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War in Ukraine

Ukraine: Resisting creditors

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“Indeed a large part of the financial aid granted by Ukraine’s allies consists of loans, which means new debts.”

Sushovan Dhar: What can be said about Ukraine’s debt 15 months after Russia invaded its territory?

Éric Toussaint: I must first of all insist that Russia’s invasion of Ukraine is an unjustifiable and morally unacceptable act of aggression. Faced with this invasion the Ukrainian people are right to resist and deserve international support just like other peoples who are victims of aggression such as the Palestinians (who have been victims through the occupation of their land and continued aggression by the Israeli State for decades), the Afghans (victims of the intervention by the US and their allies from 2001 to 2021), the Iraqis (victims of the March 2003 invasion by the US and their allies), the Kurds, the Yemeni, and many others. Since the 1990s, Russia has turned into a capitalist country implementing a violent imperialist policy in line with those of the US and West European imperialist countries. Undoubtedly the list of aggressions by Washington and its allies is much longer than Russia’s, but this does not give Putin a right to invade a sovereign country and slaughter its population. When he invaded Ukraine, he somehow restored NATO’s legitimacy, which we must fight relentlessly to achieve its dissolution. Indeed we must take a stand against the policies and interests of all imperialisms. We must fight the imperialism of the Russian capitalist power and we must fight NATO. In the present case we must support the Ukrainian people’s resistance against invasion without entertaining any illusion about the objectives of the imperialist countries that support Zelensky’s government as they stoke the war in their own interests.

Early 2023 Ukraine’s external debt amounted to [\\$132 billion](#), approximately 75% of the country’s GDP. If we add the internal debt, the total amounted to over 100% of GDP.

In July 2022, creditor countries backing Ukraine suspended debt repayment and in March 2023, [this suspension was extended until 2027](#). However, this measure does not concern all creditors: it excludes the IMF and private creditors, among others.

We must also keep in mind that during this partial suspension of repayment, interests continue to accumulate and will have to be paid on top of the stock on loan, which will have to be repaid to the last cent, according to signed agreements.

Indeed a large part of the financial aid granted by Ukraine’s allies consists of loans, which means new debts. This is quite clear and outrageous, in the context of so-called aid from the EU and EU members. For instance, the support package of up to €18 billion for Ukraine [announced by the EU in November 2022 will be transferred only gradually, and as loans to be paid back in full and with interest](#). [1] This announcement was later [confirmed in December 2022](#) (tweet by Charles Michel). Altogether, the EU and its 27 member states have up to now pledged to lend Ukraine some €55 bn over the coming years. The Ukrainian government is pleased with itself, but it is a 'poisoned gift' for the people since, according to current announcements, the repayment of the capital will begin in about ten years’ time. This means that the government is encouraged to get into debt, on the one hand because of significant needs and on the other because repayment will not start while they are in office. The main burden of debt repayment will fall on another government and, inevitably, on the people.

For further information, notably on the accumulation of debt since Ukraine’s independence in 1992, see “[Why should Ukraine’s debt be cancelled?](#)” published in April 2022.

We can compare this with the Greek debt. In 2009, before the bailout loan by the IMF and the EU (the European Commission, Eurozone member States and the ECB) it amounted [to about 126% of the country's GDP](#); in early 2015 before the left-wing party Syriza came to power, it amounted to 180% of GDP; in 2020, it peaked at 206% and in early 2023 was about 171%. In absolute figures, the Greek public debt before any aid from the IMF and the EU was €301 bn; by 2015, after five years of loans from the IMF and the EU, it had reached €311 bn and in early 2023, it amounted to €356 bn. In short, EU and IMF so-called aid in the form of loans are poisoned gifts that keep a country under its creditors' thumb. All figures in the previous two sentences can be found at <https://countryeconomy.com/national-debt/greece?year=2009>. For a more detailed critical analysis of the indebtedness process in Greece from the 1990s to Syriza's arrival to power in 2015, see the report of the Truth [Committee on the Greek Public Debt](#) which I coordinated, particularly Chapters 1, 2 and 3.

