

Preparing for a Longer War: Is a Ceasefire between Ukraine and Russia possible by 2024?

Meister, Stefan; Rácz, András; Heckenthaler, Judith

Veröffentlichungsversion / Published Version

Arbeitspapier / working paper

Empfohlene Zitierung / Suggested Citation:

Meister, S., Rácz, A., & Heckenthaler, J. (2023). *Preparing for a Longer War: Is a Ceasefire between Ukraine and Russia possible by 2024?* (DGAP Analysis, 6). Berlin: Forschungsinstitut der Deutschen Gesellschaft für Auswärtige Politik e.V.. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-91335-8>

Nutzungsbedingungen:

Dieser Text wird unter einer CC BY-NC-ND Lizenz (Namensnennung-Nicht-kommerziell-Keine Bearbeitung) zur Verfügung gestellt. Nähere Auskünfte zu den CC-Lizenzen finden Sie hier:

<https://creativecommons.org/licenses/by-nc-nd/4.0/deed.de>

Terms of use:

This document is made available under a CC BY-NC-ND Licence (Attribution-Non Commercial-NoDerivatives). For more information see:

<https://creativecommons.org/licenses/by-nc-nd/4.0>

Preparing for a Longer War

Is a Ceasefire between Ukraine and Russia possible by 2024?



Dr. Stefan Meister
Head of the Center for Order and Governance in Eastern Europe, Russia, and Central Asia



Dr. András Rácz
Senior Research Fellow, Center for Order and Governance in Eastern Europe, Russia and Central Asia



Judith Heckenthaler
Program Assistant, Center for Order and Governance in Eastern Europe, Russia and Central Asia

Wilfried Jilge, Associate Fellow at DGAP, has also contributed to the paper.

Russia's large-scale invasion of Ukraine has failed and is now a protracted war of attrition. Russia has adapted to this situation and prepared for a longer war. The legitimization of the Putin system is increasingly built around the war. As long as Ukraine has no security guarantees, a ceasefire is not realistic from either side. Therefore, the focus should be on protecting the territory Ukraine controls and defining together with the Western partners how security can be provided and what victory means.

- Since the Kremlin has no interest in a ceasefire agreement on acceptable terms for Ukraine, the West needs to support Ukraine so that time is no longer on Russia's side. That means closing sanctions gaps, securing long term funding, and bringing Ukraine closer to NATO.
- Ukraine winning all territories back next year is unlikely. Therefore, the focus should be on protecting the territory controlled by Kyiv and preparing a new Ukrainian offensive in 2025 through an increase of production of ammunition and weapons by the West in 2024.
- Domestic resilience is crucial for Ukraine. EU integration brings the opportunity for fundamental political changes in the country. With the war, the EU has more leverage to demand reforms in areas like fighting corruption, rule of law, and administrative reforms.
- Only security guarantees by Western countries can open the path for a ceasefire agreement and the acceptance of temporary territorial losses. If the West is really serious about an end to the war, it needs to come to an agreement on security guarantees for Ukraine.

Introduction

Russia's large-scale invasion of Ukraine since February 2022, planned as a *Blitzkrieg*, has failed. It is now a protracted war of attrition. After the Russian offensive in winter 2022/23 and with the Ukrainian counter-offensive winding down, it is becoming obvious that neither Russia nor Ukraine can expect a decisive breakthrough in the medium term without technological innovation on either side. At the same time, the military and civilian losses are enormous. According to latest assessment by US sources and numbers Russian President Vladimir Putin mentioned in his annual press conference Russia had lost 315,000-360,000 military personnel, killed and wounded combined,¹ while Ukrainian losses are not known. The United Nations has officially tallied nearly 27,500 civilian casualties, but the number of civilian and military casualties are much higher.² Moreover, the second war winter has begun and is expected to be even more difficult for Ukrainian society than last year, with more Russian attacks on civilian infrastructure.

Despite ongoing Western military and economic support for Ukraine and comprehensive sanctions against Russia, the Russian political and economic system is stable and has adapted to the war. At the same time, there are growing voices in Europe and the US demanding more efforts to reach a ceasefire agreement. The increasing role of right-wing populists in European politics as a reaction to an ongoing economic crisis, budget cuts, migration inflows, and the overstretch of European and US politics battling too many crises in different parts of the world, will further increase demands to end the war. Furthermore, key Western leaders like US President Joe Biden and German Chancellor Olaf Scholz are skeptical about the ability to win a war against Russia and fear a nuclear escalation. Ahead of the upcoming European Parliament elections in June 2024 and the US presidential election in November 2024, a changing, less supportive political constellation for Ukraine in the West and a growing societal demand for a ceasefire, especially in the EU, are likely in 2024.

The gap between the rhetoric of support for a victory and the real military and financial support for Ukraine by Western governments is only expanding.

At a workshop in September 2023 in Berlin,³ a group of experts discussed how likely and reasonable a ceasefire agreement would be by the end of 2024. Against this backdrop, this paper discusses not only the current likelihood of a ceasefire, but also the costs of a ceasefire and possible alternatives. The main result of this analysis is that a ceasefire will not happen anytime soon. There is no momentum, as neither conflict party would benefit from one in the foreseeable future. Ukraine needs a stronger position for negotiations with Russia, and Ukrainian society would not accept any concession towards the Russian aggressor at this point. The Russian leadership has used the war to consolidate its power position and its society is under control. Its economy has adapted and can sustain itself at the current level for some years. Stopping the war at this point could lead to conflicts within the regime and could create a shock for the economy. Therefore, all trajectories in Russia lead to a longer war. Russia would only agree to a ceasefire with conditions that are unacceptable for Ukraine. Moscow could even use a ceasefire as a break to restore troops and military equipment, only to attack Ukraine again. Instead of discussing a ceasefire that is removed from the current reality, the West should prepare for a longer war in terms of military production, training for Ukrainian soldiers, and funding the Ukrainian state to keep it functioning and communicating openly with its own society. Preparing for a longer war also means further integration of Ukraine into the EU, especially deeper economic, societal, and institutional integration and security guarantees in the NATO framework in the medium term. Only if the Kremlin realizes that the West is prepared for a long war and is willing to support Ukraine in winning (not only in not losing), might it rethink its current approach.

This report is based on a workshop held with experts from Ukraine, Russia, and Europe in September 2023 at the German Council on Foreign relations in Berlin. The arguments used here are part of a joint discussion, but the paper is the solely responsibility of the authors. We would like to thank all participants in the workshop for their contributions.

1 Julian E. Barnes, "Russia has suffered staggeringly high losses, US report says", New York Times, December 12, 2023: <https://www.nytimes.com/2023/12/12/us/politics/russia-intelligence-assessment.html> (accessed December 12, 2023), President of Russia, "Results of the Year with Vladimir Putin", December 14, 2023: <http://en.kremlin.ru/events/president/news/72994> (accessed December 12, 2023).

2 UNHCHR, "Ukraine: civilian casualty update 24 September 2023," ohchr.org, September 26, 2023: <https://www.ohchr.org/en/news/2023/09/ukraine-civilian-casualty-update-24-september-2023#:~:text=From%20%20to%2024%20September%202023%2C%20Office%20of%20the%20UN,is%20not%20yet%20known%2C%20and> (accessed December 1, 2023).

3 This paper is based on a workshop held with experts from Ukraine, Russia, and Europe in September 2023 at the German Council on Foreign relations in Berlin. The arguments used here are part of a joint discussion, but the paper is the solely responsibility of the authors. We would like to thank all participants in the workshop for their contributions.

The Military Situation: Increasingly a War of Attrition

Nearly two years after the start of Russia's full-scale invasion, the war is gradually transforming. Ukraine managed to thwart Russia's initial plans, defending not only Kyiv, but liberating the northeastern part of the country, nearly the entire Kharkiv region, and parts of the Kherson region, including its capital. Still, approximately 18 percent of Ukraine's territory remains occupied.⁴

Ukraine could only launch its long-awaited counter-offensive in early June 2023, mostly due to the slow and cumbersome deliveries of much-needed Western heavy weaponry and ammunition and the sluggish training of Ukrainian soldiers. This provided Russia with sufficient time to dig in its forces, build extensive fortifications, and thus strengthen its grasp on the occupied territories.

The Ukrainian counter-offensive has brought mixed results. On the one hand, Ukrainian forces considerably downgraded Russia's already scarce pool of well-trained infantry and caused significant losses for the Russian artillery and armored troops. In the Zaporizhzhia section of the front line, Ukraine enjoyed artillery superiority during the summer months, inflicting heavy losses on Russian troops. In addition, Ukrainian strikes against ships and bases of the Black Sea Fleet in

the summer and autumn inflicted naval losses on Moscow of a scale unseen since the Second World War. Ukraine's air defense, with considerable Western help, managed to downgrade Russia's ability to use its combat aviation to attack the advancing Ukrainian troops.

