Ukraine: Will the Centre Hold?

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Principal Findings

What’s the issue? While the war in Ukraine’s eastern province of Donbas rumbles on, the regions of Polissya and Zakarpattya in the country’s west are corroded by systemic state corruption. Resentment toward Kyiv in these peripheral regions is pushing many into the shadow economies and exacerbating state fragility.

Why does it matter? Widespread corruption in Ukraine’s western regions demonstrates that state fragility is not limited to areas controlled by Kremlin-backed separatists. This is undermining Kyiv’s capacity to withstand Russian aggression and restore its sovereignty over Donbas, meaning Moscow’s withdrawal from eastern Ukraine will not necessarily lead to national cohesion.

What should be done? Kyiv must acknowledge that Moscow, while clearly the aggressor in Donbas, is not the root cause of all the country’s challenges. Ukraine’s leaders need to correct their failing battle against corruption. Kyiv’s international backers, in particular the EU, must attach stricter conditions to financial assistance.
Executive Summary

As Kyiv battles Kremlin-backed separatists in its eastern region of Donbas, it is also waging a half-hearted war against corruption whose mismanagement risks further undermining national stability. While several million Donbas residents live under separatist rule, Ukrainians elsewhere are losing faith in the country’s laws and institutions. The result is a dramatic weakening of the state: millions of dollars bypassing the official budget, chronic low-level violence in centres of illegal trade, and swathes of rural territory with no legal workforce or tax base to speak of. Kyiv and its allies need to acknowledge their failures in battling corruption and quickly change course. If not, centrifugal tendencies could potentially spread well beyond Donbas.

At every opportunity, Kyiv reminds its constituents and international backers that Kremlin aggression is the single greatest threat to the country’s statehood. They are right: between the invasion of Donbas, the annexation of Crimea, possible infiltration of military and security structures, and insidious information warfare, Moscow has played a lead role in Ukraine’s destabilisation. Securing Ukraine’s future will require the West to take a firm, consistent line on Russia, namely maintaining all sanctions until Moscow withdraws fully from Donbas. Yet as Kyiv and its allies acknowledge these truths, they must also face the profoundly corrosive effects of continuing systemic corruption.

These are suggested by the phenomena of organised crime in, and mass migration from the two western Ukrainian regions of north-western Polissya (along the Belarusian and Polish borders) and south-western Zakarpattya, next to Hungary. Outside meddling is present in both regions, but corruption at all levels of government is the decisive factor behind the social problems they face.

Just as Kyiv cannot afford to maintain its current stance on Donbas, where it lacks a coherent policy to reintegrate a war-scarred population ruled by Kremlin-backed separatists, it cannot retain its current haphazard approach to vulnerable populations on the far side of the country. The latter, in large numbers, are seeking better livelihoods across borders or retreating into shadow economies. Poorly-conceived attempts to confront these behaviours – such as ill-timed language laws and disingenuous crackdowns on organised crime – may be only fuelling resentment toward Kyiv. Instead, Kyiv must confront their root cause by following through on old promises to hold accountable corrupt officials at all levels.

Many residents of these areas live on the state’s margins. In Polissya, tens of thousands work in a multimillion-dollar, illegal amber trade controlled by armed gangs and allegedly sheltered by officials. In Zakarpattya, much of the working-age population relies on labour migration and tax-free remittances that deprive entire communities of their workforce or tax base. Some ingredients of the Donbas conflict – strong regional identities; deep resentment toward an ineffectual, heavily centralised state; corrupt law enforcement and criminal shadow economies – are also present here, and outside actors – including Moscow and Budapest – could use it to stir up separatism. Absent organised irredentism, these regions’ alienation from the state still casts doubt on whether Kyiv is capable of governing its vast, diverse territory in an inclusive manner.
Since the break-up of the Soviet Union, Ukraine’s leaders have reaped colossal profits from politics. It is no surprise, then, that a large part of the population – between one-quarter and half, according to various estimates – operates in the shadow economy: they see leaders prioritising private wealth over public good and follow suit. Kyiv has made large strides since Maidan, with a new anti-corruption bureau, a new police force, and momentum toward regional decentralisation – yet Ukrainians remain largely convinced that their leaders systematically obstruct or derail reforms to protect personal fiefdoms and corporate bottom lines. Ukraine must get serious about fighting corruption, or risk becoming a state that people on the margins choose to abandon.
Recommendations

To the government in Kyiv:

1. Create a specialised national anti-corruption court with regional representation, in line with the Venice Commission’s October 2017 recommendation.

2. Amend national legislation governing the use of mineral resources to facilitate licencing of small, local mining cooperatives managed at the oblast, district or hromada (community) level.

3. Address language controversies by:
   a) Revising ethnic language elements of the September 2017 Law on Education;
   b) Developing legislation in partnership with education experts from the Hungarian, Romanian and other minority-language communities to augment Ukrainian-language instruction in minority language schools;
   c) Following best practices regarding mother tongue-education for persons belonging to national minorities.

4. To reduce incentives to take bribes and combat personnel shortages, raise salaries of police, doctors, teachers, and other civil servants incrementally through 2020, adjusting target salaries to account for inflation when necessary.

5. Ensure decentralisation reform in Zakarpattya and other minority-majority regions proceeds in consultation with local communities, including but not limited to minority community leaders.

To the Rivne, Volyn, and Zhytomyr oblast governments:

6. Oversee transparent, lawful provision of amber mining licenses for community-based cooperatives.

To the Zakarpattya oblast government:

7. Approve the Office for Self-government’s plan for redistricting within the framework of decentralisation reform.

To the government of Hungary:

8. Denounce calls by Hungarian officials for Zakarpattian autonomy.

9. Refrain from blocking Ukrainian-led initiatives in multilateral bodies, except for cases when these could pose a direct threat to either human rights or the principles of the body in question.

10. Revisit implementation of the 2010 Law on Citizenship for compliance with OSCE best practices, which call on states to ensure that “conferral of citizenship [to ethnic kin in other states] respects the principles of friendly, including good neighbourly, relations and territorial sovereignty.”
Ukraine: Will the Centre Hold?

I. Introduction

Crisis Group’s 2014-2016 reporting on Ukraine focused on the security situation in Ukraine’s eastern breakaway territories, and the Kremlin’s crucial role in arming and financing the de facto entities. The December 2016 report *Military Deadlock, Political Crisis* argued that the main goal of Moscow’s interference in Donbas was to destabilise Ukraine and freeze its path to Eurointegration – and that Kyiv, through stalling on anti-corruption reforms, was only aiding this goal. The second part of this analysis is even truer today: corruption continues to take a corrosive toll on Ukrainian civic life, leading to potential instability even in parts of the country distant from the conflict zone. The present report takes a close-up look at this phenomenon, examining two peripheral regions where the state is particularly fragile, and many disaffected citizens are either resorting to illegal activities or abandoning the country altogether.

The Maidan uprising that culminated in the ouster of President Viktor Yanukovych in early 2014 promised to replace his kleptocratic regime with a European-style government based on rule of law. The Kremlin-backed insurgency that subsequently arose in eastern Ukraine lent this promise urgency: Kyiv’s international backers and domestic reformers agreed that deep anti-corruption and good-governance reforms were key to restoring territorial integrity and enticing residents of separatist-held territories back into the fold. In May 2014, President Petro Poroshenko won a convincing electoral victory with a series of interdependent promises: he would end the war and crack down on corruption, as well as sell or create blind trusts for his vast business assets.

Yet three years later the war continues to simmer, with over 10,225 dead and no end in sight.¹ Billions of dollars of Western aid have failed to yield clear breakthroughs in fighting corruption. Decentralisation and police reform have yielded modest successes, bringing new, young faces to the law enforcement sector and larger budgets to some poor rural areas. Yet despite these hopeful steps, many Ukrainians believe aid has only strengthened and legitimised high-level corruption, and that the president himself – who continues to control several increasingly profitable businesses – is a main offender.² He denies any wrongdoing.³

³ See, for example, “Ukrainian president rejects fugitive lawmaker’s corruption allegations, but shock waves extend abroad”, Radio Free Europe, 7 December 2016.
If Kyiv and its backers initially saw the post-Maidan fight against corruption as a way to hasten a peaceful resolution to the Donbas war – by convincing would-be separatists to value Ukrainian sovereignty – citizens’ perceptions of continuing large-scale corruption have become a clear impediment to this mission. A member of the nationalist opposition recently argued that public calls from Kyiv and western allies to “save the three million people of Donbas” ring hollow: the real priority should be to “save the over 40 million people” in Kyiv-controlled Ukraine from a future of indiiguity. Like other government critics, he called for those concerned about the country’s stability to look “not just to the eastern border, but to the western border”, where Ukrainians’ close attention to neighbouring states’ superior living standards is driving anti-government sentiment.

