

The Amber Rush in Ukraine

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Illegal amber mining in Ukraine has intensified since the Revolution of dignity. The practice has progressed at an unprecedented rate and has contributed to the degradation of vast swathes of forests in areas where there are deposits of amber, mainly in the north-western part of the country (Polesia). Ukraine has the world's second largest deposits of amber in terms of amount, following the Kaliningrad area. As little as approximately 4 tonnes are legally mined each year, whereas 150-200 tonnes are extracted illegally and over several thousand people are involved in this practice. According to the Ukrainian government's calculations, the state may be losing up to US\$ 200-300 million a year. Conflicts over control of the deposits have led to regular clashes between particular groups involved in illegal amber mining; the state is unable (or does not want) to take control of the part of the country which is rich in amber. Illegal amber mining has been accompanied by wide-scale corruption, close links between criminal groups and local governments and the lack of will to remedy the situation in the region on the part of the Ukrainian government. Illegal amber mining, even though it is a niche practice, may serve as a case for wider reflection on many serious ailments in the functioning of the Ukrainian state.

More expensive than gold

Since 2008 prices of amber have soared due to consistently growing demand for it on Asian markets (particularly in China). Between 2010 and 2015 the price of amber increased by 800-1,000%¹, which made it – in the case of large pieces – more expensive than gold. Depending on the size of the individual pieces of amber and the country where it is mined, in 2016 prices for a kilogram oscillated between US\$ 1,000 (for pieces of 5-10 grams) to US\$ 6,000 (for pieces of over 100 grams). Although the amber market slowed down in 2016 after boom lasting seven years² and a further slump in amber prices has been forecast, the amber trade remains lucrative.

It is estimated that the world's largest deposits of amber are located in the Kaliningrad district – perhaps 90%. Amber from the Kaliningrad area is most frequently exported to Asian markets. However, since 2009 the Russian government has started to gradually impose further restrictions on exports of amber. This has led to an increase in the demand for amber from other countries, including Ukraine. The largest deposits of amber in Ukraine are located in the western part of the country, above all in the northern areas of the Volyn, Rivne and Zhytomyr Oblasts. It is important that the deposits of amber there can be found at a relatively small depth (2-10 meters), which substantially lowers the costs of extraction. As a result, Ukrainian amber is much cheaper than amber

¹ <https://www.theguardian.com/business/2016/mar/19/china-woes-hit-amber-market-gdansk-amberif>

² <http://newscontent.cctv.com/NewsJsp/news.jsp?fileId=402115>

sourced from Kaliningrad³ and is highly valued for its range of colours and wide possibilities of processing⁴.

The main method of amber extraction in Ukraine, due to its deposits lying near the surface, is the hydraulic method which consists in pumping water into forest soils with regular pressure pumps. This causes huge environmental damage – due to the use of pumps the soils on which trees grow are being eroded and are thus mixed with barren topsoil. This in turn degrades soils and in the future will make it more difficult to recultivate the areas which ‘amber mafias’ have become interested in. Furthermore, part of the forest areas had earlier been reclaimed.

An amber state within the state

The practice of illegal amber mining in Ukraine dates back to the mid-1990s. At that time Kyiv has taken action in order to encourage legal extraction of this gemstone. In 1993 the Ukrburshtyn⁵ company was established (it mined the amber deposits in the Rivne Oblast). The fortunes of this company are a good depiction of the ineffectiveness of state-run projects in this sector. After nearly a decade, in 2001, two additional subsidiaries were set up (Amber and Amber mines) which, like their mother company, recorded losses for years. Furthermore, in 2011 Ukrburshtyn practically ceased mining – despite a boom on the global amber markets⁶.

Such poor financial results of the state-owned companies were the result of both their low efficiency, bad management (management staff was mainly involved in financial scheming and the embezzlement of company funds) and – above all – the activity of lo-

cal interest groups which make profits from illegal amber mining. They practically monopolised the extraction industry and created an entire system of controlling this practice.

