

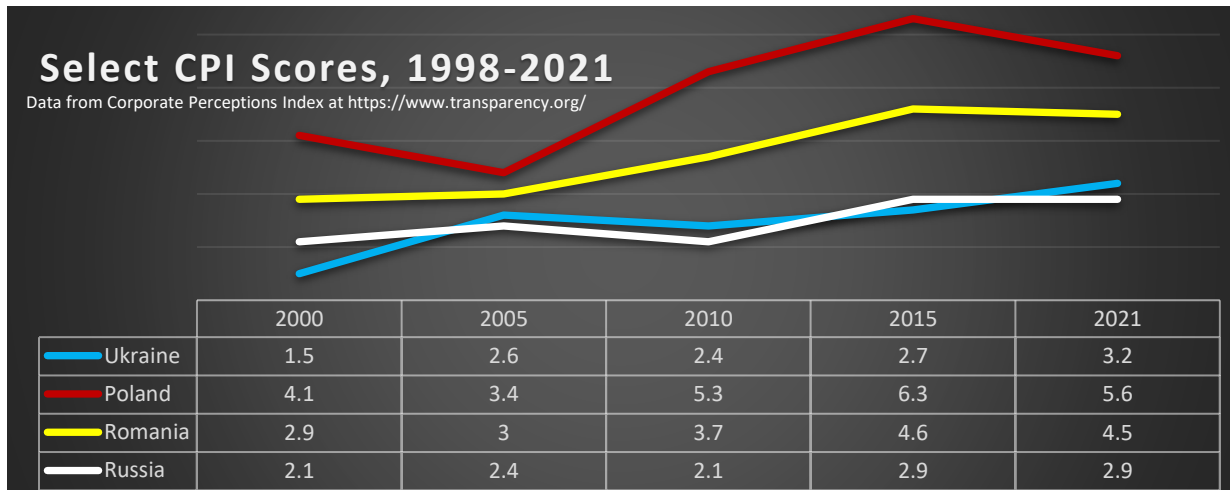
## **The Impact of Oligarchical Corruption on Ukraine's National Defense**

In February of 2022, Russia's military invaded portions of southern and eastern Ukraine, escalating an ongoing conflict that has been propped up by the Russian state since 2014. Most experts believed Ukraine's Armed Forces (UAF) would be defeated quickly and Russia would install a puppet government in Kyiv. Ukraine, with outdated equipment and limited initial help from NATO-aligned countries, stopped and pushed back Russian forces in several regions. As 2022 progressed, NATO-aligned countries have continuously provided larger quantities of high-tech weaponry that Ukraine used and continues to use effectively against Russian forces. It was clear at the onset of the invasion in 2022, and in 2014 when Russian-backed forces seized portions of Ukraine, that the UAF were not capable of fully defending against attacks. How did this situation come about? Corruption has played a significant role in Ukraine's inability to gather and utilize national defense resources. This paper will examine the effect of grand corruption on the national defense of Ukraine.

Transparency International defines three levels of corruption (the abuse of entrusted power for private gain): grand corruption (abuse of high-level power to benefit the few at the expense of the many), political corruption (politicians manipulate policies, procedures, and institutions to sustain power, status, and wealth), and petty corruption (everyday abuse of entrusted power by public officials interacting with ordinary citizens).<sup>1</sup> All three types are significant and persistent in Ukraine; however, this paper will focus on grand corruption in Ukraine.

Transparency International also produces an annual global Corruption Perception Index (CPI). There are two scores, one is a rank among other nations, and the other is the corruption score. From 1995-2011, that score was between one and ten, from 2012 to present it is out of one hundred. The higher the number the less corrupt the nation. The figure below shows CPI scores for similarly situated Eastern European nations—Ukraine, Poland, Romania, and Russia—spanning three decades. Poland and Romania are also former socialist republics, the former is considered an overall success since independence and the latter continues to have

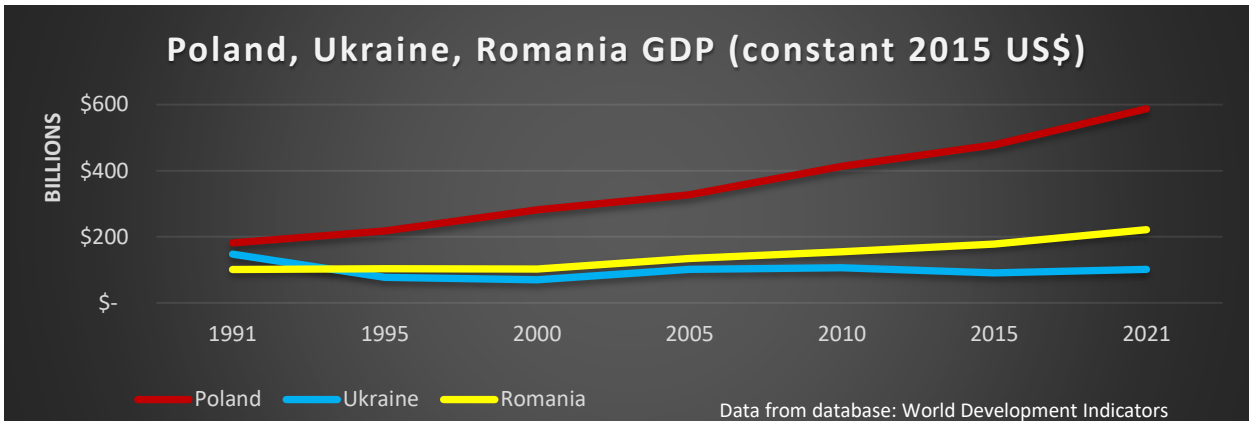
corruption issues; however, both are members of NATO and the European Union (EU), while Ukraine, mired in corruption at a similar level as Russia, is not.<sup>2</sup>



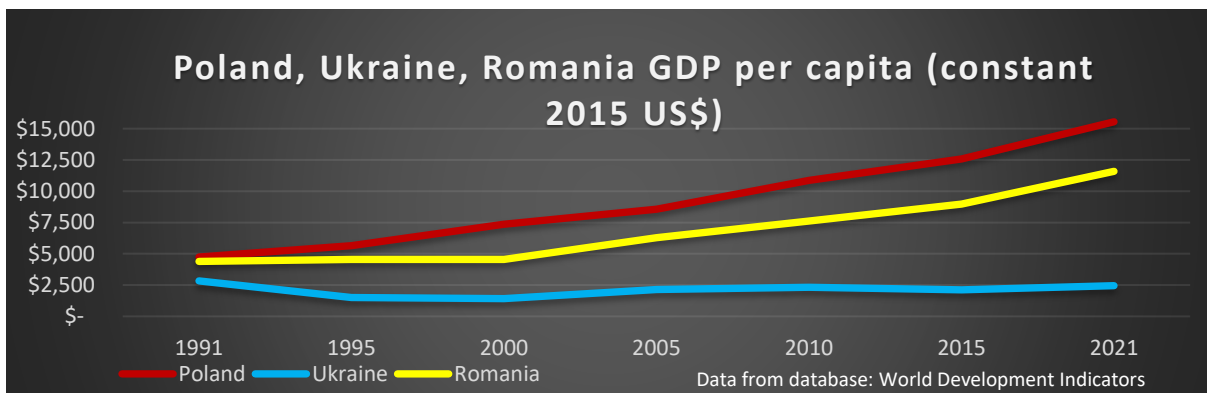
The effects of corruption on Ukraine’s economy and its development are enormous. In 2014, Ukraine’s per capita GDP was about one-third of Poland or Russia’s, despite being nearly equal in 1989. Ukraine also had less output per capita than it did in 1989.<sup>3</sup> Income inequality is excessive in Ukraine, and the resulting poverty and poor state resources impacts the general health and wellbeing of the population. The state wastes resources on businesses functioning only for oligarchs and prominent politicians, and prices in the private sector are subject to the interests of a few rather than subject to the market, making the oligarch economy unstable.<sup>4</sup> According to Tridico and Zhak, not only is the oligarch economy unstable, but it is also extremely inefficient—there are multiple layers of excessive corruption and transaction costs (i.e. bribes, protection fees, lobbying, etc.)—and this curbs economic growth.<sup>5</sup>

In 1990, Poland and Ukraine were in similar conditions on the eve of independence. Twenty years later, Poland, following EU guidance and supervision for institution building, anticorruption law, and antimonopoly authority became one of the most successful stories of Eastern European transition to a market economy.<sup>6</sup> Reviewing the changing GDP of Poland, Ukraine, and Romania from 1991 to 2021 we see stark differences in the economic development of each country. Poland’s production, under the aegis of the EU, exploded in the 2000s, and the

correlation between a strong economy, strong institutions, and lower corruption is apparent in the figure below and the preceding CPI Scores figure.



