



# REVOLUTIONARY COMMUNISM

Theoretical Review of the Revolutionary Communist International Tendency



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## Ukraine: A Capitalist Semi-Colony

On the imperialist exploitation and deformation  
of the Ukraine since capitalist restoration in 1991

By Michael Pröbsting

# English-Language Theoretical Review of the Revolutionary Communist International Tendency (RCIT), New Series No.85, February 2023

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Picture on the cover: The Antonov An-225 Mriya, the largest aircraft ever built, was destroyed at the beginning of the Ukraine War (Source: Wikipedia, [https://en.wikipedia.org/wiki/2022\\_Russian\\_invasion\\_of\\_Ukraine#/media/File:50\\_%D0%B4%D0%BD%D1%96%D0%B2\\_%D0%B0%D0%BA%D1%82%D0%B8%D0%B2%D0%BD%D0%BE%D0%B3%D0%BE\\_%D1%81%D0%BF%D1%80%D0%BE%D1%82%D0%B8%D0%B2%D1%83\\_%D0%BE%D0%BA%D1%83%D0%BF%D0%B0%D0%BD%D1%82%D1%83\\_02.jpg](https://en.wikipedia.org/wiki/2022_Russian_invasion_of_Ukraine#/media/File:50_%D0%B4%D0%BD%D1%96%D0%B2_%D0%B0%D0%BA%D1%82%D0%B8%D0%B2%D0%BD%D0%BE%D0%B3%D0%BE_%D1%81%D0%BF%D1%80%D0%BE%D1%82%D0%B8%D0%B2%D1%83_%D0%BE%D0%BA%D1%83%D0%BF%D0%B0%D0%BD%D1%82%D1%83_02.jpg))

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# Ukraine: A Capitalist Semi-Colony

## On the exploitation and deformation of Ukraine's economy by imperialist monopolies and oligarchs since capitalist restoration in 1991

By Michael Pröbsting, International Secretary of the Revolutionary Communist International Tendency (RCIT), January 2023

### INTRODUCTION

The beginning of Russia's invasion of the Ukraine in February 2022 has catapulted this Eastern European country into the centre of world politics. It obligates each and every political current to take a stance on this issue; even more, it has become a key demarcation line between those who adapt or even capitulate to one or the other imperialist Great Power and those who take a principled internationalist and anti-imperialist position in support of oppressed peoples.

The *Revolutionary Communist International Tendency* (RCIT) and its section in Russia – *Socialist Tendency* – have sided with the Ukraine's war of national defence against Putin's invasion from the very beginning. While we lend no *political* support for the bourgeois Zelensky government, we support the liberation struggle of the Ukrainian people and call for its material support (including military aid). Based on such an approach of taking the side of the oppressed, we have (co-)organised three convoys to the Ukraine and other solidarity activities.<sup>1</sup>

At the same time, we emphasise the *dual character* of the conflict as the just war of the Ukrainians is combined with the accelerating rivalry between the imperialist powers. In this conflict between Russia and NATO, socialists must take a position of revolutionary defeatism, i.e. of intransigent opposition against both camps and against all forms of Great Power chauvinism and militarism (like sanctions, etc.). Hence, the RCIT advocates an internationalist and anti-imperialist position which we summarise in the slogan: "*Defend the Ukraine against Putin's invasion! Against Russian and against NATO imperialism!*"<sup>2</sup>

A key argument for our position is the analysis of the *class character* of the forces involved in this conflict. In contrast to the vast majority of self-proclaimed socialists, we have recognised the imperialist character of Russia since more than two decades. Its economy is dominated by domestic monopolies which are exporting capital and squeeze extra-profits from semi-colonial countries (mostly, but not exclusively, in Central Asia and Eastern Europe). Likewise, Russia's economy gains from a large layer of migrants who are super-exploited as cheap labour force. At the same time, Russia is a nuclear power and a key player in world politics which has military intervened in several countries in the past one and a half decades<sup>3</sup> (in addition to two bloody wars against the heroic Chechen people).<sup>4</sup>

As the focus of this pamphlet is class character of the Ukraine, we will not discuss the issue of Russian imperialism in more detail at this place, even more so as we have already done so in several pamphlets dedicated to this subject.<sup>5</sup> For the same reason, we will not deal at this point with our analysis of the Western powers and the inter-imperialist rivalry and refer readers to our book

"*Anti-Imperialism in the Age of Great Power Rivalry*" as well as other works.<sup>6</sup>

The RCIT has also always emphasised that the Ukraine – in contrast to the imperialist Great Powers (U.S., Russia, China, Western Europe and Japan) – has a different class character, concretely that it is a capitalist semi-colonial country. This means that the Ukraine is, first and foremost, a country which does not primarily exploit and oppress other nations but that it is rather one which is a victim of imperialism. While the Ukraine is formally an independent state since 1991, it is, in essence, oppressed by Great Powers. Its economy experiences super-exploitation by foreign monopolies and, politically, it is dominated by imperialist states.

We consider such an analysis as crucial for understanding the specific class character of the Ukraine and, hence, for understanding the class character of the current war. In this pamphlet we will elaborate our analysis of the Ukraine as an industrially advanced but dependent capitalist semi-colony.

A final note. As the reader will see, our analysis of the Ukraine's class character is based on a survey of its social and economic development since 1991. We show that the semi-colonial deformation and subordination of this country started immediately after it became formally independent. In other words, it is not a result of the events in 2014 and the years after or the current war. These latest developments have, undoubtedly, modified and accelerated the subordinated and oppressed position of the Ukrainian people but they are not the fundamental cause of it.

In order to gain real independence, the Ukrainian workers and oppressed face the great task of defeating the Russian invasion, of shaking off its subordination by NATO imperialism and of expropriating their domestic enemy – the oligarchs and their corrupted lackeys in the political establishment. In other words, the road to freedom depends on the success of a political and social revolution of the Ukrainian workers which abolishes capitalist exploitation and imperialist domination and opens the door to a socialist future!



## I. THE MARXIST THEORY OF IMPERIALISM AND THE CONCEPT OF SEMI-COLONIES

We shall begin with a brief summary of the Marxist theory of imperialism, and, as an integral part of it, of the concept of semi-colonies. Again, we will limit ourselves to a short presentation as we have elaborated on these issues extensively in our book *"The Great Robbery of the South"* and various other works.<sup>7</sup>

Lenin, the most important contributor to the Marxist theory of imperialism, described the essential characteristic of imperialism as the formation of monopolies which dominate the economy. Related to this, he pointed out the fusion of banking and industrial capital into financial capital, the increase in capital export alongside the export of commodities, and the struggle for spheres of influence, specifically colonies.<sup>8</sup>

The class character of states can not be understood *in isolation*. As a matter of fact, all states are related with each other as they are part of the capitalist world economy and the imperialist global system. Hence, the class character of a country has to be viewed *in relation to other states and nations*. The same, by the way, is the case with classes whose character can also be only understood by analysing their relationship with other classes.

A key feature of imperialism is the fact that the formation of monopolies and Great Powers has led to the division of the entire world into different spheres of influence dominated by rivaling imperialist states and the subjugation of most countries under these few Great Powers. From this follows an essential feature of Lenin's (and Trotsky's) analysis of imperialism: the characterization of the connection between the imperialist states, on one hand, and the huge majority of people living in the capitalistically less

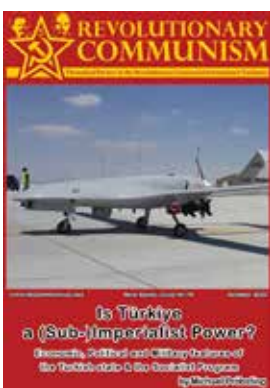
developed countries, on the other hand, as a *relationship of oppression*. As a result, the Marxist theoreticians in the 20<sup>th</sup> century explained that the *"division of nations into oppressor and oppressed ... forms the essence of imperialism."*<sup>9</sup>

The economic basis of the relationship between imperialist and semi-colonial states is what Lenin called the *super-exploitation* of these oppressed nations by the imperialist monopolies. Because of such super-exploitation, monopoly capital can acquire – in addition to the average profit rate – an extra profit. These extra-profits are important additions to the profits which monopoly capital already extracts from the workers in the rich countries. They are also, by the way, an essential source to bribe the upper, aristocratic sectors of the working class and in particular the labour bureaucracy in the imperialist countries – features which help to consolidate the rule of monopoly capital.

In our above-mentioned book, *The Great Robbery of the South*, we have elaborated basically four different forms of super-exploitation by which monopoly capital obtains extra profits from (semi-)colonial countries:

- i) Capital export as productive investment
- ii) Capital export as money capital (loans, currency reserves, speculation, etc.)
- iii) Value transfer via unequal exchange
- iv) Value transfer via migration (based on the super-exploitation of migrants, a nationally oppressed layer of the working class)

The relationship between states has to be seen always in the totality of its economic, political, and military features – *"the entire totality of the manifold relations of this thing to others"* (Lenin).<sup>10</sup> Not all forms of oppression and



### *Publications of the RCIT*

## Is Türkiye a (Sub-)Imperialist Power?

The economic, political and military features of the Turkish state, its class character and the program-matic consequences for socialists.

A contribution to an ongoing debate amongst Marxists

*By Michael Pröbsting, September 2022*

**Introduction** \* On the practical meaning of Marxist analysis of imperialism \* A brief summary of the Marxist category of imperialism \* "Sub-imperialism" vs "semi-colonial regional power": notes on two opposite conceptions \* The dependent and semi-colonial character of Türkiye's economy \* The Erdoğan government: a bonapartist regime combined with limited bourgeois-parliamentary democracy \* Türkiye's role as a regional military power \* Türkiye: An Advanced Capitalist Semi-Colony and a Semi-Colonial Regional Power \* Marxist tactics in Türkiye's military interventions \* On the anti-Muslim and anti-Turkish tradition of Great Russian chauvinism as well as of European Occidentalism \* Conclusions \* Footnotes

*A RCIT Pamphlet, 20 pages, A4 Format*

super-exploitation do necessarily exist in the relationship between an imperialist and a semi-colonial state, and these features might exist in various combinations.

Since the subject of our pamphlet is the analysis of the Ukraine as a capitalist semi-colony, we shall focus on our definition of such type of country. A semi-colonial country is formally an independent state (in contrast to a colony). However, it shares with the latter the essential features – domination and super-exploitation by imperialism.

We emphasise this point since a number of socialists get confused by the formally independent status of most countries in the Global South. From this, they conclude that such countries would have a completely different character than colonies. However, it is our task to identify the *essence* of a relationship behind the formal appearance or, to put it in the words of Marx in Volume III of *Capital*, “it is a work of science to resolve the visible, merely external movement into the true intrinsic movement.”<sup>11</sup>

In conclusion, we have summarized the RCIT’s definition of semi-colonies, in accordance with the understanding of the Marxist classics,<sup>12</sup> as follows: *A semi-colonial country is a capitalist state whose economy and state apparatus have a position in the world order where they first and foremost are dominated by other states and nations. As a result, they create extra-profits for and give other economic, political and/or military advantages to the imperialist monopolies and states through their relationship based on super-exploitation and oppression.*

Furthermore, it is not sufficient to divide countries into categories of imperialist or semi-colonial states. There are of course many different shades within each category. This is the case both between different imperialist states as well as between different semi-colonial countries. In the case of the latter, we can differentiate “*between advanced or industrialized semi-colonies such as Argentina, Brazil, Egypt, Turkey, Iran or Thailand on one hand and poorer or semi-industrialized semi-colonies like Bolivia, Peru, the Sub-Saharan African countries (except South Africa), Pakistan, Afghanistan, Indonesia etc.*”<sup>13</sup>

A final note on the issue of the Marxist theory of imperialism. We are aware that some critics will object that our approach would be “schematic” as it divides the world in countries of different categories. We think that such criticism is unjustified. It is a fundamental truth of the laws of materialist dialectic that it is impossible to understand the main developments in the world – and the relations between these – without a clear set of categories. Lenin was absolutely right when he quoted Hegel approvingly: “*To understand means to express in the form of notions.*”<sup>14</sup> Or to put it in an even more categorical formulation of the great German philosopher: “*Anything whatever is comprehended and known in its truth only when it is completely subjugated to the method*”<sup>15</sup>

Having summarised our theoretical approach to imperialism in general, and semi-colonies in particular, we shall move now, after a few words about the Stalinist rule, to a more detailed analysis of the Ukraine.

