

On eve of elections, Ukrainians have had it 'up to here'

by Konstantin George

One of the greatest tragedies that has occurred in Europe since the 1991 independence of the former Soviet republics is the fate that has befallen Ukraine. In principle, independence began for Ukraine with great promise. This nation of 52 million is extremely rich in agriculture and industry, including a large high-technology sector. Above all, it is blessed with an educational and scientific skill level comparable with that of developed Europe. But now, two and a half years after independence, Ukraine's economy and society are in shambles. The outcome of the crisis in 1994 will be decisive for the fate of Russia, and hence Eurasia, for many years to come. In a tour of Ukraine in late February and early March, this author received an in-depth picture of the situation in Ukraine at the start of this fateful year.

The economic and social deterioration is even worse than in Russia, and is driving the country toward an immense and incalculable social explosion. This could occur any time after the March 27 parliamentary elections. The living standard for at least 90% of the population has become intolerable. Wages, when they are paid at all, are lower than in Russia, and large parts of the work force have not been paid in two months. No one can really live on the basis of wages alone. Real income is the wage plus whatever can be earned by various buying and selling operations, involving goods and services. The average monthly income is about the equivalent of \$50-75, with many people below that figure.

Prices are close to or in some cases higher than western European levels. These prices are rising rapidly all the time, with a monthly hyperinflation rate of 120%. The only areas of life still unaffected by this are prices for rents, mass transportation, and utilities.

Compounding the problem is that the days are gone when local inflation, as measured in prices denominated in the Ukrainian ersatz currency, the karbovanets, could be counteracted through the acquisition of a small amount of dollars. Prices now are equally high, whether paid in the dollar or the karbovanets (known as "the coupon"). Introduced in the autumn of 1992 at par with the Russian ruble, or about 1,000 to the dollar, the coupon in late February was at 36-37,000 to the dollar, and within days again down to 38,000 to the dollar, and roughly at 25:1 to the Russian ruble. This free fall is continuing with no end in sight.

Ukrainians can, and do, differ on many questions. How-

ever, a universal refrain is: "This just cannot go on; it can't."

A word must also be said concerning the extraordinary civility of Ukrainians, living for so long under such impossible conditions. People are unhappy and suffering immensely. However, I was struck by the nearly total absence of this misery being reflected or expressed through open rage in public, in contrast to, for example, street scenes of rude pushing and jostling all too common in Russian cities.

How the crisis was created

The worst part of the Ukrainian tragedy is that the crisis was man-made by powerful western, largely Anglo-American, forces working in tandem with the neo-imperialist elite ruling in Moscow. Under East-West "New Yalta" arrangements, Ukraine has been abandoned by the West, and left open to the Russian policy of securing the reconquest of Ukraine as the cornerstone of a new Russian Empire. As we shall see, Moscow's weapon in this policy is not the Russian Army. Ukraine's predicament is that, lacking western support, it is completely dependent on Russia for energy. Moscow regularly uses the blackmail weapon of reducing or stopping vital supplies of oil and gas, without which Ukraine comes to a standstill, and fuel for the nuclear reactors that produce so much of the republic's electricity supplies.

The latest case of natural gas curtailments began in late February and continued into the second week of March. The game is always the same: Gas or oil is curtailed or turned off, and in exchange for supply resumption, a new round of Ukrainian political concessions to Moscow is demanded. This "slow burn" method of whittling down the nation's capacity to resist future reconquest has had, combined with internal factors, the effect of achieving a potentially dangerous depoliticization of a large segment of the population. This is reflected in a desperate mood in a large minority of the population, a yearning for a return to economic and social security, no matter who delivers it.

The deterioration, playing into the hands of Moscow, has been aided and abetted in the two years since independence by the members of the "ex"-communist nomenklatura who still rule Ukraine. There are many honest, patriotic Ukrainians in positions in both the government and leading institutes, who constitute the best hope for the future, if they could be united into a coherent nation-building force, combined with



Ukrainian President Leonid Kravchuk gives a press conference in Washington on March 4, 1994. His regime is running the economy according to the dictates of Moscow and the western banks.

the best leaders and figures in the various parties now in opposition. In the nomenklatura-dominated system, the hands of these people are tied. The decision-making machinery has been solidly under the control of corrupt nomenklatura networks.

This “ex”-communist nomenklatura has sabotaged the post-independence economy, creating the destabilization required for an eventual Russian reconquest. This nomenklatura has ruled Ukraine as a sort of trusteeship for Moscow and the International Monetary Fund (IMF). It has plundered the nation for its own enrichment, which can be gauged by the question of state-organized capital flight, and the symbiotic relationship between the nomenklatura and the “privatization” promoted by the IMF.

The Ukrainian state earns from export sales by state enterprises a rock-bottom \$8 billion per year in foreign exchange. What the state “earns,” however, the state never sees. According to informed estimates, since independence, only 5% of the foreign exchange earned by state enterprises has been turned over to the state. The rest has vanished into western bank accounts. This does not mean that state enterprise directors are all criminals. The rules for export earnings, set by the top nomenklatura figures, force the enterprises to behave this way, even if the enterprise directors themselves would gladly bring the capital back to invest in Ukraine. Remember,

the rate of the coupon is 38,000 to the dollar. Under the rules of the Kravchuk regime, any hard currency earned by state enterprises and held in Ukraine must be exchanged at a ridiculous rate which is about one-sixth that of the real coupon rate, ensuring, to the delight of western banks, that nearly all the money earned in the West will stay in the West.

