

**Pascual, Carlos E.**

Ukr - Crime

**From:** Davies, Glyn T.  
**Sent:** Thursday, September 04, 1997 8:26 PM  
**To:** @LEGAL - Legal Advisor; @RUSSIA - Russia/Ukraine; @LEGISLAT - Legislative Affairs  
**Subject:** FW: POTUS Schedule Question [SECRET]

...more info

DECLASSIFIED  
PER E.O. 13526  
2012-1027-M (1.09)  
KBH 11/15/2019

-----Original Message-----

**From:** Hilliard, Brenda I.  
**Sent:** Thursday, September 04, 1997 10:03 AM  
**To:** Davies, Glyn T.  
**Cc:** @EXECSEC - Executive Secretary  
**Subject:** RE: POTUS Schedule Question [SECRET]

As Carlos stated (and after double-checking my participants list), Mr. Rabinovich did not attend the President's meeting with Kuchma. Also, I have confirmed with Randy Bumgardner, Blair House, that there was no World Jewish Conference meeting held at Blair House during the week of May 12 or anytime this year, for that matter.

I have a call into Public Liaison to see if rumored meeting with Presidential involvement may have taken place elsewhere during that timeframe. Will let you know what they report. Thanks.

-----Original Message-----

**From:** Davies, Glyn T.  
**Sent:** Wednesday, September 03, 1997 8:45 PM  
**To:** Hilliard, Brenda I.  
**Cc:** @EXECSEC - Executive Secretary  
**Subject:** FW: POTUS Schedule Question [SECRET]

Brenda: Pls follow-up on this. Tx, Glyn

-----Original Message-----

**From:** Pascual, Carlos E.  
**Sent:** Wednesday, September 03, 1997 8:24 PM  
**To:** @EXECSEC - Executive Secretary  
**Cc:** @LEGAL - Legal Advisor; @RUSSIA - Russia/Ukraine; Elkind, Jonathan H.; @LEGISLAT - Legislative Affairs  
**Subject:** POTUS Schedule Question [SECRET]

Congressman Solomon wrote to Secretary Albright asking a number of questions about Vadim Rabinovich, including whether he had met with the President or Vice President. Rabinovich is a Ukrainian citizen; he is the head of the Ukrainian firm called Ostex, which is the Ukrainian subsidiary of Nordex. For those not familiar with Nordex, it has a pedigree that includes relations with organized crime.

Rabinovich was in the U.S. in May of this year -- loosely associated with President Kuchma's delegation for the Gore-Kuchma Commission, but not a formal part of the delegation. The Ukrainian Government has presented Rabinovich to the US Jewish community as the head of the Ukrainian Jewish Community, and on August 26 he published a full page add in the NYT on Ukrainian Jewry, Kuchma's support for reform, and the need for the West to support Kuchma.

There was a rumor circulating at State (emerging from Embassy Moscow) that the President may have seen Rabinovich at a World Jewish Congress meeting held at Blair House the week of May 12.

**Questions for Exec Sec:** we have not been able to confirm whether Rabinovich was at the World Jewish Congress meeting but, in the interim, could you confirm whether the President was at the World Jewish Congress meeting the week of May 12? (If not, then the question of whether Rabinovich was there becomes less serious.) Would there be a way to determine whether the President may have met with Rabinovich (sometimes spelled Rabinovi"t"ch) at another time? (RUE has no knowledge of such a meeting, and he was definitely NOT a part of the President's meeting with Kuchma in May.)

**Pascual, Carlos E.**

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**From:** Elkind, Jonathan H.  
**Sent:** Thursday, September 04, 1997 8:29 AM  
**To:** Pascual, Carlos E.; @EXECSEC - Executive Secretary  
**Cc:** @LEGAL - Legal Advisor; @RUSSIA - Russia/Ukraine; @LEGISLAT - Legislative Affairs; Wise, William M.; Hilty, Joanne M.  
**Subject:** RE: POTUS Schedule Question ~~SECRET~~

All:

Nor -- *despite the reported association with Kuchma's delegation for the GKC* -- was he at any time involved in the Commission meetings or any other event related to the Commission.

We are researching the question of whether he might have had any other conceivable opportunity to cross paths with the VP but have been unable to find any indication whatsoever that this could have happened.

Jon

-----Original Message-----

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**Sent:** Wednesday, September 03, 1997 8:24 PM  
**To:** @EXECSEC - Executive Secretary  
**Cc:** @LEGAL - Legal Advisor; @RUSSIA - Russia/Ukraine; Elkind, Jonathan H.; @LEGISLAT - Legislative Affairs  
**Subject:** POTUS Schedule Question ~~SECRET~~

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**DECLASSIFIED  
PER E.O. 13526**

2012-1027-M (1.10)  
KBH 11/15/2019

Meyler, Maria K.

From: Meyler, Maria K.  
Sent: Wednesday, August 06, 1997 5:39 PM  
To: Fort, Jane B.  
Subject: Nerissa Cook Telcon ~~(CONFIDENTIAL)~~

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PER E.O. 13526

2012-1027-M (1.11)  
KBH 11/15/2019

Ki:

Checked in again with Nerissa on the Rabinovi(t)ch case. There have been allegations in the press for the past 1.5 years or so that he (and the firm OSTECH, of which he is president) is somehow involved with organized crime. Rabinovich was apparently spotted in town during Gore-Kuchma in May, and both OVP and Secret Service were alerted. Nerissa suggested that since OVP and SS were given the heads-up, surely POTUS would also *not* have met with Rabinovich then - but perhaps at an earlier date?

Since the letter came in to SecState and not to OVP or POTUS, Nerissa thought there would be more flexibility in a response - if there even is one. If the powers that be at State in fact decide to respond, they want to have a draft ready that you have seen/approved. Nerissa wanted to know if you approve of the *approach* to the response, i.e. suggesting that State knows of no meetings between POTUS or VP and Rabinovich.

Regarding your question on the bracketing, she said she would have to check.

I will give Legal the heads up.

Perhaps Carlos knows more about this?

Mia

Carla

KI wants to  
discuss with you  
on Monday.

Check status  
w/ Nerissa?

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*Ukr - Crime*

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DIST: BUJOLD, EGGERT, ELKIND, FORT, MATERA, PASCUAL, PIFER, RUMER, NSC

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PREC: ROUTINE CLASS: ~~CONFIDENTIAL~~ DTG:281503Z MAR 97

FM: AMEMBASSY KIEV

TO:  
RUEHC/SECSTATE WASHDC 6545

DECLASSIFIED IN PART  
PER E. O. 13526

RUCNCIS/CIS COLLECTIVE  
RUEHXE/EAST EUROPEAN COLLECTIVE  
RUEAWJA/DOJ WASHDC  
RUCPDOG/USDOC WASHDC  
RUCNFB/FBI WASHDC

2012-1027-M [1.14]

KBH 11/15/2019

~~CONFIDENTIAL~~ KIEV 002582

DEPT FOR EUR/WST, INL (S. BRANDEL), S/HIS/C (AMB.  
MORNINGSTAR, C. DOERFLEIN), S/HIS (T. BIORKMAN)  
USDOC FOR COUNSELOR KALICKI  
USDOC ALSO FOR 4231/ITA/MAC/OEERIS/SLUCYK/SLOTARSKI  
PLEASE PASS NSC-PASCUAL  
FBI FOR IRB

E.O. 12958: DECL: 3/26/07  
TAGS: PGOV, KCRM, KJUS, PINR, UP  
SUBJECT: SOME THOUGHTS ON GOVERNMENT CORRUPTION IN  
UKRAINE

REFTEL: KIEV 01223

1. (U) CLASSIFIED BY AMBASSADOR WILLIAM GREEN MILLER.  
REASONS : 1. 5 ( B ) AND ( D ) .

SUMMARY  
2-----

2. (G) OVER THE PAST YEAR THE ISSUE OF CORRUPTION IN  
UKRAINE HAS RECEIVED MORE ATTENTION THAN EVER BEFORE.  
MANY OBSERVERS AGREE GRAFT IS PERVASIVE AT ALL LEVELS  
OF GOVERNMENT, AND IS MORE VISIBLE THAN IN YEARS PAST.  
LAW ENFORCEMENT EFFORTS TO TACKLE THE PROBLEM HAVE BEEN  
INEFFECTIVE, AND CRITICS CLAIM THE GOVERNMENT IS ITSELF  
SO COMPLICIT IN CORRUPTION THAT IT TURNS A BLIND EYE TO  
THE ISSUE. THE MINISTRY OF JUSTICE HAS PASSED A  
PROPOSAL FOR A NEW "CLEAN HANDS" CAMPAIGN TO PRESIDENT  
KUCHMA, BUT IT MAY BE INEFFECTIVE UNLESS IT ADDRESSES  
THE DEEPER STRUCTURAL ROOTS OF CORRUPTION, WHICH ARE  
THE FOCUS OF THIS CABLE. LOW WAGES, A CONFISCATORY AND

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UNEQUALLY APPLIED TAX SYSTEM, OVER-REGULATION, AND INEFFECTUAL LEGISLATION WHICH IS WIDELY IGNORED BY EVEN TOP POLITICIANS ALL COMBINE TO MAKE CORRUPTION PARTICULARLY INTRACTABLE. OUR EFFORTS SHOULD CONCENTRATE ON PUSHING THE UKRAINIANS TO REDUCE THE ROLE OF BUREAUCRATS IN THE ECONOMY, REFORM THE TAX SYSTEM, STRENGTHEN THE RULE OF LAW, CARRY OUT CIVIL SERVICE REFORM, EDUCATE THE PUBXIC ON ITS RIGHTS, AND FINALLY, TO GET SERIOUS ABOUT THE PROBLEM. THIS IS THE FIRST IN A SERIES OF CABLES WHICH WILL FOCUS ON THE OVERALL PROBLEM OF CORRUPTION IN UKRAINE; THE GOVERNMENT'S NEW "CLEAN HANDS" CAMPAIGN; LINKS BETWEEN GOVERNMENT OFFICILS AND ORGANIZED CRIME; AND SPECIFIC PROBLEMS FACED BY LAW ENFORCEMENT AGENCIES IN THE BATTLE AGAINST CORRUPTION. END SUMMARY.

SCOPE OF THE PROBLEM  
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3. (G) ANECDOTAL EVIDENCE IS OVERWHELMING THAT GOVERNMENT CORRUPTION IS PERVASIVE, AND CONSTITUTES A SERIOUS IMPEDIMENT TO ECONOMIC DEVELOPMENT AND FOREIGN INVESTMENT. FROM POLICE SHAKEDOWNS TO GOVERNMENT BUREAUCRATS WHO MISUSE THEIR CONTROL OF BUDGET SUBSIDIES, CONTRACTS, CREDITS, PERMITS, CERTIFICAPES AND LICENSES, GRAFT IS A FACT OF LIFE IN UKRAINE. AS IN RUSSIA, SUCCESSFUL BUSINESSES REQUIRE PATRONAGE, WHETHER FROM GOVERNMENT LEADERS, LAW ENFORCEMENT PERSONNEL, OR CRIMINALS. "YOU CAN'T SURVIVE HERE WITHOUT PAYING OFF SOMEONE," THE OWNER OF A LARGE KIEV CONSTRUCTION FIRM ADMITTED TO US RECENTLY, POINTEDLY LOOKING TOWARD THE DOZEN LARGE PRIVATE DACHAS, MANY BELONGING O GOVERNMENT OFFICIALS AND THEIR RELATIVES, WHIC DOT ONE OF HIS BUILDING SITES. MONEY DERIVED FOM CORRUPTION MAKES UP A SIGNIFICANT PORTION OF TH ESTIMATED USD 15-20 BILLION THAT HAS LEFT THE COUNTRY OVER THE LAST FOUR YEARS.

COMPROMISED LAW ENFORCEMENT AGENCIES  
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4. (G) UKRAINIAN LAW ENFORCEMENT AGENCIES HAVE NOT BEEN EFFECTIVE IN COMBATting THE PROBLEM. LAW ENFORCEMENT PERSONNEL ARE POORLY EQUIPPED, TRAINED AND PAID. MANY OF THE BEST EMPNOYEEES LEFT LONG AGO FOR THE PRIVATE SECTOR, AND THOSE WHO REMAIN ARE THEMSELVES SUSCEPTIBLE TO BRIBES. MINISTRY OF INTERNAL AFFAIRS (MVD) CONTACTS COMPLAIN THAT ONLY A NARROW CIRCLE OF OFFICIALS CAN OPEN CORRUPTION CASES, AND THAT LOCAL TO CORRUPT REGIONAL OFFICIALS. THE MVD RECORDED OVER 1,900 INCIDENTS OF BRIBERY LAST YEAR, BUT VERKHOVNA RADA EQ 13526 1.4b, EQ 13526 1.4d TOLD US THIS REPRESENTS ONLY ABOUT ONE PERCENT OF ACTUAL CASES. IN ADDITION, MANY OF THOSE CAUGHT ARE NEVER

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CONVICTED, AND ACCORDING TO (b) (4), (d) ONLY TEN PERCENT OF THOSE CONVICTED ACTUALLY RECEIVE PUNISHMENTS HARSHER

THAN A REPRIMAND. WHILE THE MVD CLAIMS THAT 3,000 GOVERNMENT OFFICIALS HAVE BEEN CONVICTED OF BRIBERY OR ABUSE OF OFFICE SINCE 1991, EXPERTS CONCEDE THAT ALL BUT A TINY HANDFUL WERE MINOR FUNCTIONARIES.

5. (SBU) EFFORTS TO CREATE A SEPARATE INDEPENDENT

ANTI-CRIME AND CORRUPTION NATIONAL BUREAU OF INVESTIGATION (NBI) HAVE FOUNDERED BECAUSE OF BUREAUCRATIC OPPOSITION AND HIGH-LEVEL INDIFFERENCE. KUCHMA IS AGAIN PROMOTING THE NBI, BUT SEEMS TO HAVE CONCEDED THAT ITS CREATION WILL HAVE TO WAIT UNTIL THE PASSAGE OF A NEW CRIMINAL PROCEDURES CODE AND OTHER ACCOMPANYING LEGISLATION. NON-GOVERNMENTAL WATCHDOGS, SUCH AS POLITICAL PARTIES, CITIZEN'S LOBBYING GROUPS AND A PRESS CORPS WITH A STRONG TRADITION OF INVESTIGATIVE REPORTING, ARE ALSO STILL TOO FEEBLE TO EFFECTIVELY TACKLE THE PROBLEM.

WHERE'S THE STICK?  
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6. (C) GIVEN THESE PROBLEMS, UKRAINIANS TEND BE FATALISTIC WHEN ASKED ABOUT CORRUPTION. IN ADDITION, MANY POINT OUT THAT UNDER THE SOVIET SYSTEM THE AVERAGE PERSON STOLE FRM THE STATE AS A MATTER OF COURSE. HE OR SHE ALSO RELIED HEAVILY ON PERSONAL TIES TO CIRCUMVENT FORMAL MECHANISMS AND GAIN ACCESS TO SCARCE GOODS AND SERVICES. THESE DEEPLY-INGRAINED HABITS WERE ACCENTUATED WHEN TOTALITARIAN CONTROLS WERE LIFTED. THE ANOMIE OF POST-COVJET ECONOMIC COLLAPSE HAS ADDED FUEL TO THE FIRE, FEEDING WHAT RUKH DEPUTY LES TANIUK CALLS TODAY'S "CULTURE OF IMMEDIATE GRATIFICATION."

7. (C) HOWEVER, CRITICS ALSO ACCUSE SUCCESSIVE UKRAINIAN GOVERNMENTS OF TURNING A BLIND EYE TO THE PROBLEM. AS BAD AS THE SOVIET SYSTEM HAS, (b) (4), (d)

EO 13526 1.4b, EO 13526 1.4d TOLD US, OFFICIALS WHO STRAYED TOO FAR WERE SLAPPED DOWN HARD. THE ERADICATION OF CRIME AND CORRUPTION HAS A CENTRAL PLANK OF KUCHMA'S 1994 ELECTORAL PROGRAM, BUT DESPITE A FEW EFFORTS IN THE AREA HAVE BEEN LACKLUSTER (REFTEL).

8. (C) (b) (4), (d) EO 13526 1.4b, EO 13526 1.4d TOLD US MARCH 17 THAT HE HAS PASSED THE MOJ'S PROPOSALS FOR A NEW "CLEAN HANDS" CAMPAIGN TO THE PRESIDENT FOR CONSIDERATION. THE PROGRAM HAS ALREADY BEEN GREETED WITH WIDESPREAD SKEPTICISM. CRITICS CHARGE THAT TOO MANY HIGH GOVERNMENT LEADERS ARE COMPLICIT TO ENFORCE ANTI-CORRUPTION LEGISLATION. "A THIEF DOESN'T SAY CATCH A THIEF," RADA CRIME AND CORRUPTION COMMISSION

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MEMBER [redacted] 1.4(b), 1.4(d) COMMENTED. OTHERS WORRY THAT WITH SO MANY ENGAGED IN EXTRA-CURRICULAR ACTIVITIES, ANY CONVICTIONS WILL BE SEEN AS POLITICALLY MOTIVATED, ESPECIALLY AS ELECTIONS APPROACH.

IS CORRUPTION REALLY WORSE TODAY?  
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9. (C) IF CORRUPTION HAS AN INTEGRAL PART OF THE SOVIET SYSTEM AND A CONSTANT SINCE INDEPENDENCE, WHY IS THERE SUCH A HUE AND CRY ABOUT IT TODAY? SOME OF OUR UKRAINIAN CONTACTS BELIEVE THAT THE WEST SIMPLY DID NOT PAY ANY ATTENTION TO THE ISSUE BEFORE. A FEW OTHERS CLAIM THE SITUATION IS ACTUALLY BETTER TODAY, BECAUSE A SINGLE PERSON CAN NO LONGER BLOCK BIGGER BUSINESS DEALS. HOWEVER, A MAJORITY OF UKRAINIAN SOURCES TELL US CORRUPTION HAS BEEN ACCENTUATED IN THE LAST TWO TO THREE YEARS, AND POINT TO THE FOLLOWING FACTORS TO EXPLAIN THIS PHENOMENON:

- RISING COST OF "SERVICES": ACCORDING TO TANIUK, FEW PEOPLE COMPLAINED ABOUT CORRUPTION IN THE EARLY 1990'S BECAUSE "A DOLLAR WENT A LOT FARTHER." [redacted] EO 13526 1.4b, EO 13526 1.4d

[redacted] TELLS THE STORY OF AN UNNAMED FOREIGN GOVERNMENT WHICH SENT A GROUP OF 15 "BUSINESSMEN" TO UKRAINE IN DECEMBER 1992 - MARCH 1993 TO TEST THE LEVEL OF CORRUPTION. THE "BUSINESSMEN" ALLEGEDLY ENDED UP PROMISING USD 1.5 MILLION TO GOVERNMENT OFFICIALS FOR VARIOUS LICENSES. HOWEVER, WHEN THE OPERATION WAS REPEATED FROM NOVEMBER 1994 - MARCH 1995, CORRUPT OFFICIALS WERE DEMANDING CASH, FOREIGN REAL ESTATE AND SHARES IN JOINT VENTURES TOTALING USD 10 MILLION. "BUREAUCRATS NOW REALIZE HOW PROFITABLE THEIR POSITIONS CAN BE," A LOCAL JOURNALIST AGREED.

