The Capitalists Are Circling Over Ukraine

The war is creating massive profit opportunities

By Thomas Fazi
Global Research, July 07, 2023
UnHerd 5 July 2023

Region: Europe
Theme: Global Economy, Intelligence
In-depth Report: UKRAINE REPORT

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Two weeks ago, thousands of representatives from businesses and governments from across the world gathered in London to "support Ukraine's recovery". But was the gathering of all those Western corporate elites at the Ukraine Recovery Conference entirely altruistic? There are, after all, massive profit opportunities being created by the war.

Last year, the Ukrainian government essentially outsourced the entire post-war "reconstruction" process to BlackRock, the world's largest asset management firm. They signed an agreement to "provide advisory support for designing an investment framework, with a goal of creating opportunities for both public and private investors to participate in the future reconstruction and recovery of the Ukrainian economy". In February, J.P. Morgan was brought on board as well.

The two banks will run the Ukraine Development Fund, which aims to raise private investment in projects potentially worth hundreds of billions of dollars across sectors including tech, natural resources, agriculture and health. BlackRock and J.P. Morgan are donating their services, but, as the *Financial Times* noted, "the work will give them an early look at possible investments in the country". The opportunities are significant, particularly in the agricultural sector: Ukraine is home to a quarter of the world's chernozem ("black earth"), an extraordinarily fertile soil, and before the war it was world's top producer of sunflower meal, oil and seed, and one of the biggest exporters of corn and wheat.

From certain perspectives, the war is clearly good for business: indeed, the greater the destruction, the greater the opportunities for reconstruction. At Davos this year, **Larry Fink,** CEO of BlackRock, said he hoped the initiative would turn the country into a "beacon of capitalism". **David Solomon,** CEO of Goldman Sachs, also spoke cheerily of Ukraine's post-war future. "There is no question," he said, "that as you rebuild, there will be good economic incentives for real return and real investment."

Seeing opportunity amid the tragedy, 500 global businesses from 42 countries have already signed the Ukraine Business Compact "to help realise its huge potential" — or secure their slice of the Ukrainian pie. "Most are standing on the sidelines for now, given the security threat," the *FT* reported. "But there are already companies on the cusp of moving in — especially in the low-hanging-fruit industries of construction and materials, agricultural processing and logistics."

Over the years, across a series of similar events, Western governments and corporate leaders have made no secret of their enthusiasm to use the post-Maidan regime — and now the war — to radically alter Ukraine's political economy. The agenda: to open up the country and make it safe for Western capital by transforming it into a special economic zone. This neoliberal shock therapy should, in their view, include "strengthening the market economy", "decentralisation, privatisation, reform of state-owned enterprises, land reform, state administration reform", and "Euro-Atlantic integration", as well as widespread "deregulation" and the slashing of "outdated labour legislation leading to complicated hiring and firing process, regulation of overtime, etc". In short, the Washington Consensus on steroids.

This programme has, arguably, been underway since the mid-Nineties, when the West used IMF loans-*cum*-conditionalities to impose on Ukraine, just as it did on Russia, a series of radical free-market-minded reforms that crippled the economy. As the Indian economist Prabhat Patnaik has pointed out, the IMF played a key role in precipitating the 2014 crisis: Ukraine's then-President, **Viktor Yanukovych**, refused to accept IMF demands that he cut wages, slash social spending and end gas subsidies in order to integrate with the EU, and turned instead to Russia for an alternative economic agreement. This was the backdrop for the Western-backed Euromaidan protests and, eventually, the 2014 regime change.

After 2014, the West's economic agenda was stepped up once again. Western multinationals had long had their eyes on Ukraine's vast agricultural wealth, but a 2001 moratorium on the sale of land to foreigners had always represented an obstacle to unrestrained privatisation. As post-Maidan governments turned again to the IMF for financing, aid was conditioned on a series of land reforms that would finally allow foreign corporations to acquire vast tracts of the country's farmland. In the 2015 TV series, *Servant of the People* — which starred Zelenskyy as the fictional president, Goloborodko — the conditions required by the IMF for a new loan are rejected and the Western delegation is expelled. But in reality, things went rather differently. In 2020, Zelenskyy gave in to the IMF's demands and finally repealed the moratorium.

"Agribusiness interests and oligarchs will be the primary beneficiaries of such reform," said Olena Borodina of the Ukrainian Rural Development Network. "This will only further marginalise smallholder farmers and risks severing them from their most valuable resource." But the World Bank could barely contain its excitement, gushing: "This is, without exaggeration, a historic event." Even though the new law isn't set to come into force until next year, US and Western European agrobusinesses have already bought up millions of hectares of Ukraine's farmland — with 10 private companies reportedly controlling most of it.

As war has raged, the West's calls for "structural reforms" in Ukraine have only intensified. In mid-2022, the Center for Economic Policy Research (CEPR), an influential European think tank, published a report, *Macroeconomic Policies for Wartime Ukraine*, which argued that

Ukraine's aim should be "to pursue extensive radical deregulation of economic activity". Even more troublingly, according to the Oakland Institute economic observatory, Western financial aid "is being used as a leverage by the financial institutions to drive post-war reconstruction towards further privatisation and liberalisation reforms". The European Union, for example, made it clear that the bloc's decision to suspend interest payments on Ukraine's loans would only be activated if there were "compliance with political prerequisites" with regard to labour reforms, for example, and the privatisation of state assets.

It came as no surprise, then, when last year the Ukrainian government adopted wartime legislation to severely curtail the ability of trade unions to represent their members. It gave employers the right to unilaterally suspend collective agreements and effectively exempted the vast majority of employees from Ukrainian labour law — a dramatic rollback for workers but a boon for global capital. Western governments have silently consented to the reforms and, in fact, leaked documents from 2021 indicate that the UK, via its development aid arm, UK Aid, and its embassy in Kyiv, was funding consultants to assist the Ukrainian government in selling the labour market reforms to the people.

As the Ukrainian government has simplified and accelerated the privatisation of state-owned enterprises, Zelenskyy would seem to have gone out of his way to similarly express the country's "openness" to Western capital. Last September, he virtually opened the New York Stock Exchange, symbolically ringing the bell via video stream. He used the occasion to present "Advantage Ukraine", his government's new investment initiative (which relies on another British firm, WPP, for its marketing side). Zelenskyy said that his country was "open for business" — that is, for foreign corporations to come and exploit its resources and cheap labour. "I committed my administration to creating a favourable environment for investment that would make Ukraine the greatest growth opportunity in Europe since the end of the Second World War," he wrote in the *Wall Street Journal*. Predictably, the president of the NYSE Group, Lynn Martin, wholeheartedly welcomed Ukraine's decision to offer "unfettered access to capital".

In January this year, addressing the participants of the meeting of the National Association of State Chambers, Zelenskyy described American business as the "locomotive that will once again push forward global economic growth". No one would blame Zelenskyy for choosing the lesser of two evils here: Western banks over Russian tanks. Yet, the grim fact remains that even if his nation succeeds in repealing the Russian invasion, the future in store for Ukraine is not necessarily one of sovereignty and self-determination but, most likely, one of Western economic tutelage.

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***Thomas Fazi** is an UnHerd columnist and translator. His latest book is The Covid Consensus, co-authored with Toby Green.*

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Articles by: **Thomas Fazi**