

# Ukraine: Costs of Inaction & Benefits of Action

Ján Mykhalchyk Hradický

[www.globsec.org](http://www.globsec.org)

## **Ukraine: Costs of Inaction & Benefits of Action**

GLOBSEC  
Vajnorská 100/B  
831 04 Bratislava  
Slovakia

[www.globsec.org](http://www.globsec.org)

GLOBSEC is a global think-tank based in Bratislava committed to enhancing security, prosperity and sustainability in Europe and throughout the world. Its mission is to influence the future by generating new ideas and solutions for a better and safer world. We believe we can change the world by putting together the right stakeholders at the right time for a free exchange of ideas. In an interconnected world, GLOBSEC stimulates public-private dialogue to shape agendas for the future. With global ambitions in mind and building on its Central European legacy, GLOBSEC seeks to contribute to agendas that are critical for Europe. GLOBSEC acts in the spirit of European values and international cooperation.

### **Lead Author:**

**Ján Mykhalchuk Hradický**, Globsec external consultant

September 2023

### **Disclaimer**

All of the views expressed in this piece are that of the authors and thus do not necessarily represent the official position of GLOBSEC or its partners. This report was written and published in accordance with GLOBSEC's policy on intellectual independence. GLOBSEC donors do not determine any of this report's conclusions.

## Table of contents

Foreword by Róbert Vass	4
Acknowledgements	4
1. Executive summary	5
2. Three scenarios of the Russia's war in Ukraine	7
3. Quantitative costs and benefits of various scenarios	9
3.1. Scenario 1 - Russian full-fledged victory	9
3.1.1. Military spending	9
3.1.2. Foreign direct investment	10
3.1.3. Cost of debt	11
3.1.4. Border protection	13
3.1.5. Impact on the labour force	13
3.2. Scenario 2 - Frozen conflict	13
3.2.1. Military spending	13
3.2.2. Foreign direct investment	14
3.2.3. Cost of debt	14
3.2.4. Benefits of inaction	14
3.3. Scenario 3 - Ukrainian victory	15
3.3.1. Military spending	15
3.3.2. Foreign direct investment	15
3.3.3. Cost of debts	15
3.3.4. Costs of action	15
4. Action, inaction, and everything in between	16
4.1. Costs of action: How to enable Ukraine to win the war and help ourselves	18
4.2. Recommendations for policy-makers	19
Annex - Unquantifiable costs and benefits	21
1.1. Instability in Ukraine	21
1.2. Migration	21
1.3. NATO presence in Central Europe	22
1.4. Economic development	23
1.5. Green Transition	24
1.6. Agriculture and food security	25
1.7. Digital transformation	25
1.8. Wider geopolitical effects	25
1.8.1. Improved security of NATO countries	25
1.8.2. China and Taiwan	26
1.8.3. Iran	26
1.8.4. India	26
Bibliography	28

# Foreword

## by Róbert Vass



Do security, peace, and freedom have a price? For many of us, these values are priceless, beyond any attempt at quantification of measurement. Yet, for some parts of society, they are not enough. As the costs of military, economic, and humanitarian help have become a part of political debates across Europe, we have decided to try to calculate the economic impact of our action, or support to Ukraine, and the impact of inaction in three basic war scenarios. After consulting leading European think tanks and experts, the author embarked on this daring exercise and shed light through his analysis.

In some respects, the findings of this report align with our intuitive understanding – it is economically beneficial for us, and especially the Central European nations, to maintain our support for Ukraine and, later, actively engage in its reconstruction process. There is no contradiction between our moral, geopolitical, and security considerations and those related to our economic costs. Yes, the costs of continued support, be they militarily, financially, economically, or logistically, may be substantial. However, they are easily outweighed by the expenses and ramifications our societies will face if Russia were to succeed in its mission to subdue Ukraine.

One of the most compelling arguments centers around the potential costs associated with preparing countries of Central Europe to defend their territories rather than, as it is today, deterring the aggressor hundreds of kilometers away along the Russian-Ukrainian borders. If the war were to come closer to our border, companies – so vital for our growth – would scale down their investments, while markets would apply punitive measures to economic activity in neighboring countries. Our borders would then require heightened security, which comes with significant expenses. In short, being a frontline state in the event of Ukraine becoming a client or even a province of Russia is neither cheap nor lucrative. Yet, this is not the only costly scenario that this report's authors analyze. Even if Russia does not emerge victorious but manages to freeze the conflict, the cost for us Central Europeans would be exorbitant, given the inherent instability and unpredictability of such a situation. A frozen conflict might be considered a *de facto* victory for Russia, as it would cement its presence in occupied regions, create security uncertainty for Ukraine's reconstruction process, and grant Russia an implicit veto power over Ukraine's future. The financial and economic costs of a frozen conflict would parallel those incurred if Russia were to win.

This leads us to an inevitable conclusion that the costs of our current military and economic support for Ukraine are substantially lower than the costs we will pay in the event of a Russian victory or a frozen conflict.

## Acknowledgements

This analysis is based on the discussion, *The Costs of Inaction: The Benefits of 'Ukraine Succeeds' vs. the Cost of 'Ukraine Fails'* that took place at the GLOBSEC 2023 Bratislava Forum, moderated by Štefan Kišš and Ľubica Karvašová.

I would like to extend my gratitude to the following people for their invaluable feedback, ideas, and attendance at the aforementioned event: Ľubica Karvašová, Jana Kobzová, Miroslav Lajčák, Katarína Mathernová, Ivan Mikloš, Vladimír Milov, Juraj Toporčák, Petr Tůma, Tomáš Valášek. The analysis also greatly benefitted from the feedback of Zsolt Darvas, Andreas Treichl, and Guntram Wolff.

The author retains sole responsibility for any errors or omissions. The opinions expressed and arguments employed herein do not necessarily reflect the views of the aforementioned individuals.

# 1. Executive summary

**This paper offers a purely pragmatic argument for supporting Ukraine.** Although moral, legal, and ethical considerations are arguably more important than a purely materialistic view, these considerations proved insufficient to persuade some politicians and population strata about the need to support Ukraine. The paper thus objectively analyses the economic costs and benefits of three possible prototypical outcomes of Russia’s war in Ukraine for Central Europe – Russia’s full victory, Ukraine’s victory, and a frozen conflict.

- ▶ *Russia’s victory in Ukraine will cost Central Europe much more than what the region currently spends to support Ukraine.*

**Russia’s win in Ukraine would bring tremendous social and economic costs to the Western world.** In the case of Central Europe, these costs would significantly outweigh the support to Ukraine provided. For example, due to the decrease in FDIs and increased costs of debt and military spending, a Russian victory would cost Poland more than 25 billion euros yearly compared to the scenario of a Ukrainian victory (Figure 1). On the other hand, Poland has provided Ukraine with only 4.3 billion euros of financial, humanitarian, and military support – an amount six times smaller than what it would cost yearly to face Russia’s victory. A similar argument can be made also for Slovakia, Romania, and Hungary. The potential costs of a Russian win are so high that supporting Ukraine to guarantee its victory is probably the best investment the Central European countries can make.

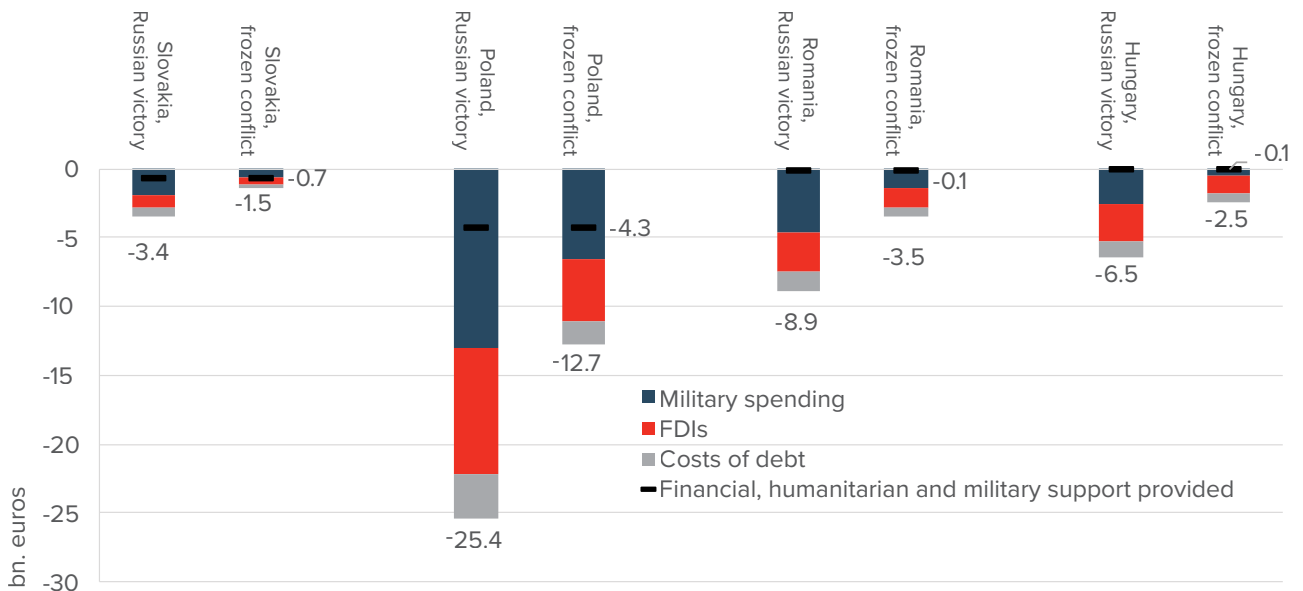
- ▶ *Ukrainian victory would also provide indirect benefits: stability, stronger economic performance of the entire region, and better global food security.*

**Supporting Ukraine may also appear very beneficial from a qualitative perspective.** A potential Ukrainian victory (together with other scenarios defined in Chapter 2) would restore stability in Europe with significant economic and social benefits and help prevent Russia and other potential aggressors from further expansionary action elsewhere in the world (Table 1). Ukrainian victory, followed by its accession to the Western structures (primarily NATO and the EU), would strongly boost the economic development of surrounding (and often poor) regions. Other areas of qualitative benefits include food security and the green transition of the EU, which are analysed in the annex.

**Table 1: Summary of unquantifiable benefits and costs of various scenarios for the West (further explanation in the annex)**

	Russian victory (scenario 1)	Frozen conflict (scenario 2)	Ukrainian victory (scenario 3)
Instability in Ukraine	High	Medium	Low
Labour force in Central Europe	More available	Fluctuating	Fluctuating
NATO presence in Central Europe	Very high	High	Low/Medium
Economic development	-	-	Boosted
Green transition	Weakened	Strengthened	Strengthened
Agriculture and food security	Weakened	-	Strengthened
Digital transformation	-	-	Boosted
NATO security	Weakened	Partly weakened	Strengthened
Geopolitical stability	Weaker	Weaker	Stronger

**Figure 1: Support to Ukraine (one-off) and costs of various scenarios of the Russia’s war in Ukraine in Central Europe, compared to the scenario of Ukrainian victory (yearly, long-term).**



Source: author

**Western countries have already provided Ukraine with unprecedented military, humanitarian, and financial support.** Nevertheless, more intensive and swift action is needed for Ukraine to succeed. Insufficient support or delays may translate into sunk costs if Ukraine loses. The outcome resulting from insufficient or late action may be comparable to the outcome resulting from no support.

- ▶ *A frozen conflict that appears to be the most likely trajectory right now will be a suboptimal outcome with higher net costs and much fewer benefits than a Ukrainian victory.*

**The paper argues that frozen conflict is the most likely outcome of the war, especially if Western support remains roughly at its current pace.** Some consider the frozen conflict as a positive outcome, providing immediate peace. This view is wrong as it ignores the high likelihood of reignition of the conflict and denies the opportunity to provide the significant benefits of Ukrainian victory, even compared to the frozen conflict scenario.

**To gain the most from the Ukrainian victory and keep public support high, policy makers should**

- ▶ Accelerate (and not delay) the rebuilding of Ukraine. It is already underway, and any delays now may jeopardise later gains from the process.
- ▶ Support Ukraine further and faster to ensure victory and help Central European businesses take part in rebuilding.
- ▶ Explain the benefits of the Ukrainian victory through tangible and understandable material advantages and examples, not abstract macroeconomic numbers.
- ▶ Engage with the anti-Western strata of the population to communicate why a Ukrainian victory is in the interest of Central Europe.
- ▶ Finally, abandon the narrative of helping Ukraine for the narrative that by supporting Ukraine, we help ourselves.

**The primary focus of the analysis is on Central Europe.**

The impact on Central European countries has been notable due to its proximity to the centre of the conflict. Specifically, four EU countries bordering Ukraine - Poland, Slovakia, Hungary, and Romania are analysed more in-depth. Nevertheless, a significant portion of the analysis's findings also apply to the rest of Europe. Ukrainian accession to the EU and expansion of its single market would significantly boost the economies of the whole EU, including big powers such as France and Germany. Additionally, the Ukrainian victory and weakened Russian threat could enable the US to spend more of its capabilities and diplomatic efforts elsewhere, notably in the Middle East and Southeast Asia.



## 2. Three scenarios of the Russia's war in Ukraine

**This paper works with three mutually exclusive scenarios of the war's end:** Russian full-fledged victory, frozen conflict, and Ukrainian victory. More scenarios could be identified<sup>1</sup> (see, for example, Osmolovska and Maksak, 2022; Jenkins, 2023). However, the goal of the three scenarios is not to be exhaustive but rather outline possible outcomes as three reference endpoints that broadly represent the costs of inaction and benefits of action of all other possible scenarios. The scenarios used here are broadly consistent with several pieces of earlier literature (Clark, 2023; Kuhrt and Kaczmariski, 2023; van der Togt, 2022).

**The scenarios were developed for the five years after the end of the war.** For the sake of the argument, the war is expected to end in 2024,<sup>2</sup> and the calculations are expected to last until 2030. Further predictions are difficult to make as they will depend on other important factors. For example, although a frozen conflict scenario is expected to lead to the eventual reignition of the war, we do not consider the costs of this new conflict itself. This is because estimating its size and timescale would be very difficult. Nevertheless, this reignition is considered in other shorter-time costs, such as increased military spending.

### Scenario 1: Russian full-fledged victory

**Russian full-fledged victory would include the full military defeat of Ukraine.** This could be due to a surprising military victory, a fall of Kyiv, or a political implosion combined with the Russian-sponsored coup d'etat. The result would be Ukraine becoming a client state of Russia. It would lose its de-facto sovereignty and either be ruled by a government installed by the Kremlin or become a direct Russian subject and buffer zone. Russia would gain control over key industries, resources, and strategic infrastructure. The current political elites of Ukraine would be exiled, imprisoned, or eliminated, and any potential opposition movements would also be severely persecuted, similar to present Belarus.

**This scenario is considered unlikely** by numerous sources. A GLOBSEC paper (2022) that is exclusively preoccupied with scenario building did not include it as one of the possible outcomes, finding even global nuclear war more likely (10%). The journalistic sources pronounce a similar view: The Telegraph (2022) declares it "almost certainly out of reach," and Politico (2023) says, "the only safe prediction is that Russia will not conquer Ukraine." However, denying the possibility of this scenario altogether is dangerous due to its major ramifications for global security. As RAND (2023) points out, Russia's numerical

superiority in terms of population, combined with a lack of Western support, could lead to such an outcome, even if it currently seems unlikely.