Ukraine's soldiers are better trained⁵ and much more motivated than most of the Russians deployed, many of whom were mobilized last year. Kyiv already employs several highly developed Western weapons systems and will get even more, including F-16 fighter jets and possibly also long-range ATACMS missiles for the already highly effective HIMARS systems.⁶

On the other hand, however, extensive Russian fortifications, particularly extremely large and dense minefields, have considerably slowed down the Ukrainian counter-offensive. Following five months of intensive fighting and heavy losses, Ukraine managed to liberate only a few dozen square kilometers. While Ukraine could breach the first main line of Russia's defenses in one section of the front line, it has not yet been able to develop this into any strategic-scale breakthrough. Besides, the counter-offensive depleted Ukraine's stockpiles of much-needed artillery ammunition. In an interview with *The Economist* in November 2023 Ukrainian General Zaluzhny argued that due to the advanced technology on both sides, neither Ukraine nor Russia can make any significant progress in the war. There is a stalemate on the battlefield which, in the long term, can play into Russia's hands. This is because Russia has much more manpower and its economy is ten times larger than Ukraine's. Zaluzhny further argues that only technological innovation could bring a fundamental change to the current stalemate on the front lines.⁷ Furthermore, resistance against mobilization in Ukraine is growing and the perspective of a longer war is having an impact on domestic debates about the future of war and leadership of the country. At the same time, in Russia, there is no serious resistance against the mobilization. By offering economic incentives, the Russian state manages to enlist enough people without a full-scale mobilization.

4 Council on Foreign Relations, "How to Bring Russia to Justice", cfr.org, October 17, 2023: <https://www.cfr.org/global-conflict-tracker/conflict/conflict-ukraine> (accessed December 1, 2023).

5 As of August 2023, nearly 60,000 Ukrainian soldiers received military training in Western countries, although the training programs did not always fully correspond to actual battlefield needs. (Isobel Koshiw, "NATO training leaves Ukrainian troops 'underprepared' for war," *opendemocracy.net*, August 8, 2023: <https://www.opendemocracy.net/en/odr/ukraine-russia-training-nato-west-military/> (accessed December 1, 2023).) Meanwhile, tens of thousands of the mobilized Russian men were deployed to the frontline literally only a few weeks after they were drafted, thus without any meaningful training.

6 The High Mobility Artillery Rocket System (HIMARS) is a US-produced, multiple-launch rocket system built on an all-terrain truck, capable of firing various types of GPS-guided precision projectiles. The HIMARS-es provided to Ukraine in 2022 were initially armed with missiles of an approximately 70 kilometers range, which was longer than most Russian or Ukrainian artillery systems. The MGM-140 type of Army Tactical Missile (ATACMS) is a long-range missile, which can be fired also from the HIMARS launchers, in addition to other systems. Since October 2023, Ukraine started to receive the 165 kilometer-range version of the missile, which nearly doubled the operational range of the HIMARS systems.

7 *The Economist*, "An interview with General Valery Zaluzhny, head of Ukraine's armed forces," *economist.org*, December 15, 2022: <https://www.economist.com/zaluzhny-transcript> (accessed December 1, 2023).

Together, these factors have resulted in a growing war of attrition. Despite successful Ukrainian deep strikes against Russia's land and naval assets, Moscow has and will continue to have the manpower necessary to hold its existing defensive lines. While Russian forces are hardly capable of any larger offensive operations currently, they can still put up an efficient and often very skilled defense. At the same time, Russia still dominates in its ability to escalate. The deficit of weapons, munition and manpower on the Ukrainian side means this situation will not change anytime soon.

Under such circumstances, it is hardly realistic to expect any large-scale Ukrainian breakthrough that could liberate most of the occupied Zaporizhzhia and Kherson regions. On the contrary, due to increased military production, ammunition supply from North Korea and drones from Iran, Russia has been able to start local offensives against the Ukrainian armed forces and gain small territory.⁸ While these local Russian attacks are unlikely to result in any strategic-scale breakthrough, they are nevertheless capable of wearing down Ukraine's troops and supplies.

A PROTRACTED WAR

Consequently, the war will continue beyond 2024, most probably for a considerable amount of time. Therefore, Ukraine and the West must plan for a longer war in terms of internal resilience and public support but also regarding weapons and munitions production. While Russia has officially almost tripled its military production and will further increase this by spending more than 6 percent of GDP on defense in 2024 (compared to 3.9 percent in 2023),⁹ the West has only slowly started to build production lines for munitions and some weapons systems. Russia will have more equipment available next year, while Ukraine will run short of certain types of ammunition and weapons.

Due to the attritional nature of the war, both sides will need to replenish their losses and recruit or mobilize additional manpower. Russia has far more people

available to mobilize, and with high payments in incentives for recruited soldiers and compensation to families of fallen soldiers, it is still able to recruit more men to fight in the Russian army without a full-scale mobilization. Mounting casualties are highly likely to force the Russian military leadership to intensify mobilization and also recruitment. This will be sold to the public as bolstering the army due to the threat from NATO, but not as a mobilization. In December 2023, Putin decreed that Russia would increase its army by 170,000 to 1.32 million soldiers, arguing that threats

*The legitimization
of the Putin system
is increasingly built
around the war.*

are growing due to NATO enlargement and the "special military operation" in Ukraine.¹⁰ Still, another large wave of mobilization similar to the one in autumn 2022 is unlikely. First, the fall conscription cycle in Russia that began on October 1, 2023, is filling existing recruitment and training infrastructures. In fact, it would be technically impossible to add hundreds of thousands of mobilized soldiers to the already fully loaded system. Second, it is unlikely that the Kremlin wants to deal with the possibility of outrage or protests sparked by another wave of mobilization ahead of the presidential election on March 17, 2024. Third, based on the statements of Russian officials, Moscow has managed to recruit a sufficient number of soldiers. Former Russian president and current Deputy Chairman of the Security Council of Russia Dmitry Medvedev has spoken of 230,000 men enlisted since January 2023,¹¹ which makes another wave of mobilization unnecessary in the short run.

8 Matt Berg, "Russia launched 'renewed offensive' against Ukraine, Kirby says, Politico, October 13, 2023: <https://www.politico.com/news/2023/10/13/russia-ukraine-war-00121464> (accessed December 14, 2023).

9 Tass, "Russia almost triples defense production in one year – Putin," tass.com, June 13, 2023: https://tass.com/politics/1631641?utm_source=google.com&utm_medium=organic&utm_campaign=google.com&utm_referrer=google.com; Bloomberg News, "Russia Plans Huge Defense Spending Hike in 2024 as War Drags," bloomberg.com, September 22, 2023: <https://www.bloomberg.com/news/articles/2023-09-22/russia-plans-huge-defense-spending-hike-in-2024-as-war-drags-on> (accessed December 1, 2023).

10 Auel Juri, "Russland vergrößert Streitkräfte auf mehr als 1,3 Millionen Soldaten", Süddeutsche Zeitung: Liveblog zum Krieg in der Ukraine, sueddeutsche.de, December 1, 2023: <https://www.sueddeutsche.de/politik/ukraine-krieg-newsblog-russland-selenskij-front-1.6309732> (accessed December 3, 2023).

11 The Moscow Times, "Russia Enlisted Over 230K Troops in 2023 – Medvedev", themoscowtimes.org, August 3, 2023: <https://www.themoscowtimes.com/2023/08/03/russia-enlisted-over-230k-troops-in-2023-medvedev-a82052> (accessed December 1, 2023).

ESCALATION IS NOT DEPENDENT ON WESTERN ARMS DELIVERIES

So far, Russia has not escalated its warfare in response to the Western delivery of individual weapons systems. Rather, it is pursuing its own escalation strategy independent of Western debates about shipping new weapons systems or weapons actually delivered. It is constantly pursuing an asymmetrical escalation aimed at destroying critical infrastructure and thus depriving the Ukrainian people of their livelihoods. A low point was the destruction of the Nova Kakhovka dam in June 2023, which was not a response to a Western arms shipment. However, with the protracted public discussion about individual weapons systems, Russia often falsely justifies its actions with the claim that the West is escalating the war. This argument enables the Kremlin to delegitimize Western military aid allowed under international law to defend victims of a war of aggression. In a war characterized as David vs. Goliath, such Western self-deterrence delays or endangers deliveries of Western weapons that offer a qualitative advantage for Ukraine, and it gives the Kremlin the opportunity and time to prepare.

It is important for Western decision-makers and societies to understand that Russia is not waging a revisionist territorial war aimed at a limited land seizure, but rather an imperial colonial war. The war of aggression aims to destroy the existence of the nation and state of Ukraine and has already created a dangerous precedent for the sovereignty and territorial integrity of states in Europe. The restrained reaction by European states and the US to Russia's annexation of Crimea and its war in Eastern Ukraine since 2014 has invited Moscow to advance in changing the map of Europe. If Russia's war of aggression and its massive violation of the UN Charter's prohibition of force is not effectively countered, but rather rewarded with territorial gains, there is a risk this will massively erode the Charter's legitimacy, and Russia will be encouraged to continue expanding. Moreover, other states, including China, will be encouraged to take similar actions.

Russia: Transformation and Consolidation of the Putin System

Since a quick victory was elusive, Russia's economy, society, and regime have adapted to the war. While the invasion may be a reaction to losing Ukraine – especially after the Euromaidan uprising in 2013/14 when Ukrainians demanded their government progress on parliament's promise of closer ties to Europe by signing an Association Agreement with the EU and not Russia, closely followed by the annexation of Crimea and the war in Eastern Ukraine – Russia's domestic reasons for the large-scale aggression should not be underestimated. For the Russian leadership, the war is not only about Ukraine but also about its imperial self-perception and the domestic legitimization of the Putin system in times of economic decline. The war and the creation of an external enemy are part of a larger development that the Kremlin has been conducting to stay in power since 2012, without any alternative ideas to develop the country.

