EU Membership Means Death For Countries of Eastern Europe

Jan. 10—After Ukraine broke off its negotiations on an Association Agreement with the European Union (EU) last November, Russian President Vladimir Putin told a Moscow press conference (Dec. 19) that if it had not done so, Ukraine would have "immediately become—just read the documents—an agricultural appendage" of the EU. Out of Ukraine's $17 billion worth of exports to Russia, he said, $7 billion [41%] is currently in industrial goods, whereas the EU countries buy only $2 billion in machinery and equipment [only 11.7% of a total that is likewise around $17 billion in dollar terms], as against $5 billion in agricultural products [and the remainder in raw materials and semi-manufactures]. Joining the EU would make that imbalance even worse.

When the Soviet Union collapsed and Ukraine became an independent country in 1991, it was one of the top ten machine-building countries in the world. But after 20 years of IMF-dictated free trade, Ukraine is no longer "on the charts"; by joining the EU, what remains of Ukraine's industry would be relegated to the scrap heap.

Apparently, the foreign journalists in attendance have still not read the documents, as they continue to shriek about Russia's "imperial" takeover of Ukraine.[1] Ukraine's government not only read the documents, but also looked at what was happening to its neighbors.[2] And what Ukrainian officials saw was industrial shutdown, devastation of social services, and lower life expectancy—death—not only in the former socialist countries, but in longtime EU members such as Greece, Portugal, and Spain.

Economists from both Russia and Ukraine, notably two friends of the LaRouche movement, are broadcasting the facts and figures showing how not only Ukraine, but other former Soviet republics or the Soviet bloc in Eastern Europe, have been or will be destroyed by membership in the EU. They are also offering solutions for global reform and Eurasian economic integration which would help not only these countries, but others as well.

Academician Sergei Glazyev

Russian Academician Sergei Glazyev[3] made the bold proposal that countries such as Greece, Cyprus, and even non-EU member Turkey would be better off if they affiliated with the Eurasian Customs Union and the Eurasian Economic Union, which is currently in formation. The article, titled "Who Stands to Win? Political and Economic Factors in Regional Integration," appeared in English Dec. 27 in *Russia in Global Affairs,* and in that publication's Russian edition this month.

Destruction of the Real Economy

In this article, Glazyev, who was formerly deputy secretary of the Eurasian Economic Community, and is now an advisor to Putin, outlined some of the most

1. For example, from the London *Financial Times* on Jan. 7: "The Eurasian project is a mirage of a post-Soviet archipelago in which authoritarian leaders use each other to preserve their power. It may last a little longer. But before long, the sun will set on Mr Putin's imperial ambitions."

2. The former Soviet Union/Comecon members that have joined the EU are Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Romania; Georgia and Moldova have signed Association Agreements and are in the process of becoming members; Armenia, Azerbaijan, and Belarus are included in the EU's Eastern Partnership.

3. Glazyev invited Lyndon LaRouche to address the Russian State Duma's Economics Committee in Moscow in June 2001. The two also gave a joint press conference. EIR News Service published an English translation of Glazyev's book *Genocide: Russia and the New World Order* in 1999.

shocking cases of destruction of the real economy, experienced by the Central and East European countries that joined the EU during the 2000s, as well as by Greece. Here are the highlights he listed:

"**Greece.** As a result of the reforms carried out on the EU's demand, cotton production plunged by half, and production quotas in agriculture hit local wine-making hard. The famous Greek shipbuilding industry has practically ceased to exist: Greek shipowners have purchased 770 vessels abroad since the country joined the European Union.

Poland's famous Gdansk shipyard in former times; it was the biggest shipbuilder in the world, but is now divided into two companies which are idle.

"**Hungary** has practically liquidated the production of once popular Ikarus buses, whose output in the country reached 14,000 units a year in the best years.

"**Poland** shut down 90 percent of its coal-mining companies, employing more than 300,000 people, after joining the EU in 2004. Seventy-five percent of Polish coal miners have lost their jobs. Poland's shipbuilding is in deep crisis. The large Gdansk shipyard, which built the largest number of vessels in the world in the 1960s and 1970s, is now divided into two companies that are idle. Dozens of smaller shipbuilding enterprises have had to be shut down and their personnel has left for Western Europe. Poland's foreign debt was 99 billion dollars when it joined the EU; in early 2013 it reached 360 billion dollars.

