

GMO Crops for Ukraine: The West's Agri-Business Conglomerates Snap up Ukraine's Bread Basket

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At the same time as the United States, Canada and the European Union announced a set of new sanctions against Russia in mid-December last year, Ukraine received US\$350 million in US military aid, coming on top of a \$1 billion aid package approved by the US Congress in March 2014.

Western governments' further involvement in the Ukraine conflict signals their confidence in the cabinet appointed by the new government earlier in December 2014. This new government is unique given that three of its most important ministries were granted to foreign-born individuals who received Ukrainian citizenship just hours before their appointment.

The Ministry of Finance went to Natalie Jaresko, a US-born and educated businesswoman who has been working in Ukraine since the mid-1990s, overseeing a private equity fund established by the US government to invest in the country. Jaresko is also the CEO of Horizon Capital, an investment firm that administers various Western investments in the country.

As unusual as it may seem, this appointment is consistent with what looks more like a takeover of the Ukrainian economy by Western interests. In two reports - "The Corporate Takeover of Ukrainian Agriculture" and "Walking on the West Side: The World Bank and the IMF in the Ukraine Conflict" - the Oakland Institute has documented this takeover, particularly in the agricultural sector.

A major factor in the crisis that led to deadly protests and eventually to president Viktor Yanukovich's removal from office in February 2014 was his rejection of a European Union Association agreement aimed at expanding trade and integrating Ukraine with the EU - an agreement that was tied to a US\$17 billion loan from the International Monetary Fund (IMF).

After the president's departure and the installation of a pro-Western government, the IMF initiated a reform program that was a condition of its loan with the goal of increasing private investment in the country.

The package of measures includes reforming the public provision of water and energy, and, more important, attempts to address what the World Bank identified as the "structural roots" of the current economic crisis in Ukraine, notably the high cost of doing business in the country.

The Ukrainian agricultural sector has been a prime target for foreign private investment and is logically seen by the IMF and World Bank as a priority sector for reform. Both institutions praise the new government's readiness to follow their advice.

For example, the foreign-driven agricultural reform roadmap provided to Ukraine includes facilitating the acquisition of agricultural land, cutting food and plant regulations and controls, and reducing corporate taxes and custom duties.

The stakes around Ukraine's vast agricultural sector – the world's third-largest exporter of corn and fifth-largest exporter of wheat – could not be higher. Ukraine is known for its ample fields of rich black soil, and the country boasts more than 32 million hectares of fertile, arable land – the equivalent of one-third of the entire arable land in the European Union.

The maneuvering for control over the country's agricultural system is a pivotal factor in the struggle that has been taking place over the last year in the greatest East-West confrontation since the Cold War.

The presence of foreign corporations in Ukrainian agriculture is growing quickly, with more than 1.6 million hectares signed over to foreign companies for agricultural purposes in recent years. While Monsanto, Cargill, and DuPont have been in Ukraine for quite some time, their investments in the country have grown significantly over the past few years.

Cargill is involved in the sale of pesticides, seeds and fertilizers and has recently expanded its agricultural investments to include grain storage, animal nutrition and a stake in UkrLandFarming, the largest agribusiness in the country.

Similarly, Monsanto has been in Ukraine for years but has doubled the size of its team over the last three years. In March 2014, just weeks after Yanukovich was deposed, the company invested \$140 million in building a new seed plant in Ukraine.

DuPont has also expanded its investments and announced in June 2013 that it too would be investing in a new seed plant in the country.

Western corporations have not just taken control of certain profitable agribusinesses and agricultural activities, they have now initiated a vertical integration of the agricultural sector and extended their grip on infrastructure and shipping.

For instance, Cargill now owns at least four grain elevators and two sunflower seed processing plants used for the production of sunflower oil. In December 2013, the company bought a "25% +1 share" in a grain terminal at the Black Sea port of Novorossiysk with a capacity of 3.5 million tonnes of grain per year.

All aspects of Ukraine's agricultural supply chain – from the production of seeds and other agricultural inputs to the actual shipment of commodities out of the country – are thus increasingly controlled by Western firms.

European institutions and the US government have actively promoted this expansion. It started with the push for a change of government at a time when president Yanukovich was seen as pro-Russian interests. This was further pushed, starting in February 2014, through the promotion of a "pro-business" reform agenda, as described by the US Secretary of Commerce Penny Pritzker when she met with Prime Minister Arseniy Yatsenyuk in October

2014.

The European Union and the United States are working hand in hand in the takeover of Ukrainian agriculture. Although Ukraine does not allow the production of genetically modified (GM) crops, the Association Agreement between Ukraine and the European Union, which ignited the conflict that ousted Yanukovich, includes a clause (Article 404) that commits both parties to cooperate to “extend the use of biotechnologies” within the country.

This clause is surprising given that most European consumers reject GM crops. However, it creates an opening to bring GM products into Europe, an opportunity sought after by large agro-seed companies such as Monsanto.

Opening up Ukraine to the cultivation of GM crops would go against the will of European citizens, and it is unclear how the change would benefit Ukrainians.

It is similarly unclear how Ukrainians will benefit from this wave of foreign investment in their agriculture, and what impact these investments will have on the seven million local farmers.

Once they eventually look away from the conflict in the Eastern “pro-Russian” part of the country, Ukrainians may wonder what remains of their country’s ability to control its food supply and manage the economy to their own benefit.

As for US and European citizens, will they eventually awaken from the headlines and grand rhetoric about Russian aggression and human rights abuses and question their governments’ involvement in the Ukraine conflict?

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