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Cc:
Bcc:
Subject: Re: our dinner yesterday
Date: Sat May 07 2016 11:34:09 EDT
Attachments:

Sorry for the late reply. Just getting a chance to email now after an insane day yesterday, most of it away from my desk.

First and foremost, thank you again for an excellent dinner!! It was terrific to catch up and create a mini-Pantagruel experience in DC. We'll have to do it again!

And you are great to have done a memo email afterward to ensure I got everything. But you need not have worried, it was all in my head, just like the good old days. I passed the info to my bosses, who are chewing it over. Fascinating stuff but as I said at dinner, some of it coming from the north is hard for me to believe. But very important for us to know.

Will definitely keep in touch. My successor is coming from overseas and won't be here until when we change places. But I'll make sure he knows you are volunteering to be a resource.

Many thanks again, Kostya!

Best. -S

Sent from my BlackBerry 10 smartphone.
From: K. Kilimnik
Sent: Friday, May 6, 2016 8:11 AM
To: Kasanof, Alexander
Subject: our dinner yesterday

Was great to see you yesterday and to catch up. And thanks for a lovely dinner and a lovely conversation. :))

Because it was a bit too loud, with everyone around screaming and all that, when I woke up at 4 am today I decided to recapitulate what I was trying to communicate to you yesterday in one piece.

Here is how I see things based on my meetings that I told you about.

1. there is very little desire up North to keep a frozen conflict, and there is not only active communication with key European countries about how to put it back (and get rid of sanctions), but also active process of "preparing the ground" in the republics for quick movement back, AFTER there is a deal on political settlement.

2. North wants a quick settlement and get Ukraine out of the way, and get rid of sanctions and move to economic stuff they are interested in. You probably know that there are also talks about DCFTA between EU and Russia, which have moved to the final stages, the only unresolved issue being timeframe for harmonization of tariffs – EU wants to do it during 2 years, and Russia – during 5 years.

Ironic, but this is exactly what Yanukovich was proposing – a big DCFTA in Europe, which everybody will be part of.

3. There is also understanding among people up North that some things are hard to sell in Ukraine. Which is why changes to the Constitution and the functioning law on amnesty should be dropped till later time, after the "political settlement" takes place. Poroshenko, SL and Rinat must have time to sort out their shit and build balance not in atmosphere of mass riots in the streets.

4. As I told you, the political settlement is defined as

- * Ceasefire. This is a tricky issue. While most people do not believe there is a ceasefire, my friends at OB, folks up North, Poroshenko and allegedly the Frau (if this is true) actually see what is happening now as a ceasefire and have assumption that it will get stronger in the next week after the holidays, with goal of eliminating all shooting by May 20th. This is essential element of everything, and there is commitment in the North and in Poroshenko's Admin to make it happen.

- * Pass a special law on economic zones in DNR and LNR. Not change the Constitution – it will happen later based on public consensus and probably during a referendum. The idea is to get moving with Minsk right now, and deal with the Constitution later. being formed by parties which won in 3/4 of the country's regions is viewed as potential solution, but other options are on the table as long as they ensure balance in power. Which is what our people (Rinat and Boyko/SL) ultimately want.

- * Pass a presidential decree on amnesty. This can be done without parliament.

5. After that, if a political settlement is working, next stage is appointment of REAL governors to Donetsk and Luhansk, who can deal with the rebels, deal with reconstruction and prepare groundwork for elections in the republics. Solid guys with experience in business and managing, such as Kolesnikov will be necessary – the volunteers and civic society boys and girls can not do it. After appointment of governors the next stage is elections in DNR and LNR. Then, based on how successful reintegration and rebuilding is, discussions about the Constitution and, most importantly, a new governing coalition involving South-Eastern party (OB) will be appropriate. The result will be more balanced government structure, which will be able to deliver on reforms and get things done on the basis of mutual control principle. The key will be West and Russia working together to enforce the framework of ceasefire leading to other things in a logical sequence of actions, and basically forcing Ukrainian leadership to be on board (which may be hard to do for the West alone, but together with Russia it can be done).

6. If the political settlement is not working, then we are back to the idea of snap elections in fall, and pretty unconstructive constitutional debate, governmental crisis, IMF shutting down shop and then all kinds of scenarios are possible.

7. There is an interesting component regarding the role of Su and M., which I underestimated before.

- * Surkov is playing a more important role than I thought in Ukraine policy. Nobody wants to take responsibility for Ukraine in Moscow, so Surkov is actually back to steering the Ukraine affairs. The top guy up North allegedly listens to him now more than before, and Surkov has been making numerous trips to DNR/LNR with purpose of installing discipline and protecting Rinat's and others' assets. (and probably creating vehicles so that he could steal from the Russian budget funds allocated to DNR/LNR). So, Toria is right talking to him. He will be more effective if Putin understands the logic of what the Americans are trying to do, but that is a different story. For the time being the only logic is your memo outlining the window of opportunity.

- * M is playing much more important role in economics here than anyone could have thought (Rosneft assets in Ukraine, which are now joint ownership of three caballeros). M. is creating his own corruption network at the highest level, and taking credit for that in Moscow, saying he has bought PP. He is an important channel of communication between Kremlin and PP. Boyko is taken more seriously, but M is closer to where the joint money is.

8. OB

- * There is no threat of OB falling apart and people going way. Wonder what Rinat told Toria, but this is how I see things – no threat, just disfunctionality. There is no internal conflict, but there are different opinions about the "management structure" and internal distribution of authority, related to Kolesnikov's role. Kolesnikov wants control over the party, which no one will give him, and that's the core of the issue. The disagreements prevent OB from growing – the OB potential, based on the polls done by our pollsters is lower 20% at the minimum, and is fairly easy target to reach. OB could have 25% ratings now if they had their act together. Not any other party has potential that is even close to that. There is a strategy how to get there, the issue is getting both "partners" of OB to work and coordinate their efforts. Which is what I am working on, but which is pretty hard job to do.

* If OB is functional and effective, they are the only solution to building a more balanced government which will be able to implement reforms. They can add functionality and professionalism to the government no matter whether people in this town like them or not. A government which is heavily tilted in favor of Vinnitsa guys and does not have south-east representatives in important positions is doomed.

* Party of Regions can not be reincarnated. It is over, and Kolesnikov is stupid to even be thinking about it. Polls clearly show that. Any effort to revive old Party of Regions will cost tons of money and will not be effective – getting to 5% will be a challenge. I am not sure Rinat understands that. We ran different models and under no circumstances PofR is viable. In fact, the heritage is still poisonous to the OB – the 10% who are considering OB like their economic agenda and record on jobs and competent management, but hate association with old PofR. At the same time Rinat will not be successful without Boyko and SL, even if we are talking about purely regional elections in DNR and LNR. He can not do it alone, and nobody can, in fact.

One final thought on Misha – he is an empty space. A balloon filled with air, which is not even very clean. In the current environment he can be taken apart like he has never been before. His best chance is to get his hairy ass back to Georgia and be useful to his country. He has not demonstrated any accomplishments or achievements, and people in Ukraine are tired of politicians talking and creating chaos and conflicts. They have enough conflicts and difficulties in their life even without hot Georgian honchos.

Hope this is all helpful in shaping your thinking.

Pls let me know if there is any value in meeting your successor or anyone else today. Probably you are overloaded with things, and if the guy is interested in talking – pls feel free to share my contact info with him, I will always be happy to help.

Once again, It was great to catch up and I very much look forward to staying in touch not only on Ukraine, but maybe on other issues as well, like Georgia, on which we have lots of info.

Best

K