For Ukraine as for Greece we have to conclude that so-called financial aid in the form of loans has a very high social and political cost: privatizations (often by foreign companies); lower wages; precarious working conditions; laws restricting the right to strike and to collective social agreements. Moreover, the debt continues to increase, providing convenient leverage for the creditors on the indebted country's government.

The US chose to duplicate what they had done with the [Marshall Plan in the late 1940s](#) to reconstruct their Western European allies' economy, [namely using grants not loans](#). Up to now they have committed themselves to providing some \$73 bn. // The financial aid that they provide in the form of grants is partly spent on purchasing goods and services sold by US companies. The US plays the part of the good financial cop next to the bad financial cops embodied by the EU, the IMF, the World Bank, the EIB (European Investment Bank) or the EBRD (European Bank for Reconstruction and Development). These supply loans to be repaid in full and with significant interest. So, clearly, financial aid is increasing Ukraine's debt for the coming years.

The increase will amount to dozens of billions of dollars but will only gradually become perceptible. By my calculation, loans from West European countries (EU and others such as the UK), the IMF, the WB and the EIB will result in a debt increase of some \$50 bn.

Sushovan Dhar: So what has been heralded as generous aid and a sign of solidarity largely consists of debts to be repaid by the Ukrainian people?

Éric Toussaint: Yes indeed, quite clearly.

Let us take the case of the IMF. The IMF's loans to Ukraine since the invasion amount to slightly over \$15 bn (or 11.6 bn SDR – Special Drawing Rights—, the currency used by the IMF) to be paid in instalments. Like the World Bank, the IMF always demands full repayment even when an agreement has been reached with other creditors to reduce the debt. Moreover it enforces high interest rates that can reach 8% a year.

In general, for a 'small' loan, the IMF applies 2 % interest, then once the amount exceeds a certain sum, it applies 'surcharges' (see [Eurodad's guide regarding the surcharges applied by the IMF](#)). This induces real rates of between 4.5 % and 8 %, depending on each case. For the case of Ukraine, in 2021 Eurodad's Daniel Munevar made [a specific calculation of the surcharges that the IMF applied to Ukraine before the invasion](#).

Since the onset of war in February 2022, the IMF does not seem to be applying the suspension of payments, according to [the repayment schedule found on the IMF website](#).

It is highly probable that the Fund has managed to persuade a range of US-allied countries (the G7 + Belgium, Lithuania, the Netherlands, Poland, Slovakia and Spain) to pay contributions into a fund managed by the IMF and from

which it withdraws the money that Ukraine should be repaying for the period of suspension of payments that runs until 2027. [2]

Note, too, that the IMF conditions the granting of loans upon the implementation of harsh neoliberal policies. In the case of Ukraine, since 2000, that country's government has signed loan agreements with the IMF on 18 occasions. Each time, the agreement results in the government sending a *Letter of Intent* wherein it defines its commitments in fulfilment of the IMF's demands. These letters of intent define a whole panoply of measures which go against the interests of the populations along with an enormous increase in debt.

Since 2000, the IMF has got the Ukrainian government to apply shock strategy, with typical neoliberal measures: the liberalization and promotion of foreign trade, liberalization of prices, reduction of consumer subsidies for the working classes, the degradation of a whole series of basic services. The IMF also encouraged the acceleration of the process of privatizing public companies. Each time, the IMF fixed a target for public deficit reduction. The IMF added precarity in the jobs market by facilitating redundancies in the private and public sectors. The effects of the policies recommended by the IMF were drastic. There was an extremely serious aggravation of poverty among the population. So much so that by 2015, Ukraine was the country with the lowest salaries, in real terms, of Europe.

Sushovan Dhar: Does the IMF still implement neoliberal policies in spite of the war?

