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END NOTE

UKRAINE'S VIRTUAL STRUGGLE AGAINST CORRUPTION AND ORGANIZED CRIME

By Taras Kuzio

Ukraine's paradox is that it has a record of committees and legislation, decrees, and resolutions that have all ostensibly dealt with corruption and organized crime. If legislation and committees are in place, then, why is there little or no progress in combating corruption and organized crime in post-Soviet Ukraine?

Nearly a decade of experience under such measures suggests that only small-time offenders and politically disloyal individuals have been targeted.

Vasyl Onopenko and Serhiy Holovatiy understood the gap between official declarations and the lack of official commitment to the struggle against corruption and organized crime. They each resigned as minister of justice, a post they occupied between November 1991-August 1995 and September 1995-August 1997, respectively. Both were subsequently elected to the current parliament as members of the radical, anti-presidential Yuliya Tymoshenko Bloc.

An uncompromising struggle against Ukrainian corruption and organized crime was first announced by then-Prime Minister Leonid Kuchma in December 1992. With little privatization under President Leonid Kravchuk (1991-94), the main avenues for corruption and organized crime lay in Soviet asset stripping and large profits on the gap between low domestic and high international prices for raw materials and energy.

In November 1993, the Coordinating Committee to Struggle Against Corruption and Organized Crime was established and chaired by President Kravchuk. The Coordinating Committee has been in place ever since, although its effectiveness leaves much to be desired. The first legislation to deal with corruption and organized crime was adopted on 5 October 1995. In April 1997, the categories that were classified as liable to corruption charges were expanded to include parliamentary deputies and local officials.

During the 1994 presidential campaign, Kuchma promised to struggle against corruption and reduce the size of the shadow economy, which already represented about 50 percent of the country's gross domestic product. Eight years later and as the end of Kuchma's second term in office looms, the size of the shadow economy remains the same, according to Minister of Internal Affairs Yuriy Smirnov and Tax Administration head Mykola Azarov. A presidential decree based on a 25 January 2001 National Security and Defense Council resolution was adopted to "eliminate" the shadow economy.

A large shadow economy means a huge proportion of funds is diverted from the state to private hands, a process that in turn fuels criminality and corruption. Objective factors in the continued presence of such a large shadow economy remain in place. These include a large bureaucracy of 250,000 officials, many of whom also work "part-time" elsewhere; frequent changes to legislation; 100 state bodies that have a right to inspect a business; and high tax rates.

With the onset of privatization after 1994, the potential for corruption and organized crime expanded greatly. The formerly high-ranking Soviet Ukrainian nomenclature transformed its Soviet-era political influence into economic power. This new economic power was institutionalized as political power and influence through control of private media (state television is controlled by the executive branch) and "pragmatic" centrist parties that first made their presence felt in the 1998-2002 parliament. These new centrist parties, or older genuine ones taken over by oligarchs, are largely based on regional clans.

The former Soviet Ukrainian elite therefore became the bedrock of the government's support through its control of business, the media, and access to state and budgetary funds. In return for political loyalty, officials turn a blind eye to corruption in what has been termed a "blackmail state." If these oligarchic allies go into opposition, politically motivated charges of "corruption" are leveled against them, as with those against Tymoshenko.

A lack of transparency between state actors, pro-regime businessmen, and their political parties bears all the characteristics of a corporate state. Last year, Yevhen Chervonenko, former head of the State Reserve Committee, complained that state reserves "have been a source for many political campaigns" for oligarchic parties. The most sought-after government positions are those that distribute state funds (e.g., portfolios like Social Policy, Health, Education, Privatization, Natural Resources).

Aside from the Coordinating Committee, which is attached to the executive, the 1994-98 parliament created its own committee to "struggle against organized crime and corruption." According to its current head, Our Ukraine member Volodymyr Stretovych, this committee started its work in the newly elected parliament from scratch as it had not received any documents from its predecessor. Stretovych told "Ukrayina moloda" of 1 August that corruption is rampant in the presidential administration, government, and parliament.

On 24 April 1997, the Coordinating Committee established the National Bureau of Investigation, modeled on the FBI. Parliament never supported its creation, and it was shut down in December 1999. Ukraine already had departments to combat corruption and organized crime within the Ministry of Internal Affairs (MVS) and the Security Service (SBU). But their usefulness has also proven to be minimal as they have themselves become involved in criminal activities.

The discrepancy between official and actual policies in the struggle against corruption and organized crime could be seen in the "Clean Hands" campaign launched in February 1998. "Clean Hands" was launched under Western pressure after widespread publicity surrounding the misdeeds that plagued the Lazarenko government (July 1996-July 1997). Not surprisingly, it was quietly forgotten.

On 28 April 1998, the executive adopted a far-reaching "Concept For The Struggle Against Corruption" that was to last until 2005, though the plan gave way to further government measures in July 2000 when its ineffectiveness was recognized. Such long-term Ukrainian programs, which have also been adopted in other fields, resemble Soviet-era five-year plans both in the way in which they are constructed and their lack of implementation because of their purely cosmetic character.

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