While President Petro Poroshenko has capably steered Ukraine out of a debilitating political crisis and consolidated the post-Maidan political system as a de facto presidential republic, the window for radical reforms appears to be closing. Key Western partners are increasingly distracted by other challenges and frustrated by Kyiv’s reluctance to crack down on high-level corruption and banish old ways of doing business.

As the Ukraine crisis loses salience with Western policymakers, the challenge will be maintaining pressure on leaders in Kyiv to deliver meaningful reforms that benefit people’s lives while also convincing the Kremlin to engage seriously in the search for a diplomatic solution amid a continued impasse over implementation of the Minsk accords.

**POLITICAL CONSOLIDATION, PERSONALIZED POWER**

At first glance, the political situation in Ukraine could hardly be more dispiriting. A series of missed opportunities following the February 2014 Maidan revolution has fostered intense disaffection within the Ukrainian body politic and pervasive Ukraine fatigue in Western capitals. Making matters worse, a political crisis consumed crucial quantities of time and political capital during the first half of 2016. In the end, former prime minister Arseniy Yatsenyuk was replaced in April 2016 by a thirty-eight-year-old former business partner of Poroshenko, Volodymr Groysman, who had previously served as speaker of Ukraine’s parliament, the Rada, and as mayor of Vinnytsia, Poroshenko’s home base. The new government is notably light on the expatriates and radical reformers who have won considerable acclaim in the West. In parliament, the post-Maidan coalition is no more, and Poroshenko increasingly relies on new oligarchic groups and remnants of the Yanukovych-era Party of Regions (PoR) to pass major legislative and constitutional initiatives.

Seen from the Bankova, shorthand for the Ukrainian Presidential Administration, the domestic political picture looks rather different. Poroshenko has skillfully parlayed resolution of the crisis to his own advantage while keeping one eye fixed on his anticipated reelection campaign in 2019. Thanks to his patience and careful handling of key players, Poroshenko has consolidated all branches of power in the hands of a relatively small group of people loyal to him personally.

Consider the following examples. The controversial new General Prosecutor Yury Lutsenko (who incidentally lacks a law degree) was one of the president’s key supporters in parliament. The new Rada speaker, Andriy Parubiy, and the head of the National Security and Defense Council,

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Oleksandr Turchynov, are faithful political partners. It’s a similar story with members of the new cabinet, the Central Election Commission, the new anticorruption agencies, and even the judiciary.1 Poroshenko’s allies in the Rada include the presidential party faction, Arseniy Yatsenyuk’s National Front, and several groups of members of parliament loyal to various oligarchs. The Strategic Group of Eight, an informal politburo consisting of Ukraine’s top leaders, is said to meet regularly, which helps smooth over disputes and, one hopes, to foster a sense of pragmatism at the top.

To its credit, the new government almost immediately raised tariffs for household utilities in line with International Monetary Fund (IMF) requirements and passed far-ranging judicial reform with 335 votes (35 more than the constitutional majority). However, such steps are unlikely to sit well with a public that is dissatisfied with the progress of reforms and increasingly cool to the very idea of rapid liberalization and reform. According to recent polls by the Razumkov Center and the Kiev International Institute of Sociology, 76 percent of Ukrainians think the country is headed in the wrong direction. A notable 72 percent of respondents consider themselves to be living in poverty, and a large majority—82 percent—believe the country requires a “strong leader.” Unsurprisingly, the performance of Poroshenko’s presidency was positively assessed by 20 percent and negatively by 75 percent of Ukrainians. In a theoretical election match-up, Poroshenko polls at only 13 percent, trailing both former prime minister Yulia Tymoshenko (of the Batkivshchyna party) and Yuriy Boiko (of the Opposition Bloc).

