

IMF: Ukraine Must Now Steal \$1.5 Billion+ from Russia to Buy Weapons

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IMF: Ukraine will not pay back [part of] its debts to Russia

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In December, a multi-billion-dollar loan [variously stated as \$3-\$3.5 billion] to Ukraine comes due, which Ukraine had received from Russia. The IMF has provided a new debt plan, however, dictating that existing loans to Ukraine that have an expiration-date are to be subjected to a haircut. Thus, the resource gap of the country totaling \$40 billion is to be reduced.

Since the crisis, Ukraine has received several loans from the IMF and the EU [and the U.S.]. These loans must be repaid in a few years from now. However, the financial situation of the country remains vulnerable. Over the next four years overdue loans totaling \$15 billion need to be paid [they're mostly loans from Russia]. Only three billion of them are an old loan Russia that has to be paid in December of this year. The IMF might prevent it [from being repaid in full, even though it has seniority over the new loans that are coming from the West].

The IMF has developed a program for Ukraine, under which the current financial hole is to be filled in the amount \$40 billion. The due debts [the senior debt] are part of the plan, and will be restructured, according to the IMF. Exactly how it is to happen, the IMF does not explain. Experts say that the IMF believes that Russia should participate in a haircut. The Financial Times reports [["Bailout projections indicate Ukraine will not repay Russia debt"](#) 5:21 PM, 22 March 2015] that the IMF requires that Russia's \$3.5 billion bond issue be included in the restructuring. Charles Blitzer, a former IMF employee, has informed the FT of this.

However, Blitzer is uncertain how large the haircut will be. "It is up to the Ukrainian authorities to determine the extent and nature of the debt restructuring," he said. [In other words: the IMF will grant Ukraine the right to determine how much of that \$3-3.5B will be repaid to Russia. The [Kyiv Post puts it this way](#): "Kyiv does not intend to fully repay a \$3 billion bond owed to Russia this year according to official projections underpinning Ukraine's new international bailout, say credit experts."] Government sources close to the matter estimate that there will be a planned debt reduction of 50 percent. "But creditors would rather try to agree on a term extension," said Blitzer.

Whether all international creditors will accept a haircut, and if so, to what extent, is not yet

clear. Last week, Russian Finance Minister Anton Siluanow said that Russia still expects that the \$3.5B debt will be repaid this December in full. And Franklin Templeton [Funds], the largest bondholder of Ukraine, has brought in Blackstone legal help for debt negotiations.

Last week, the Ukrainian Finance Minister [the American] Natalija Jaresko told the WSJ that so far pledged loans to Ukraine [\$40B] will not be enough to bring Ukraine back onto its feet. "The package will stabilize the banking system, but it is not enough to seriously re-stimulate growth," said Jaresko. "I need more support." She said that no nation currently pays more to protect the entire world from a nuclear power [Russia] than does Ukraine, and that, "if our partners, for whatever reason, are not able to assist us with defensive military means, then they should provide us more financial assistance [so that we can buy the weapons against Russia ourselves]."

This past Friday, the Ukrainian central bank had to explain why three of Ukraine's banks were being declared insolvent. The VAB Bank, Astra Bank and the City Commerce Bank are now deprived of their licenses. At the same time, Ukraine is already planning an expansion of military resources. In sum, for the year of 2015, a total of \$3.8 billion will be spent on armaments. [This by a country that cannot even pay its bondholders, when all of the new Ukrainian bonds are actually paying only for [Ukraine's war against the residents of its own former Donbass region.](#)]

Investigative historian Eric Zuesse is the author, most recently, of [They're Not Even Close: The Democratic vs. Republican Economic Records, 1910-2010](#), and of [CHRIST'S VENTRILOQUISTS: The Event that Created Christianity](#), and of [Feudalism, Fascism, Libertarianism and Economics](#).

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