visit to Washington at the end of March; they attended a conference of the institute, keynoted by Lyndon H. LaRouche, and met with Washington policymakers to brief them on the current situation in their country. In return, a delegation from the Schiller Institute visited Ukraine in April.

## Inflation and industrial decline

Ukraine is sinking deeper and deeper into economic depression. The national currency, the karbovanets, has been devoured by inflation; it can now only be compared to the infamous German reichsmark of 1923, which was carried around in wheelbarrows to buy a loaf of bread. One U.S. dollar can be exchanged for 140,000



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*Ukrainian President Leonid Kuchma (left), and Ukrainian parliamentarians Vladimir Marchenko and Dr. Natalya Vitrenko. Kuchma's support for the International Monetary Fund's austerity program is being countered by parliamentarians who see their nation being destroyed almost overnight.*

coupons. Meanwhile, the Russian ruble, which stands at 5009:1 to the dollar, is viewed in Ukraine as a "hard currency."

Even the modern factories are idled, because wages have not been paid for months. The wages themselves in many cases are below the level of subsistence. People on pensions have been reduced to $7 a month for their livelihood, which leaves nothing for rent and electricity.

Since the outset of 1995, the IMF-ordered privatization has been moving ahead. Every citizen has obtained a share worth $10 and is wooed to cede it over to one of many funds, which seek to earn private property with it. Organized crime is heavily mixed up with these funds, as is international speculative capital from the likes of George Soros and other derivatives privateers. The "Great Criminal Revolution" of Russia is also afoot in Ukraine. Strong opposition to this has been making itself felt in the Parliament, which is outspoken in its mistrust of the government.

The IMF pressure on Ukraine, and its Parliament, is very intense. The same Parliament that voted down the privatization package on April 12, a few days before had approved the 1995 budget of President Leonid Kuchma, an austerity plan dictated by the IMF. Yet of the $2 billion long promised by the IMF, not a dime has been forthcoming.

Against the background of this power struggle between President Kuchma and the majority of Parliament over the future course of Ukrainian policy, two conferences took place on April 8-9. At one of them, those who want to stick to the monetarist shock therapy of ruthless privatization gathered around the Russian guest speaker, Yegor Gaidar. It was Gaidar who set into motion the criminal revolution in Russia with his IMF-dictated "reforms" starting in January 1992, as the head of the Moscow government and finance minister. This conference was co-sponsored by the German ruling Christian Democratic Union party's Hanns Seidel Foundation.

The sponsors of the second conference were the University of Indiana and the U.S. State Department's Agency for International Development (AID). The topic was the division of power between the Legislative and Executive branches in times of social and economic crisis. Two former officials of the U.S. Department of Justice, from the time of the Reagan-Bush administration, were principally responsible for playing the role of "thought police" at this affair. Among the audience were 60 or so national legislators, government officials, and scholars. Some American professors trumpeted the "historic transition phase" of the recent past in countries like Chile, Spain, and France, as a model for Ukraine. In particular, the supposedly highly successful "transition from dictatorship to democracy" in Chile under General Pinochet was praised to the skies.

Since it was clear to several Ukrainian parliamentarians that the IMF "success recipe" was supposed to be sold in a moderate packaging at this conference, they decided to invite Dennis Small, Ibero-American intelligence editor of *EIR*, and Karl-Michael Vitt, from the German Schiller Institute, as speakers at the conference. The U.S. conference organizers tried to prevent both speeches from being given, but in vain. In fact, the speeches were the only ones which were greeted with applause. Small's speech is reprinted below.