## Books of the RCIT

### Michael Pröbsting: The Great Robbery of the South

Continuity and Changes in the Super-Exploitation of the Semi-Colonial World

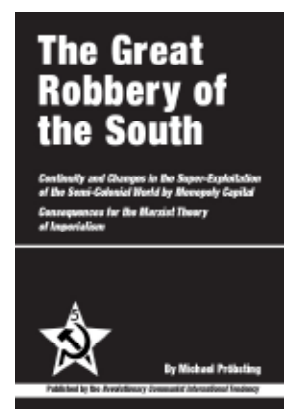
by Monopoly Capital. Consequences for the Marxist Theory of Imperialism

The RCIT is proud to announce the publication of a book called *THE GREAT ROBBERY OF THE SOUTH*. The book’s subtitle is: *Continuity and Changes in the Super-Exploitation of the Semi-Colonial World by Monopoly Capital. Consequences for the Marxist Theory of Imperialism*. The book is in English-language. It has 15 chapters, 448 pages and includes 139 Tables and Figures. The author of the book is *Michael Pröbsting* who is the International Secretary of the RCIT.

In *The Great Robbery of the South* Michael Pröbsting analyses the super-exploitation and oppression of the semi-colonial world (often referred to as the “Third World”) by the imperialist powers and monopolies. He shows that the relationship between the small minority of rich capitalist countries and the huge majority of mankind living in the semi-colonial world forms one of the most important elements of the imperialist world system we are living in. The Great Robbery of the South shows that the past decades have been a complete confirmation of the validity of Lenin’s theory of imperialism and its programmatic conclusions. *The Great Robbery of the South* demonstrates the important changes in the relationship between the imperialist and the semi-colonial countries. Using comprehensive material (including 139 Tables and Figures), Michael Pröbsting elaborates that never before

has such a big share of the world capitalist value been produced in the South. Never before have the imperialist monopolies been so dependent on the super-exploitation of the semi-colonial world. Never before has migrant labor from the semi-colonial world played such a significant role for the capitalist value production in the imperialist countries. Never before has the huge majority of the world working class lived in the South – outside of the old imperialist metropolises.

In *The Great Robbery of the South* Michael Pröbsting argues that a correct understanding of the nature of imperialism as well as of the program of permanent revolution which includes the tactics of consistent anti-imperialism is essential for anyone who wants to change the world and bring about a socialist future. Order your copy NOW! \$20 / £13 / €15 plus p+p (21\$ for US and international, £9 for UK, €10 for Europe)



## II. THE DEAD-END OF BUREAUCRATIC STALINISM

Initially, most countries of the Global South had been colonies of European Empires before they became formally independent semi-colonies. As such, the economies of these countries were (de-)formed from the very beginning by the capitalist property relations of the dominating powers. In the case of the Ukraine (as well as a number of other Eastern European and Asian countries), things are different. Here, capitalism was introduced as a result of the collapse of Stalinism in 1989-91.

Until that time, the Soviet Union had been a *degenerated workers state*, i.e. a country with a planned, post-capitalist economy and politically dominated by a Stalinist bureaucracy. Such relations of property allowed the country over a number of decades important advances in the field of industrialization, welfare, science, military, space exploration, etc. The global status of the USSR as a leading power reflected these historic strides. This had been made possible since the economic surplus was not appropriated as private profit by a small class of capitalists but was used, to a certain degree, for social development.

However, the advantages of post-capitalist property relations were increasingly undermined, and finally destroyed, by the reactionary dictatorship of a bureaucratic caste. This was a social stratum which had come to power against the background of the isolation of the first workers state in history after the terminal illness and death of Lenin in 1923/24 and the defeat of the Left Opposition led by Leon Trotsky in 1927. This bureaucracy – led by Stalin – abolished the political gains of the October Revolution and suppressed the working class and the smaller nations. Numerous people, including tens of thousands of Trotskyists, perished in the gulags.

Moscow's bureaucratic policy also caused major disruptions in the economy (e.g. Neo-NEP and, afterwards, forced collectivisation) and provoked social catastrophes like the famine in the early 1930s. by its very nature, the bureaucrats were primarily interested in accumulating an increasing number of privileges. Hence, they wanted to keep the status quo (for which Stalin invented the conservative theory of "*Socialism in One Country*" in 1924)<sup>16</sup> instead of expanding the revolutionary process to other countries, as the Trotsky and his supporters advocated on the basis of the theory of *Permanent Revolution*.<sup>17</sup>

The ruling bureaucracy was not a class but rather a caste as it did *politically control* but not *own* the means of production. However, such control allowed the bureaucrats a parasitic existence where they could appropriate numerous privileges. Hence, they increasingly undermined the

proletarian property relations and, by association, the productive basis of the society.<sup>18</sup>

In the field of world politics, the Stalinist dictatorship was a conservative factor. True, Moscow (and Beijing, until Nixon's visit in 1972) did sometimes clash with imperialism and aided oppressed peoples resisting the U.S. But, first and foremost, did the Stalinist states play a pacifying role in the global class struggle. Its desire for keeping the status quo with the bureaucracy in power in the Stalinist states made Moscow and Beijing look for agreements with the imperialist powers and, in countries where they were not in power, for alliances with sectors of the bourgeoisie.

At home, decades of Stalinist rule suppressed every critical voice and imposed a graveyard rest on the society. Such lack of workers democracy alienated the workers from means of production, provoked lack of initiative and engagement, allowed bureaucratic mismanagement and resulted in economic stagnation.

Trotsky, in his analysis of Stalinism, characterised the Soviet Union under the Stalinist dictatorship as a "*transitional society*". He explained that such states were stuck in the transition from capitalism to socialism due to the domination of counter-revolutionary bureaucracies which blocked the advance of socialist revolution both at home and internationally. As Trotsky predicted in his writings, these states were and could only be transitional phenomena: they either had to move forward by means of *political revolution* against the bureaucracy or to move backward via a social counter-revolution and the restoration of capitalism.<sup>19</sup>

However, while the Stalinist bureaucracy was bad in running the economy, it was pretty efficient in suppressing the workers. Hence, when the dominating sectors of the bureaucracy gave up their defence of the nationalised economy and started to restore the capitalist property relations in 1989-91, the working class was in a difficult situation where it lacked political experience and, most importantly, a revolutionary leadership.<sup>20</sup> This, however, would have been the decisive precondition for the transformation of the crisis into a victorious political revolution. Such a revolution could have opened the road to liberate the people, to revive the nationalised economy and the stimulate the process of world revolution. But since the necessary preconditions lacked, the degenerated workers state imploded, and a process of political revolution ended in defeat and transformed into a social counterrevolution.



### NEW RCIT PUBLICATION!

#### [단행본 책] 우크라이나 전쟁과 러시아 제국주

Book about the Russian-Ukrainian War, published by the RCIT Section in South Korea

Download as PDF: <https://blog.wrporea.org/2023/01/blog-post.html>

### III. THE DEVASTATING SOCIAL AND ECONOMIC CONSEQUENCES OF CAPITALIST RESTORATION

The collapse of the proletarian property relations in 1991 and the restoration of capitalism had devastating consequences for the countries affected. It opened a process of economic destruction and horrendous deterioration of the living condition of the popular masses.

This was also the case in the Ukraine. In Table 1 we see that in the first five years alone, the Gross Domestic Product (GDP) and industrial output collapsed by nearly 50% - a catastrophe from every point of view. Since then, the Ukraine's economy experienced a highly fragile process of ups and downs (see Figure 1)

**Table 1. Collapse of GDP and Industrial Production in Ukraine, 1991-1995 (in Percent)** <sup>21</sup>

	1991	1992	1993	1994	1995
<i>Cumulative</i>					
GDP	-11.9%	-17.0%	+4.2%	-2.5%	-11.8%
	Total: -49.7%				
Industrial Production	+4.8%	-6.4%	-8%	-27.8%	-11.5%
	Total: -48.3%				

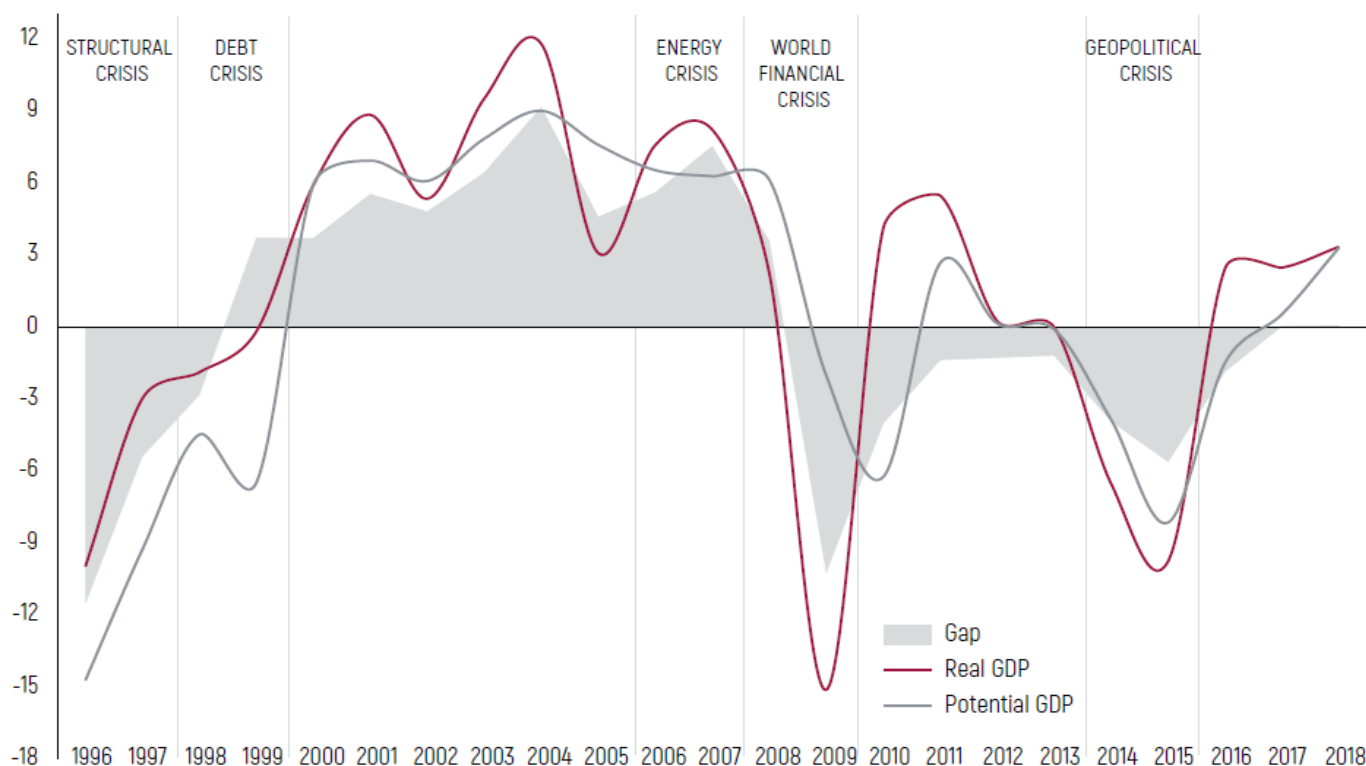
The cycle of dramatic decline of Ukraine's economy lasted until 1999. Albeit it could be halted at some point, the Ukraine's economy has never recovered to the levels of 1991 until today. As Table 2 shows, its GDP in 1999 was only 44.7% of its level in 1991. Another economist provides data indicating that, by 2000, the Ukraine's real GDP had declined to 43% of its level in 1990. <sup>23</sup> This figure recovered somehow to 73% in 2006, 76,2% in 2013 and collapsed again to 69.6% in 2018. <sup>24</sup> In other words, Ukraine's economy declined in such a dramatic way that within the three decades since the beginning of capitalist restoration it hardly ever exceeded the level of ¾ of the output before 1991!

