

---

From: Kasanof, Alexander <kasanofa@state.gov>  
To: K. Kilimnik </o=mex05/ou=exchange  
administrative group  
(fydibohf23spdlf)/cn=recipients/cn=kkilimnik@dmpint.com35e>  
Cc:  
Bcc:  
Subject: Re: Evening News Digest, July 3  
Date: Sun Jul 05 2015 22:34:50 EDT  
Attachments:

---

As always, your advice is sound and what you say rings true (except for Russian intentions, where I still disagree). I appreciate the thoughtful analysis immensely and think the domestic political wariness you recommend is the only way to go. I will keep digesting this and look for ways to bring some of these excellent ideas into our work (not that I get to make those decisions).

BTW, still love the monkey analogies. You were right. They never grow old.

And am most jealous of you watching the Aegean...

Many, many thanks as always for your input. So valuable.

Best. -Sasha

Sent from my BlackBerry 10 smartphone.  
Original Message  
From: K. Kilimnik  
Sent: Sunday, July 5, 2015 12:46 PM  
To: Kasanof, Alexander  
Subject: RE: Evening News Digest, July 3

sorry - completely forgot - happy 4th of July! Lost track of time here in Turkey - after all for people like us it is important to have short breaks to keep going. :))

Thinking about recommendations - I would make the following points, understanding that they are not pretending to be a serious analysis and are, in fact, a product of my sitting in the balcony watching the beautiful Aegean sea -

1) I know that some people are a bit idealistic about the government of Ukraine. While the civic society there is much stronger than probably in all post-soviet countries combined, the elites completely suck. On the both sides of the isle. The oligarchs (PP and Yats' funders including) still believe that they can install the government which will put money into their pockets and which will be the "right government" from their standpoint. And the government, in this case, thinks it can get away with redistribution of property based on revolutionary expediency. The truth is that you can not change this Ukrainian elite and have to work with what you have, but **MUST NOT DECEIVE YOURSELVES**. My number one recommendation would be to have an honest and realistic re-assessment of the government and people you are genuinely trying to help, and not let them fool you. Facts show that they are the same money- and power-hungry Yanukovich siblings, and the consensus among them is to keep the old system with some cosmetic changes to impress the West, win elections and get more power. Using one of my favorite analogies, you are dealing with monkeys. You and IMF bring them a box of bananas every once in a while, and for that they put on various shows, speak English and sometimes even give each other a blow job to demonstrate unity and truly democratic intentions. But they are still monkeys - there are no good and bad ones. Until they grow up and start thinking about something else other than

bananas and fucking each other, you will get excited dealing with cute little creatures, and then disappointed about how they treat your tourists and business. Once you stop letting them fool you with talk about reform and big bad wolf (with whom they eagerly deal with and trade), you will be better off. Russians have to learn this lesson too, BTW, because they have their own set of monkeys wearing hats with stars, waving guns and promising to return Ukraine to the Russian world. But result will be the same - the animals take bananas and dart back into the tree.

2) right now the peace process is the most important thing. Once there is peace - the country will rebuild itself even with minimal international aid. The scale of destruction is horrible, but not apocalyptic - many businesses located in DNR/LNR still work and actually pay taxes to the Ukr budget. Without peace all talk about reforms, economic revival and Ukrainian success are meaningless. Also, I truly believe that it is not only Russians who are to blame - everybody has certain degree of blame, Ukr government including. Poroshenko was hoping that Russians would attack, which would give him right to run for the shelter and hit the West for money and weapons. Russians figured out his game and started active outreach to Europe to make sure Minsk-2 is implemented. Moscow does not see Minsk implemented without DNR and LNR having a seat at the table. PP understands that too, which is why his proposed changes to the constitution are basically a middle finger showing in hope that somebody in Moscow, Luhansk or Donetsk will freak out and go back to the military scenario. My guess is that Russians will not let it happen and will continue doing what they are doing - building the local armies to deter the Ukrainian military and wiping out local criminals and crazies who "came to defend Russian people there" without proper travel authorization :) I do not think that Russians are sitting and drinking their vodka watching Ukraine sink into lawlessness and economic chaos - they are concerned about potential renewal of violence because of the idiots on the both sides. Putin and his people will do their best to impress the Europeans with their commitment to peace in hope to get the sanctions off the table and reach some sort of settlement. PP understands that the moment he starts talking to the separatists as equals - he will have to walk between the raindrops domestically and explain why so many people got killed and the country is still in deep shit. The reality is that PP does not really have a choice and will be "forced to peace", like it happened in Georgia. But if PP really cares about the country and wants the country to survive - he must bring those regions back, even if his political career does not go well after that. With all this being said, I think you should be very firm against GoU talk that they do not need Donbass and even if things as result of Minsk process look like a tactical victory for Russia, a peaceful Ukraine will be a strategic victory for the West and will rebuild itself very quickly.