Repression against civil society and independent media has been growing again since the war started. Western and international funding for Russian civil society, media and non-state actors has been cut off with a constant adaptation of the foreign agent law.¹² This already became evident following the protests in major Russian cities against the falsification of the Duma and presidential elections in 2011/12 and the return of Vladimir Putin as president in 2012. Putin faced a deep crisis of legitimacy especially among the urban, progressive part of society. After his reelection in March 2012, Putin reinforced the narrative that the West was Russia's main enemy – particularly NATO and the US – as a key source of legitimization for the regime. The annexation of Crimea, presented as a foreign policy success and ideologically backed with

12 Human Rights Watch, "Russia: New Restrictions for 'Foreign Agents,'" hrw.org, December 1, 2022: <https://www.hrw.org/news/2022/12/01/russia-new-restrictions-foreign-agents> (accessed December 1, 2023).

historical and imperial narratives, was used to regain public support and legitimacy.¹³

The 2022 war against Ukraine has accelerated Putin's authoritarian trajectory. It is the next step on the path to a more totalitarian state with no space for independent actors or voices offering alternatives. In the context of the war, repression has further intensified with a crackdown on any opposition and independent media. It creates a lock-in effect for the society, where between official propaganda and massive repression there is no space for alternative opinions, especially on the war. While those who disagreed with the war or mobilization have left the country – more than one million people since the start of the war,¹⁴ the overall majority of society and the elite have adapted to the new situation. The legitimization of the Putin system is increasingly built around the war.

At the same time, the regime is becoming more ideological, with traditional values and anti-Western discourse at the core of influencing public opinion and legitimizing decisions by the Kremlin in Russia and beyond. Building on the anti-Western narratives, the regime has framed the war increasingly not as a war against Ukraine but against the entire West. This “proxy war” from the Kremlin's perspective is also used as an excuse to explain why it has been so difficult to win the war. The struggle with the West is a narrative that still resonates in Russian society from the Cold War and justifies why a long war is necessary. School textbooks have been adapted recently and now reproduce imperial and Cold War narratives for children.¹⁵ At the same time in the Global South, anti-Western narratives are part of a successful campaign against the US and its European partners that underlines the global relevance of this war for the

Russian regime.¹⁶ Thus, the war has helped to consolidate its power, making an imminent regime change or collapse even less likely. The narratives orchestrated by the Kremlin create the impression that there is no alternative to Putin as a president and to win the war. Furthermore, colonialism and imperialism are part of the legacy of Russian society and the elite which have become more dominant in current Russian politics.

SHIFTING TOWARDS A WAR ECONOMY

Additionally, Russia's economy is fairly stable and has adapted to Western sanctions. Russia can live with the economic consequences of the war and sanctions, despite a weakened ruble, inflation, and a lack of labor force, for several years. Circumventing sanctions and shifting trade towards countries that do not adhere to sanctions, such as China, India or Central Asian and South Caucasus countries who support sanctions but still benefit from circumvention, has allowed the Russian economy and budget to adapt. GDP is projected to grow by approximately 3 percent in 2023, recovering from a drop of 2.1 percent in 2022.¹⁷ But the foundation for growth is now different: The Kremlin is boosting the economy through increased military spending, most of which is to ramp up military production and investment driven by the Russian state. The economy has adapted to the war and is in a process of transforming into a war economy. In 2022, official defense spending rose by 9.2 percent to \$86.9 billion.¹⁸ In August 2023, Putin almost doubled the defense spending target for 2023.¹⁹ In 2024, the Kremlin plans to increase defense spending to \$109 billion, 30 percent of all state spending. Combined defense and security spending will comprise 40 percent of the

-
- 13 President of Russia, “Address by President of the Russian Federation,” March 18, 2014: <http://en.kremlin.ru/events/president/news/20603> (accessed December 16, 2023).
- 14 Re-Russia, “Escape from War: New data puts the number of Russians who have left at more than 800,000 people,” re-russia.net, July 28, 2023: <https://re-russia.net/en/review/347/> (accessed December 1, 2023); Maria Kiseleva and Victoria Safronova, “Why are people leaving Russia, who are they, and where are they going?,” *bbc.com*, June 4, 2023: <https://www.bbc.com/news/world-europe-65790759> (accessed December 1, 2023); The Moscow Times, “«Ужасающие цифры». Больше миллиона человек уехали из России после начала войны” (“«Horrorifying figures». More than a million people left Russia after the start of the war”), *moscowtimes.ru*, December 6, 2022: <https://www.moscowtimes.ru/2022/12/06/uzhasayuschie-tsifry-bolshe-milliona-chelovek-uehali-iz-rossii-posle-nachala-vojni-a27650> (accessed December 1, 2023).
- 15 Jade McGlynn, “Russia's History Textbook Rewrite Is a Bid to Control the Future,” *themoscowtimes.com*, August 15, 2023: <https://www.themoscowtimes.com/2023/08/15/russias-history-textbook-rewrite-is-a-bid-to-control-the-future-a82146> (accessed December 1, 2023).
- 16 Daniel S. Hamilton and Angela Stent, “Can America Win Over the World's Middle Powers?,” *foreignaffairs.com*, November 14, 2023: https://www.foreignaffairs.com/russian-federation/can-america-win-over-worlds-middle-powers?mc_cid=e6a6435ae7&mc_eid=3c4e46109f (accessed December 1, 2023).
- 17 Bank of Russia, “Bank of Russia increases key rate by 100 bp to 16.00% p.a.,” *cbr.ru*, December 15, 2023: <https://cbr.ru/eng/press/pr/?id=39630> (accessed December 18, 2023).
- 18 Nan Tian, Diego Lopes da Silva, Xiao Liang, Lorenzo Scarazzato, Lucie Béraud-Sudreau and Ana Carolina de Oliveira Assis, “Trends in World Military Expenditure, 2022,” *sipri.org*, April 2023: https://www.sipri.org/sites/default/files/2023-04/2304_fs_milex_2022.pdf (accessed December 1, 2023).
- 19 Reuters, “Exclusive: Russia doubles 2023 defense spending plan as war costs soar,” *reuters.com*, August 4, 2023: <https://www.reuters.com/world/europe/russia-doubles-2023-defence-spending-plan-war-costs-soar-document-2023-08-04/> (accessed December 1, 2023).

total budget expenditure in 2024.²⁰ Clearly, the war is the Kremlin's top priority, and it is not planning to end it soon. The entire political and administrative system is working on adaptation for a long war, and the Kremlin believes time is in Russia's court. While the rise in military spending and the increased orientation of the economy towards the war are significant, it is, however, not yet a full militarization of the economy. During the Cold War, the Soviet Union spent up to 17 percent of GDP on defense; now it is still less than 10 percent.²¹

These expenditures are possible because the Kremlin still generates large revenues sufficient for investment and payment of the elite and society despite a decline in 2023. A significant part of these revenues is still generated by oil and gas exports – also to EU member states. Despite sanctions, they reached a high of 11.59 trillion rubles in 2022, compared to 9.06 trillion rubles in 2021. In the first nine months of 2023, Russia earned 5.58 trillion rubles on the export of oil and gas.²² In 2024, the Russian government expects total state revenues to increase by more than a third to 35 trillion rubles, 11.5 trillion rubles of that generated by oil and gas exports.²³ This is possible despite sanctions and the oil price cap because Russia has managed to redirect a major volume of its oil exports to Asian markets, especially to China and India.²⁴ Strengthened relations with China, Central Asian and South Caucasus states as well as Turkey and Arab countries also help Russia to circumvent sanctions and replace imports from the West. The countries also open alternative trading and transit routes especially in the East and South. It enables Moscow to demonstrate that it is not isolated. Moreover, Russia remains dependent on Western technology, but despite sanctions manages to continue importing the components essential for weapons production.²⁵

Due to the consistent revenues, the regime still has money to redistribute among society and the elites to maintain their loyalty and support. According to the Levada Center in October 2023, 76 percent of Russian respondents to a survey stated that they fully or partly supported the action of the Russian military in Ukraine.²⁶ Putin's approval rating was 85 percent in

*The Kremlin
is boosting the
economy through
increased military
spending, most of
which is to ramp up
military production
and investment
driven by the
Russian state.*

November 2023.²⁷ Although this is also the result of propaganda, repression, and adaptation of society to avoid trouble with state authorities, it is likely that an overall majority supports Putin and the Russian state in this war. Next to boosting military production, part

20 Daniel Harper and Reuters, "Russia approves record spend for its military in new 2024 budget," euronews.com, November 28, 2023: [https://www.euronews.com/business/2023/11/28/russia-approves-record-spend-for-military-in-new-budget#:~:text=The%20Russian%20President%20has%20approved,rubles%20\(%E2%82%AC376.7%20billion](https://www.euronews.com/business/2023/11/28/russia-approves-record-spend-for-military-in-new-budget#:~:text=The%20Russian%20President%20has%20approved,rubles%20(%E2%82%AC376.7%20billion) (last accessed December 3, 2023); Darya Korsunskaya and Alexander Marrow, "Everything for the front": Russia allots a third of 2024 spending to defence," Reuters, October 2, 2023: <https://www.reuters.com/world/europe/everything-front-russia-allots-third-2024-spending-defence-2023-10-02/> (accessed December 19, 2023).

21 Pavel Luzin and Alexandra Prokopenko, "Russia's 2024 Budget Shows It's Planning for a Long War in Ukraine," carnegieendowment.org, October 11, 2023: <https://carnegieendowment.org/politika/90753> (accessed December 1, 2023).