Éric Toussaint: It does. For instance, the IMF has tried to take advantage of the war to get more privatizations of public companies than it had over the previous twenty years, for example Naftogaz, the public gas company. It will be a significant stake in the coming years. This can be deduced from the following passage: "Ambitious reforms will be required in the energy sector to enhance competition, improve market mechanisms, and reduce large quasi-fiscal risks." [3] (Source: IMF Executive Board Approves US\$ 15.6 Billion under a New Extended Fund Facility (EFF) arrangement for Ukraine as part of a US\$ 115 Billion Overall Support Package. Page 4. <https://www.imf.org/-/media/Files/Publications/CR/2023/English/1UKREA2023001.ashx> accessed on 11 May 2023.

Sushovan Dhar: And what of the aid provided by EU countries? You said it does not consist of grants but of loans, so new debts...

Éric Toussaint: This is indeed the case. Most EU aid consists of loans with interest. In fact, the EU has followed the model of what it did with Greece from 2010: agreeing with the IMF to impose blatantly neoliberal and anti-popular measures.

EU aid is conditioned by an agreement between Ukraine and the IMF. In reciprocation, Ukraine's agreement with the IMF stipulates that the Ukrainian government implement structural (counter) reforms required of Ukraine to meet the conditions for joining the European Union. The IMF document of March 2023 states: "The program (sic) will comprise a two-phased approach: the first phase focuses on securing macroeconomic stabilization and undertaking critical structural reforms while the war is still ongoing; the second phase, once active combat has subsided sufficiently, will focus on further entrenching macroeconomic policies and embarking on a more expansive set of structural reforms to restore medium-term external viability, support sustained growth, and facilitate Ukraine's path to EU accession." [4] (*ibid.*, p. 4).

This means, in particular, increasing privatizations and enabling even more foreign investment in the sectors that whet the appetites of Western capitalists.

Among the goods that they covet are the enormous stretches of arable land. Let us recall that Ukraine is a bread-basket for Europe and the world. The plan is to develop the opportunity for foreign agri-business investors to

acquire huge amounts of very fertile cultivated land.

Sushovan Dhar: And how could Ukraine reconstruct after all the destruction it has suffered since February 2022 and that is not about to stop while repaying old and new debts? What are the creditors thinking of?

Éric Toussaint: Creditors are well aware that full debt repayment according to the set timetable will be impossible. Not only are they aware of this; they make sure it will be the case so as to use it as leverage. As often happens, the burden of the debt will be used as a bargaining chip at the time of peace, at a date that is impossible to predict. In order to persuade Ukraine to favour the interests of Western creditors, it will be given the carrot of an agreement to reduce part of its debt.

Negotiations for the restructuring of Ukrainian debt will provide an opportunity for creditors to get as much as they can, to the detriment of the Ukrainian people and of Ukraine's natural resources. Washington, which has so far given more in grants than in loans, will use the IMF and the WB, which it dominates, to ensure that its interests are given priority. The US imperialist power will use the weight of the weapons it supplies to Ukraine and the dependence of this country for its defence. European and North American imperialists will use NATO.

As debt restructuring/reduction will also involve other powers such as Turkey and China, the governments of those countries will also push forward their interests and demands. Those two countries, and China in particular, are also creditors. China (like Russia) is represented at the IMF and the WB, and it will want its share of the cake.

Sushovan Dhar: Is there an internal debt?

Éric Toussaint: Indeed, there is an old internal debt from before the war to which a new internal debt must be added since the Zelensky government has issued debt securities called "war securities." In the graph below we can see that the government sold new securities for \$5.9 bn during the first term of 2023. Those securities earn an interest rate of 8.5 to 12 % if in Ukrainian currency, 2 to 3.5 % if in dollars or 2 to 2.7 % if in euros (information on interest rates provided by Yuliya Yurchenko, a Ukrainian economist and member of the left-wing Ukrainian movement Sotsialnyi Rukh).