If we look at the GDP per capita of each country, there is even more disparity between the development of each country. In constant 2015 USD, Ukraine's GDP per capita has not broken \$3,000 since 1991. Romania and Poland, on the other hand, have created economic opportunities and outcomes for the average citizen. Despite having a much lower CPI score and GDP than Poland, Romania has a much stronger economy than Ukraine. The data shows that a more developed market economy means more benefits for the average citizen.



In oligarchic systems where business owners hold legislative seats it becomes difficult to distinguish between public and private office, creating opportunities for abuse of power and manipulation in countries with weak institutions and an underdeveloped legislative base.<sup>7</sup> The

Washington Consensus, a prevalent school of thought for transforming countries in the 1990s, was heavily market oriented and designed according to neoclassical economic theories and took no account for post socialist institutional transformation that had influenced the former Soviet Republic.<sup>8</sup> Because there was no practice of market rules, people in strategic positions with more information used both to get more individual rights and benefits. Mass privatization and the idea of distributing property rights for all to create an economic democracy did not take seed in the absence of a central power and transparent bureaucracy, allowing for an unfair privatization process concentrating the power—and resources—in the hands of a few former Soviet officials.<sup>9</sup> Some of these individuals who amassed significant wealth and political influence are called oligarchs. Finally, and of significant importance, is that Ukraine, unlike many of the other Soviet republics, was independent for the first time in 1991 and did not have a long institutional or national history to fall back on when Soviet authority was gone.

### **The Origins of Grand Corruption in Ukraine (1991 – 1994)**

On paper, Ukraine has had extensive anticorruption efforts since 1995: thirty presidential decrees and government resolutions, and a dozen legislative acts, but the sheer volume of grand corruption under each president has only grown.<sup>10</sup> Under the first four presidents, anticorruption drives were excessively centralized and bureaucratized, existing agencies had too many overlapping authorities, and contradictory legal tools all contributed to an inefficient enforcement and a weakened legal environment.<sup>11</sup>

Under Ukraine's first president, Leonid Kravchuk (August 1991-July 1994), the focus was nation-building, and organized crime and corruption thrived because Ukraine was newly independent, impoverished, and had a factionalized political elite and weak civil society.<sup>12</sup> During Kravchuk's term there was no clear break from Ukraine's communist ties. Indeed, many Russian politicians, as well as ordinary Russian citizens, have never been fully reconciled to Ukraine's independence from the Soviet Union in 1991 and feel that the country belongs in Russia's political and economic orbit.<sup>13</sup> Kravchuk also failed to implement liberalizing reforms, and did not pursue anticorruption efforts, setting the stage for Ukraine's persistent and resilient institutional corruption.<sup>14</sup> The former Soviet elites who held administrative posts in Ukraine, the *Nomenklatura*, rebranded themselves as powerful bureaucrats and used the chaos of the Soviet collapse to grab state resources, simply transferring ownership of state businesses to themselves

and rewarding associates in the shadow economy with licenses and shares in enterprises.<sup>15</sup>

Russian influence, therefore, was very predominant, the European Union membership option (and the EU's assistance in building a democratic economy) was not considered, and the economic strategy was a political-economic system where political elites became oligarchs and ruled, directly or indirectly, over the country.<sup>16</sup>

From 1991-1996, Ukraine experienced an atomized free-for-all form of corruption, characterized by uncoordinated predation and disorganized rent-seeking on all levels of the state—possibly equaling Ukraine's annual GDP in 1991 and 1992.<sup>17</sup> In the 1990s Communist party assets were laundered out of Ukraine, to the tune of 20-50 billion dollars in capital flight.<sup>18</sup> During this period, the Ukrainian transition to market economy and privatization process was marked by a lack clear, authoritative regulation rife with conflicts of interest among government officials.<sup>19</sup> Privatization of state-owned enterprises was mainly non-competitive and subject to the control of the ruling class and bureaucracy, and favored the emerging oligarchs.<sup>20</sup> The lack of regulation allowed organized criminal groups to move into legitimate enterprise, thus criminalizing the privatization process in the former USSR, and at the same time, created an alliance among the *nomenklatura*, criminal groups, and underground businessmen.<sup>21</sup>

In other words, privatization, the carryover of Soviet corruption, and weak institutions allowed criminal groups and political elites to essentially hijack Ukraine's state resources and stall Ukraine's democratic development. For example, Kravchuk's Prime Minister Yukhym Zviatkovsky helped pioneer this type of corruption and used his authority to control foreign trade licenses to ensure profits stayed in the appropriate circles.<sup>22</sup> Zviatkovsky was prosecuted for embezzling \$25 million worth of state-owned aviation fuel and depositing the proceeds in his offshore account.<sup>23</sup> Shadowy financial transactions like hard currency exchanges and offshore transfers were conducted by currency exchange centers, who counted large businesses, banks, and state-owned enterprises as clients. By 2004, an estimated 35% of Ukraine's currency stock was outside of the banks' circulation.<sup>24</sup> The system of grand corruption though, was decentralized and devoid of unified political purpose, focusing on short-term and quick wealth accumulation.<sup>25</sup>

### **The Influence of the “Donetsk Clan”**

The Donbas region is in eastern Ukraine and is composed of Donetsk Oblast and Luhansk Oblast (an oblast is an administrative region in Ukraine).<sup>26</sup>



Ethnic Russians make up approximately 17% of Ukraine's population and are concentrated in the southern and eastern parts of the country.<sup>27</sup> Ethnic Ukrainians in the east and south also tend to be Russian speaking, have generally been suspicious of Ukrainian nationalism, and have supported close ties with Russia.<sup>28</sup> Donbas has been industrialized since the early 20<sup>th</sup> century, with most of the Russian Empire's steel, pig iron, coal, and coke coming from the region by 1917. In the mid-2000s, 62% of Ukraine's industrial output, 46% of its metallurgy, and 31% of its fuel and energy came from the region.<sup>29</sup> The USSR sent Soviet criminals to Donbas for labor, creating a tolerance for past criminality, legal nihilism, and close informal networks developed in dangerous working conditions.<sup>30</sup> The political economy of Donetsk Oblast had been dominated by rent-seeking communist elites interested in personal enrichment rather than a functioning market economy.<sup>31</sup> Donbas's ties to Russia in the coal industry predate 1991, and the criminal groups had a closer nexus with Moscow, both giving the region a certain degree of independence from central power in Kyiv.<sup>32</sup> This situation created a preexisting culture tolerating illegality, political-criminal alliances, and corruption, with a sense of regional identity

as well. The Donbas region—and Donetsk Oblast in particular—was ripe for the picking after Ukraine’s independence in 1991.

Immediately after independence, Donetsk Oblast witnessed a rise in violent crimes. Kupatadze provides an interesting data point about the violence in Donetsk: 80% of property owned by entrepreneurs, politicians, and businessmen changed hands after violent organized crime activities, including assassination.<sup>33</sup> The properties were transferred to oligarch Rinat Akhmetov, who was one member of a Donetsk clan of oligarchs, and without any direct ties, they were connected to Donetsk crime boss Akhat Bragin.<sup>34</sup> Akhmetov handled the business of the clan, Boris Kolesnikov handled the “other stuff,” and Victor Yanukovych handled the politics.<sup>35</sup> From 1997-2002, Yanukovych was the Governor of the Donetsk Oblast before several terms as Prime Minister. By the late 2000s, Akhmetov owned the largest business empire in Ukraine under his business System Capital Management, and his holdings in Donetsk grew two to three times in size while Yanukovych was governor.<sup>36</sup> System Capital Management’s assets include Metinvest (Ukraine’s largest producer of steel and ore), thermal energy DTEK, and Media Group Ukraine (which includes two Ukrainian television stations).<sup>37</sup> Ownership of some type of energy sector and/or industry, plus ownership of a media company are oligarch hallmarks. It provides the oligarch a mouthpiece to control messaging and allows them to leverage essential services such as heat to control politicians.