22 МИНФИН РОССИИ (Minfin Russia), "Сведения о формировании и использовании дополнительных нефтегазовых доходов федерального бюджета в 2018-2023 году" ("Information on the formation and use of additional oil and gas revenues of the federal budget in 2018-2023"), minfin.gov.org, November 3, 2023: https://minfin.gov.ru/ru/document?id_4=122094-svedeniya_o_formationii_i_ispolzovanii_dopolnitelnykh_neftegazovykh_dokhodov_federalnogo_byudzheta_v_2018-2023_godu (accessed December 1, 2023).

23 Pavel Luzin and Alexandra Prokopenko, "Russia's 2024 Budget Shows It's Planning for a Long War in Ukraine," carnegieendowment.org, October 11, 2023: <https://carnegieendowment.org/politika/90753> (accessed December 1, 2023).

24 Isaac Levi, "August 2023 – Monthly analysis on Russian fossil fuel exports and sanctions," energyandcleanair.org, September 21, 2023: <https://energyandcleanair.org/august-2023-monthly-analysis-on-russian-fossil-fuel-exports-and-sanctions/> (accessed December 1, 2023).

25 Ana Swanson and Matina Stevis-Gridneff, "Russia Is Importing Western Weapons Technology, Bypassing Sanctions," nytimes.com, April 18, 2023: <https://www.nytimes.com/2023/04/18/business/economy/us-russia-chips-sanctions.html> (accessed December 1, 2023).

26 ЛЕВАДА-ЦЕНТР (Levada Centre), "КОНФЛИКТ С УКРАИНОЙ: ОЦЕНКИ ОКТЯБРЯ 2023 ГОДА" ("Conflict with Ukraine: Assessment October 2023"), levada.ru, October 31, 2023: <https://www.levada.ru/2023/10/31/konflikt-s-ukrainoj-otsenki-oktyabrya2023-goda/> (accessed December 1, 2023).

27 ЛЕВАДА-ЦЕНТР (Levada Centre), "ИНДИКАТОРЫ" ("Indicators"), levada.ru: <https://www.levada.ru/indikatory/> (accessed December 1, 2023).

of the military spending is used to pay high salaries for fighting against Ukraine or compensation to the wounded and to families who have lost relatives, and who often live in less-developed regions of Russia.²⁸ The minimum salary for short term contracts to fight in the Russian army is more than \$2000 which is three times the average monthly salary.²⁹ Ordinary Russians profit from rising real incomes in regions where the military industry and its supply firms are located.³⁰ In addition, growing military production also impacts other directly or indirectly linked industries and causes demand and production in these to increase, e.g., vehicles, computers and electronics, electrical equipment, navigation devices, and protective clothing.³¹ To counter the exodus of personnel to the defense industry, which is working non-stop, other industries also had to raise wages.³² As a result, there is a redistribution of resources and income between different interest groups and different parts of society as well as between regions. Therefore, the war has beneficiaries who are also ordinary Russians working in industry and lower-income regions.

PERSPECTIVE FOR CEASEFIRE: WAR AS A MEANS FOR DOMESTIC CONSOLIDATION

All this proves that Russia does not plan to end the war soon. On the contrary, the war is becoming more important for the very functioning of the regime and economy. Due to the described adjustments, ending the war now (or decreasing military spending massively) would mean a significant economic shock. This is becoming riskier than prolonging the war and therefore not in the interest of the regime. In the long term, however, the regime will not be able to sustain this level of artificially generated growth, especially if export revenues increasingly decline. At the same time, this kind of spending overheats the economy and increases the shortage of labor. The more people are mobilized for the war, the worse the situation

becomes for the economy. The main threat to the regime is a sharp fall in oil and gas prices, which would massively lower its ability to pay for war.

In the short and medium term, there are no serious political or societal challenges to regime stability. While state institutions are stable and functioning, technocrats fulfill their responsibilities in keeping the state running. Decision making has become even more personalized in the past years, with Putin's role further increasing due to the war. Neither society nor the elites can pose a threat to him. There is no alternative power center with the resources to challenge the regime except for the security elites. But they are at the core of the system and have an interest in keeping the Putin regime and its rent-seeking and distributing system running. There are no major cracks within the elite currently visible. The war even reinforces elite coherence and thus contributes to the stability of the regime. The elites have become objects who act in the framework the Kremlin defines. In other words, there are no alternative actors with alternative offers to that of the Putin system. The state is taking control of more and more key enterprises, and renationalization is the key trend in the economy. Assets of foreign companies that left Russia and private Russian enterprises are nationalized and redistributed to new, less powerful owners chosen by Putin. This increases even more the importance of the vertical power structure. Deprivatization in the Russian economy takes place in various ways, with soft or severe means, from dismissals and replacements, legal pressure, and court rulings, to even murder or "suicide" of owners.³³ The regime uses mafia style tactics and there are no rules of the game. Consequently, no property and no person is safe. Ownership is becoming increasingly intransparent, and economic statistics are less accessible or not at all. The new class of owners is directly dependent on Putin for its position and welfare and must show absolute loyalty. They are meant to function solely as obedient managers without independent political power. Thus, deprivatization serves the regime stability with an increasing role of the state in all

- 28 Stichting Ukrainian Victims of War, "Comprehensive analysis of Russian military recruitment through HeadHunter and the level of promised salaries," uawarvictims.org, April 20, 2023: <https://uawarvictims.org/somprehensive-analysis-of-russian-military-recruitment-through-headhunter-and-the-level-of-promised-salaries> (accessed December 1, 2023); Pavel Luzin and Alexandra Prokopenko, "Russia's 2024 Budget Shows It's Planning for a Long War in Ukraine," carnegieendowment.org, October 11, 2023: <https://carnegieendowment.org/politika/90753> (accessed December 1, 2023).
- 29 Anton Bayev and Yelizaveta Surnacheva, "Investigation: Russia Violates Promises of Pay, Pardon for Contract Soldiers," [Radio Free Europe/Radio Liberty](https://www.rferl.org/a/russia-systema-investigation-contract-soldiers-pay-pardons-promises-broken/32676712.html), November 8, 2023: <https://www.rferl.org/a/russia-systema-investigation-contract-soldiers-pay-pardons-promises-broken/32676712.html> (accessed December 16, 2023).
- 30 Alexandra Prokopenko, "A Sickly Ruble Reveals What Putin Will Not," [bloomberg.com](https://www.bloomberg.com/opinion/articles/2023-08-17/a-sickly-ruble-reveals-russian-economic-weakness-that-vladimir-putin-will-not), August 17, 2023: <https://www.bloomberg.com/opinion/articles/2023-08-17/a-sickly-ruble-reveals-russian-economic-weakness-that-vladimir-putin-will-not> (accessed December 1, 2023).
- 31 Росстат (Rosstat), "О ПРОМЫШЛЕННОМ ПРОИЗВОДСТВЕ В ЯНВАРЕ-ИЮЛЕ 2023 ГОДА" ("On industrial production in January - July 2023"), rosstat.gov.ru, August 23, 2023: https://rosstat.gov.ru/storage/mediabank/130_23-08-2023.html (accessed December 1, 2023).
- 32 Alexandra Prokopenko, "A Sickly Ruble Reveals What Putin Will Not," [bloomberg.com](https://www.bloomberg.com/opinion/articles/2023-08-17/a-sickly-ruble-reveals-russian-economic-weakness-that-vladimir-putin-will-not), August 17, 2023: <https://www.bloomberg.com/opinion/articles/2023-08-17/a-sickly-ruble-reveals-russian-economic-weakness-that-vladimir-putin-will-not> (accessed December 1, 2023).
- 33 Matt Mathers, "Russian oil boss becomes third to die suddenly at company that criticised Putin's war," [independent.co.uk](https://www.independent.co.uk/news/world/europe/oil-boss-russia-dead-war-b2435174.html), October 24, 2023: <https://www.independent.co.uk/news/world/europe/oil-boss-russia-dead-war-b2435174.html> (accessed December 1, 2023).

sectors of the state and society.³⁴ All this is negative for the competitiveness of the Russian economy but functions as long as the country still has export revenues.

in terms of people and the economy with a full mobilization and resources for the war.

The mutiny of Yevgeni Prigozhin, the head of the private military force Wagner, in June 2023, led to several political decisions but not a change of regime or policy.³⁵ After a rather slow initial reaction, the Kremlin used the mutiny to cleanse the power structure, military, and patriotic camp. Prigozhin's death in an unexplained air crash and the jailing of ultranationalist Igor Girkin are just two examples of this trend.³⁶ Cleaning up the ultranationalist and patriotic camp was one key outcome. This group is now seen by the regime as more dangerous than the liberal camp. One could even argue Prigozhin was the last actor who had the power resources to challenge the regime with his private army. But it is also an example of how little the Kremlin cares about human life, and how it prioritizes regime stability at all costs.

At the moment, no cracks in the system are visible. But with shrinking resources due economic decline and sanctions, competition will grow. Nevertheless, ending the war would be risky in terms of stability, and, therefore, currently not in the interest of the ruling elites. An exception would be a tactical temporary ceasefire to prepare for the next offensive. It would be sold as a victory at home because it would lead to the recognition of the current state of the war and give more time to consolidate Russian rule in the occupied territories and recover its military forces.

