



# Ukraine: Military Deadlock, Political Crisis

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## I. Overview

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After almost three years and 10,000 deaths, Russia's military intervention continues to define all aspects of Ukrainian political life. The conflict and the Minsk peace process are stalemated, but few days pass without deaths along the line of separation. The deadlock hurts Ukraine most. Indeed, Moscow is close to its main aim: destabilising Ukraine and influencing its policy choices. Russia's victory, however, would be more than local. The trial of strength in the Donbas is also with the U.S. and European Union (EU). Success would reinforce a signal that Russia will defend its perceived national interests by any means necessary. Ukraine still has a good chance of prevailing in the long term, but only if it roots out the corruption that is eating away support for the Poroshenko government. The U.S. and EU must help on both fronts: pressing Kyiv harder for reforms while using strong diplomacy with Russia, including maintaining sanctions, so as to leave President Putin in no doubt he will face firm resistance until he withdraws completely from eastern Ukraine.

Kyiv's main tactic in the confrontation with Russia has been procrastination: faced with a disadvantageous 2015 Minsk agreement imposed by Russian arms, President Petro Poroshenko has hunkered down, arguing plausibly that key terms are politically unpalatable to his country. This has worked well enough with regard to the Russian half of the crisis, but he has used the same delaying tactics toward another crucial problem, the struggle against corruption. That failure to act has alienated the public and alarmed Ukraine's foreign backers. Moscow's tone has hardened since the election of Donald Trump in the U.S. Kyiv's allies are increasingly worried that the inaction on corruption is dangerous, and a senior Poroshenko administration figure warned Crisis Group recently that "time is on Putin's side".

More and more, Kyiv feels alone. Hopes for its EU perspective have not materialised. Top Ukrainian officials are dismissive of the EU and critical of what they say is grudging U.S. military assistance. Meanwhile, as more potentially damaging allegations of corruption in the military sector emerge, their inability or unwillingness to follow through on reforms and anti-corruption legislation is eating away at American and European patience and their own domestic support. Relations have evaporated with the Maidan activists, who essentially brought Poroshenko to power. The growing assumption in public discourse and in government offices is that the top leadership of the country is incorrigibly corrupt.

The deepening political disillusionment and malaise in Kyiv could soon produce major consequences. Russia has been pursuing a two-track policy in Ukraine, with the ultimate goal of rolling back Western influence in a country it considers a prime example of its “privileged interests”. If it succeeds in solidifying the two Donbas political entities, it will be able to tell its own people plausibly that NATO’s seemingly inexorable advance to Russia’s borders since the Soviet Union’s disintegration has finally been stopped. Moscow has also encouraged and assisted pro-Russian parties to drastically increase their influence throughout the country’s local and national legislatures. This scenario has not yet been successful, but with rising prices, continuing scandals and a steady collapse of the president and his allies in polls, it now has at least modest odds of being realised.

Politicians of all persuasions are convinced that Poroshenko’s majority in the Rada (parliament) will collapse, probably in the first part of 2017, and new elections will follow. The parties gaining ground are sympathetic to the Russian world view and in many cases keen to restore the pre-Maidan state of affairs. One emphasises, in private at least, its closeness to Moscow. The presence of a substantial group of pro-Russian politicians in the parliament would further weaken the reform faction and possibly result in politics overflowing onto the streets, as in 2004 and 2014.

To shore up the situation, the U.S., EU and other backers of Ukraine need to keep pressure on Moscow and intensify it on Kyiv. Russia should be reminded that sanctions will be maintained and its aspirations to regain acceptance as a responsible great power thwarted until it pulls out of eastern Ukraine. Washington and Brussels should keep the sovereignty question at the top of the agenda in all talks with Moscow on Ukraine and related European matters. Russia should also be reminded that an unequivocal, binding undertaking to dismantle the Donbas separatist entities and respect the sovereignty of all independent states in the region could open up a new period of mutually beneficial cooperation with the West as well as with Ukraine. This will be a hard sell: Moscow has shown no interest in compromise over the Donbas and appears to believe the situations in Europe and the U.S. are moving in its favour.

