

Flash note 22/03/2029

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Russia's proposal

Russia promised at peace talks on Tuesday to scale down its military operations around Kyiv and northern Ukraine, while Ukraine proposed adopting a neutral status but with international guarantees that it would be protected from attack.

"In order to increase mutual trust and create the necessary conditions for further negotiations and achieving the ultimate goal of agreeing and signing an agreement, a decision was made to reduce military activity in the Kyiv and Chernihiv directions," Russian Deputy Defence Minister Alexander Fomin.

Ukraine's proposals

They were the most detailed that Kiev has aired publicly so far. Ukraine would agree:

1. Not to join alliances like NATO or host bases of foreign troops.
2. But would have its security guaranteed in terms similar to "Article 5" (the collective defence clause of NATO) and identified Israel, Canada, Poland and Turkey (NATO members) as countries that could help provide such guarantees. Russia, the United States, Britain, Germany and Italy could also provide guarantees.
3. The proposal includes a 15-year consultation period on the status of Russian-annexed Crimea, and could come into force only in the event of a complete ceasefire.
4. The fate of the Donbas region, which Russia demands Ukraine cede to separatists, would be set aside to be discussed by the Ukrainian and Russian leaders.
5. Any peace deal would require a referendum in Ukraine.

First impressions of the parties involved

Top Russian negotiator Vladimir Medinsky said he would "examine the Ukrainian proposals and report on them to President Vladimir Putin".

Ukrainian negotiator Oleksander Chaly said that "If we manage to consolidate these key provisions, then Ukraine will be in a position to actually fix its current status as a non-bloc and non-nuclear state in the form of permanent neutrality,"

Our quick assessment

Admittedly, there is a rapprochement of positions, but there is some aspect such as the referendum in Crimea that we find difficult for Moscow to accept/assume. The Donbas issue is also far from clear.

Perhaps the market is rushing in its bounce to the upside?