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PEACE, SECURITY AND DEFENCE STUDY – MAY 2024

Ukraine: cost of inaction

What's at stake for our economies, politics and democracies

Authored by Paul Ames
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This report is part of Friends of Europe's Peace, Security and Defence programme. Written by Paul Ames, it brings together the views of scholars, policymakers and senior defence and security stakeholders.

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Executive Summary

Paul Ames
Former AP NATO Correspondent

The war in Ukraine is the defining event of our times. The choices governments in the West are making in response will have profound implications, not just for Ukraine, or Europe, but for the future of democracy around the world.

We must stand with the Ukrainians. The attack upon them is illegal, unprovoked and aims to snuff out their aspirations to live free in democracy. Giving them all the military and financial assistance that they need to win the war and rebuild as quickly as we can is morally the right thing to do.

It is also in our interests. The West will gain a strong strategic ally and an economic partner with enormous potential. If we allow Moscow to prevail, Russia and its authoritarian allies will spread their influence around the globe. Putin will not stop at Ukraine. He will seek to advance Russia's imperial ambitions. If he succeeds in undermining NATO solidarity, nowhere in Europe will be safe. In league with its friends in China, Iran and North Korea, Russia will be emboldened to further undermine the international order and democracy everywhere.

For too long, insufficient Western action allowed Putin to suppose he could pursue his brutal expansionist campaign with near impunity. In 2008, NATO allies bowed to Russian pressure in denying Ukraine and Georgia a path

to membership; four months later, there was no adequate Western response when Russia marched into Georgia and seized a fifth of its territory. Limited sanctions after Moscow's illegal occupation of Crimea and assault on eastern Ukraine in 2014, surely encouraged Putin's belief in Western weakness. Too little was done to deter his full-scale invasion in 2022. Since then, Putin may have been wrong-footed by the scale of Western support to Kyiv. Still, only the Baltic states and Denmark spend over 1% of GDP on military assistance to Ukraine. The long congressional freeze in US military aid has left Ukraine's defenders outgunned and its cities open to lethal attacks.

This report seeks to examine the perils that could result from further Western inaction, but also the opportunities that will arise from Ukrainian success in defeating the invader, and emerging as a strong, prosperous nation on the path to European Union membership.

The first section centres on security. It looks at the stakes for Ukraine as it battles for survival, examines Russia's conventional and hybrid threats to NATO and the EU, and considers the wider geopolitical impacts of the war and Moscow's shredding of the international order. The section concludes by analysing why funding Ukraine is the most cost-effective way of protecting the West despite the multibillion-euro bill.

The second section focuses on economics. We review the opportunities in Ukraine's reconstruction plans and the impact of ongoing reforms to modernise the economy, digitalise services and clean up corruption. The report explores the key sectors of energy, agriculture and tech and highlights the demographic dangers posed by a prolonged conflict. Lastly, we assess the implications of Ukraine's progress toward EU membership.

There are signs public sympathy and solidarity is waning in Europe and North America amid the rising costs of a war now in its third year, and at a time when many are struggling with slow growth and high living costs. Beyond the clear ethical case for supporting Ukraine, this report accentuates the advantages for Western societies. Spending on Ukraine now will save taxpayers from paying more on defence over the longer term; by keeping Russia at bay, it protects our democracies without putting Western troops in the line of fire. Supporting Ukraine is already creating jobs in the West; investing in reconstruction will generate more wealth. Integrating Ukraine's agricultural and energy potential with the European economy will boost the security of supply and help cushion consumers from price shocks.

In preparing this report, we held over 20 interviews including with members of the Ukrainian government and parliament, experts from state agencies, civil society, business and the media. We talked to officials at NATO, the European

Commission, the External Action Service and the European Bank for Reconstruction and Development, as well as economic, security and international relations experts from several NATO and EU countries. Out of courtesy to those who spoke on condition of anonymity, we do not mention any names here, but I would like to thank them all. I also want to thank Jamie Shea, Senior Fellow at Friends of Europe and former Deputy Assistant Secretary-General for Emerging Security Challenges at NATO, for his ever-pertinent suggestions for improvements to the text, and Cyril Tregub, Oleksandra Suprun and Nakoma Hartwig at Friends of Europe's Peace, Security and Defence team for their invaluable help preparing the report.

As I wrote, there was a shift in the military equation when Congress finally unfroze the $61bn US military aid package for Ukraine. If the right equipment and ammunition flow fast enough, it should allow Kyiv to better protect its citizens and turn around recent battlefield setbacks. This is, however, no time for complacency or inaction. Democracies in Europe, North America and around the world must ensure the Ukrainians get all the support they need to defend their freedom and ours.

Foreword

Jamie Shea
Senior Fellow for Peace, Security & Defence at Friends of Europe

In the summer of 1938 the British Prime Minister, Neville Chamberlain, wondered aloud why Londoners were "putting on gas masks and digging trenches in Hyde Park because of a quarrel in a faraway country of which we know little". He was referring to Czechoslovakia. A year later, Britain was at war with Nazi Germany and fascist Italy and later with Imperial Japan in what became, within five years, the most destructive conflict in human history. Even in the Europe of the first half of the 20th century the concept of 'faraway' was elusive; the fate of one country rapidly determined the fate of all the others on the continent. Those European politicians who put their faith in appeasement - the hope that making concessions to dictators would bring lasting peace by satisfying their territorial ambitions - were forced belatedly to recognise that the opposite was true: when aggression pays, its perpetrators become more hungry for conquest, not less. "There but for the grace of God go I" is a common expression of relief when we feel that we have dodged a bullet. But in international politics countries do not have miraculous escapes when they live next door to hostile authoritarian regimes. Even if war is not inevitable, the strain of perpetual crisis and the increased costs of providing security and enhancing domestic resilience pose a constant challenge for democratic governments.

We mock Neville Chamberlain today for his naïveté, but at the time, his pacifist views were shared by broad swaths of

public opinion both in Britain and continental Europe. No one wants war and people hope that if their governments do nothing to provoke the dictators, the latter will turn their attention away from them. We can have peace simply by looking away and staying on the sidelines. Why expose ourselves to retaliation by getting involved in other people's historical disputes and quarrels? So it is with Ukraine today. It is not a NATO member so the Western allies can conclude that they have no formal obligation to defend it. Ukraine has the prospect of EU membership and thus of the solidarity and mutual assistance of its fellow Europeans, but this eventuality still seems very distant. In the immediate, helping Ukraine to withstand Putin's aggression is expensive, a diversion of resources that could be better spent at home. Russia is bigger than Ukraine with more soldiers and more weapons. So, some may believe that it is bound to prevail sooner or later. Let's recognise this reality and cut a deal with Putin while we can to save as much of independent Ukraine as we can - and save our own skins at the same time. A hallmark of appeasement is that it also tries to justify itself by culpablising the victims rather than the aggressors. Isn't NATO enlargement, extending security and stability to 16 democracies in central and eastern Europe after the Cold War, responsible for Putin's move to build a Russian empire in the former Soviet space? Isn't Ukraine responsible for continuing the war by refusing to give up more than 20% of its territory to a coun-

try that wants to bring all Russian speaking communities within its fold? Populists throughout history have espoused this type of complacent and lazy narrative as if democracies can best protect themselves by giving in to their enemies.

Yet the view that Ukraine ultimately doesn't really matter to us or that helping Ukraine to survive is an act of charity, unconnected to our fundamental interests as Europeans, is as dangerous as it is misguided. A Russian victory in Ukraine is not something that Europe can observe from the sidelines and then move back to business as usual in the world before February 2022. Of course that Russian victory would be immediately catastrophic for millions of Ukrainians remaining in the country or who have fled or will flee abroad with little prospect of ever returning to their homes. Yet, in the longer term, it would be no less consequential for the hundreds of millions of Europeans and even North Americans who have become used to living in relative comfort and security and, above all, in freedom within the EU and NATO. They would be less secure and less prosperous and would soon experience the consequences of constant Russian interference in their affairs first-hand. This is exactly what this report sets out to demonstrate. It is not an exercise in scaremongering but the most up to date compendium that we have available of the facts and statistics and the knowledge of leading experts on the repercussions of a Ukrainian defeat. No assertion is made that is not backed up by facts and evidence or, at the minimum, projections that are based on those facts.

This is true first and foremost of the military domain. Russia in control of Ukraine will soon have its troops on NATO's eastern borders, posing a constant threat to the Baltic states and Poland but also to Finland and Sweden and the entire central and eastern European region. Defence budgets will have to keep on going up and already there are calls (and not only from Donald Trump) for the NATO target of 2% of GDP allocated to defence to be increased to 2.5% or even 3% or more. Unless the European economies grow at much faster rates, more guns will mean less butter in terms of reduced budgets for health, education and social welfare. Billions will have to be spent on ramping up arms production and restocking arsenals. Living next door to an over-armed Russia with its military production at maximum levels, a massive nuclear arsenal and a permanent war footing will not be pleasant. Many European leaders and Alliance military commanders, not known for hyperbole, have warned that NATO might have to be ready to fight Russia in as little as five years. Of course, if Russia is forced to leave Ukraine, it will still be a resentful adversary of the West conducting its usual hybrid warfare and propaganda campaigns, but its military threat will be more manageable.

Yet there are many other serious consequences for Europe of a Russian victory that this report analyses.

For instance in the humanitarian area. Already, over six million Ukrainians have fled the country, including thousands of military-age men that Kyiv is now trying to bring home

and conscript into the army. This volume of Ukrainian refugees is already putting a strain on the reception capacity of EU member states and other neighbouring countries. Yet if Russia captures more sizeable chunks of Ukrainian territory the outflow of refugees could exceed 20mn, stretching the EU's Temporary Protection Mechanism to its limit and overwhelming the absorption capacity of European countries and local communities. The more the war drags on in Ukraine, the more the EU and donor countries will need to divert humanitarian aid to the hundreds of thousands of Ukrainian war veterans and civilians suffering injuries and mental trauma. Development assistance in other crisis regions, such as Africa or the Middle East, will pay the price further entrenching North-South divides.

Already the World Bank and the European Commission have assessed reconstruction costs in Ukraine at just under 500bn. But as every day scores of Russian missiles and drones crash into Ukraine's cities and critical energy infrastructure, that cost is constantly rising. The reconstruction bill will have to be paid by the Europeans. But a Ukrainian victory returning the country to its full sovereignty and control over all its territory will enable Ukraine to exploit its own economic assets and natural resources and make it much easier to attract private sector investment. An independent Ukraine will be able to attract international finance and pay more for its own reconstruction than a truncated and failed state requiring per-

manent life support from its Western neighbours. The same applies to food and energy security. A rising global population and the growing impact of climate change on crop production could lead to greater food shortages in future and affect Europe's own food security. Ukraine is one of the world's largest producers of wheat, maize and sunflower seeds. Certainly there will be challenges incorporating Ukraine's massive agricultural sector into the EU's Common Agriculture Policy, as recent blockages of Ukrainian food transport into the EU have demonstrated; but in the longer term, Ukraine's membership of the EU will greatly enhance the food security of over 500mn Europeans and also allow the EU to send food aid to countries facing famine in East Africa and elsewhere. The alternative of Russia gaining permanent control of Ukraine's agriculture would increase Moscow's capacity to exploit new dependencies or even blackmail the EU, as it has done with gas supplies in the past. Energy is another area of strategic advantage, as even during the war, Kyiv has been able to export its surplus gas to the EU.

Yet perhaps the biggest concern of all is that a defeat for Ukraine would also be seen by Putin and his fellow dictators as a defeat for the West. This a sign of the weakness and divisions of the democracies and their incapacity to keep their oft-repeated promises that they will be with Ukraine "for as long as it takes" and "not allow Russia to win". Military force will have paid off and Russia and other revisionist powers

across the globe will feel that history is on their side. The world will become more dangerous and crises more frequent and severe. The European project, with its promise to extend peace and prosperity across the continent, would suffer an enormous blow to its credibility, as would NATO's promise to extend membership to countries who are upholding its values and paying a high cost to defend NATO's borders even from outside the alliance.

These are just a few examples of the impact of a Russian victory on our security and prosperity which are analysed in depth in this report. The report's author, Paul Ames, the former AP correspondent in Brussels, supported by a team at Friends of Europe, has done a commendable job of research and analysis. Together, Paul and my colleagues at Friends of Europe have looked at all the multiple domains - military, hybrid warfare, financial, economic, technological, humanitarian, and food and energy. The conclusion of the report is overwhelming: helping Ukraine will be expensive and will need to be sustained on a much longer term and systematic basis than what we have witnessed over the past two years where the aid has been reactive and inconsistent. We have established multiple red lines on the weapons we are willing to give Ukraine, only to then change our minds and then send those weapons (whether F16s, tanks, cruise missiles or long range artillery) too late and in far too limited quantities. But all this said the cost to us of a Russian victory will be much higher. The right course of action morally is also in our security and economic self-interest.

This report is published at a difficult moment for Ukraine. Running short of weapons and ammunition, the Ukrainian army had to give way in the Donbas and build a new fortified line. Emboldened, the Russian army has captured a number of small villages and is gearing up for a spring offensive of its own. Moscow has also taken advantage of the shortage of air defence systems in Ukraine to strike at the country's energy grid, ports and industry, making life ever more miserable for the civilian population and setting Ukraine's development back by years. Kyiv also faces the challenge of raising a new army of half a million soldiers to replace those valiant but exhausted combatants who have been in the trenches since February 2022.

Yet to lose some tactical battles is not to lose the war. Russia has not yet captured a major Ukrainian city. Ukraine has shown a brave ability to fight back by striking Russian warships in the Black Sea and oil refineries deep inside Russia. Even diminished, the Ukrainian forces are still able to inflict disproportionately large losses on the Russian army. The US Congress has finally passed its massive 61bn assistance package, and the EU and member states, as well as the UK, Norway and Canada, have stepped up their aid packages and weapons deliveries. In short, nothing is inevitable and Russia can still be defeated-provided the fine words of support and new financial packages can be translated into shells and ammunition in the front line within a matter of weeks. This report, by underlining the issues and choices that are truly at

stake in Ukraine, should serve as a wake-up call. The situation can still be salvaged but not indefinitely. We need to act more decisively and to act now.

It will not be enough for governments to make promises and decisions. As we approach the European Parliament elections in June and elections in Europe and across the Atlantic later this year, political leaders need to make the case for Ukraine to their citizens and vigorously combat 'Ukraine fatigue'. Given the stakes, this is a luxury that we cannot afford as the outcome of the Ukraine war will define our future for decades to come - and whether we return to a cold or even hot war in Europe or continue to live in a space of freedom, democracy and open societies. We need our political leaders to be bold and convincing; but this important and timely report from Friends of Europe will hopefully give them the facts and arguments - the intellectual ammunition - to make that case.

Shutterstock: woman in Ukrainian army.
Out of more than 400,000 soldiers currently serving in the Armed Forces of Ukraine, about 20% are women.[Eurownews]

Chapter 1:
Geopolitical consequences of inaction

UKRAINE'S FIGHT FOR SURVIVAL

"Give us weapons and we will fight, because now we are the only obstacle between you and them," **Maryna Ovcharenko**[1], a university student from, Kharkiv, says.

For Ukrainians, the cost of insufficient Western support could hardly be clearer. In the short term, it means more death and destruction as their frontline troops run out of ammunition and their air defence systems can no longer protect cities and critical infrastructure from Putin's missiles and drones.

The much-delayed decision by Washington to unblock $61bn in military aid, and commitments by European Allies to send more[2], are raising hopes that the Ukrainians can reverse setbacks over recent months when they were starved of ammunition. However, without adequate international support, delivered promptly and guaranteed over time, Ukrainian bravery may no longer be enough, and the defenders will risk being worn down by the sheer weight of Russian manpower and munitions. Russia's stated war aims fluctuate, but at the very least Putin aims to annex vast swathes[3] of Ukrainian territory in the east and along the Black Sea coast.

Maybe he will leave a Belarus-style rump Ukrainian state in the west, with puppet government and sham democracy.

The human consequences of such an outcome would be horrifying. Suppose lack of support for Ukraine allows them to roll forward again. In that case, Russian troops can be expected to commit more atrocities in the pattern of the Bucha[4] and Izium[5] massacres, enjoying impunity to settle scores with the people who have resisted them for so long. Millions of Ukrainians would flee to the West. Those left behind will face similar treatment to that inflicted on people in territories already occupied by Russia. Instead of the vibrant democracy that blossomed following the Euromaidan uprising of 2014, Ukrainians would be forced to anoint Putin and his collaborators with replays of the farcical elections Russia held in March. Ukrainian patriots, democrats and other dissidents would face the arbitrary imprisonment or judicial murder inflicted on regime opponents in Russia. More children will be dragged from their families to be 'russified' as Ukrainian culture is eradicated to fulfil Putin's vision of Russians and Ukrainians as 'one people.'[6]

"We are fighting not just for territories, but first and foremost for people who are living in those territories [...] it is human. We have no moral right to leave those people alone and tortured under Russian occupation. That is not peace," Oleksandra Matviichuk, head of Ukraine's Centre for Civil Liberties, Nobel Peace Prize Laureate and Friends of Europe European Young Leader (EYL40), told a recent EYL40 event. "This is not just a war between two states. This is a war between two systems, between authoritarianism and democracy."

Ukraine is fighting for its survival as a sovereign, independent nation, but the Ukrainians' struggle goes beyond the defence of their flag, territory, unique culture and 1,000-year history. They are fighting for a way of life: the

democratic, European way of life where human rights and the rule of law are respected. They are fighting for a country where the press is not stifled, where opposition leaders are not murdered in Arctic gulags, where their country's riches are no longer controlled by a coterie of government stooges.

As the second anniversary approached, the United Nations[8] confirmed 10,582 slain Ukrainian civilians since Russia launched its full-scale invasion in February 2022. That includes 587 children. It acknowledged 'actual numbers are likely significantly higher'. The deaths of an additional 3,106 civilians were recorded by the UN[9] in the eight years of fighting in Donbas prior to the full-scale invasion. Ukraine rarely publishes military casualty figures, but in February, President Volodymyr Zelensky revealed that 31,000 had been killed.[10]

The ongoing harm to Ukraine's infrastructure, economy and cultural heritage is also immense. Over 167,000 homes have been destroyed, along with 384 hospitals and 3,500 education centres from preschools to universities, according to a study by the Kviv School of Economics. It estimated the cost of rebuilding at $151.2 bn. The war led to a contraction of almost 30% of the economy in 2022, although it bounced back with 5% growth last year.[11]

The killing and destruction continues unabated as Western delays have held up the supply of air defence equipment, and Russia intensifies attacks, particularly on southern and eastern cities in preparation for a renewed ground offensive. "Cities like Kharkiv and Zaporizhizha are getting devastated. Russia is trying to do to them what they did with Aleppo," says Olexander Scherba, Ambassador-at-Large in the Ukrainian Foreign Ministry. Bombing by Russia and its allies destroyed 33,500 buildings in Aleppo, a UNESCO World Heritage city, during the Syrian Civil War[12]. Infrastructure has also been ravaged, including Trypillia Thermal Power Plant, near Kyiv, which was completely destroyed in an 11 April missile attack.

In the two months following publication of the UN casualty report, over 225 civilians were added to Ukraine's fatality list[13]. They include Anna Haidarzhy and her four-month-old son Tymofii, killed as they slept side-by-side when a Russian drone slammed into their Odesa apartment block; the three Kravets children – nine-year-old Sergiy, Zlata aged eight and Lisa, seven-months – all slain along with their

soldier parents in the same attack; Anzhela Chuvpylo, struck down by shrapnel while strolling with her granddaughter when a missile killed five in a residential area of Kryvyi Rih[14] [15]. "I live every day in horror of losing my children," Olha Tsaruk, a middle school teacher from the Poltava region, said at the launch of Friends of Europe's Ukraine Initiative in February. "I appeal to ordinary Europeans, not only to politicians [...] Please give us a chance to live in our land. Today us, tomorrow you."[16]

Such tragedies are a cost of inaction. The longer Western powers dither over sending Ukraine the weapons it needs to end the war, the more civilians will be exposed to such attacks. "Every day of indecision, of lack of clarity leads to loss of lives of Ukrainians," Olha Stefanishyna, Ukraine's deputy prime minister for European and Euro-Atlantic integration, said in March. "Ukraine's resilience should not be taken for granted."[17]

Rates of death and destruction have increased as Russia's increasingly militarised industry is able to crank up missile production and its friends in Iran and North Korea maintain their supplies of missiles and drones. In January, Ukraine's Deputy Chief of Defence Intelligence, Vadym Skibitskyi, said Russia was able to produce up to 130 strategic missiles per month, despite technical and component supply issues[18]. That's up significantly on estimates from early 2023. Skibitskyi also told the RBC Ukraine news site that Russia is now able to produce 330-350 Iranian-designed Shahed attack drones, as well as importing them from Teheran.

There is also growing evidence of Russia's widespread use of North Korean missiles to pound Ukrainian cities.[19]

Ukrainian air defences have managed to limit the destructive impact of such aerial assaults, but their effectiveness has been downgraded as US military aid was held up in Congress. The Ukrainian's success rate in shooting down Shahed drones was about 90% but reportedly fell by a third in the early weeks of 2024. That was partly put down to changes in Russian tactics and modifications that increased speed and ability to avoid detection, but military experts warn the depletion of air defences due to Western delays could drive the overall interception rate down to as low as 20%.[20] "We need more air defence capabilities from our partners," Zelensky wrote after a

deadly raid on Odesa. "The Ukrainian air shield must be strengthened to effectively protect our people."[21]

By mid-April, the message finally seemed to be getting through. Germany has agreed to send another Patriot anti-missile system, bringing its total to three and, as we went to press, there were signs a number of other Allies would follow.[22]

Beside the attacks on cities, lack of support inaction is costing Ukraine on the frontlines. Ammunition shortages forced Ukrainian forces to retreat from the stronghold of Avdiivka in February after months of fighting. In mid-April, the Russians were concentrating their forces on Chasiv Yar, another strategic bastion in the eastern Donetsk region, where outgunned Ukrainian forces were clinging on. "I'm afraid Chasiv Yar will turn into next Bakhmut," cautions Jonas Ohman, Swedish founder of the Blue/Yellow NGO which provides support for Ukraine's military, in a reference to another Donetsk town which fell after a prolonged battle last year. "That would be politically a big defeat."[23]

Kyiv's Euromaidan protesters in 2014 successfully fought with paving stones and home-made clubs against the automatic weapons of the pro-Putin regime's special police but, despite their resolution and ingenuity, even Ukrainians cannot hold off the world's fourth-largest army indefinitely without bullets and shells. "We have way less ammunition to fight with. A friend on the frontline tells me they have now as many artillery shells in a month, as they once had in a day," says Scherba. "It shows every day: Russians move forward 400 metres here, 100 metres there. The second thing is the impact on the spirit. This war is all about spirit … to see America take time-out right at the highest point in the war: it was extremely discouraging, both for civil society and for the army, plus it was extremely encouraging for the Russians. They have the feeling they can break both Ukraine and the West."[24]

The latest aid from the United States and Europe may arrive just in time. "The Ukrainians are at a tough moment on the battlefield right now. They are not running out of courage or tenacity, they are running out of ammunition and we're running out of time to help them," CIA Director William Burns said just before Congress voted through the $61bn package. "With the boost that would come from military assistance both practically and psychologically, the Ukrainians are entirely capable

through 2024 of puncturing Putin's arrogant view that time is on his side. Without (the) assistance the picture is a lot more dire," Burns told a forum at the George W. Bush Center in Dallas. "There is a very real risk that the Ukrainians could lose on the battlefield by the end of 2024, or at least put Putin in a position where he could essentially dictate the terms of a political settlement."[25]

As Allies line up to provide more assistance, better co-ordination is needed to maximise effectiveness, cautions Ohman. "Support from the West is slow and it's very ineffective," he complained. "We had a situation with one unit where they got ammunition of five or six different types, different manufacturers. You can't really use that in a battle situation, because you have to recalibrate. It's a little chaotic."