An even bigger scandal has been the so-called privatization. Choice properties are put up for sale to private persons or groups. Invariably, these groups turn out to be composed of leading nomenklatura figures, or includes them as partners with either Moscow or western interests. These properties are sold at ridiculously low prices.

For example, one of the leading high-rise hotels in the capital, Kiev, was sold to a group involving the family of former Ukrainian Communist Prime Minister Vitold Fokin, for a mere \$15,000! In another case, an industrial plant was sold off to nomenklatura “private” interests, for the grand sum of about \$100,000. The plant had \$22 million in almost-new imported western machinery. The nomenklatura grouping in question went into the export business, exporting some of this nice machinery, and reaped a very handsome hard currency profit.

Political cutoffs of energy

Through a combination of “inside-outside” operations by Moscow and its fifth column in Ukraine, the crisis will worsen, especially after the March 27 elections. The stage for energy blackmail was set when on Feb. 20, Turkmenistan abruptly stopped all gas shipments to Ukraine, citing Ukrainian non-payment. This was a bogus reason, since Ukraine has a surplus of items needed in Turkmenistan, which could be bartered for the gas in case Ukraine cannot pay in cash. The real reason was that Moscow wanted Ukraine to have no alternative to Russia for its energy source. That became clear, when on March 5, in the culmination of several earlier supply reductions that had begun soon after the Turkmenistan move, the Russian gas monopoly, Gazprom, reduced the flow of natural gas to Ukraine from the “normal” 160 million cubic meters per day, down to 30 million. Gazprom declared that Ukrainian non-payment of about \$900 million owed for gas deliveries forced their move.

To the uninformed person, the reason might sound convincing. However, also on March 5, Gazprom made an parallel announcement that normal supplies would be continued to the republics of Belarus and Moldova. Both these republics, proportionately, are as much in arrears as is Ukraine. Both promised to begin installment payments. So did Ukraine, and that before the Gazprom cutoff, when Ukraine said it would immediately pay \$20 million as the first installment. Beyond that, the Russian supply disruption came only days after Ukraine and Russia had signed an agreement regulating the amount of Russian gas deliveries from 1994 through 2005.

The reason for the near cutoff is political. Belarus, already de facto owned by Moscow, is moving toward some

form of union with Russia, which will probably take the formal form of a "confederation." For Moldova, Gazprom's continuation with normal deliveries was linked to the referendum of March 6, where a clear majority of those who voted chose to keep Moldova independent, and against any union with Romania. Timed with the Gazprom announcement, Moldovan President Mircea Snegur announced that the referendum outcome was a vote of confidence in his policy of forging close links with Russia.

The Russian gas cutoff against Ukraine was otherwise timed deliberately to coincide with the Washington visit of Ukrainian President Leonid Kravchuk.

The effects on the Ukrainian economy, already in desperate straits, will be devastating. The Ukrainian gas monopoly, Ukrgezprom, declared on March 7 that it will have to suspend gas supplies to steel mills and the chemical industry to be able to ensure gas supplies for the population. As in all past cases where Moscow has cut gas supplies, it is ready to resume them in exchange for yet another round of political concessions by Ukraine.

Thus on March 8, Gazprom announced that supplies were being increased to 100 million cubic meters per day, far below the "norm," but enough to prevent a breakdown before the March 27 elections, a key consideration in Moscow's policy of seeing that its trusteeship remains in place. Gazprom added that talks with a Ukrainian delegation would be held in Moscow on March 10.

Heating is rationed in Ukraine. People are not freezing, but to maintain apartment heating, supplies have been cut to industry, resulting in partial or whole plant closures. In Kiev apartments there is heat, but the temperature is somewhat above 54°F. The author got a taste of the energy shortage on the overnight train from the western Ukrainian city of Lviv to Kiev, a 12-hour journey with an outside temperature of about 12°F. There was no heat in the train, though this fact, though unpleasant, had been pre-discounted, since unheated overnight trains are quite normal in the former Soviet Union. In the former Soviet Union, however, there is always something you don't expect. In this case, there were no blankets, either. It was cold that night.

The elections

Although the Ukrainian situation is tragic, it would be wrong to say that there is no hope. For all its problems, Ukraine, unique among the former non-Russian republics grouped in the Community of Independent States, has the capacities and dedicated people who can resurrect a functioning sovereign nation-state out of the present disaster. This will be, however, a longer-term prospect. For the near term, the only hope is that the March 27 elections could break the hold of the nomenklatura. The chances for this are extremely poor. The regime's tactic, worked out with Moscow, of endlessly postponing the nation's first real elections since independence, has unfortunately paid off. A substantial part of



A natural gas pipeline in Lviv, Ukraine. Since Ukraine is dependent on Russia for its energy supplies, Moscow is using delivery of oil and gas as its most powerful blackmail weapon.

the electorate who, nine months or a year ago, would have voted against the regime, have become so disgusted with all politics and politicians, that they will not bother to vote. Voter abstention as high as 50% is expected. The badly split opposition could possibly gain a slight numerical majority in the Parliament. The electoral law, drafted by the regime, is stacked in favor of the party which receives the most votes. This will benefit exclusively the "former" communists, who will emerge as the single largest party.

The opposition has no illusions about this. At a Feb. 23 Kiev press conference given by Vyacheslav Chornovil, leader of the largest opposition party, Rukh, the election outcome was all but conceded. Chornovil declared that Rukh's goal was to get enough votes to get 20% of the seats in the next Parliament. What is universally recognized, is that the elections will not solve anything, and the crisis will worsen toward the breaking point. Then will come the really decisive political battles.