- CONSOLIDATION OF THE CLAN SYSTEM: OVER THE LAST COUPLE OF YEARS LOOSELY ORGANIZED CLANS HAVE CONSOLIDATED CONTROL OF KEY SECTORS OF THE

ECONOMY [redacted] EO 13526 1.4d

TOLD US, AND THROUGH GOVERNMENT COLLUSION ARE SQUEEZING OUT COMPETITORS. IN ADDITION, CLAN "MEMBERS" ARE REWARDED WITH SHORT GOVERNMENT STINTS, [redacted] EO 13526 1.4d

[redacted] CLAIMS, AND GIVEN CARTE-BLANCHE TO GRAB WHAT THEY CAN, WHILE THEY CAN.

- INCREASE IN ECONOMIC ACTIVITY: TODAY MORE PEOPLE ARE APPLYING FOR MORE LICENSES TO BUY, SELL, RENT AND REGISTER MORE THINGS, [redacted]

[redacted] EO 13526 1.4d  
[redacted] TOLD US. BECAUSE THE GOVERNMENT RETAINS

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SO MUCH CONTROL OVER THE ECONOMY, THE POWER AND REACH OF BUREAUCRATS HAS CONSEQUENTLY INCREASED, 1.4(b), 1.4(d) ADDED.

- BATTLE FOR STATE PROPERTY: 1.4(b), 1.4(d) BELIEVES THAT PRIVATIZATION HAS CAUSED A FREE-FOR-ALL STRUGGLE FOR STATE ASSETS. UNTIL THE PROCESS IS COMPLETE (SCHEDULED FOR THE END OF THIS YEAR), CORRUPTION WILL ONLY GET WORSE 1.4(b), 1.4(d) CLAIMS.

- RISING COST OF POLITICS: THE LESSON OF THE 1994 ELECTIONS HAS THAT CANDIDATES NEED MONEY TO COMPLETE EO 13526 1.4d

SAID. UKRAINIAN POLITICIANS BELIEVE THAT THE ONLY WAY TO GET MONEY IS EITHER THROUGH SKIMMING IT OFF THE TOP OF THE STATE BUDGET, OR BY PROMOTING THE INTERESTS OF THEIR BUSINESS ALLIES. A NUMBER OF OBSERVERS ALSO POINT OUT THAT THE ISSUE OF CORRUPTION IS A POTENT WEAPON FOR POLITICIANS THINKING AHEAD TO THE UPCOMING PARLIAMENTARY AND PRESIDENTIAL ELECTIONS.

10. (C) THESE POINTS ARE INEXTRICABLY LINKED TO SEVERAL STRUCTURAL FACTORS, WHICH CONSPIRE TO MAKE CORRUPTION A PERVASIVE FACT OF LIFE. WHILE A "CLEAN HANDS" CAMPAIGN COULD BE AN IMPORTANT STEP FORWARD, WE AGREE THAT THE JUSTICE MINISTRY'S PROGRAM WILL BE INEFFECTIVE UNLESS IT ADDRESSES THE DEEPER STRUCTURAL ROOTS OF CORRUPTION. SOME OF THE MOST IMPORTANT ARE LISTED BELOW.

11. (C) A LOCAL JOURNALIST RECENTLY RELATED HOW SINCE THE TIME OF PETER THE GREAT, THE RUSSIAN EMPIRE AND LATER THE SOVIET UNION MADE A PRACTICE OF PAYING BUREAUCRATS AS LITTLE AS POSSIBLE, FORCING THEM TO FEND FOR THEMSELVES TO SURVIVE. THE SITUATION IS NOT MUCH CHANGED TODAY. ACCORDING TO ONE PRESS REPORT, THE MAYOR OF ZAPOROZHYA, A CITY OF CLOSE TO ONE MILLION INHABITANTS, EARNS A BASE SALARY OF ABOUT USD 80 PER MONTH. HIS DEPUTY MAKES USD 70. WE WERE TOLD THAT THE SALARIES OF UKRAINE'S ESTIMATED 550,000 MVD EMPLOYEES RANGE FROM APPROXIMATELY USD 350 TO AS LITTLE AS USD 80 PER MONTH, AND WAGE DELAYS OF SEVERAL MONTHS ARE COMMON THROUGHOUT THE ECONOMY. A SIMILAR SITUATION EXISTS IN THE KIEV'S BLOATED GOVERNMENT OFFICES, WHERE A MID-LEVEL CABINET OF MINISTER'S OFFICIAL RECENTLY COMPLAINED TO US THAT EVEN HER MEAGER SALARY OF USD 80 PER MONTH HAS NOT BEING PAID ON TIME.

12. (C) IT IS TRUE THAT OFFICIAL SALARIES DO NOT REFLECT THE REAL EARNINGS OF BUREAUCRATS AND LAW ENFORCEMENT OFFICIALS. GOVERNMENT EMPLOYEES ALSO GET PREMIUMS FOR RANK, POSITION AND YEARS OF SERVICE, AS

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WELL AS PERKS SUCH AS USE OF AUTOMOBILES AND SUBSIDIZED HOUSNG, WHICH CAN MORE THAN DOUBLE AND TRIPLE A BASE SALARY. BUT EVEN SO, WAGES ARE LOW BY ANY STANDARD. THE GOVERNMENT SIMPLY HAS TOO MANY EMPLOYEES, AND THE INABILITY TO PAY A DECENT WAGE IS AN OPEN INVITATION FOR CORRUPTION. ACCORDING TO ONE 1996 REPORT, THE SBU ESTIMATES THAT SIXTY PERCENT OF THE AVERAGE GOVERNMENT EMPLOYEE'S SALARY COMES FROM BRIBES.

SPOTTY LEGISLATION ON CONFLICT OF INTEREST

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13. (U) EXISTING LEGISLATION DOES ADDRESS CORRUPTION, AND SOME LEGAL EXPERTS BELIEVE IT IS SUFFICIENT TO COMBAT THE PROBLEM. THE CURREN

T CRIMINAL CODE CONTAINS PROVISIONS ON BRIBERY, EMBEZZLEMENT AND ABUSE OF POWER. THE 1995 "LAW ON CORRUPTION" FORBIDS CIVIL SERVANTS AND PEOPLE'S DEPUTIES FROM ENGAGING IN BUSINESS ACTIVITIES "DIRECTLY OR THROUGH MEDIATORS...AS WELL AS WORK ON A PART-TIME BASIS (SAVE FOR RESEARCH, TEACHING AND CREATIVE ACTIVITIES, AND MEDICAL PRACTICE)," AND FROM ENTERING "INDEPENDENTLY, OR THROUGH REPRESENTATIVES...TO MANAGEMENT BOARDS OR OTHER EXECUTIVE BODIES OF ENTERPRISES, CREDIT/FINANCIAL INSTITUTIONS, ECONOMIC ASSOCIATIONS AND ORGANIZATIONS, UNIONS, CORPORATIONS, OR PARTNERSHIPS ENGAGED IN BUSINESS ACTIVITY." THE "LAW ON GOVERNMENT SERVICE" REQUIRES GOVERNMENT OFFICIALS TO REPORT ANNUALLY ALL PERSONAL AND FAMILY INCOME, REAL ESTATE HOLDINGS, BANK DEPOSITS, SECURITIES AND PROPERTY. INCOME OF HIGH OFFICIALS MUST ALSO BE PUBLICLY RELEASED IN STATE ORGANS.

14. (C) HOWEVER, EXISTING LAWS ARE INADEQUATE IN SEVERAL AREAS. FOR EXAMPLE, THE "LAW ON CORRUPTION" AUTHORIZES ADMINISTRATIVE RATHER THAN CRIMINAL SANCTIONS, AND OFFENDING OFFICIALS OFTEN GET OFF WITH ONLY A SLAP ON THE WRIST. CLEAR CODES OF CONDUCT FOR GOVERNMENT OFFICIALS SIMPLY DO NOT EXIST. POLITICIANS FREELY ASSOCIATE WITH BUSINESSMEN AND EVEN ORGANIZED CRIME FIGURES (TO GIVE JUST ONE EXAMPLE, BORIS SAVLOKHOV, WHO IS REPORTED TO BE AN "UNOFFICIAL" ADVISOR ON SPORTS TO THE PRESIDENT, IS ALSO WIDELY REPUTED TO HEAD A KIEV-BASED ORGANIZED CRIME GROUP). GOVERNMENT OFFICIALS ARE APPARENTLY NOT FORBIDDEN FROM OWNING SHARES IN COMPANIES, EVEN IN THOSE WHICH CONTRACT WITH GOVERNMENT ENTITIES. THERE IS ALSO NO PROHIBITION AGAINST FAMILY MEMBERS OPERATING BUSINESSES, WHICH AGAIN MAY WELL DIRECTLY BENEFIT FROM GOVERNMENT INTERVENTION. A RUKH PARTY LEADER RECENTLY TOLD US HOW A DEPUTY MINISTER AUTHORIZED TO BUY COMPUTERS CONTRACTED WITH A FIRM UNDER THE CONDITION

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THAT THE SUPPLIER UNDERGO A USD 5,000 AUDIT, TO BE CONDUCTED BY A COMPANY OWNED BY THE DEPUTY MINISTER'S BROTHER.

15. (U) PROCEDURES FOR PUBLIC PROCUREMENT AND THE AWARDING OF GOVERNMENT CONTRACTS ARE MURKY AND DECISIONS ARE TAKEN BEHIND CLOSED DOORS. BUREAUCRATS ROUTINELY CHANNEL CONTRACTS AND CREDITS TO FAVORED FIRMS. BUT IN THE ABSENCE OF CLEAR CONFLICT OF INTEREST GUIDELINES (AND A RESTRICTION ON STOCKHOLDINGS), THE BURDEN IS ON LAW ENFORCEMENT OFFICIALS TO PROVE THAT A GOVERNMENT OFFICIAL IS ACTIVELY BREAKING THE LAW BY OPERATING A FIRM, OR OVERSTEPPING AUTHORITY BY ADVANCING THE INTERESTS OF A COMPANY CONNECTED WITH FAMILY AND FRIENDS. AS UKRAINIAN FIRMS ARE NOT REQUIRED TO PUBLISH SHAREHOLDER LISTS, GOVERNMENT EMPLOYEES AND THEIR FAMILIES WHO ENGAGE IN BUSINESS ARE PARTICULARLY DIFFICULT TO DETECT. LAW ENFORCEMENT OFFICERS ALSO COMPLAIN THAT CORRUPTION ARE ILLEGAL. AND EVEN IF THEY WERE LEGAL, DEPUTIES ON ALL LEVELS, FROM DISTRICT COUNCILS TO THE NATIONAL RADA% ENJOY IMMUNITY FROM PROSECUTION.

POORLY UNDERSTOOD LAWS...

16. (C) EXISTING LAWS ARE ALSO WIDELY MISUNDERSTOOD. WHEN ASKED IF THE "LAW ON CORRUPTION" BANS RADA DEPUTIES FROM ENGAGING IN BUSINESS, A MEMBER OF THE RADA COMMISSION ON LEGAL POLICY AND REFORM REPLIED THAT HE THOUGHT SO, BUT "IT'S A MATTER OF INTERPRETATION." IN SOME INSTANCES, LAWS ARE LARGELY DECLARATIVE, LACKING TRUE MECHANISMS FOR IMPLEMENTATION. PROCEDURES FOR FILING INCOME DECLARATIONS ARE NOT SPECIFIED, AND IN FACT THE MINISTRY OF FINANCE HAS NOT YET PRINTED STANDARDIZED DECLARATION FORMS. AS FOR PUBLISHING THEIR INCOME, SEVERAL RADA DEPUTIES ADMITTED THEY HAD NO IDEA WHETHER THEY ARE REQUIRED TO DO SO, AND IF SO, HOW.

...WHICH ARE EVEN MORE WIDELY IGNORED

17. (C) MORE SERIOUSLY, ANTI-CORRUPTION LEGISLATION IS WIDELY IGNORED. HIGH GOVERNMENT OFFICIALS ARE STILL

REQUIRED TO FILE AND PUBLISH THEIR INCOME, BUT DESPITE NUMEROUS COMPLAINTS, PRESIDENT KUCHMA ONLY DID SO THIS MONTH (NOTE: HE REPORTED AN INCOME FOR 1996 OF 13,335 HR YVNIYA, OR APPROXIMATELY USD 7,300). OTHER OFFICIALS OPENLY OPERATE BUSINESSES. WE WERE RECENTLY RECEIVED BY ONE PROMINENT DEPUTY IN THE OFFICE OF THE FIRM HE SUPPOSEDLY STOPPED RUNNING WHEN HE HAS ELECTED TWO

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YEARS AGO. [ ] EO 13526 1.4d  
[ ] ESTIMATES THAT 60-70 PERCENT OF UKRAINIAN BUREAUCRATS HAVE "OTHER INTERESTS" ON THE SIDE. AN EDITOR [ ] EO 13526 1.4d TOLD US THAT OVER 70 PERCENT OF PARLIAMENTARY DEPUTIES AND "99.9 PERCENT" OF CABINET OF MINISTERS OFFICIALS ACTIVELY ENGAGE IN EXTRA-CURRICULAR BUSINESS ACTIVITIES.

CONFISCATORY TAX CODE  
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18. (SBU) MANY OBSERVERS POINT TO UKRAINE'S COMPLICATED, EVER-CHANGING AND CONFISCATORY TAX CODE AS A LEADING STRUCTURAL CAUSE OF CORRUPTION. A CUMULATIVE BURGEONING SHADOW ECONOMY. EVEN LEGALLY-REGISTERED FIRMS ROUTINELY LEAVE AT LEAST A THIRD OF THEIR INCOME OFF THE BOOKS, ACCORDING TO WORLD BANK EXPERTS, AND MOST BUSINESSES REPORTEDLY MAINTAIN MULTIPLE SETS OF BOOKS. TAX LAWS ARE SUCH THAT VIRTUALLY EVERYONE IS IN VIOLATION. THIS IN TURN GIVES ENORMOUS DISCRETION TO UKRAINE'S TAX INSPECTORS, WHO ARE WIDELY ACCUSED OF USING THEIR AUDITING POWERS ARBITRARILY TO SOLICIT BRIBES. THE POWER TO AUDIT ALSO GIVES CORRUPT OFFICIALS A POTENT WEAPON AGAINST THE COMPETITORS OF FAVORED FIRMS.

19. (G) FURTHERMORE, THE TAX CODE IS NOT UNIFORMLY APPLIED, AND A LARGE BUT UNKNOWN NUMBER OF ENTERPRISES ENJOY EXEMPTIONS. IN HIS STATE OF THE NATION ADDRESS MARCH 21, PRESIDENT KUCHMA COMPLAINED THAT MORE THAN 11,000 MAJOR FIRMS IN THE GAS, ENERGY AND CONSTRUCTION SECTORS ARE NOT PAYING TAXES. FIRMS UNDER SPECIALLY DESIGNATED CATEGORIES, LIKE "CHORNOBYL" ORGANIZATIONS AND "STRATEGIC INDUSTRIES" (FIRMS WHICH SUPPLY ITEMS AS MUNDANE AS PENCILS TO THE MINISTRY OF DEFENSE), MAINTAIN A WIDE NET OF PRIVILEGES, AND DESPITE ATTEMPTS AT CHANGES, WILL LIKELY STILL BE FREE FROM THE VALUE ADDED TAX. THIS HAS LED TO WIDESPREAD ABUSE. ALSO, UNTAXED IS THE ENTIRE ENERGY SECTOR. DECISIONS TO GRANT TAX EXEMPTIONS ARE MADE BEHIND CLOSED DOORS AND GO UNPUBLISHED. THEY ARE A MAJOR SOURCE OF INCOME FOR HIGH-LEVEL GOVERNMENT OFFICIALS, MANY SOURCES TELL US. PRIME MINISTER LAZARENKO IS REPUTED TO BE A MAJOR SHAREHOLDER IN UNITED ENERGY SYSTEMS, UKRAINE'S LARGEST ENERGY IMPORTER, WHICH ALSO REPORTEDLY DOES NOT PAY TAXES. "IS THIS CORRUPTION?" 1.4(b), 1.4(d) ASKED, "OF COURSE. BUT IS IT ILLEGAL? NO-ONE KNOWS, AND NO-ONE CAN PROVE ANYTHING."

OVER-REGULATION: NIGHTMARE FOR BUSINESS  
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20. (G) "BUSINESS IN UKRAINE IS STILL COMPLETELY DEPENDENT ON THE GOVERNMENT," COMMENTED [ ] 1.4(d)

EO 13526 1.4d WHO ARGUES THAT EXCESSIVE GOVERNMENT INTERVENTION IN THE ECONOMY IS A MAJOR STRUCTURAL REASON FOR CORRUPTION. BUREAUCRATS NOT ONLY CHANNEL GOVERNMENT CONTRACTS AND TAX EXEMPTIONS TO FAVORED FIRMS, BUT ALSO CONTROL THE COMPLICATED PROCESS OF OBTAINING THE MYRIAD LICENSES AND PERMITS NECESSARY TO DO BUSINESS IN UKRAINE. OFFICIALS. ONE SOURCE CLAIMED CERTAIN MINISTERS ROUTINELY ASK FOR ANYWHERE FROM USD 50,000 TO 2 MILLION TO "TAKE CARE OF PROBLEMS."