Ukraine’s allies will also have to take a much tougher line with the Kyiv leadership. A good start might be to present the president with any credible allegations of corruption implicating any close associates and business partners, insist he move swiftly in particular cases to remove individuals from office or deny them access to major government revenue streams, investigate and, where the evidence justifies, bring them to speedy trials. To retain credibility at home or abroad, the leadership must act dramatically on corruption.

## **II. Russia’s Strategies**

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### **A. *In the East***

Russia reacted to the 2014 overthrow of President Viktor Yanukovich as a direct threat to its own security, another U.S.-instigated “coloured revolution” designed to encircle it and further proof that the West was determined to ignore its claim to an area of “privileged interests” within its neighbourhood.<sup>1</sup> The risk of Ukraine joining NATO, however remote, was considered unacceptable. “It was necessary to stop the

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<sup>1</sup> The term comes from an interview given by then President Dmitry Medvedev, Russian TV channels, 31 August 2008. The full text can be found at [www.vesti.ru/doc.html?id=205510](http://www.vesti.ru/doc.html?id=205510).

extension of the West's zone of military and political influence and control", said Sergei Karaganov, a strong supporter of the Kremlin line. "This was done".<sup>2</sup>

Moscow quickly annexed Crimea and set up the two Donbas breakaway entities, the self-proclaimed People's Republics of Luhansk (LNR) and Donetsk (DNR), but soon abandoned more extensive plans. As a loyal Moscow think tank put it:

Calculations for the destabilisation of the situation proved to be inaccurate and the LNR and DNR failed to receive support in other regions of south-east Ukraine outside of Donbas. As a result, the initiative to create a large-scale protest movement throughout southern and eastern Ukraine that was about to take place in spring 2014 had to be dropped.<sup>3</sup>

Russia is paying a high price for its intervention. Western sanctions have shaved off 1 per cent of annual growth, according to Russian estimates. Moscow pays salaries, pensions, social benefits in the two enclaves and trains, funds and supplies their militaries. It maintains an estimated 5,000-6,000 regular troops on the ground to guarantee security, with many more just over the border in Russia. The enclaves are poorly administered and corrupt, but this does not matter, a well-placed Russian observer remarked recently. Moscow has "found the way to keep a bleeding wound" in Ukraine's body.<sup>4</sup>

#### 1. Minsk

The instrument to achieve this is the Minsk process. The two agreements it has produced thus far, in October 2014 and February 2015, came at a grim cost for Ukraine. The first followed the loss of about 1,000 troops during Russia's initial major offensive in summer 2014, when regular units crossed the border and repelled what had been a successful Ukrainian operation. The second, an extension of the first, was negotiated during another Russian military intervention, which again resulted in heavy Ukrainian military and civilian casualties.

The February 2015 document's thirteen points gave Russia almost everything it wanted: an autonomous territory abutting the border with its own armed militia and administrative and justice system, guaranteed by permanent – a word Russian officials regularly stress – legislation and changes to Ukraine's constitution.<sup>5</sup> Kyiv would not control the enclaves but would pay for their upkeep. Russia, their sole source of military, political and economic support, insists it recognises Ukraine's sovereignty over them and regularly denies it has troops on the ground. It hopes that the elections in the enclaves Minsk stipulates will produce political groupings and local

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<sup>2</sup> "Сергей Караганов: 'Часть российских элит – в прострации, а часть хочет, чтобы все рухнуло'" ["One part of the Russian elite is in prostration, another part wants everything to fall apart"], *Business Gazeta*, 29 February 2016. Since the collapse of the Soviet Union in 1991, NATO has grown from twelve to 28 members, all except one of the intake either a former Soviet republic or a Warsaw Pact member.

<sup>3</sup> "The Ukrainian Challenge for Russia", Russian International Affairs Council, July 2015, at [rusiancouncil.ru/en/paper24](http://rusiancouncil.ru/en/paper24).

<sup>4</sup> Crisis Group interview, November 2016. The term "bleeding wound" (кровоточащая рана) was famously used by Mikhail Gorbachev to describe the impact of its Afghanistan war on the Soviet Union.

<sup>5</sup> An English version of the text is available at [https://en.wikipedia.org/wiki/Minsk\\_II](https://en.wikipedia.org/wiki/Minsk_II). The document says that the appointment of judges etc. will be carried out with the participation of the local government. In fact, the DNR and LNR have both created supreme courts as well as appointed many judges.

leaders who can eventually negotiate with Kyiv on an equal footing and sooner or later enter the Ukrainian parliament.