Over ten thousand people are involved in illegal amber mining. They are mainly inhabitants of villages in Polesia and representatives of local governments and law enforcement structures.

Nevertheless, illegal amber mining in order to function effectively requires co-operation between local mafias and representatives of local governments (at the level of raions, city districts and oblasts) and law enforcement agencies (the police, Ukraine’s security service and the prosecutors). Particular mining areas and deposits have been divided between criminal groups which, in exchange for tacit permission to operate, transfer substantial funds to representatives of the local governments, for example a percentage of quantities of extracted amber and fees for every single working position (a brigade of diggers who operate a hydraulic pump) in a given area⁷. Part of the amber deposits is directly supervised by groups formed by representatives of law enforcement agencies and local governments who make money out of illegal amber mining through decoys.

As many as ten thousand people or more may be implicated in illegal amber mining, the majority of them diggers. They are mainly inhabitants of villages in poorly industrialised areas with high unemployment rates where there are no other sources of livelihood⁸. Most often illegal miners

³ In Kaliningrad amber is often found at the depths of 60 up to 100 metres: <http://amber-trade.com/mining/>

⁴ It is estimated that 25% of amber mined in Ukraine is suitable for processing, whereas for amber extracted in the Kaliningrad district this indicator stands at approximately 10-15%; http://ukrdgri.gov.ua/wp-content/uploads/2016/10/tezi_geoforum_2016.pdf

⁵ <http://www.yunilibr.rv.ua/index.php/kraeznavstvo/socialno-ekonomichne/pidpryemstva-vyp1/325-q-q>

⁶ <http://ogo.ua/articles/view/2013-01-15/37497.html>

⁷ Ukrainian investigative journalists estimate that the cost of using one hydraulic pump in amber mining is the equivalent of approximately US\$ 500 per day.

⁸ According to data provided by the State Statistics Service of Ukraine, wages in these regions are 20% lower than the average wage in Ukraine and oscillate around the equivalent of US\$ 150 a month (the average for a whole oblast); http://www.ukrstat.gov.ua/operativ/operativ2016/gdn/reg_zp_p/reg_zpp16_u.htm

organise themselves into groups (usually within one village) and buy a ‘ticket’ from the mafia – permission to mine in a given area (which costs from US\$ 200 to 800 a day). There are also cases where diggers work on their own and do not pay any protection money even to the law and order structures which are not able to effectively control areas situated far from major towns and good roads. Nevertheless, such groups collect payments for extracting amber from ‘their’ deposits from people from outside their village. In consequence, a large section of Polesia, where the deposits of amber are located, resembles a state within a state – private property which is difficult to access (also due to dense forests and a poor road infrastructure) and is controlled by criminal groups, not the Ukrainian government. In many villages amber diggers control vehicles coming in since they fear raids by criminal groups or the law enforcement agencies. Furthermore, checkpoints are established on roads leading to mining areas where strangers are stopped or amber diggers are warned of their arrival. A considerable part of amber diggers who pay protection money directly to representatives of law enforcement agencies or mafias may feel unpunished certain level of impunity since they are protected by their ‘employers’ and representatives of the police, prosecutor’s office and/or the Security Service of Ukraine, whom they pay and who warn them of planned raids.

Amber wars

Since illegal amber mining began many competing players have been involved in it. This has led to many clashes between particular groups of diggers and mafia figures. The most frequent cause of these clashes is control of a given mining area; attacks also occur when diggers avoid paying for ‘protection’ (that is *de facto* for mining the deposits without the mafia’s consent). After the Revolution of Dignity ended, the rivalry in illegal amber mining has intensified due

to the collapse of the system of control of this practice in 2011-2013 which had been created by the circles linked to President Yanukovich. At that time illegal amber mining had been fully centralised and Oleksandr Yanukovich, President Yanukovich’s son, together with Artem Pshonka, the son of the then prosecutor general Viktor Pshonka, held control of the sector. With the help of the subordinate state apparatus they had not allowed anyone to mine amber deposits who had not been accepted by the ‘family’⁹.

