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INSIGHT | ADVOCACY

**Beyond** the headlines:

# Russia + Ukraine conflict

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Our last bulletin was produced at a landmark moment – 100 days after Russian's invasion of Ukraine.

Today's edition feels like it comes at a similarly momentous time. On 27 June, a Russian missile attack devastated not an armaments factory, a military base or an army supply line, but a shopping centre - killing unknown numbers of innocent Ukrainian civilians. Moreover, it did so when G7 members were already meeting and shortly before, first, Russian defaulted on its overseas debts and, second, NATO members convened for their latest summit in Madrid.

Not for the first time in this conflict, Russia's actions seem both counterproductive and especially ill-timed. Fresh impetus has certainly been given to Ukraine's application for European Union membership which will see the country look west, politically, rather than north and east - as Vladimir Putin would wish. At the same time, Sweden and Finland have moved rapidly to full membership of the North Atlantic Treaty Organisation, which will significantly increase the length of Russia's border with NATO - the antithesis of Putin's wishes.

Meanwhile, G7 leaders have pledged to step up their support for Ukraine and, simultaneously, told their domestic audiences to prepare for a long haul - which, again, is surely the opposite of what the Russian president would have wanted.

The attack on the mall in Kremenchuk has also resulted in even more Western companies announcing their own 'retreat from Moscow' - which will further damage Russia's economy. Indeed, thousands more Russian job losses are coming steadily closer, as other multinationals start to approach the end of the period - often (generously) six months - when they pledged to keep paying their local staff, despite winding down their Russian businesses.

Such economic, diplomatic and political reverses come after Russia has had, militarily, its most successful few weeks of the war. Since our last edition, the momentum has certainly shifted in its favour and swathes of Ukrainian territory have fallen into Russian hands. Only time will tell, however, whether this week's callous and spectacularly ill-timed attack on Kremenchuk will ultimately prove more damaging to Ukraine or, strategically, to the Kremlin itself. Problems of morale and disaffection among the armies may begin to tell. From the start of this war, its most important feature has been the asymmetry of motivation. In the end, the Ukrainians are fighting because they have no other choice. Russians have the option of going home.

#### // Diplomacy and defence latest

- In the first update to its mission statement in 12 years, **NATO said today that Moscow was once again the alliance's primary adversary and that — in a first — China posed a strategic challenge.** The statement signalled a fundamental shift from the post-Cold War era, when the Atlantic alliance saw post-Soviet Russia as a potential ally and did not focus on China at all. It also highlighted a renewed determination to stand up to Russia's invasion of Ukraine.
- Another sign that Russia's invasion has revitalized NATO as a deterrent to Moscow came from **NATO's General Secretary Jens Stoltenberg, who announced that the alliance will increase the number of its troops on standby from 40,000 to 300,000.**
- Additionally, **Turkey dropped its opposition to having Sweden and Finland join NATO** - providing a clear pathway to strengthen the alliance with the two Scandinavian countries and making Stoltenberg's ambitious targets more attainable.

- **Negotiations between Russia and Ukraine came to a halt in mid-May**, despite some hopeful signs of progress weeks earlier. Each side is blaming the other for the collapse. The impasse stemmed from Russia's insistence on maintaining control over large swathes of Ukraine. Ukraine was also emboldened, at the time, by recent battlefield successes.
- **German Chancellor Olaf Scholz said that he wants to discuss the outlines of a "Marshall plan for Ukraine"**. The Chancellor told Germany's parliament that "rebuilding Ukraine will be a task for generations", recalling his recent visit with other Western leaders to Irpin, a Kyiv suburb that saw intense fighting, which he described as "pictures of German cities after World War II."
- After months of furious street battles and a heavy death toll, Ukraine has withdrawn its forces from the largely ruined city of Sievierodonetsk. The fall means that only the city of Lysychansk across the river stands in the way of **Russia gaining full control of the eastern Luhansk region**. Once Russia has Luhansk, it could then turn its attention to the neighbouring Donetsk region. Together, the two regions make up the Donbas - Ukraine's industrial heartland.
- However, Western intelligence reports that the **Russian military will soon exhaust its combat capabilities** and be forced to bring its offensive in Ukraine's eastern Donbas region to a grinding halt.
- Western officials have also warned that **Vladimir Putin's invasion of Ukraine is guaranteed to cause a two-year global food crisis even if the war immediately comes to a halt**. The Russian Armed Forces, by placing mines in Ukraine's seaports, have caused severe disruption to the 'breadbasket of Europe', which has long been one of the world's biggest grain producers and exporters.
- Additionally, as the war turns into a battle of attrition, **President Biden has said that the U.S. would, for the first time, station forces permanently on NATO's eastern flank** by deploying an Army garrison headquarters and field support battalion in Poland. New U.S. forces will also be deployed to the United Kingdom, Germany, Italy, Romania, Spain and the Baltic region.
- **Russia has reportedly lost 2,539 military vehicles and pieces of equipment since it began its invasion of Ukraine**, according to analysis website Oryx.