### Scenario 2: protracted or frozen conflict



**A frozen conflict in Ukraine could be considered a de facto Russian victory. Russia would cement itself in occupied territories, creating uncertainties for reconstruction and unbearable investment risks. Russia would gain a de facto veto power over the future of Ukraine, and it would create unprecedented costs to Europe.**

**Róbert Vass**

**Under the protracted or frozen conflict scenario, Russia could establish its de facto annexation and effective control of some Ukrainian regions.** With the limited progress Ukraine could achieve with its counteroffensive over the summer of 2023 and potentially waning Western support, Ukraine could be forced to seek to freeze the front-line along the frontline at a given time, but without a formal peace treaty. Slow fighting could continue, including occasional attacks and long-range strikes. Russia would de facto control the East and some Southern regions of Ukraine, integrating them into its political and economic systems. Ukraine could attempt internal rebuilding under improved conditions but would not join the EU and NATO due to the unstable borders, risk of rapid reignition of active large-scale fighting, and internal instability.

**This scenario is very likely.** If the fighting does not give significant advantages to either side, the pressure on Ukraine to freeze the frontline might increase even if Ukraine vehemently refuses such an outcome. The likelihood of this scenario is also supported by the consideration that "the costs of supporting Kyiv also likely would drop, and public attention to the war would wane" (Politico, 2023). The frozen conflict scenario is also considered by other sources (The Telegraph, 2022; Kuhrt and Kaczmariski, 2023).

<sup>1</sup> For example a wider NATO-Russian conflict, limited Russian victory with the annexation of currently occupied territories, and so on.

<sup>2</sup> This is due to three key events coinciding this year – American presidential and Congress elections, European parliamentary elections, and Russian presidential elections that may offer an opportunity for for political mobilization of the opposition and weaken the incumbent regime.

## Scenario 3: Ukrainian victory, just and sustainable peace on Ukrainian terms

**Full-fledged Ukrainian military victory or settled peace on Ukrainian terms would represent a Ukrainian victory scenario.** The victory would lead to the eventual integration of Ukraine into the Western structures. This scenario could result from a very successful Ukrainian offensive(s), a significant internal political change in the Kremlin, or a mix of successful offensive and political negotiations with Russia. As a country fighting against foreign aggression, only Ukraine can define what constitutes just and sustainable peace. In any case, it would require ceasing all military activities. A necessary condition to this outcome is continuing and increasing Western political, military, and economic support to Ukraine.

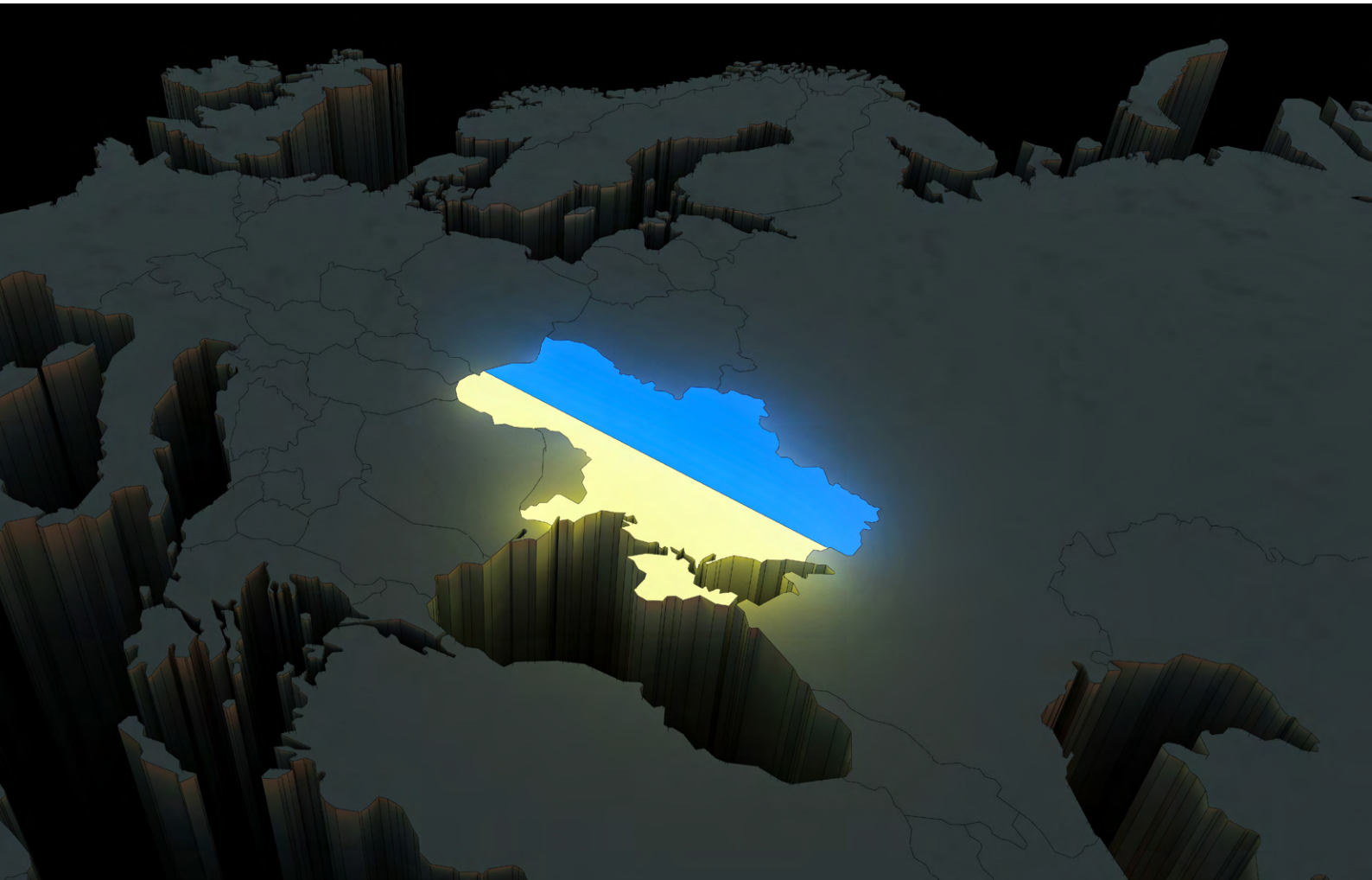
**Full recapturing of all territories by Ukraine is unlikely based on the current trajectory.** Globsec (2022) gives it a 25% chance with a 20% chance of retaking Donbas and consequent negotiations about Crimea and a 5% chance of retaking the whole Ukrainian territory using the military. ASPI (2023) considered the outcome unthinkable until recently (the article is from the end of May 2023) and stresses the role of military support, mainly F-16s, in bringing about such an outcome. Strategically, the most viable path to Ukrainian victory would be cutting the Russian land bridge with Crimea by capturing Melitopol, Berdiansk, or Mariupol. Together with disabling the Crimean Bridge, this

would create immense logistical pressure not only on the left side of Dnipro but also in Crimea itself. If Ukrainians find it acceptable and feasible to have a settled peace while not necessarily including the entire territory from 1991, it would, in practice, resemble a “South Korea” in Europe. Plausibly, it is an economically and technologically highly developed state with a strong military that can be integrated into Western structures like the EU or NATO. Nevertheless, the decision of what constitutes a just and sustainable peace is only for Ukrainians to make.

### **Western partners' degree of action and inaction impacts the final result of the Russia's war in Ukraine.**

Further analysis of the importance of Western support, its possible forms, and possible obstacles are analysed in Chapter 4.

**The analysis covers the impacts of various scenarios globally, with an emphasis on Central and Eastern Europe (CEE).** This is due to the need to quantify some of the costs and benefits in monetary terms. These effects can be more persuasively shown in this region, although some findings extend beyond it.





# 3. Quantitative costs and benefits of various scenarios

## 3.1. Scenario 1 - Russian full-fledged victory



**The cost of our inaction would translate eventually into extremely high expenses over the long term. Much more than what we do now. Let us keep this in mind.**

**Ľubica Karvašová**

### 3.1.1. Military spending

**Russian full-fledged victory would move the line of contact with Russia approximately 1000 km westwards, as Ukraine would come under Russian de facto control.**

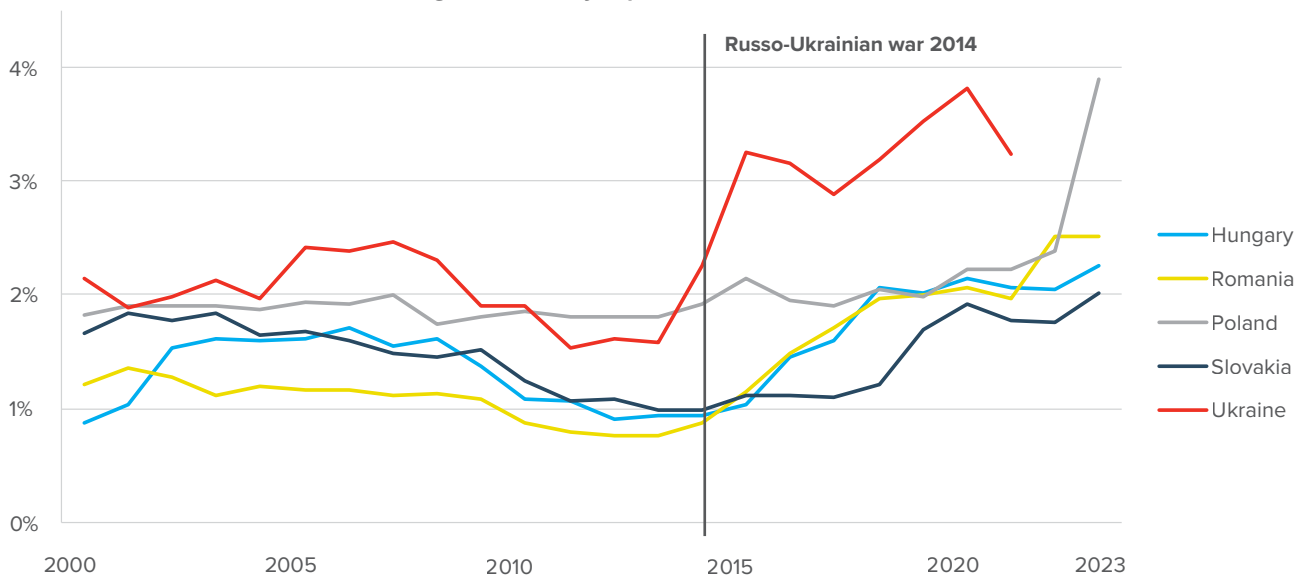
The key difference compared to the current situation would be the need for the switch to deterrence-by-denial, which means readiness to „complicate the ability of the adversary to achieve its war aims through fighting“ (Lanoszka, Sirotová, and Zaborowski: 2023: 6), also called active deterrence (Codner, 2009: 3). This means neighbouring countries would have to be ready to actively protect themselves from possible Russian aggression. Such measures can be very costly and may amount to several

percentage points of the GDP, especially for countries that currently do not neighbour Russia (or its client states) and thus did not have a strong motivation to arm in the last years.

**A viable proxy of this change is the 2014 Russian aggression.** Apart from the notable increase in Ukrainian defence spending of almost 2% of GDP within two years, other countries also increased their military spending as a reaction. For example, Latvia and Lithuania more than doubled their spending on the military from 0.9% in 2012 to approximately 2% of GDP in 2018. Russia's full-scale attack on Ukraine in 2022 also made an additional tangible change in the threat assessment by Poland and Slovakia. Although Poland's spending was already around 2% (the collectively recommended and agreed upon commitment within NATO), it has gone up even further. Slovakia is also budgeting the 2% spending to finance necessary deterrence measures (Figure 2).

**Russian victory would necessitate much higher military spending** as it would be an even more serious and threatening geopolitical change than Russia's 2014 war in Ukraine. Additionally, due to the high debt-to-GDP ratios of the Central European countries, it cannot be expected that this increase would be funded from further borrowing (also due to increasing costs of debt, as is discussed in Chapter 3.1.3). Therefore, the necessary military spending would be accompanied by austerity in other areas, such as social welfare, healthcare, or education.

**Figure 2: Military expenditures as % of GDP\***



\* Data for Ukraine (2022, 2023) not included because of uncertain data due to war. The available data shows 33.6% in 2022 (SIPRI, 2022) and 26.6% in 2023 (REUTERS, 2023).

Source: SIPRI, ECONPOL, KPMG, REUTERS, MF SR

**For Slovakia, the increased cost can be estimated to be almost 2 billion euros per year.** This represents military spending increased by 1.5 percentage points (we assume an increase from the current 2% to 3.5%). Such percentages are not unprecedented and are similar to the US (3.5% in 2021) and lower than, for example, Greece (3.9% in 2021) or Poland (3.9% in 2023). During the Cold War, NATO countries averaged above 3% in defence spending (NATO, 2023). This increase may also be justified in the context of the long-term underfunding of the Slovak military compared to other countries, as is visible in Figure 2, which may necessitate higher investments at least in the short term.

**In nominal terms, the effect on Poland is even more significant.** Russian victory would probably force Poland to keep military spending at 4% of GDP, compared to the baseline of approximately 2% of GDP (since 2015). This would amount to additional spending of 13 billion euros yearly.

**The costs would be 4.6 billion euros yearly for Romania and 2.6 billion euros yearly for Hungary.** Similarly to Slovakia, we assume the increase of military spending to 3.5% of GDP under the Russian victory scenario, representing a switch to deterrence-by-denial.

### 3.1.2. Foreign direct investment



**After the war started, the shares of Erste fell by 50%, although our exposure to Russia and Ukraine is negligible. However, we were considered as a proxy for wider Central and Eastern Europe, and the drop in the share prices show how investors doubt the region as a whole.**

**Andreas Treichl**

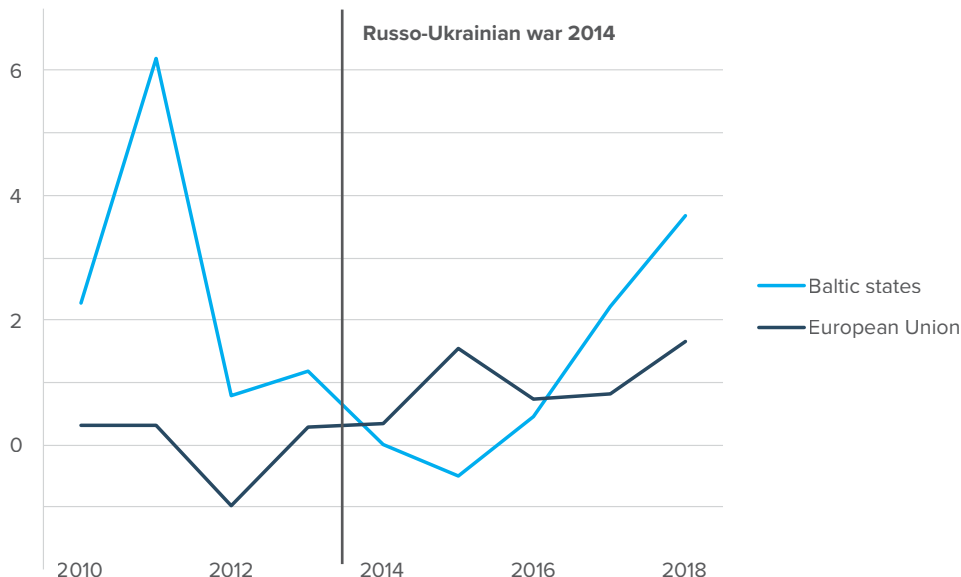
**Increased geopolitical risks would hinder investments in Central Europe.** Economic actors are sensitive to geopolitical risks. These risks may decrease the return rates of their investments, devalue local currencies and, in the worst-case scenario, physically damage investments in a case of conflict.