Because the clan took control of the regional economy, they were able to shield it from international competition through informal deals restricting market access. They helped solidify their position by exploiting Donbas’ sense of regional identity against the foreign exploiters and Kyiv.<sup>38</sup> Akhmetov was the main financier of the Party of Regions and Yanukovych was nominated by the Party of Regions for President in 2010.<sup>39</sup> Yanukovych drew his main political support from oligarchs from the Donbas region of eastern Ukraine, which was also fairly pro-Russian during his election in February 2010.<sup>40</sup> Yanukovych, through the Party of Regions, became the most notoriously corrupt Ukrainian president in 2010 and pulled Ukraine into Russia’s sphere.

Akhmetov was the wealthiest oligarch in 2021, with between \$7.6 and \$11.5 billion in estimated assets. In current USD, Ukraine’s 2021 GDP was \$200 billion dollars. Akhmetov’s assets alone were 5% of Ukraine’s 2021 GDP, and the top 100 wealthiest Ukrainians are valued

at \$47.4 billion dollars, meaning 100 Ukrainians out of 44 million have wealth equal to 25% of Ukraine's 2021 GDP.<sup>41</sup> Akhmetov could leverage his media stations to attack political opponents, including current President Zelensky, and blackmail the government by threatening power cuts with DTEK, who produces 30% of Ukraine's electricity.<sup>42</sup> Akhmetov shows the true crux of the oligarch issue: oligarchs gained and solidified control over essential state services, use those services for personal gain and as forms of leverage over legislators, and use their resources to further their schemes, as necessary.

Akhmetov's, and oligarchic power in general, has waned since the Russian invasion in February of 2022. In a recent article, the Washington Post estimates Akhmetov is now worth approximately \$3.4 billion (down from \$7.6 billion) after Russian forces destroyed or seized his eastern Ukrainian network of industrial plants, mines, and an agricultural operation, including the Azovstal steel plant famous for the last stand of a few hundred of Ukrainian fighters against Russian forces in Mariupol.<sup>43</sup> Akhmetov also gave up the licenses to his media empire shortly after an anti-oligarchic law took effect in November of 2021, weakening his ability to influence the media.<sup>44</sup> Within two years, Akhmetov has lost nearly half of his fortune, his resource base, and his ability to influence Ukrainian institutions.

### **Grand Corruption as an Instrument of Power (1994 – 2005)**

Under President Leonid Kuchma (July 1994- January 2005) corruption transitioned from a free-for-all to a form of patronal corruption controlled by the oligarchs, and under Kuchma the oligarchization of Ukraine was completed.<sup>45</sup> Kuchma also became more authoritarian, allegedly violating the Ukrainian constitution approximately 200 times, and Kuchma encouraged corruption as a tool of control.<sup>46</sup> There was a convenient symbiosis between Kuchma and the oligarchs: both groups needed the other to sustain their power. The oligarchs wanted property protections and criminal immunity and therefore depended on Kuchma's favor while the political regime required money from the oligarchs to maintain political control.<sup>47</sup>

Kuchma made presidential decrees against corruption and the Verkhovna Rada (Ukraine's legislative body) passed a toothless Law on Combatting Corruption in 1995; however, the passage of the 1996 president-centric constitution allowed Kuchma to cultivate a client-patron style relationship.<sup>48</sup> Kuchma appointed his loyalists to key agencies, giving him



influence over the provision of state funds, he set conditions for privatizing state firms, and issued trade quotas for private companies.<sup>49</sup> For example, in several recent U.S. court depositions, oligarchs Ihor Kolomoisky, Gennadiy Bogolyubov, and Victor Pinchuk (Kuchma's son-in-law) discussed arrangements for favorable privatization terms in exchange for making campaign contributions to Kuchma.<sup>50</sup> Disloyalty to Kuchma also resulted in action, using the state apparatus to remind the oligarchs they were "clients." Prime Minister Pavlo Lazarenko was permitted to steal millions from the state budget; however, when it became clear the money was used in Lazarenko's presidential campaign, Kuchma opened a criminal case.<sup>51</sup> After this, Lazarenko<sup>52</sup> was arrested by Swiss authorities in 1998, returned to Ukraine on bail, and fled to the U.S. seeking asylum, claiming Kuchma's criminal case was political persecution. In June of 2000, Lazarenko was convicted by the Swiss, *in absentia*, for money laundering. Lazarenko's fate in the U.S. was no better.

Lazarenko was arrested in 1999 by U.S. authorities for using his position to defraud the Ukrainian state and laundering the ill-gotten assets into the U.S. financial system—U.S. estimates were \$124 million and Swiss estimates were \$700 million in laundered funds. Following an appeal of his 2004 U.S. trial, Lazarenko was eventually convicted in 2009 of eight counts of money laundering, sentenced to 97 months of prison, and ordered to pay a \$9 million fine and forfeit \$22.85 million and various assets. Ukrainian, U.S., and Swiss authorities cooperated to secure witnesses and financial records during the various criminal cases. Lazarenko has been fighting U.S. authorities since 1999, and a preliminary forfeiture order filed in August of 2021 (more than 20 years after his arrest) shows Lazarenko has been undervaluing properties, hiding funds, and has not paid most of the forfeiture owed the U.S. government. In the meantime, Lazarenko, after serving his prison sentence, lived in his Marin County, CA mansion, while Ukraine continues to struggle. In addition to the actions of officials like Lazarenko, new waves of individual privatization included the sale of state and municipal property to elites and oligarchs, and the privatization of social services like healthcare, telecommunication, energy, and transport, leading to further inequality and growing poverty in Ukraine.<sup>53</sup>

In early 2000, with Ukraine on the brink of default, an alliance of oligarchs asked for Victor Yushchenko to be made prime minister to implement reforms.<sup>54</sup> Yushchenko at the time

had reformed the Ukrainian national bank, and by the time he was ousted as prime minister in April of 2001, he had successfully implemented a series of reforms and transformed the rent-seeking society into a productive market economy.<sup>55</sup> Ukrainian corruption was also transformed at the same time to an entity that merged with the state as a grand political competition of self-serving oligarchs that prevented reform.<sup>56</sup> In support of this new system, Kuchma backed pro-Russian presidential candidate and Donetsk clan member Victor Yushchenko in 2004. The sheer scale of fraud perpetrated on Yanukovich's behalf during the 2004 election was egregious, impossible to ignore, and helped precipitate the mass demonstrations known as the "Orange Revolution."<sup>57</sup>

### **The Importance and Disappointment of the Orange Revolution (2004 – 2010)**

The peaceful protests in the winter of 2004 ended with the annulment of the elections and a revote, which resulting in Yushchenko's election. The importance of the Orange Revolution (for the color of Yushchenko's Our Ukraine party) cannot be understated: Kremlin-, and oligarch-backed, Yanukovich was not able to steal the presidency and then push Ukraine towards an authoritarian state under Vladimir Putin's influence. Ukraine was able to establish democratic credentials, hold numerous national elections after this, and did not return to a state of political oppression found elsewhere in the former USSR.<sup>58</sup> This does not mean the oligarchic influence and corruption did not disappear.