"**Latvia** has completely lost its electronic and car-making industries.

"**Lithuania's** livestock has been cut by 75 percent, as local residents have stopped keeping cows following the introduction of milk production quotas. On the EU's demand, Lithuania has shut down the Ignalina nuclear power plant, thus making itself dependent on power imports (and in need of one billion euros for dismantling the Ignalina plant).

"**Estonia's** livestock has been reduced five-fold [by 80 percent], with agriculture reoriented to producing biofuels. The machine-building plant and the Volta plant in Tallinn, which used to produce power-generation equipment, have been closed. On the EU's demand, Estonia has slashed power generation by almost two-thirds, from 19 billion kilowatt-hours to seven billion kilowatt-hours.

"EU membership has hit fisheries in the **Baltic States** due to EU fishing quotas and so-called 'norms of solidarity' in using European water resources. In 2007, the European Commission fined Lithuania, Latvia, and Estonia for attempts to build stocks of food in order to curb prices."

Glazyev also took up the case of **Ukraine** in an article in *The National Interest* on Dec. 30, 2013, titled "The Mania of Ukraine's Euromaidan." He demonstrated that the Association Agreement would put Ukraine under EU jurisdiction as a colony, pledged to the directives of the European Commission over which Ukraine's government would have no say. Ukrainian goods would be pushed out of Ukraine's own market for a $2 billion annual loss on that account alone. Foreign debt would grow, inflation would soar, and ultimately, the standard of living would fall. "Ukrainian entrance into the [Eurasian] Customs Union and Common Economic Space," he said, "is projected to increase GDP anywhere between 3 and 9 percent; under the Association Agreement it is projected that GDP would fall about 2-3 percent."

He emphasized the geopolitical purpose of the EU agreement: "It is easy to see that the true meaning of the agreement is to tear Ukraine from Russia and isolate it from the process of Eurasian economic integration. . . .

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Bulgaria had to close its Kozloduy nuclear plant when it joined the EU. It was supposed to be replaced, but that project was cancelled in 2012.

We must admit that the [EU] Eastern Partnership project is in its nature anti-Russian and exceptionally detrimental to the establishment of good neighborly relations and stability in Europe."

The Case of Bulgaria

The list of EU casualties was lengthened in a web-TV report by the Russian daily *Komsomolskaya Pravda* on Dec. 28, by Darya Aslamova, on what has happened to the economy of Bulgaria, which joined the EU in 2007. Titled "Bulgaria Is Quietly Dying," the program focussed on the events of Spring 2013, coinciding with the Cyprus bank bail-in.

At that time, mass demonstrations over high energy prices forced the government out. (One year ago, the average monthly electricity bill reached a level higher than a monthly pension.) Six people killed themselves in the streets by self-immolation.

But, nothing has improved in the economy since last Spring. The high electricity prices remain, as they are governed by long-term contracts with the foreign companies that own the Bulgarian electricity grid. Unemployment is stated as 13-18%, with 60% in the north of the country. Bulgaria's famous wine and other agricultural production has been smashed, making the population now dependent on large, foreign-owned retail markets with inflated prices for imported food.

Over the past 20 years, more than 2 million people, out of a population of 8.9 million, left Bulgaria in search of work and better living conditions.