**A suitable case study is the Baltics after the start of the Russian aggression in 2014.** The investment rate as a percentage of the GDP decreased across all Baltic countries by approximately 1% of the GDP (Figure 3). Although establishing causation for such a macro measure is always difficult, the investment rate increased in the given period in the EU. Interestingly, the period right after the start of the war was the only period when yearly investment rates in the EU exceeded the investment rates of the Baltic states.

**Decreasing investments have adverse effects in both the short- and long-term.** In the short term, lower investments decrease the GDP as the investments directly lead to producing and selling capital. In the long term, investments increase production efficiency and productive capacity. Therefore, periods of lower investment have long-term adverse effects on the economy's efficiency as a whole.

**High-frequency data from capital markets present additional evidence of the seriousness of geopolitical risks.** Figure 4 shows the stock of three companies with significant exposure in Central and Eastern Europe - Erste, Unicredit, and Raiffeisen. The shares of all of these dipped dramatically at the onset of the Russian aggression. Two things are notable here; firstly, even the condition of geopolitical risks before the invasion started was sufficient to seriously affect the capital markets. Secondly, even Erste Bank, with negligible exposure to both Russia and Ukraine before the war, was seriously influenced. This is likely due to the perception of their strong CEE exposure as riskier. The figure also contains HSBC as a benchmark, the devaluation of which was much less pronounced due to its limited exposure to the CEE region.

Figure 3: Average investment (as % of GDP) in Baltic states and the EU



Source: OECD

Figure 4: Stocks of banks with significant exposure in the central and eastern Europe



**The effect on foreign direct investments is less straightforward.** The FDI in Estonia decreased by 25% (comparing 2013/2014 and 2015/2016 averages), and in Latvia by 45%. Admittedly, Lithuanian FDI increased significantly (Figure 5). This is likely due to its low starting point, which has been notably lower than in Estonia and Latvia and thus does not represent a suitable case for comparison. Additionally, Lithuania does not border mainland Russia, although the Suwalki gap runs through its territory and represents significant vulnerability given Belarus' alliance with Russia). In the case of a full-fledged Russian victory, the Russian puppet state would be in the direct neighbourhood of the CEE. Therefore, the cases of Estonia and Latvia are more representative of the current situation.

**Extrapolating Estonian and Latvian results to Slovakia, the yearly foreign direct investments would decrease by 900 million euros yearly (0.7% of the GDP).** Apart

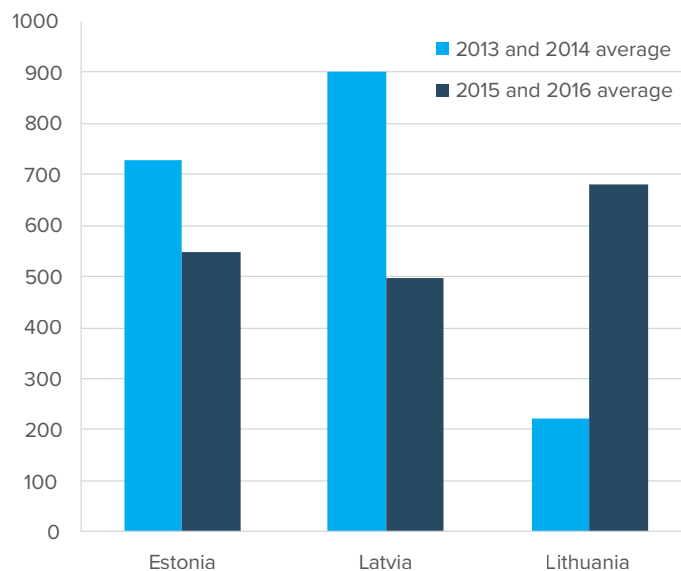
from the direct effect of decreasing investments in lower employment, it will also affect longer-term performance, primarily in the form of decreased effectiveness, lower employment, and lower state tax income. These secondary effects are excluded from the calculations.

**The impacts would be even more pronounced in the cases of Poland, Romania, and Hungary.** The FDIs in these countries would decrease by 9.2 billion euro (1.5% of GDP), 2.9 billion euro (1% of GDP), and 2.7 billion euro (1.6% of GDP) per year, respectively.

### 3.1.3. Cost of debt

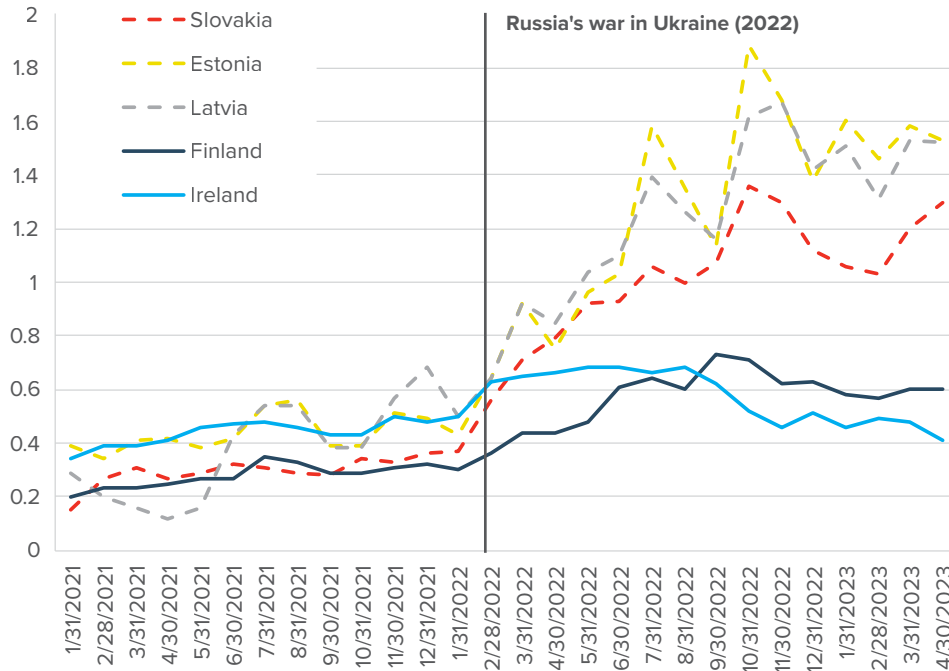
**World markets are highly sensitive to perceived geopolitical risk.** This can be illustrated by the debt premiums of countries compared to the premiums of Germany. Understandably, a premium is present regardless of geo-

Figure 5: FDI in millions of USD in Baltic countries.



Source: OECD

**Figure 6: Percentage premiums of national bonds compared to German bonds (10-year maturity, EUR)**



Source: ECB

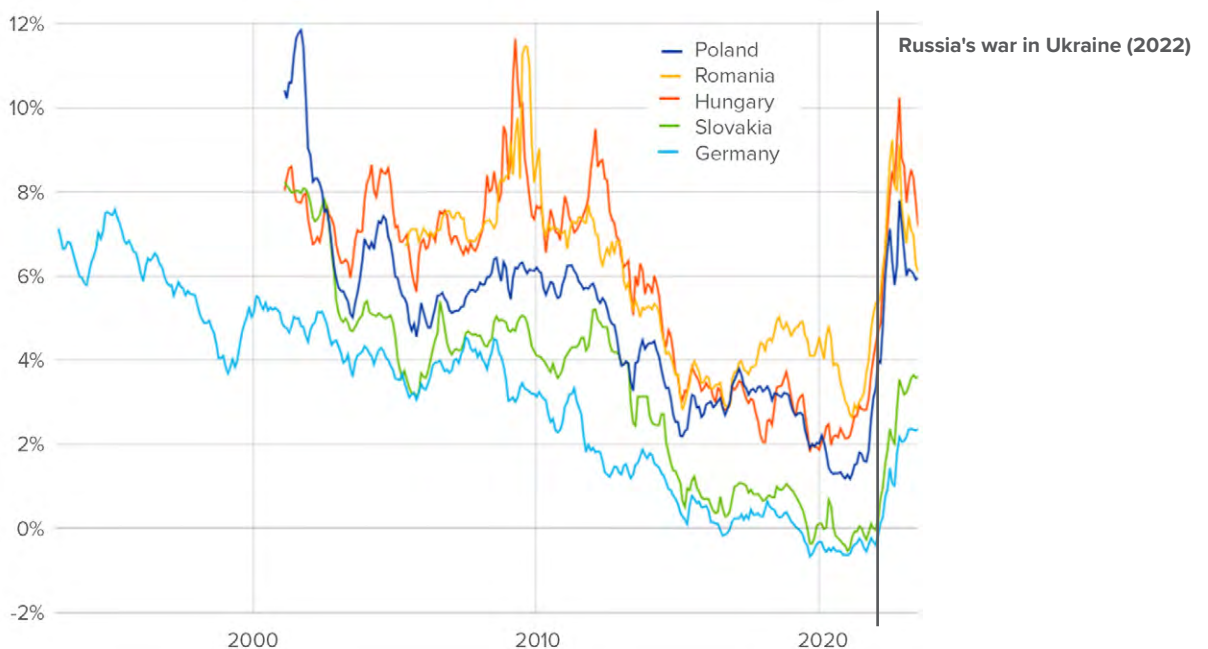
political realities, but it increases notably during perceived geopolitical danger. The impact of external factors is very significant. For example, in the case of Slovak bonds, between 2009 and 2016, more than 50% of a premium spread against Germany could be explained by external factors (Ódor and Povala, 2016: 18).

**Risk premiums on Estonian and Latvian bonds after the Russian invasion quadrupled.** Expectedly, the premium increases with the perceived proximity to the centre of the conflict. Premiums of Estonia and Latvia increased signifi-

cantly more than Irish or Finnish premiums and somewhat more than Slovak premiums.

**The interest rates on bonds of other CEE countries denominated in local currencies also rose.** The interest rates on bonds rose between January and March by 1.2% in Hungary and 0.8% in both Poland and Romania. To compare, the interest rates of German bonds denominated in euros rose by 0.4% during the same period. Taking the averages of interest rates on bonds in 2022 and 2023, the differences are even starker - 4.5% for Hungary, 4.1% for Poland, 3.8% for Romania, and 1.5% for Germany. Un-

**Figure 7: Interest rates for 10-year maturity bonds in respective currencies**



Source: ECB

derstandably, the effects of other aspects except for the geopolitical risk (exchange rates, various levels of inflation, economic performance, and others) are also important. Untangling these effects goes beyond the scope of this paper. However, the data above illustrate a significant increase in interest rates on bonds that the central European countries had to face.

**In the case of a Russian victory, the Slovak premium on bonds will increase by approximately 1% compared to the baseline, equalling 630 million euros in the long run.** Current Irish and Finnish bond interest rates are approximately 0.5% higher than in Germany (Figure 6). Ireland and Finland represent a suitable baseline comparison to Slovakia, which had similar premiums before the war. Slovak interest rates on 10-year maturity bonds are approximately 1.25% higher than Germany's, representing 0.75% premiums to Finland and Ireland. With the full-fledged Russian victory, a further increase in premiums can be expected, in conservative approximation to a 1% gap compared to Finland and Ireland (as a baseline scenario). An increase of risk premium of 1% would lead in the long term to additional expenditures of 630 million euros (SO SR, 2023).

**Estimating changes in interest rates on bonds in Poland, Romania, and Hungary is more difficult due to different currencies.** The comparison with Germany or Slovakia (with bonds issued in euros) would be difficult due to varying inflation levels, forex, and other considerations. Straight before the war started, the rates were between 4 and 5.5% across the three countries, while in April 2023, they exceeded 6%.

**It is assumed that under Russian full-fledged victory, the interest rates on bonds will increase by 1% compared to the base scenario.** This equals additional costs of 3.2 billion euros annually for Poland, 1.4 billion for Romania, and 1.2 billion for Hungary in the long run.

### 3.1.4. Border protection

**Being bordered by Ukraine, which would become a Russian puppet state, would increase the need for border protection.** A combination of factors would cause this. Firstly, the economic downturn of Ukraine, which would most likely not receive significant Western support long-term, could lead to increased criminality rate, drug trafficking, and so on. Secondly, forms of hybrid war using migrants and asylum-seekers to create pressure on the EU, as in the case of the Belarus–European Union border crisis, may develop.

**A border wall may be a possible outcome of the Russian presence in Ukraine.** Poland paid 353 million euros for a 186 km long border wall on the border with Belarus. The length of the land border between Romania and Ukraine is 613 km and 97 km between Slovakia and Ukraine. Simple extrapolation gives the price tag of 1.35 billion euro (1.16 bn. for Romania and 0.18 bn. for Slovakia) as a one-time capex.

**Real expenditures would be very likely higher than just the border wall.** The estimation did not include technological expenditures, civilian and non-civilian personnel, etc. Many of these would be recurring yearly expenditures.

### 3.1.5. Impact on the labour force

**Increased migration may be beneficial, especially in comparison to scenarios 1 and 2 (Annex, chapter 1.2.).** In comparison with other scenarios, the Ukrainian population already in the EU would have a lower motivation to return to Ukraine. The positive effect of the Ukrainian labour force has already boosted economic growth in the EU. The positive effects are caused by the participation of Ukrainian refugees in the labour force and spending in European countries (Pogarska et al., 2023). The overview of Hennessey and Hagen-Zanker (2020: 15-16) estimated that refugees become net contributors to the fiscal systems between 8 and 16 years after coming to the country. Faster and more efficient integration of Ukrainians into both the job market and society would benefit the refugees themselves and the country's economy as well.

**The first scenario will decrease the requirements for Western support.** This benefit is priced into the costs of action (Chapter 4.1), in which scenario 1 is considered a benchmark case for comparison.

## 3.2. Scenario 2 - Frozen conflict



**Any Ukrainian 'victory' without the return of Crimea would not be considered a victory and would be equal to a frozen conflict.**

Ivan Mikloš

### 3.2.1. Military spending

**Frozen conflicts are inherently unstable.** Arguably, the term frozen conflict is a misnomer and suggests that the conflict can be frozen indefinitely (Morar, 2010: 10). Although some frozen conflicts stayed as such for years and did not reignite (Transnistria, Cyprus, and arguably Abkhazia), more common is the reignition of war as in the frozen conflicts "all directly involved parties feel disappointingly served by the status quo" (Morar, 2010: 11). The examples of reignition are Nagorno Karabakh (repeatedly), Donbas and Crimea (2022), South Ossetia (2008) or Chechnya (1999).

**A frozen conflict in Ukraine would be extremely unstable.** This is due to ideological and historical reasons. Firstly, Russian leading circles have an intense obsession with Ukraine as a non-existing state. This was used to justify the start of the aggression (Putin, 2021; Putin, 2022), regardless of the idea's absurdity from legal, practical, and historical perspectives. This perspective persists even after the invasion and became a failure for Russia (Porter, 2023). Thus, Putin will likely use the next opportunity to defeat Ukraine even if there will be an intermezzo of a frozen conflict.

