

3 November 2022



INSIGHT | ADVOCACY

**Beyond** the headlines:

# Russia + Ukraine conflict

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The regular calls for negotiations to end Russia's war with Ukraine tend to be more directed at Kyiv or Washington than Moscow, as if they are the main stumbling blocks. Yet it is Vladimir Putin who is insisting that this war leads to a fundamental change in borders and political arrangements that, on any reading of international law, he has absolutely no right to demand. President Putin does not preclude talks but only so long as Russia is allowed to hold on to occupied territory, and even territory from which it has had to retreat. His Ukrainian counterpart, Volodymyr Zelensky, demands Russian withdrawal; while at the start of war he might have been ready to go back to the pre-invasion position, of 23 February 2022, he now expects to go back to the borders of eight years earlier - before Russia illegally annexed Crimea.

The problem is not just that this gap looks, for the moment, to be unbridgeable but that Putin has so far refused to scale down his demands in response to his diminished power and international standing. His past duplicity undermines any confidence Ukraine might have that a deal, once reached, would be honoured. Not only are the two sets of demands incompatible but there is no trust whatsoever.

There are any number of proposals describing 'deals' that might end the war, as if this was equivalent to a business transaction that could be settled with a handshake. Ending this war in a way that leads to as stable a relationship as is possible between these two countries, after one has been viciously attacked and the other humiliated in battle, will require addressing issues that would be complex under the best of circumstances, and these are the worst.

Those who urge a 'deal', based on mutual concessions, that has any chance of being turned into treaty language need to recognise that this would not stop the war in short order because nothing can be agreed or even implemented within such a timescale. We need to think in terms of a two-stage process (and possibly more). This requires separating the fundamental territorial question, which is now the main driver of the fighting, from all the other and consequential issues that would need to be addressed in a proper peace process. When we get to that stage, the main factor influencing progress could well be the sanctions imposed by the West and this will, therefore, require a direct role for the US, EU, UK and other interested parties.

The final stage would be a proper peace settlement, which would need to define the border between the two countries, agree the status of Crimea, possibly offer measures to deal with residents of Ukraine who might identify more as Russians (far fewer now than before), consider questions of neutrality and security, and address issues of reparations and war crimes. The point about this stage is that other parties would need to be involved simply because it is hard to see how Moscow could agree to much while the many layers of sanctions were still in place. These layers could only be removed with confidence as agreements were being fully implemented. Just stating a possible agenda illustrates the problems facing a conference intended to produce a durable peace.

And that is before the Putin question - the one with which we always seem to end. So long as he remains in power, can there be a serious negotiation at all and would the US, UK and EU feel that they could lift sanctions?

None of this is predictive, for how all this works out depends on future military and political developments that will shape the bargaining positions of the two sides and how they approach talks. They are all issues, however, that are worth thinking about now.

## // Diplomacy and defence latest

- As **Russian forces lost ground in recent weeks**, senior Russian military leaders had conversations about when and how Moscow might use a tactical nuclear weapon in Ukraine, according to US officials. President Putin was not a part of the conversations, according to intelligence reports that were circulated inside the US government in mid-October. But the discussions did set off alarm bells.
- In the EU, **Germany is accused of pursuing a 'Germany first' policy**; this comes after the country decided to issue a €200 billion financial package to help its industry cope with the energy crisis.
- Several EU members states, including France and Italy, have pointed out that this could lead to a **fragmentation of the EU's single market**, by giving an unfair advantage to German companies. They called for an EU-wide approach, such as the jointly guaranteed loans which were first introduced during the COVID-19 crisis. Germany, however, seems sceptical about such a tool.
- The French President, Emmanuel Macron, has also **denounced Germany's lack of support** for joint European defence projects, as well as its upcoming solo visit to China – almost straight after the country's Communist Party congress. This approach by Germany might jeopardise European cohesion, which could be detrimental to Europe in the current geopolitical crisis.
- **Ukraine now has an edge in both range and in precision-guided rockets and artillery shells**, according to battlefield commanders and military analysts. Its soldiers are also taking out Russian armoured vehicles with drones and other weapons provided by the US and its allies. This firepower appears to have tipped the balance in the south, raising expectations that a long-anticipated assault on the city of Kherson is drawing near. The question remains just how long the Russian forces can, or will, hold out there.
- **Ukraine imposed more power rationing across the country this week**. In the capital, residents were told they would need to go 12 hours a day without power, with neighbourhoods rotating the times they would have access to electricity.
- **Ukraine has been sustained by tens of billions of dollars in American aid**, weaponry and funding. But there are signs that such aid might be called into question if the Republicans take control of Congress in the upcoming midterm elections.

