

For True Sovereignty, Ukraine's Foreign Debt Must Be Canceled

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Even before Russia rained terror on its cities, Ukraine was a poor country with limited economic sovereignty. Today, Ukraine's creditors should free it of its debts, allowing it to rebuild on the basis of self-sufficiency and democratic choice.

Russia's invasion of Ukraine has already forced millions to flee the country and destroyed entire neighborhoods. Strong Ukrainian resistance and the resulting reorientation of Russia's attack have pulled most of the fighting away from Kiev. Yet even as some refugees return to the capital, the war continues — and the costs of rebuilding grow steeper by the day.

This will also take place in a particular economic context that has developed over recent years. Even before it made its formal application to join the European Union in late February, Ukraine has long made hesitating and partial steps toward EU integration, often taking rules from the bloc without being able to make rules itself.

Yuliya Yurchenko is a researcher in political economy and author of [Ukraine and the Empire of Capital: From Marketisation to Armed Conflict](#). She spoke to Jana Tsoneva about Ukraine's integration into Europe, the effects of the war on Ukrainian society, and how it can rebuild afterward.

JT | You've been a vocal advocate for [canceling Ukraine's foreign debt](#). Can you explain how debt has been used by creditors to keep Ukraine dependent and poor?

YY | There's a theoretical component and, intimately intertwined with that, a practical one. Theoretically speaking, it is an instrument of external control and expropriation of national wealth, diluting the sovereignty of the state and its decision-making. As is well-documented in literature on international financial institutions, debts are structured so that they're not easy to repay.

The conditionalities and the rules that follow from many such debts lock the receiving countries into a specific economic system. They promote capitalist neoliberal markets, and by design lead to socioeconomic inequalities. They lead to the shrinking of the state. That doesn't just mean the state having no power; for it has a lot of power when it comes to protecting capital from the interests of labor. But the state's role in keeping the social and welfare infrastructure, like social security, gets smaller. For example, there are "structural adjustment programs" which prescribe what states can spend the money on and what the budget structure is allowed to be like.

Ukraine suffered through the financial crisis, an eight-year war and then the pandemic. All this depleted Ukraine's budget — but its debt obligations remain. Moreover, most of the loans are denominated in dollars or euros, whereas Ukraine's currency has depreciated more than three times over these last fifteen years. So if you have a shrinking economy, dollar-denominated loans, and high interest rates, you end up the poorest country in Europe.

A case in point is Ukraine's Deep and Comprehensive Free Trade Agreement (DCFTA) with the European Union's single market, brought into force since 2016-17. The aim was to facilitate convergence to EU standards in various business-related regulations and areas of food safety, technical standards, public procurement, competition policy, intellectual property rights — everything. Ukraine is a rule taker here, not a rule maker. That itself is essentially a loss of sovereignty because it's never a dialogue. It's never a compromise. These rules are set.

It isn't only about DCFTA. But it's the latest stage and the extension of what we've just talked about. It involved more privatizations, a more market-based approach across all sectors, and the erosion of sovereignty of decision-making, economically but also on more ideological themes. You have quite a limited menu of what you can do as a politician in Ukraine.

JT | Russia wanted to create its own kind of parallel or alternative trade system and the Eurasian economic zone. What do you think the effects on Ukraine's economy and sovereignty would have been had it joined?

YY | There are fairly many things with which I disagree with Ukraine's second president, Leonid Kuchma, but he had a really good idea, at some point, of a "multi-vectoral foreign policy" — meaning Ukraine needs to be partners of many because of where it is geographically, of where it is located historically and the ties it has.

Ukraine wants to have access to the European and other Western markets because they're rich markets. And by necessity, you have to collaborate with international financial institutions, but also the country is deeply intertwined with Russia and the other post-Soviet republics. As the prime minister of Barbados said: [friends of all, satellites of none](#). That would have been fantastic.

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Stalinists in the West like to think of Russia as a counterweight to the United States, but Russia always has historically seen Ukraine and other post-Soviet republics as its own appendages. So, when Ukraine eventually picked its Western orientation, there was pressure from the West not to include Russia in trade negotiations.