3) Ultimately you will have to reassess your relations with Russia. Not with Putin, but with Russia. Putin is much more complicated concept - he is not an individual, but rather a "collective politburo". Even if aliens come and steal him for experiments, Russia's policy and people's mindset will not change. While the next few years may be economically difficult for Russia, the buoyancy reserve is simply too big and Russia will stay as influential force in the region. You can be either protecting monkeys, or making sure that certain set of rules is observed and Russians understand the logic and do not dig themselves deeper into the hole. I think the ongoing dialogue between your bosses gives ground for cautious optimism, and the more you work not with politicians, but with the Russian economic elite, the better foundation you have for the future.

anyways, my 2 cents here

K

---

From: Kasanof, Alexander [KasanofA@state.gov]  
Sent: Sunday, July 05, 2015 3:56 AM  
To: K. Kilimnik  
Subject: Re: Evening News Digest, July 3

This is incredibly insightful and helpful. Thank you!!!!

It is also incredibly depressing... If the turmoil turns out to be as great as you say, I fear reforms will

stop dead, and may even go backwards. Not that reforms are the only changes that need to happen, I know things have to really change underneath the surface too. But Russia is just sitting and waiting until things are at there most chaotic...

Any recommendations for what we should be doing more of in domestic politics? Knowing how the U.S. usually operates?

Best. -S

Sent from my BlackBerry 10 smartphone.  
From: K. Kilimnik  
Sent: Saturday, July 4, 2015 8:14 AM  
To: Kasanof, Alexander  
Subject: Evening News Digest, July 3

here is another digest.

thanks for your response - I do think that there is a huge chance of major instability any time this fall. The coalition is very different inside, and will not exist for long time. Looking at yesterday's talk shows, one can clearly see that everybody is preparing for elections and is competing in terms of populism. Tymo clearly is taking the lead - I am concerned about her behavior. She is laser-focused, is not lazy and comes out with the right messages, that OB should be using instead but is not using due to various reasons - disorganization and lack of focus to begin with.

I think Samopomich will fall apart and run as several columns - there is a lot of dissatisfaction with Sadovy's dictatorial habits. BPP has its own issues and indeed consists of a bunch of "interest groups", SL's and RA's including Lyashko's star, I think, is gone, because there will be new political projects - even more aggressive and populist. Kaplin's Party of Simple People and Dobrodomov (People's Control) to name a few. all depends on what kind of media and financial support they get from the sponsors. There is also talk about Taruta launching a new project. I am wary of it, because I spent incredible amount of time on trying to get these guys get their act together. too many discussions and too little focus and clarity. Taruta's latest interview says it all. Klichko is turning into a disappointment. He is not following the strategy and is very unfocused. Am trying to get SL install some discipline, but seems to be pretty hard. He still has a chance of winning Kyiv Mayor's elections and getting a good result for his party, but unless he starts to follow the strategy he will lose even to my cat.

Do not even want to mention OB - they are in pretty bad shape. None of the conflicts between SL and Kolesnikov have been resolved, and people (both deputies and regional leaders) are confused and have very little motivation. Kolomoyski's Vidrozhennya is starting to be active, but it's the same old people, so unless they really come out with serious resources and strategy I do not think they have a chance of success. Both they and Shufrich's potential project, as well as Symonenko's and Vitrenko's Block of Left-wing forces will try to play in OB's field, but all will depend on how serious they are.