21. (C) A (b)(6) BUSINESSMAN INVOLVED IN ADVERTISING RECENTLY TOLD US HOW THE SYSTEM WORKS ON A SMALLER SCALE. IN ORDER TO PUT UP A SINGLE BILLBOARD IN KIEV, HIS FIRM MUST OBTAIN TWELVE DIFFERENT SIGNATURES FROM OFFICIALS RANGING FROM THE TAX INSPECTOR TO THE DISTRICT POLICE CHIEF TO THE CITY ARCHITECT. THE ABSENCE OF ANY SINGLE SIGNATURE WILL KILL A BILLBOARD, SO AT EVERY STEP BRIBES ARE HINTED AT OR DEMANDED OUTRIGHT. TO SPEED THE PROCESS AND MINIMIZE THE NUMBER AND VALUE OF "GIFTS," FIRMS ENLIST "PATRONS," WHO ARE OFTEN OFFERED COMPANY STOCK FOR THEIR SERVICES. THE BUSINESSMAN DECLINED TO SAY WHO BACKED HIS COMPANY, BUT TOLD US THAT A STOCKHOLDER IN THE MAJOR (b)(6) ADVERTISING FIRM HE PREVIOUSLY WORKED FOR HAS THEN-

EO 13526 1.4d

22. (C) REGISTRATIONS PRESENT ANOTHER SET OF PROBLEMS. ACCORDING TO A 1996 IFC SURVEY, UKRAINIAN BUSINESSES PAY AN AVERAGE OF USD 5,000 IN BRIBES TO REGISTER A FIRM. THIS FIGURE IS DISPUTED BY PRIVATE

EO 13526 1.4d

WHO TOLD US A FIRM CAN REGISTER FOR THE OFFICIAL FEE, BUT ONLY IF IT IS WILLING TO INVEST ENORMOUS AMOUNTS OF TIME AND PATIENCE IN THE ENDEAVOR. ANOTHER YOUNG BUSINESSMAN AGREED. HE PAID NO BRIBES, BUT AS A RESULT IT TOOK SIX MONTHS TO REGISTER HIS SMALL CONSULTING FIRM. THE CURRENT ECONOMIC PACKAGE BEFORE PARLIAMENT HAS NUMEROUS DEREGULATORY FEATURES, INCLUDING SUBSTANTIALLY SIMPLER BUSINESS LICENSING PROCEDURES. HOWEVER, ITS PASSAGE IS STILL UNCERTAIN.

WHAT IS TO BE DONE?  
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E.O. 12958 1.4(d)

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EO 13526 1.4d

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EO 13526 1.4d

MILLER

<^SECT> SECTION: 01 OF 01

<^SSN> 2582

<^TOR> 970331091102 M2690602

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DIST: ELKIND, KYLE, LEE, PASCUAL, PIFER, TARULLO, WALSH, NSC

PREC: IMMEDIATE CLASS: ~~CONFIDENTIAL~~ DTG:151500Z APR 97

FM: AMEMBASSY KIEV

TO:  
RUEHC/SECSTATE WASHDC IMMEDIATE 6885

DECLASSIFIED IN PART  
PER E.O. 13526

RUCPDOC/USDOC WASHDC  
RUCNCIS/CIS COLLECTIVE  
RUEATRS/DEPT OF TREASURY WASHDC

2012-1027-M [1.15]  
KBH 11/15/2019

~~CONFIDENTIAL~~ SECTION 01 OF 04 KIEV 003254

DEPARTMENT FOR EUR/WST AND S/NIS/C  
NSC PLEASE PASS PASCUAL

E.O. 12958: DECL: 04/04/07  
TAGS: ETRD, ECON, EINV, KCRM, UP  
SUBJECT: FAVORITISM SEEN BEHIND KIEV STAR'S SELECTION  
AND MOTOROLA'S PULLOUT

1. ~~(C)~~ CLASSIFIED BY AMBASSADOR WILLIAM GREEN MILLER.  
REASON: 1.5 (B) AND (D).

2. SUMMARY: MOTOROLA'S PULLOUT FROM A PLANNED USD 500 MILLION INVESTMENT IN A GSM-900 NETWORK CELLULAR PHONE PROJECT HAS LED MOST WESTERN AND SOME UKRAINIAN OBSERVERS TO SPECULATE THAT SENIOR GOVERNMENT OFFICIALS MEDDLED IN THE TENDER TO BRING IN A LITTLE-KNOWN LOCAL COMPANY. THE FACT THAT PRESIDENTIAL ADVISORS, A CABINET MINISTER, THE PRESIDENT'S SON-IN-LAW AND A REPUTED CRIME FIGURE ARE INCLUDED IN THE LOCAL COMPANY'S LINE-UP FURTHER SUPPORTS THE BELIEF THAT TOP GOV OFFICIALS SABOTAGED MOTOROLA'S INVESTMENT FOR UNCERTAIN PERSONAL GAIN. THIS IS JUST ONE OF MANY STORIES IN WHICH GREED HAS TAKEN PRECEDENCE OVER THE NEED FOR SERIOUS FOREIGN INVESTMENT IN UKRAINE. END SUMMARY.

IN THE BEGINNING...

3. ~~(C)~~ IN A FURTHER BLOW TO UKRAINE'S INVESTMENT IMAGE, MOTOROLA ANNOUNCED ON MARCH 24 THAT IT WAS PULLING OUT OF A PLANNED USD 500 MILLION INVESTMENT IN A NATIONWIDE GSM-900 NETWORK. MOTOROLA WAS COMPETING IN A TENDER FOR A LARGE GLOBAL SYSTEM FOR MOBILE COMMUNICATION (GSM-900) PHONE NETWORK WITH ITS LOCAL PARTNER,

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UKRAINIAN RADIO SYSTEMS (URS). MOTOROLA SAID ITS DECISION TO EXIT THE TENDER WAS BASED ON THE "EVER-CHANGING TERMS AND CONDITIONS" OF THE LICENSING PROCEDURES AND ACCUSED THE GOVERNMENT OF UKRAINE (GOU) OF CREATING "A POOR INVESTMENT CLIMATE." THIS CABLE EXAMINES THE BACKGROUND OF THE LARGELY UNKNOWN KIEV STAR TELECOMMUNICATIONS CORPORATION AND ITS ROLE IN MOTOROLA'S DECISION TO EXIT THE TENDER.

4.(U) THE STORY BEGINS LAST YEAR WHEN THE GOU REFUSED TO GRANT URS AND UKRAINIAN MOBILE COMMUNICATIONS (UMC) THE GSM FREQUENCIES PROMISED IN EARLIER LICENSING AGREEMENTS. (NOTE: UMC WAS FORMED IN 1992 BY UKRAINIAN TELEKOM, DEUTSCHE TELEKOM, KONINKLIJKE PTT NEDERLANDS, AND TELEDANMARK. END NOTE). AT THE TIME, SOME GOU OFFICIALS PRIVATELY COMPLAINED THAT THE COMPANIES HAD "PAID TOO LITTLE." URS RECEIVED A GSM 900 LICENSE WHICH WAS ACCOMPANIED BY A LETTER AGREEING TO ISSUE GSM FREQUENCIES FROM THE MINISTRY OF COMMUNICATIONS IN 1995. UKRAINE CHANGED ITS GOVERNMENT AND ITS GSM POLICY WHILE MOTOROLA/URS AND UMC WERE CONDUCTING NEGOTIATIONS. ON SEPTEMBER 17, 1996 THE CABINET OF MINISTERS ISSUED A DECREE ANNOUNCING NEW FREQUENCY LICENSING FEES THAT WOULD REQUIRE DRASTICALLY INCREASED PAYMENTS BY URS/MOTOROLA OF USD 67 MILLION UP FRONT AND USD 7.5 MILLION PER YEAR FOR THE FREQUENCY RANGES NEEDED TO OPERATE IN THE MARKET. ON OCTOBER 25, THE GOU ALSO ISSUED TWO MORE GSM LICENSES, GOING BACK ON ITS EARLIER DECISION TO FOLLOW THE EUROPEAN GSM MODEL AND ISSUE ONLY TWO GSM LICENSES.

5.(U) THE TWO NEW LICENSES WERE ISSUED TO BK TELEKOM OF YUGOSLAVIA AND KIEV STAR OF UKRAINE. BK TELEKOM IS RUMORED TO BE A SERBIAN VENTURE THAT FUNNELS ILLICIT MONEY FROM RUSSIA AND UKRAINE BACK TO BK TELEKOM THROUGH SWITZERLAND. KIEV STAR IS A JOINT VENTURE INVOLVING NUMEROUS UKRAINIAN PUBLIC AND PRIVATE INTERESTS. THE GOU WAS NOW FACED WITH A SITUATION WHERE IT HAD ISSUED FOUR LICENSES FOR THE GSM 900 FREQUENCIES BUT THERE WAS NOT ENOUGH SPECTRUM TO GO AROUND. IT WAS THEREFORE DECIDED TO HOLD A TENDER WHICH WOULD GUARANTEE LICENSES SPECIFICALLY FOR FREQUENCIES.

BY THE BOOK  
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6.(U) UKRAINE'S LAW ON TELECOMMUNICATIONS REQUIRES THAT A TENDER BE CONDUCTED WHEN MORE THAN ONE ENTITY SUBMITS AN APPLICATION FOR THE SAME SPECTRUM. IT ALSO STIPULATES THAT ONLY LOCAL COMPANIES ARE ENTITLED TO FREQUENCIES. THE GSM 900 FREQUENCY USAGE TENDER WAS FIRST ANNOUNCED ON NOVEMBER 13, 1996, BUT NO TERMS OR CONDITIONS WERE OFFERED AND THE TENDER DOCUMENTS WERE

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NOT SUBMITTED FOR MINISTRY OF JUSTICE APPROVAL PRIOR TO THE ANNOUNCEMENT. THEREFORE, THE TENDER WAS ANNOUNCED AGAIN ON DECEMBER 13 WITH A CLOSING DATE OF JANUARY 13. AS A RESULT OF THE CONTROVERSY SURROUNDING THE GSM TENDER, FIRST DEPUTY PRIME MINISTER VASYL DURDYNETS WAS TASKED BY PRESIDENT KUCHMA TO OVERSEE THE PROCESS. HE REPORTEDLY DELAYED THE BID OPENING FOR ONE MONTH TO GIVE HIS SUBORDINATES A CHANCE TO FIGURE OUT WHAT WAS AVAILABLE UNDER THE TENDER. THE OFFICIAL BID OPENING  
CONFIDENTIAL SECTION 02 OF 04 KIEV 003254

DEPARTMENT FOR EUR/WST AND S/NIS/C  
NSC PLEASE PASS PASCUAL

E.O. 12958: DECL: 04/04/07

TAGS: ETRD, ECON, EINV, KCRM, UP

SUBJECT: FAVORITISM SEEN BEHIND KIEV STAR'S SELECTION  
AND MOTOROLA'S PULLOUT

OCCURRED ON FEBRUARY 13, 1997, AT WHICH TIME THE GOU PARTIALLY ANNOUNCED THE RESULTS OF THE SPECTRUM AVAILABILITY.

7.(U) APPLICATIONS WERE SUBMITTED BY BK TELEKOM, UCOM-LINE, UKRDAEWOO TELEKOM, URS, UMC, AND KIEV STAR. BK TELEKOM AND UCOM-LINE WERE DISQUALIFIED FROM THE TENDER DUE TO OMISSIONS IN THEIR TENDER APPLICATIONS. THE COMMUNICATIONS MINISTRY ANNOUNCED ON MARCH 11 THAT THREE OF THE FOUR REMAINING FIRMS WON THE RIGHT TO THE GSM 900 FREQUENCY FOR MOBILE TELEPHONE SERVICE -- URS, UMC AND KIEV STAR. PARTICIPANTS WERE SURPRISED BY THE ANNOUNCEMENT AS IT HAD BEEN ASSUMED THAT ONLY TWO COMPANIES WOULD BE SELECTED SINCE FEASIBILITY STUDIES CONDUCTED BY WESTERN COMPANIES CONCLUDED THAT ONLY TWO COMPANIES CAN PROFITABLY RUN A GSM NETWORK GIVEN THE LIMITED FREQUENCIES. MINCOM ALSO FAILED TO SPECIFY THE TERMS OF THE BIDS, SUCH AS FREQUENCY, LENGTH OF CONTRACT, AND COSTS. IT ALSO SAID COMMERCIAL OPERATIONS ON THE GSM-900 FREQUENCY COULD BEGIN NO EARLIER THAN FIVE MONTHS FROM THE AWARD OF THE LICENSES. HOWEVER, EMBOFFS HEARD THAT THE FREQUENCY ALLOCATION WAS DELAYED BECAUSE KIEV STAR NEEDED MORE TIME TO PREPARE AND FIND FINANCIAL BACKING.

EXIT MOTOROLA...

8.(G)

EO 13526 1.4d, (b)(4)

SINCE

THE MARCH 11 ANNOUNCEMENT DID NOT MENTION IF MOTOROLA'S BID TERMS AND CONDITIONS WERE ACCEPTED BY UKRAINE, MOTOROLA NETWORK MANAGEMENT GROUP WROTE A LETTER ON MARCH 13 TO FIRST DEPUTY PRIME MINISTER DURDYNETS, IN

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HIS CAPACITY AS THE HEAD OF THE STATE COMMITTEE FOR ISSUES OF FREQUENCY AND COMMUNICATIONS, REQUESTING A DEFINITIVE RESPONSE FROM THE GOVERNMENT. MOTOROLA DID NOT RECEIVE A RESPONSE FROM DURDYNETS'S OFFICE PRIOR TO MAKING THE DECISION TO END ITS INVOLVEMENT IN THE PROJECT.

EO 13526 1.4d, (b)(4)

9.(G-BUSINESS PROPRIETARY) MOTOROLA'S MARCH 24 ANNOUNCEMENT THAT IT WOULD NOT PROCEED WITH THE GSM 900 INVESTMENT CAME AS A SURPRISE TO THE UKRAINIAN GOVERNMENT, WHICH SEEMED UNCONCERNED BY THE NEGATIVE PRESS ACCOUNTS. A UKRAINIAN COMMUNICATIONS MINISTRY SPOKESMAN SAID, "THERE WERE EQUAL CONDITIONS FOR THE TENDER. WHY ISN'T MOTOROLA HAPPY WHEN THE OTHER TWO WINNERS ARE? IT'S MOTOROLA'S PROBLEM." HOWEVER, FORMER DEPUTY PRIME MINISTER PYNZENYK AND DIRECTOR OF THE NATIONAL AGENCY FOR RECONSTRUCTION SHPEK HAVE VOICED THEIR CONCERNS REGARDING THE USD 500 MILLION LOSS OF INVESTMENT. TO DATE, UKRAINE HAS BEEN UNABLE TO ATTRACT A LARGE-SCALE, WESTERN INVESTOR. SINCE INDEPENDENCE IN 1991 UKRAINE HAS ONLY ATTRACTED USD 1.4 BILLION IN DIRECT FOREIGN INVESTMENT.

...ENTER DAEWOO

10.(E) DURING THE PERIOD LEADING UP TO MOTOROLA'S

DECISION TO PULL OUT EMBOFFS DISCOVERED THAT MOTOROLA AND DAEWOO CORPORATION (NOT/NOT UKRDAEWOO TELEKOM) HAD SIGNED A DEAL LAST YEAR REGARDING PARTICIPATION AS INVESTOR/OPERATORS IN THE GSM 900 FREQUENCY DEAL. EMBOFFS WERE SURPRISED TO HEAR OF THIS ARRANGEMENT SINCE AT NO TIME WAS IT MENTIONED BY EITHER THE LOCAL OR U.S. MOTOROLA REPRESENTATIVES. DAEWOO HAS SUBSEQUENTLY TAKEN OVER MOTOROLA'S PARTICIPATION IN THE VENTURE AND HAS REPORTEDLY PAID USD 39 MILLION FOR THE 2.7 MHZ TIMES 2 SPECTRUM AWARDED TO URS. URS PRESIDENT VOLODYMYR VERNYCK SAID MOTOROLA'S WITHDRAWAL WOULD NOT STOP HIS COMPANY'S ACTIVITIES. UNDER THIS ARRANGEMENT MOTOROLA IS STILL EXPECTED TO SUPPLY THE EQUIPMENT SINCE MOTOROLA'S PILOT SYSTEM IS ALREADY IN PLACE. MOTOROLA'S KIEV REP TOLD ECONOFF HE WILL MEET WITH DAEWOO REPS ON APRIL 11 TO DISCUSS THE FINAL DETAILS OF THE EQUIPMENT SUPPLY SALE.

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~~C O N F I D E N T I A L~~ SECTION 03 OF 04 KIEV 003254

DEPARTMENT FOR EUR/WST AND S/NIS/C  
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E.O. 12958: DECL: 04/04/07  
TAGS: ETRD, ECON, EINV, KCRM, UP  
SUBJECT: FAVORITISM SEEN BEHIND KIEV STAR'S SELECTION  
AND MOTOROLA'S PULLOUT

CATCH A RISING KIEV STAR

11.(C) THE BIGGEST QUESTION MARK IN THIS SITUATION  
REVOLVES AROUND KIEV STAR'S ROLE IN THE TENDER AND  
AWARD. ~~CREDIBLE SOURCES HAVE LINKED KIEV STAR TO  
MINISTER OF FOREIGN ECONOMIC RELATIONS SERHIY OSYKA,  
PRESIDENTIAL ADVISORS OLEKSANDR VOLKOV AND VALERIY  
LYTVYTSKIY, THE PRESIDENT'S SON-IN-LAW AND MEMBER OF  
PARLIAMENT IHOR FRANCHUK, BUSINESSMAN VADIM RABINOVICH,~~  
AND FORMER PRESIDENT KRAVCHUK'S SON. RABINOVICH'S  
COMPANIES - OSTEM (REAL ESTATE), RICO CAPITAL GROUP  
(AGRICULTURAL AND INSURANCE INDUSTRIES), AND MAGNUM  
(TELECOMMUNICATIONS) ARE REGISTERED IN GENEVA. KIEV  
STAR REPORTEDLY OWNS A MAJOR KIEV NEWSPAPER BUT EMBOFFS  
HAVE NOT BEEN ABLE TO IDENTIFY THE NEWSPAPER.