**Russia has a long-term tendency to "unfreeze" the frozen conflicts when convenient,** as was the case with Chechnya (1999), South Ossetia (2008), and Ukraine

(2022). In this sense, it may be conceptually helpful to revisit the term *peredyshka*, used during the Cold War (box 1). To conclude, the frozen conflict would be broadly considered instead as a limbo period leading to eventual reversion and thus will necessitate further military spending.

#### BOX 1: Peredyshka

The term *peredyshka* (translated from Russian as respite, breather, or break) was a popular term in the Cold War context. The Soviet Union has repeatedly engaged in a short period of internal and/or foreign consolidations during which it sought accommodation with Western powers. This time was used to strengthen internal economic or military power that could have been used in renewed military or other competition with the West.

The probable first period of *peredyshka* was the early Soviet period in the 1920s (Bachman, 1991: 189) when Lenin sought short-term peace by signing the treaty of Brest-Litovsk and later adopted the New Economic Policy to consolidate Soviet power. Similarly, the period of *détente* in the 1960s and 1970s could be described as *peredyshka*.

The concept had a long-term influence, also in the late 1980s (ultimately incorrectly so). Some Western scholars considered Gorbachev's reforms (so-called *perestroika*) as *peredyshka*, aiming to strengthen the state and make limited concessions to the West (Lenczowski, 1989).

This term may rightfully make a comeback if there are serious considerations of a frozen conflict or some peace agreement between Ukraine and Russia (Bugajski, 2018).

**The threat of the reversion of war would keep military expenditures in the CEE high.** However, the expenditures would be lower than the full-fledged Russian military victory. This is mostly because Russia (or Russian-controlled Ukraine) would not neighbour more countries than it does today. This can be particularly important for countries like Romania, Slovakia and, partly, Poland. However, the expenditures would be higher compared to the baseline due to the threat of the reversion of the war.

**Slovakia's expenditures can be estimated to be an additional 0.7 billion euros annually.** This represents military spending increased by 0.5% percentage points (to 2.5%).

**A similarly notable effect would be the case of Poland - 6.6 billion euros annually.** This represents military spending of 3% of the GDP, compared to the baseline of approximately 2% of the GDP.

**The costs of Romania and Hungary would be 1.4 and 0.5 billion euros yearly, respectively.** This represents their military spending on the same level as in 2023, compared to the 2% of GDP scenario.

### 3.2.2. Foreign direct investment

**A notable investment decrease would also take place under a frozen conflict scenario.** Although it would not create as serious investment risks as a full Russian victory, a frozen conflict would also increase geopolitical risks. These risks are estimated to be halfway between the Russian victory (35% decrease in FDI) and the Ukrainian victory (no decrease in the FDI).

**The frozen conflict would decrease FDI in Slovakia by 450 million euros yearly.** Applying the same logic, the decrease would be 4.5 billion euros for Poland, 1.45 billion euros for Romania, and 1.35 billion euros for Hungary per year.

### 3.2.3. Cost of debt

**The cost of debt for CEE markets would probably remain at similar levels as in the period after February 2022.** Global markets would consider the reversion of the frozen conflict as a possible risk. As seen in Figure 6, before 24 February, the markets did not properly include the risk of war in their premiums. This would likely change in the case of frozen conflict - as argued in Chapter 3.2.1, a frozen conflict would be considered a short to medium-term intermezzo from military clashes.

**Interest rates on debts are assumed to be 0.5% higher than the baseline under a frozen conflict scenario.** An increase of 0.5% in the interest rate would lead to additional spending of 315 million euros per year in the long term in Slovakia. For Poland, this equals 1.6 billion euros per year, 680 million euros for Romania, and 620 million euros for Hungary.

### 3.2.4. Benefits of inaction

**The rebuilding costs in scenario 2 will be somewhat smaller than in scenario 3, but the West will contribute more than in scenario 1.** This is due to the smaller geographical space of the rebuilding efforts when not counting the Russian-occupied territory. However, this scenario expects close cooperation of non-occupied Ukraine with the West; therefore, Western rebuilding contributions can be expected in higher amounts than in scenario 1.

**The second scenario could decrease the requirements for Western military support before the end of the war.** The estimation is difficult, as some support would be needed continuously to avoid scenario 1 in the future. Nevertheless, the decrease would be contingent on Russian military capabilities.

**Even with frozen conflict, Ukraine may join the EU, but this outcome is unlikely.** Ukraine joining the EU would bring benefits summed up in subchapters 1.4.-1.4.3 of the annex. Subchapter 1.1. of the annex argues that although the integration cannot be ruled out, it is notably less likely due to internal instability stemming from frozen conflict. Undoubtedly, the frozen conflict will at least delay the integration by several years.

## 3.3. Scenario 3 - Ukrainian victory

Throughout the paper, scenario 3 is considered the **baseline scenario** to which the benefits and costs of other scenarios are compared. Therefore, this chapter does not contain quantified benefits. Rather, the baseline assumptions for quantified benefits are explained in detail.

**Ukrainian victory would also bring unquantifiable benefits.** In the European context, a Ukrainian victory would be the best way to ensure stability in Ukraine, decrease the need for NATO troops in Central Europe, and boost the economic growth of surrounding countries. In the broader geopolitical context, the result of Russia's war in Ukraine will deeply affect the relationship between Russia and its peers, most notably China, Iran, and India.

**The costs and benefits of these impacts are not quantifiable in monetary terms.** Their influences have various interconnected effects, making any quantifications questionable. These impacts are no less important or smaller than quantifiable ones but require a somewhat extended narrative. Therefore, five unquantifiable costs and benefits (instability in Ukraine, migration, NATO presence in Central Europe, economic development, and broader geopolitical effects) are analysed in the annex.

### 3.3.1. Military spending

**Without the Russian threat, military spending could remain predictable and stable, fulfilling the recommended 2% minimum (as reconfirmed at the NATO Vilnius Summit in 2023).** Some Central European countries currently spend over 2% of their GDP but might be in the position to find higher levels unnecessary and decrease the spending to the stable 2% GDP NATO minimum requirement, as confirmed in 2022 (Reuters, 2022). Admittedly, the decrease in military spending will not be abrupt, as many countries have already contracted to purchase new equipment to be paid for and maintained in the upcoming years. Nevertheless, in the medium term, a spending decrease is very likely.

**Freeriding with expenditures below 2% of the GDP should not be expected.** With the Russian threat diminished and NATO's Eastern flank moving further east, some CEE NATO countries may be tempted to decrease their spending below the 2% GDP. Nevertheless, such a decrease would also be hard to justify in front of NATO partners due to the pledges accepted at the Vilnius NATO Summit (CSIS, 2023). Therefore, 2% is expected to be a baseline for all countries discussed in subchapters 3.1.1. and 3.2.1.

### 3.3.2. Foreign direct investment

**Foreign direct investment can be expected to be at the pre-2022 levels after the Ukrainian victory.** This is a conservative estimate, as the economic development of Ukraine and its accession to Western structures may significantly boost the economies of the central European countries (subchapter 1.4 of the annex). This would likely bring more FDI to these countries than the pre-2022

baseline. Nevertheless, to keep estimates conservative, the Ukrainian victory (serving as a baseline) is expected to bring the FDI to the pre-2022 levels.

### 3.3.3. Cost of debts

**With the Russian threat less notable, debt risk premiums would decrease across the CEE.** It can be expected that these would drop approximately back to the levels before the war. This does not have to be the case with every individual country as other confounding external factors may raise their premiums compared to the pre-February 2022 period. Nevertheless, the savings would be in billions across the CEE.

### 3.3.4. Costs of action

**Ukrainian accession to the EU will also lead to additional costs, primarily on the EU level.** Apart from the rebuilding efforts, which would be needed regardless of Ukrainian accession, there would be other costs for the EU. For example, expanding a common agricultural policy on the large Ukrainian agriculture would require additional funding or lead to a per unit decrease of funding to the existing EU states. Similarly, the inclusion of Ukraine, with a low GDP per capita, would change the disbursements of European structural and investment funds under the current condition. Ukrainian inclusion would be a significant change. Therefore, a change in the current rules can be expected.

# 4. Action, inaction, and everything in between

**There is no doubt about the importance of Western support to Ukraine.** During the first days of the Russian offensive, the American-supplied Javelin ATGMs proved essential in stopping the Russian offensive in Kyiv. The Western political support that enabled political leadership

to withstand the first weeks of the invasion was no less important. Western support was also crucial in regaining territories during the Kharkiv offensive (Stavridis, 2022; O'Brien, 2023).

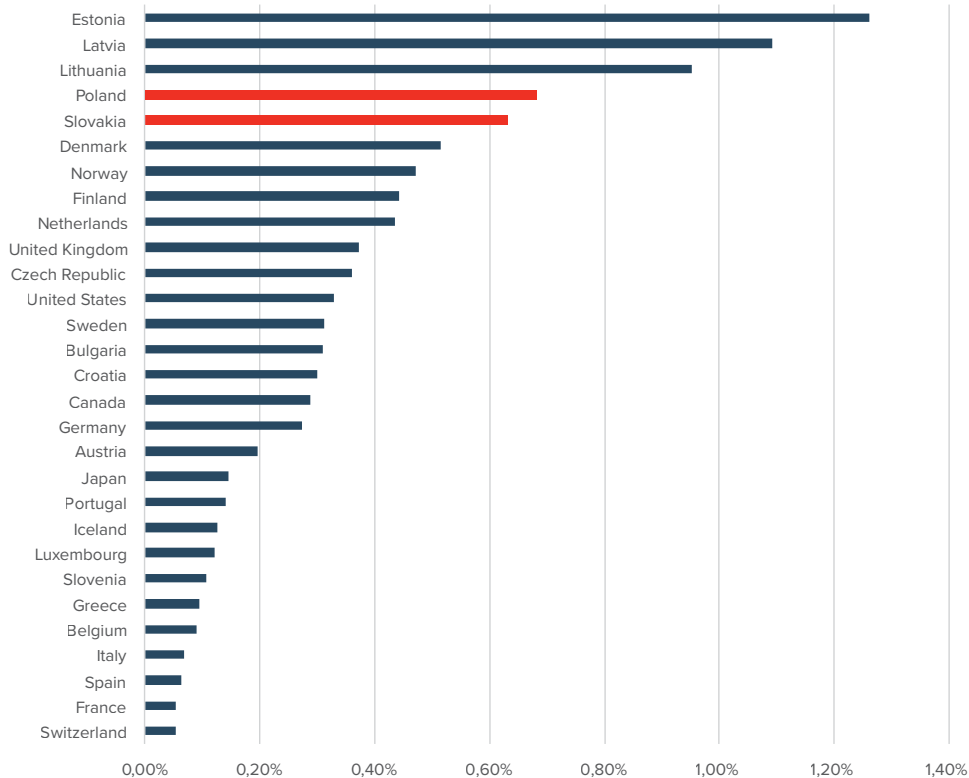
### BOX 2: Analysis of forms of support

There are various forms of support for Ukraine. Highly influential Ukraine Support Tracker Data by the Kiel Institute for World Economy identified three key types of support - military (arms and financial assistance tied to military purposes), humanitarian (aid for civilian population), and financial assistance (grants, loans, guarantees, and swap-lines). These three types are also included in Figures 8-10, which cover the support by countries by the support as a percentage of GDP and in nominal values.

Another type of support not usually included in the comparisons is refugee support, which covers the support provided to the Ukrainian refugees running away from war. Although undoubtedly a critical issue, our analysis does not include support for the refugees as it only indirectly supports Ukrainian military efforts.

Figure 8 shows that support in terms of percentage of GDP is highly correlated with the proximity to Ukraine, with Baltic states, Poland, and Slovakia being the biggest supporters. Although high in nominal terms, American support is only somewhat over average, considering its enormous economic power.

**Figure 8: Military, humanitarian, and financial support to Ukraine as % of GDP of donor countries (only countries supporting with more than 0.05% included), 2022 – 06/2023.**

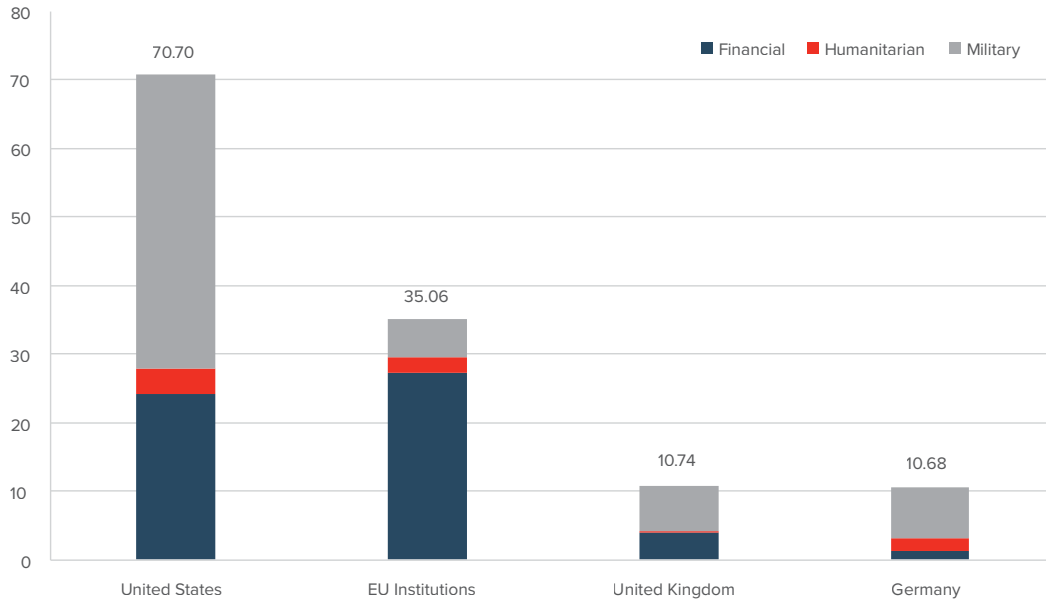


Source: IFW KIEL



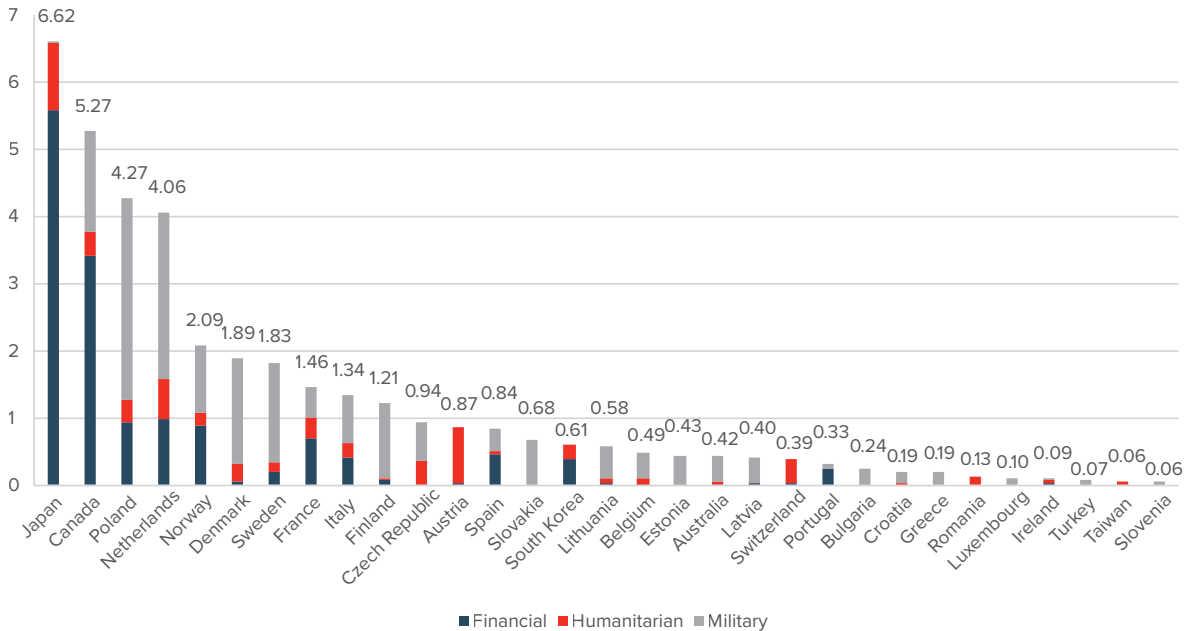
The USA is the largest supporter of Ukraine, having supported Ukraine more than all other countries together (Figure 9). The second and the third largest support, by a significant margin, is the United Kingdom and Germany. Other countries have significant variability regarding the support offered, reflecting wider geopolitical and historical backgrounds.