This was a mistake — we're talking purely trade relations, and if there are Ukrainian firms that are trading with Russia and the standards according to which products are made are different in Russia and the EU, it makes perfect, purely economic sense to sit down and go, OK, how do we maintain the viability of these firms and these trade connections when the new trade agreements come into force? What's the problem with trading across different markets? By now, of course, the question of bi- and multilateral cooperation should be posed differently, as the war changed a lot. Still, I think the wise thing for Ukraine is to have a variety of partners, diversify its supply and demand (especially in the energy sector), and become as self-sufficient economically as possible.

JT | To what extent is the Ukrainian economy integrated with Russia's?

YY | Russia is an important trading partner, but less so over the years, even in the sphere of energy, which was more difficult to switch. Under the guise of energy sovereignty politics, there have been attempts to diversify sources, and I think it's a good idea, because energy is used as a geopolitical tool. To be honest, it has been such a tool historically, and it's not that Russia invented that.

A lot of Ukrainian trade with the post-Soviet states was energy and petrochemicals. The volumes of trade overall have been decreasing, though, not only now that the economy is in disarray but also

because of COVID in the last two years. But there has been a deliberate withdrawal from the Russian market since 2014; gas imports stopped in 2015 after a bitter dispute over the war, debts, and excess prices. The truth is, however, that gas from the EU is the reverse supply of Russian gas bought from EU suppliers, so Ukraine's energy independence is a long way off.

JT | If Ukraine is already integrated into European trade flows, at least before the war, will formal EU membership change anything?

YY | It's best to have good bilateral trading relationships, because then you can ensure some degree of protectionism in certain sectors.

But by now we are so far along with DCFTA that we're getting disproportionate negative effects, especially for small and medium enterprises. For them, the cost of adjustment to all these Western standards is much higher. If you impose extremely expensive procedures on people who are already struggling, they're going to try to find workarounds.

There's also this belief that once we're under Brussels' oversight, things will improve. One advantage of gaining formal EU membership is that we're bearing a lot of the costs already, without too many of the advantages. Take ecology, for example. There is so much illegal logging of centuries-old forests in the Carpathians — and not only there — providing timber for IKEA. If we get some degree of protection from EU environment regulation, and funding, that would be beneficial.

There's still the question of who would oversee the rules being followed. Where are the social guarantees against crazy neoliberal reforms and the predatory oligarchs in charge? Add in the functionaries skimming something off the top and you're left with nothing. Simultaneously, there has been such a consolidation of — I hate this term — civil society, with a lot of angry people watching for illegal loggers, a bit like forest vigilantes. There are similar examples of people stopping illegal construction of expensive apartment blocks in protected areas. In that sense, having reinforced legal infrastructure in place can help those who are already taking measures into their own hands. Access to COVID recovery funds, the European Green Deal, and other kinds of institutional and financial protections would also be beneficial.

JT | [Volodymyr Ishchenko](#) proposed that if Ukraine gets EU membership in exchange for Russian control over the Donbas, both Vladimir Putin and Volodymyr Zelensky can present themselves as victors and stop the war. What do you think of this as a compromise?

YY | I fundamentally disagree with that plan, because I do not want to give up our country's territory to Russian imperialists. Even if it were hypothetically possible, I probably would oppose it on two grounds. First, Ukraine needs to be sovereign in its constitutional borders of 1991. We cannot give up Ukrainian lands and have Ukrainians torn apart. Second, I do not believe that such a hypothetical scenario would save lives.

JT | But do you think Putin will go back home empty-handed?

YY | We need to defeat Russia militarily, and this is why Ukraine needs arms.

I know that people are suffering and they're being bombed. But I do not think that giving up more territory will save more people. If we were having this conversation in 2014, I may have agreed with it. And you know, when the Crimea was forfeited to Russia, I ground my teeth, but I said OK, at least no one died. I thought we needed to focus on preserving lives and the rest doesn't matter.

But I had a change of heart when I traveled to Luhansk. I didn't cross the border into the so-called LNR (the [Luhansk People's Republic](#) statelet, covering just part of the Ukrainian region) because it

was too dangerous. But I wanted to talk to the locals and to the battalions and see what was happening on the ground. I saw the destruction and the brutality with which that campaign was conducted by Russian troops and separatists. There was, frankly, a lot to criticize on both sides; still, we need to remember that it was a war of Russian aggression already in 2014, with an even longer campaign to undermine Ukraine and propaganda for the Russkiy Mir (Russian world) project.