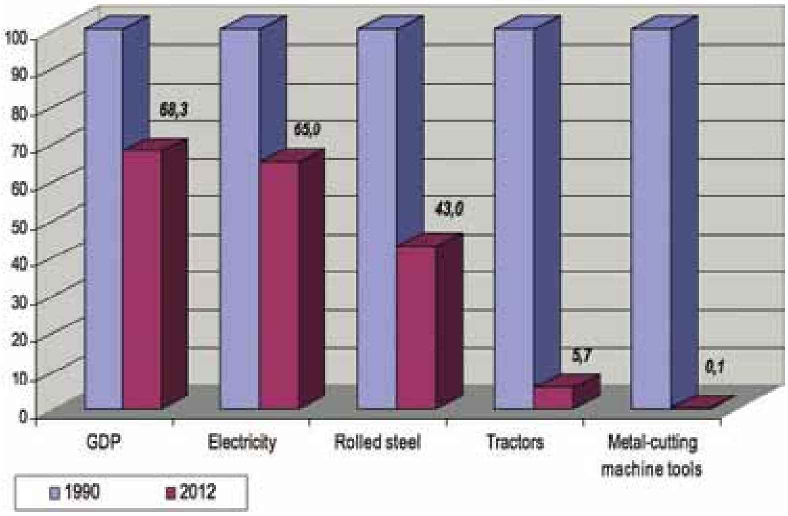
The TV report related the essentials of how Bulgaria came to this point, starting from a Soviet-period industry that had 86% of its market in the USSR. Its governments, in the 1990s, followed radical privatization, advised by free-market economists of the Cato Institute in particular. Upon joining the EU, Bulgaria was required to shut down its nuclear power plant, the Kozloduy NPP, which had provided cheap electricity at home and for export to five countries, including Italy. The supposed replacement project, the Belene NPP, was stalled over pressure to replace its Russian contractor with Western companies, and then cancelled in 2012. Meanwhile, the foreign power operators have pushed widespread construction of solar-panel parks and wind farms, generating electricity at higher cost.

The Case of Ukraine

From Ukraine, Dr. Natalia Vitrenko, an economist, former Member of Parliament, and leader of the Progressive Socialist Party and the National Resistance Front Against the Eurocolonization of Ukraine, has delivered a series of webcasts since November 2013, upholding Ukraine's national sovereignty and warning of the danger of a "neofascist coup" backed by the Obama Administration and the EU bureaucracy in Brussels.

A longtime friend of the LaRouche movement, she addressed a conference of the Schiller Institute in Germany last April (see *EIR*, May 3, 2013), on the need for Eurasian integration. There she gave a blow-by-blow account of how Ukraine's economy has been ruined by 20 years of globalization (**Figure 1**). Electricity production dropped by 35% from 1990 (before the breakup of the USSR) to 2012; production of rolled steel fell by more than half, and tractor production collapsed to only 5% of its former level. In 1990, Ukraine's per-capita GDP was higher than the world average, whereas, in 2012, it was 40% *below* the world average, lower than

FIGURE 1
Ukraine: Decline of GDP and Real Economy Output
(2012 as % of 1990—indepedence was in 1991)



Namibia. Fully 80% of the population lives below the poverty line, she said.

All occurred before the EU free-trade regime was submitted to Ukraine for its approval.

In her Dec. 19 webcast, "Russia Has Saved Ukraine—for the Moment!", Vitrenko documented Ukraine's current situation. She contrasted the IMF's proffered terms for a new loan to Ukraine, 10% interest and devastating deregulation of domestic energy prices, with those of the Russian loan announced Dec. 17, after the Russian-Ukrainian Intergovernmental Commission meeting in Moscow: $15 billion at 5% interest with no strings attached. Noting that the sum is equal to one-third of Ukraine's federal budget, Vitrenko said that the budget for 2014 could not have been passed without the Russian loan. Payments to pensioners and many state-sector workers and entities were threatened.

Even more important than the emergency loan, Vitrenko explained, are the several Russian-Ukrainian cooperation agreements that were signed, covering machine-building sectors such as the aerospace industry, shipbuilding, and aircraft production. Projects such as the joint production of about 80 of the giant An-124 Ruslan transport planes, she said, will involve a production and supply chain embracing several sectors of Ukrainian industry and saving tens, if not hundreds of thousands of manufacturing jobs.

Solutions for the Future

Both economists are looking to Eurasian development as the best option for the future.