Nevertheless, Poroshenko’s hand is strengthened by the absence of solid popular support for key representatives of Ukraine’s fractious political opposition. Though she leads in the polls and heads the opposition Batkivshchyna party, Yulia Tymoshenko would be hard-pressed to unite the country as a potential successor to Poroshenko, let alone withstand potential scrutiny of her reported past involvement in high-level corruption. The Opposition Bloc, formerly the PoR, has been partly co-opted by Poroshenko’s political team, thanks to party members’ vulnerability to anticorruption investigations. The (second) arrest of Oleksandr Yefremov, a Luhansk oligarch and leading PoR figure, served double duty as a warning to Poroshenko’s opponents and a demonstration of the authorities’ seriousness in combating corruption.

A scenario where Tymoshenko and Boiko would form a coalition is also very unlikely. Far-right groups remain divided and enjoy limited popular appeal. Nadiya Savchenko, the charismatic former prisoner of war, is a political wild card, but few expect her to emerge as a force at the national level.

Although Ukraine’s public discourse, free media, and civil society remain extremely lively, the country’s democratic credentials are far from impeccable. More than two years after the revolution, there has been no credible independent investigation into the shooting deaths on the Maidan in February 2014 or the deadly fire at the Odessa House of Trade Unions two and a half months later.

Challenges to media freedom are a source of increased worry. Physical attacks on journalists have increased, including a July 2016 car bombing that killed prominent investigative journalist Pavel Sheremet in downtown Kyiv and a September 2016 arson attack on the studios of popular broadcaster Inter TV, which is partially owned by prominent oligarch Dmytro Firtash. These attacks are a reflection, in the words of Baylor University Professor Serhiy Kudelia, of a “country with politicised courts, inefficient police and deeply corrupt prosecutor offices, [in which] political ties and stacks of cash will still provide impunity for any kind of crime.”

Activists linked to Interior Minister Arsen Avakov have released the personal data of journalists who received accreditation from pro-Moscow separatists to cover the war in eastern Ukraine. The doxing of journalists was portrayed as a legitimate move against a group, which Avakov described as “‘liberal separatists’, a term all too reminiscent of Vladimir Putin’s ‘national traitors’” in the eyes of some Ukrainian civil society observers. The authorities’ inaction in the face of such brazen moves is viewed by many journalists as an implicit warning to toe the official line.
The Poroshenko government occasionally applies pressure on various independent media outlets (such as Hromadske TV, 112 TV Channel, and Radio Vesti) relying on so-called temniki (in English, themes or guidance) to divert public attention away from questions raised about Poroshenko’s appearance in the Panama Papers or to encourage media criticism of Savchenko and Serhiy Leshchenko, a vigorous critic of the president.

**FESTERING INTERNAL SECURITY RISKS**

The recent swirl of tensions in Crimea and Putin’s over-the-top accusation that the Ukrainian government has embraced terrorism have resurrected the threat of a larger war. Of course, the conflict has been escalating for some time, and the war in Donbas is far from frozen, according to reporting from the Organization for Security and Cooperation in Europe (OSCE) monitoring mission and the International Crisis Group. For many months, the Ukrainian death toll has slowly crept up. In July alone, twenty-seven Ukrainian service personnel died, and the total number of Ukrainian army losses (both casualties and fatalities) in the first six months of 2016 was over 600. Civilian casualties are at their highest levels since August 2015.

Amid the continued political stalemate over implementation of the Minsk accords, Moscow has been consolidating Donbas. The Kremlin has assigned two high-profile curators or kuratory—Deputy Prime Minister Dmitry Kozak and Vladislav Surkov, who is an aide to the Russian president—to oversee state-building efforts in Luhansk and Donetsk. Over the last year, Russian assistance has significantly improved the separatists’ military capabilities. The original hodgepodge of separatist military and paramilitary groups has now disappeared, having been incorporated into more coherent structures led by Russian military and special-services commanders. There is also considerable evidence of a continued flow to the separatists of new types of advanced Russian weapons, including artillery, electronic warfare systems, tanks, air and tank defense systems, and drones.

Several separatist leaders opposed to such subordination have either been killed or removed from Donbas. Moscow’s use of violence to keep its proxies in line reflects its desire to control the level of violence and to avoid a repeat of the MH-17 tragedy when advanced weapon systems were handed out to radical nationalists, coal miners, truck drivers, and Soviet army veterans.

