



Ukraine Essential

Brief Eight
6 April 2022



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Key Recent Developments

- ▶ The Russian retreat from the Kyiv, Chernihiv and Sumy regions is an admission that the “special military operation” has been quashed. This initial defeat has severely stained the reputation of the Russian military and spurred [dissatisfaction at](#) home. The conflict, however, continues in south-eastern Ukraine. Russia has committed a [significant](#), albeit substantially diminished, Russian force potentially aimed at partitioning Ukraine.
- ▶ A helicopter attack on Belgorod brought the war “home” to Russia. The [discovery of disturbing atrocities committed against civilians](#) in the Kyiv region will harden Western resolve and [fuel further sanctions](#).
- ▶ Ukrainian authorities estimate up to a trillion dollars in war damage has accrued, with monthly war costs amounting to another [\\$10 billion](#) per month. The Ukrainian economy is indeed collapsing even as Western policymakers seek to instigate a Russian economic decline.

Key Developments to Watch

- ▶ Donbas will host the next decisive battle, with the positions of the Ukrainian Armed Forces (UAF) around Severodonetsk-Lysychansk appearing particularly vulnerable. Russia’s significant losses will compel the Russian Armed Forces (RAF) to devote additional time towards regrouping before it launches any attempt to encircle the UAF’s Donbas units. Ukrainian reinforcements, for their part, could further hold back any Russian advances – the success of the UAF though will be contingent on its capacity to re-supply itself.
- ▶ Russian troops retreated to Kherson (but Mykolaiv remains a target and military objective). No major assault, however, is expected on Odesa at this stage. Russian strikes have further targeted fuel depots across the country, and the only oil refinery in Kremenchug was reportedly destroyed. Ukraine, consequently, faces fuel shortages.
- ▶ Ongoing diplomatic talks have made some progress. Public opinion, that said, on both sides expects victory, making a breakthrough improbable. Unprecedented Western military assistance to Ukraine and sanctions against Russia have also riled Moscow. This constellation of factors could lead to a [protracted conflict](#).

Russian Defeat

The first stage of the war saw Ukrainian forces, by and large, emerge victorious. The retreat of the RAF from the Kyiv, Chernihiv, and Sumy regions indicates that the Kremlin has been forced to abandon its goal of regime change – the aim ultimately proved a [miscalculation](#) especially given the number of troops Moscow had assembled.

Russian forces [suffered substantial](#) losses - their regrouping and resupplying is consuming additional time, in part, due to low morale. The RAF is moving at a sluggish pace in encircling UAF Donbas units that have sought to hold their own positions. Mariupol is still, against all expectations, resisting complete capture too (the UAF is defending [pockets](#) of the city centre including the industrial area of Azovstal and the port. The robust Ukrainian resistance underscores the types of challenges the RAF can expect to face in larger cities and the damage that any such assault would inflict. Russia’s initial

miscalculation is now haunting it as it seeks to [wage a war](#) in the largest country in Europe (without declaring a state of war at home). Though Russia possesses additional manpower and resources, their further mobilization could face domestic resistance.

Apart from Donbas, Russian objectives [include](#) Kharkiv and the South. Kyiv [expects Russia](#) to dig in on currently held territories in an effort to reduce war losses and dictate the terms of peace talks. The RAF, however, could renew its campaign to take Mykolaiv if reinforcements were to be provided to southern troops as well. Moscow could even resurrect its plans for a land bridge that would extend to Transnistria (and cut off the Odesa region).

Ukraine, for its part, has mobilized unprecedented Western [support](#) including supplies, intelligence sharing, and electronic and cyber warfare. The real time air and satellite intelligence provided by NATO is particularly rendering Russia vulnerable and contributing to considerable Russian losses.

Without the steady flow of Western supplies, Ukrainian defences would likely already be facing ‘situation critical’. The UAF is entirely reliant on Western military deliveries, including even rudimentary ammunition, with no capacity to manufacture ammunitions at home since the Luhansk factory was [captured by the separatists](#) in 2014. The state of the UAF (especially in terms of supplies), following 40 days of war, will be integral to determining the future of the Donbas theatre. Various internal estimates suggest Ukraine maintains enough reserves for 2-3 weeks. No wonder the US and its Western partners quickly committed [fresh military aid](#) and Ukraine has advocated [for large scale deliveries](#) of offensive weapons.

The apparent Ukrainian helicopter attack on fuel depots in Belgorod illustrate that Russia could also be vulnerable on its own territory. Moscow’s forced amends to its war strategy have [reportedly fomented friction](#) within Russian decision-making circles and even [the military](#). The Russian public, however, is awaiting and [expecting the victory](#) promised by the Kremlin propaganda machine to emanate. It also favours some type of “revenge” against Western sanctions and isolationism (sparked by Russia’s invasion of Ukraine). Observers, including the [head of the Russian delegation](#), have called the [war existential](#) for Russia during peace talks. There is a general feeling that Moscow (in a war that it chose to pursue) must emerge the victor against Ukraine or face existential threats to its sovereign state status.