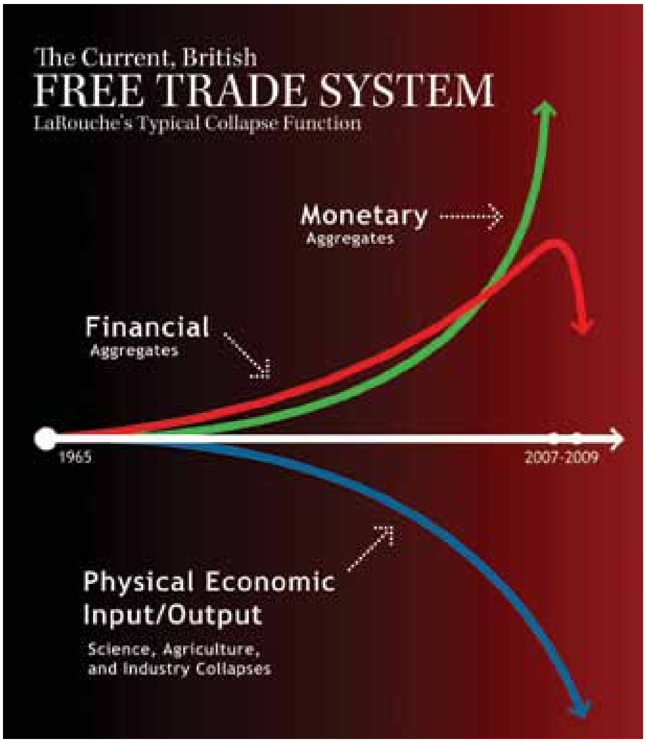
Glazyev, in his *Russia in Global Affairs* article, emphasized the political motivations of the EU's courtship of Central and Eastern Europe. "The anti-Russian essence of this policy," he said, "is clearly seen in consistent efforts by politicians and secret services of NATO member-states to interfere in the internal affairs of the newly independent states, ferment anti-Russian propaganda, and foster anti-Russian political forces. All 'color' revolutions inspired by the West in the post-Soviet space were rooted in frenzied Russophobia and aimed at preventing integration with Russia."

One response, according to Glazyev, "could be to invite countries discriminated against by EU supranational bodies, into Eurasian integration." Greece and Cyprus would be the priorities, with Cyprus serving "as a pilot project for transition from European to Eurasian integration, especially as its economic reliance on Russia and the Commonwealth of Independent States has become critical after the bankruptcy of its banking

EIRNS/Christopher Lewis

Dr. Natalia Vitrenko addresses a seminar in Germany in 2009, with Lyndon and Helga LaRouche. Her 1999 campaign poster is behind her.

FIGURE 2
LaRouche's 'Triple Curve'



system." Both countries, he pointed out, have close cultural and business ties with Russia. He noted that Kazakstan's President Nursultan Nazarbayev has mentioned Turkey as "a welcome participant in Eurasian integration."

Although such affiliations might seem unrealistic because of the countries' commitments to the EU, Glazyev suggested "a constructive way out of the growing contradictions between the alternative integration processes in Eurasia would be to de-politicize them into mutually beneficial economic cooperation. But Euro-Atlantic officials do not seem prepared to give up their claims to hegemony in international relations, so this option looks unrealistic at present."

As for Vitrenko, she said in her Dec. 13 webcast, "I would not want to idealize the policies of the Azarov government and President Yanukovych," noting that the regressive VAT tax remains in place, no luxury taxes have been imposed that might annoy Ukraine's influential wealthy business layers, while pensions and the minimum wage are still based on a "subsistence minimum" defined as only 1,176 hryvnias ($143.00) per month. The Russian loan, she said, "saved Ukraine, but it is not the solution. *What's needed is a change of the whole economic model.*"

To illustrate this idea, during the interview, Vitrenko's colleague Vladimir Marchenko unfurled her 1999 Presidential campaign[4] poster. The poster shows Vitrenko, pointing at a giant reproduction of Lyndon LaRouche's "Triple Curve" graphic (**Figure 2**), accompanied by quotations from her speeches on the necessity for Ukraine to break with the IMF and lead other nations in that direction. She said that the poster reflects "the work of a whole international movement of people against the IMF, headed by Lyndon LaRouche, who is still doing this at his age of 91." Added Marchenko, "And he is a citizen of the USA, it should be pointed out!" Vitrenko proceeded to give a ten-minute briefing on the significance of the Triple Curve, and of changing financial policies in order to promote the real sector of the economy, rather than destroying it.

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4. That year, Vitrenko was running at 32% in the polls and analysts believed she stood a good chance of defeating Leonid Kuchma in a run-off; but her campaign was destroyed in the wake of a grenade attack that injured the candidate and 40 others.