Sushovan Dhar: How much financial aid has Ukraine received?

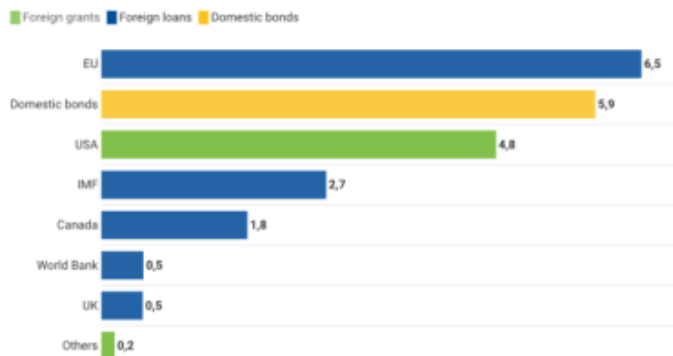
Éric Toussaint: [According to the Ukrainian website financed by a George Soros foundation, the US Congress via the National Endowment for Democracy and the Swedish embassy](#), "In 2022, Ukraine received \$31.1 billion in foreign grants and loans, which averaged \$3.1 billion per month of the war. However, payments were neither stable nor regular, with some months seeing extremely high or low amounts of funding. The irregular payments harmed budget execution."

Here is the detail of amounts received between 1 January 2023 and 3 May 2023:

Graph 1: \$16.8 billion of foreign financing in 2023

Additional financing on 3 May 2023, in US dollars

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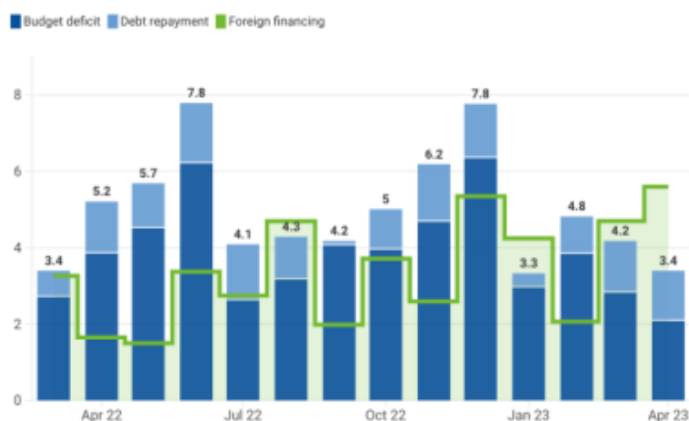


Source: [Ministry of Finance](#) • Others: Germany, Finland, Ireland, Spain, Switzerland, Belgium, Iceland, Estonia

Graph from Centre for Economic Strategy "[Ukraine War Economy Tracker](#)".

The next graph shows to what extent the financial means provided by imperialist powers supporting Ukraine (mainly North America, the EU and the United Kingdom) are vital to bridge Zelensky's government's fiscal deficit.

Graph 2: Foreign sources of financing are essential to bridge the government's fiscal deficit (in billions of US dollars)



Source: NBU, Ministry of Finance, CES research • Foreign financing and state budget financing needs, USD bn.

Graph from Centre for Economic Strategy "[Ukraine War Economy Tracker](#)".

As a consequence, Ukraine is very dependent on the powers that provide the money. The latter take advantage of this to put forward their economic and geostrategic interests.

Sushovan Dhar: What of the debt Russia claims from Ukraine?

Éric Toussaint: We are talking about a debt that goes back to 2013. Ukraine suspended repayment of the debt as of December 2015. This gave rise to a legal proceeding in London: Russia wanted British justice to condemn Ukraine to resume payments.

I discussed this matter [in an interview I gave in April 2022](#) and since then there have been further developments. Let us go back over the events.