To weigh the merit of these critiques, this report examines citizen-state relations in Polissya and Zakarpattya, two western Ukrainian regions that domestic and international observers identify as potential centres of further state erosion. It looks at the survival strategies residents use to work around state dysfunction and poverty. The present study does not argue that state fragility in western Ukraine deserves greater attention than the Donbas war, where soldiers and civilians continue to die each week, and where up to 3.7 million residents live under Moscow-backed de facto regimes that show little respect for basic rights. It does, however, seek to show how crises of governance in areas far from Donbas can shed light on long-term obstacles to the creation of a strong, peaceful and cohesive state.

Field research was conducted between January and June 2017 in Kyiv city, Zhytomyr oblast (Olevsk and Korosten cities), Rivne city and oblast (Rokytne and Sarny districts), Zakarpattya oblast (the cities of Uzhhorod, Berehove, Mukachevo, Solotvyno, Tyachiv, Lysychovo and Mezhhirye). These locales were chosen for high rates of poverty and damage to infrastructure, emigration and circular migration and/or proximity to illegal trade centres. Interviewees included local officials, journalists, health and education experts, small proprietors and black marketeers. Follow-up interviews were conducted with Kyiv officials in September-November 2017.

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4 Serhiy Fursa, “Чому корупція більше вбиває Україну, ніж війна з Росією” [“Why corruption is killing Ukraine more than the war with Russia”], Espreso.tv, 6 July 2017; IRI survey conducted in June-July 2017 showed that corruption within state bodies is the most important issue for Ukrainians along with the conflict in Donbas. “Ukraine Poll: Slight Improvement in National Outlook; Strong Support for Europe”, International Republican Institute (www.iri.org), 22 August 2017.

5 Crisis Group interview, Kyiv city, September 2017.


8 For various estimates of the population of the de-facto entities, see Delovaya Stolitsa, Occupied Territories: Economics, Demography, Groups of Influence, October 2017.
II. Polissya

Polissya, meaning “woodland”, is a geographical region that stretches from eastern Poland along the Ukraine-Belarus border into western Russia. Ukraine’s portion is home to roughly three million people, largely rural and poor, and lacks the rich soil, minerals or warm-water ports that fuelled development of agriculture, industry and commerce in other regions. The heart of Ukrainian Polissya comprises the northern districts of Volyn, Rivne and Zhytomyr oblasts, all of which rank below national average socio-economic indicators. Within these three oblasts, the districts that comprise Polissya are among the poorest. Monthly salaries rarely exceed $200, compared to the national average of roughly $285.

Since Maidan in 2014, this border backwater has come to symbolise post-regime change chaos. News stories, YouTube videos and social media depict a region consumed by a gold-rush mentality, where well-armed miners destroy forests and armed groups compete among themselves for turf, unhindered – and in some cases abetted – by local authorities and police. The illegal amber industry now reportedly employs tens of thousands, some of whom travel to Polissya from other regions, clogging rural roads during the spring and summer amber mining season.

Media sensationalise mining districts as “the Amber People’s Republic”, and a Rivne oblast official warned that attempts to curb the trade by force could spark violent resistance. While this is likely an exaggeration, amber mining and trafficking certainly fuel violent crime that the state lacks capacity to counter. Even if local law enforcement were committed to stopping the trade, officials and activists worry any dramatic escalation, such as the forcible dispersion of a mine working at full capacity, would be met with violence.

9 Ukrainian Polissya, as defined by national agricultural policy, includes sections of nine oblasts, while taking up most of the northern parts of Volyn, Rivne, Zhytomyr, Kyiv, and Chernihiv oblasts. “Про визначення поліських територій України” [“On the definition of Polissian areas of Ukraine”], The Cabinet of Ministers of Ukraine 2068-98-p, 25 December 1998.
10 Per capita income averaged roughly $1,150 in the three oblasts in 2016, compared to $1,225 for the country as a whole. “Доходи населення за регіонами України” [“Income of population by region”], State statistics service of Ukraine.
12 “Средняя зарплата в Украине” [“Average salary in Ukraine”], Ministry of Finance Financial Portal.
14 See, for example, “Янтарна Ресpublika – це аналог ДНР на западе України – Романенко” [“Romanenko: The Amber Republic is western Ukraine’s answer to the DNR”], Hvylya, 13 March 2016.
A.  The Amber Boom

Polissian villagers have long supplemented their incomes through informal work using what the forest provides: selling small batches of lumber, berries and mushrooms, or small amounts of fossilised tree resin – amber – dug up from forest clearings. Ukrainian amber began to attract the interest of organised crime in the 1990s after Poland cracked down on illegal mining in its Polissian regions. Some Polish gangs then migrated east and introduced their Ukrainian neighbours to a more efficient, but environmentally devastating form of extraction. Crews first clear the forest with backhoes and scoop out channels to a water source, such as a river or marsh. Then they dig pits into the sandy soil and use hoses and pumps powered by old car engines to blast water underground and raise amber, which is lighter than sand or rocks, up to the surface. This practice has polluted rivers and streams, while destroying thousands of hectares of pine and birch forest, leaving behind bare, cratered land that looks like a moonscape.17

Strong protection rackets reportedly overseen by figures close to Kyiv18 emerged in the 2000s, when increases in the global price of amber stimulated illicit mining. Throughout this period, the state enterprise Burshtyn Ukraini (Ukrainian Amber) was the only legally licensed miner, and saw yields that were merely a fraction of the illicit traders’. Under Presidents Yushchenko and Yanukovych, lawmakers attempted to regulate the trade but were said to have lost their nerve as they came to understand the magnitude and power of the protection rackets.19

In 2014, with the instability that accompanied Maidan and the start of the Donbas war, amber mining exploded as the economy slid into recession and Ukraine’s currency plummeted in value, driving many citizens to supplement their meagre incomes through the black market.20 With the new volume of mining came increased chaos. Rival bands vying for turf filled the vacuum left by the consolidated protection racket that disintegrated after Yanukovych fled.21 Ukraine’s depleted security structures were overwhelmed by the 2014 challenges;22 unable to stem the 24 to 36 tonnes of illegal amber exported from Ukraine in 2013 for shadow earnings of roughly $1 million,

19 See, for example, “О чем плачет украинский янтарь” [“Why Ukrainian amber is in tears”], Argument, 23 May 2014.
20 The hryvnia’s value fell from about $0.13 in February 2014 to less than $0.03 in February 2015. See “XE Currency Charts: USD to UAH”, XE, http://bit.ly/2qYm80Y.
according to news reports. In 2014, Ukraine may have illegally exported as much as 300 tonnes, worth an estimated $300 million to $600 million, based on black market rates of at least $1,000 per kilo.

Little attempt is made to hide illegal mining, or the sums of money involved. Polissians describe bumper-to-bumper traffic on rutted roads during the spring and summer, as both impoverished locals and workers from poor neighbouring oblasts flood into mining areas. Economic motivation comes in the form of $300 to $1,000 per shift divided among work gangs of – in their vernacular – five to ten knights per brigade and one leader, who together control access to deposits in particular areas. Traffickers pay not only the brigades but reportedly also local officials for protection, at sums equivalent to 30-50 per cent of their earnings. According to news reports, traders in 2013 bought amber at prices up to $250 per kilo and sold it across the border in Poland for mark-ups as high as 100 per cent. As of September 2017, buyers typically paid $1,600 or more per kilo in Ukraine before selling abroad at more modest mark-ups of as low as ten per cent.

Local police are largely ineffectual at countering illegal amber. Observers point to corruption: the Ukrainian Security Service (SBU) arrested four high-ranking Rivne oblast police officials in 2016 on accusations of sheltering the trade, and in early 2017 a key officer was rumoured to have struck a deal with “amber mafia” elements.