**Figure 9: Military, humanitarian, and financial support to Ukraine in billion euros (only countries with support over 10 billion euros included), 2022 – 06/2023.**



Source: IFW KIEL

**Figure 10: Military, humanitarian, and financial support to Ukraine in billion euros (only countries with total support between 50 million and 10 billion euros included), 2022 – 06/2023.**



Source: IFW KIEL

The degree of Western support may be the key variable that will decide the war's outcome. With the Ukrainian polls pointing to the stable resolve of the public not to cede territories to Russia and thus continue the war (The Kyiv Independent, 2023) and a competent Ukrainian military (Bowen, 2023), Russia's best bet is on the fragmenting support of the Western allies (Phillips, 2023).



**Eroding Western support to Ukraine. That is Putin's best bet.**

**Vladimir Milov**

The degree of Western support is a continuum - even without outright rejection to support Ukraine, the West may cause unfavourable outcomes. Apart from open refusal to continue with the support (due to upcoming American elections and the fragmentation of support from European countries), even continuing Western support could lead to scenarios 1 and 2 if it is insufficient.

The support to Ukraine is often delayed. There has been a significant time gap between pledges to give support and actual disbursements (CEPR, 2023). It is partly understandable as some forms of support must be moved to Ukraine and often go through a major overhaul. Nevertheless, there are often more delays than necessary, for example, due to other arms deals of the countries, as is the case with Abrams tanks (RUSI, 2023).



**The unprovoked Russian attack on Ukraine was not only an attack on a sovereign neighbor country but also a frontal attack on the basic principles of a rule-based world and the fundamental pillars of the European security system. By supporting Ukraine, we also protect these principles. Failing to protect it would have severe financial, economic, security and geopolitical consequences for Europe.**

**Róbert Vass**

An additional form of delay is caused by slow decision-making. For example, it took several months for some Western countries to decide on giving Leopard tanks to Ukraine (Serhan, 2023). Similar delays were visible with virtually all armaments provided to Ukraine (HIMARS, long-range missiles, Abrams, F-16s, and others). Also, the decisions to increase military production capacity somewhat stalled, especially in regard to the production of ammunition. The ammunition is generally less discussed, but arguably even more important than providing new weapon systems.



**Current levels of help are unprecedented but insufficient.**

**Ivan Mikloš**

Although the current levels of support are unprecedented, they may be insufficient. Undoubtedly, the West's support for Ukraine is incomparable to any other case since the end of the Cold War. Regardless of that, it may still prove to be insufficient.

## 4.1. Costs of action: How to enable Ukraine to win the war and help ourselves

To achieve Ukrainian victory, a higher effort from Western countries in the form of additional military support is needed. Although Western support has been significant in the last months, it does not suffice to ensure a victory for Ukraine. An important aspect of the discussion is the speed of support. Quickly provided support may be significantly more valuable in bringing Ukrainian victory than the same but delayed support (The Economist, 2023).



**Putin can afford a long war, but not a more intensive one.**

**Vladimir Milov**

The estimation of the needed support to guarantee Ukrainian victory is difficult. Our estimation works with a rather arbitrary and possibly too pessimistic number – doubling the military support to Ukraine provided so far – approximately an additional 80 billion euros in the 12 months (KIEL, 2023). So far, Ukraine has been able to repel occupying forces from Kyiv, Kharkiv, and Kherson regions and start a limited counteroffensive in the Zaporozhii region. For an additional 80 billion euros, Ukraine may be able to return a significant majority of the occupied areas and thus negotiate with Russia from a very favourable position.

For Slovakia, even quadrupling the support provided so far will return benefits within a year of scenario 3. This is due to the benefits of scenario 3 compared to scenario 1, amounting to 3.4 billion euros yearly and the fact that the support so far has not exceeded 0.7 billion euros.



**Some countries may say, 'we are too small to matter.' It would be a terrible mistake.**

**Tomáš Valášek**

**Support for Ukraine is a form of tragedy of the commons.** Individual states may try to freeride by providing Ukraine with a limited amount of support, instead hoping for other countries to cover the amount of support Ukraine needs and thus getting the benefits for free. This can be especially appealing for small countries. These may think that their absolute contributions are small and, therefore, do not matter. From the game theory, this may be a reasonable tactic for a one-time game. However, this is not a one-time game, as the support today may significantly affect the opportunities for individual countries in post-war development. Therefore, the refusal to support Ukraine now may decrease the number of opportunities for local companies later when rebuilding Ukraine. Additionally, freeriding may damage the reputation and worsen the public image of the free rider.

## 4.2. Recommendations for Policymakers



**Even leaving moral and values-based arguments aside, the survival of Ukraine as a free and democratic country remains the most favourable scenario for Slovakia. It is fully in line with our national interests. It is the only scenario under which the costs can be considered as investments and where support means cooperation, not help.**

**Ľubica Karvašová**

### 1) Rebuilding Ukraine starts now

**Rebuilding Ukraine is a generational opportunity.** The amount of resources flowing into Ukraine, especially in the case of its victory, will be comparable to the Marshall Fund after WW2 or the reintegration of Eastern Germany after the Cold War. As such it brings enormous economic opportunities, especially for geographically close EU countries, namely Poland, Slovakia, Hungary, and Romania.

**Creating a pro-business environment and infrastructure for this rebuilding may prove decisive.** Especially before the end of the war, businesses will look for convenient locations next to the Ukrainian borders where to place their business. The available infrastructure and connections to Western Europe and Ukraine are decisive for this decision-making. Governments can play a crucial role in providing loan guarantees and insurance for domestic companies operating in Ukraine.

**Providing support to Ukraine now may create business opportunities for rebuilding Ukraine later.** Creating connections between Ukrainian decision-makers and local businesses is essential. These connections may stem from the current levels of support and rebuilding efforts. Due to Ukraine's complex and multifaceted rebuilding, everything

from construction companies to anti-mine equipment is already needed.

**Additional potential comes from local Ukrainian refugees.** Millions of Ukrainians in Central European countries can represent a vital future link between Ukraine and their temporal home countries. For this, cooperation with the refugees must be expanded, for example, by providing education, skills, or practical experience with work that will be needed for rebuilding.

### 2) Increase, speed up, and prioritise support for Ukraine

**As this analysis shows in the example of Central Europe, the benefits significantly outweigh all costs of bringing Ukrainian victory.** Additionally, there are several other unquantifiable benefits and costs, almost all of which point to the advantages of a Ukrainian victory (annex).

**However, support for Ukraine is a multidimensional issue.** Apart from stressing the need for increasing support in monetary terms, more work needs to be done on its speed, usefulness, and value for money that it brings. Similarly, Ukrainian allies must consider the quality of supplied weapons that are sometimes dysfunctional, faulty, or do not meet even minimum conventional benchmarks (Zitser, 2023; Khalilova, 2023).

**Supporting Ukraine cannot be on the shoulders of a few countries.** Splitting the burden of support on as many countries as possible is preferable as it guarantees long-term support and the buy-in of more countries. This includes potentially new supporters (such as Serbia) and higher support from existing allies that funded relatively little (Romania, Greece, or Slovenia). Making credible commitments for continuation of support beyond 2023 may be more important, even in the medium-term, than the amount of support itself.

### 3) Explain benefits through stories, not numbers

**Decision-makers tend to think more quantitatively than the average population.** Therefore, the arguments used to persuade the public about the advantages of support for Ukraine must be changed accordingly.

**It is better to explain economic benefits through practical and material results, not numbers.** For example, instead of speaking about 2% of the GDP, a story about economic development, jobs, highways, and new factories opening in poor rural areas neighbouring Ukraine may be significantly better. Alternatively, the effect of 900 million euros of FDIs may be better interpreted in terms of higher taxation income for the state, which could consequently build an additional hospital in the country. In general, the goal is to avoid macroeconomic numbers that are often hard to mentally translate into the effects on individual people. Instead, using specific examples with reasonably explained mechanisms may be more persuasive.

#### 4) Persuade various strata of the population

**So far, a limited number of narratives have explained the need to support Ukraine in CEE.** Undoubtedly, selling support to Ukraine as a moral (Bachmann, 2023), responsible to the allies or pro-western can persuade a notable part of the population. However, especially in the countries with relatively low NATO support (Slovakia, Bulgaria), new narratives stressing different dimensions of the conflict should be used as well.



**We need to show, case-by-case, Putin's strong record of breaching various types of international treaties, agreements, and deals.**

**Petr Tůma**

**Promoting support for Ukraine through novel narratives may prove helpful.** World War 2 land-lease parallel to illustrate why it may sometimes be necessary to support war can be particularly persuasive for people without a strong pro-western geopolitical orientation that does not accept the pro-NATO or pro-EU narratives. Stressing the multipolar support of Ukraine (with evidence of many non-Western UN countries condemning Russian aggression) and the non-existence of any outspoken supporters of Putin's war may also work well with some parts of the anti-Western or anti-globalist public. Finally, showing support to Ukraine as pro-business and economically sound may persuade people to worry about the fiscal impacts of the support.

#### 5) Use the persuasive narrative – we help ourselves by supporting Ukraine



**It is necessary to transform the narrative - supporting Ukraine is a source of opportunity for all of us.**

**Jana Kobzová**

**Various forms of support for Ukraine have been presented as "help to Ukraine," but false conclusions follow from this narrative.** Speaking about help to Ukraine was understandable, especially in the first weeks of the Russian invasion and the inflow of Ukrainian refugees. However, after more than 15 months since the start of the invasion, this narrative is outdated and damages the efforts to support Ukraine. The word "help" suggests a one-way relationship in which the help provider loses while the receiver gains. The presented paper suggests a different relationship, in which Ukrainian victory is highly advantageous for the West, even from a purely pragmatic perspective, ignoring the Ukrainian point of view.

**By supporting Ukraine, we primarily help ourselves.**

The analysis suggested that the scenario of a victorious Ukraine would bring significant benefits to the European economy and more stability to the global order. Specifically, yearly benefits to Central European countries equal 44 billion euros (see executive summary) in addition to several unquantifiable benefits. Therefore, the narrative should stress the benefits of support to domestic countries to explain the necessity of continuing support. This is a more persuasive angle for the strata of the population that do not react positively to moral arguments. This leads to the conclusion that even business-driven and pro-profit arguments can be used to justify supporting Ukraine in its struggle to defeat Russian aggression.

# Annex - Unquantifiable costs and benefits

## 1.1. Instability in Ukraine

**Even with a full-fledged Russian victory, more than a year of Russian aggression would make subjugating Ukraine difficult.** Unsurprisingly, polls very clearly show negative opinions of Ukrainians toward Russia, the Russian military, and Vladimir Putin (Ashcroft, 2022). Even in the case of a Russian conventional military victory, many Ukrainians would, by that time, have extensive military experience and access to weapons. Ukraine would go through a period of guerilla warfare. This directly contradicts the idea of some pro-Russian Westerners who consider Russian victory a way to achieve peace.

**Most Ukrainians will consider a frozen conflict a loss, which may endanger the reform process.** Approximately 80% of Ukrainians disagree with sacrificing Crimea for peace (Ashcroft, 2022). Agreeing to freeze the conflict may be highly damaging to any government and create internal friction and instability. Especially politically potent social groups of veterans may have significant political power, even without holding official positions. An example of their political power outside of institutionalized politics is described in box 3.

### BOX 3: The case study of the Donbas blockade

The first Russo-Ukrainian war was frozen in early 2015, with the Minsk II accord signed in February. Some low-level clashes continued, but the line of contact remained largely stable.

After the conflict froze, several checkpoints between the Ukrainian and the occupied side of the line of contact remained open. These primarily served for the transportation of goods between the territories. From the Ukrainian side, metal, wood, cigarettes, and alcohol flowed. In the other direction, anthracite and other basic commodities primarily flowed. Non-transparent rules regarding the trade with occupiers helped smugglers (Kostanyan, Remizov: 2017: 2).

In January 2017, these checkpoints were blocked by Ukrainian veterans in retaliation for the refusal of Russian occupiers to exchange prisoners. This effectively halted the trade. On 1 March 2017, the Ukrainian parliament introduced a new law trying to limit smuggling by, for example, limiting the types of goods allowed to cross. This did not persuade the veterans to stop the blockade. On 13 March, Ukrainian authorities tried to disperse the protests, detaining over 40 people, but to no avail. Meanwhile, the support for the blockage increased from 7% to 50% (Kostanyan, Remizov: 2017: 3). Two days after trying to disperse the blockade, the government authorised the blockage.

Surprisingly, the government gave up on the attempt to disperse the veterans even though the expected negative economic effects of the blockade were very high - 1.2% to 2.5% of GDP (Nepriakhina, 2017) and tens of thousands of jobs (Burrige, 2017). This reiterates the role of veterans and the significant political influence they had after the first Russo-Ukrainian war, even when facing significant economic damage. Undoubtedly, after the second war, having a largely higher number of combatants and human costs, their influence will be significantly higher.

**Ukrainian integration into the EU would require significant reforms.** At least in theory, partly occupied Ukraine could join the EU, as the precedent of Cyprus shows (Matthijs, 2023). Nevertheless, freezing the conflict may make reforms needed for integration hard to attain. This can consequently jeopardise Ukrainian integration into the EU and the benefits it would bring Ukraine and the EU. This is why scenario 2 does not expect Ukrainian accession to the EU in the medium term.

## 1.2. Migration

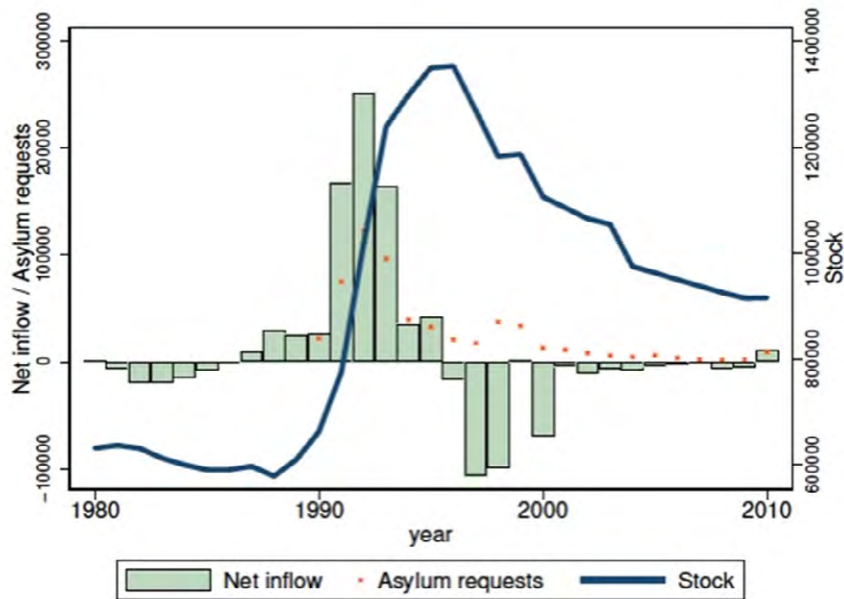
**The degree of migration outflow in scenario 1 depends on how it would materialise.** If it would result from a massive military campaign and/or extensive missile attacks on civilian infrastructure, the outflows are expected to be comparable to the early outflow after the war started. However, even without military defeat, the outflows can be significant as Russia-controlled Ukraine would have to crack down heavily on the opposition.