While the regime is preparing for a long war, there is no long-term strategy or plan beyond the presidential elections in spring 2024. The Kremlin is reactive and adapts to new situations and events. Russian leadership is rather in a wait-and-see mode, waiting for US elections in 2024 and elections in Europe that could change Western unity and open the door for compromises at the cost of Ukraine. So, time is currently on the Kremlin's side. In terms of the ideological basis and by framing the war as a war against the hostile West, Russia is waging a total war in Ukraine. But in terms of the resources mobilized so far, it is not yet a total war. Russia can still mobilize far more resources

34 Alexandra Prokopenko, "Putin Is Betting On a New Class of Asset Owners to Shore Up His Regime," [carnegieendowment.org](https://carnegieendowment.org/politika/90543), September 14, 2023: <https://carnegieendowment.org/politika/90543> (accessed December 1, 2023); Nikolai Petrov, "Putin is using de-privatization to create a new generation of loyal oligarchs," [chathamhouse.org](https://www.chathamhouse.org/2023/10/putin-using-de-privatization-create-new-generation-loyal-oligarchs), October 4, 2023: <https://www.chathamhouse.org/2023/10/putin-using-de-privatization-create-new-generation-loyal-oligarchs> (accessed December 1, 2023).

35 Ann-Dorit Boy, Alexander Chernyshev, Christian Esch, Matthias Gebauer, Christina Hebel, Oliver Imhof, Alexander Sarovic, Fritz Schaap, Fidelius Schmid und Lina Verschwele, "Absturz eines Killers," [spiegel.de](https://www.spiegel.de/ausland/jewgenij-prigoschin-absturz-eines-killers-a-3f7d89a5-c6d2-45c9-9f20-926985d72f70), August 25, 2023: <https://www.spiegel.de/ausland/jewgenij-prigoschin-absturz-eines-killers-a-3f7d89a5-c6d2-45c9-9f20-926985d72f70> (accessed December 1, 2023).

36 RFE/RL's Russian Service, "Former Leader Of Russian-Backed Separatists In Ukraine Arrested In Moscow," [rferl.org](https://www.rferl.org/a/russia-girkin-strelkov-arrested-ukraine-extremism/32513321.html), July 21, 2023: <https://www.rferl.org/a/russia-girkin-strelkov-arrested-ukraine-extremism/32513321.html> (accessed December 1, 2023).

Ukraine: Not the Time to End the War

SOCIETAL CHANGE AND ADAPTATION

The Russian invasion challenges the survival of the Ukrainian state and society fundamentally. For Russian elites, it is about empire and its hegemony in the region. For Ukraine it is about national identity and the very existence of the Ukrainian state and culture. The brutality with which the Russian army is destroying civilian infrastructure, killing people and trying to erase Ukraine's cultural heritage limits any room for compromise. Massacres by the Russian army for which Bucha and Irpin are only two examples have made Ukrainian society less receptive to any compromise with Russia and created a new reality for any potential negotiations.³⁷ The lack of trust and alienation between both leaders has minimized any option for a rapprochement at the top level. Ukraine as a state and society has shown a remarkable resilience and unity in light of this existential threat coming from a much more powerful adversary. This war has a strong impact on the transformation and orientation of the Ukrainian state and society, which substantially changes the foundation of relations with Russia.

In Ukraine, there has been a fundamental shift of priorities and societal orientation. The eastern and southern regions and the western and central regions have drawn closer in their positions, especially on rapprochement with the EU and NATO and on national identity.³⁸ Despite of the high costs of the war, there is a positive attitude in the Ukrainian society about the future of the Ukrainian state. In a poll in

August 2023, about 49 percent of respondents stated that Ukraine was moving in the right direction, while 32 percent said they believed it was heading in the wrong direction. Before the war, the trend was the opposite: In August 2021, 60 percent argued Ukraine was on the wrong path.³⁹ This shift is also linked to the opportunity to stem Russian influence on Ukrainian politics, the pursuit of deoligarchization and a renewed hope for EU integration. But it also reflects optimism related to the huge role society plays for the survival of the Ukrainian state. In the August 2023 poll, almost 89 percent of respondents said they were proud to be citizens of Ukraine.⁴⁰ A de-russification of society and an Ukrainization from below are taking place, which also means a consolidation of Ukrainian identity against Russia.

The war has led to structural changes in terms of governance, Ukrainian identity, and views on Russia's and Ukraine's integration into the transatlantic institutions that are now seen as without alternative. This lays the groundwork for substantial reforms and the direction Ukraine can take, especially in the context of EU integration. There are structural challenges linked to the war and the legacy of the Ukrainian state. First, there is a concentration of power in the hands of the president and the presidential administration. This is understandable in light of the war but problematic in terms of balance of power, accountability, strengthening institutions, decentralization and fighting corruption. It will also impact the reconstruction of Ukraine after the war. Second, the strong dependency on Western weapons and financial support and the opening of the EU integration process has led to greater international engagement and political impact. Opening the accession process with Ukraine, which was decided on December 14, gives the EU more leverage over Ukrainian elites to make the necessary reforms on rule of law, administrative reform and fighting corruption. This is a unique opportunity for fundamental political changes to leave the Soviet legacy behind. Third, the impact of oligarchs on Ukrainian policy has diminished. With their loss of assets due to the war, especially in

37 Ilko Kucheriv Democratic Initiatives Foundation, "Symbols, Events, and Personalities Shaping Ukrainians' National Memory of Russia's War Against Ukraine," dif.org.ua, May 16, 2023: <https://dif.org.ua/en/article/symbols-events-and-personalities-shaping-ukrainians-national-memory-of-russias-war-against-ukraine> (accessed December 1, 2023).

38 Razumkov Centre, « Identity of Ukrainian citizens: trends of change (May, 2023) », August 24, 2023: <https://razumkov.org.ua/en/component/k2/identity-of-ukrainian-citizens-trends-of-change-may-2023> (accessed December 7, 2023).

39 Ilko Kucheriv Democratic Initiatives Foundation, "День Незалежності України: шлях до перемоги, ідентичність та цінність держави на тлі війни" ("Ukraine's Independence Day: The Path to Victory, Identity and Value of the State Against the Backdrop of War"), dif.org.ua, August 22, 2023: https://dif.org.ua/article/den-nezalezhnosti-ukraini-shlyakh-do-peremogi-identichnist-ta-tsinnist-derzhavi-na-tli-viyni#_Toc143506367 (accessed December 1, 2023).

40 Ilko Kucheriv Democratic Initiatives Foundation, "День Незалежності України: шлях до перемоги, ідентичність та цінність держави на тлі війни" ("Ukraine's Independence Day: The Path to Victory, Identity and Value of the State Against the Backdrop of War"), dif.org.ua, August 22, 2023: https://dif.org.ua/article/den-nezalezhnosti-ukraini-shlyakh-do-peremogi-identichnist-ta-tsinnist-derzhavi-na-tli-viyni#_Toc143506367 (accessed December 1, 2023).

the industrial regions in the East, they have also lost influence in Ukrainian politics. When the war ends, with vast inflows of money for reconstruction, there will be a redistribution of resources and assets. Preventing the emergence of old and new oligarchs will be a crucial challenge for domestic actors like civil society and foreign partners. Here the institutional design has to be changed.

Opening the accession process with Ukraine gives the EU more leverage over Ukrainian elites to make the necessary reforms on rule of law, administrative reform and fighting corruption.

A key development in Ukraine, and crucial for its resilience in the war, was the 2014 decentralization reform, strongly supported by European partners, particularly Germany. This changed the administrative-territorial structure of the country and strengthened the role of local self-government in Ukrainian politics.⁴¹ But also this reform is still not finished and at the moment on hold. But for a functioning reconstruction of the country, strong local administrations, and city councils also with their own budgets are necessary. As a consequence of the war, there has been a centralization of all decisions and, consequently, a growing conflict between the presidential administration, the municipalities, and – to a lesser extent – the

regions. This jeopardizes the functioning of institutions and the rule of law, both of which are crucial for EU integration and for resilience against Russian interference and hybrid threats. Besides disinformation campaigns and cyber-attacks on Ukraine's digital and telecommunication infrastructure, bribing Ukrainian actors and infiltration into Ukrainian territory are typical instruments of this hybrid warfare. Here the occupied territories and Crimea play a crucial role. Currently, the process of decentralization is stagnating but there has been no substantial rollback. Still, this trend is problematic for the distribution of power and resources in Ukraine. The issue of decentralization shows how closely Ukrainian resilience, the reform process and EU integration, together with reconstruction, are interlinked.

The society's tolerance for corruption declined sharply with the war following corruption scandals at the federal and regional levels. In a survey in June 2023, respondents stated that fighting government corruption should be next to attracting foreign investment as the country's top priority during post-war recovery. Ukrainians also see corruption as a key security threat, according to the same survey.⁴² Independent media and civil society play an important role in fighting corruption and pushing legal reforms. Key challenges are the role of the Security Service of Ukraine (SBU) and the presidential administration as well as the dysfunctional court system, as these are all politicized or have vested interests in the political realm. This is similarly true for parts of the public prosecution, which so far hasn't been at the center of the EU reform agenda. The presidential administration tends to follow a policy of quick fixes outside of institutions and the law. It is reactive and intransparent. Substantial judicial reform is required to solve these fundamental issues. This should take place in the framework of EU integration combined with the clear and tough conditionality of international financial institutions like the International Monetary Fund (IMF). The leverage to push for serious structural reforms has never been so high, but also the threat of frustrating Ukrainian society if support for EU integration as well as the supply of weapons and financing stagnates or declines. This raises the responsibility of Western partners for security guarantees and the seriousness of EU integration. Possible pressure for negotiations with Russia could alienate Ukrainian society and lead to disorientation and feelings of being betrayed by the West, since society has made huge sacrifices.