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24 The estimate of 300 tonnes is cited in “Янтарная лихорадка: зачем Украине легализация добычи ‘солнечного камня’” [“Amber fever: why Ukraine needs to legalise extraction of the ‘sunshine stone’”], Segodnya (online), 7 August 2015. The figure of $2,000 as the price for amber on the black market is from “Україну делять на янтарь” [“Ukraine is being cut up into amber”], Gazeta, 23 August 2017. The Segodnya article cited provides a lower estimated price of $1,200 per kilo for a tranche of amber seized by law enforcement in Rivne in 2015.

25 Several Kyiv taxi drivers, for example, spoke independently of having mined amber in Zhytomyr oblast with a group of friends in the summer. One described making tens of thousands of dollars each in a single week, despite once having had their pumps confiscated by police who he said were helping local “thugs” protect their turf. Crisis Group interviews, Obyshche, Zhytomyr oblast, February 2017; Kyiv city, October 2017.

26 “Результати круглого столу щодо нелегального видобутку бурштину в Україні” [“Results of the round table on illegal amber mining in Ukraine”], Automaidan, 26 February 2016; Crisis Group interviews, February, April, November 2017.

27 An online seller offered a “discount” price of $14,500 on 25-26 September 2017, with an additional markup of $1,520 if the stone was purchased in Poland. Crisis Group correspondence, September 2017. “Янтарная лихорадка: зачем Украине легализация добычи ‘солнечного камня’” [“Amber fever: why Ukraine needs to legalise extraction of the ‘sunshine stone’”], Segodnya (online), 7 August 2015. Several local sources noted a recent slump in prices due to decreased Chinese demand, yet it is unclear whether this marks a long-term change, and if and how such a shift would affect amber’s position in the local economy. Crisis Group interviews, Sarny, Rivne oblast, April 2017.

28 Crisis Group interview, Rivne city, February 2017. In April 2017, Ukraine’s prosecutor general accused Rivne oblast’s police force of systematically covering up crimes involving amber. See “О Луценко, янтарной мафии и возможных кадровых изменениях в руководстве Ровенской области” [“On Lutsenko, the amber mafia, and possible personnel changes in Rivne oblast leadership”], Zik, 28 April 2017. Following the accusations, a new head of the Rivne oblast police was
Accounts abound of officers treating amber as an earning opportunity: a Rivne city policeman whose units intercept amber shipments en route to the Polish border said colleagues in the amber belt sometimes call him to say, “So you seized the amber and then what, you just turned it in?”

Lawlessness in amber areas is hardly the fault of the police alone. As the Rivne officer put it: “Do you think [140 police] can take on 100 mines with 1,000 people working at each one?”

Ukraine’s ongoing national campaign to rid law enforcement of the corrupt vestiges of its militia forerunner and rebrand it as mindful of Maidan sensibilities may have brought new faces to police forces in several amber districts, yet officers remain outnumbered by armed gangs of miners, and suspicions of collusion persist.

B. Kyiv’s Response

In July 2015, Poroshenko denounced law enforcement and security service officials in the three amber oblasts for protecting the illegal industry. His ultimatum gave them two weeks to purge their ranks of amber racketeers, using a variation of the Russian word *krysha*, which means “roof” both literally and in the sense of protection racket. He also called on Ukraine’s parliament – Verkhovna Rada – to draft a bill to formalise and institutionalise a framework for regulating the trade in early 2015.

But there was little change in the amber regions for almost a year until March 2016, when Rivne’s governor requested National Guard deployment. Less than two weeks later, a Rada deputy presented a report based on data gleaned from state security services that accused Rivne’s governor of protecting the trade in collaboration with high-ranking oblast police. By the end of April 2016, Rivne’s governor had resigned, though he did not admit guilt or face any legal penalties. And in July 2016, Kyiv sent 300 personnel from various security organisations to conduct a series of raids in northern Rivne. They arrested dozens of alleged mafia operatives,

appointed – but the old one was promoted to the role of special advisor for the key amber oblasts, Rivne, Volyn, and Zhytomyr.


30 Crisis Group phone interview, Kyiv city, June 2017.

31 Crisis Group correspondence, trader, October 2017; Crisis Group interview, miner, October 2017; Crisis Group phone call, anti-mining activist, December 2017.


33 “Бурштинові війни: губернатор Рівненщини просить ввести Нацгвардію” [“Amber wars: Rivne governor asks to send in the national guard”], Gazeta.ua, 17 March 2016.


35 The governor said his resignation was due to his decision to pursue new career opportunities. See “Глава Ровенской ОГА Чугунников подал в отставку” [“Chugunnikov, head of the Rivne oblast administration, submits resignation”], RBK-Ukraina, 28 April 2016.
including the first deputy oblast prosecutor, current and former police personnel, SBU officers and other rumoured “representatives of the criminal world”.36

While national and municipal officials praised the raids as a turning point in the fight against illegal mining, others were more sceptical.37 A high-ranking interior ministry official said the operation broke the back of the trade,38 but many locals claim little has changed on the ground. A Sarny village leader said miners simply find new ways to avoid authorities’ attention.39 Miners themselves claim to have worked profitably both during and after the raids, even if they had to adjust schedules to avoid run-ins with law enforcement.40 A Rivne journalist who has reported extensively on life in amber mining villages called the arrests “a joke”, claiming new local and Kyiv-based officials continue to operate government-run protection rackets in the vacuum left by their predecessors.41

Meanwhile, efforts to regulate the trade by 2018 – one of the conditions for Kyiv’s future International Monetary Fund (IMF) funding – have gone awry.42 A bill that would have facilitated mining licencing for individuals, as well as companies, and mandated creation of communal enterprises overseen by oblasts, failed to pass its second parliamentary reading in February 2017.43 In theory, the state geological service issues permits to companies based on a rigorous application process that includes an environmental impact assessment; oblast authorities then oversee the distribution of land parcels. In practice, the process is opaque and licenses are widely believed to be given out based on personal relationships.44 One school of activist thought is that

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36 Arsen Avakov Facebook post, 12 September 2016, http://bit.ly/2qlO8tm. Estimates for total numbers of security forces involved range from 100 to “over 300”. “Операція ’Бурштин’ на Рівненщині: зампрокурор затриманий, прокурора відсторонять” [“Operation ’Amber’ in Rivne: deputy procuracyor detained, procurator dismissed”], BBC, 4 July 2016. The former deputy prosecutor is currently on trial; another key arrestee, the Sarny district prosecutor, was reinstated 14 December 2017.

37 Crisis Group interviews, oblast authorities, Rivne, February 2017; district official, Olevsk, Zhytomyr oblast, February 2017. The head of the Rivne patrol police said the raids had “dealt with 90 per cent of the problem”, but added things had spun out of control again in the second half of 2016, when the oblast police force suffered a leadership gap of nearly two months. Crisis Group interview, Rivne, February 2017.

38 Crisis group interview, interior ministry official, September 2017. The official noted that hardly any illegal Ukrainian amber was currently being sold on the Polish market – yet traffickers regularly bribe customs officials to receive certificates for “legal” export. Crisis Group correspondence, 26 September 2017.


40 Crisis Group interviews, Obishche, Zhytomyr oblast, February 2017; Sarny, Rivne oblast, April 2017.

41 Crisis Group interview, Rivne city, 2017 and Crisis Group correspondence, journalist, December 2017. This account was corroborated in Crisis Group online correspondence during June and December 2017 with an anti-mining activist in Olevsk. Several amber miners shared this view in Crisis Group interviews in April 2017 and November 2017, but were unable or unwilling to cite specifics.


making licencing easier for individuals and small cooperatives would limit potential for large bribes and thus incentives for officials to engage in corrupt practices.\textsuperscript{45}

Not only did the legalisation effort fail; it was discredited by explosive corruption allegations against a central figure. After the bill sank in the Rada, Boryslav Rozenblat, a national deputy from the president’s party and one of the bill’s co-authors, accused powerful officials involved in the trade of working behind the scenes to undermine reform.\textsuperscript{46} Then the National Anti-Corruption Bureau of Ukraine (NABU) accused him and his co-authors of accepting bribes to revise the draft; they also accused Rozenblat individually of improperly influencing officials to approve mining licenses on behalf of an offshore company.\textsuperscript{47} While he insists the charges are fabricated, he has been stripped of parliamentary immunity and may face up to twelve years in prison.\textsuperscript{48}

While some anti-mining activists welcome these actions as a sign that authorities are getting serious about cracking down on the amber mafia, others remain unconvinced.\textsuperscript{49} A deputy from the presidential bloc argued that the charges continued a post-Maidan trend of catching relatively small fish while freeing bigger ones.\textsuperscript{50} A prominent activist asserted that NABU was simply pretending to fulfil its mandate while serving Kyiv’s goal of discrediting any attempt to regulate the trade, highlighting the cynicism many citizens feel toward state anti-corruption initiatives.\textsuperscript{51}

Since the February failure of Rozenblat’s proposal, no bill on regulation has been active in the Rada. Officials have instead opted for a controversial process of issuing licenses for private companies to mine large tracts of land in the absence of national legislation regulating and opening the industry to independent miners. Defenders of this process characterise it as a stopgap measure to achieve benefits of the failed legislation – job creation, environmental accountability, reduced child labour and tax revenues – while Kyiv comes up with something better.\textsuperscript{52} Opponents argue it is aimed


\textsuperscript{47} “Розенблат и Поляков: что известно о новом коррупционном скандале” [“Rozenblat and Polyakov: what we know about the new corruption scandal”], Liga.Novosti, 20 June 2017.