During the US aid freeze and darkening military situation in early 2024, growing Western doubts about an eventual Ukrainian victory generated calls for Kyiv to accept a negotiated end on Russia's terms to avoid further suffering. Pope Francis outraged Ukrainians in March by suggesting they should show 'the courage of the white flag' and negotiate.[26]

In response to such arguments, it's worth recalling Russia's stated war aims and their likely consequences for Ukraine's people. Putin has said the provinces of Donetsk, Kherson, Luhansk and Zaporizhzhia, which his forces partially occupied, must be part of Russia "forever". This "will not be discussed," he said in a Kremlin speech.[27] He sees Crimea in the same way. Russia is also likely to lay claim to other regions, including Ukraine's second city Kharkiv, and Odesa on the Black Sea. Putin has repeatedly insisted Odesa is a Russian city. Dmitry Medvedev, former Russian president and current Deputy Chairman of the Russian Security Council, demands the "unconditional surrender" and complete annexation of Ukraine, [28] presumably in line with Putin's assertion "that true sovereignty of Ukraine is possible only in partnership with Russia". Even if a rump Ukraine survives, Russia will severally restrict its sovereignty, insisting on 'demilitarisation' and 'denazification' - Kremlin codewords for denying Ukrainian self-determination and establishing a puppet regime, as well as excluding NATO and EU membership. "I don't think a ceasefire agreement is feasible," says Andreas Umland, Kyiv-based analyst with the Swedish Institute of International Affairs. "It's not clear

what Russia would negotiate. They would say: 'you can capitulate' as Medvedev has proposed [...] It's not just that they want some territory, they don't want Ukraine to exist."[29]

Westerners seeking appeasement with Putin, should be aware that Russian success in Ukraine would likely trigger Europe's biggest refugee exodus since the Second World War. For Ukrainians left behind, the dire fate of those already trapped under Russian occupation in Crimea and other parts of southern and eastern Ukraine provides a grim indication what would lie ahead. "The Russian Federation has created a stifling climate of fear in occupied areas of Ukraine, committing widespread violations of international humanitarian and human rights law in an effort to consolidate its control over the population," says the UN Office of the High Commissioner for Human Rights, which issued a wide-ranging report in March. "From the onset, Russian armed forces, acting with generalised impunity, committed widespread violations, including arbitrary detention of civilians, often accompanied by torture and ill-treatment, in some cases amounting to enforced disappearances. While Russian armed forces initially targeted individuals perceived as posing a security threat, over time a wider net was cast broadly to include any person perceived to oppose the occupation."[30]

Human rights defenders report a litany of abuse, including torture and sexual violence. "Torture used by Russian authorities in Ukraine and in the Russian Federation has been widespread and systematic," says another UN report, which details abuse in horrific detail[31]. Ukraine's Centre for Civil Liberties has estimated at least 7,000 civilians are unlawfully detained in the occupied territories. Over 91% of those who escape Russian detention 'claimed that they had been subjected to torture, ill-treatment and sexualised violence'[32]. Ukrainian-language teaching and promotion of Ukrainian culture is suppressed in an effort to wipe out national identity. Citizens in occupied territories are forced to apply for Russian passports[33]. Tens of thousands have been arbitrarily picked up through a, frequently abusive, 'filtration' process targeting Ukrainian patriots. "Those who do not pass filtration are typically transferred to formal detention centres or prisons in Russian-controlled territory of Ukraine or to the Russian Federation, where they may be detained for prolonged periods, and in some cases 'simply disappear' or are presumed killed," says a report from the American Bar Association and its Ukrainian and free-Russian partners.[34]

The mainly-Muslim Crimea Tartar community has faced particular repression along with members of other religious groups outside the Kremlin-aligned Russian Orthodox Church[35] [36]. Journalists and civil society are muzzled. Ukrainians are forcibly recruited into the Russian armed forces and often used as cannon fodder in attacks against their compatriots. "They do a lot of forceful conscription in the territories that have been occupied in eastern Ukraine," says Olga Rudenko, Editor-in-Chief of the ***Kyiv Independent*** and European Young Leader (EYL40). "People sit in their apartments and try not to show up on the streets because they can be forcefully conscripted off the street." Adding to the terror are criminal gangs who are reported to act in collaboration with the Russian authorities. "Crime is just huge. You have gangs roaming the streets, raping people, kidnapping [...] this is what they observe every day," says Anastasiya Shapochkina, President and Founder of the Eastern Circles geoeconomics think tank. "Gangs are absolutely unleashed all over Donbas."[37]

Perhaps the most sinister abuse is the abduction of thousands of Ukrainian children. Ukrainian officials have identified 19,565 youngsters, who have been deported to Russia or forcibly displaced within Russian-occupied areas of Ukraine[38]. They estimate the real number may be over ten times higher. The youngsters are often sent to camps where they are subjected to 'russification' in an attempt to eradicate their Ukrainian culture. Many are given Russian citizenship and placed in Russian foster homes. Frequently the children have been identified in the 'filtration camps' where Ukrainians are registered and interrogated[39]. The echoes could hardly be more sinister. It is an almost "Nazi-like idea of ethnic purity that they need to be educated as Russians", Celeste Wallander, US Assistant Secretary of Defence for International Security Affairs said in February. "It is just astonishing to think that a Europe, which faced the horror of such a leadership doing that to populations in the 1940s, is now confronted with another leadership that is doing that [...] in the 2020s."[40]

The International Criminal Court, in March 2023, issued arrest warrants for Putin and his 'Children's Commissioner' Maria Lvova-Belova for masterminding the scheme. "They are trying to erase our future by abducting our children," says Darya Herasymchuk, Ukraine's Presidential Commissioner for Children's Rights and Rehabilitation. She characterises the mass abductions as genocide.[41]

All this is hardly an incentive to rise the white flag and accept negotiations on Russia's terms. Ukrainians will continue to fight for as long as they are able. "Unfortunately, in our history we already had experience of life under Russia, it was a dark time in our history. We would have repression and terror," says Yehor Cherniev, Deputy Chairman of the Committee on National Security, Defence and Intelligence in Ukraine's Parliament. "We will be forced to survive as a nation. This is an existential war for us."[42]

Western action is crucial to help Ukraine liberate its occupied territories, defeat the invader and fulfil its aspirations for a democratic, European future. With the right level of international support, Ukraine can achieve an outcome that protects that future, ensuring it emerges as a strong, independent partner for the West and an example for democracies around the world.

Borodianka, Ukraine - 6 April 2022:
city after bombing and occupation by the russian army.

BAKHMUT, UKRAINE JAN 17 2023 Ukrainian gunners fire at enemy targets from a self-propelled artillery cannon 2S7 Pion caliber 203mm during russian invasion to Ukraine.

WEAKNESS IN UKRAINE WILL PUT NATO UNDER THREAT

"*The defeat of Russia is indispensable to security and stability in Europe,*" **Emmanuel Macron**, February 2024 [43]

In 2016, Vladimir Putin corrected a nervous-looking schoolboy who'd told him Russia's border ends at the Bering Strait. "Russia's borders do not end anywhere," Putin sniggered. "That was a joke," the Russia leader quickly clarified[44]. Eight years later, Russian authorities took it seriously enough to plaster the phrase on billboards in Moscow and elsewhere, including one at a border crossing with Estonia. [45] [46]

The West is waking up to the realisation that Putin's expansionist ambitions won't stop in Ukraine. "I believe that he is serious about that," Penny Pritzker, Special Representative For Ukraine's Economic Recovery at the US State Dept. recently said of Putin's limitless-Russia boast. "Putin's war is about reconstituting a dictatorial, corrupt empire that seeks to undermine NATO, destabilise peace in Europe and upend the international order [...] If we do not stop Putin in Ukraine, we will be inviting more violence and chaos across Europe."[47]

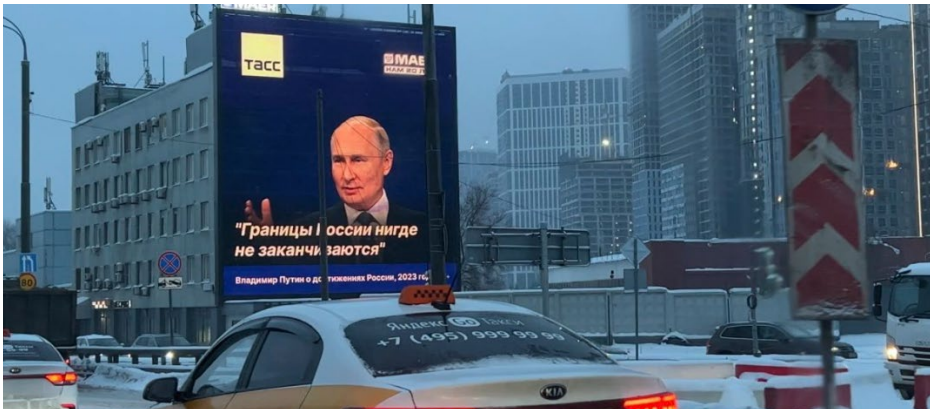
Putin maintains an element of ambiguity about his intentions towards NATO: full of bravado over his nuclear potency and ability to despatch threatening forces to Western borders, while repeating his standard 'we-have-no-intention-of-seeking-conflict' assurances that were so common just before he marched into Ukraine.

His cronies have no such restraint. Among the most active is former president Dmitry Medvedev. His more recent outbursts include a vitriolic article threatening the statehood of Poland as Russia's 'historic enemy' and a social-media post showing a Soviet-era mass execution that threatened 'retribution' against the 'president of non-existent Latvia.'[48] [49] Another Kremlin mouthpiece, Vladimir Solovyov uses his primetime TV show to menace NATO nations with nuclear destruction. He has suggested that London be "turned to dust", threatened to "destroy" Poland and warned Russia will hoist a "victory banner"over the ashes of Berlin.[50] [51]

Such crowing was once laughed off as bragging. Old NATO hands dismissed warnings from newer eastern allies and refused to believe Russia would risk a serious confrontation. That has changed. As Russia's military built momentum in Ukraine at the start of 2024, warnings of Moscow's wider threat have been coming thick and fast from political leaders, intelligence agencies and military commanders.

"Russia's capacity to produce military equipment has increased tremendously," Danish Defence Minister Troels Lund Poulsen told the daily Jyllands-Posten. "It cannot be ruled out that within a three to five year period, Russia will test Art. 5 and NATO's solidarity. That was not NATO's assessment in 2023. This is new knowledge that is coming to the fore now."[52] His German counterpart, Boris Pistorius, warned, "We have to take into account that Vladimir Putin might even attack a NATO country."[53] A Russian attack is not likely immediately, Pistorious said in a ***Tagesspiegel*** interview but, "our experts expect a period of five-to-eight years in which this could be possible."[54] Adm. Rob Bauer, head of NATO's Military Committee, has repeatedly stressed the need for the alliance to be prepared for war. "We have to realise it's not a given that we are in peace. That's why we have the plans and that's why we are preparing for a conflict with Russia [...] if they attack us," he told a Brussels news conference.[55]

Perhaps the most radical reassessment of the Russian threat comes from



X, Steve Rosenberg – Billboard in Moscow 'Russia's borders do not end anywhere'

French President Emmanuel Macron. He drew criticism for this persistence in keeping open channels of communication with Putin as the invasion got underway in 2022 but has lately emerged as one of Europe's most hawkish leaders. "If Russia were to win, the lives of French people would change," Macron said in an interview with two leading TV channels. "We would no longer have security in Europe." Macron has become an outlier among NATO leaders by refusing to rule out sending troops to Ukraine. He says setting limits to Western support means "opting for defeat".[56]

Experts agree a Russian victory in Ukraine will significantly raise the threat level to NATO. Occupying Ukraine's territory would see pumped up, battle-hardened Russian armies pushing into the heart of central Europe. Moscow would gain a grip on Ukraine's formidable military, technical and industrial resources. Putin would enjoy revived domestic justification for keeping the economy on a war footing, churning out weapons and drafting more soldiers for his reinvigorated military. If NATO remains united under its Art. 5 commitment to treat an attack on one member as an attack on all, it might deter further Russian adventurism. Still, Putin's reconstituted forces would be ready to exploit any fractures and vulnerabilities that a Ukrainian defeat would open or aggravate. "What is

most worrying now is that any scenario is possible. We have not had a situation like this since 1945. I know it sounds devastating, especially to people of the younger generation, but we have to get used to a new era mentally. We are in a pre-war era. I don't exaggerate," Polish Prime Minister Donald Tusk told European newspapers in April. "The next two years will decide everything. If we cannot support Ukraine with enough equipment and ammunition, if Ukraine loses, no one in Europe will be able to feel safe."[57]

Defeat for Kyiv would force NATO to spread its forces thinly as they face off against Russians deployed along Ukraine's borders with Poland, Romania, Slovakia and Hungary. That will leave the alliance's most exposed members in the Baltic looking more vulnerable. Russia's first steps would likely be to mop up countries not covered by NATO's protective umbrella - Moldova and Georgia have long been in its sights.[58] At the same time, expect sustained disinformation and destabilisation campaigns to sow divisions among allies and within their societies. Cyber-attacks and political interference would be stepped up, the flood of Ukrainian refugees would be weaponised. Russia would likely seek to whip up unrest among Russian minorities, in the Baltics. To test NATO resolve, it could launch limited military operations targeting sensitive spots such as the Suwalki corridor, where Lithuania and Poland separate Belarus from Russia's Kaliningrad enclave

"The risks of a Russian attack against NATO in the near future would rise dramatically if the US allows Russia to defeat Ukraine now, and the challenge of defending the Baltic states, in particular could become almost insurmountable. These long-term risks and costs far outweigh the short-term price of resuming assistance to Ukraine, according to an analysis published in April by Washington's Institute for the Study of War. "A victorious Russia that succeeds in its aim of destroying Ukraine entirely [...] will pose a major conventional military threat to NATO in a relatively short period. It will be much harder to deter future Russian aggression and both more difficult and far more costly to defeat it if deterrence fails."[59]

Mounting European concern over Putin's expansionist intentions has coincided with doubts over American commitment to Europe's defence. That is fuelled by the prospect of a Donald Trump re-election in November. Trump has said he'd encourage Russia to "do what the hell you like" to "delinquent" European allies who do not contribute sufficiently to defence[60]. The Republican candidate subsequently

clarified those threats were a "negotiation"tactic to get Europeans to pay more. If re-elected, Trump said in a British TV interview, he would "100%" keep America in NATO, just so long as allies "play fair"[61]. Congressional Republicans about-turn to approve the $61bn Ukraine aid package will also go some way to alleviate Allied concerns. However, Europeans worry over growing isolationist and pro-Putin tendencies in American politics. Political threats to NATO unity are not limited to the United States. Marine Le Pen, whose National Rally party tops polls in France, has said she would pull out of NATO's integrated command and seek a "strategic rapprochement" with Russia.[62] Investigators are digging into Russian and Chinese connections with the Alternative for Germany (AfD) party which, polls suggest, will also do well in June's European Parliament elections. Governments in Hungary and Slovakia regularly adopt Kremlin-friendly positions. Turkey has expanded economic ties with Russia as other allies imposed sanctions. A resurgent Russia will exploit such cracks in alliance unity if it emerges successfully from Ukraine.[63]

Meanwhile, despite the mauling it has received from Ukrainian forces, military experts believe Russia will need less than a decade to rebuild its armed forces sufficiently for them to pose a conventional threat to the rest of Europe. "Russia can train about 280,000 recruits per year. In six years, this adds up to nearly 1.7mn and in ten years to 2.8mn people with military training. By training in the units that currently fight in Ukraine, recruits will benefit from their combat experience. Experts and intelligence services estimate that it will take Russia six to tenyears to rebuild its army to the point where it could dare to attack NATO. The clock will start ticking as soon as intense fighting in Ukraine comes to a halt. Then Russia can redirect its current production toward the reconstitution of the armed forces," says a report from the German Council on Foreign Relations.[64]

Those concerns are echoed in an assessment by Estonia's Foreign Intelligence Service which highlighted reforms launched by Russian Defence Minister Sergei Shoigu, which aim to increase the armed forces to 1.5mn by 2026, with a heightened focus on its western flank. Those reforms aim to learn the lessons of the Ukraine war and give Russia the power to launch massed attacks of the kind that have enabled them to overwhelm Ukrainian positions in Donbas over recent months.[65]

"The success and timeline of Russia's military reform will be largely determined by the course of the war in Ukraine. If Russia manages to implement the reform, NATO could

face a Soviet-style mass army in the next decade. This army is likely to be technologically inferior to NATO allies' defence forces in most areas, except for electronic warfare and long-range strike capabilities. However, its military potential would be significant, owing to its size, firepower (including artillery and numerous inexpensive combat drones), combat experience and reserves. Defending against a possible conventional attack from such an army would require Allied defence forces and defence industries to be significantly more prepared, capable and better-stocked with ammunition and equipment than they currently are," the Estonians caution.[66]

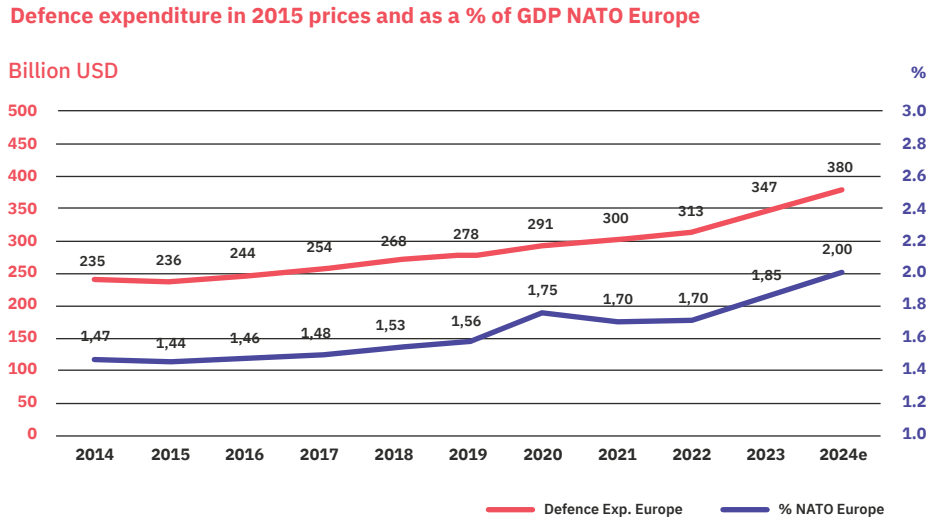
To support its invasion, Russia has adopted a war economy. In 2024, military expenses will exceed social spending for the first time since the fall of Soviet Union, accounting for almost 40% of the budget. Experts believe the arms and ammunition output exceeds Ukraine's needs, and, by making so much of industry dependent on military production, Moscow risks setting its economy on a perpetual war footing.[67] [68]

"We are seeing the militarisation of production. They have put their economy on the military track. These almost 3mn shells that they already can produce in Russia, it's not only for Ukraine, it is more than enough for Ukraine. This is preparation for the big war," says Yehor Cherniev, head of Ukraine's delegation to the NATO Parliamentary Assembly and Deputy Chairman of the Parliamentary Committee on National Security, Defence and Intelligence. "That is why Europe has to be prepared, this a time to ramp up production [...] Europe has to revise all the procedures, NATO in Europe has to become stronger at all levels."[69]

That message is getting through. After years of backsliding, European allies are responding to the increased threat – and Trump's harangues – to ramp up defence spending. This year, two-thirds of the 32 NATO nations are expected to meet or exceed the alliance target for defence spending of at least 2% of GDP.[70] That compares to just three when Russia invaded Crimea a decade ago. "In a world that is the most dangerous it has been since the end of the Cold War we cannot be complacent. As our adversaries align, we must do more to defend our country, our interests and our values," British Prime Minister Rishi Sunak said in April announcing increases to take defence spending to 2.5% by 2030. "Today is a turning point for European security," he added. "If all NATO countries committed at least 2.5% of their GDP to defence, our collective budget would increase

Defence expenditure as percentage of GDP NATO total and NATO Europe

February 2024



by more than £140bn (€163bn)."[71] However, NATO spending is uneven.