Russia has also increased its military presence in Crimea, conducting multiple large-scale military exercises and deploying advanced weapon systems such as S-400 missile defense systems. Ukrainian officials remain concerned Russian leaders could eventually seek to establish control over the southern parts of the neighboring Kherson and Zaporozhye regions in order to secure water and energy supplies, as well as transportation links to the Crimean Peninsula.

Implementation of the Minsk accords’ provisions on the ceasefire and withdrawal of heavy weapons has largely broken down with the separatists responsible for the overwhelming majority of violations. While politicians regularly proclaim that there is no alternative to Minsk, everyone is frustrated: Kyiv blames the West for a lack of support in reinining Russian aggression while Russia wants to keep maximum pressure on Kyiv to implement the political parts of Minsk. European policymakers have worked hard to break the deadlock on the latter elements, which include the holding of regional elections in Donetsk and Luhansk under OSCE supervision and the long-delayed passage by the Rada of constitutional amendments that would give Donbas special status. Poroshenko clearly sees the latter move as tantamount to political suicide.

The Kremlin’s latest spasm of angry rhetoric over Crimea appears intended to scare Poroshenko into making greater concessions at the negotiating table and to energize the efforts of Normandy Four co-sponsors German Chancellor Angela Merkel and French President François Hollande. Moscow’s behavior is also aimed at undermining the U.S. and EU decision to tie the lifting of sanctions on Russia to full implementation of Minsk. There have been intermittent
indications that some key European players might be willing to reward partial implementation of Minsk with partial sanctions relief.

The reform of Ukraine’s security sector—a process that requires not only eliminating corruption, but also rooting out Russian agents—is progressing slowly but surely. Since 2014, about 15 percent of Security Service of Ukraine personnel have been let go as a result of lustration—a process of vetting officials for links to the misdeeds of the Yanukovych government. The Ministry of Defense staff and leadership will soon undergo a vetting process that includes mandatory polygraph testing.

Ukraine’s army is a considerably stronger force than it was two years ago despite ongoing challenges. One particularly acute issue is the continued lack of order and discipline both within the armed forces and the volunteer units on the front line in Donbas. Smuggling and weapons trafficking near the line of contact and other parts of Ukraine have become major problems. Tensions also persist between military commanders in Kyiv and volunteer battalions on the Donbas front line, who are critical of Kyiv’s political and military leadership.

Various regions of Ukraine face growing basic citizen security problems amid the atrophy of core state functions such as healthcare, education, and public security. Earlier in 2016 the deteriorating security situation along the administrative boundary with Crimea and in places such as Kherson and Odessa required intervention by the National Guard. Police reform is a mixed bag: ongoing patrol police reform has demonstrated solid results,2 but crime rates and the use of firearms by criminals are on the rise. The breakdown of law and order in certain rural areas (specifically, parts of Zaporyzhia, the Chernivtsi region, Transcarpathia, and Volyn) continues apace. In response, the authorities in Kyiv have started to crack down on criminal networks.

LASTING ECONOMIC CHALLENGES

Amid signs of macroeconomic stabilization, Ukraine’s economic outlook has been looking more promising in recent months. In September 2016, the IMF reluctantly released $1 billion in disbursements under the country’s $17.5 billion IMF program, which had been on hold for over a year due to intra-Ukrainian political wrangling. The World Bank currently forecasts 1 percent growth for 2016, which follows a 12 percent plunge in gross domestic product in 2015. The Ukrainian Ministry of Economic Development and Trade’s consensus forecast calls for 2.9 percent growth in 2017. At the same time, the government faces a daunting challenge in creating tangible improvements in socioeconomic conditions, alleviating widespread poverty, and implementing overdue structural reforms.

Ukraine’s government remains one of the world’s most corrupt. Newly created anticorruption bodies have had a very active start, but no big fish have yet been targeted for prosecution. Kyiv is constantly being shaken by new corruption revelations, and there is an escalating battle between the National Anti-Corruption Bureau (NABU) and the General Prosecutor’s Office and other law enforcement bodies. The botched launch of a new online income declaration system for public officials highlighted the challenge of strengthening accountability and transparency, and further delayed the IMF tranche. The system was finally certified on September 1.

