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Ukraine Essential

Brief Ten

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Key Recent Developments

- Battle for Donbas: The second phase of the war appears to consist of cautious but steady Russian reconnaissance missions supported by heavy artillery and air strikes. The Ukrainian Armed Forces (UAF) are matching Russian troop levels, improving air defenses, and pursuing counter-offensive options aided by Western heavy weapons deliveries
- Mariupol: Putin's supposed decision to not storm Azovstal – even though shelling continued - is motivated by Russia's urgent need to commit troops to the Donbas front. The last Ukrainian defenders based at the steel complex have indeed deprived Moscow of a victory. Kyiv, meanwhile, has further mobilized Western support behind it following the atrocities committed in the city.
- Ukraine's finances: Ukraine's budget revenues have fallen significantly due to a halt in business activity. Borrowing costs have also soared. Kyiv puts its monthly deficit at up to $8 billion – it has requested $50 billion in direct budgetary support for a period of six months.

Key Developments to Watch:

- Russian offensive: the battle for Donbas seems like the last major offensive the Russian military will be able to attempt (without further mobilization). Attrition will be a key factor even then, with the Russian offensive suffering from a lack of forces. Given its losses, the Russian offensive should be exhausted regardless of the result of this campaign. The further mobilization of attitudes against the West – portraying the war as a "proxy war" with the US - is already underway in the Russian media.
- Western support: the G7 pledged $24.4 billion to Ukraine (90% of this figure is credit and 10% aid). It is unclear how Ukraine will repay these loans given the country's current economic circumstances. Western surveys underscore that societies are torn between the desire to assist Ukraine and the negative impacts of the war and sanctions on their economies.
- Impact of sanctions: the Russian economy appears to have overcome the initial shock. A recession and rising inflation, however, are inflicting a significant cost. The Russian Central Bank admitted that the logistical blockade, including disrupted supply chains, are even more detrimental than financial sanctions.

Battle for Donbas: War of Attrition

The second phase of the war appears to consist of a generally cautious Russian reconnaissance mission supported by heavy artillery and air strikes. The Russian Armed Forces (RAF) has sought to break through Ukrainian defense lines and achieve its goal of encircling UAF Donbas troops around Pavlograd (from the direction of Izyum in the North and Huliapolie from the South). Russia is indeed counting on its firepower to make the war even more destructive. Moscow, however, lacks the necessary troops numbers to secure offensive superiority. The lengthy Russian supply chain extending from Russia to Izyum additionally creates vulnerabilities for its offensive efforts.

The RAF, that said, has managed to bolster its BTG deployment figures in Ukraine to around 75–76, with an 11 additional BTGs on their way. This puts the current Russian strength at about 87–88 BTGs and underlines the significant firepower at the hands of the Kremlin. The weather is, notably, improving this week – this will be a key factor related to the use of attack helicopters that could enable Russia to use its air superiority against Ukrainian defenses. The Donbas battle, therefore, is likely set to become a Mariupol style war of attrition premised on concentrated attempts to achieve breakthroughs and smaller-scale efforts to encircle troops. The RAF, to this point, will be compelled to engage in combat in fortified cities including Severodonetsk, Slovyansk, and Kramatorsk and could find itself bogged down in prolonged and costly struggles over urban terrain.

Russia further requires additional forces if it wishes to hold ground and rotate units off the frontlines. It has become readily apparent that Moscow failed to plan for the storming of cities in its bid to occupy large parts of Ukraine. Without national mobilization - or an entirely new phase of the war - the Donbas battle appears likely to become the last major offensive. The offensive capacities of the RAF will rather be exhausted regardless of the outcome. In a longer-term Ukraine might have an advantage with Western deliveries as sanctions impact Russian military production.

The UAF, following two rounds of mobilizations and the development of its territorial defense units, appears to boast enough forces to thwart Russia from achieving troop superiority. Two months of heavy fighting have taken a toll on the UAF though - more and more reservists have been sent to the frontlines. Compared to the low morale of the RAF, Ukrainian motivation remains high and was recently amplified by the destruction of the Moskva, the flagship of the Russian Black Sea Fleet.

Mariupol has been declared "liberated" by Moscow even though defenders remained underground in the Azvostal steel plant that has been laid to waste. Kyiv is seeking to deny Russia a victory and postpone the loss of the important city and soldiers based there. The protracted and fierce defense of the city by the Azov Battalion and the 36th brigade has enabled Kyiv to foster "myths" to keep spirit highs in the civilian population that has otherwise suffered from the enormous costs of war. The government has also sought to mitigate any political outcry. The campaign has further facilitated the government in pushing back against the criticism of Azov's "neo-nazi background" – the battalion is officially excluded from US military aid even though it is receiving Western weapons.