**Table 2. The Chronic Crisis of Ukraine's Economy since the Restoration of Capitalism in 1991: GDP at Constant Prices (1991 = 100)** <sup>25</sup>

Year	1999	2006	2013	2018
Level (1991 = 100)	44.7	73	76.2	69.6

In parallel, investment declined massively, in particular in heavy industry and raw materials extraction. Consequently, a growing share of its the capital stock became obsolete. A Ukrainian economist calculated that in the period 1991-99, gross industrial output fell by -49.1% and capital investment by -77.9%. <sup>26</sup>

**Figure 1. Changes in the Ukraine's GDP during 1996-2018, Annual Growth in Percent** <sup>22</sup>



Ukraine's structural crisis after the restoration of capitalism resulted also in a massive process of deindustrialization. The country had a developed base not only in mining and the production of iron and steel other but was also home of a sophisticated industry in sectors like defence, automobile, aircraft and aerospace and shipbuilding. However, large parts of these industries have been closed or drastically reduced since 1991. Between 1991 and 1998, capacity utilization in industry declined and reached 50-51%.<sup>27</sup>

As a result, the share of manufacturing resp. of the whole industrial sector in the total economic output was massively reduced.<sup>28</sup> While the share of industry in the Ukraine's GDP was 52.6% in 1992 (manufacturing: 44.6%), this share declined to 30.8% in 2000 (manufacturing: 16.3%), 22.7% in 2013 (manufacturing: 11.3%), and 22.6% in 2019 (manufacturing: 10.8%). In other words, the share of industry and manufacturing in the country's output had declined by 3/5 resp. 3/4 within only two decades! (See Table 3)

**Table 3. Share of Industry and Manufacturing in the Ukraine's GDP, 1992-2019**<sup>29</sup>

	1992	2000	2013	2019
Share of Industry	52.6%	30.8%	22.7%	22.6%
Share of Manufacturing	44.6%	16.3%	11.3%	10.8%

Logically, this process of economic and social regression had devastating consequences for the population. Unemployment, which did not exist under the pre-1991 conditions of a planned economy, increased dramatically. In April 1999, the World Bank estimated the real unemployment rate to be 30% in Ukraine.<sup>30</sup> Officially, unemployment levels were at 9.6% in 2009 and increased later again.<sup>31</sup> While 26.4% of the population did live below the national poverty line in 2000, this share remained nearly the same by 2013 (24.5%).<sup>32</sup>

In parallel with the establishment of capitalist property relations, income inequality became a key feature in

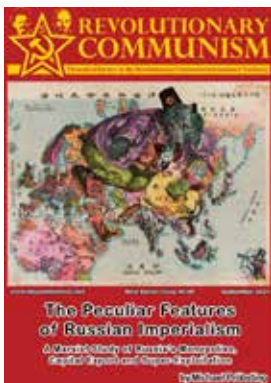
Ukraine's society. In 2010, the richest 10 decile of the population of Ukraine controlled 21% of the total income while the poorest decile had only 4.4%.<sup>33</sup>

As a result of this devastating process, depression, health problems, alcoholism and drug addiction, suicide, infectious diseases etc. dramatically spread among the population. Life expectancy in general declined from 70.5 to 67 years between 1991 and 1995 and that of men dropped from 66 years in 1989 to 62.8 years. At the same time, infant mortality rates increased from 13.0 (1990) to 15.0 (1995).<sup>34</sup>

Albeit the situation improved later, life expectancy was still at the same level in 2020 as in 1991 (71 years) – worse than in all other countries in Europe.<sup>35</sup> The country's death rate (per 1,000 people) increased from 11 (1989) to 17 (2005) and 16 (2020).<sup>36</sup> At the same time, the fertility rate (births per woman) in the Ukraine declined from 2 (1988) to 1.1 (2001) and 1.2 (2020).<sup>37</sup>

The inevitable result of such process of unprecedented social decay has been that Ukraine's population declined from 52 million in 1991 to about 42 million in 2020, nearly a 20% drop.<sup>38</sup> Even the OECD, a key imperialist economic institution which does not become tired of propagating the advantages of the free market, was forced to note: "Ukraine has experienced population ageing and population decline since independence in 1991. During 2000-16, the working-age population (i.e. 15-64 year olds) fell by 7.8%, while the population as a whole fell by 8.1%. Ukraine's population is already older than those of most OECD countries: the 65+ age group accounted for 21% of the population in 2016."<sup>39</sup>

In summary, the balance sheet of capitalist restoration in the Ukraine – one of the most populous countries in Europe – is devastating. Of course, this process has been worsened now much more by the current Russian war of aggression. But, as we did show above, the country had been thrown back massively even before the conflict started since its economy had reached in 2013 – more than two decades after the restoration of capitalism and before hostilities with Russia began – only 76% of its 1991 level. The Ukraine experienced a process of social and economic regression as it has been destroyed by the evil forces of capitalism and imperialism.



## *Publications of the RCIT*

# The Peculiar Features of Russian Imperialism

A Study of Russia's Monopolies, Capital Export and Super-Exploitation in the Light of Marxist Theory

By Michael Pröbsting, August 2021

**Introduction \* Another Denial of Russia's Imperialist Character \* The Methodological Failure of our Critics \* Russia's Economy: Dominated by Domestic, not Foreign, Monopolies \* Capital Export and the Problem of "Round-Tripping" Foreign Direct Investments \* "Phantom FDI": No Russian Peculiarity but a Global Phenomenon \* Russia's Leading Multinational Corporations and their Foreign Investments \* Imperialist Super-Exploitation via Capital Export \* Imperialist Super-Exploitation via Migration \* Conclusions \* Footnotes**

*A RCIT Pamphlet, 20 pages, A4 Format*



## IV. THE SEMI-COLONIAL DEFORMATION OF UKRAINIAN CAPITALISM SINCE 1991

After the collapse of Stalinism and the bureaucratically planned economy, capitalist property relations were established in the Ukraine. However, capitalism did not, and could not, grow “organically”. Rather, the capitalist law of value was implemented by the combined force of foreign imperialist institutions (Western governments, banks and corporations) and domestic oligarchs. The result was shameless robbery and the creation of a dependent capitalist economy dominated by imperialist powers and monopolies.

### 1) Oligarchs: the creation of a *comprador bourgeoisie*

Similar to other ex-Stalinist countries in Eastern Europe, the pro-capitalist governments implemented a neo-liberal policy of privatisation after 1991. According to official statistics, by the end of 1999 privatized enterprises accounted for approximately 71% of industrial output and more than 50% of industrial employment.<sup>40</sup>

The process of privatisation resulted in a process of monopolisation, i.e. the creation of a small number of corporations which control the key sectors of the economy. By February 1998, the 200 largest enterprises in Ukraine accounted for 90% of industrial output.<sup>41</sup>

In the period before the beginning of the war in February 2022, the Zelensky government tried to continue and expand the process of privatisation. In March 2021, the Ukrainian parliament passed a law that cancelled an earlier prohibition on the privatization of State-Owned Enterprises (SOE). This followed an earlier law in 2019 that reduced the number of such enterprises deemed “strategic” and, thus, exempt from sale. In 2020 Ukraine began a process that would allow partial privatization of SOEs, including Naftogaz, MainGasPipelines of Ukraine, UkrTransGaz, and other companies involved in the energy sector. However, parliament clarified the law further in 2021 by establishing a list of 659 such enterprises – mostly in the energy, defence, and aerospace sectors, the state railway, or the postal service – which would continue to be exempted from privatisation.<sup>42</sup>

The result of this process of privatisation was that, effectively, a small group of super-rich capitalists – the so-called oligarchs – grabbed the most valuable enterprises. According to a recently published study of a neoliberal U.S. think tank – which can hardly be accused of pro-socialist prejudices – “the top 100 wealthiest people in Ukraine controlled nearly 25 percent of Ukraine’s pre-war economy. Many oligarchs control sprawling, diversified holding companies that include energy companies, mining, metallurgy, and media. In the past, this economic dominance enabled oligarchs to exert outsize political influence through significant funding to some political parties.”<sup>43</sup>

Such process of enrichment by a small group of new capitalists went hand in hand with massive capital flight and vulgar theft. Economists estimated the amount of Ukrainian capital abroad in 1996 at between \$25 and \$50

billion.<sup>44</sup> This process is also reflected in the peculiar destinations of what are supposed to be “investments” abroad by Ukrainian capitalists. According to official statistics, more than 90% of the total foreign investment from Ukraine has been recorded in Cyprus – a well-known tax-haven and destination for capital flight.<sup>45</sup>

Sure, some of such “investments” abroad came back as foreign investments in the Ukraine (a phenomenon which we have also observed in Russia – the so-called “round-tipping” of capital).<sup>46</sup> However, as we will see below the stock of Foreign Direct Investment (FDI) in the Ukraine is so much ahead compared with Ukrainian FDI abroad that it is evident that Ukrainian capitalists play only a small role in such “foreign” investments in their country.

Another form of capital flight is a specific form of exports. In a highly interesting study, a group of progressive economists in the Ukraine around the *Center for Social and Labor Research* calculated the amount of money which had been smuggled out of the country by domestic capitalists via so-called “exports of goods”. “To sum up the data, Ukrainian exports only to such intermediary countries as the British Virgin Islands, Cyprus, the UAE, Switzerland and Lebanon in 2012-14 and the first 9 months of 2015 reached UAH (Hryonia, the Ukraine’s currency, Ed.) 83.1 billion, which is 50 percent of all exports of goods, of which only the equivalent of \$2.57 billion (1.5 percent) were consumed in these countries. Given that these are not the only transit countries for Ukrainian exports, we can say with confidence that more than a half of the exports of goods from Ukraine go through low-tax territories, and most of the profit of Ukrainian exporters accumulate on their accounts in these countries’ banks; meanwhile, the budget loses considerable sums in corporate taxes.”<sup>47</sup>

As we see, this small group of oligarchs utilises their wealth primarily not for capital accumulation in the domestic economy but rather for parasitic enrichment at foreign tax-havens. At the same time, they have played a key role in transforming the Ukraine’s economy so that it became a servant of the needs of global capital. In other words, the oligarchs are the Ukrainian version of a *comprador bourgeoisie* which is a familiar phenomenon in many other semi-colonial capitalist countries. This is a capitalist class which is plundering the national economy and which parasitically lives from their stolen wealth parked in tax-havens abroad.

By their very nature, the oligarchs are closely linked to imperialist monopolies. In this relationship, they are the subordinated part as they are completely dependent on the imperialist monopolies and Great Powers. This is the case mainly for two reasons. First, they rely on the protection and secrecy of their wealth parked in international financial institutions (mostly controlled by Western powers). And second, their profit depends to a large degree on the business deals which they can make with the monopolies.

Finally, it is noteworthy that oligarchs have played a highly influential direct role in politics in the Ukraine – in contrast to Russia and other ex-USSR countries.

Petro Poroshenko, Zelensky’s predecessor as President in 2014-19, was nicknamed “Chocolate King” since he was a billionaire and owner, among others, of a confectionery company. By 2002 it has been estimated that 300 of 450 members of parliament were dollar millionaires. Such a position does not only have the benefit of having a direct role in legislation but also of providing legal immunity from prosecution – an advantage not to be underestimated for businessmen who are concerned with evading taxes and smuggling money out of the country!<sup>48</sup>

In summary, the oligarchs – the top layer of Ukraine’s capitalist class – have played a key role in advancing the semi-colonial deformation of Ukrainian capitalism.

**2) A semi-colonial supplier of raw materials for the capitalist world market**

A key feature of capitalist restoration in the Ukraine was the rapid integration of its economy in the imperialist-dominated world market. Already by the late 1990s, the trade-to-GDP ratio (which reflects the combined share of annual exports and imports to output) was between 90 % and 110 %. Later, this figure stabilised at about 75–80 %.<sup>49</sup> This is a substantially higher degree of integration into the capitalist world market than most other countries in the world.

Export as a share of GDP doubled between 1993 and 1998 to over 40% and rose to about 60% in 2000.<sup>50</sup> It is indicative that the share of Ukraine’s exports in total world trade rose from 0.3 % in 1995, to 0.35 % in 2005, and 0.45 % in 2011. At the same time, the country’s share of world GDP was only about 0.22 %. In other words, the Ukraine’s share in world exports was double as high as its share in global output.<sup>51</sup>

Anton Oleinik, a professor at a Canadian university, comments: “Since the mid-1990s, when President Kuchma

