

WORLD

Ukrainians See Conflict in Biden's Anticorruption Message

Vice president's son serves on board of closely held Ukrainian oil firm



U.S. Vice President Joe Biden met with Ukraine's President Petro Poroshenko in Kiev on Monday. PHOTO: UKRAINIAN PRESIDENTIAL PRESS SERVICE/REUTERS

By *Paul Sonne And Laura Mills*

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KIEV, Ukraine— Joe Biden is on his fifth trip to Ukraine as vice president, pressing the pro-Western government to root out widespread corruption, but activists here say that message is being undermined as his son receives money from a former Ukrainian official who is being investigated for graft.

Since May of last year, Hunter Biden, the vice president's son, has served as an independent director of Ukrainian gas firm Burisma Holdings Ltd., a closely held company run by a former government official whom Ukrainian and British authorities are investigating for alleged criminal wrongdoing.

Mykola Zlochevsky, who served as ecology and natural resources minister under the Ukrainian government that was ousted in last year's pro-Western uprising, hasn't been charged and

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Mr. Biden's visit to Ukraine this week, which will include a formal address to Parliament on Tuesday, comes against the backdrop of increasing exasperation over corruption that has persisted in the two years since the country's pro-Western uprising and the general prosecutor's office tasked with prosecuting such wrongdoing has come under fire for inaction.

The vice president's office defended Hunter Biden's right to serve on the board of Burisma.

"Hunter Biden is a private citizen and a lawyer. The vice president does not endorse any particular company and has no involvement with this company," said Kate Bedingfield, a spokeswoman for Mr. Biden.

Hunter Biden said his work with Burisma aligns with his father's anticorruption message. A spokesman for the younger Mr. Biden said he joined the board "to strengthen corporate governance and transparency at a company working to advance energy security for Ukraine... These are also goals of the United States."

But some anticorruption campaigners here worry the link with Mr. Biden may protect Mr. Zlochevsky from being prosecuted in Ukraine. The general prosecutor didn't respond to multiple requests for comment on the investigation into Mr. Zlochevsky.

"If an investigator sees the son of the vice president of the United States is part of the management of a company...that investigator will be uncomfortable pushing the case forward," said Daria Kaleniuk, head of Ukraine's Anti-Corruption Action Center.

Hunter Biden has been working on geothermal energy initiatives that Burisma is pursuing and carrying out customary board member duties including company oversight.

"The situation raises a question mark about integrity," said Viktoriya Voytsitska, a member of Parliament and former employee of a rival gas company to Mr. Zlochevsky's. "There should be integrity at all levels, irrespective of whether these are of a public or private level."

Mr. Zlochevsky is under investigation in the U.K. on suspicion of money laundering, according to British authorities. He is also under investigation in a Ukrainian unlawful-enrichment probe and a separate Ukrainian into alleged abuse of power, forgery and embezzlement, according to letters from the general prosecutor reviewed by The Wall Street Journal.

"Mr. Zlochevsky has followed the letter and spirit of the law in his role as civil servant," Burisma said. "He has, at all times, held himself to the highest moral and ethical standards of fairness and decision making."

The firm said investigators hadn't produced any evidence of misconduct. Anticorruption campaigners and Ukrainian lawmakers have criticized the general prosecutor's office for lack of



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officials, some two years after the uprising on Maidan that promised an end to Ukraine's widespread corruption.

In March 2014, BNP Paribas reported Mr. Zlochevsky to U.K. authorities on suspicion of money laundering after his companies tried to move \$23 million to Cyprus from their British account at the bank, according to court documents.

A judge in the U.K. unfroze the \$23 million in January and chastised the U.K. Serious Fraud Office for holding the funds for months in their money-laundering probe without presenting sufficient evidence of a suspected crime. Burisma hailed the ruling as confirmation that Mr. Zlochevsky's assets were legally acquired.

The U.K. authorities are still pursuing the investigation.

U.S. Ambassador to Ukraine Geoffrey Pyatt singled out the mismanagement of Mr. Zlochevsky's case by Ukrainian prosecutors as an example of the country's failure to hold to account officials from the ousted government suspected of corruption. Mr. Pyatt suggested the court unfroze the money not because of Mr. Zlochevsky's innocence, but rather because of the incompetence of Ukrainian authorities.

Behind the relationship between Mr. Zlochevsky and Hunter Biden is an effort to anchor the future of a controversial Ukrainian company amid shifting political and economic tides, according to people familiar with the company's thinking.

In his political career, Mr. Zlochevsky allied with Moscow-leaning factions in Ukrainian politics, only to re-emerge after last year's uprising with high-profile Westerners on his company's board. Burisma now promotes its business as an antidote to Ukraine's reliance on the Kremlin for energy.

Twice, Mr. Zlochevsky served in top Ukrainian government positions that oversaw the allocation of gas licenses—first under President Leonid Kuchma from 2003 to 2005, as chairman of the since-disbanded State Committee for Natural Resources, and later under President Viktor Yanukovich from 2010 to 2012, as Ecology and Natural Resources Minister.

All the while, companies now part of Burisma rose to become the largest private gas producer in Ukraine. A review of Mr. Zlochevsky's activities by The Wall Street Journal found his oil and gas production businesses flourished by winning crucial permits while he was in office.

Ukrainian records indicate that Burisma's main subsidiaries—Esko-Pivnich and Pari—received all their exploration permits for fresh fields during his two stints in the top posts, excluding

according to a review of the records and an official at the State Geological and Mineral Resources Service of Ukraine.

In many cases, the companies made use of a provision in Ukrainian rules, known as an “integral property complex,” which allowed the firms to receive a license to gas fields without auction if they already owned or rented some type of asset on the field, as simple as a pipe network or dwelling. Burisma says all its permits were issued in accordance with Ukrainian law.

Apart from Burisma, other companies connected to Mr. Zlochevsky also received licenses during his time in office. In 2004, Mr. Zlochevsky’s committee revoked a Ukrainian state firm’s license to one of Ukraine’s biggest gas fields, crippling a Polish-Ukrainian joint venture that had been harvesting deposits. It then awarded the license to a little known firm called Ukrnaftoburinnya, which counted companies tied to Mr. Zlochevsky among its beneficiaries, according to Ukrainian public records and its former CEO. Those firms later sold out. Burisma said there was no conflict of interest.

The Ukrainian constitution prohibits ministers from combining public service duties with any work except for teaching, research or creative activities. Four people, however, said they met Mr. Zlochevsky to discuss Burisma investments while he was minister. Two said he sometimes conducted the business-related meetings in his office at the ministry itself.

Since Ukraine’s uprising, anticorruption crusaders and officials have regularly pointed to Mr. Zlochevsky as an example of Yanukovich-era excess.

—*Alexis Flynn contributed to this article.*

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