

Battle at the Precipice of Default

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Fortunately there was no further military escalation in Ukraine's eastern regions in May; the action was confined mainly to skirmishes and local clashes. Public attention was instead focused on government efforts at debt restructuring, on scandals over the personnel policy of the Cabinet and on reform efforts.

A potential debt default was front and center in the May headlines, but now seems to have reached a stalemate. Creditors rejected the idea of debt reduction, while the Ukrainian authorities have failed to propose anything new. But the arrival of the IMF mission in Kyiv on May 12th did speed up developments. Ukraine has implemented everything in the Memorandum except the requirement on debt operations. So the Cabinet submitted to Parliament a draft law which would allow the Cabinet to stop paying its external debts. In fact, nearly everyone sees this move for what it really is -- a final argument for a deal to be reached, though almost no one believes this instrument will be used. But no one can predict what the IMF will do, either, if the creditors refuse to budge.

Cabinet personnel scandals also gained notoriety in May>>>