41 Децентралізація (Decentralization), <https://decentralization.gov.ua/en> (accessed December 1, 2023).

42 Opora, "Analytical report based on the results of War, Peace, Victory, and Future Survey," Number 43, [oporaua.org](https://www.oporaua.org/en/vivna/analytical-report-based-on-the-results-of-war-peace-victory-and-future-survey-24828), July 27, 2023: <https://www.oporaua.org/en/vivna/analytical-report-based-on-the-results-of-war-peace-victory-and-future-survey-24828> (accessed December 1, 2023).

FRAMEWORK AND LIMITS FOR NEGOTIATIONS WITH RUSSIA

For Ukrainian society, any a ceasefire agreement that confirms Russia's gains would be unacceptable. It would be perceived as appeasement that weakens Ukraine and legitimizes Russia's violent aggression. It would bring back the trauma of the Minsk 1 and 2 agreements negotiated after the annexation of Crimea and the war in Donbas in 2014/15, in which European partners like Germany and France supported compromises that led to the appeasement of Russia and accepted Moscow as a negotiator for a ceasefire on the same level as Berlin and Paris but not as a conflicting party. With the massive human loss and destruction, any Ukrainian politician who accepted an end to the current war via compromises with Russia would lose public support. Therefore, winning the war by expelling Russia from Ukrainian territory, including Crimea, is the ultimate goal for Ukrainians. In the abovementioned June 2023 survey, 51 percent supported the statement that the "war may end only with a victory" and 36 percent were willing to make limited compromises.⁴³ From the Ukrainian perspective, Zelensky's "peace formula" should be the framework for any potential negotiations.⁴⁴ However, with Ukraine's limited territorial gains and evidence that Russia has sufficient resources for a long war, it is very unlikely that Russia would accept this formula in the foreseeable future. At the same time, any ceasefire or agreement would not create a secure environment unless Russia had been defeated, its capabilities to attack Ukraine substantially diminished and NATO or its member states provided security guarantees.

Society demands a just and lasting peace that can only be negotiated if Ukraine has a strong military position. For Ukrainians, it is not acceptable to return to the borders of February 2022; they want the return of everything that has been occupied by Russia since

2014, including Crimea.⁴⁵ Justice for war crimes by the Russian army is crucial for Ukrainian society. This position is unlikely to change. In a poll in June 2023, 77 percent of Ukrainians said they believed the country could withstand even a long-term war with Russia.⁴⁶ According to the same poll, 64.4 percent of respondents would support the continuation of the war if it were a prerequisite for victory, while 22.3 percent would like to end the war at any price (no small number). Nevertheless, an overall majority would not accept ceasefire negotiations at this point. The question now is, if the war continues in 2024 without major gains by Ukraine or even a loss of territory and with less support from the West, how will this impact the willingness to compromise? Society is a crucial factor in setting limits for decision makers. That is different in Russia where the leadership – above all, Putin – decides about the war and society must follow.⁴⁷

For the Ukrainian leadership, negotiating bilaterally with Putin is out of the question. Therefore, an external negotiator like Turkey, whose President Recep Tayyip Erdogan was instrumental in the deal that kept grain flowing from Ukraine after the war started, will be necessary. But Ukraine would prefer US and UK involvement to give it a stronger negotiating position and possible security guarantees linked to their commitments and backing of the agreement. Furthermore, the now dysfunctional grain deal and Russia's instrumentalization of negotiations are seen very critically in Ukraine. The Kremlin used the grain transport negotiations to bargain for concessions from the West regarding sanctions on specific products, but it was never about building trust with Ukraine or using this agreement as a testing ground for other topics before negotiating a ceasefire.⁴⁸ For Ukraine, it is crucial to have functioning security guarantees – either from NATO or bilaterally from NATO member states – before it enters negotiations with Russia. Only this will provide a basis for a functioning agreement. The idea of taking small steps

43 Opora, "Analytical report based on the results of War, Peace, Victory, and Future Survey," oporaua.org, July 27, 2023: <https://www.oporaua.org/en/viyna/analytical-report-based-on-the-results-of-war-peace-victory-and-future-survey-24828> (accessed December 1, 2023).

44 President of Ukraine, "Ukraine's Peace Formula Philosophy," president.gov.ua: https://www.president.gov.ua/storage/j-files-storage/01/19/53/32af8d644e6cae41791548fc82ae2d8e_1691483767.pdf (accessed December 1, 2023).

45 Opora, "Analytical report based on the results of War, Peace, Victory, and Future Survey," oporaua.org, July 27, 2023: <https://www.oporaua.org/en/viyna/analytical-report-based-on-the-results-of-war-peace-victory-and-future-survey-24828> (accessed December 1, 2023). Kyiv International Institute of Sociology, "Dynamics of Readiness for territorial concessions to end the war as soon as possible: results of a telephone survey conducted from September 29 to October 9, 2023," kiis.com.ua, October 13, 2023: <https://www.kiis.com.ua/?lang=eng&cat=reports&id=1301&page=2> (accessed December 1, 2023).

46 Opora, "Analytical report based on the results of War, Peace, Victory, and Future Survey," oporaua.org, July 27, 2023: <https://www.oporaua.org/en/viyna/analytical-report-based-on-the-results-of-war-peace-victory-and-future-survey-24828> (accessed December 1, 2023).

47 Opora, "Analytical report based on the results of War, Peace, Victory, and Future Survey," oporaua.org, July 27, 2023: <https://www.oporaua.org/en/viyna/analytical-report-based-on-the-results-of-war-peace-victory-and-future-survey-24828> (accessed December 1, 2023).

48 Christina Lu, "Russia Is Holding Ukraine's Farms Hostage," foreignpolicy.com, July 14, 2023: <https://foreignpolicy.com/2023/07/14/ukraine-black-sea-grain-deal-russia-turkey-agriculture-food/> (accessed December 1, 2023); <https://www.rferl.org/a/russia-ukraine-grain-deal-lavrov-western-concessions/32354018.html> (accessed December 1, 2023) International Crisis Group, "Who are the Winners in the Black Sea Grain Deal?", crisisgroup.org, August 3, 2022: <https://www.crisisgroup.org/europe-central-asia/eastern-europe/ukraine/who-are-winners-black-sea-grain-deal> (accessed December 1, 2023).

and building trust for negotiations is not viable with a counterpart in Moscow who has no interest in building up credibility or accountability. Negotiations are also a power game that depends on resources, leverage, and guarantees for implementation.

ECONOMY, INFRASTRUCTURE, AND RECONSTRUCTION: PREPARING UKRAINE FOR A LONGER WAR

Russia's war is disrupting the economic foundations of the Ukrainian state with attacks on civil infrastructure, blocking of transport routes, and huge human losses. As a result, GDP declined by almost 30 percent in 2022.⁴⁹ In 2023, the economy is expected to have grown by 2 percent according to the IMF, despite the ongoing full-scale war.⁵⁰ The World Bank even expects 3.5 percent growth.⁵¹ But structural changes to the economy have occurred, as large parts of Ukraine's heavy industry are in the Eastern territories often occupied or destroyed by Russia. Therefore, agriculture, the IT sector and weapons production play an increasing role in the Ukrainian economy. At the same time, foreign financial aid and budget support is crucial for stabilizing the economy. In light of the growing difficulties of the US government to agree on aid packages for Ukraine, the EU is discussing financial support for the country of €50 billion 2024–2027.⁵² Although Hungary did not block the opening of the accession process with Ukraine in the European Council meeting in mid-December, it is still vetoing the agreement on EU funding.⁵³

Ukraine is entering a stressful winter with more Russian attacks and a civilian and energy infrastructure far more damaged than last year, but also a state more experienced in repairing and keeping it running. At the same time, according to Ukrainian economists, companies and the Ukrainian state had been hoping for a swift end to the war in 2023 with the Ukrainian offensive so they could invest in key infrastructure and production.⁵⁴ Now the Ukrainian economy is suffering because no decisions on investment and

building alternative infrastructure could be made. It is crucial to adapt to the ongoing situation, planning for a longer war and investments in infrastructure and making Ukraine more resilient against continued attacks. According to the World Bank, the direct damage in the first year of the war reached over \$135 billion, with housing, transport, energy, and industry most affected. The reconstruction and recovery needs were estimated at about \$411 billion in February 2023 – evidence of skyrocketing costs.⁵⁵

The economic, infrastructural, social, and demographic questions outlined here are closely linked to continued, long-term support from the EU and US. Credible Western support is critical for the Ukrainian government and society to defend themselves in this war. As shown by the Minsk agreements after Russia occupied Ukrainian territories in 2014, followed by a continuing war, a lack of credible security guarantees combined with a compromise that buys Russia time to recover its forces will not bring any sustainable peace. If the West is serious about Ukraine winning the war, it needs sustainable and comprehensive long-term support in terms of finances and weapons. A key problem is that time seems to be on Russia's side, and the Kremlin still holds the power to escalate. Only when this calculation changes will pressure on Russia's leadership force compromises to end the war, based on conditions not only dictated by the Kremlin.