Though the agreement has stopped large-scale fighting and served as a basis for talks that have managed the conflict with fluctuating success, Western ambassadors were privately aghast at its terms. A “terrible document”, said one, “the euthanasia of a sovereign state”.<sup>6</sup> Asked why President Poroshenko had agreed to be bound by it, another answered simply, “his army was on its back”. Russia, whose troops were mopping up Ukrainian positions in Debaltseve during the negotiation, was allowed to publicly declare itself a guarantor of the agreement, not a conflict participant.<sup>7</sup>

Moscow consistently demands the “total and literal implementation of the Minsk agreement”. While many Western politicians and observers assume that the agreement is intended to return the situation to the status quo ante, Russian commentators explicitly deny this. The aim, a Russian think tank explained, is to create a situation in which “neither participant feels it has lost” and each “receives reliable guarantees regarding the maintenance of the status quo in the future”.<sup>8</sup> Russian analysts working on Minsk have also stated that the separatist areas would not be dismantled, and Moscow rarely misses an opportunity to slap down anyone who suggests anything different. When in late 2016 Croatia announced the creation of a working group with Ukraine to share experiences of peaceful post-conflict reintegration, the Russian foreign ministry expressed “serious concern”, saying that would only distract Ukraine from its responsibilities to implement Minsk.<sup>9</sup>

While Russia has most of what it wanted for the separatist entities, the important missing ingredient is Ukrainian funding for the enclaves, foreseen in the agreement but as yet not forthcoming. The resulting financial burden for Moscow is heavy and worrying, but not enough to force concessions.

## 2. Minsk in broader Russian strategy

The Donbas and its other major external projection of power, Syria, are part of Russia’s struggle to push back against perceived Western domination and reassert itself as a world power, not just a regional one, as President Obama once described it, to Moscow’s irritation. Government and presidential administration analysts are already reassessing their strategic scenarios after the election of Donald Trump. They caution against euphoria but make clear they believe the gains of “détente”, as they term it, with the Trump administration could be enormous.

A long article published by an authoritative analytical centre connected to the presidential administration laid out an optimistic best-case scenario in discussing the “American factor” in Russia’s 2018 presidential elections. Détente, it said, would include Russia and the U.S. jointly destroying the Islamic State (IS) in Syria and

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<sup>6</sup> Crisis Group interview, Kyiv, April 2015.

<sup>7</sup> “We simply physically cannot do this, because Russia is not a participant in this conflict”, Dmitry Peskov, President Putin’s spokesman, stated. “Песков: Россия – гарант урегулирования на Украине, но не исполнитель” [“Peskov: Russia acts as a guarantor of the regulation of the situation in Ukraine, but not as an executor”], RIA Novosti, 13 February 2015.

<sup>8</sup> “Ошибка Порошенко: Как Украина потеряла время” [“Poroshenko’s mistake: how Ukraine lost its time”], Centre for Current Policy, 11 November 2016.

<sup>9</sup> “МИД России обеспокоен планами Хорватии передать Украине опыт реинтеграции территорий” [“Russian MFA is concerned about Croatia’s plans of transferring its experience of territorial reintegration to Ukraine”], Russia Today, 22 November 2016.

Washington publicly dropping the idea of regime change in Damascus. The two countries would work together to combat terrorism elsewhere, and Western sanctions would be cancelled by the end of 2017 – “without any serious concessions on the Donbas”. This would ensure Vladimir Putin’s re-election and be depicted to the public as “revenge for the loss of the Cold War” and proof that Russia’s line had been correct from the start. Russia meanwhile would return to the world stage as “a global power”. The worst-case scenario, on the other hand, it noted, could possibly trigger resumption of hostilities in Ukraine or unspecified “non-standard moves in Central Asia or the Near East”.<sup>10</sup>

### 3. Minsk implementation

None of the thirteen points in the Minsk agreement have been implemented in full. The Minsk process was to have been completed by the end of 2015, but officials are now loath to predict a date. “We continue to meet solely to keep the channels open in case one day we will have something to discuss”, said a senior European participant in the process. In the latest effort to show a modicum of forward movement, the presidents of the four countries that make up the Normandy Group that oversees and tries to nudge the process along (France, Germany, Russia, Ukraine) announced in October that a “roadmap” was to be prepared. It is to be quite modest, not changing the agreement, but only indicating dates for each key step. And it would not be new: the original February 2015 document already had clear timeframes for implementing the main steps. The road map was to have been ready by the beginning of December. It is now expected no earlier than the first quarter of 2017.