## // Economic impact

- At the end of June, **Russia defaulted on its external sovereign bonds** - failing to pay around \$100 million of interest. While for the past few months Russia had found ways to pay interest, the default is a sign that Western economic restrictions and sanctions are starting to take their toll on the country. Since the beginning of the conflict, Russia has also battled with double digit inflation and one of the worst economic contractions in years.
- The leaders of the Group of 7 countries agreed to **ban imports of Russian gold and also moved closer to an agreement on adopting price caps on Russian oil**. The moves are an acknowledgment that the embargoes swiftly imposed on Moscow's energy exports, by the US and its allies, have not dented Putin's revenues due to rising prices. India's and China's purchases of discounted Russian crude have certainly undermined Western efforts to punish Moscow economically. In fact, with the war now in its fifth month, Russia's revenues from oil sales are higher than they were before the invasion began.
- Since the start of the conflict, prices have risen for many products, including grain. There are allegations that **Russia is stealing wheat to ship it to Turkey and Syria**. These issues are putting pressure on prices, as well risking food shortages around the world, as nations scramble to stockpile grain; countries such as Lebanon and Somalia are already feeling the impact of a lack of grain in the 7 million individuals falling into crisis-level food insecurity.

## // Political Impact

- **European leaders put Ukraine on a path to join the EU**, giving an important psychological boost to the country as it fights Russia for its survival. Granting Ukraine coveted candidate status was the first step in a process that could take a decade or longer. Still, the decision was regarded as impossible only a few weeks ago, not least because Ukraine was seen as too far behind in terms of eliminating corruption and instituting economic overhauls to be able to join.
- **The UK will provide another £1 billion of military support to Ukraine**, Prime Minister Boris Johnson announced at the NATO Leaders' Summit. The new commitment almost doubles British support for Ukraine in the conflict from £1.3 billion to £2.3 billion. The U.S. is the only nation to have offered more.
- **Johnson also announced on Twitter that the UK's commitment to supporting Ukraine is "for the long term"**. He argued that continued international support for Ukraine is a price worth paying - saying that to let Russia prevail would be "absolutely chilling" for nearby countries and usher in a period of global anxiety.
- **Just months after being re-elected, French President Emmanuel Macron has lost majority control of the National Assembly** in legislative elections. Macron's political standing will be followed in Kyiv, for the French leader has asserted himself rather controversially as a would-be intermediary between Moscow and the West.

## // How you can help

Several organisations are taking concrete actions to support Ukrainians, either by making donations or implementing supportive measures directly connected to their businesses. Please find below a non-exhaustive list of verified charitable organisations that are taking donations to help directly in Ukraine, as well as in neighbouring countries which are accepting Ukrainian refugees.

<b>Ukrainian Red Cross Society</b>	has launched an emergency appeal and is asking for donations so that it can respond to existing and emerging humanitarian needs - providing food, first aid, medicines and shelter.
<b>UNHCR</b>	the UN Refugee Agency is collecting donations that will help them provide relief items and emergency payments for the most vulnerable individuals, including cold weather relief and blankets and emergency accommodation.
<b>Unicef</b>	is working to support 7.5 million Ukrainian children at risk, with donations helping to provide families with access to clean water and nutritious food.
<b>Hope and Aid Direct</b>	is a UK-based humanitarian charity which obtains the aid that is necessary and drives it directly, in convoys of aid trucks, to those who need it most.
<b>SOS Children's Village</b>	are currently running an urgent appeal to provide relocation support and shelter for Ukrainian children and families, as well as their own staff.
<b>The Disasters Emergency Committee (DEC)</b>	brings together 15 leading aid charities to raise funds quickly and efficiently when large-scale disasters hit countries which, for whatever reason, lack the capacity to respond.
<b>Children on the Edge</b>	is helping families arriving into Moldova and Romania. They have facilities near the Ukrainian border in Chişinău, Moldova and in Siret, Romania; providing a safe place to stay and psychosocial support.

<b>ShelterBox</b>	provides life-saving aid for families affected by the crisis in Ukraine, as well as other countries where it operates (such as Syria).
<b>Peace Direct</b>	is an international charity dedicated to supporting local people to stop war and build lasting peace in some of the world's most fragile countries.
<b>Goods for Good (UK)</b>	have set up a humanitarian aid hub on Poland's border with Ukraine and have trucks ready to go - filled with relief aid provided by British businesses and community donations for Ukrainian refugees.

## // Further Information

Members of GK's team are happy to elaborate on our assessments and assist clients in navigating the crisis as the situation develops.

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