Apart from the UK, all the European allies that met the target in 2023 lie east of Berlin, notably Poland, Finland and the Baltic states, where the Ukraine war has aggravated deep-seated concern over Russian threat.[72] "For us this is an existential matter," says Aleksandra Palkova, EU Programme head at the Latvian Institute of International Affairs. "The Baltics are on the maximum level of preparedness, we are working on our military sector, we are working on our cyber defence, we are working on our hybrid welfare [...] we are doing everything to accelerate our capabilities."[73]

Further from the Russian border, the urgency seems less pressing. Spain, Italy and Portugal are among the lowest contributors to Ukraine's war chest and all have defence budgets below 1.5% of GDP. Southerners should watch more Russian television, where the goal of extending Moscow's zone

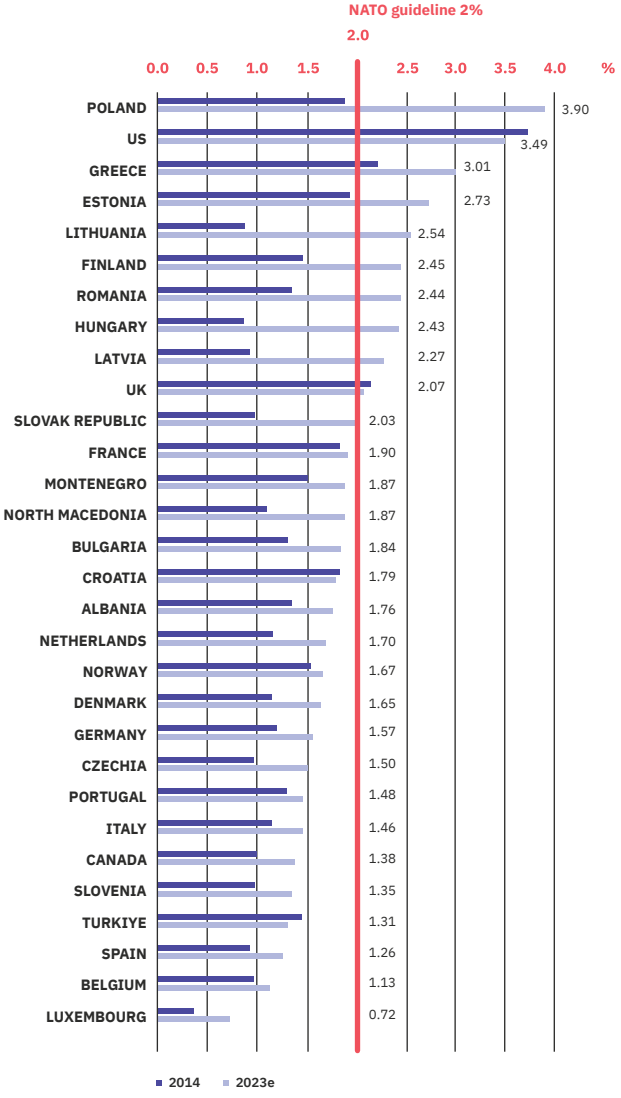
of influence from Vladivostok to Lisbon is a popular theme. During debate shows on Rossiya-1, prominent propagandist Solovyov has more than once insisted Lisbon should be Russian. "The Portuguese would live very well under the Russian empire," he said in November.[74] Ludicrous as such outpourings may appear, they come from one of Putin's trusted cheerleaders, are given prominence on prime-time media, and feed into favoured Kremlin narratives of Russia imperial destiny, military invincibility and ability to end 'American dominance' in Europe and beyond.[75]

Defeat in Ukraine would permanently burst that bubble.

Giving Kyiv the tools it needs to frustrate Putin's expansionist ambitions would underpin NATO unity and demonstrate the alliance's resolve to face down any future threat from Russia, or its authoritarian allies. It would downgrade Russia's combat readiness in the short-term and postpone Kremlin plans to rebuild forces to menace allies in the years ahead. A successful Ukraine could be quickly integrated into Western defence structures, as it emerges from a successful war with the best fighting force in Europe and world-beating defence tech industries.

Defeat might also generate positive change in Moscow. "Putin's collapse is inevitable after Ukraine's liberation precisely because the regime doesn't hold when the leader loses his legitimacy," activist Garry Kasparov, contended in an interview last year with RBC Ukraine.[76] The former World Chess Champion is far from alone in thinking that Ukraine's victory can topple the dictatorship. "Ukraine's ultimate victory on the battlefield is Russia's best hope for rehabilitation," writes Pavel K. Baev, senior researcher at Oslo's International Peace Research Institute.[77]

Defence expenditure as a share of GDP (%)
(based on 2015 prices and exchange rates)



Note: figures for 2023 are estimates

DETERRING THE ALLIANCE OF AUTHORITARIANISM

"Ukraine's survival is Taiwan's survival. Ukraine's success is Taiwan's success," **Bi-khim Hsiao**, Taiwan's Vice-President-elect, May 2023. [78]

Some US politicians argue standing up to Russian aggression in Europe is a distraction from the greater threat posed by China. They say aid for Ukraine would be better spent in the Pacific. That is not a view shared by US intelligence and military chiefs, nor US allies in Asia.

"Russia's failure to achieve its aggressive actions directly aids deterrence in the western Pacific and directly reassures partners," Adm. Samuel J. Paparo, the incoming head of the US Indo-Pacific Command, told the Senate Armed Services Committee in February. He agreed with senators who said supporting Ukraine is central to defending Asia-Pacific peace and congressional approval for the $95bn aid package for Ukraine, Taiwan and Israel would be "the most decisive thing we can do at the moment".[79]

Western inaction in Ukraine has global implications. Russia makes no secret of its desire to shred the existing world order. It is making common cause with Iran and North Korea, receiving missiles, drones and munitions from them to blast Ukrainian troops and civilians. In return, NATO believes Moscow is sharing military technology with Tehran and Pyongyang. [80] Russia, China and Iran are increasingly joining in an

'alliance of authoritarian powers' to challenge Western democracies, Jens Stoltenberg, NATO Secretary General told the BBC. Russian success in Ukraine would strengthen that authoritarian alliance. [81]

If the US abandons Ukraine, on the heels of the withdrawal from Afghanistan in 2021, it would feed directly into the Russian and Chinese narrative of Western weakness and unreliability, encouraging the enemies of democracy everywhere. It would undermine American global leadership and tell allies and foes alike that Washington does not stand by its friends. "Failing to provide aid would have sent a message to nations in Asia and the Middle East that they could not count on US aid," Anthony H. Cordesman, former national security assistant to Sen. John McCain, wrote recently. "It is hard to believe that any current strategic partner or ally would then fully trust the United States [...] Ending US aid, or cutting it to ineffective levels, would be an act of gross strategic stupidity, effectively snatch defeat from the jaws of a considerable victory, do immense damage to America's role as a leader of the free world, and betray the principles on which the United States is based."[82]

Taiwanese officials have been particularly vocal in expressing support for Ukraine and encouraging the US to step up aid to Kyiv. In March, outgoing Foreign Minister Joseph Wu told ***Der Spiegel*** that a Russian victory would be a huge setback to the free world and further encourage China to expand its reach[83]. The incoming Taiwanese administration, elected in January, continue that line. Vice-President-elect Bi-khim Hsiao, was an active petitioner for Ukraine's cause during her time as Taiwan's representative in Washington. "The war in Ukraine has made it clear to the world how important it is for democracies to stand shoulder to shoulder against authoritarian aggression. As more and more countries are realizing, appeasement is not the path to peace. Taiwan will continue its efforts with the United States and like-minded democracies everywhere to support Ukraine, so that freedom and democracy prevail," she wrote last year in a ***Washington Post*** op-ed[84]. Hsiao said support for Ukraine is relevant for Taiwan because it reinforces the value of deterrence and affirms the "credibility and reliability" of the US and its allies.

Noting that "China's rise and Russia's revanchism pose daunting geopolitical challenges" to the US, CIA Director

William Burns wrote that in January, Washington and its allies had sent a powerful message to Beijing by standing by Ukraine. Walking away would be "an own goal of historical proportions" with global consequences. "No one is watching US support for Ukraine more closely than Chinese leaders," Burns explained in *Foreign Affairs* [85]. "For Xi, a man inclined to see the United States as a fading power, American leadership on Ukraine has surely come as a surprise. The United States' willingness to inflict and absorb economic pain to counter Putin's aggression—and its ability to rally its allies to do the same—powerfully contradicted Beijing's belief that America was in terminal decline. Closer to Chinese shores, the resilience of the American network of allies and partners across the Indo-Pacific has had a sobering effect on Beijing's thinking. One of the surest ways to rekindle Chinese perceptions of American fecklessness and stoke Chinese aggressiveness would be to abandon support for Ukraine. Continued material backing for Ukraine doesn't come at the expense of Taiwan; it sends an important message of US resolve that helps Taiwan."[86]

Dmytro Zolotukhin, information security expert at Black Trident consulting group and Ukraine's deputy minister of information policy from 2017 to 2019, believes Russian success in Ukraine would weaken US global leadership and trigger increasingly aggressive behaviour by China, Iran, North Korea and other authoritarian powers. Besides a Chinese attack on Taiwan, he predicts a bid by Russia and China to divide up Kazakhstan's rich energy resources. "We are not just talking about the fate of Ukraine and Ukrainians; this is going to be a loss for the whole democratic world," he said. "If you are on the side of one team and this team is losing, you are losing along with this team." Zolotukhin notes how Russian propaganda, domestically and internationally, whips up anti-Western hatred, preaching unity among a 'global majority' that rejects democratic values. "They are trying to build this violent and aggressive platform, using the narrative of a global majority [...] saying that Western attitudes and Western values are wrong because the majority of mankind which lives in India, China, the Middle East and Africa has other values." He cautions only a military defeat for Putin that shows other autocrats there is a cost of taking on the West will stop that process.[87]

Inaction on Ukraine would negatively affect Western interests beyond Europe and the Asia-Pacific. Russia has been

expanding its influence in the Middle East through military support for the regime in Syria and close military ties with Iran. A recent report by the Royal United Services Institute (RUSI) details how Moscow has rapidly expanded military and economic involvement in Africa. Its tentacles reach around the continent from Libya to Sudan and the Central African Republic. There is a particular focus on the Sahel, where Moscow has been successful in displacing French influence in Mali, Niger and Burkina Faso. Following the killing of Yevgeny Prigozhin, Moscow has incorporated his Wagner Group forces into its GRU military intelligence service, abandoning even the pretext that they were not a direct arm of the Russian state. They are fast grabbing mineral rights, posing a potential threat to Niger's uranium supplies to France's nuclear industry. There are also fears Russia could seek to destabilise Europe by facilitating the movement of terrorists or illegal migrants into Europe.[88] [89]

It's easy to see these activities would be invigorated by Russian success in Ukraine. Victory would burnish brand Russia for its acolytes across the world and further undermine the image and influence of the democratic West. "Russia is very severely increasing its various types of operations in Africa [...] China is playing there as well," warns Jonas Ohman, former Swedish special operations officer and founder of the Blue/Yellow NGO supporting Ukraine, "Defeat in Ukraine would create immense momentum for totalitarian interests to increase their stakes, to increase their presence, their reach, their leverage locally, regionally and globally."[90]

Chiang Kai-shek Memorial Hall,Taipei City,Taiwan,
October 10, 2021: Military parade on Taiwan National Day.

RESTORING THE INTERNATIONAL ORDER

"International law and the principles set out in the UN Charter — including respect for territorial integrity and the political independence of states — are fundamental. That is why the Russian invasion of Ukraine is such a dangerous precedent," **António Guterres**, UN Secretary-General, February 2024.[91]

Russia has crashed a tank through the international rules-based order. The spectacle of a permanent member of the UN Security Council launching an unprovoked war of territorial expansion against a peaceful neighbouring state makes a mockery of the body set up to underpin world peace after the horrors of the Second World War. Much of the damage has already been done. Guterres has stated that the Russian invasion of Ukraine – combined with the lack of unity over Israel's response to the Hamas terror attacks – "has severely perhaps fatally" undermined the authority of the Security Council.[92]

However, inaction over Ukraine, which lets Russia get away with its shredding of international law would set a grim precedent, sending the message that might is right. That nihilistic vision of global affairs would open the way for other malevolent powers to feel free to impose their will on vulnerable neighbours. Standing by Ukraine and imposing real costs on Putin for his murderous attempt to shred and tear up the global rule book would go some way to rebuilding the damage done and show that international legal norms still hold weight.

"The world will only become more dangerous if Putin and his fellow autocrats conclude that they can wipe democracies off the map and force free people to live in fear," US Defence Secretary Lloyd J. Austin stated on the second anniversary of Russia's full-scale invasion. "Today's grim milestone should spur us all to decide what kind of future we want for our children and grandchildren: an open, secure, and prosperous world of rules and rights, or the violent and lawless world of aggression and chaos that Putin seeks. We support Ukraine's fight for freedom, both because it is the right thing to do and because doing so is central to America's continued security."[93]

Moscow makes no secret of its aim to demolish the international security architecture, presenting itself as the champion of a 'new world order' that overthrows Western "hegemony" and stands up for the rights of a 'global majority'.[94] Its increasingly close relationship with China, alliance with the dictatorships in Iran and North Korea and active military support for anti-Western warlords in Africa indicate that the practical implementation of this vision is in full swing and will continue unless defeat in Ukraine breaks that momentum.

However, as Andreas Umland, an analyst with the Swedish Institute of International Affairs, notes, it is the people of the south who the have most to lose from the destruction of global norms as Russia's actions – if left uncorrected – open the way for big countries to bully and batter smaller neighbours. "It's not only big countries are looking at the war, but also smaller countries. If Ukraine comes out with a loss of territory and sovereignty, this will unravel the whole international security system. It's important that this revision of borders will not go through. It would make lots of other countries insecure," he said from Kyiv.

While some on far-right and far-left in Western countries buy into Russia's claim that its wars of aggression, illegal annexations and mass killings – from Grozny to Aleppo to Mariupol – are somehow part of an anti-imperialist struggle against the West, Umland points out that the invasion of Ukraine - "the most worrying blow to global stability and cooperation since the end of the Second World War" - risks clearing the way for more colonial land grabs by authoritarian states. That is another reason why international action is needed to ensure that Ukraine prevails. "The global advantage would be the restoration of international law,"

Umland says. [96]

Russia stands accused of violating over a hundred treaties and conventions. Changes range from breaking international aviation rules by interfering with GPS signals to disrupt civilian jetliners to contravening the Geneva Conventions with brutal treatment of prisoners of war; forced deportations of children and adults; torture, rape and massacre of civilians; and indiscriminate attacks on civilian buildings. [97] [98] In Crimea, documented violations of international law include denial of Ukrainian-language education rights; harassment of the mainly Muslim Crimea Tartar community and other religious minorities; shutting down Ukrainian and Tartar-language broadcasters; and implanting hundreds of thousands of Russian migrants in the territory in violation of international humanitarian law. Blowing up the Nova Kakhovka dam in June 2023, infringed a slew of international laws protecting civilians and the environment. The list is endless.[99] [100] [101] [102]

One of the most alarming elements of Russia's disregard for the rules-based system is its ever more vocal attempts at nuclear intimidation and disengagement from international arms control mechanisms. Last year, Russia revoked its ratification of the Comprehensive Nuclear-Test-Ban Treaty, suspended participation in the 2010 New START strategic arms limitation treaty, and withdrew from the Treaty on Conventional Armed Forces in Europe. Most recently, Putin is also reported to planning to put some sort of nuclear weapon in space, in violation of the Cold War-era Outer Space Treaty.[103]

"Russia's nuclear rhetoric and posturing have made the risk of nuclear weapons use the highest it has been for decades and revived calls for new risk reduction efforts. Amidst these rising nuclear risks, however, Russia is working to weaken the institutions and norms designed to manage those very risks," says a briefing released in February by the Center for Strategic and International Studies. [104]

Moscow's devaluation of the Nuclear Non-Proliferation Treaty (NPT) is of particular concern. When Ukraine became independent from the Soviet Union in 1991, its territory contained the world's third largest arsenal of nuclear weapons, exceeded only by Russia and the US, and with more nukes than France, China and the United Kingdom combined [105]. Kyiv agreed to give up those weapons when it signed up to the NPT in 1994. In

return, Russia, along with the US and UK, gave a series of guarantees under the so-called Budapest Memorandum, notably to 'respect the independence and sovereignty and the existing borders of Ukraine' and 'refrain from the threat or use of force against the territorial integrity or political independence of Ukraine'[106]. Putin says his blatant betrayal of these international law commitments is justified by the 2014 protests that forced his buddy Viktor Yanukovych out of the presidential palace in Kyiv.

Few are convinced. "We are deeply concerned that the Russian Federation, a Nuclear-Weapon State, is undermining international peace, security and stability, the international non-proliferation architecture and the integrity and objectives of the NPT by waging its illegal war of aggression against Ukraine. We condemn the Russian Federation's actions, which are in complete disregard of its international obligations and commitments and a betrayal of the security assurances that the Russian Federation provided to Ukraine under the Budapest Memorandum of 1994 in connection with Ukraine's accession to the NPT, as a Non-Nuclear Weapon State," said a joint-statement from over 50 countries at the NPT review conference in 2022. [107]

Russia's violation of the Budapest Memorandum sends a clear message that giving up nuclear weapons could leave countries exposed to attack and acquiring them would be a deterrence. Putin is further undermining non-proliferation by dropping out of the international consensus against Iran's and North Korea's nuclear weapons ambitions, as he becomes reliant on them for arms supplies. He has compromised Belarus' NPT commitments by the reported stationing of Russian tactical nuclear weapons there in a direct attempt to intimidate NATO. [108]

Unless Russia is defeated, the Kremlin's nuclear bully tactics will encourage its allies to follow its lead, warns Dmytro Zolotukhin, an information security expert at Black Trident consulting group and a former deputy minister of information policy in Ukraine. "It will be the sign for the other nuclear powers that it is possible to attack non-nuclear states, whether you are talking about China and Taiwan, whether we are talking about other regions, North Korea and so on," he said. "The weakness of the international society is reaching such an extent that, if you are a bad guy, you can do what every you want, you can go to any extremes you like." [109]

A demonstrator holds a sign while protesting Russia's massive military operation against Ukraine during a rally on the place of the United Nations in Geneva, Switzerland, Saturday, February 26, 2022.

For the moment, Umland believes China is urging nuclear restraint on Russia through fear that its Asian neighbours would want to develop their own nuclear deterrent. "That is one of the reasons China is against Russia using nuclear weapons. My suspicion is they are fearful that, if the war really escalates, then the countries around China would get worried as well and they will compare their own situation with that of Ukraine and perhaps try to get weapons of mass destruction to protect themselves." [110]

Russia's aggression on Ukraine has been highlighted as possibly "the greatest stimulus to nuclear proliferation in history".[111] "Some non-nuclear-weapon states under threat from hostile nuclear powers may reconsider whether they need their own nuclear deterrent to guarantee their security," Robert Einhorn, former US assistant

secretary of state for non-proliferation, wrote for the Arms Control Association. "Moreover, the perception that Russian President Vladimir Putin's nuclear sabre-rattling succeeded in deterring NATO's direct intervention in the conflict may reinforce the determination of nuclear-armed states such as North Korea to hold on to their nuclear weapons."[112]

The attack on, and ongoing military occupation of, the Zaporizhzhia nuclear power plant (NPP), Europe's largest, and the temporary capture of the Chernobyl nuclear site, are further examples of Russia's disregard for civilian safety and international rules. "The Russian occupation of two Ukrainian NPPs undeniably poses one of the greatest challenges to the global nuclear security regime," says a research paper from Poland's War Studies University. "International safety and security standards, developed for the mutual benefit of all actors in international relations, have been compromised in a considerable way."[113]

The longer Russia gets away with its litany of international law violations, the harder it will be to rebuild the world's legal order. Letting Russia succeed in Ukraine will invalidate the UN and tear up rule books on war crimes, nuclear disarmament and many more key issues. A Russian victory would give Moscow, Beijing and others a base to impose a might-is-right vision on the ruins of the rules-based post-WWII settlement. Acting with determination to help Ukraine to victory could give the West space to work with other players in Asia, Africa and Latin America to repair the damage and restore cooperation around key treaties, conventions and institutional frameworks.

SUCCESS IN UKRAINE WOULD ENERGISE RUSSIA'S HYBRID WAR ON WESTERN DEMOCRACY

"Russia would see a victory in Ukraine as a green light to reshape the European security environment," Estonia's Foreign Intelligence Service, 2024 Annual Report.[114]

The West already faces hybrid warfare from Russia. From electoral interference, cyber-attacks, sabotage, espionage, assassination and disinformation, Moscow is dipping freely into its playbook of subversion to sow division and instability in Europe and North America. Expect those efforts to intensify if Putin succeeds in Ukraine.