12.(U) KIEV STAR WAS FOUNDED IN LATE 1995 BY SEVEN  
PARTIES INCLUDING THE UKRAINIAN MINISTRY OF ENERGY,  
STATE OIL AND GAS COMMITTEE, DEPARTMENT OF RAILROADS OF  
THE MINISTRY OF TRANSPORTATION, AND UKRTECH - A FIBER  
OPTIC COMPANY OPERATED BY THE MINISTRY OF  
COMMUNICATIONS, GEN COL SAMOLENKO, CHIEF, MOD  
COMMUNICATIONS DIRECTORATE, AND OTHERS WHOSE NAMES HAVE  
NEVER BEEN DISCLOSED. ~~KIEV STAR'S CHARTER CAPITAL WAS  
USD 1 MILLION.~~ KIEV STAR'S GENERAL DIRECTOR IS  
ANATOLIY ZHEZHERA, A FORMER UKRTECH DIRECTOR. THE VICE  
PRESIDENT IS YURI TUMANOV, AND THE TECHNICAL DIRECTOR  
VALERIY YASUDOVICH.

13.(U) PARTICIPATION BY THE RAILROAD DEPARTMENT CAN BE  
EXPLAINED BY THE FACT THAT KIEV STAR IS PLANNING TO USE  
THE EXISTING RAILROAD INFRASTRUCTURE FOR DEVELOPMENT OF  
THE 900MHZ FREQUENCY CELLULAR PHONE CONNECTIONS.  
SWEDISH TELECOM EQUIPMENT MAKER ERICSSON HAS PROVIDED  
KIEV STAR WITH A USD 100 MILLION LINE OF CREDIT IN  
ORDER TO PURCHASE EQUIPMENT. RUMORS THAT ERICSSON IS  
ONE OF THE FOREIGN INVESTORS IN KIEV STAR ARE  
APPARENTLY FALSE AS THE COMPANY HAS SAID IT ONLY  
PROVIDES LINES OF CREDIT FOR EQUIPMENT PURCHASE AND NOT  
DIRECT FINANCING. WE SUSPECT, BUT CANNOT CONFIRM, THAT  
FRENCH COMPANY, RACAL, IS THE PROVIDED FOR  
COMMUNICATIONS EQUIPMENT. KIEV STAR REPORTS THAT IT  
HAS RECEIVED ATTRACTIVE PROPOSALS FROM FOREIGN

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INVESTORS ON DEVELOPING LOCAL, LONG-DISTANCE AND INTERNATIONAL COMMUNICATIONS AND DATA TRANSFER NETWORKS. ACCORDING TO YUSDOVICH, ONCE THE KIEV GSM NETWORK IS IN PLACE, THE SECOND AND THIRD STAGES OF THE PROJECT WILL PROVIDE SIMILAR NETWORKS TO CITIES WITH POPULATIONS OVER 1 MILLION.

EO 13526 1.4d

16.(G) COMMENT: SPECULATION IS RAMPANT IN KIEV THAT THE GSM 900 TENDER WAS ORIGINALLY AWARDED TO URS AND UMC AND THAT ONLY THE "MOST SENIOR" INTERVENTION COULD HAVE FORCED DEPUTY PRIME MINISTER DURDYNETS TO APPROVE THE ADDITION OF A THIRD COMPANY. ECONOMIC REFORMERS, AND PARTICULARLY SENIOR OFFICIALS AT NARD, WERE DISMAYED BY MOTOROLA'S PULLOUT. THE GOU'S INABILITY TO ANSWER MOTOROLA'S REQUEST FOR SPECIFIC INFORMATION ON THE DETAILS OF THE AWARD ONLY FURTHERS THE NOTION THAT THE ORIGINAL AWARD WAS CHANGED AND THEREFORE THE STATE ~~C O N F I D E N T I A L~~ SECTION 04 OF 04 KIEV 003254

DEPARTMENT FOR EUR/WST AND S/NIS/C  
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E.O. 12958: DECL: 04/04/07  
TAGS: ETRD, ECON, EINV, KCRM, UP  
SUBJECT: FAVORITISM SEEN BEHIND KIEV STAR'S SELECTION  
AND MOTOROLA'S PULLOUT

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COMMITTEE WAS UNABLE TO PROVIDE NEEDED DETAILS. THE ANNOUNCEMENT OF AN ADDITIONAL FIVE MONTHS TO "ORGANIZE" IS VIEWED BY MANY AS FURTHER PROOF THAT KIEV STAR IS BEING GIVEN SPECIAL TREATMENT. EVEN MORE SUSPECT IS THE PARTICIPATION BY A CHARACTER SUCH AS [REDACTED] IN KIEV STAR. THAT KUCHMA'S SON-IN-LAW OR POSSIBLY KRAVCHUK'S SON ARE KIEV STAR BACKERS IS ENOUGH FOR WESTERN BUSINESSMEN TO CONVINCEN THEM THAT ALLEGATIONS OF FAVORITISM ARE TRUE.

17. (C) IT SHOULD BE NOTED THAT OTHER GOV OFFICIALS ARE CONNECTED TO URS AND UMC. FOR EXAMPLE [REDACTED] [REDACTED] IS REPORTED TO BE A MAJOR STOCKHOLDER IN URS. THE PERCEPTION IS GROWING IN THE FOREIGN BUSINESS COMMUNITY THAT, ALTHOUGH THE GOVERNMENT PROFFESSES TO DESIRE LARGE-SCALE WESTERN INVESTMENT, THE GREED MONSTER REARS ITS HEAD EVERY TIME A LUCRATIVE DEAL COMES ALONG. THE END RESULT IS THAT MORE AND MORE FOREIGN INVESTORS ARE ABANDONING UKRAINE AND SEEKING THEIR FORTUNES IN MORE INVESTMENT-FRIENDLY CLIMATES. IN MOTOROLA'S CASE, THEY WEIGHED A UKRAINIAN VENTURE AGAINST A POSSIBLE SOUTH AMERICAN INVESTMENT, AND FOUND UKRAINE WANTING. MILLER

<^SECT>SECTION: 01 OF 04  
<^SSN>3254  
<^TOR>970415110714 M2714648  
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<^SSN>3254  
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PREC: PRIORITY      CLASS: ~~CONFIDENTIAL~~      DTG:281424Z FEB 96

FM: AMEMBASSY KIEV

DECLASSIFIED IN PART  
PER E. O. 13526

TO:  
RUEHC/SECSTATE WASHDC PRIORITY 0770

2012-1027-M [1.16]

KBH 11/15/2019

RUCNCOE/COE COLLECTIVE  
RUEHVEN/USMISSION USVIENNA 0618  
RUEHNO/USMISSION USNATO 0948  
RUCNCIS/CIS COLLECTIVE

~~CONFIDENTIAL~~ SECTION 01 OF 02 KIEV 001435

DEFT PLEASE PASS TO NSC-BLACKER/PASCUAL  
USVIENNA FOR USDEL OSCE

E.O. 12356: 2/5/01

TAGS: PGOV, PREL, EINV, EFIN, PNAT, PBTS, OSCE, PINR,  
UP

SUBJECT: NEW EXECUTIVE BRANCH IN CRIMEA

1. CLASSIFIED BY WILLIAM GREEN MILLER, AMBASSADOR,  
EMBASSY KIEV. REASONS: 1.5 (B) AND (D).

SUMMARY

2. ~~(S)~~ NEW CRIMEAN PRIME MINISTER ARKADY DEMIDENKO,  
ELECTED ON FEBRUARY 28, IS EXPECTED TO BUILD ON HIS  
~~WARM RELATIONS~~ WITH KIEV AND HIS REPUTATION AS AN  
APOLITICAL TECHNOCRAT TO FOCUS ON IMPROVING CRIMEA'S  
ECONOMY. RESPONSIBILITY FOR THE HEAVY LIFTING ON  
POLITICALLY CHARGED ISSUES SUCH AS CRIME AND CORRUPTION  
IS FALLING ON PRESIDENT KUCHMA'S NEWLY APPOINTED  
REPRESENTATIVE IN CRIMEA, DMYTRO STEPANYUK, [redacted]

[redacted] EO 13526 1.4d

[redacted] THE FIRST OBJECTIVE FOR THE NEW TEAM WILL BE  
ESTABLISHING A CALM ENVIRONMENT FOR THE COMING TOURIST  
SEASON. END SUMMARY.

FINALLY, A NEW PRIME MINISTER

-----  
3. (U) AFTER NEARLY THREE MONTHS OF UNCERTAINTY, THE  
CRIMEAN PARLIAMENT AND THE EXECUTIVE BRANCH IN KIEV  
HAVE FINALLY AGREED ON A NEW PRIME MINISTER, ARKADY

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DEMIDENKO, WHO SERVED AS A DEPUTY PRIME MINISTER IN THE PREVIOUS GOVERNMENT AND HAS BEEN ACTING PRIME MINISTER SINCE DECEMBER WHEN ANATOLIY FRANCHUK WAS FORCED OUT OF OFFICE. AFTER LENGTHY NEGOTIATIONS WITHIN THE CRIMEAN SUPRME SOVIET AND WITH THE LEADERSHIP IN KIEV, ON FEBRUARY 28 DEMIDENKO WAS FORMALLY APPROVED BY THE CRIMEAN SUPREME SOVIET AT A SESSION ATTENDED BY THE MINISTER OF THE UKRAINIAN CABINET OF MINISTERS, VALERIY PUSTOVOYTENKO.

4. (C) DEMIDENKO HAS TRIED TO AVOID AFFILIATION WITH ANY OF THE COMPETING POLITICAL FORCES ON THE PENINSULA AND HAS DEVELOPED A REPUTATION AS A TECHNOCRAT WHO CAN BE EXPECTED TO FOCUS ON ECONOMIC DEVELOPMENT, PARTICULARLY IN THE ENERGY SECTOR. ALTHOUGH THE COMMUNISTS AND THE PRO-RUSSIAN ELEMENTS IN THE CRIMEAN PARLIAMENT PROPOSED RIVAL CANDIDATES FOR THE PRIME MINISTERSHIP, DEMIDENKO WAS ACCEPTABLE TO ALL FACTIONS AND WAS APPROVED BY 59 OF THE 97 DEPUTIES. [REDACTED]

EO 13526 1.4b, EO 13526 1.4d

5. (G) IN A TELEPHONE CONVERSATION FEBRUARY 28, [REDACTED]

[REDACTED] TOLD EMBOFF THAT HE EXPECTED DEMIDENKO TO CHANGE THE COMPOSITION OF THE CABINET GRADUALLY, DESPITE CALLS BY SOME IN THE SUPREME SOVIET TO MAKE DRASTIC CHANGES. DEMIDENKO IS REGARDED AS A MORE COMPETENT AND MORE HONEST MANAGER THAN FRANCHUK, WHO WAS TAINTED BY TIES TO CRIMEAN ORGANIZED CRIME AND BY WIDESPREAD PERCEPTIONS THAT HE AND HIS SON PROFITED FROM DEALS FOR OIL DISTRIBUTION IN CRIMEA.

EO 13526 1.4b, EO 13526 1.4d

CONFIDENTIAL

EO 13526 1.4b, EO 13526 1.4d

THE NEW "VICEROY": STEPANYUK  
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7. (C) IN LATE JANUARY, KUCHMA APPOINTED UKRAINIAN RADA (PARLIAMENT) DEPUTY DMYTRO STEPANYUK TO REPLACE OLEH HORBATOV AS THE PRESIDENTIAL REPRESENTATIVE IN CRIMEA.  
~~CONFIDENTIAL~~ SECTION 02 OF 02 KIEV 001435

DEFT PLEASE PASS TO NSC-BLACKER/PASCUAL  
USVIENNA FOR USDEL OSCE

E.O. 12356: 2/5/01

TAGS: PGOV, PREL, EINV, EFIN, PNAT, PBTS, OSCE, PINR,  
UP

SUBJECT: NEW EXECUTIVE BRANCH IN CRIMEA

MORE IMPORTANTLY, HE ISSUED A DECREE WHICH VASTLY ENHANCES THE AUTHORITY OF THE OFFICE, GIVING STEPANYUK THE STATUS OF THE "HEAD OF THE CENTRAL BODY OF STATE EXECUTIVE AUTHORITY." AS A RESULT, HE WILL HAVE DIRECT SUPERVISORY POWER OVER ALL LAW-ENFORCEMENT AGENCIES AND ALL EXECUTIVE-BRANCH ENTITIES. IN THIS REGARD, HE IS EXPECTED TO INSTITUTE CORRUPTION PROCEEDINGS AGAINST LOCAL GOVERNMENT OFFICIALS. IT ALSO GIVES HIM THE RIGHT TO VETO LAWS PASSED BY THE CRIMEAN SUPREME SOVIET AND ALL OTHER CRIMEAN GOVERNMENT ACTIONS IF THEY ARE DEEMED CONTRARY TO UKRAINIAN LAWS. LIKEWISE, THE REPRESENTATIVE HAS THE POWER TO ISSUE BINDING ORDERS ON CRIMEAN EXECUTIVE BODIES.

8. (C) STEPANYUK, WHO AS A RADA DEPUTY CONSISTENTLY ADOPTED A HARD LINE AGAINST CRIMEA'S AUTONOMY, HAS NOT BEEN WARMLY RECEIVED BY THE CRIMEANS. IN ADDITION, HE IS FAULTED FOR HIS LACK OF EXECUTIVE EXPERIENCE AND FOR HAVING NO PRIOR POSTINGS IN CRIMEA. [1.4(b), 1.4(d)] TOLD US THAT STEPANYUK'S PERSONAL STYLE, WHICH IS LACKING IN "DIPLOMACY, TACT AND CULTURE," IS ALSO ALIENATING THE LOCALS. [1.4(b), 1.4(d)] SAID THAT IN THE SHORT TIME SINCE BEING NAMED, STEPANYUK HAS ALREADY THREATENED TO FIRE SOME LOCAL OFFICIALS, INCLUDING THE MAYOR OF BAKHCHISARAY AND THE HEAD OF THE YALTA MILITIA. [1.4(b), 1.4(d)] ACKNOWLEDGED THAT HOUSE CLEANING IS NECESSARY, BUT NOTED THAT STEPANYUK'S TACTICS ARE OVERBEARING AND COULD BACKFIRE.

COMMENT  
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9. (C) IT APPEARS THE KUCHMA ADMINISTRATION IS ATTEMPTING TO ESTABLISH A DIVISION OF LABOR IN CRIMEA WHEREBY DEMIDENKO AND HIS CABINET WILL TAKE

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RESPONSIBILITY FOR THE ECONOMY WHILE PRESIDENTIAL REPRESENTATIVE STEPANYUK WILL, IN CLOSE COORDINATION WITH KIEV, HANDLE SENSITIVE POLITICAL QUESTIONS, IN THE FIRST INSTANCE THE CRIME PROBLEM. THIS STRUCTURE, IN WHICH CRIMEA IS GRANTED AUTONOMY IN ECONOMIC MANAGEMENT BUT LITTLE ELSE, IS CONSISTENT WITH THE SUBSTANCE OF THE CRIMEAN CONSTITUTION NOW UNDER DISCUSSION. STEPANYUK CAN ALSO BE EXPECTED TO CONVEY FORCEFULLY KIEV'S POINT OF VIEW

EO 13526 1.4b, EO 13526 1.4d

THE BOTTOM LINE FOR CRIMEANS WILL BE WHETHER THE NEW DISTRIBUTION OF AUTHORITY CAN BRING ENOUGH STABILITY TO THE REGION TO ATTRACT THE INVESTMENT AND TOURISTS NEEDED TO REVIVE THE ECONOMY.

MILLER

BT

#1435

NNNN

<^SECT> SECTION: 01 OF 02

<^SSN> 1435

<^TOR> 960228112224 M2102621

<^SECT> SECTION: 02 OF 02

<^SSN> 1435

<^TOR> 960228112228 M2102623

FROM:

SITREPT

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Issue of all Working Group

WHITE HOUSE SITUATION ROOM

DIST: PASCUAL, NSC

PREC: ROUTINE CLASS: CONFIDENTIAL DTG:141117Z FEB 97

FM: AMEMBASSY KIEV

TO: RUEHC/SECSTATE WASHDC 5875

RUCNCIS/CIS COLLECTIVE
RUEHWR/AMEMBASSY WARSAW 1131
RUEHOL/AMEMBASSY BONN 7518
RUEHUP/AMEMBASSY BUDAPEST 0436
RUEHRL/USMISSION USBERLIN 0022
RUCNFB/FBI WASHDC
RUEAWJB/DOJ WASHDC
RUEHPG/AMEMBASSY PRAGUE 0348

Handwritten notes: Ombudsmen, Political Will, Simple => current, Near-term agenda, Enforcement, Drafting, Breadth Realistic?

CONFIDENTIAL SECTION 01 OF 03 KIEV 001223

DEPT FOR S/NIS/C (C. DOERFLEIN), S/NIS (T. BJORKMAN)
FBI FOR IRB; PLEASE PASS TO M. PYSZCZYMUKA
USBERLIN FOR S. POLIFKO

E.O. 12958: DECL: 2/7/07
TAGS: PGOV, KCRM, KJUS, PINR, UP
SUBJECT: ANOTHER FALSE START?: PRESIDENT KUCHMA
DECLARES WAR ON CORRUPTION

REFTEL: 96 KIEV 09430

1. (U) CLASSIFIED BY AMBASSADOR WILLIAM GREEN MILLER.
REASONS: 1.5 (B) AND (D).

SUMMARY

2. (G) PRODDED INTO ACTION BY AN UNPRECEDENTED NUMBER OF COMPLAINTS FROM UKRAINIANS AND HIGH-LEVEL INTERNATIONAL VISITORS, PRESIDENT KUCHMA ANNOUNCED FEBRUARY 2 THAT HE WILL SHORTLY LAUNCH A NEW ANTI-CORRUPTION DRIVE. HOWEVER, THE PRESIDENT GAVE FEW SPECIFICS, LEADING CYNICS TO CHARGE THAT THE NEW PROGRAM IS MERELY WINDOW-DRESSING FOR FOREIGNERS, AND WILL LIKELY GO THE WAY OF PAST FAILED GOVERNMENT ANTI-CRIME INITIATIVES. THE PRESIDENT TABBED THE MINISTRY OF JUSTICE TO TAKE THE LEAD IN DRAWING UP THE PROGRAM, BUT THE MINISTER HIMSELF SEEMS TO HAVE BEEN CAUGHT BY SURPRISE. THE INITIATIVE MAY GIVE NEW LIFE TO THE

DECLASSIFIED IN PART PER E.O. 13526

CONFIDENTIAL

LONG-PROPOSED NATIONAL BUREAU OF INVESTIGATION (NBI), BUT DUE TO AN ON-GOING DEBATE OVER ITS STRUCTURE AND PURPOSE THE ORGANIZATION IS UNLIKELY TO GET OFF THE GROUND ANYTIME SOON. END SUMMARY.