Yushchenko served as Ukraine's president following the Orange Revolution, from 2005-2010; however, corruption was retrenched immediately after the Orange Revolution.<sup>59</sup> Yushchenko also proved unable or unwilling to curtail oligarch influence, even though he had campaigned with anti-corruption messages. Yushchenko and his Prime Minister, Yulia Timoshenko, began quarreling which enabled corruption to thrive. Significantly, Yushchenko was not able to lead Ukraine decisively towards Euro-Atlantic integration, paving the way Yanukovich's comeback in 2010.<sup>60</sup> In December 2004, oligarchs backed constitutional amendments limiting the power of the president by giving the Rada the power to name a prime minister and many cabinet members.<sup>61</sup> With this constitutional amendment, the corruption evolved into parliamentary coalitions and party factions and the prime minister acquired new powers; political groups attracted long term investments for continued political and financial rewards.<sup>62</sup> The shift to a party-list voting system in parliamentary and local elections further

elevated the role of political parties and made access to party leadership vital for patronage and rents.<sup>63</sup> This led to party cartel corruption: bureaucratic rent collecting in which oligarchs donate large sums of money to politicians in exchange for positions on the electoral lists.<sup>64</sup>

Party cartel corruption is beneficial to oligarchs because it provides continuous resources and funding for coalitions, it helps combat emerging threats, and forces politicians to keep commitments and party access to the funders.<sup>65</sup> Two early political groups to rise were Yanukovich's Party of Regions and Yushchenko's Our Ukraine. Timoshenko created a third group, Batkivshchyna (Fatherland), that also competed for control. In 2006, when Party of Regions won the parliamentary elections, Victor Yanukovich became Prime Minister and pursued a policy of grand corruption with no penalty—for example, a judge was removed from power by Yushchenko after accepting a bribe, but Yanukovich's allies had the judge reinstated.<sup>66</sup> Capital flight continued as well with estimates that \$13 billion left Ukraine between 2004 and 2006.<sup>67</sup>

In a 2010 survey, 91% of Ukrainians thought corruption was an issue and high-ranking Ukrainians admitted corruption was the biggest impediment to reform; however, Yushchenko postponed an anti-corruption legislative package without providing a deadline for postponement.<sup>68</sup> During the Orange Revolution, Timoshenko wanted to investigate 3,000 privatizations starting in 1992, but President Yushchenko only called for 29, and of those, only one was reprivatized: Kryvorizhstal, a steel mill owned by Akhmetov and Kuchma's son-in-law, Victor Pinchuk. It was initially purchased in 2004 for \$800 million despite allegations of much higher offers and the re-privatization of the steel mill in 2005 went for \$4.8 billion.<sup>69</sup> This was potentially billions of dollars of lost state revenue. Additionally, Yushchenko and Timoshenko did not take action to create institutional boundaries between state and private business. Yushchenko appointed businesspeople like future President Poroshenko to high government positions, essentially swapping Kuchma oligarchs for new ones.<sup>70</sup>

### **Yanukovich and the Russian Connection (2010 – 2014)**

Victor Yanukovich was Ukraine's president from February 2010 until his removal from office in February of 2014. Yanukovich's term was marked by "grand corruption on the grandest scale" facilitated by a durable majority in parliament and government, as well as control

of the Constitutional Court.<sup>71</sup> In October 2010, the Constitutional Court overturned the 2004 constitutional amendment limiting presidential powers, to the benefit of Yanukovich.<sup>72</sup> Beginning in 2010, Yanukovich started centralizing power on all areas of public administration to permit his administration to rule with a strong hand and extra revenues to monopolize power. Yanukovich reestablished the patronal pyramid to benefit his family and primary business donors (Akhmetov and Dimitry Firtash), but the competing party cartels remained important actors in the system of corrupt dealings in Ukraine.<sup>73</sup> The Yanukovich regime was accused of stealing \$37 billion, approximately one-fifth of Ukraine's 2013 nominal GDP (\$176 billion).<sup>74</sup> The plundering was not limited to Yanukovich's circle: smaller-scale rent-seeking in the energy sector amounted to approximately 7.5% of Ukraine's GDP during this time, according to the International Monetary Fund (IMF).<sup>75</sup>

According to the Helsinki Commission's 2017 Report on Corruption in Ukraine, most oligarchs made their wealth from trade arbitrage—buying goods at artificially low prices, selling them at the global market price, and pocketing the difference, in particular Ukraine's gas trade with Russia.<sup>76</sup> Gazprom, the Russian state gas company, would purchase and import gas from Naftogaz, the Ukrainian state company, and then sell the same gas across the Russian border to Ukraine via pipeline. An intermediary company handled this gas trade, buying gas at low state-regulated prices and selling it at high market prices, thus allowing a few Russian officials and a few Ukrainian businessmen to share a few billion “extra” dollars.<sup>77</sup> For example, from 2009 to 2014, Naftogaz purchased 18 billion cubic meters of Ukrainian produced gas at the low price of \$53 per 1000 cubic meters. Around half of that volume (nine billion cubic meters) was leaked to the commercial sector, where gas prices were based on the Russian price of \$410 per cubic meter. The potential difference, or arbitrage, was \$350 per cubic meter, totaling \$3.15 billion dollars.<sup>78</sup>

RosUkrEnergo (RUE), one of the prominent intermediary companies, was founded in 2004 as a joint venture with Gazprom and oligarch Dimitry Firtash's holding company, DF Group. Firtash, who currently resides in Austria, is fighting extradition to the U.S. following a June of 2013 criminal indictment by the U.S. Department of Justice for bribing Indian government officials to mine titanium minerals and Firtash fled to Austria.<sup>79</sup> Prior to this indictment, RUE became the exclusive intermediary for Ukraine's gas imports through a deal

with the Kremlin to buy discounted gas from Russia and sell it to Ukraine at marked-up prices, with RUE earning \$2 billion from 2005 to 2007.<sup>80</sup> Firtash became one of Ukraine's wealthiest people with a \$500 million net worth. In 2009, Timoshenko, as prime minister, made a natural gas deal with Putin that cut Firtash out as the middleman.<sup>81</sup> Firtash supported Yanukovich and the Party of Regions for many years, and supported his successful presidential campaign in 2010 against Timoshenko, allegedly with an \$11 billion credit line from bankers close to Putin in Russia.<sup>82</sup> We should note that Firtash hired Paul Manafort to oversee Yanukovich's campaign and Timoshenko was imprisoned for the gas deal in likely a politically motivated case. Following the typical oligarchic pattern, Firtash purchased a major TV station in 2013, possibly to help Yanukovich in his reelection bid.<sup>83</sup>

Business arrangements with oligarchs like Firtash was an effective means for Russia's geopolitical games because Russia gained influence over and prevented Ukraine's development via corrupt officials and, at the same time, made Ukraine dependent on Russian gas supplies.<sup>84</sup> Russia was able to keep Ukraine weak through grand corruption and fund, via a Ukrainian national, the political campaign of Moscow's preferred candidates. As noted above with Akhmetov, Russia's 2022 invasion may alter Russian geopolitics because it presented an opportunity for Ukrainians to fully align with the EU and the U.S. economic systems, breaking oligarchic influence.

The resulting Euromaidan Protests in early 2014 were as much a protest against his corruption as pulling out of the European Union Association Agreement.<sup>85</sup> The favorable coverage of the Euromaidan protests by oligarch-controlled media (owned by Pinchuk, Kolomoisky, and Akhmetov) was an indirect sign that some oligarchs had turned their backs on Yanukovich.<sup>86</sup> Even though Yanukovich was at the top of the corruption pyramid, the oligarchs were able to use their resources to impact and replace the incumbent president.

