



# Crime, politics and business in 1990s Ukraine



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## ABSTRACT

In contrast to Russian studies, the study of crime and corruption in Ukraine is limited to a small number of scholarly studies while there is no analysis of the nexus between crime and new business and political elites with law enforcement (Kuzio, 2003a,b). This is the first analysis of how these links emerged in the 1990s with a focus on the Donbas (Donetsk and Luhansk oblasts) and the Crimea, two regions that experienced the greatest degree of violence during Ukraine's transition to a market economy. Donetsk gave birth to the Party of Regions in 2001 which has become Ukraine's only political machine winning first place plurality in three elections since 2006 and former Donetsk Governor and party leader Viktor Yanukovych was elected president in 2010 (Zimmer, 2005; Kudelia and Kuzio, 2014). Therefore, an analysis of the nexus that emerged in the 1990s in Donetsk provides the background to the political culture of the country's political machine that, as events have shown since 2010 and during the Euro-Maydan, is also the party most willing in Ukraine to use violence to achieve its objectives.

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## 1. Introduction

This is the first study of the violence and crime in Ukraine's transition to a market economy in the 1990s. Although violence was endemic in the 1990s first the Crimea and second the Donbas (Donetsk and Luhansk oblasts), in terms of numbers of murders, the subject has been ignored by scholars working on post-Soviet Ukrainian politics and economics and therefore a major aspect of what transpired at that time is absent from studies of contemporary Ukraine's quadruple transition (Kuzio, 2007, 83–176). As Jaroslaw Koshiw (2013, 203) writes, 'In Donetsk after Ukraine's independence, organized crime and the political establishment were like either side of a coin.'

This article analyzes the Donetsk region in the 1990s and thereby the background to the rise of the Party of Regions and Viktor Yanukovych, using as a case study one of the most sensational acts of violence in this period, that of the 1996 murder of Yevhen Shcherban who was Ukraine's wealthiest oligarch at the time, director of the Industrial Union of Donbas (ISD) and a leading figure in the Liberal Party of Ukraine, one of the first political parties to be formed in fall 1991 in Donetsk. Two other directors of the ISD, organized crime boss Akhat Bragin (criminal nickname 'Alek the Greek') and Aleksandr Momot were murdered in 1995 and 1996 respectively. Yevhen Shcherban emerged in new business ventures in the second half of the 1980s like many of his generation from the Komsomol (Communist Youth League) and Democratic Platform of the Communist Party and prior to his 1996 assassination he supported the Liberal Party in Donetsk and the Social-Market Choice parliamentary faction allied to the party. The Liberal Party was similar to other Komsomol-organized parties but in Donetsk it had two

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differences in comparison to other eastern Ukrainian regions. First, it never managed to find strong local support and second it had to work with criminal structures, such as those controlled by regional crime boss Bragin.

This article argues that the source for the more authoritarian and greater thuggish culture of the Party of Regions, clearly evident in the bloodshed used during the Euro-Maydan revolution in 2013–2014 and the plans to massacre even larger numbers of people that were thwarted (Moskal, 2014; Rachkevych, 2014), lies in the rampant violence in the Donbas in the 1990s and integration of criminal elements into its ranks. Criminal leaders incorporated into the Party of Regions who had long-established ties to Yanukovych included Yuriy Ivanyushchenko who together with his hired killers (Armen Sarkisyan, Anatoliy Zuyev, and others) recruited the mercenary snipers who murdered protesters in February 2014, according to an investigation by Tatyana Chornovol, head of the National Anti-Corruption Bureau (Chornovol, 2014). Ivanyushchenko provided services for 'The Family' led by the president's eldest son Oleksandr Yanukovych without whose approval nothing could be undertaken during Yanukovych's presidency. Ivanyushchenko and his killers provided support to violent terrorists active from spring 2014 in the Donetsk region (Chornovol, 2014). The Party of Regions is the first Ukrainian political force to employ vigilante sportsmen 'skinheads' against political opponents, journalists and civil society activists and for the purposes of corporate raiding. Yanukovych's business associates in 'The Family' demanded that fifty percent of businesses be transferred to their control (Oliynyk, 2014; Kuzio, 2014b). Nicknamed titushky after Vadym Titushko, a skinhead-sportsman who attacked journalists in Kyiv in May 2013, vigilante's were extensively used by the Yanukovych regime during the Euro-Maydan for the purposes of beating protesters, abductions, torture and murder.

