

MINSK AGREEMENTS: A DIFFICULT SOLUTION FOR UKRAINE

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The consequences that peace in Eastern Ukraine would potentially entail for Kiev will become crucial in shaping perspectives on the peace itself. Although progress is being made towards a diplomatic resolution of the conflict, the road to peace and to the lifting of conflict-related sanctions needs to pass through the implementation of the Minsk Agreements: an outcome that, for the time being, Kiev might find difficult to deliver.

The current version of the Minsk Agreements was signed in February 2015 to put an end to the conflict in Donbass and to reintegrate the region into Ukraine. Three fundamental points constitute the Agreements: a ceasefire; Ukraine regaining control over the region and over the border with Russia; and a new constitutional set-up that would grant the region greater autonomy in the context of new elections and a general amnesty for all the separatists. While the ceasefire is generally being observed, violated by only

small-scale clashes, the second and the third points are being put on hold by the Russia-backed separatists and by Ukraine respectively – the former because of fears of mass retaliation and revenge killings, and the latter because of the difficulty of carrying out constitutional reform.

While the conflict has stalled, the reality around it has changed. The economies of both Ukraine and Russia are poorer than they were before 2014 but the composition of the Ukrainian trade balance has also changed, along with the composition of the economic sectors producing goods to be traded. All these factors have deep political consequences.

In 2013, Ukraine traded with the European Union and Russia in almost equal volumes: respectively, 31% and 27% of the whole trade balance. These two figures were also symptomatic of a very different distribution of production. The east of the country was the largest

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A separatist commander during the battle for Donetsk airport in 2014.

(Source: Petr Shelomovskiy. Courtesy of the author)



producer of the goods traded with Russia, which were manufactured in enterprises that were often larger than their Western counterparts. Eastern Ukraine in general – and Donbass in particular – was and still is, despite the war, an urbanized reality built around the large industries inherited from the Soviet command economy. On the other side of the country, the goods traded with the EU were often produced by smaller enterprises that were more widely dispersed across a territory that also contributed agricultural products for export.

These economic diversities fuelled the political rift that characterized the post-Soviet political landscape of the country, but the events of 2014 brought abrupt changes in both the economic and political spheres. Ukraine, a country of 45 million inhabitants prior to the crisis, lost 2.3 million people with the annexation of Crimea by Russia and gained 6.5 million people – the population of Donbass – in a potential war zone. By summer 2016, internal refugees were estimated to number close to 1.8 million, while 1.5 million were externally displaced, of whom 1.2 million were in the Russian Federation. These figures have important political repercussions as refugees are unable to vote and the population still residing in the territory of the self-proclaimed republics do not take part in Ukrainian elections. Donbass, which in 2010 collectively gave the former President Yanukovich 3.7 million votes, corresponding to the 91% and 89% of the votes cast in Donetsk and Luhansk respectively, four years later contributed roughly 60,000 votes to the election of the new president, Poroshenko, corresponding to 36% and 33% of votes cast respectively.

This abrupt change in Donbass's political weight was mirrored by the economic reorientation of the country: in the context of a nominal gross domestic product that shrank from USD 183 billion in 2013 to roughly half that – USD 93 billion – at the end of 2016, the trade balance of the country also saw a shift from virtual parity between trade with EU and trade with Russia to a decisive orientation towards the former, with 41% and 12% respectively of goods exchanged in 2016. In absolute terms, this meant a shrinkage in trade with Russia, from an exchange of goods of about USD 38 billion in 2013 to a mere USD 8.7 billion in 2016, USD 1.5 billion of which was constituted by energy sold by Russia to Ukraine.

In other words, the conflict has brought about a decisive loss of Moscow's leverage in relation to Kiev.

Reintegrating Donbass on the terms indicated by the Minsk Agreements would mean a partial restoration of this influence, an outcome that few in Ukraine are likely to accept swiftly. But the return of a robust group of then-separatist deputies into the heart of Ukrainian politics and the virulent opposition that the nationalists would probably have towards such a scenario are not the only costs that the government would have to face. In fact, once reintegrated into Ukraine, the regions of Donetsk and Lugansk would require substantial investment to reconstruct an industrial system that was already suffering before the political troubles because of the economic crisis. It is not by accident that the economic development of the regions was explicitly included in the text of the Agreements and thus laid on the table of future negotiation.

As presidential elections – scheduled for March 2019 – are approaching, it is unlikely that the government will push for constitutional reform: over the last few months, even the pace of reforms other than the constitutional reform in question has slowed down. This is due to the fact that if on one hand post-Maidan

reforms were intended to tackle corruption, the establishment of the rule of law and improvement of state capacity, on the other hand they implemented liberalizations and austerity, thereby leaving the government in a delicate position. There is still a lot of work to do

on corruption, and the civil society that animated Maidan is turning cold towards a government that has not delivered on the high expectations of four years ago. The economic conditions are provoking discontent among many who feel that, despite all the troubles of the population, there has been no change in the firm grip of a few wealthy oligarchs on the economy.

In a situation of low trust in the leaders of the country and high political uncertainty, and in which state capacity continues to be fragile, the outcome of the next elections will be crucial in understanding whether conditions in Kiev will cause the stalemate of Donbass to begin to crumble.



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