KUCHMA LAUNCHES ANTI-CORRUPTION DRIVE

3. (U) PRODDED INTO ACTION BY A SPATE OF COMPLAINTS, THE MOST RECENT FROM WORLD BANK PRESIDENT JAMES WOLFENSOHN AT DAVOS, PRESIDENT KUCHMA ANNOUNCED ON NATIONAL TELEVISION FEBRUARY 2 THAT HE WILL ORDER A MAJOR NEW CAMPAIGN TO ROOT OUT HIGH-LEVEL GOVERNMENT CORRUPTION. ACCORDING TO KUCHMA, A WORKING GROUP LED BY JUSTICE MINISTER HOLOVATY IN COOPERATION WITH THE SBU WILL DRAFT THE NEW ANTI-CORRUPTION PROGRAM, WHICH WILL THEN BE INTRODUCED BY PRESIDENTIAL DECREE. WHILE THE PRESIDENT DID NOT GIVE SPECIFICS, EXCEPT TO HINT THAT A NATIONAL BUREAU OF INVESTIGATION (NBI) COULD SERVE AS THE LEAD AGENCY IN THE FIGHT, HE SAID THAT THE PROGRAM MIGHT BE MODELED ON POLAND'S "CLEAN HANDS" INITIATIVE. KUCHMA VOWED THAT "NO VIOLATION SHALL BE ALLOWED TO PASS UNNOTICED...SINCE ONLY PEOPLE OF UNTARNISHED REPUTATION SHALL BE EMPLOYED IN GOVERNMENT SERVICE."

ANOTHER PAPER TIGER?

4. (U) WHILE THIS IS THE FIRST SUCH INITIATIVE DEVOTED SOLELY TO COMBATTING CORRUPTION, PREVIOUS PRESIDENTIAL PROGRAMS IN THE FIELD OF GENERAL CRIMINAL PREVENTION HAVE NOT BEEN NOTED FOR THEIR SUCCESS. A PROMISE TO DEFEAT CRIME WAS ONE OF KUCHMA'S CENTRAL ELECTORAL PLANKS IN 1994, AND HIS FIRST DECREE AFTER BEING ELECTED WAS DEDICATED TO THE ISSUE. HOWEVER, HIS PROPOSALS WERE GENERALLY LONG ON WORDS AND SHORT ON ACTION, AND BROUGHT NO RESULTS. IN JANUARY OF 1995 KUCHMA LAUNCHED ANOTHER MAJOR ANTI-CRIME INITIATIVE, WHICH LARGELY FOUNDERED DUE TO GOVERNMENT INACTIVITY AND LACK OF FUNDING. AS COMPLAINTS MOUNTED, A THIRD PROGRAM WAS ANNOUNCED IN SEPTEMBER 1996, BUT DETAILS WERE NOT EVEN PUBLISHED IN THE PRESS.

5. (C) THE GOVERNMENT'S RECORD ON COMBATTING CORRUPTION ITSELF HAS BEEN SIMILARLY LACKLUSTER. THE UKRAINIAN PRESS REPORTED THAT THE MINISTRY OF INTERNAL AFFAIRS (MVD) RECORDED MORE THAN 1800 CASES OF BRIBERY LAST YEAR, BUT IT IS NOT CLEAR HOW MANY INDIVIDUALS WERE ACTUALLY PROSECUTED AND CONVICTED. ACCORDING TO ONE UNCONFIRMED REPORT, DURING THE 1995-1996 PERIOD THE SBU INVESTIGATED ONLY 30 PUBLIC OFFICIALS FOR ABUSE OF POWER. OUT OF THIS TOTAL, ONLY FIVE CASES WERE BROUGHT TO COURT, AND ANOTHER SEVEN CASES FORWARDED TO THE

Bilateral WG  
- Law enforcement  
- Drafting  
- Training

\* Leg.  
- Crim. Code  
- Civil Code  
- Crim. Procedure Law

↑  
- Framework to do business + to prosecute.

\* No U.S. presence on these major pieces of legislation.

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PROCURACY FOR INVESTIGATION. MORE SIGNIFICANTLY, ACCORDING TO THE REPORT, NOT A SINGLE CASE WAS RECORDED IN THE MAJOR CITIES OF KIEV, DNIPROPETROVSK, DONETSK, KHARKHIV AND KHERSON.

6. (SBU) A RADA CRIME AND CORRUPTION COMMISSION STAFFER TOLD US FEBRUARY 11 THAT NINE OUT OF TEN INDIVIDUALS CHARGED WITH ABUSE OF POWER OVER THE LAST ~~CONFIDENTIAL~~ SECTION 02 OF 03 KIEV 001223

DEPT FOR S/NIS/C (C. DOERFLEIN), S/NIS (T. BJORKMAN)  
FBI FOR IRB; PLEASE PASS TO M. PYSZCZYMUKA  
USBERLIN FOR S. POLIFKO

E.O. 12958: DECL: 2/7/07  
TAGS: PGOV, KCRM, KJUS, PINR, UP  
SUBJECT: ANOTHER FALSE START?: PRESIDENT KUCHMA  
DECLARES WAR ON CORRUPTION

FIVE YEARS HAVE RETAINED THEIR POSTS. THE ASSISTANT SAID THE COMMISSION ESTIMATES THAT UKRAINIAN LAW ENFORCEMENT AGENCIES CATCH ONLY ONE TO TWO PERCENT OF OFFICIALS WHO RECEIVE BRIBES.

7. (G) GIVEN THE GOVERNMENT'S LESS THAN STELLAR TRACK RECORD, MANY UKRAINIANS EXPRESSED CYNICISM TOWARD THE NEW INITIATIVE. "JUST MORE WORDS," [REDACTED] EO 13526 1.4d

[REDACTED] SCOFFED  
FEBRUARY 12, ADDING THAT HE BELIEVES THE KUCHMA GOVERNMENT IS TOO DEEPLY IMPLICATED IN THE PROBLEM ITSELF TO SERIOUSLY CRACK DOWN ON CORRUPTION. [REDACTED]  
[REDACTED] EO 13526 1.4d  
[REDACTED] SAID FEBRUARY 12 THAT HE BELIEVES THE INITIATIVE IS JUST WINDOW-DRESSING TO SATISFY WESTERN DONOR NATIONS, AND WILL NOT AMOUNT TO ANYTHING.

HOLOVATY IN CHARGE, FOR THE MOMENT, SORT OF  
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8. (G) SOME UKRAINIANS ARE PUZZLING OVER WHY THE PRESIDENT GAVE THE MOJ THE LEAD IN DRAWING UP THE ANTI-CORRUPTION PROGRAM, ESPECIALLY SINCE ACCORDING TO ONE REPORT MINISTER HOLOVATY FIRST LEARNED OF THE INITIATIVE WHEN IT WENT PUBLIC FEBRUARY 2. [REDACTED] EO 13526 1.4d  
[REDACTED] TOOK A POSITIVE VIEW FEBRUARY 10 WHEN HE TOLD US THAT HOLOVATY WAS A GOOD CHOICE BECAUSE HE IS NOT BEHOLDEN TO ANY FACTION OR CLAN. HOWEVER, DEPUTY YURIY OROBETS QUESTIONED THE MOVE ON A FEBRUARY 11 TALK SHOW, COMMENTING THAT THE MOJ HAS NO REAL MEANS TO IMPLEMENT AND ENFORCE SUCH A PROGRAM. ACCORDING TO [REDACTED] 1.4(d) HOLOVATY WAS TABBED LARGELY BECAUSE HE IS PERSONALLY POPULAR WITH WESTERNERS, THE AUDIENCE THE PROGRAM IS DESIGNED TO PLEASE. ANOTHER EXPLANATION MAY SIMPLY BE THAT KUCHMA

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IS TAKING A PAGE FROM POLAND'S "CLEAN HANDS" INITIATIVE WHICH GAVE THE LEADING ROLE TO THE MOJ.

9. (G) [REDACTED] 1.4(b), 1.4(d) TOLD VISITING EUR ATTORNEY-ADVISOR WALTER SULZYNSKY AND POLOFF FEBRUARY 11 THAT "AS I UNDERSTAND IT," THE MOJ, IN COLLABORATION WITH THE SBU, WILL MERELY DRAW UP PROPOSALS WHICH WILL THEN BE PASSED ON TO THE PRESIDENTIAL ADMINISTRATION, AND IMPLEMENTED BY OTHER AGENCIES. [REDACTED] 1.4(b), 1.4(d) SAID IT IS "FAR TOO EARLY TO SAY" WHAT THE PROGRAM WILL CONSIST OF. [REDACTED] 1.4(b), 1.4(d) ADDED THAT THE ONLY SURE THING WAS THAT "NOTHING IS GOING TO HAPPEN ON THIS ANYTIME SOON." WHEN WE ASKED WHY THE PRESIDENT CHOSE HIM TO GET THE INITIATIVE OFF THE GROUND [REDACTED] 1.4(b), 1.4(d) EXCHANGED A LONG GLANCE WITH [REDACTED] 1.4(b), 1.4(d) AND REPLIED "I REALLY DO NOT KNOW."

EO 13526 1.4b, EO 13526 1.4d

RENEWED INTEREST IN THE NBI?  
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11. (G) THE PRESIDENT'S COMMENTS HAVE GIVEN NEW IMPETUS FOR THE ESTABLISHMENT OF A NATIONAL BUREAU OF INVESTIGATION, AN IEA WHICH HAS LANGUISHED DUE TO BUREAUCRATIC OPPOSITION AND ADMINISTRATION INDIFFERENCE SINCE FIRST PROPOSED IN 1995 (REFTEL). WHILE KUCHMA HINTED THAT HE EXPECTS THE NBI TO BE AN INTEGRAL PART OF THE ANTI-CORRUPTION INITIATIVE, HE CONCEDED THAT "A LOT OF PEOPLE DO NOT WANT THE ESTABLISHMENT OF SUCH A SERVICE...WHICH SHOULD DEAL WITH TOP ECHELONS OF POWER, BOTH EXECUTIVE AND LEGISLATIVE." [REDACTED]

EO 13526 1.4b, EO 13526 1.4d

[REDACTED] TOLD US FEBRUARY 10 THAT WHILE THE PRESIDENT FULLY BACKS THE NBI (NOTE: PER REFTEL, A POINT DISPUTED BY ONE OF ITS INITIATORS, [REDACTED] 1.4(b), 1.4(d) IT IS GOING TO BE AN UPHILL BATTLE "WITH THIS PARLIAMENT."

12. (G) WHILE A WORKING GROUP UNDER [REDACTED]

[REDACTED] EO 13526 1.4b, EO 13526 1.4d [REDACTED] HAS ALREADY

CONFIDENTIAL SECTION 03 OF 03 KIEV 001223

DEPT FOR S/NIS/C (C. DOERFLEIN), S/NIS (T. BJORKMAN)  
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USBERLIN FOR S. POLIFKO

E.O. 12958: DECL: 2/7/07

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TAGS: PGOV, KCRM, KJUS, PINR, UP  
SUBJECT: ANOTHER FALSE START?: PRESIDENT KUCHMA  
DECLARES WAR ON CORRUPTION

PASSED A DRAFT PROPOSAL OF THE NBI TO THE PRESIDENT FOR REVIEW, A NUMBER OF OTHER ISSUES STILL REMAIN IN DISPUTE. ACCORDING TO OUR SOURCES, SOME OF THE MOST IMPORTANT INCLUDE:

-DECREE OR LEGISLATION: [1.4(b), 1.4(d)] CLAIM THE PRESIDENT HAS THE RIGHT TO INITIATE THE NBI BY DECREE, WITHOUT PARLIAMANTARY APPROVAL. HOWEVER, RADA [EO 13526 1.4b, EO 13526 1.4d] (WHO IS ALSO A MEMBER OF [1.4(b), 1.4(d)] WORKING GROUP) TOLD US FEBRUARY 10 THAT A PRESIDENTIAL DECREE WILL VIOLATE OTHER LAWS, WHICH MUST BE ALTERED FIRST TO ALLOW THE NBI TO OPERATE. [1.4(b), 1.4(d)] WARNED THAT IF KUCHMA DOES TRY TO INTRODUCE THE NBI BY EDICT, THE PARLIAMENT WILL REFUSE TO PASS ENABLING LEGISLATION IN THE CRIMINAL PROCEDURES CODE. [1.4(b), 1.4(d)] AGREED, TELLING US FEBRUARY 11 THAT KUCHMA SHOULD ISSUE A DECREE CREATING A WORKING GROUP TO INTRODUCE APPROPRIATE LEGISLATION.

-APPOINTING A DIRECTOR: [1.4(b), 1.4(d)] SAID THAT THERE IS GENERAL AGREEMENT THAT THE PRESIDENT WILL NAME THE NBI DIRECTOR, WHO THE RADA WILL THEN CONFIRM. THE DIRECTOR WILL BE DIRECTLY SUBORDINATE TO THE PRESIDENT. HOWEVER, [1.4(b), 1.4(d)] TOLD US EARLIER THAT THE RADA NEEDS TO HAVE A GREATER SAY IN THE PROCESS TO PREVENT THE ORGANIZATION FROM BECOMING A POLITICAL TOOL OF THE PRESIDENT.

-NAMING A DIRECTOR: THE PRESS HAS BANDIED ABOUT SEVERAL NAMES AS POSSIBLE CANDIDATES FOR NBI DIRECTOR, INCLUDING LITVAK, MVD DEPUTY MINISTER YURIY VANDIN AND SBU DEPUTY DIRECTOR ANATOLIY BELIEV. HOWEVER, OMELCHENKO RECENTLY COMPLAINED IN THE PRESS THAT KUCHMA HAS IGNORED INDIVIDUALS HIS COMMISSION IS CHAMPIONING. LATE LAST YEAR OMELCHENKO ALSO CRITICIZED BELIEV FOR POOR PERFORMANCE IN ROOTING OUT CORRUPTION.

-SCOPE OF RESPONSIBILITY [1.4(b), 1.4(d)] HAS SUGGESTED THAT THE NBI MAY BE LIMITED TO CONDUCTING PRE-TRIAL INVESTIGATIONS. HOWEVER, MANY OTHERS INSIST THAT THE ORGANIZATION MUST TAKE AN ACTIVE AND AGGRESSIVE ROLE IN FERRETING OUT AND INVESTIGATING HIGH-LEVEL CORRUPTION AND ECONOMIC CRIMES.

-PERSONNEL [1.4(b), 1.4(d)] BELIEVES THE NBI SHOULD DRAW ON EXISTING MVD, SBU AND PROCURACY UNITS. OTHERS PROPOSE LIMITING THE NBI TO THEIR PARTICULAR FAVORITES, SUCH AS THE MVD'S ORGANIZED CRIME

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DEPARTMENT OR ITS SBU COUNTERPART [1.4(b), 1.4(d)] PROPOSES THAT WHILE LEGISLATION IS BEING DRAFTED, AN MVD DEPARTMENT CAN BE TRANSFORMED INTO A SEPARATE ENTITY AS AN INTERIM MEASURE.) STILL OTHERS WOULD LIKE TO CREATE THE ORGANIZATION FROM SCRATCH, ON THE BASIS OF COMPETITIVE HIRING. [1.4(b), 1.4(d)] SUGGESTED THAT DUE TO CONTINUING DISPUTES, AN ANTI-MAFIA STRIKE FORCE ON THE ITALIAN MODEL, RATHER THAN A SEPARATE ENTITY LIKE THE FBI, MAY BE AN EVENTUAL COMPROMISE.

COMMENT

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13. (G) EGGED ON BY CRITICISM AT DAVOS, KUCHMA SEEMS TO HAVE ACTED ALMOST ON IMPULSE IN ANNOUNCING HIS NEW INITIATIVE. CERTAINLY, WE GOT THE IMPRESSION THAT [1.4(b), 1.4(d)] WAS TAKEN BY SURPRISE, AND IS UNCERTAIN HOW TO PROCEED. HOWEVER, IF THE PRESIDENT IS SERIOUS ABOUT A CRACK-DOWN, [1.4(b), 1.4(d)] WITH HIS REPUTATION FOR INTEGRITY, IS A SOLID CHOICE TO LEAD THE FIGHT. THE PRESIDENTIAL COMMITTEE ON CRIME AND CORRUPTION IS SUPPOSED TO MEET FEBRUARY 14 TO DISCUSS THE NBI AND PERHAPS GENERAL OUTLINES FOR THE ANTI-CORRUPTION PROGRAM, AND WE WILL CONTINUE TO CLOSELY MONITOR DEVELOPMENTS. HOWEVER, GIVEN THE GOVERNMENT'S POOR TRACK RECORD TO DATE, IT REMAINS TO BE SEEN WHETHER THIS INITIATIVE IS MORE THAN ANOTHER PUBLIC RELATIONS STUNT.