### 4. Minsk and Kyiv

It was clear from the start in Kyiv that the core of the agreement – an undertaking to pass a new constitution by the end of 2015 and to draw up permanent legislation on the special status of the two enclaves – would never get through parliament, though Ukraine’s Western partners have sought compromise options. What would almost inevitably be seen as an effort by a Ukrainian leader to change the constitution on Russia’s instructions would likely trigger a legislative revolt and massive street unrest. A new Maidan or uprisings by the poorly organised but militant and volatile volunteer units could not be ruled out. Poroshenko accordingly has opted to play for time.

### B. *In Domestic Politics – the Second Front?*<sup>11</sup>

When the government of Arseniy Yatsenyuk collapsed in March 2016, Vladimir Groysman, a long-time associate of the president, became prime minister. The new

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<sup>10</sup> “Американский фактор в президентской гонке в России” [“American factor in presidential race in Russia”], Actual Comments, 6 December 2016.

<sup>11</sup> Sources for this section include numerous meetings with an Opposition Bloc (OB) strategist and others close to party leaders over the past year. Though Ukraine and Russia are essentially at war, there are no prohibitions against travel to Moscow, and visas are not required. Putin’s main Ukraine point person, Vladislav Surkov, is plausibly reported to have visited Kyiv several times during the Donbas crisis. Aides to former Russian Finance Minister Alexei Kudrin have had informal talks with Ukrainian parliamentarians; senior Russian officials have joined “track two” talks; and a close friend of the Russian president, Ukrainian businessman Viktor Medvedchuk, acts as a trouble shooter for Minsk-related humanitarian and other issues. Medvedchuk, who is based in Kyiv, is also said to provide an important backchannel for communications between Putin and Poroshenko.

government was given a year to push through reforms. It has had mixed results, and most politicians and observers expect he will lose a confidence vote in the spring – “unless there is violence in the streets first”, a senior Rada deputy said.<sup>12</sup>

The steady decline in the opinion poll ratings of both President Poroshenko and his supporters in the Rada has galvanised the opposition, in particular two parties: former Prime Minister Yuliya Tymoshenko’s *Batkivshchyna* and what is essentially the new incarnation of Yanukovich’s Party of the Regions, *Opposition Bloc (OB)*.

OB says it has a “discreet” electoral alliance with *Batkivshchyna*, close relations with Kremlin officials and that at least one of its leaders has discussed the Ukrainian situation recently with President Putin. It asserts that Tymoshenko’s party is also talking at a high level to Moscow but complains it is not kept informed. *Batkivshchyna* is reticent about its relationship with OB, and a leader protested that its representatives did not travel to Moscow “that often”. Government officials and other parliamentarians believe the two parties are working together. *Batkivshchyna* as a party and Tymoshenko as a possible president usually come out at the top of opinion polls, with Poroshenko’s *Block “Solidarity”* and OB battling for the second position.

With the addition of one of the parties that usually support either OB or *Batkivshchyna*, the putative alliance would likely substantially outnumber the president’s supporters in any new parliament and probably be able to increase that margin by winning over additional groups with promises of government positions or other blandishments. An OB strategist said his party could add considerably to its own core vote if its overly comfortable leaders stirred themselves to work harder.

Tymoshenko is one of Ukraine’s most formidable campaigners, with a serious nationwide structure and a history of working well with Russia. Like most senior politicians, she is also widely viewed as corrupt.<sup>13</sup> And, like the president, she firmly dismisses such allegations.<sup>14</sup> Her party cooperated with OB in November 2016 in demonstrations against rising food prices; Ukrainian security officials, without offering evidence, suggested the Kremlin might have had a hand in the protests. OB’s leaders include Ukraine’s richest oligarchs, but it targets pensioners and low income voters with promises of a better life, more law and order and an end to social turmoil. Another aim, less often voiced in public, is return to the Yanukovich-era big business friendly climate: “a normal Ukraine, but without Yanukovich”, as one of its strategists put it.<sup>15</sup>

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<sup>12</sup> Crisis Group interview, Kyiv, 11 November 2016.