The term skinheads (бритоГолови or heads shaved by razors) refers to individuals with a criminal past and individuals who undertake semi-criminal or criminal activities that have been primarily used by the Party of Regions (Umanets, 2013). These should not be confused with Nazi or football hooligan skinheads common in Europe since the 1970s; in fact, football 'ultras' throughout Ukraine, including in Kharkiv and Donetsk, supported the Euro-Maydan and protected protesters from titushky. Volkov (2002, 7) writes that: 'Sportsmen naturally formed the core of the emerging racketeering groups.'

Additionally, the Party of Regions' strong bases of support in the Donbas and Crimea are reflective of a dominant Soviet identity in both regions. Meanwhile its warm relationship with the Communist Party of Ukraine (KPU) and Crimean Russian nationalists – in stark contrast to anti-Communist and anti-separatist centrist parties active in eastern Ukraine in the 1990s – is reflective of a more leftist populist, rather than liberal centrist profile. Post-Komsomol liberal centrists supported a moderate ethnic Ukrainian identity, cooperated with national democrats and were opposed to the KPU and Crimean Russian nationalists. President Yanukovych and Party of Regions' monopolization of Ukrainian politics and economy in 2010–2014 was accompanied by democratic regression, economic stagnation (bringing Ukraine to the edge of bankruptcy), rampant corruption, as most clearly evident in their luxurious palaces opened up to public scrutiny (Gorchinskaya, 2014), and growing violence, the sources for which lie in the violent transition in Donetsk in the 1990s and integration of criminal elements into the Party of Regions, the public face of the Donetsk clan. Documents left behind (<http://yanukovychleaks.org/>) after Yanukovych's removal from power in February 2014 by the Euro-Maydan revealed a level of corruption that was stupendous. His administration is accused of stealing more than \$70–100 billion and bankrupting Ukraine (Miller and Rudenko, 2014). Aslund (2014) writes that 'For the past four years Mr. Yanukovich's sole ambition has been to enrich his family and cronies.'

The framework for the study of crime, business and politics in Ukraine is divided into five parts. The first section analyzes the transition in the two most violent regions of Ukraine: Crimea and Donetsk, including the numbers of murders and the impact of this culture and atmosphere of violence upon the emerging post-Soviet business and political elites. The second section investigates the integration of the surviving criminal elites from the late 1990s into the Party of Regions and Crimean Russian nationalist parties. The third section analyzes how and why the Donetsk clan understood the strategic importance of controlling law enforcement structures, particularly the Prosecutor-General's office. The fourth and fifth sections investigate different theories as to who was behind the high profile murder of oligarch Yevhen Shcherban in 1996 and subsequently who benefitted.

## 2. Ukraine's violent transition: business, politics and organized crime in the 1990s

Ukraine's post-Soviet transition to a market economy was accompanied by violence that was particularly acute in regions with raw materials, industry, tourism, and ports. It was therefore little wonder that the three most violent regions of Ukraine during the 1990s were in order of number of murders the Crimea, Donetsk, and Odesa (Yuriy Lutsenko, November 1, 2013). Former Prime Minister and Batkivshchyna (Fatherland) party leader Yulia Tymoshenko (2013) described this period of time,

The kind of internecine criminal disputes that existed in the Donetsk region in the 1990's, did not take place in any other region in Ukraine. Yuriy Lutsenko, when he became Minister of Interior in 2005, exhumed more than 30 corpses of businesspersons, judges, lawyers, investigators and others who had been liquidated in Donetsk in the 1990's ... Then (President) Yushchenko ordered Lutsenko to stop digging up any more slag heaps in the Donetsk region ...'

Yevhen Shcherban was the most high profile example of the violence then taking place in Donetsk. Chornovol (2013e), who was herself violently beaten in December 2013 by vigilante's working for the authorities and police only hours after her blog appeared on police chief Vitaliy Zakharchenko, explains that: 'In reality, all the major murders in the Donetsk region were very connected. This was because the people who ran the Donbas in the beginning of the 1990s and mid-1990s, who today are the masters of Donbas and even Ukraine, were closely tied' (Chornovol, 2013f).

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