### **Attempts at Reform: Poroshenko's Presidency (2014 – 2019)**

Petro Poroshenko, also an oligarch, was president from June 2014 – May 2019, and oligarchic assets in the east suffered after the Russian annexation of Crimea and the subsequent Donbas Conflict in 2014, providing an initial opportunity to curb oligarchic corruption.<sup>87</sup> Significant attempts at reforms happened under Poroshenko; however, as discussed, the damage

was already done. A package of anti-corruption legislation passed the Rada in October 2014<sup>88</sup>, which included reforming the prosecution system, the establishment of the National Anti-Corruption Bureau of Ukraine (NABU), financial disclosure rules for public servants, and a public beneficial ownership database for state-owned companies and properties.<sup>89</sup>

NABU was created on April 16, 2015 as Ukraine's anti-corruption law enforcement agency, and according to NABU's website, it was the first state agency in Ukraine's history to have an open competition for a director's position.<sup>90</sup> The National Agency for the Prevention of Corruption (NACP) was created by Rada in 2016 as a regulatory agency that creates and implements Ukraine's anti-corruption policy.<sup>91</sup> The anti-corruption legislation also called for the formation of an independent Specialized Anti-Corruption Prosecutor's Office (SAPO) under the Ukrainian General Prosecutor, whose function was to oversee and prosecute NABU's investigations.<sup>92</sup> In April 2019, Poroshenko ordered the creation of the High Anti-Corruption Court (HACC) as an independent judiciary infrastructure to combat corruption.<sup>93</sup> Reforms from 2016-2019 also sought to establish a clear separation between political appointees and a competitive recruitment process allowing young professionals to enter the system.<sup>94</sup> The Euromaidan protests were only partially successful, because although these reforms were introduced, many powerful oligarchs from Yanukovich's term were still in power.<sup>95</sup>

### **Zelensky's Anti-Corruption Efforts Prior to the Russian Invasion (2019 – February 2022)**

Volodymyr Zelensky, the current president of Ukraine, has been dealing with a Russian invasion of Ukraine since February 2022. Early in his term, there were allegations that he would reverse the anticorruption reforms and his popularity was sagging. Under the pretext of anti-coronavirus crisis measure, Zelensky's government largely eliminated competitive selection for government positions, in direct violation of the EU Association Agreement.<sup>96</sup> Additionally, there were concerns that Zelensky, who was a TV Star on Ihor Kolomoisky's channel and financially backed by the oligarch Kolomoisky, would be unduly influenced by Kolomoisky.

Kolomoisky is an oligarch from Dnipro (formerly Dnipropetrovsk) on the Dnipro River, who founded Privat Group with fellow oligarch Gennadiy Bogolyubov in the 1990s. Privat Group is a multitude of offshore companies that owns airlines, oil, gas, metallurgy, and real estate.<sup>97</sup> Privat Group reportedly owned 42% of Ukrnafta, Ukraine's largest oil company that

also owns natural gas wells.<sup>98</sup> Kolomoisky and Bogolyubov also founded PrivatBank in the 1990s, which eventually became one of Ukraine's largest banks, accounting for one fifth of Ukraine's bank assets with 20 million depositors. In December 2016, the National Bank of Ukraine (NBU) nationalized PrivatBank to plug a \$5.6 billion dollar hole in the bank's balance sheet or risk a financial crisis, and the recapitalization cost \$5 billion (6% of Ukraine's 2016 GDP) and added to Ukraine's already extensive public debt, further burdening its citizens, and hampering development.<sup>99</sup> The damage from this alleged self-serving scheme could have collapsed Ukraine's financial system.

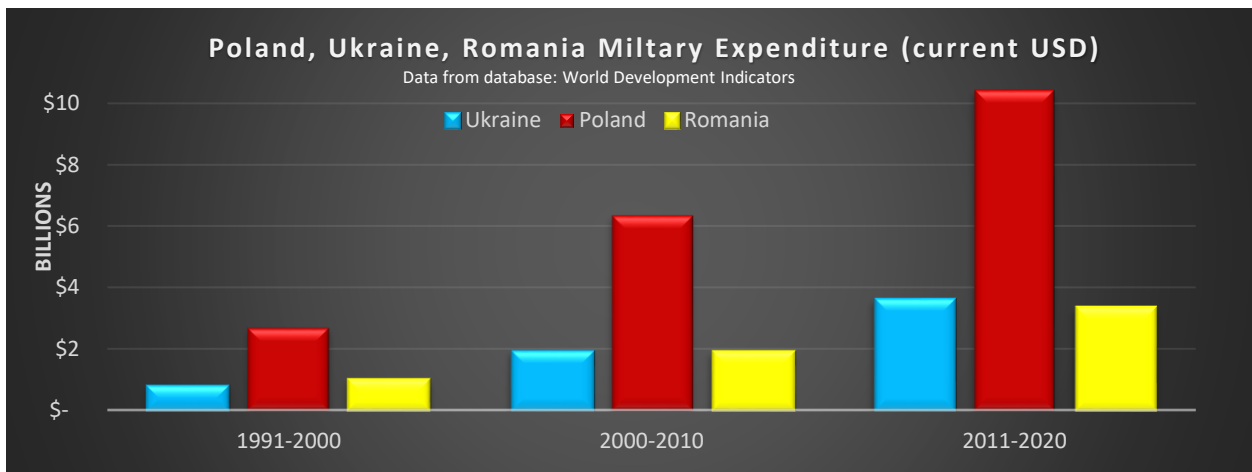
The NBU, on behalf of PrivatBank, filed a lawsuit in the United States against Kolomoisky, alleging a decade long (2006-2016) money laundering scheme through PrivatBank totaling \$470 billion. In the scheme, 97% of PrivatBank's loans were issued to the co-owners through various offshore companies, who then laundered hundreds of millions of misappropriated loan proceeds into the U.S., in particular by purchasing commercial real estate in Midwest and Rust Belt cities.<sup>100</sup> This laundering scheme is the subject of a Department of Justice investigation and four asset forfeiture actions filed in 2020 and as recent as January of 2022.<sup>101</sup> Zelensky reportedly stripped Kolomoisky of his Ukrainian citizenship under a law barring dual citizenship.<sup>102</sup> Kolomoisky was also sanctioned by the U.S. Department of State in March 2021 for involvement in significant corruption while he was Governor of Dnipro Oblast from 2014 to 2015, specifically using his political influence and office for personal benefit. The designation is also remarkable because the Secretary of State expressed concern about Kolomoisky's actions undermining Ukraine's processes and institutions outside of his term as governor.<sup>103</sup>

In November 2021, Zelensky signed anti-oligarch legislation, which, although controversial, defines an oligarch as having three of four attributes: influence in politics, media holdings, economic monopolies, and assets of around \$100 million. The law requires oligarchs to declare all assets and bars them from taking part in privatizations or financing political parties. The law also requires government officials to report interactions with oligarchs.<sup>104</sup> Attempts to reform did not come in time for Ukraine to increase revenue, but it is notable that after 2015, when reforms were introduced, Ukraine's CPI improved slightly, as did its GDP.

### **The Impact on Ukraine's National Defense on the Eve of the Russian Invasion**

This long history of corruption, rule by the few, theft of state resources, and control of state resources for personal gain left Ukraine's institutions in a fragile state and prevented Ukraine's economy from growing. Ukraine needed help from the IMF to stay afloat after EuroMaidan and the Russian Occupation. The IMF placed conditions on a \$15 billion loan, including more robust anti-corruption efforts, which began under Poroshenko. The fallout from the corruption and plundering of state resources described above also means less government revenue available for defense spending on UAF.

From 1991 to 2020, Ukraine, Poland, and Romania spent on average about 2% of their GDP on military expenditures; specifically, Ukraine spent about 2%, Poland spent 1.97%, and Romania spent 2.16% on average each year.<sup>105</sup> In the figure below, 1.97% of Poland's GDP is significantly more money than 2% of Ukraine's GDP in each decade from 1991 to 2020.



This low spending, a reflection of low government revenue, also impacts goals to create a professional noncommissioned officer (NCO) corps based on NATO standards. Low salaries, lack of educational opportunities, and a shortage of housing contribute to high turnover rate and limited the retention of professional soldiers and NCOs.<sup>106</sup> In a 2014 article after the start of the Donbas conflict and Crimea takeover, Sarah Chayes describes the UAF's situation at the end of Yanukovich's term in bleak terms.<sup>107</sup> Chronic underfunding, selling outdated equipment at low prices, kickbacks, use of military personnel to build private homes, extensive procurement fraud, and bribes to get into and pass military academies were the norm. Ukraine's state resources were depleted to the point that ordinary citizens donated \$2 million to their own nation's defense



budget by texting 565 on their phone. At the same time, Ukrainian factories turned out high-quality material exported for cash to China, Ethiopia, Pakistan, and Russia. Chayes called for rigorous oversight of any aid or military equipment given to Ukraine, otherwise any unconditional aid would strengthen the corruption.

