TRANSCRIPT
Press Briefing
“Assessing the War in Ukraine”

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Thanks, Brad. Really appreciate it. And good morning, everybody, and welcome to today’s CSIS press briefing. We have a terrific lineup of experts from across CSIS’s research programs joining us today to offer their latest insights on several critical areas surrounding the war in Ukraine ahead of the two-year anniversary of Russia’s invasion, which we’ll mark just a week or so from now.

Just a couple housekeeping notes before we get started. Each CSIS expert will offer a few minutes of introductory remarks, after which we’ll turn to any questions from those of you joining us today. We’ll also have a transcript of today’s call available by later this afternoon, which will be shared directly with all participants and posted to CSIS.org.

So, with that, why don’t we go ahead and get started? I will turn first to my colleague Seth Jones, CSIS senior vice president, Harold Brown chair, and director of our International Security Program. Seth, over to you.

Thanks, Alex. Really appreciate it. Great to be on this panel.

I’ve got four comments. My remarks are going to primarily focus on the military campaign and a little bit of the Russian military.

As we move into the third year of the war, I would say from a military perspective that Ukraine, which had the initiative last year during its offensive campaign, has lost it. That doesn’t necessarily mean the Russians have it, but I do think it’s fair to say that the – that the Ukrainians have lost the military initiative, at least for the moment. They did not succeed in regaining much territory – a little, but not – certainly not as much as some and even they had hoped. I suspect what we’ll see – we already see a little bit of this in the Luhansk area – is the Russians attempting to seize the military initiative this spring – this year more broadly – and to go on the offense. As I see it, the Russian main effort in terms of the military campaign is likely to center around areas like Luhansk Oblast to capture the remainder of Luhansk, push westward into eastern Kharkiv, and also parts of northern Donetsk. It doesn’t mean it’s unlikely that the Russians will go south and try to retake Kherson. I just don’t see that as being their primary military objective.

Some of the areas that I am definitely watching on an hourly, day-by-day basis are Russian pushes into areas like Avdiivka. There has been a lot of positional fighting near the city over the last few days. Some Russian milbloggers have claimed that Russian forces crossed the rail line in Avdiivka and entrenched themselves in the dacha area west of the railway. But there have been some milbloggers, among others – including Russian ones – that have claimed that these reports so far are unconfirmed. So
there’s a little bit of content contestation, but I do think it’s fair to say that we haven’t seen a big change of territorial control.

On the – just briefly, on the – well, actually, I’ll let Eliot talk a little bit more about the Ukrainian military. Let me actually share – to my second major point, which is on kind of the Russian reconstitution. As I look at Russian efforts over the past several months, there is a significant effort to reinvigorate the defense industrial base for a protracted war. And I think it’s reasonable now to expect that Russians now have stockpiles that they would be able to plit for at least another year or two. What’s been interesting, I think – and this – I won’t really talk aid packages because I think a few others are going to talk aid packages – but I think what’s interesting is how much we’re seeing crossing major regional lines, so U.S. intelligence assessments that they have declassified have indicated that the Chinese have ramped up military aid to the Russian – both the military and Russian intelligence services. Examples include navigation equipment for M-17 military helicopters, jamming technology for military vehicles, parts for fighter jets, components for defense systems like the S-400 Surface-to-Air Missile System, semiconductor chips for weapon systems, drones for battlefield use. We’ve also seen some help clearly from the Iranians with the Shahed 136s and the Mojaher 6 drones, including building a drone factory near the Russian town of Yelabuga, and North Korean assistance in providing advanced technology to the Russians, as well – primarily artillery shells and munitions for Moscow’s war in Ukraine. So I certainly think along those line the Russians have the ability to continue to fight for quite some time.

Let me just conclude with a third point on some of the more sort of defeatist comments that I’ve heard, including coming from some senators, about the likelihood of a Russian victory. I think it is way too early to assess the likelihood of victory by either side. I would just point to the repeated examples of small powers wearing down and defeating much larger ones: the Soviets losing in Afghanistan, the French and the U.S. in Vietnam, the U.S. and NATO in Afghanistan, the French in Algeria – plenty of examples where there was, to paraphrase Pakistan’s ISI during the 1980s war in Afghanistan against the Soviets, death by a thousand cuts. And I think in that sense what we see is – what we’ve seen historically is protracted wars where there is significant attrition can change the political calculations and the cost-benefit analysis. So I think if Ukrainians are able to continue to get foreign assistance – the European Taurus would be a good example of what the Ukrainians have been pushing for. If Ukrainians are able to adopt a successful strategy, including heavy focus on drones and air, then I think, you know, there’s a – there’s a reasonable chance that they will make it very painful for the Russians to advance. And we have seen, as I turn to Maria, the Russians not that successful on offense over the course of this war, except for the very early stages.
So, with that, I will hand it over to Maria.

