



BRIEFING PAPER

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Ukraine - summary of developments in 2015 and 2016

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Summary

Fighting between Ukrainian government forces and Russian-backed separatists has killed more than 9,000 people since April 2014 and injured more than 20,000. It has died down in recent months. Ukrainian President Poroshenko made a relatively upbeat speech at the start of 2016, saying that “Ukraine’s enemy” was “losing its willingness to continue its offensive.”¹

The situation could easily deteriorate, however, as it has done in the past, and Ukraine’s economy remains weak.

Some have suggested that a tacit deal might be possible between Russia and the West whereby Russian cooperation in Syria might coincide with compromises on Crimea and eastern Ukraine. This is not the UK government’s professed policy.

Head of State: President Petro Poroshenko

Head of Government: Prime Minister Arseniy Yatsenyuk

Last election: Legislative, 26 October 2014

Next election: Presidential, due 2019



[Map courtesy of University of Texas](#)

¹ [‘Poroshenko: Ukraine To Restore Control Over East This Year’](#), RFE/RL, 14 January 2016

1. Conflict developments

1.1 Minsk peace plans

On 12 February 2015 a new peace agreement, Minsk II, was signed by Russia, Ukraine, France, Germany and the two breakaway 'republics' of eastern Ukraine. The agreement provided for a ceasefire, the withdrawal by both sides of heavy weaponry from the front line, prisoner releases and constitutional amendments to allow for more autonomy for the two eastern regions. The agreement was endorsed by a UN Security Council resolution.²

The ceasefire was only partially observed, and a battle took place over the town of Debaltseve, which rebel forces took control of in late February.

In March the Ukrainian parliament passed a law granting special status and enhanced autonomy to certain parts of the breakaway regions of Luhansk and Donetsk. The Russian government rejected the proposals as insufficient to comply with the Minsk II agreement.

Ceasefire violations continued, particularly around the town of Mariupol on the Black Sea coast, leading observers to worry that rebel forces might be planning to take territory to connect areas they held with Russian-annexed Crimea. In May, Russian Ukrainian and rebel representatives met again in Minsk and agreed measures to strengthen the implementation of the peace plan.

Several former officials of the ousted Yanukovich government were shot dead in Ukraine during the spring, as was one pro-Russian journalist.

In August, the ceasefire was again reinforced and led to a significant reduction in hostilities, although the UN warned in December that violence could easily flare up again at any time.³

In September, the OSCE monitoring mission found new evidence of Russian support to rebel forces: the rebels had been using the powerful Russian-made Buratino missile system.⁴ Russia denied accusations that it is arming the rebels. Also in October, the de facto authorities of the two breakaway republics postponed elections that were due to be held at the end of the month, after pressure from the Minsk signatories. They would now be held in February 2016.

On 3 December the UK government expressed its concern about the conflict at an OSCE ministerial council in Belgrade and called on Russia to withdraw heavy weapons and personnel.⁵

On December 23, thousands of Ukrainians in the west of the country were left without electricity. It emerged that the power cut had been caused by the insertion of malware in the computer networks governing power systems. The Ukrainian government blamed the incident on Russia. This was reportedly the first time that electricity supplies had been targeted in cyber-attacks.⁶

² [UN Security Council Resolution 2202 \(2015\)](#), 17 February 2015

³ ['Ukraine could again slip into cycle of calm giving way to savage fighting – senior UN rights official'](#), *UN press release*, 11 December 2015

⁴ ['Latest from OSCE Special Monitoring Mission \(SMM\) to Ukraine based on information received as of 27 September 2015'](#), OSCE Special Monitoring Mission to Ukraine, Daily report, 28 September 2015

⁵ [Written statement - HCWS398, 15 December 2015](#)

⁶ ['Ukrainian blackout blamed on cyber-attack'](#), *Daily Telegraph*, 5 January 2015

1.2 Crimea

Russia has been acting to consolidate its hold over the Crimean peninsula, investing money in the territory and encouraging Russians to holiday there. There are considerable economic difficulties for Crimean residents however, as the area is being hit by the EU's sanctions against Russia.⁷

A dispute over power supplies broke out in 2016. Ukraine refused to renew an electricity supply contract for Crimea that expired on 1 January. Crimean leaders had also declined to renew the contract, according to the Ukrainian government. Ukrainian President Poroshenko said that power would be supplied if Crimea re-joined Ukraine.⁸

1.3 MH17

In October the Dutch air crash investigators concluded that Malaysian Airlines flight MH17 was brought down by a surface to air missile launched by the Russian-made Buk system. No attempt was made in the report to apportion blame. The Netherlands, Belgium, Ukraine, Australia, and Malaysia have formed a Joint Investigation Team to pursue criminal enquiries, whose initial report is reportedly due in mid-February 2016.⁹ A draft UN resolution was presented by Malaysia in July 2015 to establish a UN special tribunal to try those accused of bringing down the airliner. Russia vetoed the draft resolution.¹⁰ Without Russia cooperation, the criminal investigation will find it difficult to name those responsible for the disaster.