Corruption also prevents Ukraine from sufficient state funds for purchasing weapons and equipment essential for its defense. The World Bank measures arms imports, which includes major conventional weapons such as aircraft, armored vehicles, artillery, radar systems, missiles, and ships.<sup>108</sup> Unfortunately, and perhaps conspicuously, there is no data for Ukraine until 2014, and since then Ukraine has imported a reported total of \$147 million of military arms. By comparison, Poland imported an *annual average* of \$194.6 million of military arms and Romania an *annual average* of \$85 million. This data predates Russia's 2022 invasion of Ukraine, as well as the increased trust in Ukraine's ability to use more sophisticated and sensitive equipment. Currently, Ukraine is reliant on foreign aid from allies to purchase sophisticated weapons—likely a result of the persistent corruption and plundering of government revenue beginning in 1991. The U.S. alone has given \$21.8 billion in aid since 2014 and \$19 billion since February 2022, as well as increasingly sophisticated military equipment.<sup>109</sup> The amount of aid and type of equipment provided to Ukraine is indicative of a national defense apparatus that is underfunded and underequipped.

Ukrainian defense conglomerate Ukroboronprom oversees Ukraine's sprawling defense industry, which comprises over 130 state-run companies. Ukrainian officials have attempted to reform Ukroboronprom to NATO standards in defense procurement, but there are significant challenges regarding corruption, bureaucratic inefficiency, political infighting, and low transparency.<sup>110</sup> NABU's website shows several stories related to corruption associated with Ukroboronprom, with investigations of corruption as recent as November 24, 2022, sadly in the middle of Russia's ongoing invasion of Ukraine.<sup>111</sup> A 2019 NABU article reported, between 2016 and 2019, the prosecution of 30 people for corruption in the defense industry, including the Deputy Minister of Defense, for the loss of more than 1 billion Ukrainian hryvnia (UAH). Some of the charges included paying inflated prices for helicopter fuel and embezzling funds while purchasing armored vehicle engines at a factory in L'viv.<sup>112</sup> As noted earlier, the Ukrainian

government recently seized several defense-related entities to ensure they are fully supporting the current war effort against Russia.

### **Challenges and Successes Combating Grand Corruption after the Russian Invasion**

Foreign assistance to Ukraine has grown; however, the loom of Ukraine's grand corruption is ever-present. In a recent report, the Center for Strategic & International Studies (CSIS) found 84% of Ukrainian anti-corruption experts have abandoned anti-corruption activities and the National Agency for Corruption Prevention is focusing on sanctions efforts.<sup>113</sup> It is well-established that conflict creates opportunities for corruption, and even though Ukraine has had two transition events (Orange Revolution and Euromaidan) related to corruption, corruption has only begun to recede under recent reforms. Recent calls from U.S. Congress for more oversight and transparency on how Ukraine uses foreign aid and weapons should be a warning. Signs of corruption might mean the end of U.S. aid. To maintain adequate levels of funding, not only for the armed conflict but for the post-conflict rebuilding, Ukraine needs to continue its anti-corruption and transparency efforts and designate anti-corruption activities as an essential function during the period of martial law.<sup>114</sup> Ukraine's recent EU candidate status has strings attached, including judiciary reforms, anti-corruption reform, anti-oligarch law, media laws aligning with the EU, and anti-money laundering legislation.<sup>115</sup> Under Zelensky's leadership and while fighting a war against Russia, Ukraine is battling corruption, both through executive and legislative actions.

In November 2022, the Ukrainian government took over Ukrnafta and the largest oil refiner Ukrtatnafta, both owned by oligarch Ihor Kolomoisky, because the government suspected these companies were not working at full capacity to help in the national defense against Russia.<sup>116</sup> The Financial Times reports<sup>117</sup> that three other strategic companies were seized from oligarchs to support the war effort in November 2022, including MotorSich (aircraft engine producer), AvtoKraz (military transport and rocket systems) and Zaporizhtransformator (electric grid parts producer). MotorSich is accused of helping smuggle parts to Moscow, and Zaporizhtransformator's owner has been living in "exile" for accusations of bank insolvency.

On December 13, 2022, the Rada adopted a law liquidating the District Administrative Court of Kyiv (DACK), allegedly the most corrupt court in Ukraine, as well as the most

influential, with jurisdiction over nearly every institution physically located in Kyiv, and any cases against these Ukrainian national institutions.<sup>118</sup> The Kyiv Post reports the law was passed after the U.S. Department of State sanctioned DACK Chairman Pavlo Vovk for soliciting bribes in exchange for interfering in judicial and public processes.<sup>119</sup>

In January 2023, Zelensky fired, reassigned, and accepted the resignations of several senior Ukrainian officials from their positions for allegations of corruption ranging from misappropriating humanitarian aid to purchasing food and tactical winter clothing for soldiers at inflated prices to bribery and contract rigging.<sup>120</sup> The officials included six deputy ministers and five regional administrators (from Dnipropetrovsk, Zaporizhzhia, Kyiv, Sumy and Kherson—all located in regions of heavy fighting against the Russians). The NACP and NABU have opened investigations and probes into several of the former officials, with serious cases of graft and official abuse related to domestic military procurement.<sup>121</sup> Zelensky's anti-corruption efforts have also been questioned because he has not removed all inner-circle officials suspected of corruption, like his Deputy Chief of Staff Oleh Tartarov, who has been accused of bribery.<sup>122</sup>

These recent anti-corruption efforts are a “mixed bag:” they show Western governments that Ukraine is serious about reform; however, it also demonstrates the difficulties rooting out deeply entrenched corruption in a post-conflict reconstruction. The removal of the regional administrators underscores long-standing organized crime and corruption issues in Eastern Ukraine discussed in this paper as well as with the so-called Donetsk and Luhansk People's Republics (DNR and LNR) created in 2014. A strange situation developed in the Donbas region after 2014: an undeclared war between Russia and Ukraine, armed conflict between Ukraine and the various Donbas “self-defense” militias (whose ranks are full of thugs, nationalists, and opportunists), and ineffective law enforcement led to nearly unchecked crime and corruption between Ukraine and these “bandit kingdoms” for nearly a decade.<sup>123</sup> The February 2022 Russian invasion changed their relationship; however, the decade-long culture of corruption in oblasts adjacent to the DNR and LNR remained.

Zelensky seems aware of this mixed-bag challenge, as he noted in remarks that oversight of Ukraine's domestic defense procurement should be as rigorous as oversight for foreign military aid.<sup>124</sup> Ukraine's path to reconstruction will likely be through EU candidate status and certainly with EU and US aid. Ukraine's public and private institutions will need to align with

Western European standards, but Ukraine has not created the resilient political institutions that undergird the standards of governance set by the European Union.<sup>125</sup> The recent removal of senior leaders for corrupt acts reinforces that Ukrainian institutions are still not strong for civil society and EU membership, even if they are able to maintain a wartime posture. A recent Atlantic Council blog described the surprising performance of the private sector and foreign investment in Ukraine after the Russian invasion and suggested the private sector should take the lead on reconstruction in Ukraine.<sup>126</sup> This is an interesting way to allow private companies to improve their standards, possibly forcing a weak public sector to adjust as well; however, weak public institutions invite private sector corruption. In October 2022, NABU reported that a former lawmaker and private businessman attempted to bribe the mayor of Dnipro with 20 million Euro bribe for a contract to build the city's subway system.<sup>127</sup>

Reform of the public sector is essential, focusing mainly on transparency and accountability.<sup>128</sup> Creating oversight relationships between public sector and civil society would allow individuals outside of the government to track public sector activities. Ukraine is already moving in this direction with the formation of Reconstruction Integrity, Sustainability and Efficiency (RISE) Ukraine: an international public and private coalition supporting Ukraine's reconstruction and modernization efforts.<sup>129</sup> RISE Ukraine has been working with the Ministry of Infrastructure to create an online platform that will allow citizens to track the use of reconstruction funds and projects. It is also essential for the international community to clearly articulate that aid money is conditioned on judicial reform and rule-of-law reforms, as well as public sector accountability. Any aid money should be released only when reform benchmarks are met. Finally, Ukraine must maintain a robust and independent media to act as a "watchdog" for civil society.