## // Economic impact

- **The OECD estimates the war's likely toll on the global economy to be about \$2.8 trillion for 2023.** Although it shied away from forecasting a global recession, the organization downgraded its outlook, maintaining its expectation that global economic growth would be a "modest" 3% this year and an even weaker 2.2% next year.
- **EU leaders agreed on new emergency measures to tackle the energy crisis in Europe.** These include a reduction in demand, a cap on excess revenues of renewable, nuclear or lignite energy producers, public intervention in the setting of retail electricity supply prices and a 'solidarity contribution' from the fossil fuel sector. The European Commission recently proposed additional measures in order to limit the price of gas, including joint purchase of gas at EU level, ensuring fair prices for gas and electricity, demand reduction and more solidarity across the EU in gas sharing. EU leaders are set to adopt these new proposals on 24 November. However, the European Commission's proposals do not include a strict cap on gas prices, despite calls from many member states for such a limit.
- In a visit to Kyiv on 1 November, the EU Commissioner for Energy, Kadri Simson, said that the **EU and its allies will help Ukraine repair and replace energy infrastructure damaged by Russian attacks.** Reportedly, 30% of Ukraine's energy infrastructure has been affected in recent strikes. President Macron further confirmed that Ukraine's water supply and electricity infrastructure has seen "significant damage" from Russian assaults. He added that action is required before winter; he therefore called for a swift mobilisation of the international community and the private sector.
- On 26 October, European Commission Vice President Věra Jourová said that the **European Commission is currently working on a new sanctions package against Russia and its allies.** While not giving away any details or possible timelines, she did suggest that the focus would be on Belarus.
- President Zelensky has called for \$57 billion in aid to rebuild his country and, in the meantime, keep its economy afloat.

- According to draft plans, the **European Commission is seeking to raise €18 billion in loans and grants to fund half of Ukraine's expected budget deficit** in 2023. Disbursements would be made each quarter, starting in January. The Commission has laid out three options to secure the necessary funding.
  - The first option considered is to borrow funds against the difference between the maximum amount the EU can request from EU member states and the actual EU spending. This option does not require guarantees from EU countries but would need approval from all EU member states as well as the European Parliament.
  - The second option consists of reiterating the method currently used in which member states provide budgetary guarantees to the European Commission. However, this time the guarantee should cover 100% of the amount, rather than 61% as before. This option would take longer than the first one because of the delay before guarantees were in place. Member states would also need to provide counter-guarantees in case of default from their fellow countries if losses occurred.
  - The third option is equivalent to the second option, but without the counter-guarantees. Instead, in case of default, the European Commission would need to restrict planned EU spending.

## // Political Impact

- **Winter is coming** and Europeans are struggling with high inflation and energy shortages, which could undermine support for Ukraine.
- **Liz Truss, the former Prime Minister of the UK (a key Ukrainian ally), was recently forced out** of office and succeeded by Rishi Sunak. In Italy, Silvio Berlusconi, the former prime minister who may be part of the new coalition government, was caught on tape blaming Zelensky for the war.
- **Vladimir Putin declared martial law** in four Ukrainian regions that he had claimed to have annexed. Putin also gave more power to Russia's regional governors. These measures could keep a lid on dissent in Russia and allow the pro-Moscow authorities to impose curfews, seize property and forcibly resettle residents in the Ukrainian regions of Donetsk, Luhansk, Kherson and Zaporizhzhia, which Russia has illegally claimed but does not fully control.

## // 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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