MILLER

<^SECT>SECTION: 01 OF 03  
<^SSN> 1223  
<^TOR>970214065835 M2618069  
<^SECT>SECTION: 02 OF 03  
<^SSN> 1223  
<^TOR>970214065850 M2618070  
<^SECT>SECTION: 03 OF 03  
<^SSN> 1223  
<^TOR>970214065954 M2618072

FROM:  
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WASHFAX RECEIPT  
DEPARTMENT OF STATE

**B**

S/S #

8

MESSAGE NO. 017140 CLASSIFICATION ~~CONFIDENTIAL~~ No. Pages 2 + cov  
 FROM: Bruce Lowry EUR/WST 78696 4225  
 (Officer name) (Office symbol) (Extension) (Room number)  
 MESSAGE DESCRIPTION OI Ukraine

TO: (Agency)	DELIVER TO:	Extension	Room No.
<u>NSC</u>	<u>Jack Segal</u>	<u>456-9169</u>	<u>373</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

FOR: CLEARANCE  INFORMATION  PER REQUEST  COMMENT

REMARKS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

S/S Officer: \_\_\_\_\_

UNCLASSIFIED UPON REMOVAL  
OF CLASSIFIED ATTACHMENTS  
Initials: KBH Date: 11/15/2019  
2012-1027-M

~~CONFIDENTIAL~~

Printed By: Bruce E Lowry 03/12/99 01:53:11 PM

KIEV 2316

From: AMEMBASSY KIEV MRN: 2316  
Subject: OFFICIAL INFORMAL NO. 99-028 FOR ICNbr: TED8046  
S/NIS AND EUR/WST ONLY FROM THE  
AMBASSADOR

Date/Time: 121601Z MAR 99  
Precedence: IMMEDIATE

Cable Text:

TED8046  
ACTION SNIS-00

INFO LOG-00 EUR-01 TEDE-00 ADS-00 ONY-00 SSD-00 NISC-00  
SAS-00 /001W

-----AE4C59 121823Z /49

O 121601Z MAR 99  
FM AMEMBASSY KIEV  
TO SECSTATE WASHDC IMMEDIATE 9165

DECLASSIFIED  
PER E.O. 13526

2012-1027-M(1.22)  
KBH 11/15/2019

~~CONFIDENTIAL~~ KIEV 002316

OFFICIAL INFORMAL FOR S/NIS AND EUR/WST

E.O. 12958: DECL: 03/12/09  
TAGS: AMGT  
SUBJECT: OFFICIAL INFORMAL NO. 99-028 FOR S/NIS AND  
EUR/WST ONLY FROM THE AMBASSADOR

(U) CLASSIFIED BY AMBASSADOR STEVEN PIFER. REASONS:  
1.5 (B) AND (D).

1. (U) FOR BRUCE FROM THE AMBASSADOR: YOUR O-I ABOUT LAZARENKO LET LOOSE IS VERY WORRISOME. I STRONGLY URGE THAT CONSIDERATION BE GIVEN TO INVOKING THE INS FOREIGN POLICY EXCLUSION IN LAZARENKO'S CASE. IF LAZARENKO WALKS AND THE USG IS PERCEIVED TO HAVE DONE NOTHING, IT WILL SIGNIFICANTLY SET BACK OUR EFFORTS TO URGE THE GOU TO CRACK DOWN ON CORRUPTION.
2. (U) CONTINUED: THE EVIDENCE AGAINST LAZARENKO IN MAY 1997 WAS SUCH THAT THE VICE PRESIDENT RAISED IT DIRECTLY WITH KUCHMA. IN KUCHMA'S VERSION, THE VP ASKED HIM TO GET RID OF LAZARENKO, AND HE DID. IT WILL BE AWKWARD HAVING TO EXPLAIN WHY WE ARE NOW ALLOWING LAZARENKO SIX MONTHS OF QUALITY TIME WITH HIS FAMILY IN SAN FRANCISCO, ESPECIALLY WHEN HE IS FACING INDICTMENTS IN SWITZERLAND AND UKRAINE.
3. (U) CONTINUED: AT A DINNER LAST NIGHT, I SPENT A GOOD DEAL OF TIME ATTEMPTING TO PERSUADE OUR CLOSE ALLIES FROM THE "REFORMS AND ORDER" RADA FACTION THAT WE TAKE THE CHARGES AGAINST LAZARENKO SERIOUSLY. (THAT EFFORT WAS COMPLICATED BY THE FACT THAT I AM NOT ALLOWED TO ACKNOWLEDGE THAT HE HAS APPLIED FOR ASYLUM.) AT THE END OF THE EVENING, ALTHOUGH SYMPATHETIC FOR THE NEED TO LET THE JUDICIAL PROCESS RUN ITS COURSE, THEY REMAINED SKEPTICAL. YOU CAN IMAGINE HOW MUCH MORE DIFFICULT IT WILL BE TO MAKE THE CASE TO JOURNALISTS AND OTHERS IN CONSPIRACY-MINDED UKRAINE WHO ARE SUSPICIOUS OF OUR INTENTIONS.

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4. ~~(S)~~ CONTINUED: I URGE THAT EVERY POSSIBLE AVENUE BE PURSUED IN THIS CASE. THE NEED FOR THE GOV TO GET SERIOUS ABOUT CORRUPTION HAS BEEN AN OBLIGATORY PART OF OUR BILATERAL DIALOGUE FOR MORE THAN TWO YEARS NOW. THE USC SEES PROGRESS ON THAT FRONT AS ESSENTIAL IF UKRAINE IS EVER TO BECOME A TRUE RULE-OF-LAW STATE. ALTHOUGH WE CAN PERHAPS ARGUE THAT THIS IS A CASE OF SELECTIVE JUSTICE. IT IS IMPORTANT BECAUSE IT SETS A PRECEDENT: A HIGH-RANKING GOVERNMENT OFFICIAL HAS BEEN STRIPPED OF HIS IMMUNITY AND INDICTED -- AND, IN OUR VIEW, RIGHTFULLY SO. THAT FACT COULD GIVE OTHER MEMBERS OF THE UKRAINIAN POLITICAL ELITE PAUSE. A DECISION ON OUR PART TO OFFER A SAFE HAVEN TO LAZARENKO WILL EFFECTIVELY NULLIFY THE DECISION TAKEN BY THE RADA ON FEBRUARY 15, AND UNDERCUT ALL OF OUR EFFORTS TO CONVINCING THE UKRAINIANS QA PROBLEM THAT THEY MUST TAKE SERIOUSLY.

5. ~~(S)~~ CONTINUED: PLEASE SHARE THE MESSAGE WITH STEVE SESTANOVICH, LEON FUERTH, AND CARLOS PASCUAL. PIFER  
NNNN

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End Cable Text

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2

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March 12, 1999

**MEMORANDUM TO LEON FUERTH AND RICK SAUNDERS**

**FROM** RICHARD BRODY  
**SUBJECT** Lazarenko visa revocation

The attached memo asks your concurrence on a memo to Jim Steinberg recommending that NSC ask State to revoke Lazarenko's visa. Here are the pros and cons of concurring in the NSC recommendation.

PROs:

- If State accepts the NSC recommendation and is successful in revoking the visa, this would prevent Lazarenko from officially gaining entry to the U.S. and he would remain incarcerated.
- It would lessen tensions with Ukraine over Lazarenko's presence here.
- It would demonstrate to Ukrainians (and Russians) that we're doing all we can to in the fight against crime.

CONs:

- Lazarenko's lawyers would certainly contest the revocation and would probably win because the legal case against Lazarenko is weak and the FBI is unwilling to provide evidence to strengthen it. Given weak criminal evidence, State would have difficulty supporting its case for denying the visa on the grounds that Lazarenko's admission would cause serious foreign policy damage.
- Probable waste of time and resources.

Consequences of Lazarenko's release

- Increased tension with Ukrainians, but hardly at level to cause serious short-term or lasting damage to relationship.
- May strengthen view overseas (especially in NIS) that U.S. can be haven for crooks on the run.

## Recommendations

1. I recommend concurring in the NSC recommendation. Although the attempt to deny entry to Lazarenko is likely to fail, the costs of failure are rather low, but success would yield considerable benefits.
2. The FBI's case against Lazarenko will likely remain weak, raising the possibility that he will receive asylum and live here as a free man. This, and the difficulty of keeping Lazarenko incarcerated pending decision on his asylum application, point to what our real priority should be: getting Lazarenko to Switzerland, where he is already facing serious prosecution in a case where the evidence appears solid. But the Swiss (for reasons that remain unclear) have been reluctant to press for extradition. **We should put diplomatic pressure on the Swiss to apply for extradition.** Although Lazarenko's lawyers would certainly fight, an application for extradition would trump the asylum application and is probably our best chance for getting him both prosecuted and out of our hands. I understand that Jamie Baker has been reluctant to concur because this type of request is unusual. But the whole Lazarenko matter is highly irregular, so special measures may be necessary.
3. Lazarenko arrived in the U.S. on a valid visa. The State Department permitted Lazarenko to retain this visa despite his having been indicted in Switzerland on money-laundering charges. If they had canceled the visa, Lazarenko would not have been able to board the plane in Athens and we would not currently be in this pickle. U.S. consuls abroad have the authority to revoke visas at will. Since this happens on foreign soil, the visa holder has no right to legal recourse in U.S. courts. State should at least consider a review of its visa rolls to have consuls revoke visas of those who could create similar problems in the future. The process is simple and the consul can request that the passport be brought in and stamped canceled.

3/11/99

DECLASSIFIED  
PER E.O. 13526  
2012-1027-M (1.28)  
KBM 11/15/2019

Lazarenko Could be Released on Monday

Lazarenko appears at 1:00 PM Monday at a "calendar hearing" to schedule his asylum hearing before the immigration judge. At that hearing, his attorneys will seek his admission to the U.S. under his still-valid B1/B2 visitor's visa. He could be a free man on Monday.

- Lazarenko's detention is based on INS' finding that he may have sought entry to the U.S. without proper documentation.

Lazarenko's lawyers will challenge the implicit assertion by INS that Lazarenko's entry as a visitor would be inconsistent with his intentions. During his initial interview, he said that he wanted to come to the U.S. "...until things settle down in Ukraine." That response is consistent with the argument that he is not an intending immigrant, yet is open-ended with regard to how long he would need to stay.

INS believes that there is probably not sufficient basis for denying entry as an intending immigrant and Justice has no desire to reveal any more about the investigation into his activities.

Only State can intervene at this stage by seeking to revoke his visa on foreign policy grounds, but that is a rarely-used option that probably requires MKA approval. <sup>State</sup> ~~Ross~~ is discussing ~~that~~ <sup>this</sup> option now, ~~with Steve Sestanovich (and recommending against it~~ on the basis that the grounds for such a revocation are weak).

(Earlier, when I asked whether Lazarenko's visa had been revoked, I had been told that Lazarenko's visa had been physically marked "cancelled". It now seems that this act does not, in itself, invalidate the visa. State must do that through a formal action.)

Based on my discussion with Jamie, it is not clear to me whether the White house can intervene in that discussion, or express an opinion on the foreign policy implications of a decision by State not to try to have Lazarenko's visa revoked. If State does try to revoke the visa, that decision could trigger litigation.

**Segal, Jack D.**

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**From:** Segal, Jack D.  
**Sent:** Friday, March 05, 1999 6:01 PM  
**To:** @RUSSIA - Russia/Ukraine; @VP - VP Natl Security Affairs; @LEGAL - Legal Advisor  
**Subject:** Lazarenko: Consular access, Dumb moves in Kiev [UNCLASSIFIED]

After long wrangling, Lazarenko (flanked by four lawyers and his own interpreter) was presented to a Ukrainian Consul at the Wackenhut jail. Lazarenko declined any assistance from the consul who simply said he was there to ensure lazarenko was not being mistreated and to offer the services any Ukrainian citizen is entitled to. Lazarenko declined and it was over.

Dumb Moves: In Kiev, officials appeared at Lazarenko's apartment and trashed it. Also, a relative of Lazarenko's was allegedly threatened. A cable is coming. state will advise Steve Pifer to tell the GOU to turn this off. It only strengthens Lazarenko's claim of credible fear.

PREC: IMMEDIATE CLASS: ~~CONFIDENTIAL~~ SSN: 1847 DOCID: M3717645

OAACZYUW RUEHKVA1847 0581330-CCCC--RHEHAAX.  
ZNY CCCCC ZZH  
O 271330Z FEB 99  
FM AMEMBASSY **KIEV**

FM: AMEMBASSY **KIEV**  
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 8929

INFO: RUEHMO/AMEMBASSY MOSCOW 6094  
RHEHNSC/NSC WASHDC  
RUEHVEN/USMISSION USOSCE VIENNA 0204  
RUEKJCS/SECDEF WASHDC  
RUEHNO/USMISSION USNATO 1792

DECLASSIFIED  
PER E.O. 13526  
2012-1027-m (1-32)  
KBH 11/15/2019

~~CONFIDENTIAL~~ **KIEV** 001847

DEPT FOR EUR/WST, S/NIS  
NSC FOR PASCUAL, SEGAL

E.O. 12958: DECL: 02/27/05  
TAGS: PREL, PGOV, KCRM, PHUM, MARR, OSCE, UP  
SUBJECT: FOREIGN MINISTER AGITATES FOR LAZARENKO'S  
RETURN, UNHAPPY ABOUT EXTENSION OF OSCE MISSION  
MANDATE

REF: **KIEV** 1828

CLASSIFIED BY AMBASSADOR STEVEN PIFER. REASONS: 1.5  
(B) AND (D).

#### SUMMARY

1. (S) AT A FEBRUARY 27 MEETING WITH FOREIGN MINISTER TARASYUK, THE AMBASSADOR URGED THE GOU TO CONTINUE TO MAKE PROGRESS ON BUSINESS CASES. TARASYUK GRUDGINGLY AGREED, BUT ARGUED THAT MANY CASES WERE NOT SUBJECT TO GOU INFLUENCE.
2. (S) TARASYUK URGED A VISIT TO **KIEV** BY PRESIDENT CLINTON IN THE FIRST HALF OF THIS YEAR. IF SUCH A VISIT TOOK PLACE, HE THOUGHT THAT A GORE-KUCHMA COMMISSION MEETING COULD OCCUR IN NOVEMBER OR DECEMBER 1999.
3. (S) TARASYUK COMPLAINED AGGRESSIVELY ABOUT THE CASE OF EX-PRIME MINISTER LAZARENKO, ASSERTING THE USG SHOULD NOW FIND A WAY TO HAVE HIM EXTRADITED TO UKRAINE. TARASYUK UNDERSTOOD THAT THERE WAS NO EXTRADITION TREATY, BUT THE GOU HAD RECENTLY COOPERATED IN THE EXTRADITION OF TWO PEOPLE TO THE

U.S. THE USG SHOULD RECIPROCATE.

4. (X) TARASYUK ENTHUSIASTICALLY ENDORSED ~~KIEV~~-BASED NATO EMBASSIES' PLANS FOR A PUBLIC INFORMATION CAMPAIGN IN ADVANCE OF THE NATO AND NATO-UKRAINE SUMMITS.

5. (X) TARASYUK OBJECTED AT LENGTH TO PLANS TO CONTINUE AN OSCE MISSION IN UKRAINE BEYOND THE APRIL 30 MANDATE EXPIRATION DATE. THE EXISTING MANDATE HAD BEEN FULFILLED. UKRAINE SHOULD NOT BE TREATED AS A "ROGUE STATE" BY THE OSCE. HE SEEMED UNPREPARED TO ACCEPT A CONTINUED OSCE PRESENCE IN ANY FORM.

6. (X) TARASYUK PROMISED THAT THE RESTRICTIONS IMPOSED ON THE ACTIVITIES OF DATTS BY THE RECENTLY-ISSUED MOD RULE BOOK WOULD BE TAKEN CARE OF. END SUMMARY.

#### RECAPPING THE CERTIFICATION PROCESS

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7. (X) THE AMBASSADOR OPENED A FEBRUARY 27 MEETING WITH FOREIGN MINISTER TARASYUK BY RECAPPING THE RECENTLY-CONCLUDED CERTIFICATION PROCESS. THE SECRETARY'S DECISION TO CERTIFY HAD BEEN A DIFFICULT ONE.

8. (X) THE AMBASSADOR URGED THE GOU TO CONTINUE TO MAKE PROGRESS ON THE OUTSTANDING CASES. PROGRESS NOW WOULD GIVE AMMUNITION TO THE DEPARTMENT IN ITS EFFORTS TO WORK WITH CONGRESS TO AVOID A NEW CERTIFICATION REQUIREMENT.

9. (X) TARASYUK EXPRESSED GOU GRATITUDE TO THE USG, THE SECRETARY, AND THE EMBASSY FOR THEIR EFFORTS TO REACH A POSITIVE DECISION AND FOR THEIR UNDERSTANDING OF THE COMPLEXITY OF THE PROBLEMS FACING UKRAINE. HE INTENDED TO THANK THE SECRETARY PERSONALLY AT THE MARCH 8-10 LONDON CONFERENCE ON NATO'S FIFTIETH ANNIVERSARY.

10. (X) IN ADDITION TO HIMSELF, DEPUTY PRIME MINISTER TYHYPKO, NATIONAL AGENCY FOR DEVELOPMENT AND EUROPEAN INTEGRATION CHIEF SHPEK, HORBULIN, PRESIDENT KUCHMA'S ATTENTION HAD ALSO BEEN FOCUSED ON CERTIFICATION. ALL WERE DETERMINED THAT THESE EVENTS SHOULD NOT BE REPEATED AND ALLOWED TO UNDERMINE THE MAJOR THRUST OF U.S.-UKRAINE BILATERAL RELATIONS.

11. (X) TARASYUK ALLEGED THAT SEVERAL BUSINESS DISPUTE CASES --SCOPE, GRAND HOTEL, R AND J TRADING, AND GALA RADIO-- WERE IN THE COURTS AND COULD NOT BE INFLUENCED BY THE GOU. EVERYTHING POSSIBLE HAD BEEN DONE TO FACILITATE MOVEMENT, BUT THERE WERE LIMITS ON WHAT THE GOU COULD DO.

12. (S) ACCORDING TO TARASYUK, MANY DISPUTES HAD BEGUN AS EARLY AS 1991 OR 1993. NO GOU AGENCIES HAD BEEN INVOLVED IN THE CONTRACTS CONCLUDED, NO GOU AGENCIES HAD OFFERED INVESTMENT OR OTHER GUARANTEES. THE INTERESTS OF THE U.S. COMPANIES HAD NOT BEEN INFRINGED ON BY THE GOU. THE CASES WERE THE RESULT OF U.S.

BUSINESSPEOPLES' DISSATISFACTION WITH THE RESULT OF THEIR INVESTMENT DECISIONS. THE GOU NEVERTHELESS REMAINED ACTIVELY INTERESTED AND WAS MONITORING THE PROGRESS OF THE CASES CAREFULLY.

13. (S) THE AMBASSADOR DISAGREED THAT THERE WAS NO ROOM FOR GOU ACTION. FOR EXAMPLE, R AND J TRADING HAD WON ITS COURT CASES ONLY TO SEE THE PROSECUTOR GENERAL'S OFFICE SUSPEND THE COURT'S DECISIONS. THERE WAS SIMILAR ROOM FOR GOU ACTION IN THE GENERATION UKRAINE CASE. IT WAS IMPORTANT TO MAKE PROGRESS IN THE COMING MONTHS AND RESOLVE FURTHER CASES IF WE WANTED TO AVOID A NEW CERTIFICATION REQUIREMENT.