## **Conclusion**

Like transnational crime groups, the oligarchs want a weak state for self-serving reasons. They are not concerned with a robust economy or the well-being of their fellow citizens. This paper has attempted to show how a corrupt Soviet culture burrowed into the Ukrainian government and economy and has been a cancer on Ukraine's emergence as a fully functioning democracy and market economy since 1991. The corrupt actions of just a few oligarchs have been able to take significant chunks of Ukraine's resources and turn them into personal business

profits rather than revenues for the government to improve its country. The downstream effect of this corruption story is that Ukraine did not have the resources or national defense capabilities to fully defend itself when Russia invaded in 2014 and again in 2022. There is another underlying thread to this paper: Russia, the former USSR, and Vladimir Putin's plans for a Russia-oriented Ukraine. Oligarchic connections to Russia helped maintain a weak neighbor who was not able to fully orient towards Western Europe. Using Yanukovich's flight and the apparent power vacuum in leadership as a pretext, Russian-backed separatists and militia groups took over Crimea and the Donbas region in 2014. Perhaps the war will allow Ukraine to finally break from Russia's hold, because, as Tymofiy Mylovanov, president of the Kyiv School of Economics, told reporters, the 2022 Russian invasion has clarified for almost all Ukrainians that their economic future will follow an EU or U.S. model, not a Russian one.<sup>130</sup> Russia's 2022 invasion of Ukraine will take years to rebuild, but there is light at the end of the tunnel, a possibility of de-oligarchization and creating truly economic democracy in Ukraine, as the Washington Post writes: "fueled by a newly energized population no longer willing to tolerate the politics of the past...this is the end of an epoch, the end of a political culture."<sup>131</sup>

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<sup>1</sup>Transparency International, What is Corruption, available at: <https://www.transparency.org/what-is-corruption> and Corruptionary A-Z, available at: <https://www.transparency.org/en/corruptionary#C>, both accessed 12/4/22.

<sup>2</sup> This paper is not arguing that corruption is the only reason Ukraine is not a member of the EU or NATO. There are many geopolitical issues behind decisions to admit a nation to either group, and geopolitics within each member and non-member nation that prevent or create a desire to join either group. I believe that corruption is a contributing factor of many additional factors considered by member nations. Poland joined the EU in 2004 and became a NATO member in 1999. Romania joined the EU in 2007 and became a NATO member in 2004.

<sup>3</sup> Aslund, Anders. "Oligarchs, Corruption, and European Integration." *Journal of democracy* 25.3 (2014), pg. 66.

<sup>4</sup> Tridico, Pasquale, and Iryna Zhak. "The Second Ukrainian Transition: From Oligarch Economy to a Sustainable Development Model." *Challenge (White Plains)* 59.3 (2016), pg. 244-245.

<sup>5</sup> Tridico, Pasquale, and Iryna Zhak. "The Second Ukrainian Transition: From Oligarch Economy to a Sustainable Development Model." *Challenge (White Plains)* 59.3 (2016), pg. 245.

<sup>6</sup> Tridico, Pasquale, and Iryna Zhak. "The Second Ukrainian Transition: From Oligarch Economy to a Sustainable Development Model." *Challenge (White Plains)* 59.3 (2016), pg. 238.

<sup>7</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, (2012), pg. 108.

<sup>8</sup> Tridico, Pasquale, and Iryna Zhak. "The Second Ukrainian Transition: From Oligarch Economy to a Sustainable Development Model." *Challenge (White Plains)* 59.3 (2016), pg. 236

<sup>9</sup> Tridico, Pasquale, and Iryna Zhak. "The Second Ukrainian Transition: From Oligarch Economy to a Sustainable Development Model." *Challenge (White Plains)* 59.3 (2016), pg. 236

<sup>10</sup> Kudelia, Serhiy. "Corruption in Ukraine: Perpetuum Mobile or the Endplay of Post-Soviet Elites?" *Beyond the Euromaidan*. Stanford University Press, 2016, pg. 62.

<sup>11</sup> Kudelia, Serhiy. "Corruption in Ukraine: Perpetuum Mobile or the Endplay of Post-Soviet Elites?" *Beyond the Euromaidan*. Stanford University Press, 2016, pg. 63.

<sup>12</sup> Commission on Security and Cooperation in Europe. "The Internal Enemy: A Helsinki Commission Staff Report on Corruption in Ukraine," 115th Congress (2017-2018), October 2017, pg. 14.

<sup>13</sup> CRS, Ukraine: Current Issues and U.S. Policy," Updated January 3, 2017, pg. 2.

- <sup>14</sup> Commission on Security and Cooperation in Europe. "The Internal Enemy: A Helsinki Commission Staff Report on Corruption in Ukraine," 115th Congress (2017-2018), October 2017. Pg 15.
- <sup>15</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 96 and Shelley, Louise. "Privatization and Crime: The Post-Soviet Experience." *Journal of Contemporary Criminal Justice*, vol. 11, no. 4, December 1995, pg. 248.
- <sup>16</sup> Tridico, Pasquale, and Iryna Zhak. "The Second Ukrainian Transition: From Oligarch Economy to a Sustainable Development Model." *Challenge (White Plains)* 59.3 (2016), pg. 243.
- <sup>17</sup> Kudelia, Serhiy. "Corruption in Ukraine: Perpetuum Mobile or the Endplay of Post-Soviet Elites?" *Beyond the Euromaidan*. Stanford University Press, 2016, pg. 67-68.
- <sup>18</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 96.
- <sup>19</sup> Frydman, Roman., and Andrzej. Rapaczynski. "The Privatization Process in Russia, Ukraine, and the Baltic States Economic Environment, Legal and Ownership Structure, Institutions for State Regulation, Overview of Privatization Programs, Initial Transformation of Enterprises." Budapest: Central European University Press, 1993, provides detailed information on the specific issues of privatization in Ukraine.
- <sup>20</sup> Tridico, Pasquale, and Iryna Zhak. "The Second Ukrainian Transition: From Oligarch Economy to a Sustainable Development Model." *Challenge (White Plains)* 59.3 (2016), pg. 243.
- <sup>21</sup> Shelley, Louise. "Privatization and Crime: The Post-Soviet Experience." *Journal of Contemporary Criminal Justice*, vol. 11, no. 4, December 1995, pg. 244-245.
- <sup>22</sup> Commission on Security and Cooperation in Europe. "The Internal Enemy: A Helsinki Commission Staff Report on Corruption in Ukraine," 115th Congress (2017-2018), October 2017. Pg 15.
- <sup>23</sup> Kudelia, Serhiy. "Corruption in Ukraine: Perpetuum Mobile or the Endplay of Post-Soviet Elites?" *Beyond the Euromaidan*. Stanford University Press, 2016, pg. 68.
- <sup>24</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 97.
- <sup>25</sup> Kudelia, Serhiy. "Corruption in Ukraine: Perpetuum Mobile or the Endplay of Post-Soviet Elites?" *Beyond the Euromaidan*. Stanford University Press, 2016, pg. 68.
- <sup>26</sup> Map taken from Geology.com website. Available at: <https://geology.com/world/ukraine-satellite-image.shtml>, accessed 12/11/22.
- <sup>27</sup> CRS, Ukraine: Current Issues and U.S. Policy," Updated January 3, 2017, pg.1.
- <sup>28</sup> CRS, Ukraine: Current Issues and U.S. Policy," Updated January 3, 2017, pg.1-2.
- <sup>29</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 101.
- <sup>30</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 101.
- <sup>31</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 100.
- <sup>32</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 102.
- <sup>33</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 102, 104.
- <sup>34</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 102-103.
- <sup>35</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 102-103.
- <sup>36</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 104.
- <sup>37</sup> Matuszak, Stawomir. "Zelensky vs Akhmetov – a Test of Strength," Centre for Easter Studies, 12/22/21, available at: [https://www.osw.waw.pl/en/publikacje/osw-commentary/2021-12-22/zelensky-vs-akhmetov-a-test-strength#\\_ftn1](https://www.osw.waw.pl/en/publikacje/osw-commentary/2021-12-22/zelensky-vs-akhmetov-a-test-strength#_ftn1)
- <sup>38</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 102-103.
- <sup>39</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 104.
- <sup>40</sup> CRS, Ukraine: Current Issues and U.S. Policy," Updated January 3, 2017, pg. 2
- <sup>41</sup> Matuszak, Stawomir. "Zelensky vs Akhmetov – a Test of Strength," Centre for Easter Studies, 12/22/21, available at: [https://www.osw.waw.pl/en/publikacje/osw-commentary/2021-12-22/zelensky-vs-akhmetov-a-test-strength#\\_ftn1](https://www.osw.waw.pl/en/publikacje/osw-commentary/2021-12-22/zelensky-vs-akhmetov-a-test-strength#_ftn1) and data from the World Bank Ukraine Profile Overview available at: <https://data.worldbank.org/country/ukraine>, both accessed 12/11/22.
- <sup>42</sup> Matuszak, Stawomir. "Zelensky vs Akhmetov – a Test of Strength," Centre for Easter Studies, 12/22/21, available at: [https://www.osw.waw.pl/en/publikacje/osw-commentary/2021-12-22/zelensky-vs-akhmetov-a-test-strength#\\_ftn1](https://www.osw.waw.pl/en/publikacje/osw-commentary/2021-12-22/zelensky-vs-akhmetov-a-test-strength#_ftn1)
- <sup>43</sup> Washington Post, "War has tamed Ukraine's oligarchs, creating space for democratic change," 12/8/22, available at: <https://www.washingtonpost.com/world/2022/12/08/ukraine-oligarchs-power-war/>, accessed 12/11/22.
- <sup>44</sup> Washington Post, "War has tamed Ukraine's oligarchs, creating space for democratic change," 12/8/22, available at: <https://www.washingtonpost.com/world/2022/12/08/ukraine-oligarchs-power-war/>, accessed 12/11/22.
- <sup>45</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 98.
- <sup>46</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 100.
- <sup>47</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 99.
- <sup>48</sup> Commission on Security and Cooperation in Europe. "The Internal Enemy: A Helsinki Commission Staff Report on Corruption in Ukraine," 115th Congress (2017-2018), October 2017. Pg 16.