Meanwhile, prices for many of the country’s main exports—steel, coal, and agricultural products—have corrected thanks to the end of the boom of high-priced global commodities. The government has modestly increased the size of its hard currency reserves, continued cleaning up the banking sector, and welcomed the breathing room created by a partial restructuring of the country’s foreign debt in late 2015. Ukraine’s trade profile has shifted decisively away from Russia and other Eurasian Economic Union countries in favor of the European Union. Duty-free trade with the EU became a reality in the spring of 2014, but the Deep
and Comprehensive Free Trade Agreement (DCFTA) is far from a panacea for all that ails the Ukrainian economy. The industrial-products, raw-materials, and agriculture sectors stand to benefit the most in the near term from increased market access.

In the energy sector, Ukraine’s successes are remarkable—but potentially reversible. Thanks to a combination of fortuitous circumstances (a collapse in domestic demand, the global supply glut, and the willingness of EU partners to re-export Russian gas), Ukraine has weaned itself off of Russian natural gas imports, a long-standing source of undue political influence for the Kremlin, and begun restructuring Naftogaz, the notoriously corrupt national gas company. The initial success with introducing new corporate governance at Naftogaz was the direct result of carefully applied pressure and conditionality by major donor countries and international financial institutions.

Absent a potential breakthrough in relations with Moscow and concerted efforts to dismantle a deeply entrenched culture of corruption and crony capitalism, Ukraine will remain dependent on Western assistance. The unresolved security situation in the east, deep-set corruption, and heavy dependence on commodities exports will crimp growth prospects and foreign direct investment inflows. Unfortunately, these dynamics are likely to feed voter anger and strengthen the appeal of populist figures.

**THE WEST AND UKRAINE: SOBERING UP**

There is widespread recognition in Kyiv that the West’s interest in Ukraine is ebbing. Both Washington and Brussels have turned inward, thanks to a combination of the Brexit vote, the U.S. presidential campaign, the refugee crisis, and other pressing issues. The impending electoral cycle in Germany and France will complicate matters further. For their part, key Western players are clearly disappointed by Ukraine’s messy politics, brazen high-level corruption, and the failure of Ukrainian elites and the political class to embrace radical reform. There is also a nagging sense in some European circles that the Ukrainian leadership is increasingly acting like the country is simply too big to fail. Yet for all but a handful of Western heads of state and senior officials, Ukraine remains decidedly on the back burner.

Where does this leave things? Much will hinge on the outcome of the U.S. presidential election. The question is whether the next U.S. president is likely to revisit President Barack Obama’s core approach to the Russian-Ukrainian conflict.

Since March 2014, President Obama has stressed repeatedly that there is no military option on the table. In a well-publicized April 2016 interview with the Atlantic’s Jeffrey Goldberg, Obama explained his reluctance to provide lethal military assistance to Ukraine, saying, “The fact is that Ukraine, which is a non-NATO country, is going to be vulnerable to military domination by Russia no matter what we do,” and “there are ways to deter [Russia], but it requires you to be very clear ahead of time about what is worth going to war for and what is not. Now, if there is somebody in this town that would claim that we would consider going to war with Russia over Crimea and eastern Ukraine, they should speak up and be very clear about it.”

Against this backdrop, it may seem purely academic to point out that the West has frequently underestimated and misunderstood the country’s key challenges. While prominent Europeans engaged in soul-searching about the botched handling of the Eastern Partnership in the run-up to the Vilnius Summit in November 2013, there has, regrettably, been no comparable discussion in the West about the mistakes and miscalculations during the period that followed. Such a discussion is especially important as the West embarks on the next phase of what promises to be a long-term effort to support Ukrainian reform and help safeguard its independence and sovereignty.

First, it is necessary to be honest about the West’s essential role in coaxing progress in Ukrainian reform and the fact that Ukraine’s actual performance will always fall short of
the West’s ambitions. A huge part of the problem remains
the failure of the country’s elites to keep faith with the basic
principles and norms of modern European representative
democratic governance. As the U.S. State Department’s
Victoria Nuland put it in March 2016, “Ukraine’s European
future is put at risk as much by enemies within as by
external forces.”