\textsuperscript{48} Crisis Group interview, Boryslav Rozenblat, Kyiv, October 2017. See also “Розенблату грозит до 12 лет тюрьмы” [“Rozenblat faces up to 12 years in prison”], Ukrayinska Pravda, 22 June 2017.

\textsuperscript{49} For example, journalist Denis Kazansky wrote, “I welcome NABU’s strike against the amber mafia – by all appearances, a real strike, not the shameful imitation we’ve observed before, where they detained miners and low-level officials in Volyn for several years in a row”. Denis Kazansky Facebook post, 21 June 2017, http://bit.ly/2AKocOK.

\textsuperscript{50} Crisis Group interview, national deputy, Kharkiv, July 2017.

\textsuperscript{51} “Some provincial deputy could not have organised this scheme”, the activist said, insisting that the president must have been aware of it. Crisis Group phone conversation, June 2017.

\textsuperscript{52} “В.О голови Держгеонадра: легальний видобуток бурштину – це робочі місця, податки та рекультивація” [“Acting head of Derzhgeonadr: legal amber excavation means jobs, revenues, and recultivation”], Business Censor, 13 April 2017.
at benefitting politically connected investors while freezing villagers out. As of late 2017, merely four private entities had been licensed, and reports concerning their ownership suggest sceptics’ concerns may be warranted.

There are strong, competing views as to who is ultimately to blame for, and to benefit from, the stalled legislative efforts and ad hoc interim measures. The bottom line, as several officials point out, is that a government widely perceived to be looting the state cannot credibly tell citizens to stop doing the same.

C. Local Impact

The environmental consequences of amber mining are catastrophic and well known: miners have felled large tracts of forest, pumped water out of wetlands, and washed away fertile top soil. The barren spaces left behind are bereft of traditional forest products, such as berries, and vulnerable to flooding. As of early 2017, the total area of devastated land is estimated to range anywhere from 2,600 hectares to more than 10,000. Moreover, corruption allegations have marred a February 2017 plan to recover 6,000 hectares of destroyed forest.

The trade has also greatly reduced the appeal of formal work in Polissya. While villagers generally play only supporting roles – as knights or brigade leaders – profits from the rise in amber prices have indeed trickled down. At the start of the amber boom in 2013, knights made about $12 (100 hryvnia) a day – three to four times normal daily earnings in these districts. In 2016 and 2017, someone in the same position could expect to earn about $20-$40 a day, while average monthly salaries in Polissya rarely clear $200.

53 See “В Ровно раздавали янтарние земли – со скандалом и проклятиями” [“Scandal and curses as Rovno hands out plots of amber”], Zik, 9 November 2016.
56 “Пілотний проект із рекультивації земель дозволить за 5 років відновити пошкоджені нелегальним видобутком бурштину землі лісового фонду – голови ОДА (відео)” [“Pilot project to recultivate land will allow for the renewal of forest fund lands damaged by illegal amber mining within 5 years – oblast administration heads (video)"], Unian, 15 February 2017, http://bit.ly/2tM7ehD.
57 “Rozenblat and Polyakov”, op. cit.
58 At the time average monthly salaries there hovered around $100-120. “Середня заробітна плата в 2013 році” [“Average salary in 2013”], Main statistical headquarters of Rivne oblast, http://www.rv.ukrstat.gov.ua.
Local economic benefits have been mixed. One anti-mining activist argued that amber money only has a superficial effect on villagers’ living standards: “People are buying iPhones and using them to light the way to their outhouses”.\(^{60}\) Anecdotal evidence suggests the new income has in fact been a boon for previously impoverished families, allowing them to afford essential goods.\(^{61}\) But the under-the-table nature of these earnings still limits the trade’s long-term positive impact on communities. Villages flush with new amber money have next to no tax base. Rivne oblast generated a mere $8.5 million in tax revenue for the state budget in 2016, most of it thanks to industry located outside of the amber belt.\(^{62}\) An official responsible for oblast-level decentralisation in Rivne pointed out that the dearth of taxes is a crucial obstacle to these reforms, which envision municipalities using locally generated taxes to pay for their own infrastructure needs.\(^{63}\) This is particularly unfortunate given that decentralisation was conceived, at least in part, to revitalise depressed rural areas like Polissya.\(^{64}\)

The trade has also had dire effects on education. So many children skip class to help families extract amber that a Rivne school deputy head said secondary classes are often half-empty during fall and spring; mining only stops when the ground freezes in winter.\(^{65}\) The head teacher said many students see little need for a university education, since they already make more money than teachers.\(^{66}\)

Potential security concerns are also worrying. According to locals, a majority of families in amber-mining areas keep firearms, most of which are unregistered.\(^{67}\) Officials say the number of firearms in Ukraine as a whole, and Polissya in particular, has increased in recent years, facilitated by smuggling that has taken off since the start of Kyiv’s operations against Russian-led forces in Donbas.\(^{68}\) Sources also say grenades are readily available in mining areas, where they cost between $50 and $150.\(^{69}\)

Crime – especially of the violent kind – has increased in amber areas much more rapidly than in the country as a whole in recent years. While the total number of

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\(^{60}\) Crisis Group interview, local parliamentarian and activist, Olevsk, Zhytomyr oblast, February 2017.
\(^{61}\) Lyubov Velichko, “Лихорадка” [“Delirium”], Argument, 9 July 2016.
\(^{64}\) Crisis Group interviews, Kherson oblast self-government official, Kherson city, March 2017; village head, Sarny district, Rivne oblast, April 2017.
\(^{65}\) Crisis Group interview, Rokytne, Rivne oblast, February 2017. This source, it should be noted, saw this as a tendency that had begun well before 2014, and attributed it not only to amber mining but to corruption. Students regularly have to pay bribes to get in to universities or pass routine exams.
\(^{66}\) Crisis Group interview, Rokytne, Rivne oblast, February 2017. A district head in Rivne oblast and a village head in Sarny district, Rivne oblast, concurred in two separate April 2017 interviews.
\(^{67}\) Crisis Group interviews, law enforcement officer, journalist, Rivne, February 2017; local official/activist, Olevsk, Zhytomyr oblast, February 2017; schoolteachers, Rokytne, Rivne oblast, February 2017.
\(^{68}\) Registering guns is an arduous process in Ukraine; statistics tend to be unreliable. According to Interior Minister Arsen Avakov, the number of legally registered guns has grown to about one million nationwide, up from about 800,000 at the beginning of 2015. “В Україні на руках 1 000 000 одиниць зареєстрованого оружія – Аваков” [“Avakov: there are 1,000,000 registered arms in possession in Ukraine”], Strana.ua, 13 March 2017. For a brief overview on the rise in demand for firearms in Ukraine, see “Ukraine, a ‘supermarket’ for guns”, The New Yorker, 17 January 2017.
\(^{69}\) Crisis Group interview, law enforcement officer, Rivne, February 2017.
crimes committed in Ukraine rose about 6.5 per cent from 2013 to 2016,70 crime in Rivne’s Rokytne district jumped by 40 per cent in 2015 alone. To cite the most extreme examples in amber areas over the past two years, violent crime has tripled in Rokytne,71 while rising just 18 per cent nationwide.72 In neighbouring Volodymyr, crime has increased 22 per cent, while violent crime has more than quadrupled.73 Local leaders say most violence is linked to turf wars and financial disputes. Even without police corruption, any further increases could stretch local law enforcement’s limited capacity to the breaking point.74