In December 2013, when Ukraine had Viktor Yanukovich as its president, who was closely linked to Putin's regime, the Russian Federation convinced Ukraine's Ministry of Finance to issue securities on the Dublin Stock Exchange in Ireland for an amount of 3 billion dollars. This was the first issue that was supposed to be followed by others to gradually reach \$15 billion. So the first issue of securities amounted to 3 billion and all the securities sold in Dublin were bought by the Russian Federation through a private company it had entrusted with this operation, the [Law Debenture Trust Corporation PLC](#). The interest rate was 5%. The following year, Russia annexed Crimea, which until then had been part of Ukraine. The Ukrainian government changed as a result of popular mobilizations, the exact nature of which is debatable as there was both a genuine popular rebellion and intervention by the right and extreme right. There was also the will of Western powers, especially Washington, to take advantage of popular discontent to weaken Putin and strengthen their own position. The new government continued for a while to pay back the debt to Russia. In total, \$233 million of interest was paid to Russia. Then in December 2015, when it was time to repay the principal (= the \$3 billion lent in December 2013) which fell due on 21 December of that year, the government decided to suspend the payment of the debt.

In brief, the Ukrainian government justified the suspension of payments by explaining that it had the right to take countermeasures against Russia because the latter had attacked Ukraine and annexed Crimea. And indeed, under international law, a state has the right to take countermeasures and suspend the fulfilment of a contract in such circumstances.

The [Law Debenture Trust Corporation PLC](#), representing the interests of the Russian Federation, took the case to the UK courts in London. Indeed, it had been established that the securities were issued in accordance with English law and that in case of dispute the British courts would have jurisdiction. Therefore, the [Law Debenture Trust Corporation PLC](#) filed a complaint against Ukraine asking the UK courts to order Ukraine to resume payment. The proceedings started in 2016.

There was a first judgement, followed by an appeal against the judgement. Then finally a session in the Supreme Court of the United Kingdom took place on 11 November 2021 (this session can be viewed in its entirety on the [website](#) of the Supreme Court of the United Kingdom).

It is worth noting that at first the British magistrates, notably the principal magistrate who was in charge at the beginning of the proceedings, was none other than William Blair, Tony Blair's brother, who had until recently very close business links with Putin's Russia. [He tended to rule in favour of Russia](#) since the UK judiciary wants to remain attractive to investors. Tony Blair's brother issued a judgement in March 2017 in which he rejected a series of obviously valid arguments put forward by Ukraine [5]. William Blair considered that there had been no real coercion by Russia on Ukraine. He considered that this was not a conflict between States. He accepted Russia's claim that the company that bought the Ukrainian securities (the Law Debenture Trust Corporation PLC) is a private entity. However, in reality, this company acts directly on behalf of Russia and it is Russia that actually bought all the securities.

Subsequently, the Court of Appeal challenged William Blair's ruling and in 2021 the case reached the final stages in the Supreme Court.

Since Russia's invasion of Ukraine that began at the end of February 2022, with huge loss of life and the perpetration of war crimes, it was difficult to foresee the Supreme Court siding with Russia against Ukraine in this case, when it had the support of the United States, Great Britain, the rest of the G7 (Canada, France, Germany, Italy and Japan) and a dozen other countries, mainly in Western Europe. The judgement handed down in March 2023 was heavily influenced by the dramatic turn of events in the conflict between Russia and Ukraine.

Finally, [the Supreme Court recognized that Russia had exercised duress against Ukraine](#).

However, the majority of the 5 judges refused to acknowledge that Ukraine was entitled to exercise counter-measures against Russia. They claimed that, although international law permitted a State to use counter-measures against another State that attacked or threatened to attack it, this is not applicable in British justice as British law does not provide for such a situation or does not take it into consideration! Only one of the judges affirmed that Ukraine had every right to have recourse to counter-measures against Russia. The official Press Summary can be seen [here](#): and the full judgement [here](#).

It conceded to Ukraine the right to a new trial to be brought before the British High Court of Justice.