⁷ ['Ukraine crisis: Putin shows who is boss in Crimea'](#), *BBC News Online*, 19 August 2015

⁸ ['Poroshenko Says No More Power For Crimea Until Rejoins Ukraine'](#), *RFE/RL*, 15 January 2016

⁹ [" OPINION: Will MH17 investigation report mean justice for all?"](#), *Flight International*, 16 October 2015

¹⁰ ['Security Council Fails to Adopt Resolution on Tribunal for Malaysia Airlines Crash in Ukraine, Amid Calls for Accountability, Justice for Victims'](#), UN Security Council press release, 29 July 2015

2. International relations

Germany and France remain the most important European powers in relation to the Ukraine conflict. These two countries, along with representatives of Ukraine, the rebels and Russia, negotiated the Minsk agreements. The US has taken a lower-profile role with Ukraine, according to some sources 'outsourcing' the Western leadership over Ukraine to the German government.¹¹

2.1 EU

Despite the conflict in the east, the EU continued to work towards closer relations with Ukraine. The two sides signed the Association Agreement in June 2014, setting up an EU-Ukraine Association Council to discuss political and economic reforms and cooperation. This council has had two meetings so far, the second of which was chaired by the Ukrainian side and took place in December 2015.¹² The Deep and Comprehensive Free Trade Area associated with the agreement came into force on 1 January 2016. Ukraine will adopt most of the EU's standards on industrial, food and other products and also rules on competition, intellectual property, public procurement and services, in order to gain access to the EU market.¹³

On 18 January 2016 an informal paper signed by the UK and Germany among others was circulated at an EU foreign ministers' meeting. It called on Ukraine to speed up reforms and its moves towards the EU, as "the best retort to Russian aggression, propaganda and pressure". One recommendation was to create a deputy prime minister for European integration.¹⁴

The document was not signed by France, despite France and Germany representing the EU in the Minsk negotiating process, something which is known as the 'Normandy format'.

2.2 UK

The UK has not taken the most high-profile role in the Ukraine conflict, although it has been one of the most committed countries when it came to imposing sanctions against Russia for its actions over Crimea and the Donbass.

The DFID has stepped up its development projects with Ukraine in recent years. According to the department's [Development Tracker](#), the total project budget for 2015/16 is £17,226,486, up from £3,373,513 in 2014/15. There is a £15 million of humanitarian assistance to Ukrainians affected by the conflict and a £5.5 million project to support Ukraine's political and economic stability.¹⁵

International Development minister Desmond Swayne visited in November 2015.

¹¹ Elizabeth Pond, '[Germany's Real Role in the Ukraine Crisis](#)', *Foreign Affairs*, March April 2015

¹² 'Second EU-Ukraine, Association Council: 'Reforms are first and foremost for the Ukrainian People'',

¹³ '[New year, new Free Trade Area with Ukraine](#)', EU External Action Service press release, 8 January 2016

¹⁴ '[Germany to Ukraine: Use reforms to fight 'Russian aggression'](#)', *EUObserver*, 18 January 2016

¹⁵ DFID Development Tracker, [Ukraine projects](#)

3. Economic situation

One of the biggest obstacles to Ukraine's development is the difficult economic situation it is going through. There are particularly acute financial problems for the country, despite a \$40 billion rescue package led by the International Monetary Fund agreed in September 2015. A 1.5 billion tranche of the loan was dependent on the latest budget. In December 2015 the Group of Seven advanced economies called on Ukraine to agree on a "fiscally sustainable budget," "in line with Ukraine's reform commitments under the IMF programme".¹⁶ On 24 December an IMF-compliant budget was passed.

A battle over the repayment of a \$3 billion loan from Russia looms in the coming months. Russia has announced that it considers Ukraine to be in default on the bond,¹⁷ and has started legal proceedings. However, the Russian government has said that it is open to negotiations about the problem.