At the same time, Western policymakers have often gotten
carried away with themselves. Even during the early
phase of demonstrations on the Maidan in November
2013, many Western officials failed to appreciate that the
key debate within the most politically active segments
of society was about not only Ukraine’s geopolitical
orientation, but the need to overhaul the country’s rotten
political system. Similarly, the debate on the EU’s proposed
DCFTA between 2012 and 2014 focused mostly on a
superficial discussion of the agreement’s potential costs and
benefits, not a hard-headed look at the country’s staggering
governance issues, economic problems, actual potential,
and business opportunities.

Since early 2014, the West’s policy toward Ukraine has
revolved, quite understandably, around countering Russian
aggression. This makes perfect sense, given that Moscow is
responsible for the first landgrab in Europe since World War
II and the instigation of a covert war in eastern Ukraine.
During the initial phase of the crisis, the overriding goal was
to avoid further escalation, not to hector Kyiv about its own
shortcomings in a messy postrevolutionary situation. As the
crisis dragged on, it became all too obvious that key Western
countries had no appetite for a direct military confrontation
with Moscow over its behavior. The result was a Western
policy framework that, somewhat paradoxically, was overly
cautious about how much pressure to apply on both Moscow
and Kyiv.

With regard to Moscow, the West chose to rely primarily
on economic sanctions and diplomatic isolation to signal its
anger and to deter the Kremlin from encroaching further
on Ukrainian sovereignty. Unfortunately, this approach
failed to anticipate the durability of Putin’s popularity or
the galvanizing power of Russian nationalism in the wake
of the annexation of Crimea. Throughout the crisis, Putin
has used escalation and tactical surprises to throw Ukrainian
and Western adversaries off balance. Western policy was
hamstrung by the fact that it had no effective tools to counter
Putin’s determination that the separatists could not be allowed
to lose.

Western leaders were overconfident about the use of economic
sanctions to punish Moscow and to give Kyiv the breathing
room it needed to launch a virtuous cycle of radical reform.
This approach went hand-in-hand with a naively optimistic
view of the Poroshenko government’s reformist credentials.
Throughout this period, Western leaders appeared to be
oblivious to the main lessons of the Orange Revolution—
namely, that pro-Western politicians armed with good
intentions are simply no match for Ukraine’s pervasive
corruption and cynical elites. The lack of rapid progress on
the reform front has given Moscow confidence (perhaps
misplaced) that it can afford to sit back and wait things
out. Nevertheless, the Kremlin is betting that the West will
eventually lose interest and that the patience of the Ukrainian
people with the Poroshenko government has finite limits.
In the meantime, Moscow is content to provide a truly
astonishing flow of military equipment and direct support
to its proxies in Donbas.

The current deadlock over the Minsk agreement has slowly
alienated key European partners and created unhelpful
doubts about the Poroshenko government’s commitment
to preserving Ukraine’s territorial integrity. While polls show
that most Donbas residents actually want to remain part
of Ukraine, key political figures in Kyiv often seem to view
Donbas as a pro-Russian Trojan horse and a danger for the
new political order in Ukraine. On a practical level, Kyiv has
shown little enthusiasm for reintegrating the parts of Donbas
it still controls, which have been devastated by years of
conflict and underdevelopment. So far, Western governments
have failed to put pressure on Kyiv to develop a credible reintegration plan beyond what is required under Minsk. Even though Moscow appears reluctant to pour unlimited economic resources into Donbas, putting Humpty Dumpty back together may no longer be a viable option.

At the same time, it is hard to imagine how the continued stalemate on the Minsk accords can be broken. Stubbornly high levels of violence along the line of contact feed the anger and frustration of Ukrainian mid-level commanders at the front who believe they are bearing the brunt of the incompetence and corruption of the military leadership in Kyiv. As the International Crisis Group has reported, regional commanders “strongly supported the idea, floated by some leading politicians, to seal off the separatist enclaves for the foreseeable future.”