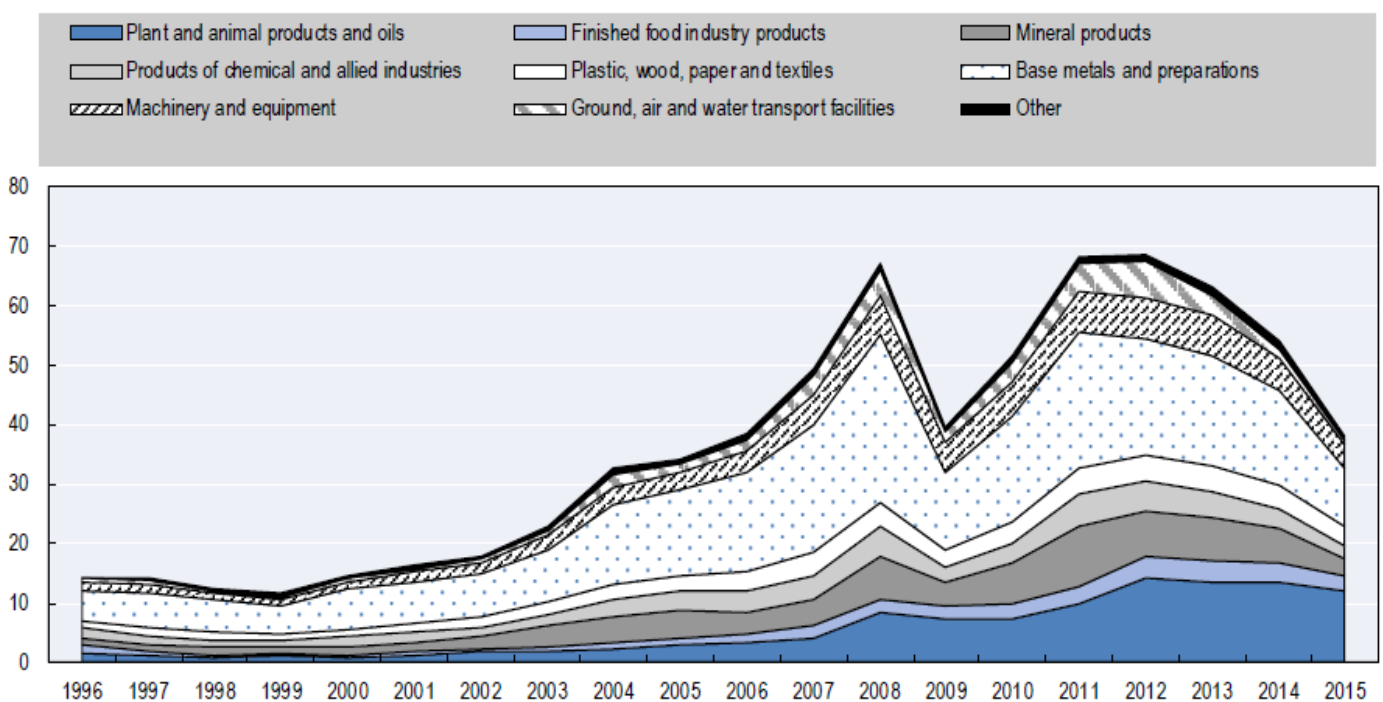
implemented ‘shock therapy’ policies, Ukraine has been one the most open economies in the world with the share of external trade (export and import combined) consistently exceeding the volume of its GDP. Kuchma’s shock therapy is believed to be more radical and closer to the standards of neoliberalism than reforms carried out by the government of Boris Yeltsin and Yegor Gaidar in the early 1990s in Russia”<sup>52</sup>

However, since the beginning, the Ukraine entered the capitalist world market as a supplier of primary and semi-finished goods for the imperialist economies. Over the last three decades, such a subordinated position has been even reinforced.

In the first period, industrial raw materials played a leading role in the Ukraine’s exports. The share of ferrous and nonferrous metals increased from about 30% in early 1996 to 40% by 2001.<sup>53</sup> In the Ukrainian exports to countries others than the former USSR, this share was even over 50%.<sup>54</sup>

However, later the role of iron and steel in the Ukraine’s exports decreased while that of agricultural commodities grew. Between 2008 and 2015, the share of base metals in the country’s exports declined from 42% to just 26%. Likewise was the share of industrial goods reduced from 73.6% to 57.4% in the period 2008 to 2013. At the same time, the share of primary agricultural products – like wheat, barley, rapeseed and maize – tripled, from 12% in 2008 to 32% in 2015. (See Figure 2)<sup>55</sup> In the last few years, agricultural exports have increased even further and accounted for approximately 41% of from Ukraine’s overall exports in 2021.<sup>56</sup>

**Figure 2. Composition of the Ukraine’s Exports, 1996-2015**<sup>57</sup>



As noted, most manufactured exports are mostly base metals. The OECD observed in 2018 that “exports of sophisticated manufactures are minimal and mainly consist of railway cars, aircraft parts and components.”<sup>58</sup> This is the result of the above-mentioned collapse of the domestic manufacturing industry because of the privatisation and globalisation process. “In 2017 as compared to 2013, the export of rail vehicles was reduced by 91%, and in the case of products of the machine industry – by 54%.”<sup>59</sup> Antonow – the famous airplane producer – had not built a single airplane since 2015.<sup>60</sup>

The remaining industries produce to a significant degree not for the domestic market but rather for export. According to the above-mentioned study of the Kyiv-based *Center for Social and Labor Research*, six industries which together made up 41.9% of total industrial output in 2014, sold more than half of their products (54.3%) abroad.<sup>61</sup>

It is true that there are also some modern, high-skill sectors in Ukraine economy like Information and Communication Technology (ICT). Prior to the war, this sector contributed up to 4% of GDP and the Ukraine’s ICT workforce was ranked number four in the world. Ukrainian experts created the so-called *Diia* app, which automates government services such as driver’s licenses, Covid-19 vaccination records, and passports and which was also successfully adapted for the conditions of the war (e.g. for supporting refugees and IDPs but also for locating Russian military activities). As a result, the value of the Ukraine’s digital exports increased from less than \$1 billion annually in 2011 to over \$6.8 billion in 2021 representing an increase of share in total exports from 1.6% (2013) to just over 10% (2021).<sup>62</sup>

Nevertheless, this remains a small part of the country’s economy and trade and can hardly provoke a powerful countervailing tendency against the semi-colonial deformation of Ukraine’s economy. This becomes also evident by the reduction of high- and medium-tech components in Ukrainian exports in the years before the start of the war. (See Table 4) And given the conditions of the horrendous war, it is much more likely that imperialist monopolies will attract Ukrainian ICT workers to move abroad as migrants instead of modernising the country’s economy.

**Table 4. Ukraine: Share of Exports of Goods whose Production uses Technologies of High and Medium High Level in Total Exports of Goods, 2013-02018 (in %)**<sup>63</sup>

2013	2014	2015	2016	2017	2018
24.4%	20.4%	19.2%	17.3%	16.8%	17.0%

While the share of export to the European Union has increased massively, it also faced important obstacles as the imperialist governments were eager to protect their own industries. At the same time, the EU forced the Ukraine to open their domestic market for its own exports. Marko Bojcun, a progressive Ukrainian academic, writes: “Ukraine in the 1990s reduced the proportion of its trade with Russia from around 80 to 55 percent. But its trade with Central European states that were acceding to the EU was simultaneously reduced from 20 to 10 percent, while trade with EU member states rose

from around 6 to 20 percent. (...) The structure of its trade ties with the EU was unsatisfactory insofar as the EU protectionist regime prevented imports from Ukraine of those products in which it had competitive advantages (steel, chemicals, foodstuffs, textiles) and from which it could have generated earnings for productive investment and modernization of its economy. Moreover, the proportion of Ukrainian exports that fell under anti-dumping investigations grew in the 1990s from around a quarter to more than a third. (...) During the 1990s around 60 percent of the retail trade market in Ukraine was captured by foreign suppliers of surplus and second-rate goods that could not be sold in their countries of origin.”<sup>64</sup>

The same author quotes a Ukrainian newspaper which desperately commented in 1996: “We have lost not only the foreign market; we’ve almost lost our own ... One of Kyiv’s supermarkets is now selling potato varenyky (dumplings, a traditional Ukrainian dish), and they’re made in Brooklyn, New York!”<sup>65</sup>

It is therefore not surprising that the composition of the Ukraine’s exports has substantially modified. While it exports mainly primary and semi-finished goods to the EU, it imports mostly processed commodities. In 2016, Ukraine’s exports to the EU were composed of base metals and articles thereof (22.1% of the total), vegetable products (16.1%), mineral products (12.8%) and machinery and appliances (11.5%). In contrast, Ukraine imported from the EU mostly machinery and appliances (26.1%), then products of the chemical or allied industries (16.8%), transport equipment (10.7%) and plastic, rubber and articles thereof (7.1%).<sup>66</sup>

It is worth noting that the composition of Ukraine’s exports had become – long before the war started and even before the events in 2014 – more backward than does of an average semi-colonial country. If we compare the share of high-tech exports in the total exports of the Ukraine with other middle- and low-income countries, we see the following: in the case of the Ukraine, this share vacillated between 2000 and 2013 around 5% while the average of the middle- and low-income countries was between 17 and 20%.<sup>67</sup>

Many observers in the Ukraine criticise the transformation of their country into a supplier of basic commodities for rich countries. The economists of the *Center for Social and Labor Research* correctly comment: “In general, such tendencies agree with the general logic of incorporating Ukraine into the global market as a provider of raw materials, which has been followed for the last two decades.”<sup>68</sup>

Even bourgeois economists in the Ukraine note such development with much dissatisfaction. Oleh Havrylyshyn – a Ukrainian economist who has served, among others, as a Deputy Minister of Finance and the Ukraine’s representative at IMF, and who is, unsurprisingly, a undisguised admirer of neoliberalism – feels obligated to report: “Nevertheless, there is no lack of writings or proclamations by officials on what Ukraine should be exporting, with a strong tendency to say there is too much resource-based low value-added export, and not enough sophisticated and hi-tech products. Typifying this, Gonchar and Babirad-Lazunin suggest Ukraine ‘has become an agrarian appendix of the European Union and the Russian Federation ... [and] although the country’s scientific and technological potential is quite highly valued in international surveys ... hi-tech exports are very small’. Similarly Sleptsova notes that Ukrainian exports have a

high resource intensity, with iron and steel accounting for well over one-third. Government programmes and proclamations are replete with analogous references, decrying the high shares of simple, resource-based and low value-added products, and emphasizing Ukraine's advanced human capital endowments with the implication that the correct structure of exports should contain much more sophisticated products. Readers familiar with development economics will recognize this common complaint of low-income countries being relegated to agricultural or resource exports." <sup>69</sup>

In summary, the changes in the composition in Ukraine's trade have made the country first and foremost a supplier of primary and semi-finished goods for imperialist economies. Over the last three decades, it has taken a subordinated position in the world market as it is characteristic for a capitalist semi-colony.

As we explained in our book *"The Great Robbery of the South"*, the Ukraine – like many other semi-colonial countries – faces in such a position the disadvantageous conditions of unequal exchange at an imperialist-dominated world market. When the commodities of the more developed (imperialist) countries and the commodities of the less developed (semi-colonial) countries are exchanged at the world market, the law of value enables imperialist capital to gain an extra profit via an unequal exchange. Its' cheaper commodities beat the more expensive commodities from the semi-colonial countries, force the later to sell their commodities below its value etc. Therefore, the stronger (imperialist) capital can sell its commodities *above* its production price and still remains cheaper on the world market than the less competitive (semi-colonial) capital. The latter is forced to sell its commodities *below* its production price and often still remains more expensive on the world market than its imperialist rivals. <sup>70</sup>

As a result, the stronger (imperialist) capital successfully appropriates a part of the surplus value which is created

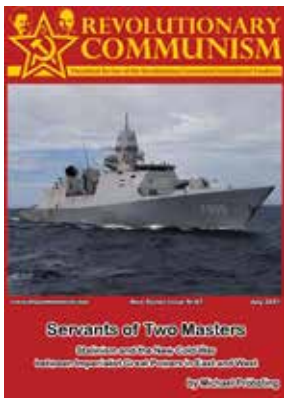
by the weaker (semi-colonial) capital. This means that unequal exchange provides an important basis for a massive transfer of value from the capitalistically less to the capitalistically more developed countries.

We repeat that such a development was by no means "inevitable" since the Ukraine, when it became an independent state in 1991, was not a "weak" or "backward" economy but possessed a relatively advanced industry. The transformation of the Ukraine into a semi-colonial supplier of primary and semi-finished commodities (increasingly coming from the agricultural sector) for imperialist powers was the result of the policy of capitalist restoration. This policy was not "fate" but has been deliberately driven forward by the Great Powers as well as the small group of oligarchs, i.e. the greedy comprador bourgeoisie.

### 3) Deep in the trap of foreign debt

Imperialist capital always attempts to gain extra-profits from poorer countries via capital export. One form of such – which gained enormous importance globally particularly since the early 1970s – is export of money capital as loan. In such case, banks and other financial institutions give the semi-colonial countries loans for which they have to pay huge interest rates. Hence, foreign debt results in imperialist super-exploitation of semi-colonial countries.