**The case of Belorussian outflow after failed 2020-2021 protests can be illustrative.** Due to the increasingly authoritarian policies of Lukashenka during and after the protests, between 300,000 and 500,000 people fled the country of nine million (Vazyanau and Bettioli, 2023). Even accounting for the Ukrainian decreased population due to the war, a similar extrapolated share would amount to over a million refugees from Ukraine.

**European countries would not have a choice but to accept the refugees.** Primarily, they will be political refugees and, as such, qualify for asylum. Secondly, from a purely ideological perspective, people fleeing autocratization would have to be accepted by the EU as a beacon of democracy.

**The number of Ukrainian migrants is expected to be highest under scenario 1.** Scenarios 2 and 3 predict an independent Ukraine and extensive rebuilding efforts inside the country that may attract Ukrainians to return. In general, migration is expected to broadly follow the trend of Yugoslavian migrants in Germany during the 1990s

Figure 11: Stock and net inflow of Yugoslavian refugees into Germany



Source: Rapoport et al., 2019

(Figure 11) - a high net inflow during the war and a significant (although not complete) rate of return after the war (Rapoport et al., 2019).

2023). Apart from the practical monetary costs, this move could create public polarization and pushback, especially in countries with low NATO approval rates, such as Bulgaria or Slovakia (Figure 12).

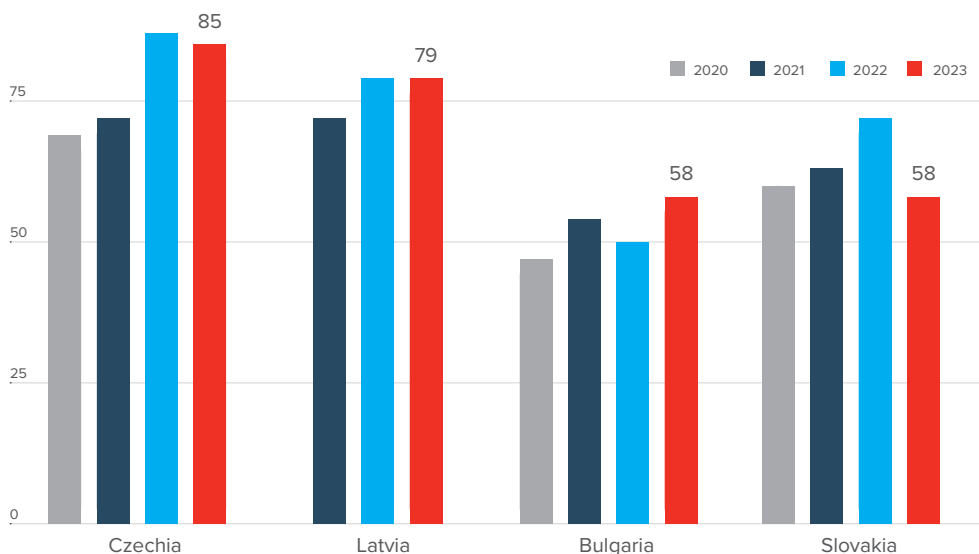
### 1.3. NATO presence in Central Europe

**A Russian victory would necessitate an increased NATO presence in CEE.** To establish a credible commitment of Western allies to deter Russia from attacking the NATO East flank, the presence of NATO soldiers in Central Eastern Europe would have to increase significantly (RUSI,

**In the case of a frozen conflict, the number of NATO soldiers on the Eastern flank will remain stable.** Unlike in the scenario where Ukraine wins and becomes a full member of NATO, the threat to NATO will persist, and the units will not be able to move further East. Therefore, it is reasonable to expect the NATO presence to remain unchanged.

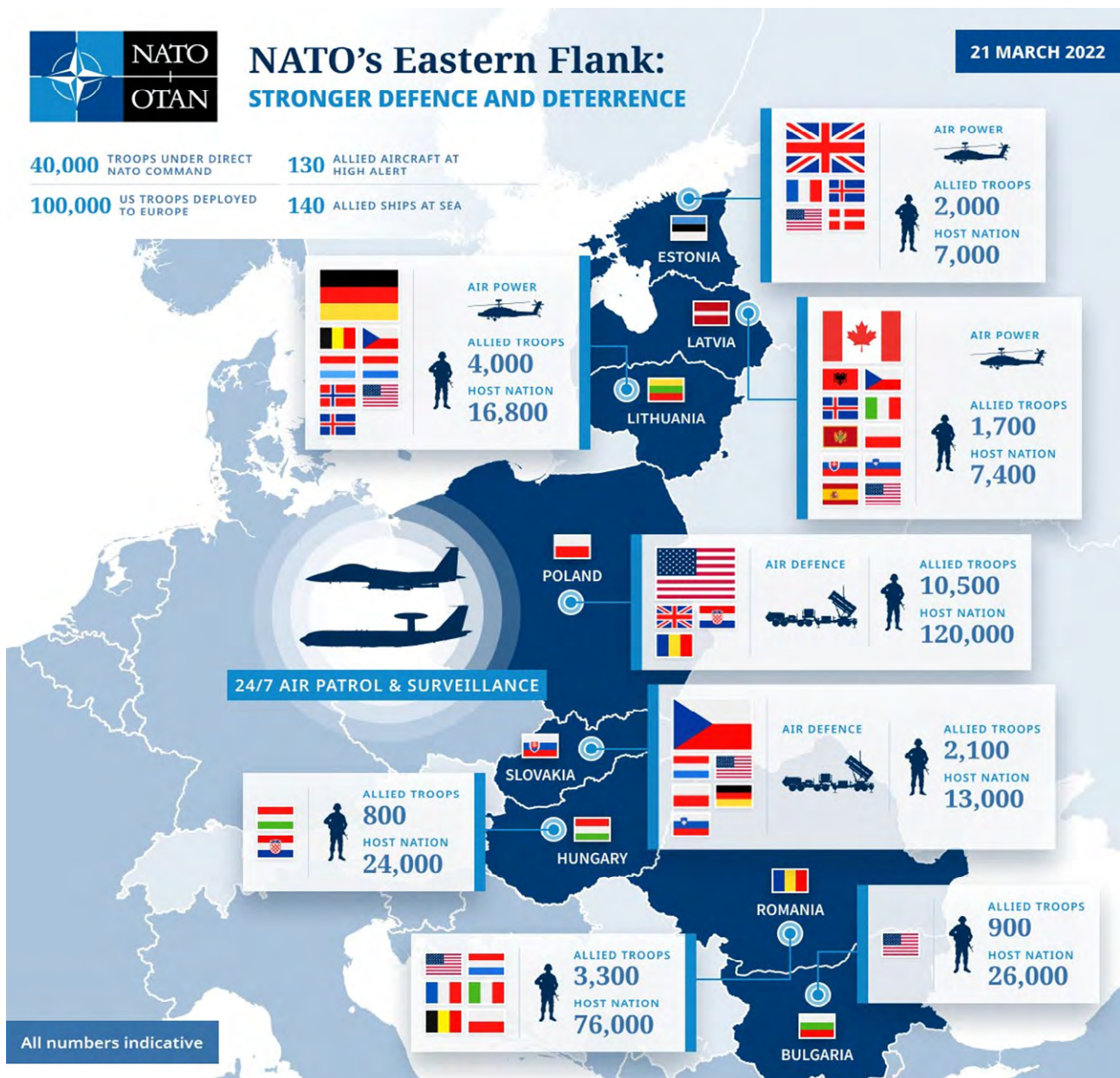
Figure 12: Support for NATO membership (2022)

Imagine that the following weekend there will be a referendum in your country on its membership in NATO. How would you vote – for your country to stay in NATO or leave NATO? **Those who would vote to stay. (%)**



Source: GLOBSEC

Image 1: NATO missions in CEE



Only in the case of Ukrainian victory will the number of NATO soldiers in Central Europe decrease considerably. Victorious Ukraine, as a close NATO ally and later its member, would enable NATO to withdraw some of its troops in the region. This would be especially the case with countries such as Slovakia, Hungary, and Romania. After Ukraine joins NATO, it can be expected that the NATO eastern flank troops will move eastwards.

(Szabolcs-Szatmár-Bereg region), and Romania (Suceava and Botoşani regions).



**Nothing better can happen to Eastern Slovakia than Ukraine joining the EU.**

**Katarína Matherňová**

## 1.4. Economic development

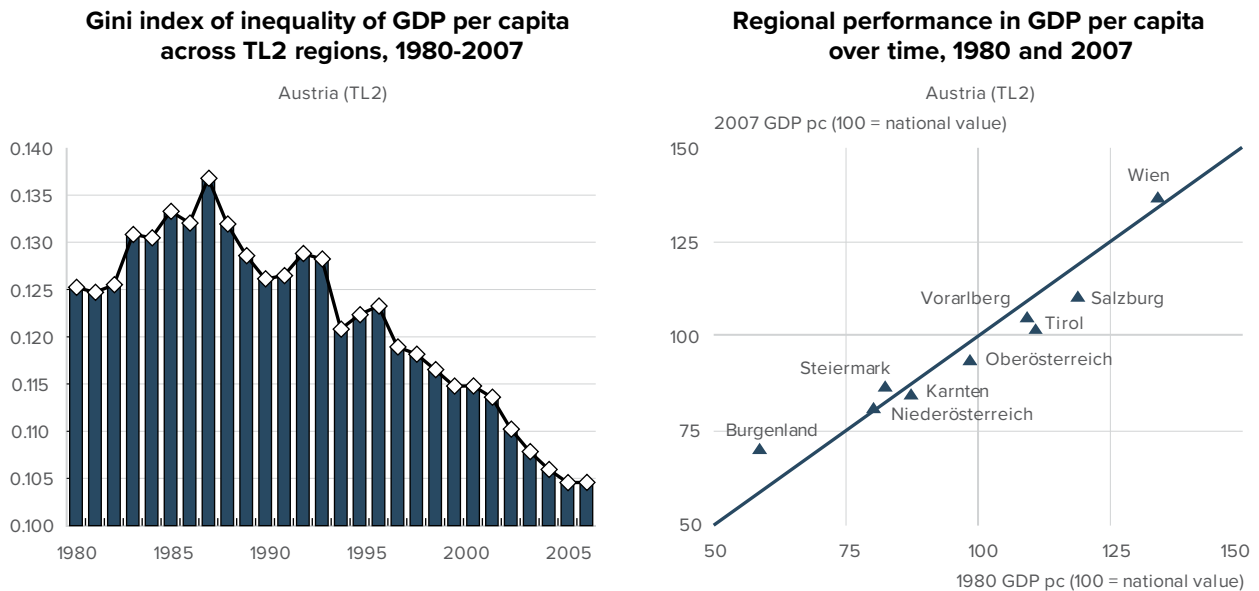
The regions next to Ukraine are usually the least developed in all EU countries neighbouring Ukraine. This applies to Poland (Lubelskie and Podkarpackie regions), Slovakia (Košice and Prešov regions), Hungary

Ukrainian accession to the common market under scenario 3 may boost the development of these regions. With the single market and the need to rebuild Ukraine, these poor regions may come into the spotlight and benefit significantly from foreign direct investments, European structural funds, and infrastructure development.

**BOX 4: The case study of Burgenland**

**Austria is a persuasive example of this phenomenon.** Austria has faced significant regional disparities, with richer western and poorer eastern regions. Notably, Burgenland, the easternmost Austrian region, had, in 1980, less than 60% of the national GDP per capita (OECD, 2011). This did not change throughout the 1980s. On the contrary, "regional per capita incomes in Austria have tended to diverge" (Hofer and Wörgötter, 1993: 6). This changed significantly in the 1990s, with a strong convergence of GDP per capita between Austrian regions (OECD, 2011).

**Figure 13: The change in inequality and regional performance in Austrian regions**



Source: OECD

**Burgenland, as the poorest region neighbouring Hungary and Slovakia, developed most significantly between 1980 and 2007.** Figure 13a shows that the convergence started in the early 1990s, coinciding with the democratisation of post-communist neighbours and their accession to the CEFTA trade deal. Nevertheless, this evidence is insufficient to claim causality. Controlling for possible confounding variables and refuting alternative explanations (for example, successful regional policies) would be necessary.

Although further research is needed, the example of Austria and Burgenland may suggest the benefits of Ukrainian accession to the Western structures for some of the poorest regions of the EU.

## 1.5. Green Transition

**Ukraine, as a part of the EU, can enable the green transition of the wider region.** There are three crucial ways in which Ukraine can play a key role – electricity, green hydrogen, and mineral wealth.

**Ukrainian capacity to produce cheap and clean electricity is significant.** With the significant outflow of population and destroyed industries, Ukraine will have a substantial overproduction of electricity. This will be even more notable if the Zaporozhii NPP is retaken, as it is the largest European NPP with a capacity of 6,000 MW. Electricity can be transported to the EU to cover the increasing needs caused by electrification. For this, further development of interconnections would be essential.

**Ukraine can become a reliable supplier of green hydrogen to the EU.** This is directly connected to electricity production, as green hydrogen is produced in electrolyzers using large quantities of electricity. Further capacities to produce green hydrogen can be created by developing Ukrainian renewables (UkraineInvest, 2023), with the

strategic partnership between Ukraine and the EU already underway (Klevstrand, 2023).

**BOX 5: Why is green hydrogen important?**

Green hydrogen is a vital tool for decarbonisation. Large amounts of hydrogen are already used in ammonia production. However, hydrogen is made from the steam reforming of fossil natural gas. Turning to green hydrogen would help the decarbonisation of this sector.

Many other hydrogen applications are possible – decarbonisation of steelmaking (the direct reduction of iron), where there is probably no alternative decarbonisation strategy. Hydrogen will arguably also be important in the decarbonisation of heavy-road and air transport.

On the other hand, hydrogen is not a silver bullet, and some applications, such as home heating, are not viable.

**The mineral wealth of Ukraine can improve the prospects of the EU green transition.** "Ukraine has 10% of the world's iron reserves, 6% of titanium and 20% of graphite" (Fant, 2022). There are also important lithium sources,



which are essential for battery production. This would enable the EU to be less reliant on African and Chinese imports of these resources.

**Analysis of the EU's energy transition away from Russian fuels is beyond the scope of this analysis.** This is due to the fact that regardless of the outcome of Russia's war in Ukraine, the Russian reputation as a reliable trade partner is shattered, and the investments into alternative sources of power (LNG) are well underway. Therefore, even in the case of a change in Russian leadership, a significant return to Russian fossil fuels cannot be expected.