14. (S) PER TARASYUK, A PERCEPTION OF EXCESSIVE GOU CONCERN WITH THE PROBLEMS OF U.S. BUSINESSES IN UKRAINE COULD CAUSE PROBLEMS WITH UKRAINIAN COMPANIES, TURBOATOM, FOR EXAMPLE. TURBOATOM DID NOT CARE ABOUT THE STATE OF U.S.-UKRAINIAN RELATIONS. LIKE U.S. COMPANIES, IT WAS WORRIED ABOUT ITS OWN INTERESTS. THE ROLE OF BUSINESS DISPUTES SHOULD NOT BE ALLOWED TO AFFECT THE COURSE OF THE STRATEGIC PARTNERSHIP.

#### INVITATION TO PRESIDENT CLINTON

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15. (S) AS HAD PRESIDENTIAL ADMINISTRATION FOREIGN POLICY ADVISOR OHRYZKO ON FEBRUARY 25 (SEPTTEL), TARASYUK, NOTING THAT HE HAD JUST RETURNED FROM A MEETING WITH KUCHMA, URGED THAT PRESIDENT CLINTON VISIT UKRAINE. IT HAD BEEN FOUR YEARS SINCE THE PRESIDENT HAD VISITED **KIEV**, A LONG INTERLUDE FOR STRATEGIC PARTNERS.

16. (S) IF PRESIDENT CLINTON COULD COME IN THE FIRST PART OF THE 1999, TARASYUK SUGGESTED THAT THE NEXT SESSION OF THE GORE-KUCHMA COMMISSION BE PUSHED TO NOVEMBER OR DECEMBER; "AFTER THE PRESIDENTIAL ELECTIONS." IF A PRESIDENTIAL VISIT WAS IMPOSSIBLE, TARASYUK HAD NO PREFERRED TIMEFRAME FOR A GORE-KUCHMA SESSION.

#### MR. LAZARENKO

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17. (S) AS HAD OHRYZKO (REFTEL), TARASYUK DWELLED ON THE PRESENCE IN THE U.S. OF EX-PRIME MINISTER PAVLO

LAZARENKO. NATIONAL BUREAU OF INVESTIGATION HEAD VASYL DURDYNETS HAD PRESENTED AN EXTRADITION REQUEST IN WASHINGTON ON FEBRUARY 26. WHILE THE GOU UNDERSTOOD THAT THERE WAS NO BILATERAL AGREEMENT GOVERNING EXTRADITION, IT "COUNTED ON" RECIPROCITY. THE GOU HAD RECENTLY SENT TWO PEOPLE TO THE U.S. IN THE ABSENCE OF SUCH AN AGREEMENT.

18. (C) TARASYUK STRESSED THAT THE GOU TOOK THE LAZARENKO CASE SERIOUSLY. ON FEBRUARY 27, GOU CONSULAR OFFICIALS WOULD FINALLY BE GRANTED ACCESS TO HIM. THE U.S. SHOULD NOT SAY THAT HIS CASE WAS A PURELY LEGAL MATTER. IT SHOULD FIND A WAY TO COOPERATE WITH THE GOU ON THIS ISSUE. THE USG HAD BEEN QUICK TO FINGER CORRUPTION IN UKRAINE. IT SHOULD AID UKRAINE IN ITS ATTEMPTS TO CRACK DOWN ON THE PROBLEM.

#### NATO-UKRAINE

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19. (U) TARASYUK WAS PLEASED TO HEAR THAT THE YAVORIV TRAINING GROUND HAD BEEN APPROVED AS A PFP MILITARY EXERCISE FACILITY BY THE NATO I.S. STAFF. HE EXPRESSED APPRECIATION THAT USNATO HAD INFORMALLY PROVIDED IDEAS ON A NATO-UKRAINE SUMMIT STATEMENT. THE AMBASSADOR NOTED THAT SOME ALLIES WERE UNPERSUADED ON THE VALUE OF A STATEMENT. IT SHOULD BE SHORT, PUNCHY, AND ORIENTED TO CONCRETE ACTIONS.

20. (U) THE AMBASSADOR SKETCHED ~~KIEV~~-BASED NATO EMBASSIES' PLANS FOR A PUBLIC INFORMATION CAMPAIGN IN ADVANCE OF THE NATO AND NATOUKRAINE SUMMITS. TARASYUK WAS ENTHUSIASTIC, AND INSTRUCTED HIS STAFF TO HELP IN ANY WAY POSSIBLE.

21. (C) TARASYUK REPORTED THAT RADA HEARINGS ON THE NATO-UKRAINE RELATIONSHIP, SCHEDULED FOR THE WEEK OF MARCH 1, HAD BEEN POSTPONED INDEFINITELY.

#### OSCE MISSION

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22. (C) TARASYUK OBJECTED STRENUOUSLY AND EMOTIONALLY TO PLANS TO CONTINUE AN OSCE MISSION IN UKRAINE BEYOND APRIL 30. UKRAINE WAS BEING TREATED AS AN "OBJECT" AND NOT AS A PARTICIPATING OSCE STATE. THE MISSION HAD SUCCESSFULLY COMPLETED ITS WORK; IT WAS NOT FAIR OF THE OSCE TO PRESS FOR A CONTINUED PRESENCE.

23. (C) THE AMBASSADOR INDICATED THAT THE USG SUPPORTED A CONTINUED OSCE PRESENCE, BUT THAT IT WAS PREPARED TO BE VERY FLEXIBLE ABOUT THE MANDATE, NAME, AND COMPOSITION OF THE MISSION. HE ASKED WHAT TARASYUK THOUGHT ABOUT PROPOSALS MADE BY AMBASSADOR

NORDLETTEN DURING HIS RECENT VISIT TO ~~KIEV~~.

24. (C) TARASYUK INSISTED THAT THE 1994 MANDATE HAD BEEN FULFILLED AND THAT HAD BEEN REFLECTED IN THE DECEMBER 17, 1998, PERMANENT COUNCIL DECISION. UKRAINE SHOULD NOT BE TREATED AS A "ROGUE STATE" BY THE OSCE. WHEN THE GOU HAD OFFERED TO ACT AN OSCE REGIONAL OFFICE FOR SUCH COUNTRIES AS BULGARIA AND TURKEY, IT HAD BEEN TOLD THAT THOSE COUNTRIES MIGHT NOT LIKE THE IMPLICATIONS OF ESTABLISHING SUCH A CENTER. NOW IT WAS TIME FOR THE OSCE TO BE SIMILARLY SENSITIVE TO UKRAINE'S FEELINGS.

MOD RULE BOOK FOR DEFENSE ATTACHES

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25. (C) TARASYUK SAID THAT THE GOU WOULD "TAKE CARE OF THE PROBLEM" OF THE NEW RULE BOOK FOR DEFENSE ATTACHES.  
PIFER

DIST:  
SIT: NSC

PREC: IMMEDIATE CLASS: CONFIDENTIAL SSN: 1560 DOCID: M3703552

OACZYUW RUEHKVA1560 0501707-CCCC--RHEHAAX.  
ZNY CCCCC ZZH  
O 191707Z FEB 99  
FM AMEMBASSY **KIEV**

DECLASSIFIED IN PART  
PER E. O. 13526

FM: AMEMBASSY **KIEV**  
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 8802

2012-1027-M [1.36]

KBH 11/15/2019

INFO: RUCNCIS/CIS COLLECTIVE  
RUEHTH/AMEMBASSY ATHENS 0063  
RUEHRO/AMEMBASSY ROME 0374  
RUEHOL/AMEMBASSY BONN 8563  
RUEHLO/AMEMBASSY LONDON 0665  
RUEHWR/AMEMBASSY WARSAW 2199  
RUEHNO/USMISSION USNATO 1764  
RUEHVEN/USMISSION USOSCE VIENNA 0191  
RHEHNSC/NSC WASHDC

~~C O N F I D E N T I A L~~ SECTION 01 OF 04 **KIEV** 001560

DEPT FOR S/NIS AND EUR/WST  
NSC FOR PASCUAL AND SEGAL

E.O. 12958: DECL: 2/19/08  
TAGS: PGOV, PINR, UP  
SUBJECT: LAZARENKO STRIPPED OF IMMUNITY AMID MURKY  
RADA MANEUVERING; PROCURATOR'S ISSUANCE OF  
ARREST WARRANT REPORTEDLY IMMINENT

(U) CLASSIFIED BY AMBASSADOR STEVEN PIFER. REASONS  
1.5 (B) AND (D).

#### SUMMARY

1. (C) THE RADA VOTED OVERWHELMINGLY ON FEBRUARY 17/ TO STRIP FORMER PM AND CURRENT HROMADA PARTY LEADER PAVLO LAZARENKO OF HIS PARLIAMENTARY IMMUNITY. THE 310 TO 39 VOTE ALLOWS THE PROCURACY TO PROCEED WITH ITS CRIMINAL CASE AGAINST LAZARENKO, WHO IS ACCUSED OF EMBEZZLEMENT AND ABUSE OF OFFICE. HOWEVER, LAZARENKO WAS NOT PRESENT AT THE HEARING - TWO DAYS BEFORE HE HAD FLED THE COUNTRY FOR GREECE (ONE REPORT NOW HAS HIM IN ITALY). THE DECISIVENESS OF THE VOTE WAS SOMEWHAT UNEXPECTED, AND WAS TIED TO THE COMMUNIST PARTY'S DECISION TO AVOID A PUBLIC OPINION BACKLASH IF IT FAILED TO VOTE AGAINST LAZARENKO. SOME OBSERVERS DISCERNED IN THE VOTE SIGNS OF DEALINGS BETWEEN RUSSIAN OLIGARCH BORIS BEREZOVSKIY, LAZARENKO, AND PRESIDENT KUCHMA. OUR CONTACTS INDICATE THAT THE ISSUANCE OF A WARRANT FOR LAZARENKO'S ARREST IS

IMMINENT. END SUMMARY.

#### RADA STRIPS LAZARENKO OF IMMUNITY

2. (U) ON FEBRUARY 17, THE RADA VOTED BY AN OVERWHELMING MAJORITY – 310 TO 39 – TO STRIP FORMER PM AND CURRENT HROMADA PARTY LEADER PAVLO LAZARENKO OF HIS PARLIAMENTARY IMMUNITY. THE VOTE OCCURRED BEFORE A PACKED GALLERY: ONE VETERAN RADA WATCHER TOLD US THAT THE ONLY TIME HE HAD SEEN MORE SPECTATORS IN THE RADA WAS WHEN PARLIAMENT ADOPTED THE NEW CONSTITUTION.

#### CONCLUSION OF LONG SAGA

3. (U) THE VOTE ALSO MARKED THE CULMINATION OF A SAGA WHICH BEGAN IN 1997, WHEN LAZARENKO BECAME THE TARGET OF A CRIMINAL INVESTIGATION FOR EMBEZZLEMENT AND MISUSE OF GOVERNMENT FUNDS. ON DECEMBER 2, 1998 SWISS BORDER GUARDS DETAINED HIM AS HE ATTEMPTED TO ENTER SWITZERLAND WITH A PANAMANIAN PASSPORT, AND HELD HIM ON MONEY-LAUNDERING CHARGES. HE WAS LATER FREED ON BAIL, BUT ON DECEMBER 31 THE UKRAINIAN PROCURATOR REQUESTED THAT THE RADA LIFT HIS PARLIAMENTARY IMMUNITY.

4. (U) ON FEBRUARY 4, THE RADA'S RULES AND ETHICS COMMITTEE (WHICH PER RADA PROCEDURES FIRST REVIEWS SUCH REQUESTS) RETURNED THE CASE TO THE PROCURACY FOR LACK OF EVIDENCE. THE RADA THEN VOTED TO GIVE THE PROCURACY UNTIL FEBRUARY 17 TO RESUBMIT ITS CASE. A SPECIAL THREE-PERSON COMMISSION HEADED BY RULES COMMITTEE VICE-CHAIR SERHEI SAS WAS DELEGATED TO REEXAMINE THE MATERIALS AND RECOMMEND THE RADA'S COURSE OF ACTION.

#### LAZARENKO FLEES TO GREECE ON EVE OF HEARING

5. (U) ON THE EVE OF HIS RADA HEARING, ON FEBRUARY 15, LAZARENKO LEFT UKRAINE FOR GREECE. HE WAS SCHEDULED TO RETURN ON A LATE AFTERNOON FLIGHT ON FEBRUARY 16. HOWEVER, WHEN THE SESSION OPENED THE FOLLOWING DAY, SPEAKER TKACHENKO READ A LETTER FROM A GREEK DOCTOR CERTIFYING THAT LAZARENKO WAS SUFFERING FROM HIGH BLOOD PRESSURE AND IN DANGER OF HAVING A HEART ATTACK. LAZARENKO THEREFORE ASKED THAT THE RADA POSTPONE THE HEARING UNTIL HIS RECOVERY. THE RADA'S RULES COMMITTEE SUPPORTED LAZARENKO'S REQUEST BY A VOTE OF SIX TO TWO. HOWEVER, OTHER DEPUTIES WERE NOT CONVINCED, AND VOTED 244 TO 95 TO PUSH AHEAD WITH THE HEARING.

#### POTEBENKO MAKES HIS CASE

6. (U) ON FEBRUARY 16, PROCURATOR GENERAL MYKHAYLO

POTEBENKO MADE A SURPRISE APPEARANCE IN THE RADA TO (UNSUCCESSFULLY) REQUEST THAT DEPUTIES DISCUSS THE CASE IN CLOSED SESSION. POTEBENKO ALSO PRESENTED HIS OFFICE'S CHARGES AGAINST LAZARENKO, ACCUSING THE FORMER PM OF EMBEZZLING USD TWO MILLION IN GOVERNMENT FUNDS BETWEEN 1993-97, AND ILLEGALLY DEPOSITING THIS ~~C O N F I D E N T I A L~~ SECTION 02 OF 04 ~~K I E V~~ 001560

DEPT FOR S/NIS AND EUR/WST  
NSC FOR PASCUAL AND SEGAL

E.O. 12958: DECL: 2/19/08

TAGS: PGOV, PINR, UP

SUBJECT: LAZARENKO STRIPPED OF IMMUNITY AMID MURKY RADA MANEUVERING; PROCURATOR'S ISSUANCE OF ARREST WARRANT REPORTEDLY IMMINENT

SUM (4.4 MILLION SWISS FRANCS, AND USD 1.2 MILLION) IN ACCOUNTS ABROAD. THE PROCURATOR GAVE A MORE DETAILED ACCOUNT, CITING A PLETHORA OF NAMES, ACCOUNT NUMBERS AND CONTRACTS, DURING THE FEBRUARY 17 HEARING.

7. (SBU) AT THIS HEARING, SPEAKER TKACHENKO ALSO READ OUT A LETTER FROM LAZARENKO CATEGORICALLY DENYING THE ACCUSATIONS, WHICH HE LABELED AS POLITICALLY MOTIVATED. A NUMBER OF OBSERVERS REMARKED ON THE SMALL SUMS INVOLVED, AS LAZARENKO WAS WIDELY BELIEVED TO HAVE SECRETED MANY TIMES THIS SUM ABROAD. THE ASSUMPTION WAS THAT THE PROCURACY HAS NOT BEEN ABLE TO OBTAIN EVIDENCE ON ADDITIONAL FUNDS WHICH WOULD STAND UP IN COURT.

FACTIONS WEIGH IN

8. (U) ON BEHALF OF THE RULES COMMITTEE, SERHEI SAS (ONE OF THE THREE DEPUTIES WHO HAD BEEN ALLOWED TO REVIEW THE NINE VOLUMES OF EVIDENCE AGAINST LAZARENKO) STATED THAT THE PROCURACY'S EVIDENCE WAS UNCONVINCING, AND CALLED ON THE RADA TO DELAY THE VOTE PENDING FURTHER REVIEW. BUT IN THE END, ONLY THE HROMADA AND SOCIALIST FACTIONS OPENLY OPPOSED LIFTING IMMUNITY. SOCIALIST LEADER OLEKSANDR MOROZ CALLED THE PROCEEDINGS A "POLITICAL FARCE," AND NOTED THAT THE PROCURATOR'S CASE DID NOT TOUCH ON ABUSES IN THE ENERGY SECTOR (NOTE: WHERE LAZARENKO ALLEGEDLY SIPHONED OFF MILLIONS OF DOLLARS), BECAUSE THE GOVERNMENT WAS CONTINUING TO USE SIMILAR SCHEMES TO ENRICH ITSELF. ULTIMATELY, MOROZ DECLINED TO VOTE AT ALL. SAS AGREED WITH MOROZ THAT LAZARENKO'S DAY IN THE RADA HAD ALL OF MAKINGS OF A SHOW TRIAL. THE DEPUTIES HAD NOT HAD TIME TO ACQUAINT THEMSELVES WITH THE FIFTY-PAGE ANALYSIS OF THE CASE AGAINST LAZARENKO AND COULD HAVE CAST AN INFORMED VOTE.

9. (U) MOST FACTIONS DECLARED THEIR SUPPORT FOR THE PROCURATOR'S CASE, ARGUING THAT A COURT SHOULD DECIDE HIS GUILT OR INNOCENCE. SEVERAL OPPOSITION DEPUTIES SAID THEY WOULD VOTE TO LIFT IMMUNITY, BUT DREW ATTENTION TO THE FACT THAT GOVERNMENT MEMBERS THEMSELVES WERE CORRUPT. FOR EXAMPLE, MAVERICK DEPUTY HRYHORIY OMELCHENKO RELATED HOW HE HAD TOLD THE PRESIDENT OF LAZARENKO'S TRANSGRESSIONS IN 1995, BUT KUCHMA HAD DONE NOTHING. THE RADA SHOULD THEREFORE STRIP LAZARENKO OF HIS IMMUNITY, AND THEN IMPEACH KUCHMA. HROMADA DEPUTY OLEKSANDR YELISHKEVICH, NO LAZARENKO LOYALIST, AGREED. HE WOULD REFUSE TO VOTE AGAINST LAZARENKO OR OTHER OPPOSITION DEPUTIES UNTIL THE HEADS OF CORRUPT PRESIDENTIAL CONFIDANTS LIKE OLEKSANDR VOLKOV WERE ALSO ON THE BLOCK.

