Interview: Professor V. Sikora

Ukraine needs its own currency to promote economic development

In the context of a specialized conference of the Ukrainian popular movement Rukh in Kiev, our correspondents Anno Hellenbroich and Michael Vitt had the opportunity to interview Prof. V. Sikora about the situation in Ukraine in the midst of the current breakdown process in the Soviet Union. Mr. Sikora is professor of political economy at the Cultural Institute of Kiev and chairman of the Center for Market Economy.

EIR: We are now just at the end of an important conference on the economic rebirth of Ukraine. What in your judgment will be the impact of the conference and what is the present status of the discussion?

Sikora: Ukraine is on the verge of introducing its own national currency. We see this as a decisive step toward solving the problems which have emerged in the framework of privatization. At the same time, it should protect the population from the brunt of the consequences that come with the introduction of a market economy in general.

The conference made it clear, that an independent Ukrainian economy could play an essential role within an Eastern European economic structure. . . . And if we simultaneously introduce the mechanisms of the market economy, yet guard against the introduction of the "pure market economy," i.e., carry through the cultural aspects and the political instruments of a market economy in the right direction, I am sure that all these prerequisites will contribute to allowing the introduction of our own national currency to be successful. This national currency would, for its part, advance the stability of the Ukrainian economy.

If a Ukrainian national currency were introduced within six months at the latest, this could in my judgment become the turning point in our economic development. . . . The most important thing seems to me to establish that the Ukrainian economy forms a solid basis for a national currency. Ukraine has to represent an independent economic zone, which does not isolate itself through exaggerated protectionism, but is much more oriented to the views of Friedrich List. Precisely List is, in my view, to be taken very seriously in this period, in order to prevent a one-sided market economy approach.

We must therefore take care that the introduction of a Ukrainian national currency be carried out very carefully. The introduction of a general internal as well as external convertibility would be premature, because the Ukrainian economy is not well enough established and the foreign atmosphere does not present itself as friendly. We must therefore place in the foreground, the strengthening of the currency inside the country.

The strengthening of economic relations with our neighboring countries Russia and Belorussia is very important for Ukraine. The same goes for economic relations with Germany. These relations should serve to build up a stable Central European economic zone—Poland, Czechoslovakia, Hungary, even Bulgaria—between Ukraine and Germany. Germany must understand, that the East European economic zone is in the foreground for us. The development of relations to Germany follows then as the next step. . . .

The development of these relations must be accomplished in the framework of an accelerated European integration. The Ukrainian national currency deserves the trust of its neighbors. It will soon be able to have extensive hard-currency reserves at its disposal, because it exports raw materials. We hold, for example, practically the world monopoly on manganese and beryllium mining. Ukraine is noted for its wealth of mineral raw materials. Add to this, agriculture and our export capabilities in oil, sugar, and iron ore. And with the necessary investments, Ukraine could develop gold mining. In this respect, the Ukrainian currency has at its disposal an extensive cover in the form of hard currency reserves.

The foreign debt of Ukraine is smaller than the Romanian, for example. Also from this side nothing stands in the way of real economic development.

EIR: Several of the conference speakers are members of the Supreme Soviet of Ukraine and the People's Congress. Will the problems of privatization and the struggle for independence be correctly handled by the local parliament and the present regime? How does the perspective of the next three to six months look to you?

Sikora: The situation in Ukraine is complicated. We don't have any really independent governmental institutions. The policy of a "shock therapy" is not acceptable to us. Ukraine must move in various directions in the next six months. Political independence is the first priority. Our own currency system is the precondition for privatization. And for the problem of privatization, the merely one-dimensional solution of shock therapy is ineffectual.

EIR: How is the electoral victory of Boris Yeltsin evaluated by leading politicians in Ukraine, for example with respect to the endorsement of the Treaty of Union?
Sikora: Yeltsin only has one chance to survive politically: The process of forming sovereign republics must be sped up. That I'm certain of. This is equally important for Yeltsin, Ukraine, Russia, and Kazakhstan. . . .

EIR: How do things stand regarding the supply of industrial and agricultural products vis-à-vis the upcoming Group of Seven meeting and the proposals which Gorbachov directed to Western leaders?
Sikora: Ukraine is in the situation of being able to feed its own people. The stockpiles of grain from the last crop are in the range of 6-7 million tons.

Even if half the black earth area is hit by drought, the other half will produce enough food for export to supply Russia and get oil and natural gas in return. In contrast to us, Russia is heavily dependent on imports.

EIR: What do you expect from your Western partners? How should they act?
Sikora: From the fact that Ukraine does not need grain or food imports from the West, it follows that the type of rela-

Toward the sovereignty and progress of Ukraine

Questions about the national and economic sovereignty of the Ukrainian Republic were at the center of a three-day conference which took place at the invitation of the popular democratic movement called Rukh on June 14-16 in Kiev. As we reported last week, two speakers from the Schiller Institute, Anno Hellenbroich and Karl-Michael Vitt, were invited to speak on the future of Ukraine in Lyndon LaRouche's plan for a "Productive Triangle" of central European development.

In his greetings to the 300 guests, who were gathered in the auditorium of the Polytechnic Institute of Kiev University, the chairman of Rukh, Ivan Drach, pinpointed the drama of the present moment. He referred to the election of Boris Yeltsin as President of the Russian Republic and especially hailed the decision to rename Leningrad by its historical name, St. Petersburg. He outlined the theme of the conference: the independence of the Ukrainian Republic in the democratic process of Europe, the creation of a Ukrainian currency, and the spiritual and material renaissance of Ukraine.