At the beginning of its existence as an independent state, Ukraine had no foreign debt outstanding. This quickly changed. From an estimated \$1.4 billion in late 1992, Ukraine's indebtedness grew dramatically, reaching a peak of £12.4 bn in 1999. <sup>71</sup> By March 2001, that figure had climbed to \$14.07 billion. As a result, the debt-to-GDP ratio (an index which compares the level of debt to the annual output of a country) rose to over 40% in 1999. Total debt as a percent of exports had also risen, climbing from 43-48% in 1994-97, to 65-77% in 1998-2000. Likewise, the debt



## PUBLICATIONS OF THE RCIT

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service to-export ratio (which is an indicator how much a country can serve its debts via selling commodities on the world market) increased dramatically since 1997.<sup>72</sup>

A large share of such loans came from foreign capitalists. When the government started to offer treasury bills in 1996, foreign investors flooded the treasury bill market. By the end of 1997, they held 45% of all treasury bills.<sup>73</sup>

Ukraine's capitalists had also taken a huge amount of loans with the state often publicly guaranteeing such debt (which means that in case the private borrower can't pay back the debt, the state will cover the costs). Unsurprisingly, the capitalists could not – and often did not even try – to pay back their debts. The *Center for Social and Labor Research* reports: "According to the data provided by the Accounting Chamber of Ukraine, less than 15 percent of the companies that borrowed from foreign lenders paid their fees properly; about a third of them did not even try to pay back the loans they received. It is interesting that the overwhelming majority of this debt consisted of the obligations of Ukrainian companies to pay for the goods they imported from abroad. Therefore, the state budget ended up subsidizing foreign manufacturers instead of helping to develop domestic production."<sup>74</sup>

At the end of the 1990s, the Ukrainian state was in the grotesque situation that the cost of servicing (paying the interest) and repayment of the publicly guaranteed loans increased to 31% of the state's total debt payments, including internal debt.<sup>75</sup>

Unsurprisingly, the government proved unable to pay the accumulated debt. In 2000, the total amount of the required payments to the IMF alone exceeded all the currency reserves of the National Bank of Ukraine. The total payments for foreign public debt in 2000 were twice as high as the year before, reaching UAH 3.7 billion.<sup>76</sup>

The situation improved in the 2000s as the economy experienced a period of growth for some years. Such growth was primarily caused by a world market

conjuncture favourable for the raw materials exported by Ukrainian companies. Consequently, the ratio of public debt to GDP fell with the lowest point of 12% in 2007.<sup>77</sup>

However, with the onset of the Great Recession in 2008, the debt situation again deteriorated dramatically. Ukraine's capitalists continued to take loans from foreign financial institutions and, as a result, the private sector was facing a total external debt of US\$104 bn – around 108% of the GDP achieved in 2009. And \$43 bn of that amount was short term debt, due for repayment in 2009.<sup>78</sup> Worse was to come, as Ukraine's state debt grew rapidly too, peaking at \$73 bn in 2013.<sup>79</sup>

Such developments resulted in an unsustainable situation. In 2013, the current-account deficit reached 9.2% of GDP, with foreign-currency reserves covering just over two months of imports. The consolidated budget deficit exceeded 10% of GDP in 2014. Consequently, the *Hryvnia* depreciated massively.<sup>80</sup>

After peaking in 2016, the debt situation improved somehow against the background of a temporary upswing in the cycle. However, Ukraine's indebtedness has remained very high in the years before the start of the war in February 2022. Its central government debt stood 58.7% in 2020 (after peaking at 71.8% in 2016).<sup>81</sup>

According to the available data of the IMF, the country's external debt stocks measured as a share of its Gross National Income (GNI) had increased from 56.9% (2007) to 78.8% (2013) and 123.2% (2016) and stood at 82.7% in 2020. (See Table 5)

**Table 5. Ukraine, External Debt Stocks, 2007-2020 (% of GNI)**<sup>82</sup>

2007	2013	2016	2020
56.9%	78.8%	123.2%	82.7%

# Books of the RCIT

## Yossi Schwartz: The Zionist Wars

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The author of the book is Yossi Schwartz, a leading member of the Revolutionary Communist International Tendency and its section in Israel / Occupied Palestine.

You can find the contents and download the book for free at <https://www.thecommunists.net/theory/the-zionist-wars/>



As a result, the Ukraine has to use a significant share of its income of exports – about one or two fifths – for serving its foreign debts. (See Table 6)

**Table 6. Ukraine, Total Debt Service (% of Exports of Goods, Services and Primary Income), 2007-2020 (% of GNI) <sup>83</sup>**

2007	2013	2016	2020
18.5%	42.3%	20.9%	23.8%

As the Ukraine is caught in the trap of foreign debt, the situation is dramatically worsening under the current condition of war and destruction. There is no doubt that its indebtedness to the imperialist powers and financial institutions will increase massively. <sup>84</sup> Heidi Chow, executive director at the *Jubilee Debt Campaign*, pointed to the dangerous situation and the gigantic profits which the lords of money are about to cash in. "Since the invasion, Ukrainian dollar-denominated bonds, which were issued as part of its 2015 debt restructuring, have been trading at around 25 cents on the dollar. This reflects the high risk of default, but also means that if Ukraine continues to make its debt payments, Western banks and hedge funds could make profits of 300 percent." <sup>85</sup>

These figures are revealing and demonstrate that the business of foreign debt is highly profitable for the imperialist monopolies but very disadvantageous for the people in the semi-colonial countries who have to pay for the extra-profits of foreign money-lenders!

**4) Foreign investment: the imperialist plunder of the Ukraine**

As mentioned in the previous chapter, imperialist capital attempts to gain extra-profits from poorer countries via capital export. While export of money capital as loans is one form of such, foreign investment is another important way to appropriate surplus value from semi-colonies.

Given the massive reservoir of labour forces and the cheap conditions for their exploitation, on one hand, and the tendency of the profit rate to fall in their home countries, on the other hand, imperialist monopolies have a strong incentive to export capital to these poorer countries. These foreign markets do not and cannot replace the domestic

market for monopoly capital. But they can provide an important source for extra profit which is possible given the higher average rate of profit in these countries.

Such capital export enables the monopolies to combine their modern machinery and technology with substantially cheaper labour forces. In this way they reduce the cost price for their commodities. When they sell their commodities, they can sell below the market price. This is both the case at the semi-colonial and at the imperialist market. At the semi-colonial market, they can sell below the market price because the low-waged workers produced the commodities in a more effective, productive way given the more modern machinery which the monopolies deploy compared with their semi-colonial capitalist rivals. At the imperialist market they can sell below the market price because they had to pay much less for the wages of the workers in the semi-colonies than their rivals in the imperialist market have to pay. Hence, they make an extra profit far above the average and while a portion of this might be reinvested in the semi-colonial countries, a significant proportion will be returned to the owners in the imperialist countries.

In the first period in the 1990s, foreign capital export in form of direct investment in the Ukraine was relatively low (compared to foreign loans, as we did see in the previous chapter). At the end of 1998, accumulated per capita FDI in Ukraine totalled barely \$49, compared to \$1,745 in Hungary, \$822 in the Czech Republic, \$595 in Poland, and \$102 in Russia. Ukraine had accumulated FDI of just \$2.43 billion in early 1999, even less than tiny countries like Moldova, Turkmenistan, and the Kyrgyz Republic. <sup>86</sup>

Still, foreign capitalists made important inroads into the Ukraine's economy. As we can see in Table 7, an increasing share of Ukrainian banks had investment by foreign capitalists.

**Table 7. Number and Ownership of Banks in Ukraine, 1991-2000 <sup>87</sup>**

	1992	1994	1996	1998	2000
Total Number of Banks	133	228	229	214	195
Banks with Foreign Capital Investment	-	12	14	28	31

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During the 2000s, particularly after the so-called *Orange Revolution* in 2004, foreign investment in the Ukraine accelerated. FDI inflows grew by a compound average of 43.9% between the years of 2000 and 2008 – among the fastest growth rates in Europe.<sup>88</sup> In 2012 FDI flows to Ukraine were equal to more than 4% of GDP.<sup>89</sup>

Consequently, the share of foreign capital in Ukraine’s banks grew from 13% in 2004 to over 50% in 2009.<sup>90</sup> Marko Bojunc writes: “By April 2009 a majority of assets in seven out of the largest ten banks were foreign owned. Ukrainian state-owned banks, meanwhile, held less than one eighth of the country’s bank assets. This state of affairs made it increasingly difficult during the boom period for the National Bank to enforce monetary policy. And at the time of bust, when the private sector owed over \$100 bn to foreign creditors these private banks pressed the government to save them by taking on a loan of \$16 bn from the IMF and to turn their bad debts into a public liability.”<sup>91</sup>

In the aftermath of the 2008-09 crisis, some foreign banks left the Ukrainian market or reduced their engagement. Hence, the overall share of banking capital owned by foreigners fell but still remained at a high level of 34% in 2014. (See Table 8)<sup>92</sup>

**Table 8. Ownership Structure of the Banking Sector, 2008-14**<sup>93</sup>

	2008	2010	2012	2014
Domestic state-owned	11%	14%	17%	22%
Domestic private	40%	44%	54%	47%
Foreign private (including Russian)	42%	33%	21%	21%
Russian State-Owned	7%	8%	8%	10.3%

Compared to other countries in Eastern Europe, foreign capital plays a less significant role among the largest corporations. For instance, in 2014, among the 170 largest firms in Poland, 90 (53%) were foreign-owned, accounting for 43% of their cumulated turnover. In contrast, only 7 out of the 32 (22%) largest Ukrainian companies were foreign-owned, accounting for 13% of their cumulated turnover. (See Table 9)<sup>94</sup>

Still, foreign capitalists play a significant role in Ukraine’s economy, as an OECD study published in 2016 notes: “Nevertheless, foreign owned enterprises have also come to play a significant role in the economy of Ukraine. In 2012, Multinational enterprises (MNEs) from the European Union accounted for about 200 000 employees in Ukraine, while MNEs from the United States of America employed an estimated 26 000 employees. Foreign owned enterprises dominate mobile telephony: mobile operators are currently deploying their 3G network across the country. They are also prominent players in agribusiness, consumer products, banking and retail distribution. Arcelor Mittal owns one of the largest integrated steel companies in Ukraine.”<sup>95</sup>

**Table 9. Ownership of Ukraine’s Largest Companies by Turnover, 2012-14**<sup>96</sup>

Turnover (share of total)	2012	2013	2014
Local	59,679 (53%)	63,714 (54%)	42,612 (55%)
State-owned	37,059 (33%)	32,399 (28%)	25,504 (33%)
Foreign	15,356 (14%)	21,274 (18%)	9,870 (13%)
Total	112,095	117,386	77,985

Given the depressed level of capital accumulation in the Ukraine, foreign investment plays a sizeable role. Annual FDI inflows have represented well over 20% of Ukraine’s annual gross fixed capital formation since 2006. This proportion, as an OECD study published in 2011 noted, “is higher than the average for developing and transition economies (14% in 2008), including Russia (15%).”<sup>97</sup>

Most FDI inflows correspond to mergers & acquisitions (M&A) in the financial sector, mining and metallurgy, telecommunications, construction materials and food processing. In Table 10 we show the 15 largest mergers in the period 2005-2015. As we can see, Russian corporations played a big role in this and were involved in half of these fusions. However, in total, the EU countries are the main source of Ukraine’s FDI, representing over 75% of the total stock.<sup>98</sup>

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- \* Zambia: Still Not Free
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- \* Interview with Ghana's CPP
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- \* Meetings for the New Year of 2018
- \* Popular Uprising in Iran
- \* References on Syria are a Charade
- \* Men after the Death of Saleh
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- \* EU and African Slaves in Libya
- \* Unemployment in Zambia
- \* Election in Catalonia

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- \* Liberia: American Puppet President!
- \* UK: Carillon Crisis
- \* Alkebulan (Kenya) & RCIT collaborate
- \* Syria: Turkey's hidden war vs. HTS
- \* Syria: Solidarity with East Ghouta!
- \* Israeli Warplane Shot Down over Syria

**The Syrian Revolution is in mortal Danger!**

- \* Palestine: PA collaborates with Israel
- \* South Africa: Down with Ramaphosa!
- \* Ethiopia: No to the State of Emergency
- \* Liberia: 'Liberated' But Looted!
- \* Brazil: Presidential Elections 2018

**Table 10. Major Foreign Mergers & Acquisitions Deals in Ukraine, 2005-2015**<sup>99</sup>

Year	Sector	Investor	Source country	Value (USD million)
2005	Steel	Arcelor/Mittal	Luxembourg	4,800
2005	Banking	Raiffeisen Int.	Austria	1,028
2005	Banking	BNP Paribas	France	465
2005	Telecom	Vimpelcom	Russia/ Netherlands	280
2006	Banking	Credit Agricole	France	262
2006	Banking	OTP Bank	Hungary	821
2007	Agri-food	Pepsico	United States	542
2007/08	Iron ores	Evraz	Russia	2 663
2008	Banking	UniCredit	Italy	2 076
2008	Banking	Private investor	Russia	350
2008	Banking	Intesa Sanpaolo	Italy	730
2010	Telecom	Vimpelcom	Russia/NL	5 515
2010	Energy	TNK-BP	Russia/UK	313
2011	Steel	Mechel	Russia	537
2014	Banking	Alfa Bank	Russia	276

As we discussed in other studies, there exist advanced semi-colonial countries which, albeit they remain ultimately dominated by foreign powers and monopolies, have domestic corporations which do some significant investment abroad.<sup>100</sup> In the Ukraine, this is definitely not the case. Some Ukrainian oligarchs might make some "foreign investment" but, usually, this is rather a form of smuggling money abroad. A look at the latest figures provided by UNCTAD – both for FDI flows as well as for FDI stock – demonstrate that any foreign investment by Ukrainian capitalists is totally negligible compared with foreign investment in the Ukraine. (See Table 11 and 12)

**Table 11. FDI Flows, Ukraine, 2016-2021 (Millions of dollars)**<sup>101</sup>

FDI inflows					
2016	2017	2018	2019	2020	2021
4055	3727	4732	6017	-36	6549
FDI outflows					
2016	2017	2018	2019	2020	2021
100	281	-127	842	22	-198

**Table 12. FDI Stock, Ukraine, 2000-2021 (Millions of dollars)**<sup>102</sup>

FDI inward stock		
2000	2010	2021
3,875	52,872	62,131
FDI outward stock		
2000	2010	2021
170	6,548	-295

To make up a balance, foreign capital – both from Western Europe as well as from Russia – have played a strong role in the Ukraine's economy and profit from the cheap labour costs of the country. They have a presence in the banking sector as well as in several productive sectors. In contrast, there exist hardly any real investments of Ukrainian capitalists abroad. The fact that imperialist monopolies are able to appropriate a surplus value from the Ukraine confirms, once more, the semi-colonial status of the country.