Protracted Conflict

The Russian concentration on the Eastern front and Ukraine’s effective defence has seen a protracted conflict become a leading [emerging scenarios](#). Some of Russia’s original objectives, such as neutrality and non-membership in NATO, are feasible. Members of the Ukrainian delegation conducting talks in Istanbul have acknowledged that Moscow has diminished Ukraine’s military capacity and continues to target its industry.

A protracted war would [also entail](#) an even greater cost in Ukrainian lives and the further destruction of Ukraine’s infrastructure, institutions, and social fabric. While the West is seeking to inflict costs on Russia, Ukraine’s economy is already collapsing. Russian precision missile attacks targeting fuel and other [critical infrastructure will lead to fuel](#) and possibly even food shortages.

The enforcement of martial law and other restrictions has compelled the Ukrainian media to primarily communicate official government information (key data is not accessible). Insider reports point to some fragmentation within the country as an immediate consequence of the war. Challenges include the delivery of basic supplies across regions depending on need and the course of the war. Ensuring fuel and food supplies and transportation constitute the greatest challenges in the Eastern regions. In Western Ukraine, meanwhile, frequent checkpoints are contributing to bottlenecks and delays in supply movements. Ukrainian authorities [regularly call](#) for residents to return to work everywhere where combat is not present.

War Crimes and Coverage

[Apparent war crimes](#) committed in Bucha by Russia have stirred strident emotions. The Ukrainian Prosecutor Office listed [410 civilian deaths](#) in the Kyiv region and [Human Rights Watch found](#) a case of repeated rape, two cases of summary execution, and additional cases of unlawful violence and threats against civilians in occupied areas of the Chernihiv, Kharkiv, and Kyiv regions. These findings suggest that “pacification” or breaking the [local population’s resistance](#) could have been part of the original Russian war plan. The [European Commission strongly condemned the war crimes and called](#) for independent investigations.

The sight of civilians lying dead on European streets has sparked outrage in Ukraine and across the West. The media coverage around these events is further bolstering Kyiv’s strategic objective to secure a Western energy embargo against Russia.

The Russian point of view, nevertheless, [resonates in China](#) and in the “rest”, a development that could lead to the end of the [second golden age of globalization](#) and arguably accomplish one of Russia’s war goals.

A Path towards Compromise

Progress during the Istanbul talks is predicated on the notion that Ukraine would adopt neutrality in exchange for EU membership prospects. While the latter is not in the hands of the Ukrainian and Russian delegations, the proposal indicates that the Zelensky team is seeking to find an outcome that would be acceptable for both Russia and a Ukrainian public that expects the country to categorically [repel the Russian invasion](#).

Unprecedented Western assistance, Russian obstinance, and public [expectations that Ukraine](#) will fight until it secures [victory](#) makes efforts to broker a compromise difficult. Both Ukrainians and Western [experts feel](#) that no territorial concessions are possible.

However, President Zelensky, at the height of his popularity at home and globally, can leverage his influence on public opinion. The fact that NATO has become a polarizing issue, [according to polls](#), is a clear sign of his sway.

It is the Economy, Stupid

According to Ukrainian estimates, the war damage could reach a trillion dollars, with the monthly cost of war estimated at [\\$10 billion](#) for Ukraine. The country’s first quarter 2022 GDP decline stood at 16% and the annual drop may reach 40%. Industries not conducive to remote work have suffered the most. And with Ukrainian ports blockaded, exports declined by [50% in March](#).

The extent to which Ukraine has already paid its [\\$14 billion debt payments](#) due this year – profits on bonds can reach [up to 300%](#) - is unclear. But international financial institutions have provided no reprieve, as of yet, on this [debilitating debt](#). Kyiv will need to muster all its finances as it considers introducing [universal income for its citizens](#) suffering from the consequences of the war. The EU has approved [€17 billion](#) to support refugees from Ukraine inside the EU and opened a new credit line for Ukraine in February 2022 (up to €1.2 billion in loans).

A total of 85% of Ukrainian companies have partially or completely suspended their business due to the war according to a new [survey](#). There are shortages of food and [medical supplies](#) in contested regions. The largest [online retailer, furthermore, will be shuttering its operations](#).

Meanwhile, Russia could end the year with a record surplus of \$240 billion undergirded by energy exports amid record oil and gas prices. Moscow will indeed receive around \$321 billion (or a third more than 2021 figures) in revenue from these exports. This calculus could change entirely, however, in the

event of an [embargo on energy sales](#). As oil and gas account for about half of Russia's exports, a boycott by the EU, Britain, and the US would cut supplies by more than 20% and [cost Russia up](#) to \$300 billion in export earnings.

While an embargo may represent a step forward, it could also tremendously harm EU economies, test the patience of societies, and potentially spark a backlash at home. The West, moreover, [risks its own global standing](#) and especially the "rules-based order" it strives to protect if it cannot secure the buy-in of non-Western countries. Governments would consequently need to meticulously manage the transition and ensure that populations fairly absorb any additional energy costs that may accrue.

The West should also look towards addressing Ukraine's vulnerabilities especially in the humanitarian, financial, and economic spheres. The war could ultimately prove unwinnable if the livelihood of Ukrainian citizens is not provided for. Priority areas should include agriculture, food production, and retail.