In other words, things are as confused as ever. There seems to be a growing consensus among the oligarchs that PP is making a lot of mistakes and is mixing PR and governance and, therefore, presents a threat to the country. Yats is viewed as "dead man walking" - everybody understands that his days as PM are numbered, and his party will be hijacked by more serious people (probably Avakov and Turchinov), and with "Mom (YT) coming back" he does not stand a chance. Of course, things may change depending on the money situation and the situation in the east, but I am not looking with optimism into the next few months. These people will have to ultimately make a deal among themselves and get their act together.

K

---

## Evening News Digest

Covering Channels: Channel 5, ICTV, 1+1, Inter

Date: July 3, 2015

Controversy over law on forced conversion of currency credits (All channels)

All channels: Late last night VR adopted a law on the forced conversion of currency-pegged credits to UAH at the exchange rate set at the moment when the credits were issued. The law was approved by 229 votes. Then during the night and in the morning, as the President, NBU and government officials harshly commented about populism of this VR decision and the great damage it would do to the country financial system, several MPs withdrew their votes claiming they did not understand it was the final vote for the bill.

Channel 5 provided comments of Minister of Economic Development A.Abromavicius: "I hope VR will cancel the vote; or the President would veto this law. This law violates our agreements with IMF – therefore we will not receive the upcoming IMF tranche that could help us to stabilize the economy".

ICTV: several BPP MPs suggested cancelling the vote as they observed proxy voting; some MPs simply did not understand what they were voting for as the bill was not originally included in the agenda. Samopomich faction leader O.Bereziuk on the contrary said he is pleased with the vote as now the situation with problematic currency credits might be addressed on the highest level.

ICTV provided comments of I.Kononenko (BPP faction deputy head): "The voting was made under extreme pressure. Many MPs were receiving anonymous text messages with threats".

ICTV, 1+1 and Inter: PM Yatseniuk was ironical about the VR decision: "I respect the Parliament, but the Parliament should respect the rest of the country! Perhaps we now should expect VR to pass a law allowing kids to retire immediately after graduating kindergarten?" (Inter: while providing the comments of PF leader PM Yatseniuk Inter report emphasized that it was PF MPs who prepared the scandalous bill).

1+1: Finance Minister N.Jaresko said that banking system will incur losses of 95 bln UAH if the law is signed.

1+1, Inter: President Poroshenko criticized the law and the way it was passed: "It was an attempt to pass a law that could put the whole country on the edge of financial collapse. The law was voted while over 250 people were blocking VR exits; police were not carrying their duties. I will not allow this continue anymore".

Inter also provided comments of several MPs holding opposite opinions about the law:

Y.Tymoshenko: "There are many people who for many years now have been paying loan interest but not the loan itself. These people now have paid more 1.5 times more than they borrowed!"

I.Kononenko (BPP faction deputy head): "We should not put the responsibility of canceling this law on the President. We as Parliament should re-vote it".

BPP faction head resigns (1+1, Inter)

Y.Lutsenko wrote a resignation letter without providing reasons for his decision. BPP faction deputy head I.Kononenko said: "I think it was an emotional decision as Lutsenko was very tired, he spent most of the day yesterday in the VR rostrum. We will try to bring him back; the faction does not want him to leave the post".

Coalition problems (1+1, Inter)

1+1 briefly mentioned that there are rumors about Samopomich leaving the coalition. Samopomich was strongly opposing the law on Prosecution office that was adopted yesterday.

Inter report too informed about rumors of Samopomich planning to leave the coalition.

Inter provided O.Bereziuk (Samopomich faction leader) sound bite: "All things have come to an end. Coalitions are formed to be dismissed. The question is: what are the arguments for the dismissal?"

Head of Kyiv Court of Appeals situation (All channels)

All channels: Today the Panel of Judges elected a new Head of Kyiv Court of Appeals Yaroslav Golovachov. The former Court head A.Chernushenko presumably left the country before police could arrest him.

ICTV, 1+1, Inter: PGO detained Dmytro Chernushenko, the son of A.Chernushenko. He is suspected of sending the text messages with required court rulings to his father.

Federation of Employers demands government dismissal (Inter)

---

The Federation published an open letter addressed to the President and VR factions' heads, demanding the government dismissal: "Non-professional actions of the Cabinet have put the country on the edge of default". The Federation also suggested lowering the tax burden and providing greater protection of private property as some of the means for economy recovery.