49 International Monetary Fund, "Ukraine," imf.org: <https://www.imf.org/en/Countries/UKR> (accessed December 1, 2023).

50 Monetary Fund, "Ukraine," imf.org: <https://www.imf.org/en/Countries/UKR> (accessed December 1, 2023).

51 World Bank, "The World Bank in Ukraine," worldbank.org, last updated October 10, 2023: <https://www.worldbank.org/en/country/ukraine/overview#3> (accessed December 1, 2023).

52 Paola Tamma, «EU plans up to €72 billion in aid for Ukraine,» politico.eu, June 14, 2023: <https://www.politico.eu/article/eu-plans-e72-billion-of-new-common-debt-to-aid-ukraine/> (accessed December 1, 2023).

53 Politico, "EU busts the Orban myth with historic decision on Ukraine accession," December 15, 2023: <https://www.politico.eu/article/eu-busts-the-orban-myth-with-historic-decision-on-ukraine-accession/> (accessed December 17, 2023).

54 Interview with one of the participants from the workshop.

55 World Bank, «Ukraine Rapid Damage and Needs Assessment: February 2022 - February 2023,» worldbank.org: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099184503212328877/p1801740d1177f03c0ab180057556615497> (accessed December 1, 2023).

Conclusion and Recommendations

Nearly two years after the Russian large-scale invasion began, the war in Ukraine has reached a stalemate. Victory on either side seems remote. Despite its staggering losses, Russia is entirely able and willing to continue its offensive war. Although the summer counter-offensive largely failed, Ukraine is still able to largely hold its lines. Meanwhile, Ukraine is dependent on Western long-term support which is increasingly being questioned in Western countries. Russian leadership does not see any reason to make compromises at this point, especially before the US election in November 2024. Furthermore, Russia has adapted to the war and the Western sanctions. It could live for several years with this situation if there are no fundamental changes in terms of closing sanction gaps and massively increasing weapons and ammunition supply for Ukraine. Western support for Ukraine has grown but is not sufficient to win the war. The discussions on how to end the war and how to decrease the costs of support in times of economic crisis will only grow and will strengthen critical voices against the support of Ukraine. The gap between rhetoric (“Ukraine needs to win the war”) and the ability to adapt to the needs of Ukraine to really win the war and further sustain Russian aggression is growing. There will be a deficit of ammunition in spring 2024 because European countries in particular did not place the necessary orders with industry.⁵⁶ Although pressure to end the war in Western societies is building, the momentum for negotiations is not there.

Ukraine and its Western supporters need to define and agree what a victory would look like and what kind of support Ukraine needs to reach this goal. Currently there is either a disagreement about the end goal or it is not discussed at all, in order to avoid creating expectations or frustration in Ukrainian society. With its (dis)information campaigns, Russia is exploring growing doubts about Western support and Ukraine’s ability to win the war against a much more powerful adversary. If European and US partners

are unwilling to support a victory at all costs, the Ukrainian leadership must discuss alternatives with its Western partners. The absence of a common goal would weaken Ukraine and undermine the credibility of its European and US partners.

The understanding that this war is also about the security of the EU and NATO member states should not fade from the spotlight amid discussions about the costs of the war.

In any case, the West and Ukraine need to prepare for a long war, keeping in mind that Russia has no interest in ending the war soon and will not give up its goal of destroying Ukraine as a state as long as the government thinks it is capable of doing so. The understanding that this war is also about the security of the EU and NATO member states and the future of liberal democracy globally should not fade from the spotlight amid discussions about the costs of the war. As we have learned repeatedly in the past, non- or hesitant action only increases the costs of war and invites Russian leadership to move forward. At the same time, growing domestic crises in Western countries underscore the need for leadership that takes up the cause for Ukraine and takes steps necessary to ensure that Russia will lose this war. The connection between supporting Ukraine and integrating the country into the EU should serve the goal of maintaining a functional state and society even during war times. Also here, EU member states must address internal EU reforms needed to make further enlargement possible and find ways to deal with disruptive member states like Hungary.

⁵⁶ Michael Kofman and Ryan Evans, Looking beyond the offensive in Ukraine, War on the Rocks, Podcast, October 18, 2023: <https://warontherocks.com/2023/10/looking-beyond-the-offensive-in-ukraine/> (accessed December 17, 2023).

A ceasefire at this point would be counterproductive and would only benefit the Russian leadership in legitimizing and consolidating its territorial gains and reconstituting its forces. It would not serve the goal of victory or sustainable peace. There is no momentum for a ceasefire from either conflicting party. Therefore, the EU and the US must consider domestic developments in both Russia and Ukraine for strategic planning. Curbing support for Ukraine or pushing the country into negotiations would be dangerous and disorienting for Ukrainian society and only play into the hands of the aggressor. Furthermore, a lesson learned from the Minsk agreements is that a situation of “no peace and no war” also serves Russia, which will use its hybrid warfare to further weaken and undermine the Ukrainian state and society. Ahead of the NATO summit in Washington in 2024, there is a need to discuss the next steps to ensure serious security guarantees for Ukraine. If Kyiv has not yet gained all territories back, this should not prevent NATO members from improving the security of those territories controlled by Ukraine. A road map for Ukraine security needs to be discussed and agreed before the next NATO summit. Assuming that Ukraine will not achieve a big breakthrough and gain larger territories back in the foreseeable future, the goal of Western policy and Kyiv should be not to lose more territory to Russia and to prevent its ability to undermine social cohesion in Ukraine. A deficit in munitions production and Western weapons supply for Ukraine could embolden Russia to launch a successful offensive against Ukrainian territory next year.

In the medium and longer term there is no alternative for Ukraine but to regain all territories including Crimea. But this goal is unlikely in the short term. Instead of unrealistic expectations about a Ukrainian counteroffensive and a possible end to the war through a ceasefire agreement, the West should make the safety of the territories controlled by Kyiv a primary focus of strategic planning and weapons supply. Protection of the Ukrainian people, cities, and infrastructure is the ultimate goal. The Kremlin must be forced to change its calculation that it does not need to compromise. Limiting the vulnerability of Ukrainian territory is crucial for this. In the long term, Western sanctions have a very negative impact on the Russian economy and society. Economically and in terms of weapons production, the West has all the resources to outgun Russia. At the same time, Moscow is more serious about this war than the West in providing the resources for a long war. Instead of unrealistic demands for Ukraine to win the war and

take back all territories, in the medium term taking on Russia’s escalation dominance should be the goal.

Germany plays a crucial role in this, as the second most important supplier of weapons after the US and a key economic power in the EU. Ukraine needs Germany’s Taurus cruise missiles to destroy and disrupt Russian military supply chains. The EU lacks leadership in organizing long-term funding and weapons supply and in moving forward with the Ukrainian accession. Germany must play a much stronger role in creating unity among the member states on these issues, also in light of risks posed by US presidential election in 2024. Although the current governing coalition in Berlin is in a political and budget crisis, and Chancellor Olaf Scholz is hesitant to take any leading role, there is no alternative to greater German leadership. Finally, stronger US and European leadership on security guarantees for Ukraine are needed. To take the next steps in the German “Zeitenwende” – as Scholz identified the watershed moment after Russia’s aggression against Ukraine – Germany will need to deal more seriously with vulnerabilities vis-a-vis Russia, like disinformation and corruption. It must make decoupling from Russian resources and the economy irreversible, work harder on controlling sanctions and closing any sanctions gaps and move forward with the reform and funding of the German army.

MILITARY RECOMMENDATIONS

The West, including Germany, needs to task its military industry with footing a war and dedicate the necessary resources to this. Berlin needs to expand support and increase defense spending in the long term. German and other European policymakers and societies must be aware that support for Ukraine is an investment in Europe’s security now and in the future.

The Ukrainian land forces need constant replenishment of hardware losses, which requires the West to boost its own military hardware production. Meanwhile, as this takes time, Western countries need to find possibilities to re-purchase their equipment from third countries and deliver it to Ukraine. In addition to heavy weaponry, there is also a massive shortage of civilian equipment, such as personnel trucks and ambulances.

Repair capacities also need to be deployed closer to Ukraine, or even in Ukraine, in order to shorten the time that a damaged weapons system needs to spend out of service. In the short run, particular attention

needs to be paid to the repair of artillery, engineering-demining systems, as well as of infantry fighting vehicles, as they are wearing down very fast.

Ammunition supply is key. Western military industry has already achieved good results in increasing ammunition production capability; however, a higher level of production needs to be economically feasible also for defense companies. Hence, governments need to provide them with long-term contracts, which cover not only the equipment for Ukraine, but also the replenishment of own, national supplies.

In addition, the Western military training for Ukraine's armed forces must be adjusted to battlefield realities and lessons learned. This requires open channels of communication between Western trainers and Ukrainian troops deployed after training to make necessary adjustments in the training programs.

Concerning air forces and air defense, supplying Ukraine with fixed-wing aircraft requires the fundamental restructuring of at least some airfields to meet the operational-technical requirements of Western aircraft and to protect them from Russia's strikes. The short-term focus needs to be on strengthening Ukraine's air defense with all possible means. Ukraine's ground forces require short-range, well-protected air defense systems to protect them from Russian attack helicopters and loitering ammunition. Longer-range systems are needed for protecting Ukraine's crucial civilian and military infrastructure against Russian precision guided missiles. Ukraine could also make a good use of older, anti-aircraft autocannons and heavy machine guns, as Moscow is increasingly relying on the use of the Iranian-designed suicide drones.