The president of Kiev University, in his keynote speech, expressed the hope that this conference might carry Ukraine a good way farther down the road toward economic independence and sovereignty. If the problems of "de-nationalization" of the industries and real estate holdings which are in the possession of the Moscow central power (about 60% of Ukrainian industries), the privatization efforts, the development of extensive foreign trade relations, and the introduction of a Ukrainian currency are successfully conquered in the coming months, Ukraine has a good chance of obtaining its full sovereignty, and the political situation could be stabilized. The country is as big as France (over 600,000 square kilometers); with over 52 million inhabitants the second strongest republic in the U.S.S.R.; it has many mineral resources such as coal, manganese, iron ore, and gold, and also has important industrial capacities, for example in the computer industry. The chairman mentioned that in July 1990, the Ukrainian Parliament had passed a declaration of sovereignty—with a view to the introduction of private ownership and other mechanisms of a free economy. This could only be mapped out further with the help of this conference, he said.

Controversy over future economic policy

In the ensuing debates, the basic contradictions in conceptions of economic policy came clearly out in the open, pivoted around the question of how the economy can develop out of the bankruptcy of the socialist planned economy. Representatives of the co-sponsoring group, the Center for International Management Education, promoted the "horse medicine" of the "pure doctrine of the free market."

One of the four American speakers went so far as to assert that he had lost his suitcase on the Aeroflot flight there, and that this was a new proof that a state monopoly is the worst competitor for the free market. He claimed that competition of private airlines in the United States had done a marvelous job of improving service. This was a bold assertion, especially when one compares the service of Swissair or Lufthansa with the (bankrupt) Pan American!

tions must be differentiated from those with Russia. With German help, the economic motor can be effectively developed, and Europe should promote its relations to Ukraine more energetically. It is not possible to set 6 or 10 million people into motion at the same time. There has to be a phased development, and for that, the Galitsia region offers itself. The sister city relationship between Munich and Kiev is very important, too. Germany ought to concentrate on one region and work really effectively there.

But it should not be forgotten that relations with Russia are very important to us. The Soviet Union, the Russian Republic, and Ukraine are on the verge of attaining a new quality of relations. The West must act, therefore, in a tactful and enlightened manner, and show greater flexibility in its diplomatic activities and calculations. If one side were to go back to the Cold War approach, this would make the situation considerably more difficult.

The current crisis

The struggle over the correct economic path is being decided both by the ever-worsening supply and production situation, as well as by how the central autorities will react to the independence struggle in Ukraine. In touring around Kiev, for example, one observes a certain supply of simple housewares, cosmetics, and so forth, but the only ones who can buy them are those who have ration coupons. The rationing measures on consumer goods are aimed at the buyers who stream into the city from the surrounding area to "buy off' from the Kiev citizens "their" commodities. A trip on public subway trains costs 15 kopeks now, while only a few months ago it was 5 kopeks. The black market is flourishing. A foreigner has great difficulty getting a taxi that will still carry you for rubles. (Amounts as high as $40 are needed for transport from the Moscow International Airport to the domestic airport—according to the official exchange rate, this would correspond to some 880 rubles, or two months' wages.)

The black market problem was heavily discussed at the conference. Around the question of how privatization will take place—either by means of outright grants to private businessmen, or through auctions or leasing—the problem emerges as to how a simple Ukrainian citizen could come into enough money to buy up a major company. Some speakers proposed regulation of loans and credit lines by laws. Some, however, suggested that the black market should be simply legalized, in order to allow these huge illegal monies to flow into the productive economy, something that was greeted with stormy protests from a few listeners. "That way, criminal machinations would go unpunished," shouted the protesters.

Peru revolts against IMF's wrecking job

by Luis Vásquez

The Peruvian population's rebellion against the government of President Alberto Fujimori, which is mercilessly applying International Monetary Fund (IMF) austerity dictates, is growing daily. The center of Lima and the workers' zones which surround the capital city are the scenes of daily demonstrations by the unemployed, and of street battles between striking workers and the police sent by the government to disperse them. These protests, usually joined by ordinary people in the streets, often turn into scenes of looting, stoning of public buildings, and burning of buses. The same is going on to varying degrees across the country.

Peru, which has staggered along for years under an unpayable multibillion-dollar debt burden, has reached a point of total economic and social breakdown. Peru is the epicenter of the cholera epidemic killing thousands across the continent, which has now reached into Mexico to claim its first victims there. Peru is also an increasingly important center of operations of the cocaine cartels, which directly or indirectly have hundreds of thousands of Peruvians on their payroll. Peru, in the grip of the IMF, is Ibero-America's future.

Labor is up in arms

There are presently some 2 million workers in Peru on indefinite strike, according to the head of the Peruvian General Workers' Federation. That is 40% of Peru's total work force. All of the country's largest labor federations are on strike or in a protest mobilization of some sort. The teachers' union, representing some 300,000 workers nationwide, has struck in protest against its members' miserable wages, which generally are less than the equivalent of $30 a month. The health workers' union, representing more than 250,000 doctors, nurses, and medical aides, has been on strike for more than 90 days, in parallel with the growth of the cholera epidemic. A nurse with 20 years' experience receives no more than the equivalent of $32 a month, while doctors average $50 or less. Every day, a contingent of 100 retired elderly persons can be found chained to the steps of Peru's Social Security Institute, to protest the miserable pensions which have condemned them to death by starvation.

The best-paid, the oil workers, have been charged by President Fujimori with a "lack of solidarity" for their aver-