- <sup>49</sup> Kudelia, Serhiy. "Corruption in Ukraine: Perpetuum Mobile or the Endplay of Post-Soviet Elites?" Beyond the Euromaidan. Stanford University Press, 2016, pg. 68-69
- <sup>50</sup> Kudelia, Serhiy. "Corruption in Ukraine: Perpetuum Mobile or the Endplay of Post-Soviet Elites?" Beyond the Euromaidan. Stanford University Press, 2016, pg. 69.
- <sup>51</sup> Kudelia, Serhiy. "Corruption in Ukraine: Perpetuum Mobile or the Endplay of Post-Soviet Elites?" Beyond the Euromaidan. Stanford University Press, 2016, pg. 69.
- <sup>52</sup> There are extensive news stories related to Lazarenko's ongoing criminal cases with the authorities. My description of Lazarenko's criminal cases was synthesized from the following sources: Wall Street Journal, "Ukraine Corruption Probe Finds Huge Funds Transfer," 11/19/99 at: <https://www.wsj.com/articles/SB94297365046000801>; Radio Free Europe, "Ukraine: Former Prime Minister Implicates President In Corruption," 7/7/00 at: <https://www.rferl.org/a/1094301.html>; FBI San Francisco Division Press Release, "Former Ukrainian Prime Minister Sentenced to 97 Months in Prison Fined \$9 Million for Role in Laundering \$30 Million of Extortion Proceeds," 11/19/09 at: <https://archives.fbi.gov/archives/sanfrancisco/press-releases/2009/sf111909a.htm>; New York Times, "A Ukrainian Kleptocrat Wants His Money and U.S. Asylum," 7/7/16 at: <https://www.nytimes.com/2016/07/07/business/international/a-ukrainian-kleptocrat-wants-his-money-and-us-asylum.html>; UNODC, SHERLOC Case Law Database "United States v. Pavel Ivanovich Lazarenko," at: [https://sherloc.unodc.org/cld/case-law-doc/moneylaunderingcrimetype/usa/united\\_states\\_v\\_pavel\\_ivanovich\\_lazarenko.html](https://sherloc.unodc.org/cld/case-law-doc/moneylaunderingcrimetype/usa/united_states_v_pavel_ivanovich_lazarenko.html); and court documents for Case 3:00-cr-00284-CRB U.S. v. Lazarenko, available at: [https://www.govinfo.gov/content/pkg/USCOURTS-cand-3\\_00-cr-00284/pdf/USCOURTS-cand-3\\_00-cr-00284-25.pdf](https://www.govinfo.gov/content/pkg/USCOURTS-cand-3_00-cr-00284/pdf/USCOURTS-cand-3_00-cr-00284-25.pdf), all accessed 1/7/22.
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- <sup>54</sup> Commission on Security and Cooperation in Europe. "The Internal Enemy: A Helsinki Commission Staff Report on Corruption in Ukraine," 115th Congress (2017-2018), October 2017. Pg 16.
- <sup>55</sup> Commission on Security and Cooperation in Europe. "The Internal Enemy: A Helsinki Commission Staff Report on Corruption in Ukraine," 115th Congress (2017-2018), October 2017. Pg 16.
- <sup>56</sup> Commission on Security and Cooperation in Europe. "The Internal Enemy: A Helsinki Commission Staff Report on Corruption in Ukraine," 115th Congress (2017-2018), October 2017. Pg 17.
- <sup>57</sup> Kulick, Orysia. "Dnipropetrovsk Oligarchs: Lynchpins of Sovereignty or Sources of Instability?" The Soviet and post-Soviet review 2019, pg. 380-381.
- <sup>58</sup> Dickinson, Peter. "How Ukraine's Orange Revolution shape 21<sup>st</sup> Century Geopolitics." Atlantic Council, 11/22/20. Available at: <https://www.atlanticcouncil.org/blogs/ukrainealert/how-ukraines-orange-revolution-shaped-twenty-first-century-geopolitics/>, accessed 12/11/22.
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- <sup>60</sup> Dickinson, Peter. "How Ukraine's Orange Revolution shape 21<sup>st</sup> Century Geopolitics." Atlantic Council, 11/22/20. Available at: <https://www.atlanticcouncil.org/blogs/ukrainealert/how-ukraines-orange-revolution-shaped-twenty-first-century-geopolitics/>, accessed 12/11/22.
- <sup>61</sup> For information on the 2004 amendments, see New York Times, "Ukraine Parliament Votes to Change Political System," 12/8/04, available at: <https://www.nytimes.com/2004/12/08/international/europe/ukraine-parliament-votes-to-change-political-system.html>, accessed 12/9/22.
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- <sup>63</sup> Ibid.
- <sup>64</sup> Commission on Security and Cooperation in Europe. "The Internal Enemy: A Helsinki Commission Staff Report on Corruption in Ukraine," 115th Congress (2017-2018), October 2017. Pg 18.
- <sup>65</sup> Kudelia, Serhiy. "Corruption in Ukraine: Perpetuum Mobile or the Endplay of Post-Soviet Elites?" Beyond the Euromaidan. Stanford University Press, 2016, pg. 72
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- <sup>67</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 98.
- <sup>68</sup> Kupatadze, Alexander. "Organized Crime, Political Transitions, and State Formation in Post-Soviet Eurasia." Houndmills, Basingstoke, Hampshire; Palgrave Macmillan, 2012, pg. 111.
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