Ukraine's overall military tactics remain the same in eastern parts of the country: the use of ambushes and the destruction of RAF convoys. The UAF remains capable of deploying reinforcements to Donbas. The RAF, meanwhile, has engaged in minimal effort towards disrupting lines of communication into Donbas. The UAF, therefore, is well positioned to launch counter-offensives. Observers noted that improved Ukrainian air defenses and different types of MANPADS are now available in large numbers along the Donbas frontline. The UAF, however, lacks equipment and fuel - depots and rail junctions have been destroyed by Russian missile strikes. The biggest challenge, finally, concerns ammunition especially when it comes to heavy weapons.

Arming Ukraine

Ukrainian President Zelensky officially launched the #ArmUkraineNow campaign last week, but the pressure on the West to deliver heavy weapons has been mounting following the withdrawal of the RAF from the Kyiv region and the discovered atrocities in Bucha and other cities.

The delivery of heavy weapons is a pressing issue, in part, due to reports about a lack of ammunition for heavy weapons. This can be traced back to the capture of Balakleya, close to Kharkiv in the East, by Russian forces in March. Balakleya held the largest storage stocks of ammunition (estimated at around 150,000 tons of supplies) even following a massive explosion in 2017. Due to time constraints, capacity issues, and threats posed to citizens, the UAF was unable to salvage or destroy the stocks. The seizure represents a severe hit to the UAF - it has largely relied on Russian heavy weapons of 152cm caliber at the present. Apart from Russia, only Bulgaria has the 152mm shells in stock.

Following the atrocities in Bucha, Ukraine's Western allies have been quick to deliver modern heavy weapons. The shockwave of the Russian invasion in Ukraine continues to resonate with Western audiences and has been used effectively by Ukrainian diplomats to dismantle any Western reticence towards assisting Ukraine in its defense. As Kyiv continues to mobilize the West to provide weapons and financial support, the Ukrainian parliament labelled the Russia invasion a genocide and called for European parliaments to follow suit.

Totaling $3.4 billion since the onset of the invasion, US military assistance continues to flow in a truly unprecedented fashion (via 8-10 planes a day). Ukraine has become the largest US military assistance recipient (ahead of Israel) – it also boasts the second most supplies of Javelins and ANTPQ anti-battery radar systems globally (following the US). Real time intelligence continues to bear fruit, evidenced by the sinking of the Russian flagship Moskva (even though it was reportedly too far away to be detected by Ukrainian radar systems). Its is the intelligence guided artillery is where the UAF excels over the RAF.

The West has overall delivered an astounding 60,000 antitank weapons and 25,000 anti-aircraft weapons to Kyiv. Washington has provided around one-third of its Javelin and one-fourth its stocks of Stingers to Ukraine - it indeed now must reduce the size of transfers to maintain sufficient stockpiles. Given that the maximum production speed for Javelins stands at 6,480 a year, it may take years for the US to replenish its supplies.

The Biden administration announced altogether 90 howitzers (155mm) - over 200 were pledged from Western countries - and 144,000 artillery rounds (the UAF reportedly uses thousands per day). There is no evidence that Russians are directly striking shipments of Western arms entering Ukraine (most likely transiting via trains from Poland and Romania. However, Russianmissiles are already targeting railway stations in Western and Central Ukraine as well the key bridge in Zatoka, South Odesa region.

Rumors have surfaced that not all deliveries are directly incorporated into the UAF, exacerbating internal security challenges including uncontrolled weapons proliferation. The large number of small arms and ammunition, anti-tank weapons, and handheld anti-air systems pose serious mid-term risks. Even before the war, Ukraine was one of the largest arms trafficking markets in Europe. More than 300,000 small arms indeed disappeared in the country between 2013 and 2015 alone. Perhaps it is no coincidence that the US just appointed a coordinator for military assistance.

Defining Victory

After two months of war, the definition of success has become a key question. Ukraine has successfully waged a campaign to protect its sovereignty even though it has absorbed enormous costs in doing so. While it now appears certain that Ukraine will remain a sovereign state, its territorial integrity and status remains an open question.

Russia, meanwhile, is seeking to secure its regional hegemony status against what it perceives as a Ukraine that is anti-Russian and a US that has assumed a global role. The IMF has warned that the world economy could see fragmentation into rival blocs - a development that the Kremlin may be agitating to bring forth.

Mariupol is considered by Moscow to be its first major victory. But the severe losses that the RAF have incurred and a general lack of Russian progress has left many in Moscow pondering about what's next. With the new offensive, Russia is seeking to occupy the entire Donetsk and Luhansk regions (including sections still controlled by Ukraine) and incorporate them into the Donbas separatist republics. Though this aim was already expressed ahead of the invasion, the first phase of the war rather focused on broader regime change.