<sup>13</sup> A poll commissioned in July 2016 for by *Novoe Vremya*, an influential news magazine, ranked Tymoshenko as the third most corrupt person in Ukraine. The president came in first.

<sup>14</sup> President Poroshenko, for example, dismissed as “lies” the latest such allegations against him, by Alexander Onishchenko, one of the country’s richest businessmen, who is currently under investigation for financial machinations and treason. Onishchenko claimed to have taped business conversations with the president and supposed representatives. For more details see “СМИ опубликовали первую запись так называемых ‘пленок Онищенко’” [“Media has published the so-called ‘Onishenko’s tapes’”], *Zerkalo Nedeli*, 6 December 2016. The presidential administration described the allegations as “absolute lies” and politically motivated, while the president’s office surmised that Onishchenko was “an agent of the Kremlin” in “Russia’s hybrid war against Ukraine”. “В АП прокомментировали заявления А.Онищенко о политкоррупции” [“Presidential Administration of Russia commented on A. Onishchenko’s statements about political corruption”], UNN News Service, 7 December 2016.

<sup>15</sup> Crisis Group interview, Kyiv, April 2016.

A number of key OB figures have extensive holdings in the separatist-controlled areas, and regional government officials say the party is the dominant political machine in large parts of the south east, including the government-controlled parts of Donetsk and Luhansk. Members are also believed to be still functioning in the occupied east. But OB has problems: its top leadership will not, according to a senior party operative, throw themselves or their money wholeheartedly into the campaign. Leadership is also shared between several major oligarchs, who do not always see eye to eye. Russia is deeply suspicious of the motives of one whom it views as pro-European.

Most OB leaders made massive fortunes at spectacular speed, largely during the Yanukovych era, and some fear the government could open legal cases against them or their property should they be too politically active. Both parties speak generally of a new start with Russia, a less hostile atmosphere in discussions on Donbas's future and a greater willingness to listen to Kremlin ideas. Moscow's track record shows little inclination to make concessions, but, a Russian official commented, the Kremlin has had plenty of experience in dealing with them, and friendly faces in the Rada would be welcome.<sup>16</sup>

### III. **Playing for Time**

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Poroshenko is, an admirer says, “the master of procrastination”, and has used that quality brilliantly to minimise the damage Russia can inflict on Ukraine under the Minsk agreement. He has put his head down, said little and explained when challenged that he can do nothing. On at least one occasion, he has telephoned Kazakhstan's president, Nursultan Nazarbayev, to explain that he did not have the parliamentary votes to pass the key laws on the status of the enclaves and ask Nazarbayev to pass the word to Putin. Nazarbayev did so, receiving no public response from Moscow.<sup>17</sup>

Many of Poroshenko's supporters in Ukraine and abroad wish he would do more. To their repeated dismay, he has done nothing, diplomats working on the subject say, “to put Russia on the back foot” by forcing Moscow to explain its position rather than allowing it a free hand to criticise Kyiv for not implementing Minsk. Aides have long suggested he declare the eastern enclaves occupied zones, and parliamentarians have prepared legislation on this. He has neither done this, nor explained his reasoning. Neither has he reached out to the population of the enclaves to express solidarity or concern for their difficult situation.<sup>18</sup>

Kyiv has its own complaints. U.S. military aid is far below needs, officials say, while Washington demands much and provides little. At one point in mid-2016, a senior U.S. official came to Kyiv to urge agreement to speedy elections in the enclaves. Kyiv rejects this for a number of reasons, the most practical of which is that the elections would essentially be organised by the two Russian-installed separatist leaders, and senior officials were incensed. “Like hell we'll agree to that”, said the security adviser to a senior member of the administration. They also complain that, to the chagrin of many U.S. officials and members of Congress, President Obama

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<sup>16</sup> Crisis Group telephone interview, Russian government official, 4 December 2016.

<sup>17</sup> *Komsomolskaya Pravda*, 24 August 2016.

