

Organized crime makes power bid in Ukraine

The narcotics mafia has moved into the very highest levels of the government of Ukraine, according to this report by Dmytro Filipchenko in the New Jersey-based Ukrainian Weekly of May 2.

An *in camera* meeting of law enforcement officials and top-level bureaucrats was held [in Kiev] on April 12. A group of senior regional government administrators met with the head of the Security Service, Gen. Yevhen Marchuk, and the first deputy minister of internal affairs, Gen. Valentyn Nedryhailo, to discuss the problem.

A source close to the parliamentary committee on Defense and National Security suggested that among specific subjects addressed was the penetration of criminal elements into the republic's executive structures [police and administration] at the national and regional levels. Speaking to reporters after the meeting, General Marchuk said it was quite possible that entire branches of the economy and even regions of the country could fall under the complete control of the mob.

Profiting from the after-effects of the collapse of the U.S.S.R., various gaps in the existing legislation and enforcement, and a lack of regulation of economic relations between the enterprises and the state, criminal elements have created so-called "support groups" in the higher echelons of authority in Ukraine. They have also forged strong links with international organized crime groups, and diversified their activities—primarily in banking and trade.

The principal goals of the Ukrainian mafia today are perceived to be: to obtain illegal easements in export trade; to illegally obtain raw materials; to use foreign investments to fund criminal activities (such as narcotics, production and traffic, and the sale of nuclear materials); and to embezzle humanitarian aid arriving to Ukraine from abroad.

As a result, organized crime in Ukraine is struggling to achieve control over the entire import and export system of the country, and is seeking to guarantee its continued access to hard-currency funds. They are also very interested in the process of privatization of state assets. Some government officials are allegedly forming private companies headed by relatives, through whom formerly public property passes into the hands of the underworld. Another tactic is to undermine the quality of an industrial concern to the point that it can only be sold for a minimal amount, and then purchase it privately.

Indicative of organized crime's pervasive influence, various reports in the print media in Ukraine . . . have alleged that the main reason for the removal of Ihor Yukhnovsky from his post as first deputy to Prime Minister Leonid Kuchma on March 17, was his exposure of hard-currency speculation within the country's Ministry of Health. Others allege that Dr. Yukhnovsky's sacking also forestalled his intended investigation of such practices in all ministries of the government.

sell a certain amount of copper. You and your foreign partners draw up a contract. You never see the copper itself, but the company that allegedly sold it through your enterprise transfers the 'clean money' to its bank account. Your joint venture gets 15% for mediating." The variations are manifold so long as the Russian and western sides have a joint purpose.

Financial laundering services

According to a German customs source, much of the money that has flowed into the East has gone there purely for laundering purposes. It goes in and comes out. As in the Polish and Serbian case, a certain portion is "parked" there to facilitate acquisitions, usually of an asset-stripping nature, and dirty political operations. According to Valentin Roshchin, head of the Moscow Interregional Drug Enforcement Bureau, "As soon as the money crosses the border of the former Soviet Union, it automatically becomes clean. Commercial shops and banks, state financial institutions all exchange money freely. No one will even ask where you have gotten the cash in the first place."

Roshchin also identified joint ventures as a major area for criminal activities in the new business world. "They present the easiest channel for laundering money if need be," he said, since 25-27% of the drug dealers in Moscow work for cooperatives or joint ventures. He described one of the many techniques which can be used. In a non-existent copper export deal, for example, "your joint venture is approached to

The ruthless, unbroken drive since the early 1970s for international financial liberalization or "globalization," is based on the equation that liberalization equals no government interference, i.e., nothing is to be transparent or traceable. With the creation of exotic derivatives markets and trillion-dollar computerized global funds transfers, the usefulness of offshore banking and tax havens becomes magnified. The decline of the physical economy and parallel ruble inflation has created a situation where that small percentage of the Russian population and/or institutions which could accumulate finances, needs to have access to the mechanisms of flight capital. Like any Third World country constantly driven through currency devaluations by the IMF, it pays to structure your finances and business so that most of it is in