10. (U) IN THE FINAL TALLY, 101 COMMUNISTS, 62 MEMBERS OF THE PEOPLE'S DEMOCRATIC PARTY (PDP) FACTION, 41 RUKH MEMBERS, 23 GREENS, 21 SOCIAL DEMOCRATS, 13 MEMBERS OF THE PEASANT PARTY, 12 MEMBERS OF REFORMS AND ORDER, SEVEN INDEPENDENTS, AND THREE SOCIALISTS VOTED FOR THE MOTION. ONLY 31 (OF MORE THAN 40) HROMADA DEPUTIES, SEVEN SOCIALISTS, AND ONE PROGRESSIVE SOCIALIST ACTUALLY OPPOSED. A NUMBER OF MEMBERS OF ALL FACTIONS SAT OUT THE VOTE.

#### RESULT NOT A SURE THING

11. (S) THE DECISIVENESS OF THE VOTE WAS A BIT SURPRISING. WHILE THE PDP, GREENS, SOCIAL DEMOCRATS, RUKH, AND REFORMS AND ORDER WERE EXPECTED TO VOTE OVERWHELMINGLY TO STRIP LAZARENKO OF HIS IMMUNITY, SOME EXPECTED THAT THE COMMUNISTS (KPU) HAD A DEAL WITH HROMADA AND WOULD TRY TO RESIST. (NOTE: HOWEVER, COMMUNIST DEPUTIES HAD PREVIOUSLY TOLD US THAT THEY COULD VOTE AGAINST LAZARENKO IF THE EVIDENCE WARRANTED). SEVERAL INTERLOCUTORS CLAIMED THAT THE KPU DID AN ABOUT FACE ON FEBRUARY 15 OR 16. FOR EXAMPLE [REDACTED] EQ 13526 1.4d [REDACTED] TOLD US THAT HIS FACTION WAS NOT AWARE OF THE COMMUNISTS' INTENTIONS UNTIL THE FEBRUARY 17 VOTE TO PROCEED WITH THE HEARING DESPITE LAZARENKO'S ABSENCE. HE CLAIMED THAT LAZARENKO HAD HOPED TO RETURN TO UKRAINE ON FEBRUARY 16, BUT HAD BEEN TIPPED OFF REGARDING THE CONFIDENTIAL SECTION 03 OF 04 ~~KIEV~~ 001560

DEPT FOR S/NIS AND EUR/WST  
NSC FOR PASCUAL AND SEGAL

E.O. 12958: DECL: 2/19/08

TAGS: PGOV, PINR, UP

SUBJECT: LAZARENKO STRIPPED OF IMMUNITY AMID MURKY  
RADA MANEUVERING; PROCURATOR'S ISSUANCE OF  
ARREST WARRANT REPORTEDLY IMMINENT

COMMUNISTS' CHANGE OF HEART, AND OPTED TO REMAIN ABROAD.

COMMUNISTS PLAY FOR ELECTORATE

12. (G) THE SIMPLEST EXPLANATION FOR THE COMMUNISTS' VOTE WAS THAT IT WAS THE ONLY ONE THAT WAS POLITICALLY VIABLE. THE COMMUNISTS COULD NOT IN GOOD CONSCIENCE GO BEFORE VOTERS AND DEFEND NOT STRIPPING THE IMMUNITY OF A GOVERNMENT OFFICIAL WHO HAD EMBEZZLED MILLIONS.

EO 13526 1.4d TOLD US AFTER THE VOTE THAT THE BATTLE AGAINST CORRUPTION WAS AN IMPORTANT PART OF THE PARTY'S PLATFORM, AND IT WAS CLEAR THAT LAZARENKO REPRESENTED A "CRIMINAL CLAN." RESPONSIBILITY BEFORE VOTERS WAS A MAJOR FACTOR FOR MANY DEPUTIES: EO 13526 1.4d TOLD US THAT HIS FACTION HAD IN THE END DECIDED TO LET ITS MEMBERS VOTE THEIR "CONSCIENCE," AND SOCIALISTS ELECTED IN SINGLE-MANDATE DISTRICTS IN PARTICULAR HAD BEEN INCLINED TO VOTE FOR LIFTING IMMUNITY.

OTHER VERSIONS MAKE THE ROUNDS

13. (G) SEVERAL OTHER VERSIONS OF EVENTS WERE MAKING THE ROUNDS IN THE RADA CORRIDORS ON FEBRUARY 17:

— SYMONENKO POWER PLAY: EO 13526 1.4d TOLD US THAT COMMUNIST LEADER PETRO SYMONENKO HAD AN ULTERIOR MOTIVE FOR ENSURING THE KPU'S VOTE. HE CLAIMED THAT IN A PRIVATE CONVERSATION, SYMONENKO AND KUCHMA ADVISOR OLEKSANDR VOLKOV HAD AGREED THAT A BLOW AGAINST LAZARENKO WAS A BLOW AGAINST MOROZ, WHO BOTH KUCHMA AND SYMONENKO SEE AS A MAJOR PRESIDENTIAL RIVAL. STUDIO ONE PLUS ONE PRODUCER OLEKSANDR RODYANSKIY TOLD US THAT HE THOUGHT THE PRESIDENTIAL ADMINISTRATION WOULD ATTEMPT TO USE THE CAMPAIGN AGAINST LAZARENKO TO TAR MOROZ.

— BEREZOVSKIY BROKERS KUCHMA-LAZARENKO DEAL: TWO SOURCES CLAIMED THAT RUSSIAN OLIGARCH BORIS BEREZOVSKIY, WHO WAS IN ~~KIEV~~ BEFORE THE VOTE, HAD ACTED AS A GO-BETWEEN TO BROKER A DEAL BETWEEN KUCHMA AND LAZARENKO. ACCORDING TO THIS VERSION, WHILE LAZARENKO WOULD LOSE HIS IMMUNITY, KUCHMA HAD AGREED TO STALL THE PROCURATOR'S CASE AGAINST HIM IN EXCHANGE FOR LAZARENKO'S PROMISE TO REMAIN QUIETLY ABROAD UNTIL AFTER THE PRESIDENTIAL ELECTIONS. IN THIS WAY, KUCHMA HOPED TO AVOID A RELEASE OF COMPROMISING MATERIALS, AND SUPPORT FOR MOROZ'S CANDIDACY. BEREZOVSKIY WOULD AVOID UNWANTED PUBLICITY ABOUT HIS INVOLVEMENT IN THE UKRAINIAN ENERGY SECTOR, THE ODESA OIL TERMINAL IN PARTICULAR. ONE OF OUR SOURCES CLAIMED THAT THE

INFORMATION ON THE BEREZOVSKIY DEAL WAS "ONE HUNDRED PERCENT SOLID."

WHAT NEXT? PRO-GOVERNMENT DEPUTIES VOW PROSECUTION

14. (G) SEVERAL PRO-GOVERNMENT DEPUTIES STRONGLY DENIED THE RUMOR THAT THE ADMINISTRATION WOULD LET LAZARENKO OFF THE HOOK IN EXCHANGE FOR HIS SILENCE.

EO 13526 1.4d TOLD US THAT THE PROCURACY PLANNED TO AGGRESSIVELY PURSUE LAZARENKO THROUGH INTERPOL. HE SAID THAT HE HAD LEARNED FROM UKRAINIAN EMBASSY SOURCES THAT LAZARENKO WAS NOW IN ITALY. EO 13526 1.4d ASSURED US THAT KUCHMA WANTED LAZARENKO JAILED, AND WOULD KEEP UP THE PRESSURE. OTHER DEPUTIES WERE LESS SURE, AND POINTED TO THE EXAMPLE OF ANOTHER FORMER PM, YEFIM ZVIAHILSKY, WHO HAD SPENT TWO YEARS ON THE LAM IN ISRAEL ONLY TO RETURN TO THE RADA WHEN THE HEAT DIED DOWN.

COMMENT

15. (G) ULTIMATELY, A YES VOTE WAS PROFITABLE FOR ALMOST EVERYONE. THE PRESIDENT AND HIS SUPPORTERS WERE IN A WIN-WIN SITUATION. BY PURSUING LAZARENKO, KUCHMA DELIVERED A PUNISHING BLOW TO A MAJOR OPPOSITION FIGURE (AND POSSIBLE MROZ SUPPORTER), WHILE SHOWING THAT HE IS TOUGH ON CORRUPTION. ON THE OTHER HAND, IF THE RAA HAD DENIED THE PROSECUTOR'S ~~CONFIDENTIAL~~ SECTION 04 OF 04 ~~KIEV~~ 001560

DEPT FOR S/NIS AND EUR/WST  
NSC FOR PASCUAL AND SEGAL

E.O. 12958: DECL: 2/19/08

TAGS: PGOV, PINR, UP

SUBJECT: LAZARENKO STRIPPED OF IMMUNITY AMID MURKY RADA MANEUVERING; PROCURATOR'S ISSUANCE OF ARREST WARRANT REPORTEDLY IMMINENT

REQUEST, KUCHMA WOULD HAVE SCORED A PUBLIC RELATIONS COUP AGAINST PARLIAMENT.

16. (G) THE VOTE WAS ALSO IN THE INTERESTS OF KUCHMA CRITICS (INCLUDING NOT ONLY THE COMMUNISTS, BUT ALSO EVEN SOME MEMBERS OF RUKH AND THE PDP). THEY SHOWED THE ELECTORATE THAT THEY WERE ACTIVE IN BATTLING CORRUPTION, WHILE TAKING AWAY A STICK – THE ISSUE OF DEPUTY IMMUNITY – THAT THE PRESIDENT HAD BEEN USING TO BEAT THEM WITH FOR SOME TIME. SOME COMMUNISTS MAY HAVE ALSO SEEN THE OPPORTUNITY TO EMBARRASS MOROZ. OTHER KUCHMA CRITICS CONCEDED THAT THEY WERE LOOKING FORWARD TO THE POSSIBILITY OF LAZARENKO RELEASING HIS OWN COMPROMISING MATERIALS ON MEMBERS OF THE PRESIDENT'S ENTOURAGE. AND FINALLY, WE FOUND FEW

DEPUTIES WILLING TO ARGUE THAT LAZARENKO HAD NOT IN FACT TAKEN THE MONEY IN QUESTION, AND IN FACT THAT IT REPRESENTED ONLY THE TIP OF THE ICEBERG.

17. (C) THE MAJOR LOSER (BESIDES OF COURSE LAZARENKO) WAS HROMADA, WHICH MANY NOW EXPECT TO SPLINTER WITH THE EXILE OF ITS LEADER. FORMER ~~KIEV~~ MAYOR LEONID KOSSAKIVSKIY WILL TRY TO HOLD THE FACTION TOGETHER, BUT THE FIRST WAVE OF DEFECTIONS HAS ALREADY BEGUN AS TWO DEPUTIES ANNOUNCED FEBRUARY 18 THAT THEY INTENDED TO LEAVE THE FACTION. DESPITE HIS ADVISORS BEST EFFORTS, MOROZ ALSO SUFFERED A BLACK EYE IN THE VOTE.

18. (C) AS THIS CABLE GOES OUT, OUR SOURCES IN THE PROCURACY INDICATE THAT THE ISSUANCE OF A WARRANT FOR LAZARENKO'S ARREST IS IMMINENT.

PIFER

<^SECT>SECTION: 01 OF 04

<^SSN>1560

<^TOR>990219134609 M3703541

<^SECT>SECTION: 02 OF 04

<^SSN>1560

<^TOR>990219134647 M3703544

<^SECT>SECTION: 03 OF 04

<^SSN>1560

<^TOR>990219134737 M3703545

DIST:

SIT: BLACK DAVIDSON ELKIND KAUFMAN PASCUAL SEGAL WEISS SIT: NSC

**Segal, Jack D.**

**From:** WHSR  
**Sent:** Wednesday, November 04, 1998 12:07 PM  
**To:** Babbitt, James F.; Bell, Christopher L.; Black, Steven K.; Busby, Scott W.; Davidson, Leslie K.; Elkind, Jonathan H.; Guarnieri, Valerie N.; Naplan, Steven J.; Pascual, Carlos E.; Schwartz, Eric P.; Segal, Jack D.; Weiss, Andrew S.; Wippman, David  
**Subject:** KUCHMA ADMINISTRATION TIGHTENING NOOSE ON

**CLASS:** CONFIDENTIAL  
**DTG:** 041544Z NOV 98  
**MSGTO:** RUEHC/SECSTATE WASHDC PRIORITY 6889  
**ORIG:** AMEMBASSY KIEV  
**PREC:** PRIORITY  
**SSN:** 2741  
**TOR:** 981104114858 M3541533

DECLASSIFIED IN PART  
PER E. O. 13526

2012-1027-M [1.40]

KBH 11/15/2019

~~C O N F I D E N T I A L~~ KIEV 012741

DEPT FOR EUR/WST, S/NIS, DRL, INL, CA/VO/LA - RBII  
NSC FOR PASCUAL

E.O. 12958: DECL: 11/04/08  
TAGS: PGOV, PINR, CVIS, KFRD, UP  
SUBJECT: KUCHMA ADMINISTRATION TIGHTENING NOOSE ON  
LAZARENKO

REF: KIEV 10581

CLASSIFIED BY AMBASSADOR STEVEN PIFER. REASONS 1.5 (B)  
AND (D).

INVESTIGATING LAZARENKO

1. (G) [redacted] EO 13526 1.4d  
[redacted] TOLD POLOFF THAT THE KUCHMA  
ADMINISTRATION HAD APPROACHED THE GOVERNMENTS OF  
[redacted] 1.4(d) WITH REQUESTS TO AID  
IN THE UKRAINIAN PROCURATOR GENERAL'S INVESTIGATION OF  
KUCHMA'S ARCH-RIVAL PAVLO LAZARENKO, FORMER PRIME  
MINISTER AND LEADER OF THE OPPOSITION "HROMADA" PARTY.  
THIS PUSH WAS BEING CONDUCTED AT A HIGH LEVEL,  
INCLUDING A LETTER TO THE [redacted] 1.4(d) BY PRIME  
MINISTER PUSTOVOYTENKO. UKRAINIAN MINISTER OF JUSTICE  
STANYK AND PROCURATOR GENERAL POTABENKO WERE CURRENTLY  
IN SWITZERLAND TO DRUM UP SUPPORT FOR DISCLOSING  
LAZARENKO'S SWISS BANKING INFORMATION.

2. (G) ACCORDING TO [redacted] 1.4(d) ALL THREE COUNTRIES  
HAD AGREED WITH UKRAINE'S REQUEST FOR ASSISTANCE, AND  
HAD TURNED OVER INFORMATION TO THE UKRAINIAN PROCURACY.  
[redacted] 1.4(d) THE INFORMATION DESCRIBED HOW  
LAZARENKO HAD TURNED [redacted] 1.4(d) FOREIGN AID INTO PERSONAL  
PROFIT WHILE HE WAS PRIME MINISTER. THE [redacted] 1.4(d)  
[redacted] 1.4(d) HAD DONATED SURPLUS TRUCKS TO UKRAINE, BUT  
LAZARENKO INSISTED ON INVOLVING A SUBCONTRACTOR. THE  
RESULT WAS THAT THE END USERS OF THE FREELY DONATED  
TRUCKS HAD TO PAY FOR THEM, WITH THE PROCEEDS GOING TO  
LAZARENKO. WE HAVE HEARD SEPARATELY [redacted] 1.4(d)  
[redacted] 1.4(d) HAS PROVIDED CONSIDERABLE AND DAMNING  
INFORMATION ON LAZARENKO TO THE GOU.

3. (G) [redacted] 1.4(d) ALSO CONFIRMED RUMORS THAT  
[redacted] 1.4(d) DENIED A VISA TO LAZARENKO, AND PASSED  
ON A RUMOR THAT LAZARENKO'S ENTIRE FAMILY HAD APPLIED

FOR [REDACTED] 1.4(d) VISAS. ALL EXCEPT LAZARENKO HIMSELF HAD BEEN DENIED. ADDITIONALLY [REDACTED] 1.4(d) WAS CONSIDERING RAISING THE ISSUE IN THE SCHENGEN GROUP, AND WOULD ONLY ISSUE VERY RESTRICTED, SHORT-TERM VISAS TO LAZARENKO, SHOULD HE APPLY.

**PRESSURE TO WITHDRAW IMMUNITY**

4. (SBU) THIS LATEST INFORMATION COINCIDES WITH MANY OTHER REPORTS, SOME IN THE PRESS, OF MOUNTING PRESSURE ON LAZARENKO AND HIS ALLIES. ACCORDING TO RECENT PRESS REPORTS, KUCHMA HAD ANNOUNCED IN AN OCTOBER 29 SPEECH TO STUDENTS OF THE ACADEMY OF ADMINISTRATION THAT HE WAS NOT RULING OUT CONDUCTING A REFERENDUM TO STRIP MEMBERS OF PARLIAMENT OF THEIR IMMUNITY IF THE RADA DID NOT ACCEDE TO THE PROCURATOR'S DEMAND TO LIFT THE IMMUNITY OF HROMADA-FACTION DEPUTY AGOFONOV (SEE REFTEL) AND OTHER MP'S WHO, IN HIS WORDS, BELONGED BEHIND BARS RATHER THAN IN PARLIAMENT.

**COMMENT**

5. (SBU) SINCE A RECENT POLL (CONDUCTED BY THE INSTITUTE OF SOCIAL AND POLITICAL PSYCHOLOGY) INDICATED THAT 72 PERCENT OF THE POPULATION WOULD SUPPORT SUCH A REFERENDUM, RADA DEPUTIES ARE FACING PRESSURE TO OFFER UP A FEW SACRIFICIAL LAMBS IN ORDER TO SAVE THEIR OWN IMMUNITY. HOWEVER, SOME RADA CONTACTS INDICATE THAT THE RADA IS UNLIKELY TO SET THE PRECEDENT THAT LIFTING IMMUNITY WOULD SET, AND BELIEVE THAT KUCHMA'S REFERENDUM THREAT IS A BLUFF. TOO MANY OF KUCHMA'S OWN CRONIES, ACCORDING TO THIS ARGUMENT, DEPEND ON PARLIAMENTARY IMMUNITY TO PROTECT THEMSELVES TO ALLOW SUCH A REFERENDUM TO GO FORWARD.

6. (G) AS EVIDENCE OF LAZARENKO'S INVOLVEMENT IN CRIMINAL ACTIVITIES EMERGES, IT WILL BE NECESSARY TO EXAMINE LAZARENKO'S U.S. VISA STATUS [REDACTED] 1.4(d)

PIFER