<sup>18</sup> The subject has been a frequent element in Crisis Group interviews since early 2015 with presidential administration staff, senior members of the legislature and senior Kyiv-based diplomats.

has consistently refused to provide lethal weapons. A top official succinctly laid out Kyiv's grievances:

The U.S. smiles sympathetically at us, but that's about it. Rusty Humvees are not aid. We need advanced weapons or the credits to produce them. We need a clear signal from Washington that they are committed to our survival.<sup>19</sup>

Meanwhile, he and others say, Russia is testing new military equipment and weaponry in the east – “experimenting on Ukrainian troops” – from armour to weapons location systems, and improved versions of its already effective technology for disrupting battlefield communications.<sup>20</sup> A number of military commanders say they need battlefield intelligence rather than sophisticated weaponry. Better weapons would be politically useful, as a clear signal to Moscow of the West's determination. On the battlefield, however, Russia would probably respond with a further escalation of its own weapons, a combat commander consistently says.<sup>21</sup> Residual Western concern about Russian penetration of the Ukrainian military and security structures still limits the amount of intelligence support provided to troops. The harshest criticism is often reserved for the EU. “Europe is shaky”, the senior official said. “It is afraid to fight, so will never be a major international force”. Another said the EU's focus on long-term resilience was good, but woefully insufficient in the short term.<sup>22</sup>

The president has adopted the same procrastination tactics with regard to corruption, Western officials and domestic critics say. The impression is growing among foreign observers and many Ukrainians, including officials active in the war effort, that he presides over a system he cannot reform.<sup>23</sup> An increasing number of critics say he may not want to. He has resisted removal, let alone investigation of close associates and aides suspected of corruption. He resisted for months, for example, before removing a particularly controversial figure, Prosecutor-General Viktor Shokin.<sup>24</sup> Poroshenko “played deaf for weeks, months”, said an ambassador. “It was quite amazing”. When the head of state of one of Ukraine's strongest supporters raised Shokin with him, another diplomat recalled, “President Poroshenko said it was hard to find qualified candidates for such positions”.<sup>25</sup>

International backers are increasingly impatient. An influential European ambassador regularly called for dramatic measures, saying bodies of corrupt officials needed, figuratively, to be seen hanging from lamp posts. Even the usually cautious International Monetary Fund (IMF) recently signalled deep unhappiness. In November

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<sup>19</sup> Crisis Group interview, Kyiv, 26 November 2016. The White House has argued that such weapons would not deter Russia and could well provoke it to escalate in Donbas. Supporters of more weapons in the administration and Congress argue that advanced weapons would inflict more casualties on Russian regular troops, thus increasing domestic pressure on Putin.

<sup>20</sup> Crisis Group interviews, senior official, Kyiv, 26 November; Professor Vladimir Gorbulin, presidential adviser, director of the National Institute for Strategic Studies, Kyiv, 25 October, 2016.

<sup>21</sup> Crisis Group interviews, Kyiv and eastern Ukraine, August, October 2015.

<sup>22</sup> Crisis Group interview, Kyiv, October 2016.

<sup>23</sup> Some steps have been taken, such as disclosure in October of assets by officials and parliamentarians who displayed vast wealth; this also indicated some of the difficulties in tackling a legacy of two decades of high-level corruption.

<sup>24</sup> For criticism of Shokin and his denials of wrong doing, see, inter alia, “Ukraine's unyielding corruption”, *The New York Times*, 31 March 2016. “Шокин опровергает информацию о гражданской жене с имуществом и обещает судиться с журналистами” [“Shokin denied information about his civil marriage and promised to take legal action against journalists”], 112.ua, 29 July 2016.

<sup>25</sup> Crisis Group interview, senior diplomat covering Ukraine, April 2016.

2016, a mission visited without approving another tranche of a four-year loan. This was an embarrassment and disappointment for the government, which had publicly predicted the tranche. After polite words about the economy, the IMF's final press statement was blunt: "Decisive steps particularly need to be taken to fight corruption, which remains the most frequently mentioned obstacle to doing business in Ukraine". New institutions, including the National Anti-corruption Bureau of Ukraine (NABU), have been created, but, the statement continued, "tangible results in prosecuting and convicting corrupt high-level officials and recovering proceeds from corruption have yet to be achieved".<sup>26</sup>