### 5) Migration: the Ukraine provides cheap labour force

Another important feature of the Ukraine as a capitalist semi-colony is its role as a supplier of cheap migrant labour force. As we elaborated in our works, migration has always been an important feature of the super-exploitation of the semi-colonial world by imperialist monopoly capital. However, this factor has become increasingly relevant since the beginning of the crisis-ridden period of capitalism in the early 1970s and, even more so, with the onset of globalization.<sup>103</sup>

Basically, just as monopoly capital extracts surplus profits from the semi-colonial world, there is also an appropriation of extra profits through migration. Imperialist capital gains profit by paying migrant workers *below the value of their labour force* in several ways:

i) The capitalists can exploit the migrants often with no or only limited costs for their education since migrants are often educated in their home country. The value of a commodity is – as the Soviet Marxist economist Isaac I. Rubin pointed out – not only the product of the labour which directly enter it "*but also of that labour which is necessary for the training of the labourer in the given profession.*"<sup>104</sup> Therefore, the capitalist appropriates a share of the commodity value without costs.

ii) The capitalists often have to pay either no or only reduced costs for the pension and social security of the migrants since they have limited access to social service and when they get old, they often go back to their home country.

iii) The capitalists usually pay the migrants a wage which is substantially lower than the wage for the workers from the ruling nation. The capitalists can exploit them as a cheaper (compared to domestic) labour force because of their social position which is characterised by national oppression. This can be the case because of their lack of rights if they are not citizens of the imperialist country. It can be the case because the migrant's mother language is not treated as equal and hence there are highly disadvantaged in their jobs, schools and all other areas of life in the imperialist society. Or they are oppressed via various forms of social



discrimination. These forms of oppression are not only valid for first generation migrants but also for migrants of the second and third generation.

Historically, there has been a large Ukrainian diaspora since the 19<sup>th</sup> century. The main reason for such mass emigration were the poor living conditions as well as the national oppression which the Ukrainian people experienced – both in the Russian Empire as well as the Habsburg Empire. As it is well-known, Great Russian chauvinism is not an invention of Putin but has its historical roots in the Tsarist Empire.<sup>105</sup> Already in the late 18<sup>th</sup> century, Empress Catherine II wrote – in a letter to Prince Vyazemsky: “We must eradicate the indecent idea [of the Ukrainians], according to which they consider themselves to be an entirely different nation from this [Russian]. Little Russia, Livonia, and Finland are provinces governed by privileges confirmed to them; it would not do to violate them all at once, but nevertheless calling them foreign (nations) and treating them on such a basis is more than a mistake, it can be called sheer stupidity. These provinces, also the Smolensk, must be brought by easy stages to such condition that they become Russianized, and stop looking to the woods like wolves.”<sup>106</sup>

Faced with such a policy of Russification (resp. discrimination in the Habsburg Empire), it is hardly surprising that many left their home at that time and settled in other countries hoping for social advancement.

Some sources suggest there could be a Ukrainian diaspora of up to 20 million people who left the territory of contemporary Ukraine before independence in 1991.<sup>107</sup> Another four to seven million emigrants left the country in the years between 1991 and 2014. A UN report about

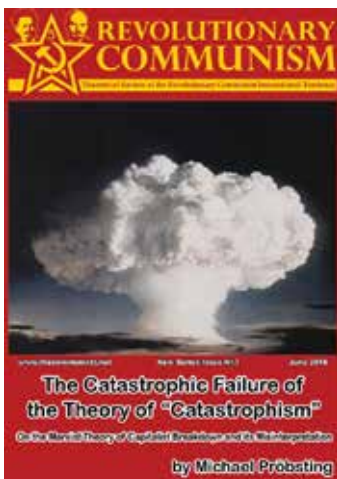
international migration estimates that in 2019, there were 5-6 million Ukrainians living abroad as migrants.<sup>108</sup>

As it is well known, the number of Ukrainian migrants has dramatically increased since the beginning of Putin's invasion. (More on this see below)

Many Ukrainian migrants – as it is the case with migrants in general – serve in their host countries as cheap labour force. When we say “cheap”, we mean that they are paid below the value of their labour force. This is not in contradiction to the fact that among such Ukrainian migrants, there might be also some ICT workers with high-tech skills. According to a study by a U.S. think tank, the number of ICT workers in Ukraine was 285,000 in 2021, twice what it was five years before.<sup>109</sup> Given the devastating conditions of the current war, one can expect that Western imperialist monopolies will recruit such workers as migrant labour force.

The huge dimension of migration, already before the start of the war, is also reflected in the large volume of money which Ukrainian migrants send back to their families at home. Such remittances made up nearly 10% of the Ukraine's GDP in 2020!<sup>110</sup>

Finally, we should briefly note that there are also many migrants living in the Ukraine. The UN estimates their number at about five million. Many, but not all, view the Ukraine as a transit country for migration to the European Union.<sup>111</sup> Most of these migrants – about 3.3 million – originate from the Russian Federation (many of them are from Chechnya and other Caucasian people suffering under terrible prosecution by the Putin regime), followed by 250,000 from Belarus, and 226,000 from Kazakhstan.<sup>112</sup>



## NEW RCIT PUBLICATION!

# The Catastrophic Failure of the Theory of “Catastrophism”

*On the Marxist Theory of Capitalist Breakdown and its Misinterpretation  
by the Partido Obrero (Argentina) and its*

*“Coordinating Committee for the Refoundation of the Fourth International”*

*By Michael Pröbsting, May 2018*

**Introduction \* A Note on the PO's term “Catastrophism” \* What did the Marxist Classics Say? A Brief Overview \* Empirical Evidence for the Long-Term Decline of Capitalism \* What will come after Capitalism? \* Epoch and Periods \* The Current Historical Period which Opened in 2008/09 \* Empirical Evidence for the Decay of Capitalism in the Present Historic Period \* The Dialectical and the Mechanistic Interpretation of Cycles on Capitalism \* Permanent Collapse? No, there is Collapse and Collapse \* Consequences of “Catastrophism” (I): Confusion on Capitalist Restoration \* Consequences of “Catastrophism” (II): Confusion on China and Russia as Capitalist Powers \* Excuse: The Theory of “Long Waves” and Dialectical Materialism \* From Economic Crisis to Revolutionary Situation? \* Can the Crisis of Leadership be Solved without an International Democratic-Centralist Organization? \* Conclusions \* Footnotes**

*A RCIT Pamphlet, 32 pages, A4 Format*

## V. UKRAINE: A DEPENDENT COUNTRY TORN BETWEEN GREAT POWERS IN EAST AND WEST

We have demonstrated in the previous chapters how the Ukraine became a capitalist semi-colony in the past three decades and what its main characteristics are. It is now necessary to point to a peculiar and highly important feature which has shaped the political and economic development of this country since many years.

As we noted at the beginning, semi-colonies distinguish themselves from colonies by being formally an independent state. One consequence of this is the fact that in a number of cases, such semi-colonies are subordinated not only to one imperialist state but to two or more. This is also true for the Ukraine. However, in this case, this development has taken a peculiar form.

The reason for this is the fact that the Ukraine is dominated by Great Powers which have been stuck in an accelerating conflict with each other: the European Union and the U.S., on one hand, and Russia, on the other hand. While these powers collaborated on various issues in the past, they were never integrated on the basis of long-term alliances (in contrast, for example, to the U.S. and Western Europe which have been part of NATO and other alliances since more than seven decades). Furthermore, the relationship between Russia and the Western powers has deteriorated after 2014 and transformed into a Cold War since February 2022.

In the previous chapter, we did show the significant role of imperialist monopolies in the Ukrainian economy – in terms of trade, foreign investment, loans, etc. At this place, we shall elaborate in more detail the respective role of Western European, American and Russian corporations.

While Ukraine’s economy was closely integrated with Russia before 1991, this changed after the country became independent. In the 1990s, the country reduced the proportion of its trade with Russia from around 80 to 55%.

Trade with Central European states was simultaneously reduced from 20 to 10%, while trade with EU member states rose from around 6 to 20%.<sup>113</sup>

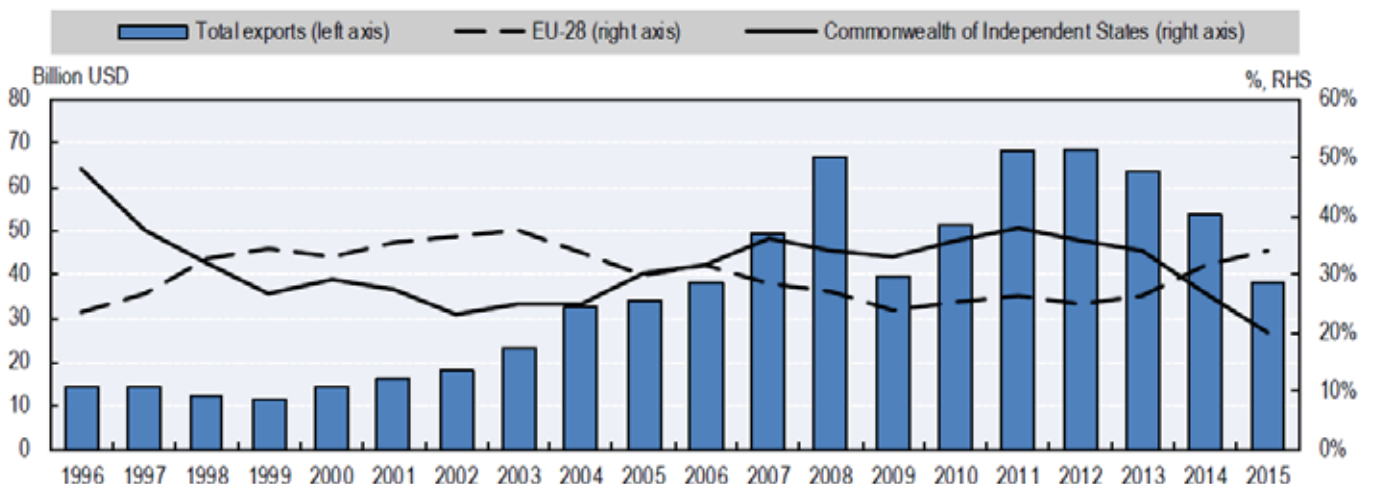
In later years, the relevance of the European Union increased further. However, Russia remained an important trade partner, most importantly for energy imports but also as a destination for exports. (See Table 13)

**Table 13. Percentage share of Ukrainian Exports by Destination**<sup>114</sup>

	1995	2000	2005	2010	2012	2015
Russia	43	24	22	22	26	13
EU	20	29	27	22	24	34

However, when we take the total of the ex-USSR states – the so-called *Commonwealth of Independent States (CIS)* – we see that Eastern countries were still important export destinations in the past decade. The OECD commented in a study on Ukraine’s economy published a few years ago: “Exports to traditional markets in the Commonwealth of Independent States (CIS) have declined markedly in recent years and the EU accounted for more than one-third of export revenue in 2015. In spite of the ongoing conflict, however, the Russian Federation still accounted for the largest share of Ukraine’s exports – at 13% in 2015, followed by Turkey (7.3%), the People’s Republic of China (6.3%), Egypt (5.5%) and Italy (5.2%). Imports predominately originate from the EU (41% in 2015) and CIS countries (28%).”<sup>115</sup> (See Figure 3)

**Figure 3. Evolution of Ukrainian Exports, 1996-2015**<sup>116</sup>



Access to the Eastern markets (Russia, Belarus and Kazakhstan) became more difficult since the Donbass war in 2014/15 as the Putin regime imposed trade and travel restriction on the Ukraine. Consequently, the Ukraine's export of machine building production to these countries sharply declined between 2013 and 2018 by \$5,144 million. While the Ukraine could increase the export of such commodities to other countries (EU, China and the U.S.), this could not make up the huge losses in the Eastern markets (+\$863 million).<sup>117</sup>

