



Crisis in Ukraine: Political Outlook and Its Implications for the Global Grain Markets

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Inside this Issue...

Introduction 1
 Political Outlook 2
 Security Outlook..... 3
 Economic Outlook..... 4
 Implications for Grain Markets..... 5

Key Points:

- *Along with the rest of the Black Sea countries, Ukraine is a major supplier of corn and wheat to the global grain markets.*
- *Grain shipments from Ukraine or other Black Sea countries do not yet appear to have been disrupted; but as the crisis continues, risks for disruptions owing to reducing planting, port bottlenecks, and sanctions will grow.*
- *Ukraine remains mired in a geopolitical crisis that began in November 2013 and shows no signs of resolution until next year, at the earliest.*
- *The Ukraine government’s stability should improve with the presidential election on May 25, paving the way for movement on the political and economic reforms needed to secure promised financing from the IMF.*
- *The security threat from Russia remains a major concern, and the risk of further incursions into Ukrainian territory will be substantial in the near term.*
- *An invasion of eastern and southern Ukraine is unlikely, but the central government will face continued dissent from eastern regions which feel excluded from the political process.*

Introduction

Ukraine remains mired in a political crisis that began in November, when then-President Viktor Yanukovich pulled out of a deal that would have strengthened economic ties with the EU. The ensuing, at times violent street protests eventually led to Yanukovich’s ouster in February, with parliament naming speaker Olexander Turchynov as interim president. In response, Russia deployed forces to the autonomous Ukrainian region of Crimea. (See map.) In a March 16 referendum, Crimeans voted in favor of joining Russia, and Moscow moved swiftly to annex the region, triggering a round of EU and U.S. sanctions.

The political crisis will likely remain a source of instability for the remainder of 2014. The government’s stability should improve with the presidential election on May 25, paving the way for movement on the political and economic reforms needed to secure tranches of an expected \$14 billion-\$18 billion loan from the IMF. At the same time, the security threat from Russia will remain a major