A recent interview with the secretary of National Security and Defense Council suggests that the idea that Moscow hoped for an internal coup is not farfetched. This belief could explain why the RAF has demonstrated no preparedness for storming major cities and occupying territory. The second phase, furthermore, is ostensibly being improvised. Russia additionally intends to use southern regions in Ukraine as a major trump card in its peace talks with Ukraine. Moscow certainly endeavors to seize more territory (especially in the South where it could deprive Ukraine of sea access) but it lacks the manpower to do so. If Moscow succeeds and there is no peace settlement, Russia is likely to annex Donbas and perhaps even the Southern territories. This would allow the Kremlin to justify full mobilization at home if Ukraine would attack “Russian territory”.

The US, for its part, is fighting for its credibility and global position. Washington has ruled out a direct role in the conflict - its aims rather are to see that Ukraine remains a sovereign state (unclear within what borders), deny Russia a strategic victory in the war, and strengthen European security. One possible military objective could involve the expulsion of Russian forces to the lines the Kremlin occupied before February 24th - even a cease-fire consequently could de-facto cede new territory to Russia. This outcome could also further necessitate a protracted war, especially as no peace settlement expected but perhaps a ceasefire after the Donbas battle.

A more prominent (though unspoken) political hope would concern regime change in Russia. Given the ghettoization of Russia in the West, this appears farther away than it ever did during the Cold War though. The Russian Central Bank admitted that the logistical blockade, including disrupted supply chains, is even more detrimental than the financial sanctions. Sanctions significantly impact even Russian military production including missiles. However, there is a growing realization that Western sanctions alone will not stop Putin regardless of the costs.

Limits of Solidarity

It may prove increasingly difficult to prevent fault lines emerging between Ukraine, the US, and Europe and even within NATO. For many in Europe, a longer war means higher costs of peace and a considerably higher price for the compromise Ukraine may agree to in the end.

Surveys suggest that Western societies are torn between their desires to aid Ukraine and the negative impact on their economies. Skyrocketing energy and food costs and supply constraints have contributed to record inflation rates: 8.5% in the US, 7.3% in Germany, and 5.1% in France. US President Biden continues to face low approval ratings too. That said, 68% of Americans agree that the US has a moral responsibility to prevent the killing of civilians in Ukraine and think that more could be done (52%).

In Germany, there are concerns about the health of the economy but support for weapons deliveries has surged from 20% at the beginning of February to 61% at the beginning of March. According to a mid-April poll, moreover, a majority now would even support the delivery of heavy weapons (e.g., tanks, fighter jets). An oil and gas embargo remains divisive (48% against vs. 40% in favor). Finally, even in the UK the share of those who are willing to pay more for fuel if it means imposing sanctions on Moscow fell from 50% to 36% from March to April.

The limits of Western solidarity are already beginning to be revealed. EU unity, for one, is fragile. The provision of much needed weapons has been spearheaded by the US and its Central and Eastern European allies. French and German leaders have taken a more cautious approach on the matter. These latter countries have absorbed significant costs from both the war and associated sanctions – they are expected to contribute to Ukraine's reconstruction, too.

President Zelensky's calls for immediate EU membership for Ukraine have been met with a mixed response from EU member states. Following the 2016 Dutch referendum, the EU and the Netherlands, notably, agreed that the association treaty with Ukraine would not provide any commitment to EU membership, major financial assistance, the right to work in the EU, or military support.

Lifeline

The matter of resources will be central to a war of attrition – a pressing question in Kyiv consequently concerns paying the bill. The budget deficit is estimated at around $5 to $8 billion a month, with revenues having fallen significantly due to a decline in business activity. Inflation may exceed 20% this year, the highest figure since 2015. Business losses have been estimated at $85 billion, vacancies reduced by 25 times, and unemployment is increasing. The National Bank has started to purchase government military bonds, which reduces its reserves.

Kyiv faces difficult choices including limiting imports to critical goods (to conserve reserves), restructuring debt, and printing money (within limits). Ukraine is also strenuously seeking to restart its economy. The fact that over 14 million Ukrainians are displaced and ports are under Russian blockade, however, make this feat an uphill battle.

Borrowing from financial markets has become impossible for Ukraine. Kyiv, therefore, has requested G7 countries to provide $50 billion in new funding to help address shortfalls for at least the next six months. The G7 pledged $24.4 billion and suggested it could provide more. These funds would certainly save the day for Kyiv; without this revenue the government would otherwise face bankruptcy.

It is notable, however, that 90% of the new funds are based on credit. While the conditions of these loans are excellent – 1% interest rates for 15 years – Kyiv is already set to pay $7.3 billion in debt re-payments this year alone. Questions have also been raised concerning why Ukraine bought back its older debt. Though this would have paid big dividends if GDP growth were to extend beyond 3%, they quickly became worthless just weeks before the invasion. Continuing the post-Maidan era macro-economic policy based on foreign debt will not be sustainable if the war proves to be protracted and insufficient stimulus is put into rejuvenating the economy.