D. Outlook

While the amber trade currently shows few signs of sparking large-scale violence, Kyiv is not considering any viable long-term solutions to the structural problems it represents – namely a widespread loss of faith in the rule of law. An anti-mining activist in Olevsk, who was an active supporter of the Maidan revolt, compared the situation in his region to 1990s Donbas, when coal and steel barons presided over a subculture largely divorced from the laws of the land, laying the groundwork for some locals eventually to decide that they should split from Kyiv.75 Other liberal, Maidan-supporting Polissians find themselves, in spite of their core beliefs, looking enviously across the border at autocratic Belarus, where strict laws on soil usage and draconian enforcement have helped preserve the forests.76 Kremlin-affiliated media have devoted substantial space to the state’s supposed collapse in Polissya, relying primarily on concerned, pro-Maidan locals to make their case.77

Kyiv can work toward restoring citizens’ belief in the rule of law by following through on long-pledged reforms. It needs to build on modest successes in police

70 “Правопорушення” [“Crimes”], State Statistics Service of Ukraine (www.ukrstat.gov.ua), 21 February 2017; and “В Україні в середньому ріст преступність: Луценко назвав причини” [“Crime is rapidly growing in Ukraine: Lutsenko names the reasons”], Segodnya (online), 15 February 2017.
71 “Соціально-економічне становище Рокитнівського району за 2015 рік” [“Socio-economic conditions in Rokytne district as of 2015”], Rokytne district state administration (www.rv.gov.ua), 1 February 2016.
72 “В 2016 році в Україні зросло кількість преступлень, в тому числі — тяжких на 20%.
77 “Янтарна народна республіка” [“The Amber people’s republic”], Lenta.ru, 19 March 2016.
This article cites a Kyiv-based blogger and passionate Kremlin critic at length.
reform as well as carry out pledges to raise salaries for police and prosecutors — a move experts agree will not automatically lead to more effective law enforcement, but will reduce incentives to take bribes from organised crime.\textsuperscript{78} Criminal justice reform is also key: as long as Polissian miners believe prosecutors are sheltering organised crime, they will see little reason to obey the law themselves. Finally, Kyiv should create its promised Anti-Corruption Court, without which NABU’s investigations of high-level corruption in the amber trade may have little consequence.

Kyiv, crucially, also should take steps to convince Polissians that the state can in fact be trusted to provide public services — and that taxation is key to this function. One step could be to pass legislation that would facilitate licencing of local cooperatives — including for amber extraction and processing. These enterprises could be managed on the oblast level, as suggested by the Rozenblat draft, or at the level of sub-oblast municipalities, which may now levy and collect their own taxes under decentralisation reform.\textsuperscript{79} Of course, such an arrangement would need to be handled carefully, so as not to merely reinforce local entrenched interests. When Polissians see their tax money going to tangible improvements in local infrastructure, they may stop thinking of the state as something to be looted before it has a chance to steal from them.

\textsuperscript{78} Crisis Group interviews, police official, Rivne city, February 2017; human rights activist, Kharkiv city, July 2017.

\textsuperscript{79} Crisis Group interview, village head, Sarny district, Rivne oblast, April 2017. Prospects for cooperatives are also addressed in Denis Kazanskiy, “Мафія бессмертна, або хто саботує легалізацію видобутку бурштину?” [“The immortal mafia, or, who is sabotaging the legalisation of amber mining?”], Tyzhden, 7 July 2016.
III. Zakarpattya

Zakarpattya – known to the West as Transcarpathia – is one of Ukraine’s most diverse oblasts.80 Located in the far south west, it shares a border with four European Union (EU) countries. The region is also poor relative to the rest of Ukraine, largely rural, and most of the population lives in villages surrounded by mountains and dense forests.81 Many of its 1.2 million inhabitants understand at least three languages and have lived and worked in the EU. Ukrainian nationalists, as well as external actors, regularly warn of – or incite – separatist tendencies among the oblast’s two major ethnic minorities: Hungarians and Rusyns.82 Both communities were key constituencies behind a failed 1991 bid for autonomy, whose stubborn legacy earns frequent, if misplaced, comparisons to Crimea. Yet the most immediate problem facing Zakarpattya is not active separatism, but something more banal. Its culturally agile population, fed up with corruption and the anaemic local economy, might simply drop out of civic life – either by retreating into a state of permanent circular migration, or by leveraging family ties in EU neighbours to emigrate altogether.

A. Separatism in Zakarpattya: A Phantom Threat?

History shows that separatism in Zakarpattya is more bark than bite. When Ukraine voted to leave the Soviet Union in 1991, the local governments of two territorial entities – Crimea and Zakarpattya – held parallel referendums on self-rule.83 Nearly 80

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80 The oblast’s roughly 150,000 Hungarians are concentrated along the border. Rusyn community leaders estimate their population at about 600,000. There is also a smaller Romanian minority in the south, and a substantial Roma population. State Statistics Service of Ukraine (www.ukrstat.gov.ua), 18 October 2016, op. cit.

81 Salaries in Zakarpattya fall slightly below the national average: as of March 2017, the average monthly salary was roughly $225 compared to the national average of $260. Per capita income in 2016 was $963, less than 80 per cent of the national average. At least 63 per cent of the population lives in villages, where jobs are scarce. “Обсяг реалізованої продукції (товарів, послуг) підприємств за їх розмірами за регіонами у 2015 році” [“Sales of products (goods and services) by enterprise, size, and region in 2015”], State Statistics Service of Ukraine (www.ukrstat.gov.ua), 18 October 2016.

82 Kyiv does not recognise Rusyns as an ethnic minority. Ukrainian elites often argue that Rusyns are simply Zakarpattian Ukrainians with a distinctive regional dialect – and that Russian propaganda is responsible for the view that they are a separate ethnos. However, Rusyns are recognized as an ethnic minority in other countries where they live in large numbers: Hungary, the Czech Republic, Slovakia, Serbia, and Croatia. For a discussion of controversies surrounding Rusyn identity and the way Moscow has used it to stoke regional tensions, see Alexandra C. Wiktorek, Rusyns of the Carpathians, unpublished thesis submitted to Georgetown University. Available at http://bit.ly/zoCdF66. There is some history of Zakarpattian Rusyns possibly furthering Kremlin propaganda: see Pavel Korduban, “Is Yushchenko’s Top Aide Backing Ruthenian Separatist Movement?”, The Jamestown Foundation, 5 November 2008.

83 In 1990, the Soviet Supreme Court approved a law specifying that should a constituent republic leave the Union, any section of the republic that had not been part of its territory upon accession must be allowed to vote on its own status. Having been transferred to the Ukrainian Soviet Socialist Republic from Czechoslovakia in 1945, Zakarpattya joined Crimea in making use of this provision. The oblasts of Ivano-Frankivsk, Lviv, Rivne, Ternopil, and Volyn did not use it despite meeting the requirements. See Article 14.7 of “Закон СССР от 03.04.1990 № 1409-1” [“USSR Law No.1409-1 from 3 April 1990”].
per cent of Zakarpattians voted for autonomy within Ukraine. Yet unlike Crimea, Zakarpattya never went ahead with self-government, and only marginal local politicians continue to call for the referendum’s implementation. Many Zakarpattians insist oblast residents are too pragmatic and concerned with household economics to bother with separatism or even federalism. While reassuring, this also holds the key to a more real threat Kyiv faces in Zakarpattya and other western peripheries whose populations have extensive cross-border ties in the EU: the same pragmatism that militates against active separatism is also eroding citizens’ respect for – and perhaps loyalty to – a state that refuses, in their eyes, to give its constituents a chance to achieve dignified living standards.