## 1.6. Agriculture and food security

**Ukraine is the world's fifth-biggest exporter of grain and the third-biggest exporter of corn and barley (OEC, 2023).** Integrating Ukraine into the common EU market may significantly improve the food security of the EU and decrease the prices of agricultural products and food across the EU. Ukrainian EU integration will significantly boost the EU's position in Africa.

**African countries are highly dependent on Ukrainian food supplies.** This is confirmed by a significant disapproval of several African countries, with Russia cancelling the grain deal (Time, 2023). Ukrainian supplies may, therefore, be a source of significant political leverage in the relationship to African partners.

**Regarding the issue of EU agricultural funds, Ukrainian accession may require a transitory period.** If Ukraine was included in the common agricultural policy, this would significantly decrease per unit support from the common agricultural policy for other countries (subchapter 3.3.4). At the same time, some disagreement with the inclusion of Ukraine into the common agricultural market may be expected due to the comparative advantage of Ukrainian farmers leading to lower prices, as was already the case in the past (Liboreiro, 2023). Ukrainian accession would, therefore, require a careful new approach on the EU level, unlike the ones adopted for the 2004 and 2007 enlargements.

## 1.7. Digital transformation

**Ukraine is undergoing a successful digital transformation, exemplified by the application Diia.** Diia started as an application that allows citizens to use virtual copies of their documents when engaging with public administration. Since then, the application has gained dozens more functions. Estonia launched the application mRiik, heavily based on Diia (Sushon, 2023), and there are already talks about launching copies of Diia in other countries as well (UBN, 2023). Other examples of Ukrainian advancements in digital transformation include tax payments and health-care.

**This is not to say that Ukrainian digital transformation is finished, but Ukraine may offer valuable experience to the EU countries.** In the UN E-Participation Index, Ukraine is ranked 57th in 2022, improving almost 20 places since 2018 (UN, 2022). The evidence that digitally developed governments such as Estonia show interest in

Ukrainian technologies means that Ukraine has much to offer in this field.

## 1.8. Wider geopolitical effects

**A successful Russian aggression would strengthen might is the right approach to international security.** Already after the 2014 aggression, there has been an increase in military spending around the world. Another successful aggression of Russia on a wider scale would likely create even stronger incentives to arm as the rule-based order of international relations would be called into question. Military expenditures increased by 80 billion euros between 2021 and 2022 (SIPRI, 2023); successful aggression would increase these numbers even further.



**We are in a war that will decide who sets the rules.**

**Miroslav Lajčák**

**Besides investments into conventional weaponry, successful Russian aggression could motivate nuclear proliferation.** Ukrainian loss would support the view that the Budapest Memorandum of 1994, in which Ukraine gave up its nuclear weapons, was a grave mistake. Firstly, this could motivate countries to proliferate to guarantee their security in an unsafe world. Secondly, reversing proliferation would be virtually impossible under these conditions, especially in cases like Iran or North Korea.

### 1.8.1. Improved security of NATO countries

**The Ukrainian army is currently one of the strongest in Europe, and its membership in NATO would be a significant asset.** According to the 2023 Military Strength Ranking (Global Fire Power, 2023), Ukraine has the 15th strongest army in the world. If joining NATO, Ukraine would be the sixth strongest member, after Türkiye, Italy, France, the United Kingdom, and the United States. Notably, this ranking reflects 2022 events and does not reflect the build-up in 2023 due to the inflow of Western MBTs, APCs, missiles, AA systems, etc.

**Today, the Ukrainian army is one of the most experienced in the world.** At least in terms of conventional, medium to long-term attritional war, no other country had a comparable experience to Ukraine. NATO could benefit greatly from the Ukrainian experience and common training after the war is over.

**The Ukrainian experience with NATO systems will be unique.** The Ukrainian military will be experienced in using almost the whole range of NATO military arsenal that is in the possession of each member state. These countries individually do not have all the NATO systems. This makes Ukraine able to become a universal armed force to be deployed to any future NATO military missions worldwide.

## 1.8.2. China and Taiwan

**Although Russia's rapid victory was not achieved, Beijing is strongly benefiting from the war.** Chinese imports of Russian energies increased considerably, mostly the pipeline gas and LNG (2.6 times and 2.4 times, respectively). This kept the Russian economy afloat and provided energy to China at a considerable discount (Hale, 2023).

**Russian victory would weaken the rule-based international order, which would benefit China.** The "no limits" partnership announced by Putin and Xi Jinping in early February 2022 was an important indication of which side China stands on (Michta, 2023). Ultimate Russian victory would strengthen global multipolarity and the positions of China and Russia at the expense of the West. This would lead to higher assertiveness in the conduct of foreign affairs of these two countries.

**Although the rapid victory was not achieved, Beijing strongly benefited from the war.** Chinese imports of Russian energies increased considerably, mostly the pipeline gas and LNG (2.6 times and 2.4 times, respectively). This kept the Russian economy afloat and provided energy to China at a considerable discount (Hale, 2023).

**Russian victory would boost its alliance with China.** In the case of a Russian victory, Russia would remain isolated and cut from the Western markets, forcing it to rely more intensively on Chinese components, know-how, and technologies. On the other hand, Russia could provide China with some advanced military technologies, such as an attack submarine propulsion system in which China lags behind both Russia and the West (Michta, 2023).

**There is some evidence that Russian success could motivate Chinese attempts to attack Taiwan.** Seeing that the Russian aggression succeeded regardless of significant Western criticism, China could take this as an opportunity to attack Taiwan (Wong, 2023; Hale, 2023).

**Also, a frozen conflict scenario would weaken the rule-based international order, benefiting China.** Although heavily dependent on specific terms of frozen conflict, the Western reputation would weaken. This would not be as significant as in the case of Russian full-fledged victory, but still important for developing wider-world politics.

**A frozen scenario could also lead to a stronger alliance between China and Russia.** Similarly to the Russian victory, China would continue importing Russian energies and use the increased Russian reliance to access its technological and military know-how. Unlike in the full-fledged Russian victory, Russia would be increasingly a junior partner in this relationship. This would be due to the continuing Western sanctions met with the, at least partly unsuccessful, Russian aggression.

**American presence would lead to some deprioritisation from other areas.** Russian victory or the frozen conflict would be broadly considered an intermezzo (Marcusson, Stavrunova, 2022) to further military clashes. It would necessitate the USA and its Western allies to continue arming Ukraine, training its troops, and so on. This would decrease the resources available for its support to Taiwan and could indirectly enable a Chinese invasion.

**A Ukrainian victory would negatively influence China.** "Ukraine's victory would reaffirm the core principle after 1945 that borders cannot be changed by force. It would show that the West has the staying power to defend the existing international order, sending a clear message to both Moscow and Beijing" (Michta, 2023). This would not conclusively guarantee the independence of Taiwan, as there is only a limited influence of Russian aggression on Ukraine. Nevertheless, this would be the best imaginable outcome for Taiwanese independence.

**In the case of a Ukrainian victory, Russia would become a junior partner in an alliance with China or break the alliance altogether.** Assuming that Putin stays in power or is replaced by leadership with some degree of continuity, Russia will remain closely allied with China. However, its defeat would signal its inferiority in its relationship with China, which could use it to its advantage. Another outcome could be a total collapse of the Putinist regime and the establishment of a new regime with little continuity with the ancient regime. Such a regime could break the alliance altogether and pivot back towards the West, as repeatedly happened in imperial Russian and Soviet history. Such an outcome is highly improbable for now, but it would be a significant blow to China, which considers Russia a crucial strategic partner.

**Lifting Western sanctions would make Russian energies more expensive for China.** While lifting sanctions is not certain in scenario 3, it is the most probable out of all scenarios. Russia would be motivated to sell its energies elsewhere for better prices to rebuild its economy, and increased availability to export it to the West would allow it.

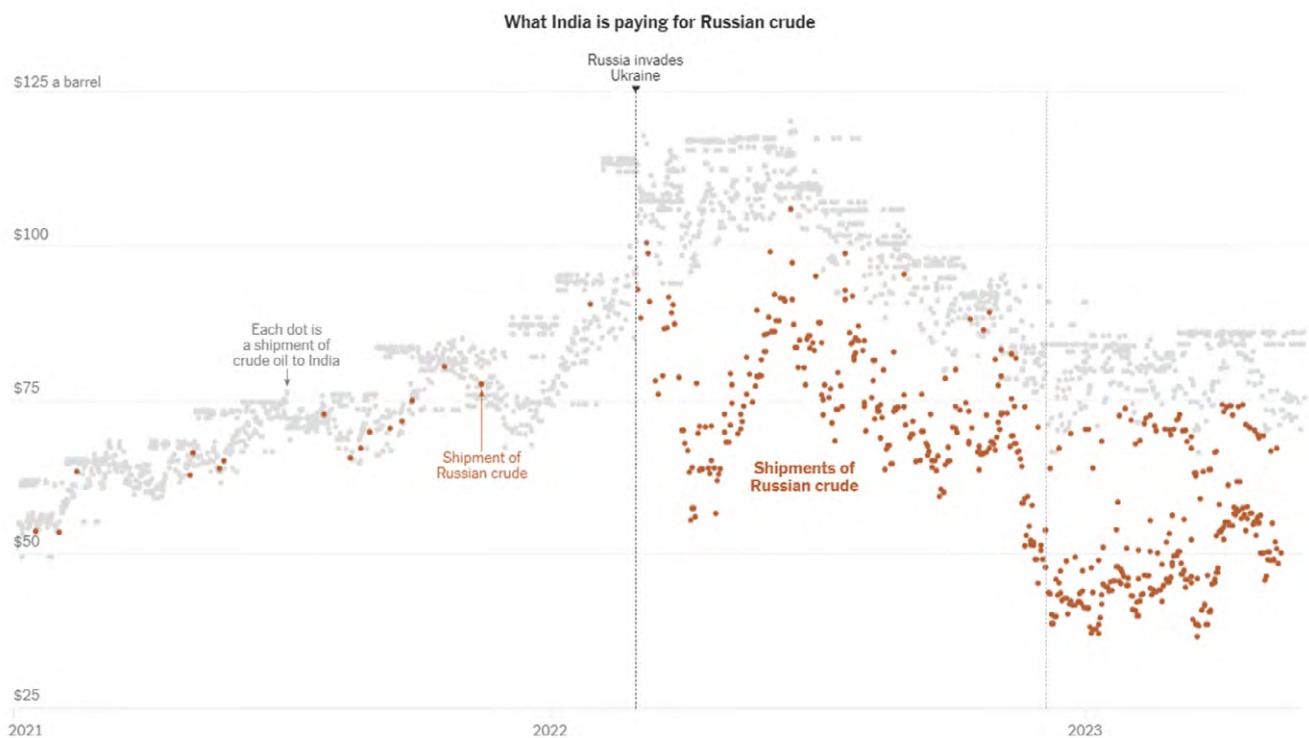
## 1.8.3. Iran

**A Russian victory would be a significant boost to the Iranian regime.** Iran has been one of the closest allies of Russia since the start of the invasion. It provided Russia with military equipment that proved effective in Russian hands. Russian victory could strengthen ties between the two countries and provide Iran with air defence systems and military aviation. This could consequently worsen the position of Iranian rivals in the regions, fearing its nuclear program (Kuzio, 2023).

**Also, Iran's alliance with Russia would strengthen under the frozen conflict.** Some breathing room under the frozen conflict scenario would allow Russia to boost its support to Iran by providing anti-air defence systems and military aviation. This would have further negative ramifications and support the Iranian role in the region. On the other hand, Iran would continue its support to Russia with drones and other Iranian weapons.

**A defeated Russia would not be able to extensively support Iran.** At the same time, a decisive victory for Ukraine would decrease the need for Russia to buy Iranian weapons. This would consequently decrease the motivation of Russia to supply Iran with advanced weapons. In the scenario of the downfall of the regime of Putin and pivoting towards the West, Russia would likely sacrifice its relationship with Iran to reapproach the Western markets.

Figure 14: Prices of imported crude oil in India.



### 1.8.4. India

**Indian approach during the war has been largely self-absorbed.** India has been benefitting profoundly from cheap Russian oil. Facing Western sanctions, Russia sells its seaborne oil at a significant discount compared to the world market. India, not accepting Western sanctions, is now the buyer of half of the Russian oil, whereas, before the war, it bought almost none. Additionally, India refines the oil and sells the products with a significant profit even to the Western countries.

**Although the war created some strains on the India-Russia relationship, Russian victory may turn things back to normal.** For decades, Russia and the USSR have been the key partners in providing India with military equipment, such as tanks, anti-aircraft systems, jets, etc. Considering Indian border disputes with China and Pakistan, these resources are vital to India. The export of Russian arms decreased considerably after the war started as Russia prioritised its home arms needs. Russian victory may, on the other hand, increase exports and resolve this issue (Javorčková, 2023).

**India would continue to buy cheap Russian oil under the frozen conflict scenario.** On the other hand, it could endanger the further export of weapons to India. This is due to two reasons. The first one is delaying exports under war conditions and inaccessibility to Western components, making Russia a less reliable supplier. The second one is a somewhat weak performance of Russian weapons, especially when facing modern Western weapons. This could motivate India to look for other exporters.

**With a Ukrainian victory, India could stop benefiting from cheap Russian energy.** This would be in the case of the cancellation of sanctions. The result would be the elimination of the discount at which India is currently buying energy.

**India could also pivot away from Russian military hardware.** Proving a weak performance of even the most advanced Russian weapons to the degree of losing with Ukraine could motivate them to look for weapons elsewhere. Possibly, the US would try to strengthen its relationships with India by selling the weapons and thus building a broader alliance to keep Chinese ambitions in the regions in check.

# Bibliography

Ashcroft, Michael. 2022. Ukrainians want to stay and fight, but don't see Russian people as the enemy. A remarkable poll from Kyiv. European Leadership Network. Accessed September 8, 2023. <https://www.european-leadershipnetwork.org/commentary/ukrainians-want-to-stay-and-fight-but-dont-see-russian-people-as-the-enemy-a-remarkable-poll-from-kyiv/> .

Bachmann, Rüdiger. 2023. Why it is imperative to help Ukraine. VoxEU. Accessed September 8, 2023. <https://cepr.org/voxeu/columns/why-it-imperative-help-ukraine> .

Bowen, Andrew S. 2023. Ukrainian Military Performance and Outlook. Congressional Research Service. Accessed September 8, 2023. <https://crsreports.congress.gov/product/pdf/IF/IF12150> .

Bugajski, Janusz. 2018. Avoiding Fake Deals With Moscow. CEPA. Accessed September 8, 2023. <https://cepa.org/article/avoiding-fake-deals-with-moscow/> .

Burridge, Tom. 2017. Ukraine nationalist blockade threatens economy and severs ties with east. BBC. Accessed September 8, 2023. <https://www.bbc.com/news/world-europe-39139633> .

Clark, Mason. 2023. What the West Must Do Now to Help Ukraine Win the War. Time. Accessed February 24, 2023. <https://time.com/6258132/what-the-west-must-help-ukraine-win-war/> .

Codner, Michael. 2009. Defining 'Deterrence'. London: RUSI. [https://static.rusi.org/assets/Defining\\_Deterrence\\_-\\_A\\_Pre-Conference\\_Note.pdf](https://static.rusi.org/assets/Defining_Deterrence_-_A_Pre-Conference_Note.pdf) .

