

# Armed conflict continues to destabilise Ukraine

[Content preview – Subscribe to IHS Jane’s Intelligence Review for full article]

**Fighting in eastern Ukraine escalated in the first two months of 2017, despite ceasefire efforts. Alex Kokcharov examines the factors behind the intensification of the conflict and sets out three scenarios for how it could evolve during the next 12 months.**

In January and early February 2017, the armed conflict in eastern Ukraine went through a period of re-escalation. On 13 February 2017, a Ukrainian army spokesperson claimed that separatist militias in the Donetsk and Luhansk regions had violated the ceasefire along the line of contact (LoC) 67 times in the previous 24 hours. However, the violations reached more than 100 per day at the beginning of the month during what was the highest intensity of shelling since 2015. In comparison, according to Ukrainian government data, the average number of shelling incidents in 2016 was 44 per day.



*A Ukrainian tank stands in the yard of an apartment block in Avdiivka, eastern Ukraine, on 1 February 2017. Calls for a ceasefire and for both sides to pull back followed heavy fighting in Donbass. (PA)*

1686225

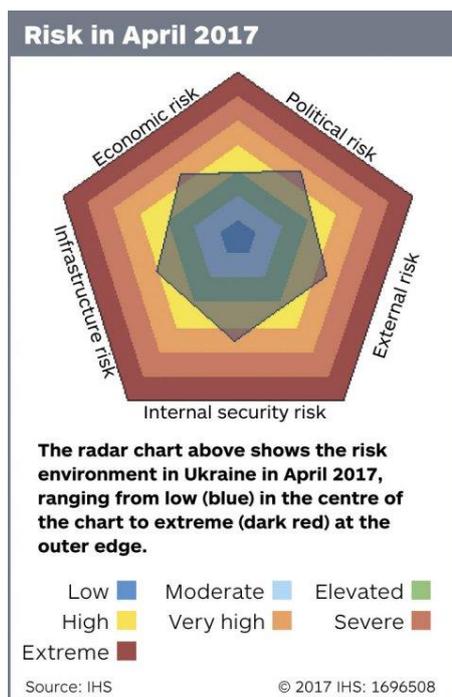
According to the Special Monitoring Mission (SMM) of the Organisation for Security and Cooperation in Europe (OSCE) in eastern Ukraine, between 29 January and 9 February, there

were nine fatalities and more than 40 injured among the civilian population. Ukrainian armed forces and the separatist militias of the breakaway pro-Russian Donetsk and Luhansk People's Republics reported increased numbers of casualties among their forces.

Although the LoC had been stable for two years, ceasefire violations since late February 2015 - mainly involving exchanges of small-arms fire - have been a daily occurrence with periods of de- and re-escalation. IHS Jane's assesses that Russia is controlling the intensity of hostilities in order to achieve its political objectives.

The latest round of escalation began on 29 January when pro-Russian separatist militias reverted to the use of heavy weapons (withdrawn from the area of the LoC under the Minsk II ceasefire agreement). The fighting has included two significant developments in separatist tactics: an attack - ultimately unsuccessful - aimed at taking ground between Avdiivka and Yasynuvata, just north of Donetsk, and an artillery engagement at the Avdiivka coking plant, a strategic economic target that supplies electricity to the surrounding urban area. Fighting during this two-week period damaged power transmission lines and gas pipelines, causing temporary blackouts and the loss of heating and water supplies to hundreds of thousands of people. This has caused a temporary localised humanitarian crisis, aggravated by winter weather conditions.

[Continued in full version...]



*Risk in April 2017 (©2017 IHS)*

1696508

### **Political risk (Very high, 4.0)**

The current pro-Western government of Prime Minister Volodymyr Groisman, formed in April 2016, consists of the president's eponymous Petro Poroshenko Bloc (Blok Petra Poroshenka: BPP) and former prime minister Arseniy Yatsenyuk's People's Front (Narodnyi Front: NF). Together, the two parties control 230 votes in the parliament, just above the majority of 226. The ruling coalition therefore has to rely on support from other parliamentary factions and groups during votes on important matters.

Under these circumstances, implementation of wide-ranging reforms, including an anti-corruption drive, will remain difficult to achieve, particularly given the opposing interests of the key political groups represented in parliament. Ukraine's oligarchs hold greater influence over the Groisman cabinet, which is mostly filled with political appointments and lacks experienced and competent technocrats. This increases the risk of the government's resignation and an early election in 2017.

### **External risk (Very high, 3.8)**

The biggest external threat to Ukraine originates from Russia, which sees its southwestern neighbour as falling within Moscow's natural sphere of influence. Russia's key objectives in Ukraine can be summarised as ensuring that Ukraine does not join NATO and that any negotiations on EU integration include Russia; weakening and undermining the current Kiev government; and sustaining Russian influence through supporting the continued regional division of the country.

Rather than pursue open invasion to achieve these goals, Russia's strategy has been to provide covert support to the separatists in Donbass to prevent their defeat, while pushing for a political solution on Moscow's terms. The separatist militants, who act as Russian proxies, will probably continue to fire on Ukrainian positions along the LoC. Russia will probably continue to provide the Donbass militias with materiel and financial support; the entities will probably remain effective Russian protectorates.