Where Zakarpattya is concerned, Kyiv’s separatism fears revolve around the oblast’s roughly 150,000 ethnic Hungarians. Zakarpattian Hungarians were a major driver of the 1991 referendum, for which Budapest actively lobbied. In 2010, the government of Prime Minister Viktor Orbán introduced a law guaranteeing Hungarian passports to anyone who could pass a language test and offer proof of ancestors “deprived of Hungarian citizenship” during 20th century territory shuffles.84

Kyiv at the time paid little attention, but Ukrainian nationalists – both officials and activists – have grown increasingly nervous about cross-border interference since Russia’s 2014 annexation of Crimea. Many point to the increase in Ukrainians obtaining Hungarian passports: according to statistics cited in a March 2017 news report, there are now over 118,000 Hungarian citizens in the oblast, and other sources put the number at over 200,000.85 Critics also call attention to inflammatory statements by both Orban and members of the far-right opposition party Jobbik, calling for autonomy for Hungarians in neighbouring states.86 In the most extreme analysis, Orbán’s ostensible Russian President Vladimir Putin alliance is seen as evidence of shared tactics of hybrid warfare, and that Budapest is grooming its Hungarian minority for a Crimea-style annexation of Zakarpattya.87

In practical terms, Hungary’s EU membership would preclude any such ambitions, yet political forces in Ukraine regularly take the bait. Nationalist activists from

84 “Почти 100 тысяч жителей Закарпатья сменили паспорт на венгерский” [“Almost 100 thousand inhabitants of Zakarpattya have switched over to Hungarian passports”], Zerkalo Nedeli (online), 27 February 2015.
85 “План створення угорської автономії на Закарпатті (Документ)” [“The plan to create a Hungarian autonomy in Zakarpattya (Document)"], Informator, 11 March 2017. A 2017 news report, viewed side-by-side with an announcement by Hungarian authorities that about 94,000 Zakarpattians had received Hungarian passports since the policy took effect, suggests that the number of Hungarian passports issued in 2016 exceeded the total number issued between 2010 and 2015. “Tavaly több mint 103,5 ezer ülőlevél adtak ki Kárpátalján” [“More than 103.5 thousand passports were issued in Zakarpattya last year"], KarpatHir, 8 January 2017. For the estimate of Hungarian citizens in the oblast, see “Самоопреділення та в’єлика венгрув” [“Self-determination and ‘great Hungary’”], Strana.ua, 18 October 2017. Lviv Mayor Sadoviy has stated that 30-40 per cent of Zakarpattya residents have dual citizenship. This allegation was quickly picked up by pro-Kremlin outlets, turning into the headline. “Гривенські орендери підняли камінця. 40% жителів Закарпаття мають венгерські паспорти, 80% буковельців уже румунами” [“No more need for the [Ukrainian] trident: 40% of Zakarpattya residents have Hungarian passports and 80% of Bukovelians are now Romanians"], Antifashist, 19 March 2017.
87 Crisis Group interviews, Svoboda and Azov members, Kyiv, October 2017.
the right-wing Svoboda party and Azov civil corps have now held several torch-lit marches protesting the use of the Hungarian language and other markers of Hungarian ethnic identity in the quiet Zakarpattian town of Berehove. Officials in Kyiv — including the president — have also called for banning dual citizenship to stem the tide of Hungarian “passportification”, drawing ire from the oblast’s vocally anti-separatist governor.

Separatism fears have already had a palpable impact on governance in Zakarpattya. Decentralisation reform, in which sub-oblast municipalities form new units called hromadas that levy their own taxes and manage their own budgets, has offered a lifeline to some poorer Ukrainian villages since the process began in 2015, increasing the funds at their disposal by orders of magnitude. Yet in Zakarpattya, the process has ground to a halt. Some barriers are technical: many small municipalities need to amalgamate with neighbouring ones to form electoral units with a viable tax base, a difficult task in an oblast where many poorer villages are surrounded by mountain and forestland. Yet the key obstacles may be political: authorities are loath to allow hromadas to form in majority-minority areas, lest this encourage ethnic divisions, and their concerns have only grown amid recent tensions between Kyiv and Budapest. This impasse comes at considerable cost to ordinary Zakarpattians, who are hungry for more control over how they are governed.

The clearest example of Kyiv’s misbegotten response to concerns about cross-border influence is the September 2017 education reform package, which included a law that requires minority-language schools to begin transitioning grades 5-12 to Ukrainian-only curricula starting in 2018, and grades 1-4 starting in 2020. This has presented moral and logistical dilemmas to Zakarpattya’s over 100 minority-language schools, which include over 50 Hungarian ones. The initiative is tied to Kyiv’s ongoing Ukrainianisation campaign. Motivated largely by Putin’s claim that Russia annexed Crimea to protect Russian-speakers, Kyiv has sought over the past three years to ensure predominance of the Ukrainian language in public life. While Ukrainianisation focuses largely on reducing the prevalence of Russian, supporters of education reform present it in part as a way to counter so-called Magyarisation of primary and secondary education in Zakarpattya.

The law’s passage drew a swift, angry response from neighbours; Hungary led the charge. In October, Budapest initiated an EU-member review of Ukraine’s EU Asso-

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90 Crisis Group interviews, head of oblast local decentralisation office, March, December 2017.
91 A 2016 IRI survey of residents of oblast capitals found that Uzhhorod residents overwhelmingly rejected the idea of presidential, gubernatorial, or ministerial involvement in local decisions. At the same time, Uzhhorod was the only oblast capital in which zero per cent of respondents supported a role for the president and/or governor on decisions regarding decentralization. See “Ukrainian municipal survey 20 January – 8 February, 2016”, International Republican Institute, March 2016.
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Budapest also promised to block Kyiv-led initiatives in multilateral organisations, including the UN and Organization for Security and Co-operation in Europe (OSCE). Foreign ministers of Bulgaria, Greece, and Romania – there are over 90 Romanian-language schools in Zakarpattya, Chernivtsi, and Odesa oblasts – also asked Kyiv to reconsider. Moscow’s response was slow and subdued; some Kyiv-based experts speculate it was sparing itself the effort as Ukraine’s western neighbours were making enough noise on their own. Political observers see the row as proof of Kyiv’s proclivity to further divide Ukraine through heavy-handed measures to strengthen national cohesion, as well as neighbours’ eagerness to take advantage of its weakness.

The new education law has some valid goals in terms of better integrating residents of the country’s south-western oblasts into civic life. Zakarpattian schoolchildren, along with their heavily Romanian-speaking neighbours in Chernivtsi, consistently have the country’s highest failure rate on university entrance exams, which revolve around Ukrainian-language proficiency. In both 2016 and 2017, roughly 27 per cent of college-bound Zakarpattians failed the state exam; some estimate that this included over half of Hungarian-language high schoolers. Ukraine’s Education Minister Liliya Hrynevych lobbied for the bill partially because low Ukrainian fluency limits minority students’ prospects at home. In late 2016, she said reform is aimed at “integrating these children and giving them a chance to continue their education in Ukraine, not Hungary or Romania”.

However, even harsh critics of Budapest in Zakarpattya oppose the new law, which contradicts international best practices on minority language education. The OSCE high commissioner on national minorities recommends minority children be given the opportunity to develop literacy in their native language, and states that this goal is best met when countries guarantee access to primary school curricula taught mostly in that language — a guideline that the law violates by calling for grades 1-4 to transition to Ukrainian only. The Parliamentary Assembly of the Council of Europe, while characterising state language knowledge as an essential pillar of national cohe-

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94 Krisztina Than, “Hungary asks EU to review Ukraine ties over language row”, Reuters, 10 October 2017.
95 “Четыре страны ЕС просят Киев не ограничивать языки нацменьшинств” [“Four EU Countries ask Kyiv not to limit ethnic minority languages”], BBC, 15 September 2017.
96 Crisis Group interviews, Kyiv, September 2017.
98 “Викладач: 40% студентів-закарпатців через незнання української не змогли б викликати швидку” [“Professor: 40% of Zakarpattya university students wouldn’t be able to call an ambulance”], Zik, 10 November 2016. See “Регіональні дані ЗНО-2016” [“Regional EIE (External Independent Evaluation) data, 2016”], Ukrainian Center for Education Quality Assessment (http://stat.testportal.gov.ua), 2007-2016. Another 27 per cent of the oblast’s test-takers did not pass the 120/200 point threshold, and students from Hungarian-language schools are overrepresented within this group.
99 “Лілія Гриневич: МОН підготувало пропозиції щодо вирішення мадяризації освіти на Закарпатті” [“Liliya Hrinevich: Education ministry has prepared proposals to solve the Magyarisation of education in Zakarpattya”], Tyzhden.ua, 4 November 2016.
sion, stated that it “deplores the fact there was no real consultation with leaders of minority communities in Ukraine” when preparing the law.101

Zakarpattya Governor Hennadiy Moskal, known for his vocal distaste for any discussion of regional separatism or autonomy, denounced the law as showing zero appreciation for conditions in multi-ethnic regions. He said Zakarpattya’s minorities are “law-abiding citizens of Ukraine, striving to master the state language”.102 A Kyiv senior statesman, after voicing concerns that Budapest has designs on the oblast, called the law an “idiotic” move tailor-made to alienate Zakarpattians.103 Berehove’s town head condemned discussions of autonomy in Budapest and called for improved Ukrainian-language instruction in Hungarian schools – while stressing the right of Hungarians to study in their native language: “We would like to be considered full-fledged members of society, having lived for centuries at the foot of the Carpathians”, he wrote, adding: “It’s not our fault that the border changed several times in a single decade”.104

There is still time to defuse tension the law has provoked. In response to the uproar following its passage, Kyiv submitted it to the Venice Commission, which partially endorsed “the strong domestic and international criticism [of] provisions reducing the scope of minority language education” – while noting that these provisions were vague enough to offer “space for an interpretation and application which are more in line with the protection of national minorities”.105 Ukraine has promised to consult with minority community leaders regarding the legislation’s most controversial components. These are positive signs, but a longer-term solution to challenges of minority integration will require Kyiv to address deeper structural problems.