We see a similar picture when it comes to foreign investment. Both European as well as Russian corporations play a key role in the Ukraine's economy. Marko Bojcun writes: *"Russian private investors, on the other hand, had a head start on their Western counterparts in the productive sectors. By 2008 they had already occupied commanding positions in non-ferrous metallurgy, petroleum refining and petrochemicals, mobile telecommunications—and had strong positions in iron and steel and the dairy industry. The crisis allowed Russian investors to buy new assets. The Russian state bank Vneshekonombank took 75 percent ownership of the troubled Prominvestbank in late 2008. And in January 2010 Vneshekonombank supported a successful bid by Russian private investors to take majority ownership of the Donbas Industrial Union, the now deeply indebted steel producer that was once one of Kuchma's chosen national champions"*<sup>118</sup>

At the same time, European capitalists had a leading position in the banking sector. By 2008, banks of six EU member states held 30% of the banking capital, while financial institutions based in Russia held another 10%.<sup>119</sup> Europe's share declined somehow after the 2008 crisis while the share of Russian capital rose to 12%. At the same time, another 6% had their formal origin in Cyprus which is a well-known destination for Russian capital export, hence a significant proportion of Cypriot foreign investment was, most likely, of Russian origin.<sup>120</sup> By 2014, the share of non-Russian foreign banks in total banking assets had declined to slightly above 20%, while the share of Russian banks had increased to 16%.<sup>121</sup>

It is hardly surprising that such a powerful economic position by Russian resp. European corporations went hand in hand with strong political influence. The Putin regime used Ukraine's state debt for Russian natural gas supplies (estimated at between \$1.4 bn and \$3 bn in 2000) to get the Ukrainian government to agree to a debt for equity deal in November 2000. Marko Bojcun writes: *"This deal was aimed prospectively at securing control by Russian firms of Ukrainian gas transit pipelines to Central and Western Europe. Meanwhile, other Russian companies were taking large shares or a controlling interest in major Ukrainian enterprises: Avtozaz, buying the Zaporizhzhia Aluminium Plant; Lukoil buying the Odessa oil refinery, creating a joint venture with the Kalush*

*refinery and planning to purchase 100 Ukraine petrol stations; the Tyumen Oil Company buying the Lisichansk oil refinery and a local television station; the metals conglomerate Russian Aluminium taking the Mykolayiv Aluminium Industrial Complex; Metals Russia investing in the Donetsk Metallurgical Industrial Complex; the companies Alliance Group, Alfa Nafta and Tat Nafta taking part in the privatization of the Kherson, Nadvima and Kremenchuk oil refineries respectively."*<sup>122</sup>

A similar deal was concluded in April 2010 – the so-called *Kharkiv Accords*. This deal extended the lease of Sevastopol and other Crimean ports to the Russian Navy until 2042 in exchange for cheaper gas. In June of that year the Verkhovna Rada excluded the goal of NATO membership from the country's national security strategy, thus restoring its non-aligned status. Furthermore, the Yanukovich government agreed to negotiations about closer cooperation between the countries' gas, defence, aerospace and aeronautical industries.<sup>123</sup>

Similarly did Western powers use their influence to bring the Ukraine under their control. As a result, Ukraine applied to integrate with a NATO *Membership Action Plan* in 2008 despite little support for such in the population. Likewise, the Ukraine started negotiations with the EU in 2012 and concluded a *"European Union – Ukraine Association Agreement"* in 2014. In fact, the issue of association with the EU was a key slogan of the right-wing Maidan movement which called for the overthrow of the Yanukovich government because the latter had cancelled the negotiations with the EU and was looking for a similar agreement with the Russia-led alliance which was to be called *Eurasian Economic Union*.

Such attempts of both Russia and the EU (resp. the U.S.) constituted an important factor for the damaging developments in the Ukraine since 2014. The conflict resulted in the death of at least 10,000 people, with at least 23,500 people injured. About one million people were internally displaced.

Pro-Russian forces brought large areas in the Donbass region under their control in 2014 which, effectively, handed over control of their resources to the Putin regime. From then on, an estimated 78% of the industrial capacity in Donetsk and about 84% in Luhansk were located outside of the government-controlled areas (albeit Russia could make only limited use of its conquest as much of it was destroyed or damaged).<sup>124</sup>

In summary, the Ukraine has been a semi-colonial country since many years torn between Great Powers engaged in an ever-accelerating conflict. These powers – mainly Russia and the European Union (plus the U.S.) – try to exploit the country's resources as much as possible and, at the same time, to bring it under their respective sphere of influence.

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## VI. RUSSIA'S PUSH TO COLONISE THE UKRAINE SINCE FEBRUARY 2022 AND NATO'S EFFORTS TO INCREASE ITS INFLUENCE

Russia's attack against the Ukraine in February 2022 opened a new situation. It is a direct attempt to subjugate the Ukraine by brute force and to transform the country into a colony. It is only logical that this war of aggression has mobilised and united the population in resisting this danger of barbaric national oppression. While, before the beginning of the war, there existed a Russophile sector among the population in the east of the Ukraine – which however was even a minority within this region and, we should add, did not face any serious national oppression as the Putinistas like to claim<sup>125</sup> – the situation has changed completely. Today, the Ukrainian people are determined to prevent that their country becomes a colony of Russian imperialism.

At this place, we will not repeat our analysis of the war which we have outlined in numerous documents. We shall rather limit ourselves to summarise the most important results of the war for the future perspectives of the Ukraine. By this, we do not mean to speculate about all kinds of possible scenarios which would be a fruitless enterprise anyway. The purpose of this chapter is rather to outline some fundamental lines of developments which, in our view, will strongly influence the country's future.

As we did already point out in two recently published articles, there is no doubt that the current war has dramatically aggravated the social and economic situation of the country.<sup>126</sup> Since we are talking about an ongoing war with uncertain future perspective, it is not possible to make any concrete prediction. However, we can say with certainty that the Ukraine is facing devastating destruction of the whole society which throws the country back in its development.

According to calculation by the World Bank, the Ukraine's economy has shrunk by about 35% in 2022. A large part of the country's infrastructure has been destroyed by the relentless Russian missile and drone attacks which regularly take place. While the exact amount of damage is difficult to assess, there is no doubt that it is gigantic. According to recently published assessments, 40% of housing, 30% of power stations, and 33% of infrastructure have been damaged, including 305 bridges, 19 airports, 57 railway stations, and 24,000 kilometers of road. In addition, Russia has seized or destroyed 4,000 telecommunication stations, 60,000 kilometres of internet lines, and 18 television and radio broadcasting antennas.<sup>127</sup>

The World Bank initially estimated some time ago that at least \$349 billion are necessary for the recovery and reconstruction of the Ukraine, which is more than 1.5 times the size of the country's pre-war economy. World Bank Vice President Anna Bjerde updated this assessment in a recent interview with the Austrian newspaper *Die Presse* and says that between \$525 and \$630 billion might be necessary.<sup>128</sup> And other studies estimate the costs for reconstructing of the Ukraine up to \$1 trillion!

Naturally, such a wide-scale destruction has catastrophic

social consequences. According to estimations of the World Bank, the number of Ukrainians in extreme poverty will likely reach about 50% of the population by the end of 2023! Furthermore, the National Bank of Ukraine reports that unemployment had reached 35% by the second quarter of 2022.

As we did already discuss in a previous chapter, more than 5-6 million Ukrainians did leave the country in the period between 1991 and 2020. The current war has dramatically increased this number. According to the latest figures, one-third of the population has been displaced since February 2022: 6.5 million within Ukraine and almost 8 million as refugees in other European countries. This figure is likely to increase if the destructive war continues.

While it is clear that the immediate danger for the Ukrainian people is the threat of brutal occupation and colonisation by Russian imperialism, it's impossible to ignore the danger posed by Western imperialism. Financial and military aid by NATO states are instruments to make the country dependent. Obviously, one can hardly criticise the Ukraine to try getting weapons from wherever it is possible. However, it is clear that U.S. and European imperialism try to utilise any form of aid to increase their influence. And, shamefully, they are helped in such endeavour by the bourgeois lackeys of the Zelensky government.

Foreign debt is certainly one of the key instruments of Western imperialism to increase their subjugation of the Ukraine. While the exact figures of the country's indebtedness are not clear at the moment, there is no doubt that Ukraine's external debt-to-GDP ratio will very likely balloon. Given the wide-scale destruction of the economy, the Ukraine will not be in a position to serve its debts to the imperialist financial institutions – even if the war would end soon. In such a situation, the imperialist "friends" of Kyiv will most likely cynically exploit such a situation and propose a debt for equity deal. This means that – similar to what Putin imposed to the Ukraine in 2000 and 2010 – the Ukraine will have to hand over property rights of the most valuable sectors of its economy.

In fact, several think tanks in the U.S. have already started to draw up plans how they could exploit the difficult situation of the Ukraine for the advantage of Western monopolies. In January 2023, the influential *Center for Strategic and International Studies* (CSIS) published a substantial study about the Ukraine which included a number of recommendations for neoliberal reforms which the government in Kyiv should undertake as soon as possible.

Among the key proposals of the CSIS study are the privatisation of the remaining state-owned banks: "*For Ukrainian banks to gain support from IFIs and address general accountability concerns across the country, Ukraine should work to privatize more of its banking system. Four of the top five largest banks operating in 2020 were state owned. (...) In total,*

these banks represented 54 percent of all assets in Ukraine's banking system." <sup>129</sup> "Continue to focus on privatization of SOEs and align their corporate restructuring with OECD principles to reduce corruption and improve the economy's overall efficiency. This step includes fully implementing the law allowing for privatization of industry passed in 2021. Ukraine should prioritize the continued privatization of the banking industry to reduce government exposure to this critical sector and enable a recapitalization of the banking sector with an eye toward decreasing nonperforming loans and increasing liquidity available for business to restart and grow. This would likely require establishing a "bad bank" to take the bad debt out of the system and resolve and restructure it." <sup>130</sup>

The second sector which the U.S. think tank considers as highly valuable for Western corporations is land. As we pointed out above, Ukraine is an important agricultural producer and its exports have become an important source of income. Hence, the CSIS suggests an acceleration of the privatisation process and for the legal possibility for foreign investment in this sector.

"Land reform is one area where Ukraine and its partners will need to focus attention to raise the efficiency of the agricultural sector. Approximately 27 percent of Ukraine's agricultural land lacks clear title to ownership. Prior to the war, efforts were underway to establish clear ownership of this land, but with the start of the war, this effort has been suspended. In March 2020, Ukraine adopted a law that lifted a moratorium on the sale of agricultural land and created new regulations for this market. State and municipality-owned agricultural land is not eligible for sale under the new law, limiting the agricultural land market to the 28 million hectares of land originally privatized

in the early 1990s. Under the law, purchases of land are limited to 100 hectares, and until January 2024, only individuals may make purchases. After that, legally registered Ukrainian companies may purchase up to 10,000 hectares of land, but sales to foreigners remain banned. Even with these restrictions, the World Bank estimates that reforms could attract up to \$5 billion in new investments to the agriculture sector." <sup>131</sup>

The authors of the CSIS study picks up an idea of another U.S. think tank – the German Marshall Fund of the United States (GMF) – that the Western imperialists should directly take charge of the reconstruction of the Ukraine which, effectively, means to take command of the country's economy. The GMF suggests that the "first recovery coordinator should be an American with global stature—so as to use the United States' power and prestige to guarantee that a global recovery alliance comes together. (...). Subsequent coordinators could be Europeans, reflecting the EU's growing responsibility for the long-term process." <sup>132</sup>

Such an American "recovery coordinator" should "direct reconstruction efforts through a joint G7/EU secretariat based in Warsaw." <sup>133</sup> Furthermore, these strategists of Western imperialism suggest that after the necessary reforms are implemented, the Ukraine should become a full member in the European Union within a "timeline of 10–15 years". <sup>134</sup>

We shall conclude this chapter with a few words about possible future scenarios. First, it seems clear to us that Russia could only win this war by using brute force against a largely hostile population. There are only small domestic forces – like the lackeys in the former Donbass "Republics" – on which Moscow could rely for help. It is certainly no exaggeration to say that Russia would have

## Books of the RCIT

### Michael Pröbsting: Anti-Imperialism in the Age of Great Power Rivalry

The Factors behind the Accelerating Rivalry between the U.S., China, Russia, EU and Japan.  
A Critique of the Left's Analysis and an Outline of the Marxist Perspective

In *Anti-Imperialism in the Age of Great Power Rivalry* Michael Pröbsting analyses the accelerating rivalry between the imperialist Great Powers – the U.S., China, EU, Russia, and Japan. He shows that the diplomatic rows, sanctions, trade wars, and military tensions between these Great Powers are not accidental or caused by a mad man in the White House. They are rather rooted in the fundamental contradictions of the capitalist system. This rivalry is a key feature of the current historic period and could, ultimately, result in major wars between these Great Powers.