This led me to question if there can be any peaceful resolution, because when you see it with your own eyes, you begin to think slightly differently, despite all the best pacifist intentions. And over these years, there were multiple reports, and we found out better what was going on in these occupied territories: kidnappings, torture, destruction of any political position, any trade unions that were not stooges, the illegal destruction of industry and dismantling of enterprises and coal mines, and so on.

I don't want that for any Ukrainian. How can we treat cities in Donbas as if they're pawns we can exchange away? Are those Ukrainians less important to fight for than the western Ukrainians? The residents of Russian-occupied regions will be kidnapped, tortured and subjected to all sorts of horrendous abuses. I will never support that.

The negotiations didn't work, that's why we're at war now. The issue is whether people in those cities want to be under Russian control — and they don't. And I'm sure that Russia will not stop at those cities and territories, that if we give them something, they are going to regroup in a few years, they will come back, all the while tormenting the local population and destroying the economy and ecology.

JT | Do you agree with calls for a no-fly zone?

YY | I am split on this, because it means NATO fighter jets in Ukraine's skies fighting the Russian ones. and we have seen what a similar level of warfare did in other countries — any city can be flattened. So such a no-fly zone is more dangerous for civilians. Moreover, this would mean direct NATO involvement and a higher risk of a nuclear strike. That's why I think that the Ukrainian Army should be sent arms and air defense systems instead, so that the sky is "closed" by Ukrainian troops.

I really don't think that NATO should get involved directly. In that sense, the diplomatic signs from the United States have been correct apart from gaffes from Joe Biden. There is a nuclear war at stake, and you have somebody who is basically a Prince Philip type in charge. But dragging in NATO is not a good idea in any way. We've seen what they've done in other places; they shouldn't be here and they should be disbanded as an organization altogether after the war.

The United Nations should be democratized and its permanent Security Council disbanded. I am for a proper horizontalization so that aggressors temporarily lose their right to vote. And military aid should be sent to countries that are facing aggression. But these are more kind of long-term goals. The immediate thing is to help the Ukrainian Army push the Russian Army out. Then we can talk of negotiations and changes in the international security and humanitarian order.

Russia comes to the table with a different set of demands every time. What negotiations can you have with a country whose president writes public letters that in one paragraph respect your right to self-determination and in the next say your country shouldn't exist? They bombed half of the country and we're supposed to be talking with them? No, they should be listening to our demands of compensation for the damages — and apologizing. That is the negotiation I want to see.

JT | In your book, you interestingly discuss the Dnipropetrovsk and Donetsk axis of the rival oligarchical clans. Even before the outbreak of the geopolitical issues, they were

already hotspots. Your book almost prophesies the generalization of these local, regional tensions and contradictions. Can you explain the oligarchy — and were you surprised when Russia invaded, given this context?

YY | The country was already split economically with the eastern industrial regions more integrated with Russian supply chains and markets. But these divisions were accentuated primarily for political reasons, with tactics taken straight from Edward Bernays's *Propaganda* textbook. Regional schisms happen and then get exploited in electoral campaigns. And the two fractions of the oligarchy vied for dominance over Kiev, because that translates into dominance over Ukraine's economy.

Back in 1991, there was a referendum for Ukraine's independence, and most people voted for independence, even in the east and in Crimea. So it wasn't a violent partition of Ukraine away from Russia; it was done through a democratic process with internal differences that then became accentuated during election campaigns.

That division became more pronounced during the 2004 campaign and the Orange Revolution, and then during the Euromaidan and the anti-Maidan period in 2013-14, when those for and against [now Russian-exiled] Viktor Yanukovych were riled against each other.

Now, with the invasion, members of the Party of Regions, associated with the Donetsk-Yanukovych clan, have fled Ukraine. Some have had their assets frozen internationally, and the party disbanded — and this is a big force that had almost 1.5 million members. Some new parties emerged from it. The big one is the Opposition Bloc, and there's been more fragmentation and intensification of the rivalry between different groups. Because some of these influential oligarchs and politicians whose enterprises are concentrated in the east, were seeking a form of a revenge. These industrial enterprises in the east are very energy intensive. Their profit margins depend on the favorable price of Russian gas. So those involved in heavy industry are naturally interested in close relations with Russia. I don't know if this can explain the war, though, since we need to factor in Putin's imperial ambitions and also these projects of creating a new hegemonic bloc with China and so on.