Between 2011 and 2013 illegal amber extraction was controlled by people affiliated to Viktor Yanukovich. Following his fall from power fights over influence resumed.

Following the fall from power of Yanukovich and his oligarchic clan, fighting over influence was resumed. New criminal groups, which had not been involved in amber mining, started showing an interest in it. The first sign of the beginning of a new amber war was the fight in the Rivne Oblast between a group of several hundred diggers and tens of armed gangsters, led by a former deputy from the Party of Regions, Volodymyr Prodyvus in May 2014¹⁰. In the following months several other clashes with the use of firearms occurred in Polesia¹¹.

⁹ The ‘family’ was defined as an oligarchic clan which gathered around Viktor Yanukovich. For more information about illegal amber mining under the presidency of Viktor Yanukovich read: <https://hromadske.ua/posts/burshtynovi-miliony-viina-za-naibilshe-bahatstvo-rivnenshchyny>

¹⁰ Prodyvus himself has been accused of links with the mafia; <http://4vlada.com/rivne/36235>

¹¹ On 14th March 2016 in the village of Rakitnoye (Rivne Oblast) groups of amber diggers from neighbouring villages clashed which led to three people being wounded; http://censor.net.ua/news/379017/jiteli_dvuh_sel_na_rivnenschine_ustroili_razborki_so_strelboyi_tri_cheloveka_raneny_bolee_10_postradali

Repeated armed incidents (resulting in many wounded people as well as fatalities) in Polesia led the Ukrainian government to make a decision to deploy National Guard troops in April 2016 in order to calm the situation in the region. In July 2016 Prosecutor General Yuri Lutsenko announced the launch of 'Operation Amber', in which over ten representatives of local law enforcement structures, local government and the prosecutor's office in Rivne Oblast were apprehended¹².

Measures taken by the government to crack down on illegal amber mining are regarded as rather insufficient. The police is being prevented from operating by groups of amber diggers.

However, the effectiveness of this move has so far been insignificant and its limited territorial scope (above all Rivne Oblast) has not contributed to a substantial decrease in illegal amber mining. Furthermore, in Polesia there are still fights over profits from this practice – in the first quarter of 2017 there were several clashes, also with the use of firearms and resulting in fatalities¹³. The effectiveness of a specially established staff which has been tasked with preventing illegal amber mining is considered to be rather low – many times police and the National Guard troops are stalled and prevented from operating by groups of diggers who actively resist them¹⁴.

¹² <http://www.radiosvoboda.org/a/27838504.html>

¹³ The latest major clash took place on 16th January 2017 in Olevsk (Zhytomyr Oblast), leaving one person dead; <http://www.pravda.com.ua/news/2017/01/16/7132525/>. Two weeks later, on 28th January, in Likhche (Rivne Oblast) an amber buyer and his father were murdered; http://radiotrek.rv.ua/news/eksklyuzivni_podrobytsi_vchorashnoi_strilyanyu_u_lyuhchi_na_rivnenshchyni_212621.html

¹⁴ Raids carried out by Ukrainian law enforcement agencies often end in the forces withdrawing, faced with resistance from amber diggers – they are not even confiscating pumps and there are incidents where diggers disarmed these forces and their posts in the field were destroyed. For more information on this subject read: <http://4vlada.com/>

The ineffectiveness of the state

Over the 26 years since Ukraine gained independence, its Ukrainian government has several times announced that a law would be adopted in order to regulate the entire sector. However, according to many experts, a new law is not indispensable since there are suitable acts in Ukrainian law (above all, the law on the state's control of extraction and the use of precious metals and gemstones¹⁵) which regulate the process of granting concessions for amber mining. In addition, it is possible to acquire permission to conduct geological and extraction works in order to determine whether there are genuine deposits of amber on a given plot. However, the main problem remains the fact that a complicated legal path to obtaining this concession (requiring consent from several government agencies, among them the State Service on Geology and Mineral Resources of Ukraine, the Ministry of Ecology and Natural Resources of Ukraine, and district councils) has been effectively used to block new entities from entering the amber extraction market. This is amply illustrated by the fact that until 2014 only three companies held such concessions, two of them state-owned and one private company¹⁶.