Other international supporters of the Poroshenko administration have been somewhat more encouraging. A recent EU press release stated that "Ukraine is carrying out unprecedented reforms" and quoted EU High Representative Federica Mogherini as praising the work done by the authorities. "It is now crucial to move from passing legislation and setting up institutions to full implementation of these reforms so that Ukrainian citizens can reap the benefits", she added. "Ukraine can count on the European Union's support moving forward".<sup>27</sup>

The main reform-oriented NGO coalition, "Reanimation Package of Reforms", continues to push a thoroughgoing agenda, with determination but limited success. Its roadmap for 2017 calls, inter alia, for full implementation of constitutional amendments on the judiciary and establishment of a new Supreme Court and anti-corruption courts "to make the punishment for high-profile corruption inevitable".<sup>28</sup>

In Kyiv, however, discussion has shifted to corruption in a particularly sensitive area, the war effort. Corruption and incompetence within the highest echelons of the armed forces have since the beginning been viewed as one of the most important threats to the Ukrainian effort. Once again, little has been done to address this. Eighteen months ago, a government security adviser described the high command as "75 per cent of the problem". The situation is unchanged. A top security official, challenged in December about regular complaints, particularly from front-line officers, of high level incompetence and corruption, acknowledged the grievance. But, he noted, any changes in the high command are "a prerogative of the president". Asked why the president did nothing, he referred tersely to Poroshenko's well-known reluctance to replace officials he has worked with for years.<sup>29</sup>

More recently, indications surfaced that corruption had extended to the defence industries. In February 2016, the economic development and trade minister, Aivaras Abromavicius, a Lithuanian investment banker, resigned and accused senior members of the ruling Bloc Petro Poroshenko party of trying to impose on him unqualified deputies, in circumvention of official channels. One was to be a new deputy min-

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<sup>26</sup> "Statement at the conclusion of the IMF Mission to Ukraine", IMF, 18 November 2016. Senior Ukrainian officials say that the top leadership is becoming increasingly critical of NABU. One described it as a Western-backed effort to undermine the country's leadership. Crisis Group interview, senior official, Kyiv, 14 December 2016.

<sup>27</sup> "EU report: Ukraine carrying out unprecedented reforms", press release, European Commission, 13 December 2016.

<sup>28</sup> Reanimation Package of Reforms, <http://rpr.org.ua/en>.

<sup>29</sup> Crisis Group interview, Kyiv, 28 October 2016.

ister overseeing the defence industries. In a highly unusual gesture, ten ambassadors issued a joint letter expressing their disappointment at the resignation.<sup>30</sup>

The issue continues to attract attention and could inflict further serious damage on the president's domestic and international reputation. The investigative newspaper Ukrainian Pravda claimed in December 2016 that the abuses were continuing, and politician-business people close to the president were still appointing their own people to key positions.<sup>31</sup> More striking is that the problem is now raised by senior officials in government offices and conversations with outsiders. "The issue has been around for months", one said. "They claim that the president has sold the country to the Russians and is even benefiting from the military budget. I don't believe it, but as for those around him ..."<sup>32</sup>

Poroshenko supporters, in both the Rada and the presidential administration, explained in interviews the president's refusal to move against close associates by his conviction that in difficult times he needs to stick with the few tried and trusted associates on whom he has relied for years. He is very much a loner and a micro-manager, they say – foreign policy is made in the president's office, for example, not the foreign ministry. Such loyalty, however, is seriously damaging his reputation and undermining trust in his leadership.

At the moment, the general mood seems to be resignation and depression rather than violent anger. "I was planning to go into politics last year", said the head of a military veterans organisation. "Then I realised the illness has metastasised throughout the [political] system and I gave up".<sup>33</sup> It has, however, become more common to encounter discussion among analysts and activists of the theoretical need for a "military interval" in Ukraine's political development, a way to break the system of corruption that has taken root.