JT | **Suppose that Ukraine loses Donbas to Russia. How is that going to impact these local class and political rivalries?**

YY | It will further fragment the oligarchic competition in Ukraine, obviously because they may lose control over enterprises based in those territories. There may be a certain loss of political control, but we don't know yet to what degree. Clearly, lots of power networks have been disrupted but not completely dismantled.

Even after 2014, we saw a reorganization of the oligarchic networks. A lot of people went into exile and had to put different people in charge of their enterprises just to continue working.

So those configurations remain through many proxies. With Zelensky coming to power, there was this whole new party coming in, still as a proxy of the oligarchic regime. I don't think that he is a total puppet of the oligarch Ihor Kolomoysky, but he is a useful person for the oligarchs to have in charge because he is pushing for unbridled liberalization, the rollback of state control over the economy, and doing nothing to reign in the oligarchic grasp on Ukraine, its resources, and labor.

In that sense, we have a reconfiguration of people in the key positions, but are they pursuing qualitatively different policies? No. Are they stopping oligarchs' power from concentrating? No.

I argue for meaningful de-marketization, meaning a transfer of ownership of all oligarchic enterprises into collective ownership and management of their workers, but that's just my "commie"

dream. I do not know if they will ever materialize. The sad reality of liberalism in markets is that it leads to oligopolization and oligarchs — you need controls for competition to be effective and productive.

Even Biden started talking about going after Amazon and congratulated the Amazon workers on the union victory. That tells you a lot of the swings underway in the capitalist system; it is, by design, going to lead to state intervention and controls at some point. To me, this is the pure economic pragmatism of anyone who wants a stable, resilient economy, no matter where they stand on the political spectrum. I think this is something to lobby for, from those who come to rebuild Ukraine after the war.

I do not see a fundamental change in the direction that the country is taking yet. The essence of the system hasn't changed. There are slight changes to the modus operandi, but no change in how things generally work. I want to see it in the reconstruction plan.

JT | A final question about nationalism: You write that since independence, Ukraine has struggled at achieving a distinct cultural and national separateness — and the Russian leadership, most recently Putin, has always dismissed this notion. In Ukraine, two competing nationalism frames vied for dominance: monist and pluralist. How have the outbreak of civil war, post-2014, and now this war influenced the directions Ukrainian nationalism is taking?

YY | Monist and pluralist — that is Richard Sakwa's narrative; I agree with it to an extent, but to me that distinction is a false dichotomy. I like to think of the situation differently, through the lenses of decolonization and neo-imperialism and transnational class analysis.

I hold that Ukrainian nationhood is to be fought for together with the right for self-determination, as written into the constitution. That is, Ukraine is a unitary multiethnic, multireligious, multicultural nation, an imagined civic community, where all citizens are Ukrainians as a political category of choice, with the main language being Ukrainian. That also means all other minority groups having their inalienable, protected rights and social security. It means Ukraine as a melting pot built around its post-Russian-imperialist decolonization process.

Since 2014, de-Russification has often been mocked as a Ukrainian ethnonationalism of sorts. Well, when your nationhood is negated based on the [salad of history](#) coming from the Kremlin — also used as a premise for military intervention — the inevitable reaction is to dig through historical elements of culture, aesthetics, folklore, and through one's linguistic heritage. There's nothing surprising in that.

When the teaching of all things Ukrainian was exoticized for generations, like it was in the USSR, some cultural bias toward it gets internalized, a sense of cultural and linguistic inferiority inevitably develops. So there is a lot of unmaking of that to be done. The opposite of that inferiority also develops, and we see some people's nationalism, often as a reaction to the oppressor, owning one's narrative and taking pride rather than feeling mocked for one's heritage. Careful balancing policies will be needed to remedy these historic wounds.

As for the Russian speakers who have not bothered to learn Ukrainian in Ukraine after having been taught it in schools and after hearing it everywhere — they should ask themselves what kind of thinking prevented them from doing so. In private life, no one is stopping anyone from speaking any language, and Russian still dominates in many domains, including most print and online media. There is nothing wrong or embarrassing about Ukrainians celebrating their history, nor is it offensive to other ethnic groups. Celebration of cultural heritage is a healthy part of social life, so

long as it is respectful of all cultures and their heritages. The numerous ethnic, linguistic, religious, and cultural groups are all — and should be — welcomed and celebrated as part of one society. That is the premise on which Ukraine's future should be built.

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