### **Internal security risk (Very high, 3.6)**

In addition to the armed conflict in Donbass, which is a hybrid of a civil and interstate war, Ukraine continues to face severe internal security risks from recurrent terrorism, regular civil unrest, and high crime levels. Areas at greatest risk include the capital Kiev and other large cities, including Dnipro, Kharkiv, Lviv, and Odessa. Pro-Russian terrorism targets government or security services' assets, and nationalist Ukrainian terrorism and vandalism is directed against Russian diplomatic properties and commercial assets.

Protests are significantly less numerous than in 2013-14 during the 'Euromaidan' demonstrations, but are still frequent and geographically widespread. Economic protesters, including farmers and miners, although peaceful, often use the tactic of temporary road blockages, leading to traffic disruption.

[Continued in full version...]

### **Infrastructure risk (Very high, 3.4)**

Ongoing fighting in the eastern Donetsk and Luhansk regions has caused significant damage to infrastructure along the LoC. Transport to the separatist-controlled areas is limited through a small number of checkpoints, disrupting trade. As some coal used for power generation is mined from these areas, there are frequent supply disruptions that can cause blackouts and power shortages across parts of Ukraine.

A lack of investment in transport infrastructure and civilian engineering systems since 2014 has also contributed to their rapid deterioration, especially outside key urban areas.

[Continued in full version...]

### **Economic risk (Very high, 3.7)**

In 2016, Ukraine emerged from a deep and protracted recession caused by its political crisis and the armed conflict in the east. In 2016, real GDP increased to 1.9%, and IHS Markit economists expect that economic growth will accelerate to 2.6% in 2017, with even higher growth rates projected for the next three years. Inflation, which hit 48.7% in 2015, slowed down to 13.9% in 2016.

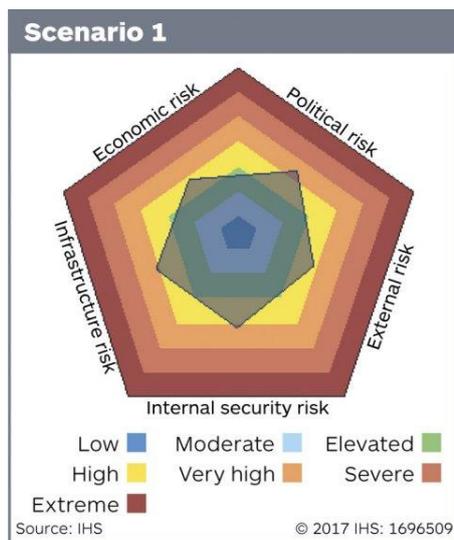
Although foreign-exchange reserves were bolstered by access to multilateral financing and immediate debt-service pressures have been removed because of a private-debt-swap deal, prolonged delays in a credit disbursement from the International Monetary Fund (IMF) could once again thin the foreign-exchange buffer. Uncertainties over continued financial support from the IMF, as well as from Western donors, will probably keep economic risks high. Any increase in political violence, such as terrorism, civil unrest, or a significant re-escalation of the Donbass conflict, would probably have further negative economic impacts.

## **Scenarios**

The following scenarios consider three ways the conflict in east Ukraine could evolve, ranging from the maintenance of the status quo through to a low-probability, but high-impact scenario of an open Russian invasion.

### **Scenario 1: Conflict remains geographically stable**

Probability: High



*Scenario 1 (©2017 IHS)*

1696509

Despite the continued security risks, the current governing coalition would hold throughout 2017. Canada, the EU, and Japan would reiterate their commitment to supporting Ukraine politically and financially; the US, due to strong congressional support for this cause, would continue its financial assistance as well.

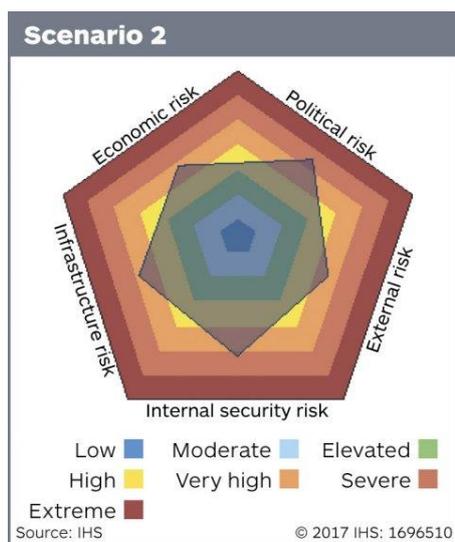
At the G7 meeting in Taormina, Italy, in May 2017, the key industrialised nations would agree to maintain their sanctions regime against Russia until the Minsk II agreement was fully implemented. This would probably provide the basis for the extension of EU sanctions in June 2017 for another six months, until 31 January 2018.