Meanwhile, Russia is ratcheting up pressure. Three days after the Trump election, a biting Russian analysis of the Ukrainian situation zeroed in on Poroshenko's main tactic. Instead of buying time, it warned, he had lost it. The article poured scorn on the "illusion" of a return to the pre-February 2014 situation, rejecting the Ukrainian position that "an end to the Donbas conflict is possible only through the total liquidation of one side in the conflict – the DNR-LNR". "In the future", it concluded, "he or his successor will have either to accept the loss of sovereignty over a part of the Donbas, or accept a peace agreement on disadvantageous conditions".<sup>34</sup>

Close observers tend to feel that Poroshenko's gambit of playing for time may no longer serve him well. "The president has never understood that time is a commodity in desperately short supply in Ukraine", a Western ambassador said.<sup>35</sup>

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<sup>30</sup> Novoe Vremya, 3 February 2016. The ambassadors' statement read in part: "It is important that Ukraine's leaders set aside their parochial differences, put the vested interests that have hindered the country's progress for decades squarely in the past, and press forward on vital reforms".

<sup>31</sup> "Война и бизнес. Как друзья Порошенко контролируют миллиардные заказы Укроборонпрома. Часть 1" ["War and Business, how friends of Poroshenko control billions worth of Ukrainian defense industry orders, Part 1"], Ukrayinska Pravda, 1 December 2016.

<sup>32</sup> Crisis Group interview, Kyiv, 4 December 2016.

<sup>33</sup> Crisis Group interview, Kyiv, 30 November 2016.

<sup>34</sup> Centre for Current Policy, op. cit.

<sup>35</sup> Crisis Group interview, Kyiv, April 2016.

#### **IV. Conclusion**

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Ukraine is reaping the bitter fruit of the last twenty years of its development, which has led to the formation of an oligarchic societal system that has parasitised on its Soviet inheritance, imitated market and democratic processes and institutions, polarised Ukrainian society, put the brakes on the development of the middle class, deformed political culture, created a dependent foreign policy totally lacking in initiative and undermined the potential of the armed forces.<sup>36</sup>

This withering diagnosis, by a defence and military adviser to the president, succinctly summarises the crisis. None of the problems he outlines have been addressed. The key scourge of the past generation, corruption that spreads into every interstice of government, diverting massive sums from the budget, is largely untouched. Concern is growing. The number of Poroshenko supporters who argue that any criticism of the president advances the Russian cause is declining. Even government advisers feel the leadership either cannot or will not change the system.

Kyiv's supporters in Europe and the U.S. continue to push diligently on the corruption issue but do not seem to have gained any purchase. The risk is that they will be tempted to use presidential inaction as an excuse to quietly walk away from Ukraine in the next year or two. There would be serious consequences if that happened: for Ukraine surely, but potentially also for other countries in the region, including EU and NATO members, who are deeply concerned by Moscow's increasingly assertive policy.

An approach to consider would be a joint *démarche* to the president from Ukraine's main supporters, including the handover of a list of the most egregious suspects of high-level corruption that involves billions, not millions of dollars. Poroshenko would be advised that outside support – political and diplomatic, economic and military – risks being seriously curtailed unless he immediately takes energetic, public and unambiguous action to address the widespread allegations of corruption within his entourage. He would be pressed to institute a transparent investigation, followed, in all cases where results justify, by speedy trials, and to ensure that the legal process proceeds without interference.

The rationale for this is clear: corruption is now as great a threat to the Ukrainian state as Russian intervention in the east. Its leader should, therefore, move and be seen to move aggressively. Even if he responds as he has to other calls for action on corruption – with silence or inaction – the U.S. and EU should simultaneously stress to Moscow on all possible occasions that they will accept neither the violation that is occurring of Ukrainian sovereignty nor any further effort by Russia to infringe on neighbours' sovereignty. The potential impact of the message to Moscow, however, will depend to a large degree on the political courage and commitment shown by the Ukrainian leadership.

**Kyiv/Brussels, 19 December 2016**

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<sup>36</sup> Vladimir Gorbulin, "Есть ли жизнь после Минска?" ["Is there life after Minsk?"], *Zerkalo Nedeli*, 12 February 2016.



International Crisis Group

**Headquarters**

Avenue Louise 149, 1050 Brussels, Belgium

Tel: +32 2 502 90 38. Fax: +32 2 502 50 38

[brussels@crisisgroup.org](mailto:brussels@crisisgroup.org)

**New York Office**

[newyork@crisisgroup.org](mailto:newyork@crisisgroup.org)

**Washington Office**

[washington@crisisgroup.org](mailto:washington@crisisgroup.org)

**London Office**

[london@crisisgroup.org](mailto:london@crisisgroup.org)

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