The US Intelligence Community's 2024 Threat Assessment predicts Russia "almost certainly" does not want a direct military conflict with NATO right now but "will continue asymmetric activity below what it calculates to be the threshold of military conflict". [115]

"Moscow will continue to employ all applicable sources of national power to advance its interests and try to undermine the United States and its allies," says the report released in February. "This will range from using energy to try to coerce cooperation and weaken Western unity on Ukraine, to military and security intimidation, malign influence, cyber operations, espionage, and subterfuge."[116]

Western technology sanctions and the flight of better-educated Russians from the country have hampered those efforts, note the US spooks, but Moscow's nefarious cyber activities remain an 'enduring' global threat – including to critical infrastructure - that could intensify if it can redirect resources currently focused on Ukraine. "Russia's influence actors have adapted their efforts to better hide their hand, and may use new technologies, such

as generative AI, to improve their capabilities and reach into Western audiences," the report adds.[117]

A senior Ukrainian official warns Western nations that they must recognise that Russia's actions are complex, coordinated and purposeful. Moscow has worked for over a decade with the strategic objective of undermining Western unity, discrediting and eroding basic European values and forming an influential pro-Russian establishment within Europe and the US. Its goals include fragmenting NATO and the EU, diminishing the US presence in Europe and upending democratic politics. In response, Europe and NATO need a coordinated, comprehensive and focused strategy to counter Russia hybrid aggression. They must work closely with Ukraine, which has developed unique insights into dealing with Russia's cyber and other covert Russian activities.[118]

Two-way cooperation against cyber and other hybrid threats is included in a number of bilateral security agreements that NATO nations have concluded with Ukraine. "Participants recognise the need to detect, disrupt and deter malign cyber operations and in particular malicious use of cyber capabilities by the Russian Federation and other hostile state and non-state actors," says the UK-Ukraine agreement signed in January. "The Participants will work together to identify and deter the irresponsible use of cyber capabilities by the Russian Federation."[119]

Western nations are stepping up their game. The Nordics and Baltics set an example of whole-of-society resilience against the threat of conventional and undercover risks. "Being prepared is not only about the military. Being prepared is also about civilian resilience. Europe needs to perfect what happens if electricity is cut off, if you don't get water, if cables are cut," Finnish President Alexander Stubb said at a Friends of Europe event in April. The European Commission has tasked Stubb's predecessor Sauli Niinistö to draft a report to guide others seeking to emulate that preparedness.[121]

Russia's hybrid actions are varied. Sweden came under intensified cyber-attack as it moved towards NATO. Disinformation campaigns sought to undermine the membership bid. Swedish intelligence believes Russia runs espionage rings to uncover military secrets – particularly in the

sensitive high north – and to aggravate societal divisions. "Other states want to try to destabilise Sweden, to change our focus away from the most important political issues," Fredrik Hallström, head of operations at Sweden's security service, told Radio Sweden.[122]

Cyber-attacks also surged against Latvia. "Latvia is the second country in NATO that was most affected by the Russian attacks since the war, after Poland," says Aleksandra Palkova, EU Programme head at the Latvian Institute of International Affairs. "We were receiving it constantly, against public utilities, the private sector, the media, banks, municipal services, everywhere." Fortunately, the authorities were prepared. Latvia strengthened cyber defences after Russia's 2014 land grab in Crimea. Riga also limited Moscow's ability to propagate unrest among Latvia's Russia minority by banning Kremlin-backed TV. [123]

France has become another priority target for the Kremlin, particularly since President Emmanuel Macron shifted to a more hawkish stance on Ukraine. "Putin has not only launched a war against Ukraine, he has chosen to attack France and the allies of democracy," Prime Minister Gabriel Attal told the National Assembly in February. "Interference programmes have been uncovered. This massive destabilisation operation can only be stopped if we reaffirm our full support for the Ukrainians' defence."[124] Examples range from hyped rumours over the Paris bed-bug scare to a proliferation of spray-painted Stars of David to inflame passions over Gaza, from deep-fake reports of French farmers attacking Ukraine's embassy to an 'unprecedented' wave of cyber-attacks that shut down government services and stole data. French security services are on high alert to foil attempts to disrupt the Paris Olympics this summer.[125]

Authorities in several countries are investigating interference ahead of June's European Parliament elections,[126] including allegations of Kremlin payments to Russophile candidates. It's not only Europe's politics at risk. "Moscow views US elections as opportunities and has conducted influence operations for decades and as recently as the U.S. midterm elections in 2022," the US intelligence assessment notes.[127] "Russia is contemplating how US electoral outcomes in 2024 could impact Western support to Ukraine and probably will attempt to affect the elections in ways that best

support its interests and goals." The Balkans is another theatre of Russian hybrid operations where it seeks to propagate division and anti-Western opinion. Its supporters there would be encouraged by success in Ukraine.[128]

While some attacks against the West are limited to nuisance value, intelligence agencies fear Russia is expanding strikes on critical infrastructure and could use sabotage and cyber with devastating effect during a crisis. Russia has made "thousands" of attempts to interfere with European railway networks, Czech Transport Minister Martin Kupka told the ***Financial Times*** in April.[129] Since 2022, incidents involving energy and communications equipment have included mysterious cuts to fibre-optic cables in the Arctic; sabotage of the Nord Stream gas pipelines under the Baltic; and severing the Balticonnector gas link between Finland and Estonia.[130] Attribution is difficult to prove, but evidence frequently points to Moscow. Germany recently arrested two men on suspicion of spying for Russia and plotting of sabotage, including against US military bases. "The suspicion that Putin is recruiting agents from us to carry out attacks on German soil is grave. We will not allow Putin to bring his terror to Germany," tweeted Foreign Minister Annalena Baerbock.[131]

Such news confirms findings in a report by London's Royal United Services Institute (RUSI) detailing how Russia's GRU foreign military intelligence agency has sought to overhaul its subversive capabilities since the war led Western capitals to expel many established agents. The report explains how Russian spies have tightened links with organised crime networks, hiring more foreign nationals from the Balkans and elsewhere and infiltrating Russian exile communities. The Russians are also seeking to exploit the influence of loyal Chechen warlord Ramzan Kadyrov to build influence among the Chechen diaspora and other Muslim communities in Europe, the report notes.[132]

"Russia is using unconventional methods to expand its influence,evade containment, and destabilise and disrupt its adversaries – and is making progress in several directions. Countering these efforts requires an appreciation of the threat that extends beyond Ukraine and the active collaboration of those states that are being targeted. Russian methods are often unsophisticated and there is a litany of failures. Nevertheless, they persist, and so there is a requirement for sustained vigilance," the RUSI report concludes.[133]

There is evidence, too, that Russian hit squads are expanding assassination activities, working with local criminals. Two Poles, who authorities say are linked to football hooligan gangs, were arrested for a hammer attack that severely injured an exiled Russian dissident in Lithuania. Another suspected collaborator with Russian intelligence was arrested in Poland on suspicion of plotting to assassinate Ukrainian President Volodymyr Zelensky, who like other Ukrainian officials, transits through Poland on foreign trips. The bullet-riddled body of a Russian pilot who defected to Ukraine was found in February in a Costa Blanca resort. Spanish intelligence services believe Russian authorities directly ordered the murder, ***El Pais***, reports. [134] [135]

Ukraine has ample intelligence on Russia's subversive activities and is working with the West to frustrate attacks. If inadequate support for Ukraine enables Moscow to secure a successful outcome in the war, Russia will free up cyber and other hybrid resources for intensified assaults on the West. Ukraine would become a forward base for Russian subversion on the frontier, like Belarus whose activities include pushing migrants over the border into Poland and Lithuania; and hijacking an Irish jetliner to kidnap exiled opposition figures.[136] Ukraine under Russian control would be Belarus on steroids. With a 2,235-kilometre EU border and excellent transit corridors from the Black Sea, it could be a conduit for Russia to traffic people, drugs and arms into Europe, especially if more of Ukraine becomes as crime-ridden as territories currently under Russian occupation. [137]

An attempt last year by Belarus dictator Alexander Lukashenka to intimidate Western neighbours by threatening to unleash the around 4,000 Wagner Group fighters relocated to his territory after their aborted mutiny, showed how prompt and decisive action by NATO allies can force Russia and its satellites to back down. "Lukashenka deliberately sought to disrupt and provoke his neighbours. This all happened in the context of an aggressive information and propaganda war, with Lukashenka claiming that Wagner fighters wanted to go on an 'excursion' to the West and visit Warsaw. A swift and assertive response from Poland, Lithuania and Latvia by strengthening the borders with armed forces and closing border crossing points surprised and alarmed Lukashenka. He ordered Wagner to withdraw from the country's western borders to avoid further escalation," reports the 2024 annual report from Estonia's Foreign Intelligence Service. It notes that, as of Autumn 2023,

Wagner personnel were largely confined to a camp far from the border. [138]

Such robust responses are needed to thwart all Russia's hybrid activities. Officials at the Cyber Security Centre of Ukraine's National Security and Defence Council say the level of cyberattacks on Euro-Atlantic infrastructure mostly "depends on Russia's awareness of its impunity." To end that impunity, Europe and NATO need to change mindsets. "We, the West, we are at war with Russia, but ... we don't want to accept that," says Jonas Ohman, former Swedish special services officer and founder of the Blue/Yellow NGO providing support to Ukraine's military. "We are not prepared." [139]

Russia's hybrid activities are a coordinated and deliberate attempt to undermine Western societies. They thrive on others' weaknesses and would be empowered by success in Ukraine. Working for a Ukrainian victory, the Euro-Atlantic powers can spoil that scheme. Ukraine, stable and free, growing prosperous as it recovers from Moscow's aggression and integrates with the West, will be a vital ally and a beacon for democratic forces elsewhere, including, perhaps, in post-Putin Russia. Hybrid dangers won't go away. Russia could remain a menace even after regime change, and there are plenty of other powers eager to undermine the democratic world. The West will have to keep up its guard and continue to build resilience, but a Ukraine victory would deal a serious blow to the most toxic threat to its stability and security.

NATO - Photo gallery: NATO Secretary General at the first annual NATO Cyber Defence Conference in Berlin, 09-Nov. 2023

THE COST-EFFECTIVE PATH TO DEFENDING DEMOCRACY

"Now this war has a price in euros; in the future it can have a price in the lives of European citizens," ***Yehor Cherniev,*** Ukrainian MP, Head of Ukrainian delegation to the NATO Parliamentary Assembly and Deputy Chairman of the Parliamentary Committee on National Security, Defence and Intelligence. [140]

Aid to Ukraine's army is a bargain for the West. Military assistance allocated by NATO allies since Russia's full-scale invasion totalled €85.1bn in February, according to the Kiel Institute for World Economy. That figure is set to leap forward by a further $61bn (€57bn) after the US Congress unblocked aid held for months by hard-right lawmakers, and additional commitments by European allies. [141]

To taxpayers, that sounds like a lot of money, but it's only around 6% of the 2.6tn total defence spending by the 32 allies over the same period. For that, and without putting a single allied soldier in harm's way, NATO gets its eastern flank defended from Russia, whose forces the alliance's Strategic Concept define as "the most significant and direct threat to allies' security."[142]

Western leaders increasingly recognise that, if they allow him to succeed in Ukraine, Putin will pursue Russia's imperialist expansion, putting other European states, perhaps the whole democratic West, at risk and raising the costs of defence exponentially. "If Putin does not pay the price for his death and destruction, he will keep going. And the costs to the US — along with our NATO allies and partners in Europe and around

the world —will rise," US President Joe Biden warned on the second anniversary of Russia's attack. [143]

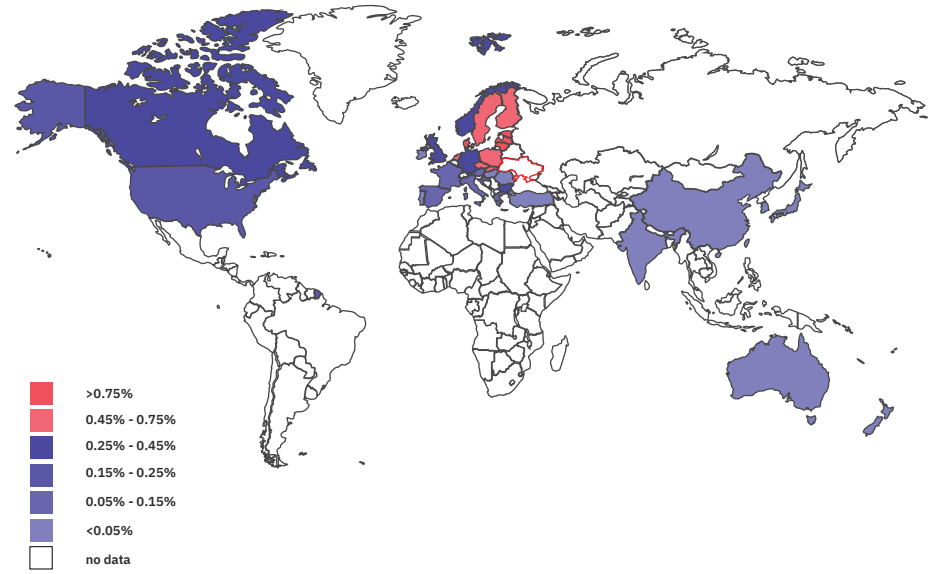
Still, the West's short-term hesitancy - from the long congressional aid freeze to European allies' refusal to step up contributions or hand over the most effective weaponry - encourages Putin to press on. That increases the eventual costs of defeating Russia and protecting the West's strategic interests. Robust defence assistance would stop Russia in Ukraine, deter further expansionism, downgrade the military menace, weaken the Putin regime and send a clear crime-does-not-pay signal to Moscow and its allies – from China to Iran and North Korea. That is a good deal. As a bonus, money earmarked for military support to Ukraine is overwhelmingly spent in Europe and America, providing a shot in the arm for Western defence industries, and creating jobs from Dallas to Düsseldorf and the Dordogne. [144] [145]

According to the Kiel Institute's tracker, total government aid allocated to Ukraine — military, financial and humanitarian — from the EU reached €89.9bn up to the end of February, with the US providing €67bn and other donors - led by the UK, Japan and Canada – around €24bn. The EU contribution will be boosted by the €50bn Ukraine Facility agreed in February to support reforms and investment and keep public administration running until 2027.

Given what's at stake, few Western nations are putting enough money where their mouth is. Meanwhile, Ukrainians are laying down their lives for democracy. Experts warn the new US package, however important, is not a 'game changer' that will secure Ukraine's victory. "Europe has clearly not been able to fill the gap left by the dwindling US aid. This is especially true for ammunition, as the European defence sector has been very slow to build up production capacity," Christoph Trebesch, Head of the Kiel Ukraine Support Tracker, said as latest figures were released 25 April. "Should the US pass no further support packages in late 2024 or 2025, Ukraine will likely to face the same gap in support in 2025." [146]

Only the three Baltic states and Denmark are spending more than 1% of GDP on military aid to Ukraine, led by Estonia with 1.41% and Denmark with 1.28%. "Not all the countries are as forthcoming with support in line with their lofty rhetoric," notes Oana Lungescu, distinguished fellow at London's Royal United Services Institute (RUSI) and NATO Spokesperson 2010-2023. "The important thing is to unlock more support

Ukraine Support Tracker
Total bilateral aid: government allocations in % of GDP



now." According to the Kiel tracker, US military aid before Congress approved the new package represented 0.198% of GDP; the UK's 0.18%; and France, whose president warns Russia poses an "existential" threat to European security has committed just 0.097%, although Paris contests the figures, saying it sends more aid under the radar. Even Poland, where Prime Minister Donald Tusk says Europe is in a 'pre-war'era, only spends 0.47%. [147] [148]

Military experts warn this spending needs to be stepped up considerably. Many see support for Ukraine as the most cost-effective way of blunting the threat from Russia without the West having to go to war. "Europe has to understand that now we are buying time for them with our lives and they have to use that time effectively. They have to speed up their production and they have to provide us with all necessary weapons. We cannot wait a year for Taurus missiles or other kinds

of weapon," says Yehor Cherniev, Ukrainian MP, head of Ukrainian delegation to NATO PA, Deputy Chairman of the Parliamentary Committee on National Security, Defence and Intelligence. Germany rejects Ukraine's request, made public in May 2023, for long-range Taurus cruise missiles for fear they could escalate the war.[149]

Making effective use of the weaponry they have, Ukrainian forces have inflicted devastating losses on the invaders. Exiled Russian media estimate combat deaths at 85,000. [150] NATO officials estimate that the Russian dead and injured exceed 350,000. That compares to around 15,000 Soviet troops believed killed over 10 years of war in Afghanistan. According to the Ukrainian Defence Ministry, equipment losses include over 7,200 tanks, 13,800 armoured fighting vehicles, 350 war planes, 26 ships and 11,700 artillery pieces. [151]

"Supporting Ukraine is not charity. It is an investment in our own security. The US has spent a small fraction of its annual military budget to aid Ukraine. With that, Ukraine has managed to destroy a substantial part of Russia's combat capacity," NATO Secretary General Jens Stoltenberg told the Heritage Foundation in Washington recently. "Supporting Ukraine is in America's own interest. If we cannot stop Russia's cycle of aggression in Europe, others will learn the lesson that using force against America's interests works. The price for our security will go up." [152]

Upping aid to ensure a Ukrainian victory would diminish the Russian threat to NATO. The uncertain security situation will likely mean that allies will still have to contemplate expanded defence spending over the years ahead. However, dealing with a Russia chastened by defeat and, perhaps, with a less-bellicose regime in the Kremlin, will be easier and cheaper than facing up to a Putin pumped up with victory, rebuilding his army, and occupying Ukrainian territory that gives him a strategic bridgehead in the heart of Europe.

"Continuing robust aid to Ukraine is a powerful deterrent to future Russian aggression. A Russian victory in Ukraine could encourage President Vladimir Putin's territorial ambitions, possibly leading him to target a member of NATO. That could lead to a direct U.S.-Russia conflict that would put American lives at risk and increase the possibility of a broader war. Funding Ukraine now is a strategic investment to prevent greater costs later," wrote Alan Yu Senior Vice President for National

Security and International Policy at American Progress. "The United States provides material and financial support to a partner as it counters and weakens a dangerous adversary. U.S. troops are not pulled into the conflict, driving to zero the risk of American battlefield casualties as well as the financial burden required by U.S. military deployments. This is critically important, as conflict escalates in the Middle East and as the Department of Defence faces China's increasing military strength." [153]

Moscow is keeping growth artificially strong by placing its economy on a war footing, hiking defence spending to almost 40% of state spending and ratcheting up investment in arms manufacture. That is unsustainable in the long term. Buffered by economic sanctions, isolated from Western markets and with its civilian manufacturing base eroded, Russia's economy will eventually implode, Western analysts predict. "They will fall into a black hole of galactic proportions," says one NATO expert. "They will hit the limit of what they can afford at some point – the question is when." [155]

In the short-term, the Russians can probably keep up their defence production, despite the economy's privations. "The long-term structural issues are definitely there. The war and the sanctions mean that a substantial part of the economy has shifted from civilian industry to military production. It also means less transparency, more corruption, less productivity," says Laura Solanko, Senior Advisor at the Bank of Finland Institute for Emerging Economies. "Russia has been isolated from half of the global economy and R&D activities. It's very likely that the prospects of growth are much bleaker compared with before the invasion (however) none of this will lead to some sort of a sudden collapse of the Russian economy. There'll rather be a long-term decline." [156] The combined EU and US economies are over 17 times larger than Russia. With this

overwhelming financial advantage, the West can, if it has the necessary political will, easily maintain aid for Ukraine to grind down the Russian economy, without breaking the bank or putting allied soldiers at risk. "NATO outguns them a lot," says the expert at alliance headquarters. "As in the past where we engaged in an arms race with the Soviets, we're better placed to win - if we want to." [157]

Alternative scenarios, where Russia becomes able to forward position forces in Ukraine along NATO borders, would cost much more, the analyst says. The alliance would have to respond at significant cost. "If you think what we are spending now on Ukraine is a lot, think again [...] it would be, very, very expensive. We would be foolish not to double down right now, it would be penny wise and pound foolish." [158]

Despite its losses, experts believe the Russian military could recover relatively quickly if Western inaction hands it victory. Due to Putin's mobilisation policies, the army would be bigger and combat hardened. It may be able to incorporate captured Ukrainian defence and technology capabilities. Faced with a weakened, divided and demoralised West, Russia would likely be able to overcome any remaining sanctions and rebuild its technological base.

"They are learning very fast. They are much more prepared for a conflict with anybody. They don't care about losses," says Jonas Ohman, the Swedish volunteer providing frontline support to Ukraine. "We need to do ten times more than we are doing right now, so to avoid being forced to do 100 times more in the future [...] If we leave [Ukraine] alone, we will have to deal with the consequences for decades ahead. If we do it now, in the short term, we will have an increased intensity in security matters, but, over time, we will secure the perimeter of the Western hemisphere towards Russia." [159]

An in-depth study published in December by the American Enterprise Institute (AEI) warns a victory in Ukraine would mean: "Russia can pose a major conventional military threat to NATO for the first time since the 1990s." Assuming NATO does not fracture, its military strength should deter a Russian attack, even if Moscow manages to gain full control of Ukraine and Belarus, the AEI report concludes [160]. Yet, the costs of maintaining that deterrence will be much greater than those of helping Ukraine to victory. Russia is already building up military infrastructure close to St. Petersburg and in the Kaliningrad enclave on NATO's borders. To protect allies if Russia can move troops and air defences up to Ukraine's long frontier with NATO members, the US would have to revert to a Cold War-era stance, greatly expanding its permanent force deployments in Europe. That would stretch US resources during strategic rivalry with China, and place huge burdens on defence budgets.

"If Russia successfully forces Ukraine into submission and installs a puppet regime, or occupies the country, maintaining US deterrence on NATO's Eastern Flank will have an annual cost that's almost higher than the war in Iraq and Afghanistan combined — something beyond $100bn-$130bn. Add the increased costs for all other NATO nations, and you can throw in another $100bn–$150bn," Jan Kallberg, senior fellow at Washington's Center for European Policy Analysis, estimated in a recent article. "Continued and increased support of Ukraine is the lowest risk, most economically sound, and will amount to the shortest-term commitment. Russian aggression is not going away. Confront it now, at a reasonable cost, or pay far more further down the road."[161]

Analysts at the AEI say a Ukrainian win would push Russian troops back 800km, neutralise threats in the Black Sea and make defending the alliance's eastern members easier and cheaper – not least because Ukraine's victorious army would line up with the allies. "Helping Ukraine regain control of all or most of its territory would be much more advantageous, as it would drive Russian forces even further to the east. Best of all, supporting Ukraine to its victory and then helping it rebuild would put the largest and most combat-effective friendly military on the European continent at the forefront of the defence of NATO—whether Ukraine does or does not ultimately join the alliance." [162]

That message should go down well with politicians who look at the invasion in transactional terms. "It's such a wonderful deal for the US, somebody is doing their fighting for that money. It's exceptional," says Olga Rudenko, Editor-in-Chief of the ***Kyiv Independent*** and Friends of Europe European Young Leader (EYL40). "Trump is all about making good deals, this is a great deal."

The deal is also creating wealth and jobs in Europe and North America. The US spends the vast majority of its military aid on kit manufactured domestically. "While this bill sends military equipment to Ukraine, it spends the money right here in the United States of America in places like Arizona, where the Patriot missiles are built; and Alabama, where the Javelin missiles are built; and Pennsylvania, Ohio, and Texas, where artillery shells are made," Biden said, as the $61bn aid package was still being held up in Congress. "We supply Ukraine with military equipment from our stockpiles, and then we spend our money replenishing those stockpiles, so our military has access to them — stockpiles that are made right here in America by American workers. That not only supports American jobs and American communities, it allows us to invest in maintaining and strengthening our own defence manufacturing capacity." [165]

More generally, American manufacturers sold nearly $162bn worth of equipment in 2023, up more than 8.1%. On a visit to a missile factory in Alabama in February, Stoltenberg recalled that European NATO allies and Canada agreed to buy $120bn worth of weapons from US companies over the past two years, as they raised defence spending in response to the war and enhanced threat from Russia. [167]

"It is in both our moral and national security interests to help Ukraine defeat Russia's unjust aggression," Marc Thiessen, former chief speechwriter for President George W. Bush and Fox News contributor, wrote in the ***Washington Post***. "But our military aid to Ukraine is also revitalising our defence industrial base, creating hot production lines for the weapons we need to deter potential adversaries and creating manufacturing jobs in the United States." [168]

The war is also giving Western arms manufacturers a testing ground and shopwindow. The performance of Patriot air defence units shooting down Russian missiles, including the much-vaunted hypersonic Kinzhal, has been followed by a slew of orders,

including a $5.6bn contract to supply European NATO nations.[169] HIMARS artillery rocket systems and the Javelin missiles that have ravaged Russian tank columns have also seen a surge in demand. In February, Maryland-based Lockheed Martin said it was planning to increase HIMARS production capacity from 48% in 2022 to 96% by the end of 2024. Javelin production is due to almost double by 2026.[170] "Javelin's success on the battlefield continues to prove its international appeal as a combat-proven precision weapon system," Charles Michaels, Javelin international senior programme manager, said last year, as orders were coming from North Macedonia to Australia. [171]

It's not just US firms that are benefiting. Shares in Germany's Rheinmetall, which has supplied Ukraine with equipment including tanks, reconnaissance systems and hundreds of thousands of ammunition rounds, was trading over €500 in late April, compared to €96 the day before Russia's full-scale invasion; shares in France's Thales and Britain's BAE-Systems doubled over the same period [172]. Sweden's Saab increased sales by 23% and created 2,500 new jobs in 2023. [173]

NATO; Meeting of NATO Ministers of Foreign Affairs - Brussels Belgium - 3-5 April 2024; Left to right: Jose Manuel Albares Bueno (Minister of Foreign Affairs, Spain) with NATO Secretary General Jens Stoltenberg and Dmytro Kuleba (Minister of Foreign Affairs, Ukraine.