B. Economics, Not Nationalism, Drive Cross-border Ties

Lost in conversations about language proficiency and the threat of separatism is the deeply pragmatic nature of many Zakarpattians’ ties to Hungary and other neighbouring states: residents opt for dual citizenship and Hungarian-language education not out of allegiance to Budapest, but to ease the process of labour migration. Officials and private citizens have made a strong case for the practical nature of dual citizenship. The oblast head for decentralisation reform called it “awful”,106 but dismissed

102 Moskal: Новий Закон про освіту суперечить Європейській хартії регіональних мов, Закону ’Про національні меншини в Україні’ та міжнародним договорам, укладеним Україною із сусідніми країнами” [“Moskal: the new law on education contradicts the Europe Charter on regional languages, the ‘law on national minorities’ in Ukraine and international agreements concluded with neighbouring countries”], Hennday Moskal, official website (moskal.in.ua), 8 September 2017.
103 Crisis Group interview, Kyiv, October 2017.
105 The commission also raised concerns that while the law at least provides flexibility regarding the teaching of EU languages, no such provisions are made for Ukraine’s second-most commonly used language, Russian. “Ukrainian Education Law: sufficient minority language teaching needs to be maintained, and unequal treatment of non-EU languages problematic, says Venice Commission”, Council of Europe press release, Strasbourg/Venice, 8 December 2017.
as absurd the notion it reflects residents’ loyalty to other states. Staff at an Uzhhorod visa agency asserted there is “absolutely no ideology” behind the choice to get legal documentation for Hungary or any neighbouring state, saying the decision is based on poor living standards, rising utilities prices and frustration with Kyiv.\[107\] Pensioners crossing the nearby Romanian border echoed this sentiment, saying they had obtained EU residency to access better medical care and because post-Maidan leaders had “looted the country”.\[108\]

Zakarpattya has traditionally had one of the highest rates of labour migration in Ukraine, and it shapes nearly every aspect of oblast life. Work opportunities are scarce, and much of the economy revolves around cross-border smuggling rings allegedly controlled by a political dynasty from the city of Mukachevo, the Balogas – who spend just enough of their vast wealth on infrastructure to retain local backing.\[109\] Remittances are the core source of income for many rural households, but do not produce tax revenue because they are neither passed through formal channels, nor reinvested in domestic business development.\[110\] This dynamic has made Zakarpattya a place of dramatic contrasts, where Western living standards often exist in the home, but nowhere else. Many villages consist of half-destroyed roads lined with grand multi-story houses: a constant reminder to working-age Zakarpattians of the greater earning potential just across the border.

Weak identification with the Ukrainian ethnos does not completely explain high out-migration: heartland oblasts, including largely Ukrainian ones like Vinnytsia, also have rural working-age populations abroad in large numbers.\[111\] What distinguishes Zakarpattya and neighbouring Chernivtsi, bordering Romania, from these heartland regions is the fact that residents leverage ethnic ties with neighbouring states to ease the process: Hungary is often not Zakarpattians’ final destination; instead, many labourers use it as a springboard to other EU states with stronger economies. A man from the majority-Hungarian border district of Berehove quoted in an October 2016 report spoke of using his Hungarian documents to find work in Spain, where he earned enough money to pay for a life-saving operation for his mother.\[112\] An ethnic Ukrainian pensioner working at an Uzhhorod market, desperate for a Hungarian passport, said her daughter obtained citizenship after picking up the language from childhood friends. Unable to use her economics degree at home, she

\[110\] M.I. Petyulich and T.Y. Kovach, “Problems of transformation of money transfers by labour migrants into investment resources”, Ukrainian National Forestry University, 2011.
\[112\] “Скільки закарпатців попаде за решетку … за двоєве громадянство?” [“How many Zakarpattians will be jailed … for dual citizenship?”], Ua-Reporter.com, 13 October 2016. A source in Berehove gave a similar account of leveraging ties to the Hungary community for migration purposes. Crisis Group interview, Berehove, April 2017.
looked for work in Hungary before moving to Prague, where she finally found decent wages at a clock factory.\textsuperscript{113} Dual citizenship is pragmatic.

Language issues must also be viewed in the context of migration. One in five oblast schoolchildren has one or more parents working abroad, a factor that a January 2017 study linked to an average loss of up to eight points on state Ukrainian language tests,\textsuperscript{114} suggesting poor Ukrainian knowledge correlates to parental transience. Moreover, many neglect Ukrainian precisely because they plan to study abroad to increase future earning potential. An expert on education among ethnic Hungarians in the oblast noted that demand for slots in Hungarian-language schools has increased in recent years, saying this was likely because parents want to give their children a chance to obtain Hungarian citizenship, and the educational and earning opportunities that go along with it.\textsuperscript{115}

As in other parts of the country, mass migration means shortages of qualified experts in critical fields – particularly teachers and doctors. A medical resident at Uzhhorod National University, who planned to move to Slovakia, said half of his graduating class left for the EU before even starting their residencies.\textsuperscript{116} The head of a highly-regarded family clinic in Uzhhorod reported that 30 per cent of his residents had dropped out in 2016 to practice in EU countries: “They are never coming back”, he said. “We’re training doctors for Hungary and Germany”.\textsuperscript{117}

Zakarpattya’s shortage of expert professionals has an ethnic dynamic absent from other oblasts – again, due less to national allegiance than the fact that specialists who speak a minority language have an easier time finding work abroad. Teachers at Hungarian, Slovak and Romanian-language schools leave to fill vacancies in Hungary, Slovakia and Romania left by teachers who are themselves working even further west. In first stop Hungary, teachers already make up to six times more than their Zakarpattian monthly income of $150-$230;\textsuperscript{118} this only increases going west. Within the past year, hospitals in the majority-Hungarian district of Berehove have had to bring in staff from neighbouring areas to work night shifts because so many staff have left

\textsuperscript{113} Crisis Group interview, Uzhhorod, February 2017. The saleswoman said her daughter had left Hungary because “there’s nothing good on the horizon there either”.
\textsuperscript{114} Igor Samokhin and Iryna Kohut, “Соціально-економічні фактори у нерівності результатів навчання у середній школі” [“Socio-economic contributors to unequal educational achievement in high school”], CEDOS, 27 January 2017.
\textsuperscript{115} “Pedagógushimnyy kízlenek a magyar iskolák” [“Hungarian schools are suffering from a lack of teachers”], Karpatalja, 31 August 2016. A high-ranking oblast education official corroborated this analysis in a March 2017 interview with Crisis Group in Uzhhorod.
\textsuperscript{116} “Медики Закарпаття массово виезжают работать за границу – больницы пустеют” [“Hospitals empty out as Zakarpattya doctors leave en masse to work abroad”], Ua-Reporter.com, 27 October 2016. The resident later confirmed his account in an April meeting with Crisis Group, by which point he was already living and working in Slovakia. Crisis Group interview, Uzhhorod, April 2017.
\textsuperscript{117} Crisis Group interview, Uzhhorod, March 2017. The doctor explained that while low salaries are a key push factor for young male doctors, fears of military conscription also drive them.
119 Despite a 20-30 per cent salary hike at the start of 2017, a new Ukrainian doctor can still only expect to make roughly 2,500 hryvnia (about $90) a month, 120 compared to the $900 they can make next door in the EU. 121 In a hopeful step, the Rada passed a medical reform package in late 2017 that is due to raise the average doctor’s salary to $720 by 2020 – a plan that is naturally contingent on the state not losing critical amounts of money to corruption. 122