The sanctions regime against Russia would act as a deterrent against further re-escalation in Donbass by Moscow. Although the fighting along the geographically stabilised LoC in Donetsk and Luhansk would continue daily, its intensity would fall. Heavy weapons would be withdrawn from the LoC. This would improve security in the region and increase cross-LoC transport and trade; coal from the separatist-controlled areas would continue to be supplied to the rest of Ukraine, providing for uninterrupted power generation.

[Continued in full version...]

## **Scenario 2: Russian escalation triggers early election**

Probability: Moderate



Scenario 2 (©2017 IHS)

1696510

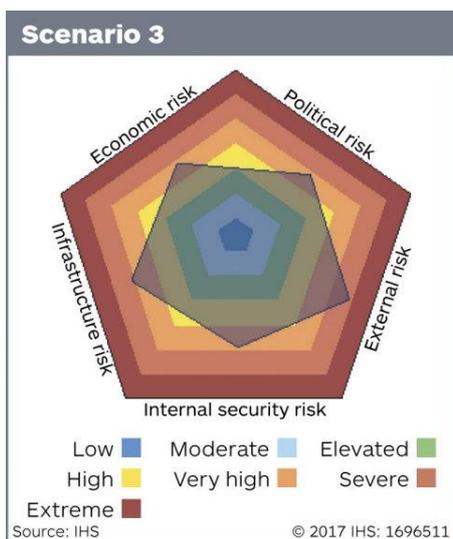
Moscow's decision to escalate the conflict in eastern Ukraine would cause an increase in the intensity of fighting along the LoC in Donetsk and Luhansk regions. This would lead to new Ukrainian civilian and military casualties, and a fresh wave of anti-Russian protests across Ukraine, including blockages of road and rail checkpoints in Donbass. With the nationalist blockade stopping coal supplies from separatist-controlled areas of Donetsk and Luhansk arriving at thermal power stations in the rest of Ukraine, power generation would drop sharply. Ukraine would refuse to purchase power from Russia for political reasons and blackouts would become widespread.

This, coupled with high utility bills and low incomes, would cause a new wave of protests. Although the protests in Kiev and other cities would initially attack economic grievances, they would quickly become political. A 'Utility Maidan' in Kiev, with the help of several opposition parties and oligarchs, would attract hundreds of thousands of protesters. The Groisman government would be forced to step down.

[Continued in full version...]

## **Scenario 3: Russia invasion results in EU reaction**

Probability: Low



Scenario3 (©2017 IHS)

1696511

In order to further destabilise Ukraine and cause the downfall of its current pro-Western government, Russia would order its proxies in eastern Ukraine to take new territory in the Donetsk and Luhansk regions. This would become more plausible if, for instance, Russia managed to reach a grand deal with the United States, under which Ukraine would fall into Moscow's sphere of influence.

After several weeks of intense fighting with the use of heavy weapons, marine landings, and air force support, separatist militias and Russian regular troops would probably take control of Mariupol, Sloviansk, and Sieverdonetsk, pushing the LoC 100-150 km west and north of its current position.

This would endanger the security of Dnipro, Kharkiv, and Zapozizhia; Russia would threaten direct invasion towards Kiev from the northeast. Conflict on this scale would cause numerous civilian and military deaths, including for the advancing combined separatist and Russian troops. Several million people in eastern Ukraine would become displaced and flee further west. As the conflict worsened, Ukraine would urge political assistance from the EU against the direct Russian military incursion. The EU, concerned about potential refugee inflows, would react by introducing new trade restrictions against Russia and a ban on banking transactions using the SWIFT system.

[Continued in full version...]

## **Conclusion**

A key variable driving developments in Ukraine is likely to be US policy towards Kiev and Moscow. Although the administration of former president Barack Obama extended political and financial support to the Ukrainian government and was a strong supporter of economic sanctions on Russia, the Trump administration will at least reassess this approach.

However, there are also indicators suggesting that the US will continue supporting Ukraine and will maintain the sanctions regime against Russia, currently in place until March 2018. On 14 February, White House spokesperson Sean Spicer said, "President Trump has made it very clear that he expects the Russian government to de-escalate violence in the Ukraine and return Crimea." Separately, on 15 February a bill was introduced in the US Congress with bipartisan

support which - if approved - would make US sanctions against Russia a law, rather than an executive order. This would limit the ability of the Trump administration to lift the sanctions.

If the US supports Ukraine, Western sanctions will probably continue to act as a deterrent to Russian military aggression. Although the return of Crimea to Ukrainian control is unlikely, this impasse could lead to the Donbass conflict gradually evolving into an unstable frozen conflict, in which violence along the LoC would significantly decrease, and more economic links with the rest of the country could be restored.

For the full version and more content:

### IHS Jane's Military & Security Assessments Intelligence Centre

*This analysis is taken from [IHS Jane's Military & Security Assessments Intelligence Centre](#), which delivers comprehensive and reliable country risk and military capabilities information, analysis and daily insight.*

*IHS country risk and military capabilities news and analysis is also available within IHS Jane's Intelligence Review. To learn more and to subscribe to IHS Jane's Intelligence Review online, offline or print visit <http://magazines.ihs.com/>*

For advertising solutions contact the [IHS Jane's Advertising team](#)