Borodianka, Ukraine - 6 April 2022: city after bombing and occupation by the Russian army.

Chapter 2:
Geoeconomic risks and opportunity

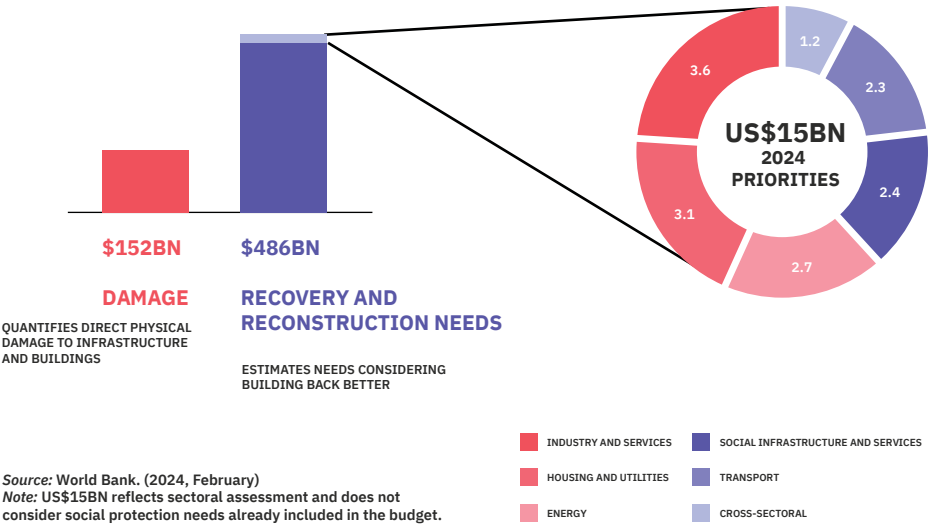
INVESTING IN UKRAINE'S RECONSTRUCTION: BUILDING BACK BETTER

"It's risky to invest in Ukraine right now, but it's riskier not to invest," AmCham Ukraine. [174]

The material cost of insufficient military support for Ukraine can be measured night-by-night as Russian missiles and drones evade Ukraine's depleted air defences and slam into homes, hospitals and schools, museums and churches, power plants, transport hubs, grain silos and other essential infrastructure.

The cost of rebuilding after the damage inflicted by Russia's war reached $486bn by the end of 2023, according to the latest official assessment. That's up $75bn on the previous year. Beyond the physical destruction, a 30% GDP fall in 2022, the rising burden of defence and welfare spending, falling investment, lost human capital and other factors mean the war's economic impact is much higher. [175]

RDNA3 key results: damage, needs and 2024 financing priorities



Source: World Bank. (2024, February)
Note: US$15BN reflects sectoral assessment and does not consider social protection needs already included in the budget.

The repair bill has been rising fast in 2024 as Russia intensifies infrastructure attacks and Ukraine runs low on air-defence ammunition. Ukraine's largest private energy company DTEK said five of its six thermal power plants were "severely damaged" in March during two waves of attacks to knock out Ukraine's grid. It estimates repairs at 300mn. A skim through damage reports for a week in late April reveals a nightly toll of devastation: energy generation units smashed across Kharkiv province, port infrastructure blasted in Odesa, railway hubs hit in Kharkiv and Chernihiv, family homes destroyed across the south and east.

Ukraine, however, continues to prove its resilience. Reconstruction is already pressing ahead. Over 90% of businesses forced to close by the war have reopened. The economy expanded 5% last year, 25 times faster than growth in the EU. Robust recovery is predicted to continue for the years ahead. [178]

The government sees a chance build a better country. Rather than reconstruct, it aims to modernise infrastructure and move the economy towards a competitive, digital and sustainable future inside the $19tn EU single market. That is an opportunity not just for Ukraine but also for its friends and allies and for private international investors. "This massive reconstruction represents the most significant investment opportunity for private capital in the last 30 years," says Valeriya Ionan, Deputy Minister for Digital Transformation and European Young Leader (EYL40). "Private investors are invited to lay the groundwork for their business ventures even before the country wins the war. Ukraine's primary goal is to transition its economic model from raw material dependency to the production of high-value-added products." [179]

Ukraine's efforts to sweep out the corruption that long sullied the country's reputation are key to the reconstruction and modernisation processes. Significant progress has been made since the Euromaidan uprising of 2014 and has intensified since Zelensky's government was elected in 2019. Powerful anticorruption agencies are held up as models internationally. They regularly uncover high-profile cases, even in wartime. The digitalisation of public and business services has removed opportunities for graft, and new legislation has installed stringent transparency standards for public procurement and politicians' assets. Reforms are pressing ahead despite the invasion, driven by the rush to align with EU norms, civil-society pressure and necessity of safeguarding the vast amounts of aid money heading to Kyiv. Ukraine's citizens will be the main beneficiaries, but reforms to clean up and streamline the economy are also vital for attracting the foreign investment crucial for recovery.

International support is already coming in. The EU in April launched its Ukraine Investment Framework featuring a €9.3bn financial package designed to generate up to €40bn in public and private investment over the coming years [180]. However, Ukrainian and international officials on the

ground are struggling to think long-term as they rush to patch damaged infrastructure and keep the economy afloat. "The number one tool to make a sustainable business climate is, of course, air defence," Oleksii Sovolev, Ukraine's Deputy Minister of Economy, told a recent Brussels conference. Still, the strength and adaptability of Ukraine's business actors, particularly among small and medium-sized enterprises (SMEs) continues to defy the missile threat, he added: "This resilience gives a great foundation for economic growth." Current priorities are to ensure Ukraine is sufficiently resilient to withstand, fight back and win, adds a senior European official. It's challenging in the long term while working to ensure the energy system is functional, state enterprises have enough liquidity to operate and infrastructure is patched up, they added. "This is not a normal country strategy [...] we are trying to be agile and to be where the need is greatest, to support the country and the people."

The government began planning for the rebound in the war's opening months. Its National Recovery Plan aims "not just to recover war-related damages, but to leapfrog economic growth and quality of living in Ukraine" over ten years. It's nothing if not ambitious. Goals include revamping public administration and business regulation to sweep away vestiges of Soviet-legacy bureaucracy and oligarch-era graft; alignment with the EU's green and digital transition guidelines; upgrading education and healthcare to ensure a top 25-post in global rankings; reintegrating veterans and returning refugees; expanding transport links with the EU, including a high-speed train to Warsaw; securing $750bn in accumulated investment; and reducing carbon emission by 65%—all that and defeating the Russian army.

International officials are impressed with the Ukrainian's commitment to building back better. "In terms of reconstruction, the country is reinventing itself," says Gert Jan Koopman, the European Commission's Director-General for Neighbourhood and Enlargement Negotiations. "It's an opportunity to leapfrog from what essentially was a Soviet-style economy into to a more modern economy." [183]

Even before February's agreement on the Ukraine Facility to provide €50bn up to 2026, the EU had taken the global lead in providing what Ukraine needs to keep its economy and administration

afloat, maintain public services, rebuild and plan for the future. [184] Excluding military and humanitarian aid, EU institutions and member states had committed €88.11bn in financial support up to 24 February. In financial aid, it is followed by the US with €24.61bn, the UK with €6.08bn, Japan with €5.69bn and Norway with €3.39bn. Another €13bn has come from the World Bank, International Monetary Fund and European Bank for Reconstruction and Development.[185] As we went to press, speculation was mounting that the West could also find ways to use the almost $300bn in frozen Russian assets to activate more funding for Ukraine. In the longer term, the issue of Russian reparations will arise, although care will be needed to avoid repeating the post-First World War experience where resentment in Germany over punitive reparations were exploited by the emergent Nazis.[186]

More money is still needed now. Although the sums are daunting, support for reconstruction goes well beyond altruism. Investing in a Ukrainian victory creates a bulwark against Russian expansionism, deters adventurism from authoritarian powers worldwide and restores the rules-based world order. It also gives the West a formidable security ally and economic partner strategically located at the gateway of Europe across the Black Sea from Central Asia and the Middle East. Ukraine is an agricultural superpower, processes enormous energy potential and has emerged as a world-class innovation hub. “Some mischaracterise our aid to Ukraine as a giveaway. Nothing could be further from the truth,” Isobel Coleman, Deputy Administrator for Policy and Programming at USAID, wrote recently. “American support to Ukraine, combined with the significant contributions of our allies, is instead an investment in a Europe free, whole and at peace, a long-standing US policy, and one of the foundations of Euro-Atlantic security.” Standing with Ukraine, Coleman added,

is a choice between: "an increasingly economically self-sufficient Ukraine anchored in the West" and "Putin's dream of a Ukrainian vassal state". [187]

There are obvious parallels between support for Ukraine today and the Marshall Plan under which the US transferred $13.3bn ($172bn in 2024 prices)[188] in recovery funding to Western Europe and Turkey after World War II. That programme is credited with spurring rapid growth, expanding trade, promoting European integration and, above all, anchoring the beneficiaries in an alliance against the threat of Soviet expansionism. "Seventy-five years ago, the Marshall Plan delivered a message of hope. That is what a Marshall Plan for Ukraine must provide today. A better tomorrow is possible, and there is a path to get there. The Marshall Plan was not primarily charity but a strategy that considered the donor's national interests. To develop such a strategy again should be the Ukraine alliance's ambition. And ambition must come with a sense of urgency, focus, and realism," says a paper from the German Marshall Fund (GMF), the Washington-based think tank founded to memorialise the programme. [189] As with current Ukraine support, the Marshall Plan brought potent benefits for the US economy. Around 70% of the dollar assistance is estimated to have been spending in the US on products ranging from grain to steel, lumber to farm equipment. US trade to Western Europe more than quadrupled over five years, American industrial production rose 25% and unemployment fell by a quarter.[190]

Reconstruction efforts could be the most significant driver of growth in Europe in the coming years. "In my view, investing in Ukraine's reconstruction today is not risky. In my view, investing in Ukraine's reconstruction today is an extremely prudent and forward-looking investment. It is an investment in peace, it is an investment in well-being. It is an investment in the

economic growth of Ukraine, Italy and Europe," Italian Prime Minister Giorgia Meloni told a conference last year. "I trust that those who, like us, have always been pioneers of opportunities that others don't see, will not miss this one." [191]

The flip side, where Russia gains the upper hand, and Ukraine is unable to pursue its path to European prosperity, could generate serious strife for the international economy. Legacy impacts of the surging food and energy prices that followed Russia's invasion still stifle growth as they weigh "on household spending and firms' activity, particularly in manufacturing," the World Bank cautions.[192] "We need this war to end [...] for the sake of the world economy, not just for Ukraine. It adds to geo-economic tensions, and the further they go, the less good are our prospects," IMF Managing Director Kristalina Georgieva, told an April news conference. [193] In Europe and emerging markets, risks of further blows to trade, public finances, growth and inflation would accompany a prolonged conflict. "Projected recovery is also substantially weaker [...] reflecting the effects of Russia's invasion of Ukraine and the rise in interest rates, as well as longer-term scarring from the pandemic and declining growth in working-age populations," says the World Bank's Global Economics Prospects report for 2024. "Moreover, the large shocks of the past few years, including the pandemic and the invasion of Ukraine, have tended to hit low-income households disproportionately and exacerbate poverty." [194]

If Ukraine is to recover, private sector investment will be essential. According to a World Bank survey, over 90% of multinational companies operating in Ukraine before the war have stayed and over half have made new investments. Business interest is increasing, encouraged by government incentives, de-risking services from international insurers and the prospect of Ukraine's integration in the EU single market of 448mn consumers. [195]

Housing and transport are among the priority reconstruction sectors, and private foreign investors can play a big part in them. "A key opportunity for investors right now is getting involved in the modernisation of Ukraine's transport infrastructure," Ari Zoldan, New York investment analyst and media commentator wrote for Nasdaq. "The nation's infrastructure needs to be extended, and the quality of the provided services needs to be improved as everything gradually aligns

with European standards. This process presents significant opportunities for private investments and public-private partnerships."[196] Turkey's Onur Group, was a big player in road, bridge and airport construction before war. Although the conflict has curtailed some operations, it plans to double its $500mn investment by the decade's end. [197]

In construction, the government is prioritising rebuilds that improve energy efficiency and sustainable materials. "After winning the war, Ukraine has a chance to rebuild public and residential buildings according to new principles of green construction," asserts the investment promotion agency UkraineInvest. One company seizing that opportunity is Ireland's Kingspan. It invests €250mn in a factory and knowledge-centre for low-carbon construction near Lviv. [198] "This investment for us is a vote of confidence in President Zelensky's ambition to rebuild the economy as a model for innovation and green technologies," Mike Stenson, Executive Managing Director of the project, told a forum in Washington. [199] Building back better is also taking concrete form in the city of Bucha, north of Kyiv, the scene of massacres when Russian troops arrived in 2022. Since its liberation, the reconstruction of the over 2,000 destroyed buildings in Bucha has included solar panels, improved insulation and heat pumps. "We are rebuilding and we bring life back," Mykhailyna Skoryk-Shkarivska, founder of the Institute for Sustainable Development of Communities in Bucha, told CNN. "We don't want to be a city of tragedy, we want to become the city of success, the city of a future Ukraine." [200]

Beyond immediate reconstruction needs, Ukraine offers vast business opportunities, particularly for early-bird investors taking a chance on success while the bombs are still falling. "In the next 15 to 20 years, Ukraine will become the most dynamic country in Europe and the world. And those who are there first will benefit," says UkraineInvest. "The greatest opportunity in Europe since World War II," Zelensky proclaims on the agency's website. [202]

That may sound like hubris from a nation fighting for its survival, but international observers are also lining up to vaunt Ukraine's potential. "Business leaders don't invest for moral reasons," says Koopman. "They invest for business opportunities and the business opportunities in this country [...] are enormous." He recalls that Ukraine is already the fastest-growing economy

in Europe. Once reconstruction accelerates and international support packages kick in, the economy has the potential for double-digit expansion. "That's an environment, for any private-sector investor, that is really too good to miss." [203]

There's a similar view from across the Atlantic. "Reconstruction and recovery offer significant potential opportunities, particularly for early moving investors with a high-risk tolerance," says the US Department of State's latest Investment Climate Statement. "Ukraine offers a large consumer market, a highly educated and cost-competitive workforce and abundant natural resources. The government continues to advance legislation to capitalise on this potential, with numerous corporate governance and other economic reform draft laws designed to bring Ukraine into compliance with EU standards and regulations that are currently moving forward. Ukraine's increasing momentum toward integration with the EU offers potential opportunities for investors seeking to access the EU market. Additionally, Ukraine's reconstruction is anticipated to attract hundreds of billions of dollars from governments, International Financial Institutions (IFIs) and the private sector."

Business in post-Soviet Ukraine was hamstrung by corruption, inefficiency, poor regulation, judicial inefficiencies and the excessive influence of oligarchs and dinosaur state enterprises. However, a decade of reform has had a major impact. "They have made a lot of reforms, the stereotypes out there of Ukraine being a fundamentally corrupt country, an area where you don't want to go [...] those refer to an earlier period, 10 to 15 years ago," says Koopman. The EU's acceptance of Ukraine as a candidate for membership in June 2022, has provided an additional spur for change as Ukraine aligns with EU standards. "They have been reforming for a long time and since they became a candidate country, they have really come forward a lot," Koopman adds. "That said, they come from very far and we need to be realistic about it. There remains a lot of work that needs to be done [...] It takes time to reform. What sets Ukraine apart from other countries is that accession to the EU is an existential process in the most literal sense. The drive to reform is motivated by that in a way that we haven't really seen in other countries. That's why I am optimistic." [205]

Transparency International singled out Ukraine as a rare bright spot in its latest global Corruption Perceptions Index

(CPI), noting steady improvement over the decade that accelerated last year. "This happened while Russia's war against the country posed immense challenges to Ukraine's governance and infrastructure, heightening corruption risks. The focus on justice system reforms, including restructuring judicial self-governance bodies and increasing judicial independence, has been key," the international watchdog said. "Efforts to strengthen the capacity and independence of its anticorruption agency (NABU) and its anticorruption prosecution body (SAPO) – coupled with a national anticorruption strategy and its comprehensive implementation programme – have provided a solid foundation for ongoing anticorruption efforts. Progress is further evidenced by robust civil society engagement, such as restating public officials' requirement to submit e-declarations of their assets. Ukraine's public procurement remains largely competitive, earning recognition from the World Bank. The government's efforts, especially in the field of reconstruction, have been instrumental in fostering accountability and control." [206]

Since 2014, Ukraine has built an anticorruption infrastructure that includes potent investigation and prosecution agencies, ground-breaking public procurement and transparency rules, app-based digitalisation of government services, restructuring of state-owned companies and decentralisation that has empowered local authorities. "Ukrainians are [...] rightly proud of having built the world's boldest laboratory for approaches to combating corruption that exceed even Western standards," says USAID. It holds up Ukraine's experience since 2014 as a model, highlighting "the world's first public beneficial ownership registry, the world's most transparent public procurement system, the world's first public database of politically exposed persons, and the world's most comprehensive and well-enforced asset declaration system among Ukraine's system of "revolutionary transparency tools". [207]

Ukraine's vibrant civil society and courageous media prevent backsliding. "This is something that is often missing when talking about Ukraine and corruption. When people want to define Ukraine as a corrupt state, they are not taking into account that Ukraine has been very much aware of the problem at least since 2014," says Olga Rudenko, Editor-in-Chief of the *Kyiv Independent* and European Young

Leader (EYL40). "The population is actually quite intolerant of corruption. After the 2014 Revolution, where over 100 were killed, they have demanded that those sacrifices were not made in vain." [208]

Anticorruption agencies have stepped up activities during the war. Last year, NABU and SAPO launched 641 investigations, up from 456 in 2022. [209] High-profile figures have been in the crosshairs. Reports of irregularities forced the resignation of ministers of defence and agriculture in recent months [210]. A Supreme Court judge stepped down amid bribery allegations. In September, police arrested Ihor Kolomoisky, one of Ukraine's most influential tycoons and a supporter of Zelensky's election campaign, who was long considered untouchable. For many, his detention symbolised the end of Ukraine's oligarch era.

Western action is crucial to support those reforms and ensure Putin's armies cannot reimpose kleptocratic rule. In a speech three days before his troops marched in, Putin suggested Ukraine's clean-up was a pretext for invasion, claiming anticorruption agencies and independent judges were acting for Western interests. "Ukraine has restructured entire economic sectors that oligarchs previously exploited to line their pockets. These include energy, health, education, land, customs, and finance," says a study by the GMF. "This progress was among Putin's motivations for attempting to decapitate the country's democratically elected leadership. Putin fears Ukrainian transparency and accountability because they close pathways for the Kremlin's malign influence, strengthen Ukrainian defence capabilities, prepare Ukraine for Euro-Atlantic integration, and risk inspiring people—at home and in other former Soviet states—to overthrow their kleptocrats." [212]

The war has caused some elements of public administration and judicial reform to slacken. "While the Ukrainian public administration has proved its resilience during the full-scale invasion, reform has slowed or stopped in a number of sectors, in particular in merit-based recruitment and selection, job classification and salary reform," notes a European Commission report, although it recognised major progress on public-service digitalisation, where Ukraine is now a world leader, and on anti-corruption. [213] "The public sector is overstaffed, under-skilled and underfunded," says one Kyiv-based

official. [214] "A merit-based recruitment procedure is urgently needed. It needs to increase its capacity to absorb European laws as well as implement them." The war has exacerbated staffing shortfalls: 4,138 civil servants have been drafted into the army, 4,089 are stuck in occupied territories, 138 were killed, and 263 wounded. In the first year of fighting, 4,355 civil servants moved abroad. [215]

Taking public services online has helped. "Digitalisation efforts [...] have set the path for a corruption-resistant, efficient, and transparent governance system. Investments in key sectors such as technology, infrastructure, and renewable energy contribute to the war effort by ensuring sustainability and laying the foundation for a strong recovery," says Ionan, the Deputy Minister for Digital Transformation. [216] She points to the Diia state 'super app' with its base of 20 million users in Ukraine. It includes public services that allow businesses to be registered in less than ten minutes or provides an online low-tax space for IT. The latter, called Diia.City, has expanded since the beginning of the war and now hosts over a thousand Ukrainian and international companies, including global players such as Reface, Nokia and Samsung. Another example is Diia. Business, an online one-stop-shop portal which stimulates entrepreneurship in Ukraine. It offers free consultations, market analytics, business partner search and educational grants. This project was featured in the OECD's 2024 SMB Policy Index for Eastern Partnership countries. Diia.Education is another project and a national edutainment platform for reskilling and increasing digital literacy with a 12.6% increase over the past four years. [217]

Foreign investment is a government priority. In addition to business-friendly reforms, the government points to Ukraine's structural advantages: strategic location, abundant natural resources, highly educated workforce (with average salaries a third those in neighbouring Romania), manufacturing potential and commitment to green and digital transitions.