Moscow’s reluctance to use the Minsk agreement to resolve the conflict speaks for itself. The Kremlin simply is not willing to remove heavy weapons, restore Ukrainian control over the interstate border, or to conduct recognizable elections in the separatist-held territories under OSCE supervision. Unless that happens, Kyiv is not going to move ahead on its responsibilities under Minsk, and one should not expect that Washington will put serious pressure on Kyiv to adopt the decentralization package. At some point, the German and French co-sponsors of the Minsk process may simply decide to throw up their hands. Such a move could have potentially far-reaching consequences, given pressures within the EU to relax the linkage between full implementation of Minsk and any possible relaxation of EU sanctions.

The West needs to remain steadfast in preventing Russia from destabilizing Ukraine and avoiding any appearance of holding Kyiv to more stringent standards than Moscow. Despite all of its obvious shortcomings, the Minsk process is the only viable diplomatic framework for keeping the crisis from spinning out of control again. But it provides precious little leverage for Western diplomats seeking to encourage a durable ceasefire, let alone smaller-scale initiatives such as monitored disengagement from hotspots. Complicating matters further is Moscow’s blocking of full, unimpeded access for the OSCE monitoring mission throughout the conflict zone.

Due to its unwavering support for the post-Maidan government, the West has gained outsized responsibility over Ukraine’s future course, and this needs to be used wisely and thoughtfully. Western partners are playing a large role behind the scenes in identifying which reforms should be the top priorities for Ukraine and providing crucial defense and intelligence cooperation that helps Kyiv safeguard the country’s independence, sovereignty, and territorial integrity.

Ukraine’s improved economic fortunes paradoxically make it easier for the West to maintain strict conditionality for multilateral and bilateral economic assistance programs via the IMF, the EU, and other institutions. While the West wants to hold the Poroshenko government more accountable for its many failings on anticorruption reforms and the rule of law, this approach will be much harder to sustain if serious economic turbulence erupts.

Moreover, widespread poverty and challenging socioeconomic conditions will spur many in the political establishment to resist further IMF-mandated austerity and reform measures and to embrace populism. Western assistance coordinators will have to be more sensitive to the impact on vulnerable populations. Further polarization of Ukrainian society is bound to erode the government’s extremely fragile political support.

The biggest shortcomings in the reforms effort involve anticorruption, rule of law, and the creation of an independent judiciary. So far one of the main lessons of post-Maidan Ukraine has been that the most successful reforms have involved the creation of brand-new institutions like the NABU and the transit police, rather than trying to salvage existing structures. Unless and until some of the biggest figures in corruption schemes are arrested and convicted, the message from Poroshenko to the ruling elite
will be that they can continue to steal and bend the state to their whims with full impunity. Recent attempts to place the NABU under the jurisdiction of the general prosecutor were simply dismaying. Western governments should continue to resolutely support the NABU’s independence and public-sector corruption investigations.

Finally, Ukrainian reforms, and the future of Ukrainian democracy at large, should not be conflated with the shifting fortunes of the Poroshenko government and individual politicians. An overpersonalized approach threatens to limit Western policy options and strengthen authoritarian trends over time. The West should sustain permanent communication not only with Poroshenko’s core team and its allies, but also with all opposition parties, regional leaders, and a wide range of civic groups. The current power consolidation may be a necessary evil, but allowing Ukraine’s democratic credentials to weaken benefits no one.

NOTES

1. Reform of the judiciary is intended to make it more independent of both the executive and legislative branches. However, for an interim period, which will last through 2019, it makes Ukraine’s judiciary heavily dependent on Poroshenko, who will oversee the rotation of judges, appointment of members of the judiciary self-governance bodies, and creation of a new Supreme Court. Also, the changes in the constitution and the new law on the judiciary have created some legal obstacles for impeachment of the president.

2. The new patrol police was launched in nine more cities across Ukraine: Boryspil, Cherkasy, Chernihiv, Chernivtsi, Kremenchuk, Poltava, Ternopil, Vinnytsia, and Zhytomyr.