*Anti-Imperialism in the Age of Great Power Rivalry* demonstrates the validity of the Marxist analysis of modern imperialism. Using comprehensive material (including 61 Tables and Figures), Michael Pröbsting elaborates that a correct understanding of the rise of China and Russia as new Great Powers is crucial for assessing the character of the current inter-imperialist rivalry.

In *Anti-Imperialism in the Age of Great Power Rivalry* Michael Pröbsting critically discusses the analysis of modern imperialism by a number of left-wing parties (left social democrats, Stalinists, Trotskyists and others). He demon-

strates that most of these organizations fail to understand the nature of the Great Power rivalry and, consequently, are not able to take an internationalist and revolutionary stance.

The author elaborates the approach of leading Marxist figures like Lenin, Trotsky and Luxemburg to the problems of Great Power rivalry and imperialist aggression against oppressed peoples. He outlines a Marxist program for the current period which is essential for anyone who wants to change the world and bring about a socialist future.

The book contains an introduction and 29 chapters plus an appendix (412 pages) and includes 61 figures and tables. The author of the book is Michael Pröbsting who serves as the International Secretary of the RCIT.

#### Anti-Imperialism in the Age of Great Power Rivalry

The Factors behind the Accelerating Rivalry  
between the U.S., China, Russia, EU and Japan  
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By Michael Pröbsting



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no more local support for occupying the Ukraine than the U.S. had in their colonial enterprises in Afghanistan and Iraq in 2001 respectively 2003. Even if such an unlikely scenario of a Russian victory would occur the occupation forces would immediately face a massive guerrilla war – something of which they already got a bitter taste in the occupied territories in Donetsk, Luhansk, Zaporizhzhia, and Kherson.

Another possible scenario would be that the war ends in a stalemate and the country could be divided into two regions – similar to North and South Korea. In such a case, we would see the same scenario as discussed before albeit limited to the Eastern region of the Ukraine.

In case of such a division, it is also possible – albeit by no means certain – that NATO forces would be stationed in the Western part of the Ukraine. These forces might initially not face the same degree of popular hostility as their Russian rivals since many Ukrainians (wrongly) view the Western powers as allies against the Russian aggressor.

However, such a position of acceptance of NATO forces on the ground could rapidly change if such forces would – instead of fighting against the Russians – serve as troops for the protection of a Western lackey government of Zelensky (or another puppet). This is quite a realistic scenario given the conditions of extreme poverty in which the Ukrainian people will have to live and given the fact that U.S. and EU imperialism will try to appropriate the most valuable products of the Ukraine. It would be hardly surprising if the popular masses would rebel against a pro-Western government in Kyiv!

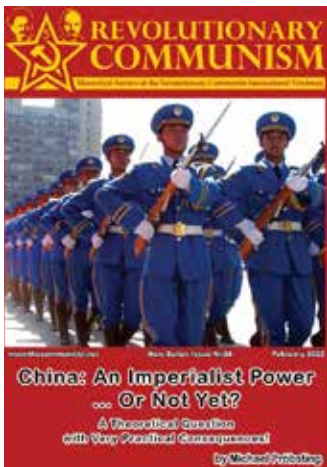
If the Ukraine succeeds in expelling the Russian invaders, much will depend on if the workers are able to translate such a victory into their empowerment, i.e. if they use their weapons to expropriate the oligarchs and foreign monopolies and impose their own government. Socialists

will advocate such a perspective and work to avoid a situation where the masses are so exhausted from the war of attrition that they passively accept when foreign and domestic capitalists and politicians try to steal the fruits of the people's victory.

This brings us to the last observation on this subject. It is self-evident that as long as the war lasts, any serious effort of reconstructing the Ukraine with help of Western powers is illusionary. However, even if a truce could be achieved at some point, the situation will remain highly unstable. This is not Bosnia after the Dayton Agreement in 1995 where NATO and EU forces could force the Serbian regime of Milosevic to stop their reactionary war against the Bosnian people! Hence, it is likely that some form of political and military instability will remain for the foreseeable future. Under such conditions, it is very unlikely that Western corporations would undertake substantial investment.

Some people might have hope that the Ukraine could experience a European version of South Korea's economic miracle which took place despite the Cold War situation with the neighbour in the north. However, this is an utter illusion! First, the imperialist and the Stalinist states were able to establish a relatively stable Cold War situation. The rivalry between the imperialist Great Powers in East and West in the current historic period is likely to be much more fragile and explosive.

Second, and more importantly, those who naively wish for a "South Korean future" of the Ukraine must not forget what the course was of such development. South Korea was a military dictatorship since its foundation in the late 1940s until 1987, all forms of mass protests were brutally suppressed, and the masses were living in poverty for decades. Only after a long period – beginning in the 1970s – did the massive Western investments translate into some kind of higher living standard.<sup>135</sup>



## *Publications of the RCIT*

# China: An Imperialist Power ... Or Not Yet?

*Continuing the Debate with Esteban Mercatante and the PTS/FT  
on China's class character and consequences for the revolutionary strategy*

*By Michael Pröbsting, January 2022*

**Introduction \* I. The importance of the dialectical method \* II. A summary of our characterization of China as an imperialist Great Power \* III. On China's unevenness and vulnerability \* IV. The Taiwan question in its historical and geostrategic context \* V. Is China a Great Power without imperialist features? \* VI. Can China's development as an imperialist power be aborted? \* VII. China, imperialist wars, and revolutionary tactics \* Footnotes**

*A RCIT Pamphlet, 24 pages, A4 Format*

## VII. THE WAY FORWARD: FROM NATIONAL LIBERATION TO SOCIAL REVOLUTION

We have shown in this pamphlet that, after the collapse of Stalinism in 1991, the Ukraine became a capitalist semi-colonial country which has been super-exploited and dominated by Great Powers like Russia, the European Union and the U.S. Large monopolies from these imperialist countries plundered the Ukraine with the aid of corrupt oligarchs – the local version of a comprador bourgeoisie.

As a result, the Ukraine has become impoverished, and its population declined already long before the military conflict with Russia began. The country is highly indebted to international financial institutions and has been forced to open its economy for foreign corporations. Its manufacturing base, which was quite developed by the late 1980s, has been largely reduced in the course of the 1990s and 2000s. Consequently, the Ukraine has become a semi-colonial supplier of raw materials for the capitalist world market. Likewise, millions of Ukrainians have left the country and work as migrant cheap labour force abroad.

Such a semi-colonial deformation and subordination of the Ukraine soon started after it became formally independent. In other words, it is not a result of the events since 2014. At the same time, it is clear that Putin's invasion has worsened the situation even more. It has destroyed the country and threatens to transform the Ukraine from a semi-colony into an outright colony of Russian imperialism.

It is the foremost duty of socialists to defend the Ukrainian people against Putin's invasion and, at the same time, to oppose any interference by Western imperialist powers.

As we said in the first chapter, it is impossible to find a correct orientation in a tumultuous world situation without a clear understanding of the Marxist theory of imperialism and its analysis of the relations between the states. There is no science without categories or, as Lenin once observed in his *Philosophical Notebooks*: „The concept (cognition) reveals the essence (the law of causality, identity, difference, etc.) in Being (in immediate phenomena)—such is actually the general course of all human cognition (of all science) in general.“<sup>136</sup>

The RCIT has always emphasised that in order to take a correct position in the class struggle – and a national liberation war is part of such struggle – it is essential to have a scientific analysis of the class character of the forces involved. In this, we follow the Marxist approach as it was elaborated by Lenin and Trotsky who insisted on the importance to recognise the class character of states.

“To teach the workers correctly to understand the class character of the state – imperialist, colonial, workers’ – and the reciprocal relations between them, as well as the inner contradictions in each of them, enables the workers to draw correct practical conclusions in situation.”<sup>137</sup>

We shall conclude this pamphlet with an outline of the perspectives for socialists. We will limit ourselves to a brief summary since a) the focus of this pamphlet is the analysis of the peculiar class character of the Ukraine and b) the RCIT has already published a number of documents

on this issue.

1. First, the Ukrainian people are right to fight the Russian invasion by any means necessary. Their war against imperialist occupation and national oppression was and remains a just struggle. We support the efforts of the Ukrainian people to get weapons from wherever possible.

2. It is the foremost duty of socialists around the world to support the Ukrainian people in their struggle.

3. The workers and oppressed in the Ukraine should neither trust the bourgeois Zelensky government nor NATO imperialism. They should strive towards creating their own, independent popular councils and militias to wage a struggle for national liberation under their control.

4. Socialists in the Ukraine should oppose all forms of interference and direct resp. indirect domination by Western powers. They should agitate against any steps towards accession to the EU or NATO. Likewise, they should call the government to cancel all foreign debt.

5. Socialists around the world, and in particular in Western countries, need to campaign for the cancellation of all foreign debt for the Ukraine. Likewise, they should oppose the expansion of NATO and EU.

6. Authentic socialists in Russia – in contrast to the social-patriots of the Stalinist KPRF, RKRP and OKP – work towards the defeat of their “own” government and for the military victory of the Ukraine. The main enemy is at home! They will continue supporting all mass protests against the war and strive towards transforming these into popular rebellions against the Putin regime.

7. Likewise, socialists around the world need to support the anti-war movement in Russia and, in particular, the anti-imperialist socialists.

8. The strategic goal in the Ukraine is to combine the struggle against the Russian invasion with preparation of an independent workers struggle against the Zelensky government and against indirect NATO domination of the Ukraine. In other words, socialists have to advocate the transformation of the national liberation struggle into a popular war against Russian imperialism and independent of Western powers and, at the same time, advocate a social revolution and the creation of a workers and popular government in the Ukraine.

9. Such a workers and popular government would fight against Russian imperialism until all occupation forces are expelled. At the same time, it would oppose interference by Western powers. It would expropriate the oligarchs and foreign monopolies. It would nationalise the key sectors in industry, services, finances, and agriculture under workers’ control so that a democratically planned economy could mobilise all resources for the war and the survival (and later reconstruction) of the country. It would raise the banner of an *independent, socialist Ukraine without occupation and oligarchs!*

10. Furthermore, such a workers and popular government would support the struggles of workers and oppressed people in other countries. The Chechens in Russia, the Syrian people, the workers on strike in Britain

and France, the popular masses in Peru – it is these masses fighting for their rights which are the natural allies of the Ukrainian masses. The NATO bosses and Western capitalists – they will always care only about their own power and profits.

The masses who have nothing to lose but their chains – in the Ukraine and around the world!

*Defend the Ukraine! Defeat Putin's invasion!*

*Cancel Ukraine's foreign debt!*

*For an independent, socialist Ukraine without occupation and oligarchs!*

*Neither Russian nor Western imperialism but international socialism!*

## FOOTNOTES

1 See on this e.g. various reports (with pictures and videos) on our website, <https://www.thecommunists.net/rcit/international-workers-aid/>. See also the website of the International Workers Aid campaign, [www.workers-aid.net](http://www.workers-aid.net). See also An Inspiring Internationalist Rally against Russian Imperialism. Syrian, Chechen and Ukrainian migrants as well as “Russians against War” jointly demonstrate against the Putin regime, 25 September 2022, <https://www.thecommunists.net/rcit/internationalist-rally-against-russian-imperialism-25-9-2022/>

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120 Bojcun, 2015, pp. 403-404

121 OECD 2016, p. 49

122 Bojcun, 2019, pp. 54-55

123 Bojcun, 2015, p. 405

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126 See Michael Pröbsting: The Ukraine in the Imperialist Debt Trap. The international workers and popular movements must campaign for the total cancellation of the Ukraine's foreign debts, 9 July 2022, <https://www.thecommunists.net/worldwide/europe/ukraine-in-imperialist-debt-trap/>; by the same author: The Gigantic Destruction of the Ukrainian Society, 12 December 2022, <https://links.org.au/gigantic-destruction-ukrainian-society>. All figures in this chapter, if not indicated otherwise, are taken from these two articles where readers can also find the sources for this information.

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128 Jakob Zirm: Ukraine: "Die Entwicklung von 15 Jahren ist ausgelöscht", Die Presse, 03.12.2022, <https://www.diepresse.com/6223189/ukraine-die-entwicklung-von-15-jahren-ist-ausgeloescht>

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132 Ronja Ganster, Jacob Kirkegaard, Thomas Kleine-Brockhoff, and Bruce Stoke: Designing Ukraine's Recovery in the Spirit of the Marshall Plan, German Marshall Fund of the United States, September 2022, p. 17

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