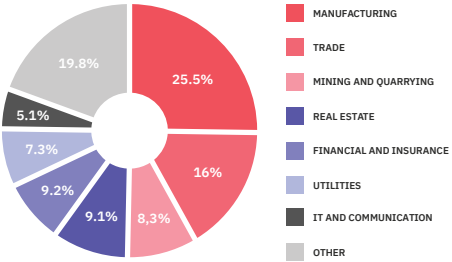
The war has decelerated business interest, but things are picking up. Foreign investment reportedly reached $1.2bn in 2023, compared to just $500mn the previous year. Significant investments came from Carlsberg, which is spending $40mn on a new Kyiv production line, and Ireland's CRH, setting up a cement terminal near the

capital for $36mn. ArcelorMittal, whose steel plant in Kryvyi Rih operated at below 30% capacity in 2023 because of Russian attacks, [219] nevertheless announced its construction arm was making a €40mn investment in a new building material plant. [220] "Carlsberg has faith in Ukraine and is ready to invest [...] at a time when Ukraine's epic struggle against the Russian aggression is still ongoing," Ole Egberg Mikkelsen, Denmark's Ambassador. "We can't wait for peace to come. We need to start now, and we need to get concrete and tangible results." [221]

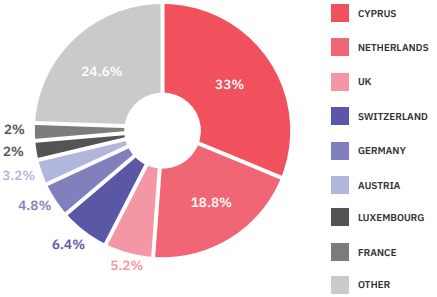
The government stresses that companies that take the risk to get in first can gain real advantages. "The full-scale russian invasion and other current challenges create unique opportunities for multinational companies and start-ups to test and refine their products in real-world conditions. The success of a product or solution in Ukraine's challenging environment demonstrates its global viability," says Ionan. "Investing in Ukraine now gives financial advantages, invaluable marketing insights, and a strong foothold in a rapidly developing market." [222]

Firms and countries that support the war effort can expect preferential treatment as Ukraine rebuilds. Russia's friend China is unlikely to be a competitor for Western investors – unless insufficient Western support enables Putin to expand his graft-ridden dictatorship into Ukraine. Europe and America need to keep up military and financial support to enable Ukraine to simultaneously win the war and the battle to modernise its economy. "We found in Ukraine a great group of talent, people who are very well-educated, speak languages well, have a great work ethic, also are very entrepreneurial, creative, customer-focused. I would not regret for a single moment the decision we took, despite the war," Werner De Wolf, CEO of Belgian lighting company Schréder, which employs over 250 people at its factory in Ternopil. "The Ukrainian government has been doing a great job to defend the country, but also to help international business to stay active," he told a recent business forum. "Let's make sure we provide the help that Ukraine needs. We can discuss the rebuild, but if we are not able to support them to defend themselves, this will not work. We need to make sure we get our act together." [223]

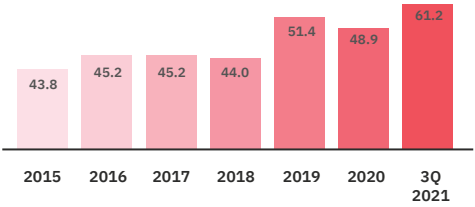
FDI by types of economic activity



FDI by country of Origin (as of SQ 2021)



Total FDI stock, billion USD



Source: UkraineInvest January-March 2022

HOSTOMIL, UKRAINE - Apr. 08, 2022: the world-famous AN-225 Mriya, one of the largest airplanes in the world, was destroyed on the Hostomil Airport by Russian troops at 24 February 2022.

Shutterstock: smoke after the explosion in the seaport, Russia's war in Ukraine.

THE FIGHT TO SECURE EUROPE'S BREADBASKET

"Ukraine's farmers [...] power the largest sector of Ukraine's economy and make the country the bread-basket of the world," **Samantha Power,** administrator USAID, February 2024. [224]

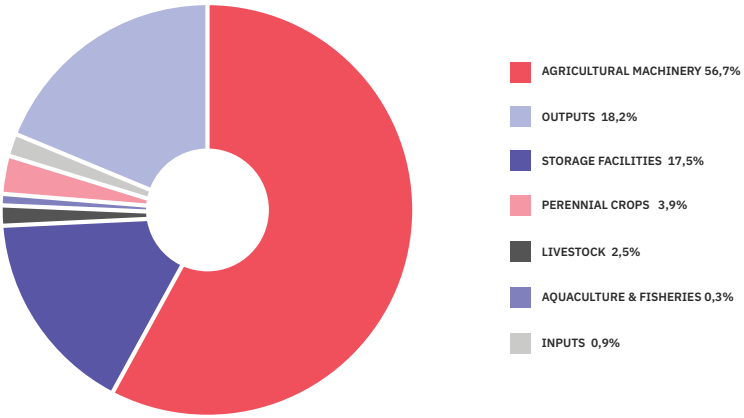
In the 1930s, a murderous Moscow regime brought famine to the most fertile farmland in Europe. Millions died in the Holodomor, the genocidal hunger inflicted on Ukrainians by Joseph Stalin. It's hard not to recall those horrors today, as Russian forces wreak destruction on Ukraine's agriculture, egged on by Kremlin cheerleaders describing Ukraine as 'a cancerous growth' and warning its citizens to choose between Russia or death. [225]

Russia's war has caused $80bn in damage to Ukraine's farm sector. [226] It has made Ukraine the country most contaminated by landmines, which affect 25,000 square kilometres of farmland. [227] The war has destroyed over 18,000 tractors and a fifth of Ukraine's grain silos. Swathes of land have been depopulated as people flee the fighting or occupation. In one of the world's top-ten food producers before the war, the UN says 7.3mn require food security assistance. [228]

Agricultural damages: $10.3bn

The damages represent the monetary value of physical assets damaged or destroyed during the RF invasion. Two years into the invasion, the total damages amount ro $10.3 billion, indicating an 18% increase from the previous year. The relatively moderate pace of this increase from the previous year. The relatively moderate pace of this increase can be attributed to a significant portion of assets in regions with ongoing ground battles already being destroyed in the initial year of the invasion. The top three regions that incurred the most substantial damages are Zaporizhya, Kherson, and Luhansk, collectively representing 65% of the total damages.

Breakdown of damages by category



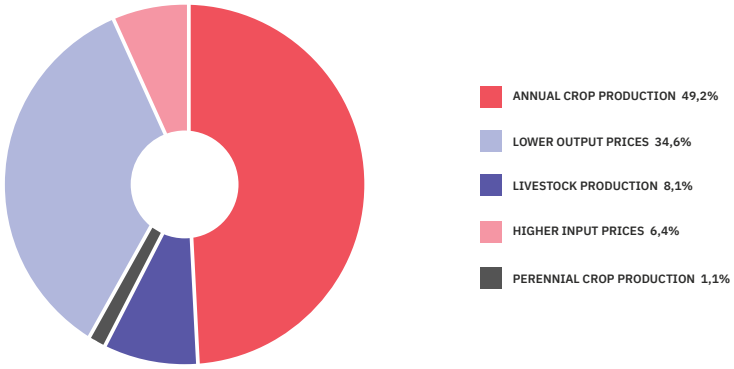
Agricultural machinery: $5.8bn in damages

This is hurting more than just Ukrainians. The rich black soil north of the Black Sea was the breadbasket of the globe. It provided the World Food Programme with 50% of its wheat, feeding millions in Asia, Africa and the Middle East. When Russia's 2022 invasion disrupted Ukraine's production and exports food prices soared to record levels and 13mn extra people

Agricultural losses: $69.8bn

In addition to damages, which involve the destruction of physical assets, Ukranian agricultural producers are confronted with losses-foregone revenues due to lower production, reduced prices and increased production costs. Unlike damages, which are localised in areas affected by the ground battles - losses affect agribusinesses all over Ukraine.

Breakdown of losses by category



**Source: Neyter, Roman et al. (2024).
Agricultural war damages, losses, and needs review.**

around the world were placed at risk of hunger.[229] Thanks to new transit routes through the EU and the military's success in neutralising the Russian navy's efforts to choke Black Sea trade, Ukraine's agricultural exports have bounced back. Ukraine is expected to ship 17.7mn tonnes of wheat in the 2023-2024 growing season. [230]

However, those shipments remain vulnerable. Ukrainian farmers warn the war risks bringing lower yields and higher prices for consumers in the EU and elsewhere this year.[231] The longer insufficient international support to Ukraine allows Russia's aggression to rumble on, the greater the risk of new price shocks and food shortages. In the longer-term, if Russia can achieve its

objectives of seizing most – or all – of Ukraine's agricultural land and occupying its remaining ports like Odesa and Izmail, Moscow could further weaponise food exports, hiking prices for Europe, as well as bribing and blackmailing its way to greater global influence.

Ukraine has long been an agricultural powerhouse. Before February 2022, its farmland covered 41.3mn hectares, dominated by wheat, corn and sunflowers. It's 32.7mn hectares of arable land equal about one-third of the EU's total and exceed that of the Union's two largest grain producers – France and Spain – combined. [232] [233] Highly fertile chornozem (black earth) soils cover much of its territory. Agriculture, fishing and forestry accounted for 10% of Ukraine's GDP before the full-scale invasion, compared to 1.8% in France, 2.3% in Spain or 2.8% in Poland. [234] The sector employed 2.5mn people or 14% of total employment.[235] Its wheat yields per hectare remain below the most efficient EU producers, but have grown fast to 4.53 tonnes in 2021, from 1.98 tonnes in 2000. That compares to 7.58 tonnes in Germany, 7 tonnes in France or 5.2 tonnes in Poland [236]. In 2021, Ukraine provided half the world's sunflower oil exports, a third of world barley, 16% of maize and 12% of wheat. Agriculture represented 41% of Ukraine's exports, up from 27% in 2013. [237]

Beyond those cold facts, rural life lies at the heart of Ukrainian identity and culture. Images of wheat-covered steppes run through the verses of national poet Taras Shevchenko, wheat and sunflower motifs decorate traditional costumes and festivals, the national flag reflects blue skies over fields of golden wheat.

Ukraine's agriculture is also key to fighting world hunger. The World Food Programme says Ukraine was providing enough to feed 400mn people before the war. [238] Besides supplying half the WFP's wheat, 92% of Ukraine's wheat exports in the five years up to 2021 went to countries in Africa, Asia and the Middle East, led by Egypt, Indonesia and Bangladesh. [239] Several vulnerable countries including Somalia, Lebanon, Eritrea and Mauritania got over 40% of their wheat from Ukraine. [240]

The war has put all that at risk. Ukraine's cultivated land shrunk by the size of Belgium in 2022. Production fell 40% in the first year of the war due to destruction, occupation, landmines and the loss of manpower as Ukrainians joined the armed forces or sought safety away from frontline farmland. Demining could take a decade. In their initial advances, the Russians routinely pillaged Ukrainian food stocks and carried off grain to be sold as their own. [241] Their air and artillery attacks continue to pummel agricultural

storage and production infrastructure. The $56.3bn in recovery needs for the agricultural sector calculated by the Kyiv School of Economics in February was almost double the previous year's assessment. [242]

"The war has affected us terribly," says Oleksandra Avramenko, Head of the European Integration Committee of the Ukrainian Agribusiness Club. "We keep managing to survive only because we are resilient [...] we can only rely on our efficiency and creative thinking. We have not recovered at all; Ukrainian agricultural producers are suffering losses for the third year in a row."[243]

As the war drags, finding personnel to work the land is increasingly problematic. "People have been called to serve, especially those guys that used to drive trucks, combines and tractors, and all that complicated Western machinery. They have been called to serve because they have an understanding of how European tanks are driven. That's why we now have women learning to drive combines," Avramenko adds. [244]

Russia's early efforts to strangle Ukraine's Black Sea exports caused global disruption, adding to what the WFP warned was "tsunami" of hunger. In the immediate aftermath of Russia's full-scale invasion cereal prices surged 300% in Somalia; basic food needs rose by over 350% in Lebanon and by over 90% in Syria. Support from the EU which opened up 'solidarity lanes' for Ukraine exports overland and along the Danube, combined with the success of the Ukrainian Armed Forces in reopening up Black Sea routes in the face of Russia's attacks means Ukraine's agriculture can help curb inflation in the EU and reach the world's hungry. Last year, the WFP actually increased the share of wheat it gets from Ukraine, and exports have topped 5mn tonnes per month over the first quarter of 2024. [245] Under the 'Grain from Ukraine' programme launched in conjunction with the WFP and partner nations, Ukraine is sending regular shipments to needy countries including Ethiopia, Sudan, Yemen, Afghanistan and Mozambique. "This collaborative effort plays a crucial role in alleviating suffering and maintaining human dignity in areas facing conflict and food price increase," David Stevenson, WFP Country Director in Nigeria, said after a donation of 25,000 tonnes of wheat arrived in February. [246]

Regardless of the impact of the global food crisis, Russia continues to target grain silos and the ports. "These are war crimes and they further affect Ukraine's capacity to transfer their food products towards those in need in the world," Romanian President Klaus Iohannis tweeted after an attack on Izmail, near the border with his country.[247] So far, Russian strikes have failed to stem the

flow of Ukrainian grain to the world. Still, if lack of support further depletes Ukraine's air defence or allows Russia to advance along the Black Sea coast, the risk to the world's poor would be immediate. "Any disturbance to the Black Sea shipping routes in general, including attacks on infrastructure or vessels, would result in an increase in insurance premiums, make the routes commercially unviable, and put an upward pressure on both the level and volatility of food prices," warns the UN's Food and Agriculture Organisation. The FAO estimates Russia's war has increased the number of people likely to face chronic undernourishment by 23mn.[248]

Over the longer-term, the FAO and Ukrainian farm organisations warn the hazards and costs of operating under wartime conditions will force more farmers away from the land, or force a switch away from bulk crops, exacerbating inflation and hunger. Right now, the sector desperately needs liquidity, insurance guarantees and investments. Even with the war, the state investment agency UkraineInvest believes investment in modernisation and irrigation could quickly double food exports.[249] "The investment potential is huge," says Avramenko, of the Agribusiness Club. "Given that Ukraine is a guarantor of food security in different products, it could be very interesting for foreign companies to work in Ukrainian agriculture. We understand right now that it is not that easy, there are war risks but these can be covered." In particular, she sees major investment potential in processing plants so Ukraine can export more consumer goods and develop bio-methane and other green agro-industrial products. [250]

Foreign investment is coming, despite the war. German giant Bayer, which employs 700 people in Ukraine, last year announced a €60mn investment in a corn seed facility.[251] "The unique selling point of being a part of the country's development during challenging times cannot be overstated for companies considering investment in Ukraine," Oliver Gierlichs, Managing Director of Bayer Ukraine, told the ***Kyiv Independent*** in February. "Investing now allows companies to become integral contributors to Ukraine's future, earning them a unique position." [252]

The prospect of Ukraine's EU membership since the Union's December decision to start accession negotiations, is heightening investor interest. However, as in previous EU enlargements, agriculture is already shaping up as the most contentious issue. The Russian navy was unable to stop Ukrainian exports through the Black Sea, but Polish farmers succeeded in blocking overland trade. The protests have cost

hundreds of millions in lost revenue and seen thousands of Ukrainian trucks backed up at frontier posts. Images of Poles severing a vital economic lifeline, spilling grain and brandishing pro-Putin placards has left Ukrainians feeling betrayed. "While Ukraine is getting killed on the Russian side it is getting choked on the border with Poland. It brings enormous financial losses for Ukraine, but the losses are also in terms of spirit and the feeling that the world is with us," says Olexander Scherba, ambassador at large in the Ukrainian Foreign Ministry. "It is extremely sad to see Poland, the country that showed itself as compassionate, Christian in the best sense of that word, all of a sudden people from that country acting in the most un-Christian way."[253]

The protesters complain Ukrainian grain that was supposed to transit the country has stayed, driving down prices for local farmers, but reports suggest they are encouraged by pro-Russian elements. [254] If so, they have succeeded in undermining the close ties between the European neighbours. "Blocking the Polish border, this is the craziest thing that can happen for Ukraine in war. First and foremost, we took it very emotionally," says Avramenko. "All that spilled grain, this is a show of such disrespect to us. This grain has been sown under shelling, saved from fire, harvested under shelling and then it was spilled by our Polish partners on the border. How is that even possible? [...] The only winner is Russia and Russian propaganda." [255]

Ukrainian officials argue the EU could go some way to calm farmers' concerns over cheap imports, by halting imports of Russian food. Russian grain is exempted from sanctions and sales in the EU reached €1.3bn last year. Latest figures show the EU imports 3.5% of its common wheat from Russia, 21% of durum wheat, 41% of rapeseed meal and over 95% of its rye.[256] In response, the European Commission in March proposed tariffs to curtail grain and oilseed imports from Russia and Belarus. Latvia has unilaterally banned Russian food products and other EU countries – including Poland – may follow suit.[257]

The standoff on the Polish border underscores that the dangers of inaction go beyond failing to provide military support. Western governments must do more to counter Russian disinformation and destabilisation; and crank up positive messaging on the benefits a Ukrainian victory and integration into euro-Atlantic structures will be bring for citizens. Communication on food and farming is crucial as Ukraine draws closer to the EU. Just as they railed against the prospect of Spain or Poland joining in earlier enlargements, farmers

of some EU members are firing off dire warnings about the impact of Ukrainian membership. "Ukraine's entry into the European Union would be a catastrophe for European farming," Arnaud Rousseau, president of France's FNSEA farmers union has warned. [258]

The scale and structure of Ukraine's agriculture means the EU will need to reform its Common Agricultural Policy – which pays out €59bn a year in subsidies [259] – before Ukraine joins. However, absorbing Ukraine's huge farming potential can have major benefits for EU consumers with lower prices and strengthened food security. "Europe is importing from Brazil, Argentina and lots of other countries. When Ukraine actually enters, we can close those gaps (in EU food supply). This is strengthening the food sovereignty of the Union itself," says Avramenko. [260]

Ukraine overtook the US in 2022 to become the EU's third largest food supplier, after Brazil and the UK. Ukraine currently runs an agri-food trade surplus with the EU, accounting for 8% of EU imports worth €13bn in 2022, but it mainly sells grain and other raw materials which are processed into baguettes, ***brötchen*** and other consumer edibles in the EU, creating jobs and added value.[261] In addition, Ukraine imports EU farm products worth over €2.8 bn – from French wine to Spanish ***jamón***. That market will expand as a victorious Ukraine recovers from the war and moves closer to the EU.[262]

As an EU partner and eventual member, Ukraine will strengthen Europe's ties with countries in Africa, Asia and the Middle East through fair and reliable agricultural exports to cement economic partnerships and counter the malign influence of Russia and other authoritarian powers. "The EU would become the biggest food provider in the world. That will bring soft power," Avramenko notes. "Ukraine produces relatively cheaply and with a good-quality product that can be exported to those countries that cannot afford buying French wheat [...] and it does not give another tool for Russia to use again Europe and against the developed countries. Russia already uses food and hunger as a weapon." [263]

Where Ukraine's farmland and ports fall into its clutches, the Kremlin would gain powerful tools to destabilise the West by manipulating food prices and to extend its global influence by getting countries in Africa, the Middle East and Asia hooked on Russian-controlled food sales. Russian officials have made no secret of their use of food as

a ‘silent weapon’ to that end. There are warnings, too, that Russia could provoke food shortages in dependent countries to trigger migration crises in Europe. [264]

As Canadian lawmaker Julie Dzerowicz put it in a recent report for the NATO Parliamentary Assembly: “Russia is not only weaponizing food but also instrumentalising it to advance its strategic interests, finance its criminal and imperialist policies, create dependencies and foster alliances with friendly governments. The Allies cannot let authoritarian states exploit food insecurity and the suffering which it causes to achieve their own malicious goals of promoting their repressive regimes and undermining the global liberal order.” [265]

Shutterstock: the city of Kherson, Ukraine after the explosion on the Kakhovka dam. Flooded city and streets aerial view from above. Russia's war in Ukraine. Top view.

AN ENERGY PARTNER FOR THE GREEN TRANSITION

"We and our partners will not wait for the end of the war to invest in a greener future. Today, we are busy restoring what the occupier is destroying and building a new energy system," **Maxim Timchenko**, CEO of DTEK, Ukraine's largest private energy investor, December 2023. [266]

Ukraine's potential as an energy partner is immense. It has some of Europe's biggest reserves of oil and gas. At the height of a war where Russia has prioritised attacks on energy infrastructure, Ukraine has managed to export electricity to Western neighbours and offer gas storage, to consumer prices and bolster energy security. Ukraine's gas transit network is the world's largest.

Beyond fossil fuels, Ukraine offers major economic opportunities in modernising its nuclear and hydro plants. Ukraine has launched an ambitious green transition to maximise solar and wind generation, along with hydrogen and methane production. Moves to explore what might be Europe's biggest lithium reserves were gaining speed before Russia's full-scale invasion.

Western inaction puts all that potential at risk. With air defences weakened by a lack of weapons supplies, Ukraine's energy infrastructure is being blasted nightly. Every attack pushes up the price of repair and recovery.

Were Putin to conquer the south and east of Ukraine, Russia would control almost all Ukraine's coal reserves, 72% of its natural gas, half its conventional oil and most of its likely reserves of lithium and other critical minerals. If it seizes Ukraine's pipeline and storage facilities, expect Moscow to get European nations re-hooked on its gas. Ukraine's goal of becoming a clean-energy partner for Europe would go up in smoke. [267]

Ukraine long ago embarked on transitioning away from its traditional reliance on coal, oil and gas. The share of coal in energy supply fell by 46% from 2000 to 2021. Although coal still represents 23% of the total, Ukraine now gets more power from natural gas and, above all, nuclear. Over the first 20 years of the millennium, Ukraine's renewable use rose almost 600% to 9% of energy consumption. The government aims to triple that by 2030, even during wartime and seeks $21.6bn in investments to cover the cost. [268]

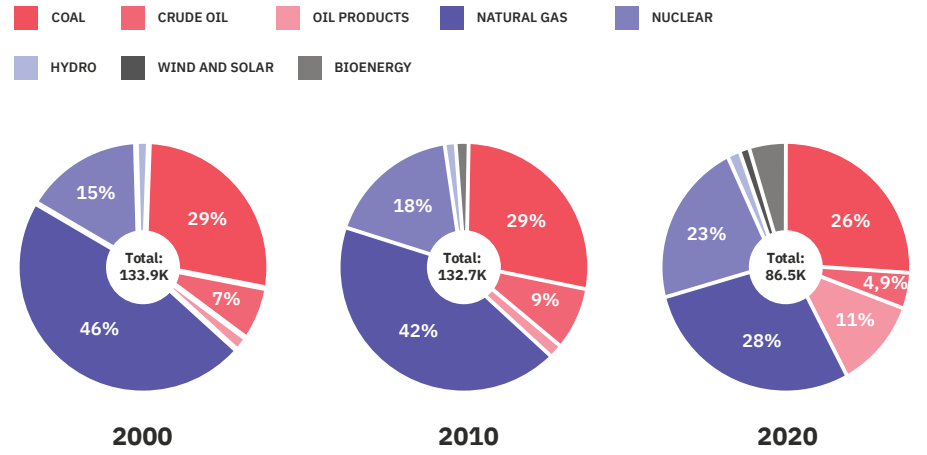
Fossil fuels, especially gas, will still be important during Ukraine's energy transition. Ukraine has Europe's second-largest proven gas reserves and fifth-largest oil reserves.[269] Gas output is increasing during wartime. In 2023, Ukraine pumped 7% more to achieve self-sufficiency. "Getting through winter using domestically produced gas only is, I think, the greatest moment in Ukraine's energy history," Oleksiy Chernyshov, CEO of the state-owned energy company Naftogaz, said in March. "We have enormous reserves. I'm sure Ukraine is on its way to becoming a net contributor of gas within the next few years and it is essential geopolitically to play this role."