The effective blocking of concessions has been linked with the fact that, for the majority of people involved in illegal amber mining, the status quo is the most beneficial option since it guarantees enormous profits with no taxes and no state control. However, the lenient punishment¹⁷ for amber extraction without concession remains the main issue of the sector. Furthermore, the trade or other uses (e.g. processing) of illegally extracted amber are still not subject to any punishment in Ukraine.

¹⁵ <http://zakon3.rada.gov.ua/laws/show/637/97-%D0%B2%D1%80>

¹⁶ At present nine companies hold concessions.

¹⁷ Until April 2014, when the provisions were made harsher, it was sufficient to pay a small fine which did not act as a deterrent compared to the scale of profits to be made from amber mining. In addition, courts could only give a suspended prison sentence.

Consequently, the key figures in the entire sector, those who buy amber (from diggers, at lower prices) and smuggle it across the border to sell it at many times the price they originally paid, go unpunished.

Inadequate provisions in the penal code have even led to situations where traders were able to win their amber back after having it confiscated, by taking legal action – most frequently by presenting counterfeit documents (provided by licenced companies) which attest to the amber's legal source, or simply by bribing judges. In consequence, it is amber diggers caught in the act of mining who are the group which bears the brunt of sanctions rather than people who make the most profits from illegal amber extraction.

The basic failure to enforce the law in effect, and Kyiv's reluctance to fight existing corruption systems are the fundamental problems in the sector of amber extraction.

Under the law currently in force, amber mining can be regulated and legalised. It is, however, essential to regulate the amber trade from scratch. At the session of the Verkhovna Rada held on 7th February this year, deputies voted on the 'amber law' which allowed for the introduction of district-based amber markets¹⁸. Nevertheless, not enough deputies voted in favour of it and it was returned to the commission. The draft law stirred much controversy since, instead of legalising amber extraction and trade, it provided a legal basis for preserving the present system, making it easier for the current beneficiaries of the sector – amber mafias - to take over amber plots (by establishing companies for this sole purpose)¹⁹.

¹⁸ <http://dyvys.info/2017/02/16/burshtynovi-zakony-yak-kontrolyuvat/>

¹⁹ <http://informator.news/yak-u-radi-provalyly-lehalizatsiyu-vydobutku-burshtynu/>

Conclusions

The Ukrainian state is not able to contain wide-scale illegal amber mining. Kyiv de facto relinquished control of a part of Polesia to criminal groups which operate in close co-operation with local and central representatives of the police, prosecutor's office, Ukraine's security service and politicians, and make millions of dollars in profits from this practice. The majority of measures taken by the government are ineffective and do not contribute to curbing illegal amber extraction. This stems from the fact that representatives of amber mafias have for years had strong allies in the capital. It also confirms the fundamental problem of the sector – a basic lack of law enforcement and Kyiv's reluctance to fight current corruption systems. Consequently, at the moment only falling prices of amber may lead to a reduction in illegal amber mining in Ukraine.

Predatory amber mining in Ukraine has caused dramatic environmental damages which the Ukrainian government will be coping with for years. Although Kyiv claims approximately 6,000 hectares of forests have been destroyed due to illegal amber mining, according to many experts over ten thousand hectares of forest areas have been affected in total. The government of Volodymyr Groysman has adopted a resolution on the recultivation of soils destroyed by amber diggers, but this move has also caused controversy. According to the resolution, the recultivation should be implemented by two state-owned companies (Ukrburshtyn and Ukraine's Amber) which have so far been associated above all with corruption and the embezzlement of funds from the state budget.

MAP

Amber deposits in Ukraine



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