

Ukraine, a powder keg

The US is pulling the strings in the background – with China and Europe as adversaries

by Ernst Wolff*



Ernst Wolff
(Picture pma)

Ukraine is increasingly becoming a highly explosive powder keg for the international community. A few weeks ago, President Volodymyr Selenskyj deliberately fueled the conflict, which has been simmering for several years, by announcing his intention to retake the

Crimean peninsula annexed by Russia in 2014 and the Donbass region dominated by pro-Russian separatists.

Recently, he added fuel to the fire by calling on NATO to speed up Ukraine's admission to the military alliance. This week, the Ukrainian ambassador to Germany spoke in even more extreme terms. He threatened nuclear armament if Ukraine was not accepted into NATO soon enough.

In addition to these increasingly harsh threats, military movements in and around the country do not bode well. Russia has concentrated over 40,000 troops on the border with eastern Ukraine, according to the Ukrainian government. The US has asked the Turkish government to allow two warships to pass through the Black Sea; the NATO high command has announced joint maneuvers with the Ukrainian army.

The Ukrainian context:

politically, the ex-comedian fell flat on his face

It is no coincidence that Ukrainian President *Selenskyj* is escalating the conflict so radically: politically, he has his back to the wall.

Two years ago, things looked different: in April 2019, *Selenskyj* clearly won the presidential runoff election against his predecessor *Poroshenko* with 73.22 percent of the vote. Many Ukrainians hoped that the politically inexperienced actor and comedian, who had announced to end cor-

ruption in the country, would campaign for the majority of the working population.

But it soon became clear that *Selenskyj*, once in power, was not standing up for the common people. To this day, corruption thrives in this poverty-stricken country (monthly income per capita is less than 250 euros), the economy is shrinking, poverty and homelessness are widespread.

None of this is surprising, given that Ukraine is firmly in the grip of the *International Monetary Fund* (IMF). Without its loans, the country, whose national budget has consistently been under \$40 billion in recent years, could barely survive financially. Alone the latest loan, in June 2020, amounts to \$5 billion, or almost 15 percent of public spending.

The big problem for Ukraine is that IMF loans come with very strict conditions. Social spending has to be cut, pensions reduced, energy costs increased and civil service jobs eliminated. The IMF thus ensures a drastic reduction in the standard of living of large sections of the population and ever greater social tensions. On the economic front, the situation is made more difficult by the fact that the country's foreign currency reserves are largely exhausted and the Ukrainian currency, the *hryvnia*, has been weakening for years.

The power in the background: the United States

Dependence on the IMF is not the only thing that shows the extent to which Ukraine depends on a drip feed from the US. Since the global financial crisis of 2007/08 hit the country hard – exports fell by 40 percent, industrial production dropped by about 22 percent – more and more US capital has been flowing into the country.

After the 2014 *Maïdan* demonstrations, which the US helped fund to the tune of \$5 billion, and the replacement of the pro-Russian government by the new pro-Western cabinet led by Prime Minister *Arseniy Yatsenyuk*, then-Vice President *Joe Biden* visited Kiev in April 2014 as *Obama's* envoy for Ukraine.

As the world has since learned through the release of recordings of several phone calls between him and former President *Poroshenko*,

* *Ernst Wolff* was born in 1950 in Southeast Asia. He is a German journalist and author whose interests include the interrelationship between international politics and global finance.

Biden used his influence to fund political parties, appoint senior officials and do whatever he could to reduce Ukraine's dependence on Russian energy supplies.

In addition, he got his son *Hunter* a well-paid job in the natural gas company of a Ukrainian oligarch. When a Ukrainian prosecutor began investigating this for favoritism, Biden threatened the Ukrainian government with the suspension of \$1 billion in US loan guarantees to Ukraine, which led to the prosecutor's dismissal.

In November 2014, *Nataliya Yaresko*, an American citizen and Wall Street investment banker, was naturalised under Biden's aegis and appointed Ukraine's finance minister on the same day. Her policies have favored, among others, agribusiness multinationals like Monsanto, which have bought up large parts of the country from the impoverished peasantry.

In the same month Ms Yaresko took office, the 42.3 tons of gold held by Ukraine disappeared inexplicably, with all signs pointing to its transfer to the US.

The US finds itself in historic difficulties

Since taking office, Joe Biden has done everything possible to support his former comrades-in-arms in Kiev in escalating tensions with Russia. In early March, he reaffirmed that Crimea belongs to Ukraine. In mid-March, he called the Russian president a "murderer" in an interview on ABC television. Last week he assured Selenskyj online of "full US support against Russia"; last Thursday [April 15], he announced that ten Russian diplomats would be expelled from the US.

This extreme escalation of the Ukrainian conflict by the US is no coincidence either. One year after the global recession began and the world economy "slowed down" as a result of the pandemic measures, the US economy and financial system are facing enormous problems.

As in 2007/08, the faltering system was saved from collapse by huge monetary injections combined with interest rate cuts. This time, however, we have reached a historic low. By lowering interest rates to almost zero, the only way left to the US central bank in the next crisis is unbridled money printing.

Creation of a central bank digital currency

This is why a lot of work is being done to abolish cash and introduce a *central bank digital cur-*

rency. However, in doing so, they have fallen considerably behind the world's leading competitor. China, which is also working on a digital central bank currency, could not only issue its e-yuan before the electronic dollar, but also immediately put it into international circulation via the Digital Silk Road, which has been operational since 2015, and, in addition, back it with gold.

Such a move by China would be the most serious blow ever to the position of the US dollar and would almost certainly signal the end of US financial supremacy. It is for this reason that Washington began several years ago to impose ever new sanctions against China and to intensify the currency war with that country.

But there is an intractable problem: on the one hand, China is still the largest holder of US government bonds and thus one of the most important US financiers, and on the other hand, it has become the US's "workbench" over the past decades. A direct war against China would therefore mean a cut in the very flesh of the US.

But there would be yet another way to torpedo China, and it would also be extremely damaging to a second competitor of the US, namely the European Union (EU). It would consist of the destruction of the New Silk Road.

Ukraine would be the ideal place for the US to harm the EU too

The New Silk Road is the largest economic project in all human history. It is supposed to make Asia, the Middle East and Europe the largest economic area in the world.

Ukraine plays a very special role in this respect. Not only is it of key strategic importance for Western European countries in their rapprochement with the East, but it is also the most important transit country for Russian natural gas exports and thus a thorn in the side of the US fracking industry, which is desperate to do business with Europe.

For the US, there is therefore more than one reason to succumb to the temptation of war in Ukraine. No one can predict whether it will come to that, but there are growing signs of a military confrontation that could escalate rapidly.

Source: <https://deutsche-wirtschafts-nachrichten.de/511267/Pulverfass-Ukraine-Die-USA-spannen-im-Hintergrund-die-Faeden-mit-China-und-Europa-als-Gegner>, April 18, 2021

*With the kind permission of Deutsche Wirtschaftsnachrichten (DWN)
(Translation "Swiss Standpoint")*