International help is needed to capitalise on that potential. "Many fields are depleted. We can do more, but need more investment in exploration and development," says Olena Pavlenko, President of energy think tank DiXi Group. "We have to find international partners, who can go into the depleted fields."[271]

Some estimates suggest Ukraine's actual gas reserves may be five times proven deposits, much of it off the Crimean coast.[272] That underscores the importance of helping Ukraine liberate the occupied territories and ensure Russia does not get its hands permanently on the stolen resources. Canadian research group SecDev estimates Russia has grabbed energy and mineral deposits worth $12.5tn and – if not pushed back – would retain control of two-thirds of Ukraine's energy and mineral resources.[273]

Ukraine's gas storage facilities already provide price and security benefits to European consumers. Located mostly in western Ukraine, are 30bn cubic metres (Bcm) of underground storage, equivalent to one-third of the EU total.[274] This year, Naftogas is offering a third of its capacity to other European countries. Aware of their value to Ukraine and its Western partners, Russia intensified attacks on storage facilities in early 2024. The attacks caused price spikes and surface damage but did not affect operations or harm the underground storage.[275] "They are already providing many services for European companies," Pavlenko says. "This could be a good business for the future. If you look at European markets, one of elements that makes gas affordable, it is to have predictable storage, Ukrainian gas storage could be such a solution for eastern Europe."[276]

TOTAL PRIMARY ENERGY SUPPLY BY ENERGY SOURCE, MILLION TONNES OF OIL EQUIVALENT (MTOE), UKRAINE 2000-2020



Source: **State Statistic Service of Ukraine**

Ukraine's synchronisation with the European grid has helped keep power on despite Russia's attacks on energy infrastructure. It has also permitted Ukraine to export electricity to Moldova and eastern members of the EU, again contributing to energy security and lower prices. Transfers between the two grids rose 77% from 2021 to 2023.[277] In March, the Ukrenergo transmission company announced record exports to Hungary, Moldova, Romania, Poland and Slovakia. However, drone and missile strikes have interrupted flows down the interconnectors and, here too, international military and financial support is essential to protect and modernise installations.[278]

Russian gas still flows through Ukraine's pipelines to EU countries that are unable to kick the Gazprom habit, notably Austria and Slovakia. However, the 1.29Bcm transited in January 2024 was 67% down on pre-war levels. It will likely come to a halt this year, when

Ukraine's transit contract with Gazprom terminates.[279] Without Russian gas, Ukraine's network could be retooled to pump into the EU from other sources, such as Azerbaijan, Central Asia or the Middle East, if sufficient investment becomes available. Another possibility is using the pipelines to ship green hydrogen. In 2021, companies from Germany, Slovakia, Ukraine and the Czech Republic launched a 'hydrogen highway' initiative to link production centres in Ukraine with EU markets.[280] "Ukraine is a very promising future major supply area of hydrogen, that offers excellent conditions for large-scale, green hydrogen production," the companies noted. Like other options for Ukraine to contribute to Europe's green energy transition, this is threatened by Russia's war aims. If Moscow snatches eastern and southern Ukraine, it will likely increase emissions using Ukrainian coal and ferment division in Europe by offering cut-price gas through Ukrainian pipelines. "If the war ends favourably for Russia, there will be some European nations – you can guess which ones - who will be quite comfortable with that, thinking they can return to business as usual," cautions a NATO analyst. [281]

According to World Bank estimates, rebuilding Ukraine's power generation will cost $40.4bn over the next decade.[282] That number rises almost every night as Russian missiles and drones evade depleted air defences. In line with EU accession aspirations, Ukraine is committed to building back greener. It has ambitious targets for expanding renewables in the energy mix to 25% by 2030, phasing out coal by 2035 and closing in on carbon neutrality by 2050 [283]. Experts agree that the country has enormous green energy potential. Some estimates suggest Ukraine's solar production could exceed one-third of current EU output, and wind power goes even further, especially if offshore farms are developed in the Black Sea. [284] A UN report last year suggested wind and solar could provide 69% of Ukraine's energy by 2050. [285]

European officials acknowledge that wartime reality may bite into such optimistic green scenarios. "This is a country at war and there needs to be a certain realism," said one. "If much of your energy production is destroyed, the energy source is not the most important thing."[286] Though the war has set back Ukraine's green transition, it has also forced adaptation. Russia's seizure of Donbas coal boosted alternative energy sources. Attacks on large infrastructure are prompting a switch to smaller, decentralised plants – including solar and wind units — which make a harder target. "When we have hundreds of small power plants that

will be located near consumers [...] then it will be practically impossible, or at least very expensive, to fire missiles at small objects," Andrii Gerus, head of the Energy Committee in Ukraine's Parliament said recently.[287]

Forward-thinking Western companies are already investing in Ukraine's energy future. Vestas is working with Ukraine's DTEK to develop the country's biggest wind park in the southern Mykolaiv region.[288] In April, construction began on Ukraine's first post-Soviet nuclear reactor, in partnership with Westinghouse of the United States. The Khmelnytski plant will boost nuclear energy, which already generates over half of Ukraine's electricity. A further nine reactors are scheduled using Westinghouse technology. "This is a major geopolitical project of common interest for Ukraine and the US," Energy Minister German Galushchenko said as the first block was laid. "The technologies that we will build and develop together will push Russians out of the European nuclear energy market."[289]

Strategic minerals present rich opportunities for Ukraine and its Western partners. Ukraine holds reserves in 21 of the 34 minerals identified as critical by the EU. It's already a top ten producer of titanium, kaolin, manganese, iron ore, zirconium, gallium, germanium and uranium. However, it is as-yet-untapped lithium deposits that are causing the biggest buzz. Estimates put reserves between 500,000 and several million tonnes. [291] Experts caution that such forecasts are preliminary and that exploration and development will take years. However, ahead of Russia's full-scale invasion, international interest intensified. Ukraine and the EU launched a strategic partnership on critical minerals in July 2021 and months later an Australian company invested in two potentially lucrative lithium deposits.[292] [293] South Korea is also reaching out to harness Ukraine's lithium potential for its battery industry.[294]

European Commission President Ursula von der Leyen says "rare earths are already replacing gas and oil at the heart of our economy" and insists "we have to avoid falling into the same dependency as with oil and gas."[295] As Ukraine moves towards EU membership, developing its deposits would be a major step towards avoiding reliance on imports. However, without action to keep those resources out of Moscow's clutches, Europe and the wider West will again be vulnerable to Russian energy dependence.

Russia's war on Ukraine is also an ongoing ecological catastrophe. The Kyiv-based campaign group Ecoaction estimates the war caused greenhouse gas emissions of 150mn tonnes during the first 18 months, close to the annual output of the Netherlands.[296] [297] Another report in November priced environmental damage at over $62bn. Examples ranged from the flooding of fragile ecosystems when Russia blew the Nova Kakhovka Dam in June 2023 to the death of hundreds of Black Sea dolphins blamed on Russian military sonar or wildfires that have ravaged an area the size of Belgium.[298] More eco-crimes will occur if international inaction allows Russia to advance further. Appalling as they are, such impacts could pale into insignificance, if Russia continues its reckless behaviour at the occupied Zaporizhzhia nuclear plant, Europe's largest.[299]

The consequences of Western inaction allowing Russia to prevail would be disastrous for the environment and constitute a major threat to European energy security and supply. Russian control of Ukraine's networks and assets would give it new levers to exercise economic sway over EU countries, retard the green transition and increase the risk of price shocks for European consumers.

Shutterstock: military soldier controls drone for reconnaissance operation of enemy positions.

PROTECTING A DEFENCE TECH POWERHOUSE

"Ukrainian technologists have every opportunity to become, not simply Europe's digital backbone, but Europe's digital frontier," **Penny Pritzker**, U.S. Special Representative For Ukraine's Economic Recovery, February 2024. [300]

Ukraine's tech sector was rushing ahead before the war hit. Since Russia's full-scale invasion, the imperative of military and civilian adaptation has upped the pace of technological progress. Ukraine now draws comparisons with Estonia for its tech entrepreneurship and rollout of e-governance and with Israel for its dynamic mil-tech capabilities. This story of innovation under fire presents a major opportunity for Europe and the West. As it approaches EU membership, Ukraine can make a valuable contribution to Europe's digital economy and add to security in vital areas from attack drones to cyber defence. For that to happen, US and European support for Ukraine's economy and armed forces are essential. Without it, Ukraine's tech know-how risks falling into Russian hands and being turned against Western interests with ruinous effects.

The value of Ukraine's computer services exports grew from $400mn in 2010 to $7.3bn in 2022. Tech services account for 7.3% of Ukraine's exports, the second most valuable sector after agriculture. They contribute 4.6% of GDP.[301] The sector's over 360,000

IT specialists are rated among the world's best.[302] Although attention has focused on defence tech, the sector remains diverse. Cutting-edge operators are active in artificial intelligence [AI], cyber-security, fintech, gaming, data management, agri-tech, nanotechnology, e-commerce and more.

"Ukraine's tech sector has solidified its role as a critical player in the national economy and a significant player on the global stage," says Valeriya Ionan, Ukraine's Deputy Minister of Digital Transformation and Friends of Europe European Young Leader (EYL40). "We've rapidly evolved from partial to complete digital integration, facilitating essential services during the crisis. This transformation strengthens our national resilience and sets a precedent for global digital innovation."

Despite the war, Ukraine rose in the World Intellectual Property Organisation's 2023 Global Innovation Index to third place in its income group and notched up global top 10 scores in fields such as highly-qualified female participation in the knowledge economy, registrations of innovation patents and share of ICT services in total exports.[304]

"This is an advanced society; as we've seen, they're incredibly savvy with technology," Karin von Hippel, Director-General of London's Royal United Services Institute (RUSI), told the Financial Times recently. "We've heard tech experts say that if you look at the world now, the United States is first, Israel second, and many people think Ukraine is already third because of the advances that they've made in terms of innovation, the way that they've used technology."[305]

Ukrainian start-ups were worth a combined $28bn in the spring of 2024, a tie with Estonia and exceeded only by Poland in Central and Eastern Europe, according to data site Dealroom.co. The sector's combined enterprise

value grew 4.2% over the past five years, double the European average.[306] Among start-ups that received $1mn in funding, 5.5% have grown into billion-dollar unicorns, more than double the European average. Standouts include DevOps software developer GitLab, digital writing assistant Grammarly and AI sales platform People.ai.

Examples of international companies taking advantage of Ukraine's high levels of tech expertise to maintain R&D centres include Samsung, which employs over 500 people at its SRUKR institute in Kyiv, which is focused on cyber security, AI, and augmented reality; Boeing's expanding Engineering and Technology Centre; and Ericsson which employs over 200 people at its Kyiv regional expert hub and expanded in 2021 to open a 5G test lab and demo centre.[307]

Education has been key to tech development. Diia.Education, a national edutainment platform launched in 2020 to enhance digital literacy and reskill Ukrainians, reached over two million users, with a 75% success rate. The platform features micro-learning modules, interactive simulators and a job search section. The 2023 ITU Global Skills Report ranked Ukraine 15th globally and third in Europe for digital skills, highlighting the success of Diia.Education's efforts. Future Perfect, a complementary program, promotes English as the language of international communication in Ukraine, implementing educational reforms and enhancing English teaching standards to integrate Ukraine into the global community. The new Mriia app, currently in beta testing within 40 schools, aims to revolutionise education with AI integration, personalised learning trajectories and a video library with AI-validated content.

CDTO Campus, launched by the Ministry of Digital Transformation of Ukraine, is an educational project designed to prepare new digital

transformation leaders for the public sector. It equips CDTOs (Chief Digital Transformation Officers) with skills in digital strategy, leadership and technical knowledge, essential for driving digital reforms across various sectors. Within the first six months, over 200 students graduated, contributing to Ukraine's resilience and success as a leader in digital transformation.

The state investment agency notes that "Ukraine has traditionally been one of Europe's leading countries in engineering graduates, producing twice as many annually as nations such as Britain and Poland."[308] Levels of English are high. In December 2021, Ukraine created a new centre of excellence: the SET University. Standing for Science, Entrepreneurship, Technology, it aims to disrupt the education eco-system through a fusion of business and tech. "We can't replicate Silicon Valley, but we can create something unique, building on our strengths, using the best international experience," Iryna Volnytska, the university's president told Tech Ukraine. "There is a great mission to make Ukraine an innovation hub in Europe and this is possible only through education." When war came weeks later, SET introduced a masters in cyber-defence alongside its courses on AI and computer innovation. It offers free introductory courses in AI and business analysis for veterans.[309]

The Ukrainian government has encouraged tech entrepreneurship, lowered taxes, facilitated investment and cut red tape. The government has also taken itself online. Aiming to create the 'state in a smartphone' Ukraine has become one of the world's most advanced nations for digital public services.

"The most significant improvements are in service delivery and digitalisation," says a report by the SIGMA (Support for Improvement in Government and Management) programme run by the EU and OECD.

"From an under-average performer in the area of service delivery in 2018, Ukraine has emerged as the frontrunner among the EU enlargement countries in 2023 [...] SIGMA witnessed a profound transformation of administrative services in Ukraine. All key enablers of e-government have been put in place, and services are being streamlined and digitalised." Ukraine jumped to 46th place in the 2022 United Nations E-Government Development Index, up from 82nd place in 2018. It beats the EU average for online public services.[310] [311]

At the heart of this transformation is Diia – both a digital brand and an ecosystem of digital products. It is a game-changer with more than 20 million users, 17 digital documents, 30+ services and a digital signature in the app. The Diia portal has more than 130 services for citizens and businesses and the fastest business registration in the world. "We have a big vision, we are building the most convenient digital state in the world, without corruption, without bureaucracy, absolutely paperless and open for everyone," Ionan says.[312] Thanks to Diia (the word means 'action'), Ukraine claims the world's fastest business registration, with just 30 minutes needed to create a limited company.[313] "One thing we did very well in the past few years [...] is the digitalisation of government," says Olga Rudenko, Editor-in-Chief of the *Kyiv Independent* and 2024 EYL40. "Diia is great. My passport is there, and all my documents [...] I pay my taxes with an app; it takes me a few seconds. It is something Ukrainians have been good at. The IT industry is very strong here."[314] Diia services have been expanded since the full-scale invasion boosting societal resilience and supporting displaced citizens. A new innovation is Diia.City is a low-tax, low-hassle space for IT companies. Ionan says it will "double the growth rate of the IT sector, significantly increase its contribution to Ukraine's GDP, and create hundreds of thousands of new jobs".[315]

EU officials acknowledge that Diia has put Ukraine ahead of most EU member states in digital public services. Diia has also been a powerful tool in the fight against corruption – an app is never going to ask you for a bribe.[316] "Digitalisation is among the most effective tools to combat corruption. It eliminates bureaucracy, queuing and paper red tape, thereby removing opportunities for corruption: from minor 'gifts' for document processing to multi-billion corruption schemes in construction," notes Ionan. "Digital services ensure equality, fairness and accessibility."[317]

As an example of how a successful, democratic Ukraine can be a valued partner for the West, it is now working with the US and Estonia to help other countries – including Ecuador, Colombia and Zambia, introduce similar systems to making governance easier, quicker and cleaner. With USAID's support, Ukraine is exporting its Diia platform by open-sourcing its code, allowing other countries to adopt and launch their digital services. This collaboration helps Ukraine share its digital transformation experience globally, reinforcing its status as a digital innovation and e-governance leader. "Diia will be available as open source so that all democratic countries worldwide can use the code and start building their digital state. With open source, we can not only rapidly share the experience of Diia with other countries but also create effective working relationships on a global scale. Governments worldwide face similar challenges, and today, we are ready to share Ukraine's experience in digitalisation." Valeriya Ionan, Deputy Minister of Digital Transformation of Ukraine. [318]

Russia's full-scale invasion saw Ukraine's tech sector rush to develop defence solutions. The country has a long defence tradition. It was the world's 4th largest arms exporter until Russia's invasion of Crimea and Donbas triggered a refocus on domestic needs. Defence contributes 3.6% to

GDP. Techies have worked with established companies, like the Soviet-era Luch Design Bureau, to enhance the Neptune anti-ship missiles used with deadly effect against Russia's Black Sea fleet and now being tweaked into a long-range version that could strike deep into Russian territory. Start-ups have switched from civilian production to frontline innovation, making Ukraine a world beater in drone, cyber and electronic warfare. "Ukraine's cyber warriors, hacktivists and citizen programmers are turning their patriotism into digital innovation," Penny Pritzker, US Special Representative for Ukraine's Economic Recovery, said in February. "The inside joke is that 'every Ukrainian has a drone factory in their garage'. Those individual patriotic efforts are helping nurture the next 'Steve Jobs' of UAV (Unmanned Aerial Vehicle) technology, robotics, sensors and the Internet of Things (IoT) right now — forged from the fire of Putin's air assaults."[319]

The sector's agility has been remarkable. UAVs are actually being assembled in garages, thanks to the Victory Drones project that enables citizens, including injured veterans, to assemble kamikaze drones at home. "Like lego for adults," is how one operator describes the process.[320] Kyiv-based Ajax Systems, Europe's largest manufacture of security alarms, has helped develop an app giving citizens precise warnings of incoming air attacks. It has been downloaded 26mn times.[321] Communications start-up Himera began production in April 2023 of hand-held radios with ground-breaking technology to thwart efforts to block or decipher its signals.[322]

"We are a sandbox for these technologies because we have talented people and, unfortunately, we have the conditions to check our innovations and developments on the battlefield in real conditions," says Yehor Cherniev, Deputy Chairman of the Ukrainian Parliament's National Security,

Defence and Intelligence Committee. "We understand that we are not doing this for money, but to survive. That brings us more power. We understand we have limits in time, so we have to be very fast in our developments. These key elements give us the advantage." That spirit will be key to Ukraine's post-war recovery, Cherniev explains and a win-win for Europe as Ukraine draws closer to the EU. "In the 20th Century, all the main innovations came from the military sector. New technology always arises from mil-tech. We will be able to use it in different fields and sectors of our economy."[323]

The government is supporting Ukraine's 'mil-tech Silicon Valley' with initiatives such as BRAVE1, a platform launched in 2023 to promote cooperation among tech and defence stakeholders, raise financing and accelerate the development and deployment of battlefield technology. Ionan calls it "the world's most dynamic defence innovation hub." [325] Matching Israel's success in linking up investors, IT specialists, the defence industry and the military is a clear government goal, and they are keen to open cooperation with international partners.

All this offers huge opportunities for the West. Many of Ukraine's most talented people are now working in exile in Europe, building strong ties with their host countries. Those ties will endure if international help brings Ukraine victory, setting it up to leapfrog into a new European future underpinned by the innovative entrepreneurial spirit of its tech community. Western leaders have a choice: to assist that process by providing Ukraine with the military and financial support it needs or risk Russia sequestering its technological potential. Ukraine could become a supersized Estonia, harnessing its talent and experience in the vanguard of Europe's digital transition. Defence innovation would plug gaps in NATO's armoury in cyber-defence, drones, electronic warfare and battlefield

AI. The alternative risks turning this defence tech powerhouse into Putin's plaything. That would add to Russia's already formidable ability to wage cyber, hybrid and high-tech kinetic warfare as it and its allies pursue their goal of undermining Western democracy and the rules-based global order. Should Russia look like succeeding, Western institutions would need to move fast to evacuate as much of Ukraine's tech industry and personnel as possible.

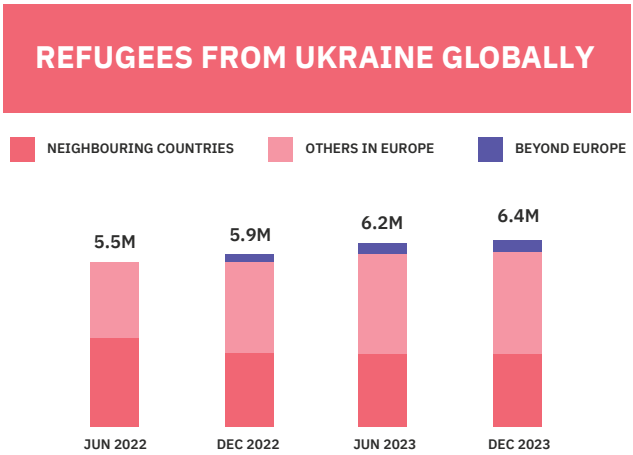
Humanitarian catastrophe in Ukraine. Millions of refugees are fleeing to Europe. Mother and child at Lviv Railway Station

THE PATH TO REFUGEE RETURN AND DEMOGRAPHIC RECOVERY

"Every month that Ukrainian refugees remain abroad reduces the likelihood of their return to Ukraine," **Ella Libanova**, director of the Ptoukha Institute for Demography and Social Studies of the National Academy of Sciences of Ukraine [326]

Putin's invasion created Europe's biggest refugee exodus since the Second World War. If the conflict drags on, millions of Ukrainians around Europe and beyond will be less likely to return. Should insufficient support for Ukraine mean Russia unleashes more destruction and grabs additional territory, greater numbers will be displaced. For those who stay, the West must ensure that Ukraine gets enough financial and humanitarian assistance for housing, schooling, healthcare and economic survival. In a worst-case scenario where Russia fulfils its annexation goals, Europe would face a flood of humanity. Upwards of 20mn people might flow west. It is hard to imagine how the EU would cope. Populist politicians and Russian propagandists already exploit signs of 'refugee fatigue' in European societies. Expect that to worsen as the war persists and explode if there is a renewed surge in arrivals.

Inside Ukraine, almost 4mn displaced people stretch public services, government finances and international aid budgets. Ukraine had a declining and fast-aging



Source: **figures compiled by UNHCR based on data provided by authorities**

population pre-war due to low birth rates and emigration. Now it risks demographic catastrophe. Some fear the population could drop to below half the 52mn living in Ukraine when it achieved independence in 1991. Elderly Ukrainians suffer most from the economic tribulations of war. As shortfalls in military aid prolong the conflict, physical- and mental-health problems widen. By supplying the aid Ukraine needs to win the war, Europe and North America can help kickstart demographic recovery, paving the way for refugees to return and rebuild. The alternative would be a hollow shell, where Putin and his henchmen are free to impose their will on the demoralised remnants of the Ukrainian population.