Fant, Simone. 2022. Ukraine: All lithium reserves and mineral resources in war zone. Renewable Matter. Accessed September 8, 2023. <https://www.renewablematter.eu/articles/article/ukraine-all-lithium-reserves-and-mineral-resources-in-war-zones> .

Global Fire Power. 2023. 2023 Military Strength Ranking. GFP. Accessed September 8, 2023. <https://www.globalfirepower.com/countries-listing.php> .

Graef, Alexander. 2023. How the Russia-Ukraine war could end – four scenarios examined. The Telegraph. Accessed September 8, 2023. <https://www.telegraph.co.uk/global-health/terror-and-security/how-russia-ukraine-war-could-end-four-scenarios-examined/> .

Grand, Camille. 2023. Defence spending: sustaining the effort in the long-term. NATO Review. Accessed September 8, 2023. <https://www.nato.int/docu/review/articles/2023/07/03/defence-spending-sustaining-the-effort-in-the-long-term/index.html> .

Hale, Erin. 2023. How China and India's appetite for oil and gas kept Russia afloat. Al Jazeera. Accessed September 8, 2023. <https://www.aljazeera.com/economy/2023/2/24/how-china-and-indias-appetite-for-oil-and-gas-kept-russia-afloat> .

Hennessey, Gemma, and Hagen-Zanker, Jessica. 2020. The fiscal impact of immigration: A review of the evidence. London: ODI. [http://cdn-odi-production.s3-website-eu-west-1.amazonaws.com/media/documents/fiscal\\_space\\_paper\\_final.pdf](http://cdn-odi-production.s3-website-eu-west-1.amazonaws.com/media/documents/fiscal_space_paper_final.pdf) .

Hofer, Helmut, and Wörgötter, Andreas. 1993. Regional Convergence in Austria. Research Memorandum No. 323. Accessed September 8, 2023. <https://irihs.ihs.ac.at/id/eprint/683/1/fo323.pdf> .

IFW KIEL. 2023. Ukraine Support Tracker. Accessed September 8, 2023. <https://www.ifw-kiel.de/topics/war-against-ukraine/ukraine-support-tracker/> .

Javorčková, Katarína. 2023. Under pressure: Can Russian-Indian ties survive the war in Ukraine? Globsec. Accessed September 8, 2023. <https://www.globsec.org/what-we-do/commentaries/under-pressure-can-russian-indian-ties-survive-war-ukraine> .

Jenkins, Brian Michael. 2023. Consequences of the War in Ukraine. RAND Blog. Accessed September 8, 2023. <https://www.rand.org/blog/2023/02/consequences-of-the-war-in-ukraine.html> .

Khalilova, Dinara. 2023. NYT: Part of bought weapons not delivered to Ukraine, some donated by allies were unusable. The Kyiv Independent. Accessed September 8, 2023. <https://kyivindependent.com/nyt-part-of-bought-weapons-not-delivered-to-ukraine-some-donated-by-allies-were-unusable/> .

Klevstrand, Agnete. 2023. Ukraine and EU agree 'strategic partnership' on hydrogen and other sustainable gases. Hydrogeninsight. Accessed September 8, 2023. <https://www.hydrogeninsight.com/policy/ukraine-and-eu-agree-strategic-partnership-on-hydrogen-and-other-sustainable-gases/2-1-1398938> .

Kostanyan, Hrant, and Remizov, Artem. 2016. Risk Premiums in Slovak Government Bonds Empirical assessment. Bratislava: CBR. <https://www.rrz.sk/risk-premiums-in-slovak-government-bonds/> .

Kuhr, Natasha, and Kaczmarek, Marcin. 2023. Three scenarios for the next phase of the Ukraine war and what each means for China. The Conversation. Accessed September 8, 2023. <https://theconversation.com/three-scenarios-for-the-next-phase-of-the-ukraine-war-and-what-each-means-for-china-204930> .

Kuzio, Taras. 2023. China, Iran, Belarus, and Armenia all fear a Russian defeat in Ukraine. Atlantic Council. Accessed September 8, 2023. <https://www.atlanticcouncil.org/blogs/ukrainealert/china-iran-belarus-and-armenia-all-fear-a-russian-defeat-in-ukraine/> .

- Lanoszka, Alexander, and Sirotová, Jacqueline. 2023. Will the Eastern Flank be Battle Ready? Deterrence by 2030. Bratislava: Globsec. [https://www.globsec.org/sites/default/files/2023-07/Will%20the%20Eastern%20Flank%20be%20Battle%20Ready%20-%20final%20report-edit-DR-v5%20web\\_0.pdf](https://www.globsec.org/sites/default/files/2023-07/Will%20the%20Eastern%20Flank%20be%20Battle%20Ready%20-%20final%20report-edit-DR-v5%20web_0.pdf) .
- Lenczowski, John. 1989. *The Sources of Soviet Perestroika*. Washington: IWP. Accessed September 8, 2023. [https://www.iwp.edu/wp-content/uploads/1989/02/20110706\\_SourcesofSovietPerestroika.pdf](https://www.iwp.edu/wp-content/uploads/1989/02/20110706_SourcesofSovietPerestroika.pdf) .
- Liboreiro. 2023. Eastern European countries push for bans on Ukrainian grain to be extended until end of year. EuroNews. Accessed September 8, 2023. <https://www.euronews.com/my-europe/2023/07/25/eastern-european-countries-push-for-bans-on-ukrainian-grain-to-be-extended-until-end-of-ye> .
- Marcusson, Mats, and Stavrunova, Olena. 2022. Why we should not allow the war to turn into a frozen conflict. Vox Ukraine. Accessed September 8, 2023. <https://vox-ukraine.org/en/why-we-should-not-allow-the-war-to-turn-into-a-frozen-conflict/> .
- Matisek, Jahara, Reno, Will, and Rosenberg, Sam. 2023. The Good, the Bad and the Ugly: Assessing a Year of Military Aid to Ukraine. RUSI. Accessed September 8, 2023. <https://www.rusi.org/explore-our-research/publications/commentary/good-bad-and-ugly-assessing-year-military-aid-ukraine> .
- Matthijs, Matthias. 2022. Ukraine Could Become an EU Member. What Would That Mean?. Council on Foreign Relations. Accessed September 8, 2023. <https://www.cfr.org/in-brief/ukraine-could-become-eu-member-what-would-mean> .
- Michta, Andrew A. 2023. China stands to gain from a weakened Russia. The West should prepare now. Atlantic Council. Accessed September 8, 2023. <https://www.atlanticcouncil.org/blogs/new-atlanticist/china-stands-to-gain-from-a-weakened-russia-the-west-should-prepare-now/> .
- Monaghan, Sean, Martinez, Sissy, Svendse, Otto, Encina, García Encina, and Droin, Mathieu. 2023. What Happened at NATO's Vilnius Summit?. CSIS. Accessed September 8, 2023. <https://www.csis.org/analysis/what-happened-natos-vilnius-summit#:~:text=A4%3A%20As%20expected%2C%20allies%20agreed,according%20to%20NATO%27s%20latest%20figures> .
- Morar, Filon. The Myth of 'Frozen Conflicts' Transcending Illusive Dilemmas. *Per Concordiam*, volume 1, number 2 (June 2010): 10-17. [https://www.marshallcenter.org/sites/default/files/files/2020-06/pC\\_VIN2\\_en.pdf](https://www.marshallcenter.org/sites/default/files/files/2020-06/pC_VIN2_en.pdf) .
- Nepriakhina, Nataliya. 2017. у Кабмина есть первые расчеты финансовых потерь от блокады ОРДЛО. RBC-Ukraine. Accessed September 8, 2023. <https://daily.rbc.ua/rus/show/kabmina-pervye-raschety-finansovyh-poter-1489960462.html> .
- O'Brien, Phillips Payson. 2023. The West Must Give Ukraine the Weapons It Needs to Win. *The Atlantic*. Accessed September 8, 2023. <https://www.theatlantic.com/ideas/archive/2023/03/ukraine-western-allies-support-supplies/673520/> .
- Ódor, Ľudovít, and Povala, Pavol. 2016. Risk Premiums in Slovak Government Bonds Empirical assessment. Bratislava: CBR. <https://www.rrz.sk/risk-premiums-in-slovak-government-bonds/> .
- OECD. 2023. The best place to explore trade data. <https://oec.world> .
- OECD, 2011. *OECD Regional Outlook 2011: Building Resilient Regions For Stronger Economies: Austria*. Pp. 230-1. Accessed September 8, 2023. <https://www.oecd.org/cfe/regionaldevelopment/49074784.pdf> .
- Osmolovska, Iuliia, and Maksak, Hennadiy. 2022. Five Security Scenarios on Russian War in Ukraine for 2022–2023: Implications and Policy Recommendations to Western Partners. Bratislava: Globsec. <https://www.globsec.org/sites/default/files/2022-12/ukraine%20scenarios%20report-v3.pdf> .
- Osmolovska, Iuliia, and Maksak, Hennadiy. The Donbas Blockade: Another blow to the Minsk peace process. CEPS Working Document, No 2017/80, June 2017. <https://www.ceps.eu/wp-content/uploads/2017/06/WD2017-08%20The%20Donbas%20blockade.pdf> .
- Phillips, David L. 2023. Putin's Long Game in Ukraine. *The Defense Post*. Accessed September 8, 2023. <https://www.thedefensepost.com/2023/03/13/putin-long-game-ukraine/> .
- Pogarska, Olga, Tucha, Olga, Spivak, Inna, and Bondarenko, Olga. 2023. How Ukrainian migrants affect the economies of European countries. VoxEU. Accessed September 8, 2023. <https://cepr.org/voxeu/columns/how-ukrainian-migrants-affect-economies-european-countries> .
- Porter, Tom. 2023. Putin claimed a 400-year-old map proved Ukraine isn't a real country, not noticing it has 'Ukraine' written on it. *Insider*. Accessed September 8, 2023. <https://www.businessinsider.com/putin-claims-map-proves-ukraine-not-real-despite-saying-ukraine-2023-5> .
- Putin, Vladimir. 2021. On the Historical Unity of Russians and Ukrainians. President of Russia. Accessed September 8, 2023. <http://en.kremlin.ru/events/president/news/66181> .
- Putin, Vladimir. 2022. Address by the President of the Russian Federation. President of Russia. Accessed September 8, 2023. <http://en.kremlin.ru/events/president/news/67828> .
- Rapoport, Hillel, Hauptmann, Andreas, Ozguzel, Cem, and Bahar, Dany. 2019. Migration and post-conflict reconstruction: The effect of returning refugees on export performance in the former Yugoslavia. VoxEU. Accessed September 8, 2023. <https://cepr.org/voxeu/columns/migration-and-post-conflict-reconstruction-effect-returning-refugees-export> .

Reuters. 2022. NATO allies to spend 'at least 2%' of GDP on defence, diplomats say. Accessed September 8, 2023. <https://www.reuters.com/world/nato-allies-agree-spend-at-least-2-their-gdp-defence-diplomats-2023-07-07/#:~:text=The%20goal%20was%20set%20in,%2C%20Hungary%2C%20Latvia%20and%20Slovakia>.

Serhan, Yasmeen. 2023. Why Germany Agonized Over Sending Tanks to Ukraine. Time. Accessed September 8, 2023. <https://time.com/6249710/germany-leopard-2-tanks-ukraine/>.

Simpson, Adam. 2023. Did Ukraine just win the war?. ASPI. Accessed September 8, 2023. <https://www.aspirategist.org.au/did-ukraine-just-win-the-war/>.

SIPRI, 2023. Trends In World Military Expenditure, 2022. Accessed September 8, 2023. [https://www.sipri.org/sites/default/files/2023-04/2304\\_fs\\_milex\\_2022.pdf](https://www.sipri.org/sites/default/files/2023-04/2304_fs_milex_2022.pdf).

SO SR. 2023. Deficit and debt of the SR for the year 2022. Accessed September 8, 2023. <https://t.ly/RDRLI>.

Stavridis, James. 2022. How Ukraine Turned the Tide Against Russia. Time. Accessed September 8, 2023. <https://time.com/6213007/ukraine-offensive-against-russia/>.

Sushon, Igor. 2023. Estonia launches the mRiik government application, built on the basis of the Ukrainian Diia application. Mezha. Accessed September 8, 2023. <https://mezha.media/en/2023/01/19/estonia-launches-the-mriik-government-application-built-on-the-basis-of-the-ukrainian-diia-application/>.

The Economist. 2023. Russia's economy can withstand a long war, but not a more intense one. The Economist. Accessed September 8, 2023. <https://www.economist.com/briefing/2023/04/23/russias-economy-can-withstand-a-long-war-but-not-a-more-intense-one>.

The Kyiv Independent. 2023. Poll: Most Ukrainians against territorial concessions. Accessed September 8, 2023. <https://kyivindependent.com/poll-most-ukrainians-against-territorial-concessions/>

Time, 2023. African Leaders Leave Russia Summit Without Grain Deal or Path to End War in Ukraine. Accessed September 8, 2023. <https://time.com/6299471/africa-leaders-russian-summit-grain-deal/>.

Toosi, Nahal. 2023. Ukraine could join ranks of 'frozen' conflicts, U.S. officials say. Politico. Accessed September 8, 2023. <https://www.politico.com/news/2023/05/18/ukraine-russia-south-korea-00097563>.

Trebesch, Christoph. 2023. Foreign support to Ukraine: Evidence from a database of military, financial, and humanitarian aid. VoxEU. Accessed September 8, 2023. <https://cepr.org/voxeu/columns/foreign-support-ukraine-evidence-database-military-financial-and-humanitarian-aid>.

UBN. 2023. Ukraine will receive tens of millions of dollars due to other countries' launch of a Diia analog. Ukraine Business News. Accessed September 8, 2023. <https://ubn.news/ukraine-will-receive-tens-of-millions-of-dollars-due-to-other-countries-launch-of-a-diia-analog/>.

UkraineInvest. 2023. Україна може стати надійним постачальником зеленого водню до ЄС. Accessed September 8, 2023. <https://ukraineinvest.gov.ua/news/06-06-22-2/>.

UN. 2022. UN E-Government Knowledgebase: Ukraine. Accessed September 8, 2023. <https://publicadministration.un.org/egovkb/en-us/Data/Country-Information/id/180-Ukraine>.

Van der Togt, Tony. 2022. End of an era: Three scenarios for the future of Russia-West relations. Clingendael. Accessed September 8, 2023. <https://www.clingendael.org/publication/three-scenarios-future-russia-west-relations>.

Vazyanau, Andrei, and Bettiol, Claudia. 2023. In and out of Belarus: the dissidents will not give up. New Eastern Europe. Accessed September 8, 2023. <https://neweasterneuropa.eu/2023/01/31/in-and-out-of-belarus-the-dissidents-will-not-give-up/>.

Wong, Edward. 2023. Taiwan Ambassador Says Ukraine's Success Against Russia Will Help Deter China. The New York Times. Accessed September 8, 2023. <https://www.nytimes.com/2023/05/30/us/politics/taiwan-ambassador-ukraine-china.html>.

Zitser Joshua. 2023. Zelenskyy says Ukraine had to change faulty air-defense equipment from a European ally 'again and again' because it didn't work. Insider. Accessed September 8, 2023. <https://www.businessinsider.com/zelenskyy-says-ukraine-received-faulty-air-defense-system-europe-ally-2023-3>.





▶ Vajnorská 100/B  
831 04 Bratislava  
Slovak Republic

▶ +421 2 3213 7800  
▶ info@globsec.org  
▶ www.globsec.org