The British justice system is thus playing for time while awaiting the outcome of the conflict.

The final judgement that will be handed down is of considerable importance as worldwide, about 15% of sovereign debt contracts fall under British law. Nearly 80 % are subject to the law of New York State. If the Court recognises that Russia has exercised duress against Ukraine and that Ukraine has the right to take counter-measures, this will set a precedent and other States will be able to invoke this precedent in their disputes with creditors. So it is a highly significant issue.

Sushovan Dhar: What is the CADTM's position on the cancellation of Ukrainian debt as a whole?

Éric Toussaint: While Washington and the allied governments, the IMF and the World Bank pretend to be very generous, they are in fact increasing Ukraine's debt and seek to take advantage of the situation created by the Russian invasion and the ongoing war. It is not the subject of this interview, but it is clear that the Western powers, especially Washington, and the big corporations of the military-industrial complex are pushing for a prolongation of the war.

The debt that Ukraine is accumulating already serves and will continue to serve in the future as a means of pressure in the hands of the creditors to make the country pursue its implementation of the anti-popular neoliberal model. The creditors will demand privatizations (of public enterprises, natural resources, arable land and so on) in order to appropriate part of Ukraine's wealth.

All debt demanded of Ukraine should be cancelled, just as the debts of the Global South should be cancelled. When we call for the cancellation of Ukraine's debt, we are not asking for a privilege for the Ukrainian people. We uphold the demand for the generalized cancellation of illegitimate debt, whether in the North or the South of the planet. All the peoples of the world should be freed from the yoke of illegitimate debt.

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Source: [CADTM](#).

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[1] https://ec.europa.eu/commission/presscorner/detail/en/QANDA_22_6701 accessed on 11 May 2023. Excerpt: “Following the European Council meeting of 20-21 October 2022, the Commission has today proposed a support package for Ukraine of up to €18 billion. This will come in the form of loans that would be disbursed as of 2023 through a Macro-Financial Assistance+ (MFA+) instrument.”

[2] This is what may be deduced from an official communiqué from the IMF: “IMF Executive Board Approves US\$15.6 Billion under a New Extended Fund Facility (EFF) Arrangement for Ukraine as part of a US\$115 Billion Overall Support Package.” Here is the part that leads us to our deduction: “A significant group of Fund shareholders reaffirm their recognition of the Fund’s preferred creditor status in respect of the amounts currently outstanding to the Fund by Ukraine, plus any purchases under the extended arrangement. These shareholders comprise the G7 and the following countries: Belgium, Lithuania, the Netherlands, Poland, Slovak Republic, and Spain. They further undertake to provide adequate financial support to secure Ukraine’s ability to service all of its obligations to the Fund, in accordance with the Fund’s preferred creditor status and complementing the Fund’s multilayered risk management framework.” This means that the countries of the South that are members of the IMF and China refused to adopt this formula. Source : <https://www.imf.org/-/media/Files/Publications/CR/2023/English/1UKREA2023001.ashx> accessed 11 May 2023.

[3] “Ambitious reforms will be required in the energy sector to enhance competition, improve market mechanisms, and reduce large quasi-fiscal risks.”

[4] “The program will comprise a two-phased approach: the first phase focuses on securing macroeconomic stabilization and undertaking critical structural reforms while the war is still ongoing; the second phase, once active combat has subsided sufficiently, will focus on further entrenching macroeconomic policies and embarking on a more expansive set of structural reforms to restore medium-term external viability, support sustained growth, and facilitate Ukraine’s path to EU accession.”

[5] See the comments by Monica Fera-Tinta and Alister Wooder, 'Sovereign debt enforcement in English Courts: Ukraine and Russia meet in the Court of Appeal in USD 3 bn Eurobonds dispute' <https://www.lexology.com/library/detail.aspx?g=ee2a9c0d-a27f-4b31-8e25-2f1e70c37f79>