As we write, 6,471,600 Ukrainians were recorded living as refugees around the world.[327] That includes 4,234,595 in the EU, under the temporary protection system adopted in March 2022. Germany hosts the most, with 1.3mn, followed by Poland with 955,000, the Czech Republic with 385,000 and Spain with 203,000. [328] The inflow has much diminished since the early days of the war, but refugees are still coming. Over 1mn Ukrainians were granted temporary protection status during 2023, according to Eurostat figures.[329] A further 42,700 arrived in January, although numbers dipped the following month. Emigrant remittances have been an important income source for Ukraine, but despite swelling numbers, the war has disrupted cash flows. Remittances shrank from $18.1bn in

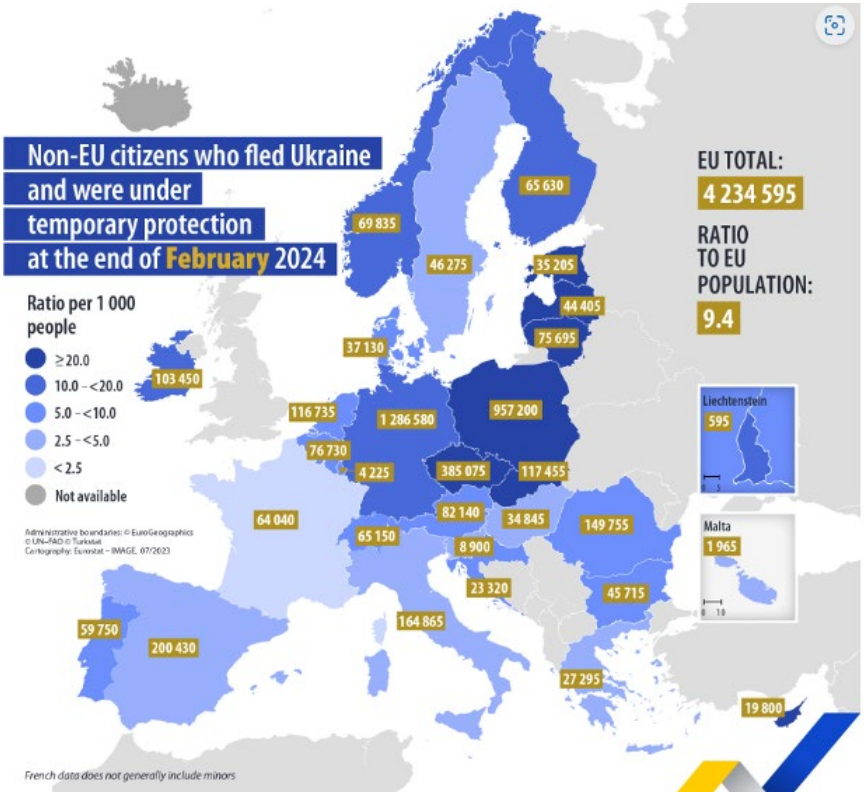
2021 to $15.7bn in 2023. That still represents 9.1% of GDP, compared to 2.4% that Romanian emigrants send home or the 0.8% arriving in Poland.[330]

Ukraine wants its people back. The government is upping pressure on young men to return and fight. It wants others to fill economic and administrative gaps back home.[331] According to a survey released in April, almost three-quarters of Ukrainian firms are experiencing staff shortages. The Ministry of Economy says 4.5mn extra workers are needed over the coming decade. The problem cuts across sectors. [332] "With the start of the war in February 2022, up to 20% of all workers in the IT industry left," notes Valeriya Ionan, Deputy Minister for Digital Transformation, and Friends of Europe European Young Leader (EYL40). "That's approximately 57,000 people, of whom the majority, 64%, were women."[333] Over one in four pig farmers say they face shortages of key production personnel. Mining and metals giant Metinvest, Ukraine's biggest private company, struggles to replace workers joining the military or escaping the frontline regions where its units are located.[334] "If our enterprises were located, for example, in Lviv [...] I would probably find people there, but they are 30 to 40 kilometres from the frontline, where most of the population has left," laments Chief Sustainability Officer Tetiana Petruk. "We lack the people to ramp up production in the steel segment and ore mining. We cannot even reach 50% to 60% of the pre-war production at some assets. The reason is people."[335]

Petruk appeals for action to encourage returnees by rebuilding homes, reopening schools and investing in bomb shelters. The government acknowledges reconstruction is crucial and promises to incentivise refugee return as a priority in its recovery plan. But it gets harder day by day. Many of those who fled took children and are reluctant to bring them home while missiles are still raining on Ukrainian schools and playgrounds. After two years, those kids are integrated into host-country schools. Their parents are increasingly finding jobs in places where wages are much better than back home. The longer they stay, the more Ukrainians build relationships and put down roots in their adopted homelands.

Some EU governments view hard-working Ukrainians as a convenient fix for their own labour shortages.[336] Kyiv wants them to encourage returns.[337]

Around 1.3mn refugees have returned. That includes 900,000 who have gone back to their hometowns and almost 300,000 who have resettled in other parts of the country.[338] Among those still abroad, the share hoping or



planning to return fell from 77% to 65% over the course of 2023, according to a survey by UNHCR. [339] Uncertainty about the war's outcome and deteriorating security conditions are cited by those who changed their minds about heading home. "The possibilities for a return to Ukraine decrease with the ongoing, targeted destruction of residences and critical infrastructure. The number of potential jobs in Ukraine is also declining. So refugees wanting to return to Ukraine might have nowhere to return to," Ella Libanova, Director of the Ptoukha Institute for Demography and Social Studies, wrote. Optimistically, she estimated half the refugees would eventually return, but acknowledges that the longer they are away, the less likely they will return.[340]

Apart from refugees in the West, UNHCR records 1.2mn Ukrainians in Russia. Details of their stories are often sketchy, but reports suggest they include people forcibly deported, as well as some who have sought refuge with relatives, and others who simply had nowhere else to run as death and destruction raged around their homes. Many may be trapped by the difficulties in travelling from Russia to the West. Moscow endeavours to exploit their presence for propaganda and has facilitated or enforced the adoption of Russian citizenship for many. International action is needed urgently to secure their right to return. [341] [342]

Russian cheerleaders have also sought to capitalise on any signs of disgruntlement in Western countries over the presence of Ukrainian refugees. They were received with unprecedented solidarity in the aftermath of the full-scale invasion and have integrated well from Portugal to Poland. Still, murmurings of resentment are emerging in some places. Although majorities are still welcoming, a March survey by the Bertelsmann Stiftung's eupinions poling platform shows a decline insupport, especially in countries hosting the most. In Poland, 60% back accepting Ukrainian refugees, down from 83% in March 2022. Germany recorded a similar drop. Support for taking in Ukrainians was just 24% among supporters of the hard-right Alternative for Germany (AfD) party, which is polling high in ahead of June's European Parliament elections. Of the seven countries surveyed, Spain and Italy have consistently been the most open to Ukrainians, but even there, signs of a fall are visible: from 93% to 85% in Spain, and 88% to 81% in Italy. [343] "You do see signs of fatigue in Poland, Germany, Belgium, France. People saying: 'We don't have enough for our young people, but we find

housing for Ukrainians, they get health insurance for free', all of that," says Oana Lungescu, Distinguished Fellow at London's Royal United Services Institute and NATO Spokesperson 2010-2023. [344]

Russian disinformation campaigns have been actively spreading false negatives to whip up anti-refugee sentiment and instrumentalise it against mainstream politics in Western democracies. Ukrainian refugees have been falsely accused of violent crimes, leaching off social services, stealing jobs, or healthcare.[345] "What we might call 'solidarity fatigue' is beginning to set in in some member states. The cost-of-living crisis has hit low- and medium-income families in host societies and created a context in which Russian propaganda could be more successful," Lodewijk Asscher, the European Commission's Special Adviser for Ukraine, noted back in June 2023. "We should be aware that the Putin regime has a huge interest in influencing public opinion on displaced persons from Ukraine. In the discourse on migration, refugees can be weaponised to sow division within the EU. Indeed, member states have indicated that they have seen an increase in disinformation operations targeting this issue." [346]

That will get much, much worse if Putin is permitted to advance further into Ukraine. "Credible estimates project that, if Putin wins now, over 20mn Ukrainians will flee westward," immigration expert Andy Semotiuk wrote in a recent ***Forbes*** article.[347] Host countries have already paid over €92bn in refugee costs since the full-scale invasion, with Germany and Poland shelling out about half. [348] Semotiuk estimates his worst-case scenario would have a €1tn annual bill, far more than the cost of giving Ukraine the weapons it needs to defend itself. Forcing a refugee tsunami may be part of Putin's plan, creating chaos in the West and depopulating Ukraine to facilitate Russian colonisation.[349] "If large cities such as Kharkiv and others are now destroyed, if the number of victims rises and hope falls, then we may experience the world's largest refugee movement since the 1940s," Austrian migration expert Gerald Knaus told ***Deutsche Welle***. "The EU is not prepared for the worst-case scenario that could follow." [350]

Within Ukraine, a lack of international action to speed a successful end to the conflict could trigger a demographic disaster as pre-war problems of low fertility and emigration are compounded by the war's impact. The longer it goes

on, the harder it becomes to ensure a sustainable recovery and build post-war Ukraine a as strong partner for the West. "Russia's invasion has not only led to immense human and economic costs in Ukraine in the present but also carries long-term demographic repercussions," says a study by Scotland's University of St. Andrews. Based on current trends, which saw the population decline by an estimated one-fifth since independence, the researchers forecast a further 16% drop over the next 20 years. If things go badly, they predict that there will be fewer than 25 million people in Ukraine by 2042, less than half the 1991 figure.[351]

Ukraine had one of the world's lowest birth rates before the war. Since the invasion, it has imploded as couples are forced apart. Men are dying in disproportionate numbers at the front; women make up around 70% of adult refugees.[352] Demographics expert Libanova says the fertility rate fell from 1.2 before the war to 0.9 in 2022. "Since the births planned before the war were still delivered in 2022, a much more dramatic drop in fertility rate is expected in 2023: it will most probably achieve 0.7, and this level will remain at least until the end of the war," she wrote for Wilson Center think tank in Washington. That would be the world's lowest. [353]

Other countries have bounced back with baby booms after the conflict, but Libanova is sceptical what will occur in Ukraine. Efforts to stimulate the birth rate with parental benefits or child-care provisions are expensive and, as countries from Poland to Japan are finding, often unsuccessful in modern times. [354] [355] Physical and mental health problems resulting from the war may also hinder recovery. The Health Ministry has estimated that 14mn Ukrainians might be affected by mental health issues.[356]"These events have had a profound impact on the mental health of the population," notes the World Health Organisation. "People have been forced to flee or remain confined to their homes, endure constant air-raid threats and attacks on their communities, face shortages of basic utilities, experience job losses and witness the severe injuries or deaths of loved ones. These factors, among others, highlight the urgent need to prioritise mental health in Ukraine." The war has aggravated already above-average rates of depression, suicide and alcohol-use disorders, WHO says. On the plus side, it notes Ukraine's "significant progress" in recent years in fostering community awareness, acceptance and compassion for those suffering with mental illness.[357]

Older people are hit hard. WHO estimates that twenty per cent of citizens over 60 are “too upset or anxious to go about daily activities”. “Ukraine has the largest percentage of older people affected by conflict in the world,” says the NGO HelpAge. Before the war, a quarter of the population was over 60, but that has grown as younger people have fled. The elderly are also worst affected by the destruction of health facilities and the economic cost of the war. Eighty per cent of single older Ukrainians live below the poverty line, and ninety per cent of pensioners cannot pay for even basic medical needs, says the HelpAge report. [358]

UKRAINE'S MEMBERSHIP OFFERS EU OPPORTUNITIES

"Ukraine is Europe, because Europe is in the hearts and minds of Ukrainians and soon enough, Ukraine will also be in our Union," **Ursula von der Leyen**, European Commission President, February 2024. [359]

Bringing Ukraine into the EU will be unlike any previous enlargement. December's decision by EU leaders to open membership negotiations was brave. Even in regular times, integrating a country so big, so poor and with such a supersized agricultural sector would present tremendous challenges and political risks. Launching the process when Ukraine is fighting for its life and with part of its land still under Russian occupation adds incalculable complications. However, by starting the accession, the EU has taken an critical step to underpin the war effort and reinforce Ukraine's drive to reform. If Europe and the wider West stay the course, they will gain a strong and stable democratic partner. Ukraine will contribute to the continent's security, economic progress and global reach. Wavering can no longer be an option. The longer the war is allowed to drag on, the harder integration will become. Let Ukraine down, and the EU will border a permanent hub of instability or the advanced base of a hostile empire.

Rebuilding Ukraine is an opportunity to jump-start Europe's sluggish economy, presenting investment opportunities and a market for goods and services; Ukraine's agriculture can lower prices and buttress EU food security; Ukraine offers reliable energy supplies and huge potential to advance Europe's green and digital

transitions. Ensuring the realisation of Ukraine's European vision will give the EU a powerful defence ally and strengthen democratic forces across the European neighbourhood and around the world. Besides underpinning Ukraine's reform process, the enlargement could catalyse positive change inside the EU. The parallel processes of defeating authoritarian aggression, rebuilding Ukraine and reforming the EU for a successful enlargement could spur a revival that pulls the European project away from what French President Emmanuel Macron has called the "tipping point" towards mortality. [360]

Ukraine will become the EU's biggest member by area and fifth largest by population, with over 41mn people, according to pre-war estimates. [361] Ukraine is already closely linked to the EU. Before the war, 1.57mn Ukrainians lived in the EU, the third-largest migrant community after Moroccans and Turks. They have been joined by 4.23mn refugees. The EU is Ukraine's biggest trading partner. Two-way exchanges reached €57.8bn in 2022, doubling over the eight years since a free-trade agreement came into force. EU exports to Ukraine outweigh imports by €3.5bn. [363] [364]

Russia's bid to veto that agreement on trade and closer ties in 2014 was the spark for Ukraine's Euromaidan uprising. Ukrainians paid a heavy price for their commitment to European values. Over 100 protesters were gunned down by the pro-Russian government's riot police and Putin followed up with the illegal occupation of Crimea and invasion of Donbas. Russian aggression has reinforced Ukrainians' European aspirations. Since 2022, polls have shown consistent support at over 90% for EU membership. Over 80% expect they will get there by the decade's end. [365] "In Ukraine they are very pro-European and very determined to make it as quickly as possible," says a senior European official.[366] "It's a huge asset if

you have a motivated country and can mobilise funds coming for a post-conflict environment." The EU must make good on its promises, however, to avoid the disillusion that years of foot-dragging on membership have generated in the western Balkans. [367]

The imperative of meeting EU standards in preparation for membership is a powerful driver of Ukraine's reform and anticorruption efforts. At the same time, civil society maintains pressure to ensure the sacrifices made for European values are not wasted. "In 2014, that revolution was about Ukrainians wanting to be with the European Union, not wanting to be with Russia," recalls Olga Rudenko, Editor-in-Chief of the *Kyiv Independent* and European Young Leader (EYL40). "The people are more intolerant towards corruption because Ukraine is paying a price in lives." [368]

While Ukrainians are clear about the political, economic and security advantages of joining the EU, some in the current 27 member states still need convincing. Just 45% back Ukraine's membership according to a recent poll. In Hungary, it's a meagre 18% and in Slovakia 24%. Farmers unions complain Ukraine's membership would threaten their livelihoods, and politicians have warned about the costs of supporting a country whose per-capital GDP, at $5,660 a year, is seven times lower than the EU average. [370]

"We will need to communicate the benefits of enlargement [...] it must be more forceful than we have done in the past," acknowledges Gert Jan Koopman, the European Commission's Director-General for Neighbourhood and Enlargement Negotiations. He is convinced, however, that Ukraine's membership will produce major benefits. "It will bring a lot to the EU in terms of security and economic. It is an agricultural superpower. In the

long run, that's a benefit for the EU. Secondly, it is a country with 40mn people who are overwhelmingly headed for much higher levels of education and growth. It's a very dynamic society [...] Thirdly, from a security point of view, this is the continent's strongest army. This is a dangerous world, having them in must be a good thing from that perspective."[371]

Officials highlight the advantages of Ukraine's transport and energy networks for European supply lines and the impact of integrating its advanced tech sector. "The digital transformation will bolster the economic bond between Ukraine and the EU and reduce non-tariff trade barriers through digitalising cross-border transactions and regulatory alignment," says Valeriya Ionan, Deputy Minister for Digital Transformation and European Young Leader (EYL40). She highlights a study made in 2020, before the large-scale Russian invasion, showing integration into the EU's digital single market could significantly increase the trade, with EU services exports rising by 9% and goods sales by over 21%. The boost to Ukraine's GDP per capita could be as high as 7.8% with a smaller, but positive impacts in EU countries. "Ukraine's alignment with EU digital standards and active participation in European digital initiatives promise to enrich the EU's digital single market, export innovation and strengthen cyber-security across the Union," Ionan adds. [372] [373]

Agriculture will be the most difficult chapter in Ukraine's membership negotiations, as it was in previous enlargements. The protests in Poland against Ukrainian farm exports flowing over the border under emergency wartime measures may be a precursor of the trouble ahead. The membership process will have to be accompanied by reforms of the EU's Common Agricultural Policy (CAP), alignment of standards and probably a decade-long transition after membership before Ukraine's food is sold freely in the

single market. "It's a challenge, but we should not exaggerate the challenge, and we should not forget that we have dealt with similar challenges in the past," says Koopman. "We have a whole toolkit to deal with it, and time is going to change the realities on the ground quite fundamentally." [374]

The CAP subsidy system, which is paying out €270bn to 6mn EU farmers up to 2027 under the current seven-year financial programme, will need a major overhaul to accommodate the size and structure of Ukraine's agriculture. Besides having more farmland than any current EU country, Ukraine's farms are bigger. Average sizes are 96 hectares, compared to 17 hectares in the EU. [375] [376] While most Ukrainian arable farms are below 100 hectares, two dozen almost two dozen that cover more than 50,000 hectares, and one stretches over 500,000 hectares, about twice the size of Luxembourg. [377] [378] With CAP paying subsidies of at least €200 per hectare, it is clear that changes are needed to prevent multimillion handouts to agro-industrial giants. Campaigners hope Ukraine's membership will have a wider impact on the CAP, shifting payments away from size-based handouts towards support measures that improve food quality and sustainability. If integrated successfully, Ukraine's farms could protect European consumers from price fluctuations, boost EU food security, cut supply lines, and reduce import dependence. That will become ever more important as climate change affects food production around the world. EU farmers' concerns could be soothed if their Ukrainian counterparts continue to direct exports to Asia, Africa and the Middle East. "The competitive pressure could be significantly eased by channelling all these products to the third markets, where Ukraine has traditionally found its primary consumers. This would make the EU a stronger player in the global food market," says Estonia's International Centre for Defence and Security (ICDS) study.[379]

Beyond the CAP, the overall impact of Ukraine's membership on the EU budget has also raised concerns. After farm payments, the second largest component of the budget is Cohesion Policy, mostly to support the bloc's less-well-off regions. Experts squabble over how much the entry of Ukraine will cost. A leaked internal document last year put the bill at almost €27bn annually over seven years, around 15% of current spending.[380] Another study suggests Ukraine would be entitled to over 40% of EU financial support.[381] Such numbers spook major contributors to EU coffers, like Germany and the Netherlands, as well as net recipients, such as Poland, Spain and Romania, who fear their share will shrink. Other researchers, however, predict that enlargement will be cheaper. "The next enlargement round would have less of an impact on the EU budget than is generally assumed," says a Berlin-based Jacques Delors Centre policy paper.[382] It calculated annual additional spending on Ukrainian accession at €13.2bn. A separate study from Estonia's ICDS suggests Ukraine would get €18bn.[383] Downward recalculations of Ukraine's population and expectations of rapid post-war economic growth could further reduce those estimates. The Ukrainians themselves are keen to make a positive impact. "We are not freeloaders. We can contribute tremendously. We have to make that evident and clear to Europeans," says Olexander Scherba, Ambassador-at-Large in the Ukrainian Foreign Minister. "Ukrainians are a nation who are ready to roll up their sleeves and work hard. They have this dream of becoming successful on this European path." [384]

The defence and security advantages Europe gets from having Ukraine on board will offset any cost. As it emerges successfully from the war, Ukraine will be a bulwark on Europe's eastern flank. Its experience will make it a valuable ally against cyber, hybrid and conventional threats. "We can [...] become a shield for Europe from the Russian threat," says Yehor Cherniev, Deputy Chairman of the Ukrainian Parliament's Committee on National Security, Defence and Intelligence and Head of the Ukrainian Delegation to NATO's Parliamentary Assembly. "On a tactical, operational level we can share our experience with our allies: experience in different spheres, not only how to fight, but also with the new technologies, drones, electronic warfare etc. We can

share the experience of our people in the army, who were faced with one of the biggest enemies, the most aggressive countries in the world."[385] That will be a major plus for the West under any circumstances. If the US engagement through NATO were to dwindle, a strong Ukraine would be an even more important ally for Europe.

By welcoming Ukraine into the Union, Europe will take a big step toward developing the "new defence paradigm" that Macron identified as essential for survival in his Sorbonne speech in April. Enlargement to Ukraine and other candidates will also provide a stimulus for reforms Macron identified as essential to equipping the union to survive in the face of myriad external and internal challenges.

If Russia is allowed to succeed in Ukraine, the whole European project – built on the promise of post-WWII peace and democracy – will be thrown into doubt. Russia would expand its baleful influence in the Balkans and threaten EU countries themselves. Ukraine's defeat would create permanent instability on the EU's eastern borders, force Europeans to spend more on security and defence rather than education and health, encourage the spread of authoritarianism and populist politics, fundamentally weaken Europe's political unity, trigger an unprecedented refugee crisis; and raise the risk food and energy insecurity. With that scenario, Macron's warning that Europe "could die or disappear" will become terrifyingly real.

On the other hand, joining Ukraine on the path to victory and recovery could provide the impetus to, in Macron's words, "regain control of our lives, of our destiny, through the power, prosperity and humanism of our Europe".

Shutterstock: impact on a high-rise building in the city of Dnipro, Ukraine. A residential building destroyed by an explosion after a Russian missile attack. DNIPRO, UKRAINE – February 9, 2023.

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Shutterstock: the ruins of two churches and a women's monastery of the Bogoroditsky hermitage of Sviatohirskaya Lavra as a result of the Russian occupation.

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