Trade with Russia, an essential element for Ukraine's economy, had already fallen dramatically in 2015. In October of that year, direct flights between Russia and Ukraine ended after Ukraine had sanctioned the Russia flag-carrier Aeroflot for flying to Crimea. Russia has banned certain food imports from Ukraine and in December 2015 announced the end of a free trade agreement; observers worry that Ukraine and Russia will enter a "total trade war" in 2016.¹⁸

Ukraine's economic problems are more deep-seated than the current financial and trade-balance problems though. The economy was in sharp recession in 2015. Per capita GDP shrank from 2013 to 2014 from \$9,300 to \$8,700, adjusted for purchasing power, while over the same period official unemployment rose from 7.3% to 9.3%. Real unemployment and underemployment may be more severe than official figures show.¹⁹ Inflation peaked at 60% in 2015 and will be over 40% this year, according to Ukraine's central bank.²⁰

Corruption is still a major concern, as is the capture by oligarchs of much of the economy and political power. Transparency International rates corruption perceptions for Ukraine as even worse than those for Russia, although Ukraine's situation did improve marginally from 2013 to 2014.²¹ Part of the UK's technical assistance to Ukraine involves support aimed at fighting corruption and building an independent judicial system.²²

Mikheil Saakashvili, former president of Georgia, was granted Ukrainian citizenship and appointed governor of Ukraine's Odessa region by President Poroshenko in 2015. He was also appointed the head of the International Advisory Council on Reforms. His record on reforming the Georgian economy and tackling low-level corruption in his home country was one of the reasons for his appointment by Poroshenko. It has led to tensions between Ukraine and Georgia however, which wants to try him on corruption charges.

¹⁶ ['Statement of G7 Ambassadors on State Budget of Ukraine'](#), British Embassy Kiev press note, 22 December 2015

¹⁷ 'Ukraine: dismal economic prospects, great sovereign bond', *Financial Times*, 11 January 2015

¹⁸ 'Russia to suspend Ukraine free trade zone', *Financial Times*, 23 December 2015

¹⁹ [CIA World Factbook](#)

²⁰ ['Inflation hits 44pc in Ukraine amid economic collapse'](#), *Daily Telegraph*, 29 December 2015

²¹ Transparency International [Corruption Perceptions Index 2014– Results](#)

²² [HC Deb 12 January 2016, c688](#)

Saakashvili said of Ukraine: “We have a shadow government and oligarchy that runs Ukraine like its personal joint stock company.”²³

²³ ‘Still hoping for change’, *Financial Times*, 21 December 2015

4. Some sort of Syria-related deal?

While the tempo of violence in Ukraine has slowed, in Syria it has quickened. Russia's overt intervention in the Syria conflict began in September 2015; while many strikes were against groups supported by Western allies, some have been against the shared enemy of ISIS/Daesh. France also stepped up its air campaign in November, targeting the ISIS 'capital' of Raqqah in November after the Paris attacks.

This has led some commentators, especially some in France, to call for a realignment with Russia to fight terrorism and help stabilise the Middle East, focussing less attention on Russian actions in Ukraine and its annexation of Crimea. Some suggest that the lull in fighting in Ukraine has been engineered by Russia for just this purpose – to encourage Western countries to allow Russia back into top table discussions with a view to cooperating over the fight against terrorism in the Middle East. In October, Nicolas Sarkozy, leader of the main French conservative party, said that “the world needs Russia.”²⁴

Others have argued that Russia's main goal is still to support the Assad government in Syria rather than to fight ISIS and that seeing Western aims in the conflict frustrated is one of Russia's aims, so no meaningful collaboration is likely.²⁵ The UK government has expressed its opposition to any sort of deal:

We will continue to talk to Russia about Syria and other matters, but we are absolutely clear that there is no trade-off between any agreement over Syria and our resolute support for Ukraine's sovereignty and territorial integrity.²⁶

²⁴ [‘Nicolas Sarkozy à Moscou : “Le monde a besoin de la Russie”](#)’, *France 24*, 29 October 2015

²⁵ Andrew Wilson, [‘Three reasons why the West should not forget about Ukraine’](#), European Council on Foreign Relations, 11 December 2015

²⁶ [HC Deb 12 January 2016, c687](#)

Further reading

See also the Library briefing papers:

[*NATO's military response to Russia*](#), 07 August 2015

[*UK Military Assistance to Ukraine*](#), 20 May 2015

[*Sanctions over the Ukraine conflict*](#), 11 March 2015

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