Ukraine needs weapons that enable its forces to hit Russian military targets both in the occupied territories as well as inside Russia, with a particular focus on missile and drone launch infrastructure. In addition to generally downgrading Russia's military power, such strike capabilities would help reduce Russia's ability to launch drone and missile strikes against Ukraine's civilian critical infrastructure. Moreover, providing Ukraine with electronic warfare systems or supporting their production in Ukraine is extremely important and urgently required. Ukraine needs these systems to force Russian drones and missiles to miss their targets and thus to protect its soldiers and equipment on the front lines.

Regarding the navy, the West needs to decisively assist Ukraine in building up a robust coastal defense

system to keep Russian warships away from Ukrainian seaports and keep maritime grain export routes open. It is also important to ensure a sufficient supply of modern anti-ship missiles of Ukraine's own and Western production, capable of keeping Russian ships as far away from the Ukrainian coast as possible. In the medium term, the West also needs to help Ukraine rebuild its fleet. In the Black Sea, Ukraine needs a maneuverable and militarily highly efficient fleet in the sense of a "mosquito fleet" – smaller, more nimble vessels – in order to protect its coasts and sovereign and limited territorial waters. The construction of this fleet must begin immediately, because these naval capabilities are indispensable for Ukraine to resist Russia's possible future use of hybrid warfare in the Black Sea – as between 2014 and 2022 – to politically and economically destabilize the country. The objective is to empower Ukraine with the means to independently guarantee the safety of its coastline, ports, territorial waters and key shipping routes for trade.

Intelligence and information support must be maintained and strengthened, whether bilaterally or in a "coalition of the willing;" to prevent possibly unresponsive NATO countries from blocking, vetoing or otherwise endangering Ukraine.

Regarding Russia's threat of escalation, the West and Germany must realize that Russia escalates when the military situation allows, regardless of Western arms supplies. In fact, Russia's entire reasoning for the war was invented, so Moscow's threats about further escalation if the West keeps supplying Ukraine need not be taken at face value. Clear and credible messaging towards Russia is essential regarding the consequences of any use of nuclear weapons or of a man-made nuclear disaster, concerning particularly the Zaporizhzhia nuclear power plant.

RECOMMENDATIONS ON RUSSIA

European and German decision makers must be aware that Russia is developing into a more repressive and totalitarian regime, with the war accelerating the process of closing the country and cutting off any access and influence. The ongoing war is becoming system-relevant and the interest to end the war with the current costs, to which Russia has adapted, is decreasing. This trajectory can only be changed by increasing the costs for the Russian state and society. This is linked to the impact of sanctions, the success of the Ukrainian army, and the ability of Ukraine to protect the country and survive economically in

long-term. These are all areas where Germany and the EU can make an impact by closing sanction gaps and supplying Ukraine in short, medium, and long term with all it needs not only to lose but to win the war.

Export controls on European companies needs to be improved. There are many examples where German, other European and US high-tech products end up in Russia via third countries.⁵⁷ More resources and personnel in national institutions are needed to monitor export controls and better coordinate among EU member states and Western partners. Cooperation with other players, such as China, India, and Turkey, is very important for Russia in terms of revenues and status. Therefore, German and European policymakers should not give up on creating coalitions against Russia with these states and trying to further isolate and punish Russia in international institutions like the UN and platforms like the G20. The German chancellor and foreign minister have already reached out to non-European countries and should intensify that process in creating such coalitions. Messages from non-Western countries can have an impact on Russian politics, as has already been seen in the clear messages by Chinese and Indian leadership warning against the use of nuclear weapons. Afterwards, the topic of nuclear weapons was raised less often by the Russian leadership. The International Criminal Court can also play an important role. Its decision to limit Putin's opportunities to travel has an effect on isolating the regime and undermining its global status. Sticking to international law and systematically monitoring Russia's criminal acts on the battlefield and in the Black Sea has an impact on the actions of the regime.

EU member states must develop a short-, medium-, and long-term strategy toward Russia that focuses on deterrence, domestic resilience, and long-term political change. Eventually, a different Russia needs to be integrated into Europe, but the conditions must be defined without any kind of appeasement or illusions. This can only be a long-term goal. Learning lessons from the past is crucial to frame a new policy toward Russia and Eastern Europe, and to prevent Russia from having any veto power over the sovereignty of other post-Soviet states.⁵⁸ This is far away and impossible without deep regime change in Moscow, but developing alternative offers to Russian elites should Russia end the war and return all territories is something to

be discussed. Working with Russia's expert community and civil society outside of Russia is one element of this new strategy. Total isolation of Russian society is not in the interest of the EU. It is important to keep some means of open communication with Russian society and with actors outside of Russia, especially via the internet and Western technology.

RECOMMENDATIONS ON UKRAINE POLICY

The analysis shows that there is no momentum on the Ukrainian side for ending the war or entering negotiations. At the same time, a long war will be very costly for the country in terms of human losses, economy, and infrastructure. It is therefore crucial to help the Ukrainian state and society to sustain and prepare for a longer war. As long as the war continues, security guarantees are unlikely, and it is becoming more crucial in the short, medium, and long term to supply Ukraine with the weapons it needs to defend the territory it controls and to deter any Russian offensive. The 2024 NATO summit must go beyond the 2023 Vilnius agreement toward creating security guarantees. Without security there will be no serious additional investments and no society that stays or returns to Ukraine.

Domestic resilience will only come through rule of law and successfully fighting corruption. Anti-corruption institutions, like NABU and SAPO, can act against the corruption structure if the presidential administration does not interfere. On these issues, EU integration can play a decisive role because it offers leverage for making the necessary changes in the legal and judiciary system and in fighting corruption. Therefore, after the December 14, 2023, decision by the European Council to open accession talks, it is now important to move forward with EU integration while at the same time sticking to the rules and principles of the EU. Working with civil society in monitoring and adapting reforms is crucial.

In parallel to the necessary sustainable military support, it is important to stabilize Ukraine's state institutions and society and to permanently promote its resilience in war. Among Ukraine's Western supporters, Germany is a leading stabilization partner. For example, its support in providing critical infrastructure is a significant contribution to Ukraine's

57 Jeffrey A. Sonnenfeld and Michal Warebkowski, "The Dangerous Loophole in Western Sanctions on Russia," *foreignpolicy.com*, September 7, 2023: <https://foreignpolicy.com/2023/09/07/western-sanctions-russia-ukraine-war/> (accessed December 1, 2023).

58 Stefan Meister and Wilfried Jilge, "After Ostpolitik: A New Russia and Eastern Europe Policy Based on Lessons from the Past," *DGAP Analysis 2*, 2023, DGAP e.V.: <https://dgap.org/en/research/publications/after-ostpolitik-0> (accessed December 4, 2023).

survival in war. Berlin could also initiate processes to deepen the coordination and cooperation between leading Western partners in terms of a strategically forward-looking stabilization policy. In view of a prolonged war, a number of areas could be particularly relevant. These include the civil-military stabilization of areas and settlements near the front (e.g., by equipping the territorial defense or creating favorable conditions for police work in these areas); the large-scale support of cities near the front and borders (e.g., safe underground social and educational facilities for greater security in everyday life and to retain residents in communities); the promotion of social cohesion and consolidation of Ukrainian society and supporting the population in the occupied territories in its resilience and ability to resist (e.g., projects to cope with different war experiences; programs to reintegrate veterans into society; providing people in areas close to the front with psychosocial care and support; the promotion of dialogue between self-governing communities and local civil society on the one hand and the executive branch on the other, aimed at preserving the achievements in decentralization and local democracy; and strengthening the participation of civil society and municipalities in the recovery process).

In particular, the diversification and reorientation of infrastructure is crucial for the Ukrainian state and society to sustain a longer war. Creating several alternative routes for export and transit and a diversified infrastructure should be the guiding principle for investment. Since insecurity will remain, adaptation to this reality must be continuous. As a consequence, there will be structural change in the economy – big plants will no longer be built, but rather smaller facilities, and production will become more decentralized. Cities will spread and infrastructure will be built underground. All this needs to be planned and developed in a way that it is also sustainable during and after a longer war. This requires administrative and human capabilities in Ukrainian regions which should be a focus of German and European support. Investment in the functioning of Ukrainian institutions and capabilities to implement reforms and sustain a longer war are a necessary part of a policy to win the war.

DGAP

Advancing foreign policy. Since 1955.

Rauchstraße 17/18
10787 Berlin
Tel. +49 30 25 42 31 -0
info@dgap.org
www.dgap.org
@dgapev

The German Council on Foreign Relations (DGAP) is committed to fostering impactful foreign and security policy on a German and European level that promotes democracy, peace, and the rule of law. It is nonpartisan and nonprofit. The opinions expressed in this publication are those of the author(s) and do not necessarily reflect the views of the German Council on Foreign Relations (DGAP).

DGAP receives funding from the German Federal Foreign Office based on a resolution of the German Bundestag.

Publisher

Deutsche Gesellschaft für
Auswärtige Politik e.V.

ISSN 1611-7034

Editing Ellen Thalman

Layout Luise Rombach

Design Concept WeDo

Author picture(s) © DGAP



This work is licensed under a Creative Commons Attribution – NonCommercial – NoDerivatives 4.0 International License.