Many ordinary Zakarpattians are deeply alienated from Kyiv, but this alienation should not be conflated with irredentism. Some describe the oblast as its own “separate republic”, referring to other provinces as simply “Ukraine”. 123 Many express contempt for Kyiv officials whose professionalism falls far short of the EU standards with which they are familiar. 124 Others remark that given higher living standards in neighbouring states, life would be simpler had Zakarpattya joined one of them at the end of the Second World War. 125 Yet these casual references to Zakarpattian exceptionalism are best seen as a regional variation of an all-too-Ukrainian theme – anger at economic malaise and poor governance. Remarks by a hotel owner in Mezhhirye present an unusually hyperbolic example of this: “I’m basically against dividing Ukraine” he said. Yet he predicted that Kyiv, Moscow, and Budapest would soon do just that, with Hungary taking Zakarpattya. Explaining his far-fetched prediction, he appealed not to widespread ethnic nationalism or historic cross-border ties, but to the everyday complaint that Kyiv lacks the will to fight corruption and put its constituents first. 126

119 “Медики Закарпатья массово выезжают работать за границу – больницы пустеют” [“Hospitals empty out as Zakarpattya doctors leave en masse to work abroad”], Ua-Reporter.com, 27 October 2016.
121 Crisis Group interview, medical professional working in Slovakia, Uzhhorod, April 2017.
123 Crisis Group interviews, small proprietors in Lysychovo, Solotvino, and Mezhhirye, March 2017; Crisis Group interview, civil servant, Uzhhorod, April 2017.
126 Crisis Group interview, small proprietor, Mezhhirye, March 2017. An Uzhhorod official took a similar tone when asked whether he thought federalization was possible in the near future. “No”, he replied: “If Ukraine falls apart, it will be completely”. Crisis Group interview, April 2017.
IV. Conclusion

Ukraine has made significant strides since Maidan, in spite of enormous external challenges from Kremlin-backed insurgents in the east and inconsistent support from a troubled Euroatlantic world. Yet this is far from the whole story. Conditions in its western regions show that the state remains fragile, even beyond those parts of the country where Moscow is actively undermining sovereignty. In the years since Maidan, the Poroshenko government has not shown itself capable of admitting to – let alone addressing – the root cause of this fragility: leaders prioritising private wealth over public good. Instead, it attacks symptoms: mass participation in shadow economies or weak identification with markers of Ukrainian ethnic identity, such as language. Authoritarian neighbours are eager to provoke and capitalise on these missteps, as illustrated by the row with Budapest and Kremlin-affiliated outlets’ gloating coverage of the amber fiasco. But their predatory behaviour should not distract from Kyiv’s responsibility to correct its own mistakes.

Kyiv’s leadership cannot afford to deny its core weaknesses any longer. Ukraine needs the buy-in of all its citizens if it is to survive as a state. Three years ago, President Poroshenko promised to end the war in Donbas and confront corruption. Fulfilling the first promise would be hard enough on its own, as it requires major concessions from an intractable neighbouring great power and a watertight strategy to reintegrate a traumatised population growing used to living under separatist rule. Yet Kyiv cannot treat these challenges as an excuse to neglect inclusive governance or stop fighting corruption. If it does, the people of Donbas will not be the only ones Kyiv will have to struggle to win back.

Polissya/Zakarpattya/Kyiv/Brussels, 21 December 2017
Appendix A: Map of Ukraine
Appendix B: About the International Crisis Group

The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 120 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group’s approach is grounded in field research. Teams of political analysts are located within or close by countries or regions at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international, regional and national decision-takers. Crisis Group also publishes CrisisWatch, a monthly early warning bulletin, providing a succinct regular update on the state of play in up to 70 situations of conflict or potential conflict around the world.

Crisis Group’s reports are distributed widely by email and made available simultaneously on its website, www.crisisgroup.org. Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board of Trustees – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policymakers around the world. Crisis Group is chaired by former UN Deputy Secretary-General and Administrator of the United Nations Development Programme (UNDP), Lord Mark Malloch-Brown. Its Vice Chair is Ayo Obè, a Legal Practitioner, Columnist and TV Presenter in Nigeria.

Crisis Group’s President & CEO, Jean-Marie Guéhenno, served as the UN Under-Secretary-General for Peacekeeping Operations from 2000-2008, and in 2012, as Deputy Joint Special Envoy of the United Nations and the League of Arab States on Syria. He left his post as Deputy Joint Special Envoy to chair the commission that prepared the white paper on French defence and national security in 2013.

Crisis Group’s international headquarters is in Brussels, and the organisation has offices in ten other locations: Bishkek, Bogota, Dakar, Kabul, Islamabad, Istanbul, Nairobi, London, New York, and Washington, DC. It has presences in the following locations: Abuja, Algiers, Bangkok, Beirut, Caracas, Gaza City, Guatemala City, Hong Kong, Jerusalem, Johannesburg, Juba, Mexico City, New Delhi, Rabat, Sanaa, Tbilisi, Toronto, Tripoli, Tunis, and Yangon.


December 2017
Appendix C: Reports and Briefings on Europe and Central Asia since 2014

**Special Reports**
- Exploiting Disorder: al-Qaeda and the Islamic State, Special Report N°1, 14 March 2016 (also available in Arabic and French).
- Seizing the Moment: From Early Warning to Early Action, Special Report N°2, 22 June 2016.

**Ukraine**
- The Ukraine Crisis: Risks of Renewed Military Conflict after Minsk II, Europe Briefing N°73, 1 April 2015.
- Russia and the Separatists in Eastern Ukraine, Europe Briefing N°79, 5 February 2016.
- Ukraine: The Line, Europe Briefing N°81, 18 July 2016.
- Ukraine: Military Deadlock, Political Crisis, Europe Briefing N°85, 19 December 2016.

**Central Asia**
- Syria Calling: Radicalisation in Central Asia, Europe and Central Asia Briefing N°72, 20 January 2015 (also available in Russian).
- Stress Tests for Kazakhstan, Europe and Central Asia Briefing N°74, 13 May 2015.
- Kyrgyzstan: An Uncertain Trajectory, Europe and Central Asia Briefing N°76, 30 September 2015.
- Uzbekistan: In Transition, Europe and Central Asia Briefing N°82, 29 September 2016.
- Kyrgyzstan: State Fragility and Radicalisation, Europe and Central Asia Briefing N°83, 3 October 2016 (also available in Russian and Kyrgyz).
- Uzbekistan: Reform or Repeat?, Europe and Central Asia Briefing N°84, 6 December 2016.
- Central Asia’s Silk Road Rivalries, Europe and Central Asia Report N°245, 27 July 2017 (also available in Chinese and Russian).
- The Rising Risks of Misrule in Tajikistan, Europe and Central Asia Briefing N°86, 9 October 2017.

**Balkans**
- Macedonia: Defusing the Bombs, Europe Briefing N°75, 9 July 2015.

**Caucasus**
- Too Far, Too Fast: Sochi, Tourism and Conflict in the Caucasus, Europe Report N°228, 30 January 2014 (also available in Russian).
- Chechnya: The Inner Abroad, Europe Report N°236, 30 June 2015 (also available in Russian).
- Nagorno-Karabakh’s Gathering War Clouds, Europe Report N°244, 1 June 2017.

**Cyprus**
- Divided Cyprus: Coming to Terms on an Imperfect Reality, Europe Report N°229, 14 March 2014 (also available in Greek and Turkish).

**Turkey**
- The Rising Costs of Turkey’s Syrian Quagmire, Europe Report N°230, 30 April 2014.
- Turkey and the PKK: Saving the Peace Process, Europe Report N°234, 6 November 2014 (also available in Turkish).
- A Sisyphean Task? Resuming Turkey-PKK Peace Talks, Europe Briefing N°77, 17 December 2015 (also available in Turkish).
- The Human Cost of the PKK Conflict in Turkey: The Case of Sur, Europe Briefing N°80, 17 March 2016 (also available in Turkish).
- Turkey’s Refugee Crisis: The Politics of Permanence, Europe Report N°241, 30 November 2016 (also available in Turkish).
- Managing Turkey’s PKK Conflict: The Case of Nusaybin, Europe Report N°243, 2 May 2017 (also available in Turkish).
## Appendix D: International Crisis Group Board of Trustees

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