**Mr. Kisling:** Thanks, Seth. Really appreciate it.

**Maria Snegovaya:** Thank you very much.

**Mr. Kisling:** Yeah, Maria, I'll just queue you up here. Maria is our senior fellow with the CSIS Europe, Russia, and Eurasia Program. So, Maria, over to you.

**Dr. Snegovaya:** Hello, everyone. Honored to be here. With apologies, I will have to jump off. I will not be able to stay for Q & A since I’m in the Congress briefing our congressmen on the importance of containing Russia.

So I will cover two topics today, following up on Seth’s excellent comments. First of all, Russia’s ability to circumvent the sanctions; and also Russia’s ability to continue supplying manpower.

So on the sanctions front, unfortunately, news that came out from the last year are awfully negative. As a matter of fact, like, I will cover the oil price cap and export controls as the two main areas on which Western sanctions have focused.

Unfortunately, while the oil price cap did seem to have had an impact on declining Russian revenues in early 2023, by the late 2023 Russia, by investing heavily into refocusing on suppling its maritime oil shipments through shady fleet, almost have been able to, to a large extent, substitute for the oil price cap. By different estimates, it’s about 45 percent of its maritime oil is now covered by shady fleet. With also Russian own fleet, that covers about 70 percent of all Russian maritime oil.

As a result, we've seen continuously growing revenues of the Russian budget coming from the oil, that was combined with a relatively favorable oil dynamic. And by now, Russia’s monthly revenues – one year into the oil price cap – actually exceed what Russia used to get before its invasion of Ukraine in 2022. Accordingly, Russians used this money to double down on defense spending. In 2024, its investments in defense have increased by almost 70 percent as compared to 2023.

Now, when it comes to export controls, the effort to limit the influx of sensitive technologies into Russia, again, we have seen a fairly similar dynamic where, while at first it took Russia some time to readjust, perhaps, to find new suppliers, it’s huge land border with many countries of Central Asia, the Caucasus, as well as, of course, China, more or less fully substitute for the important Western-produced goods. China’s the biggest factor, especially when it comes to semiconductors. Western-made microchips are the items most often discovered in pretty much every type of Russian
military equipment which was investigated by Ukrainian authorities. As a matter of fact, the situation with export control is so dire that, for example, you know – (inaudible) – essentially just points out that export controls are now circumvented left and right, and we really cannot talk any more of them working.

As I mentioned before, China’s role here is particularly prominent. China is very actively substituting for a variety of goods that Russia has lost as a result of the Western-imposed sanctions, from the car industry all the way to consumer goods. But when it comes to technology, China’s role is particularly important. We have seen that Russia’s trade with China in 2023 has reached a record, growing by about 26 percent from 2022.

Now, besides China, Seth has pointed out the important role of North Korea and Iran when it comes to the military. But most importantly, Russia is feeling quite comfortable within the economic dynamics. As we have seen, there’s a lot of Keynesian type of economy, essentially investing into the growth through the investment – through its own state-based investment. And, accordingly, we have seen that Russia also boosting its domestic production and the military industrial complex. Unfortunately, there isn’t a lot of independent data on this matter, so we have to rely on the Russian state-reported data, which is arguably inflated but is not in complete contradiction to what we are seeing on the ground in Ukraine. They are ramping up domestic production of weapons, including tanks, rocket launchers, artillery, and missiles, by more than twofold, and in some instances by more than tenfold. Therefore, it can – one can hardly describe the sanctions as success.

Having said that, we did see Russia’s rainy-day fund grow – steadily erode. There are budget issues, where they are actually struggling to come up with new sources of revenues and likely will be increasing taxes. We have seen inflation rising. Partly that’s the contribution of the sanctions and the fact that Russia now has to resort to the so-called regressive – (inaudible). And in general, there is a general feeling of uncertainty about where things are headed. But it would be – one would be really hard-pressed to describe the sanctions situation as a success, and unfortunately, we will have to do better going forward.

Now, when it comes to the manpower situation, again, Russia displayed a lot of resilience, more than one had expected, given completely unprecedented losses. UK MoD has reported – has estimated that Russia, since the start of the war, has lost about 315,000 troops killed or injured. And with this dynamic, by the end of 2024 it will lose approximately half-a-million people.

So it seems that that huge losses would have had impact on the society, on the morale of the soldiers. However, so far, because it’s the, obviously,
among other things, because of the repressions, control of the media, as well as huge influx of the money that Russia is getting for oil revenues and distributing to the families of the injured or killed, and to people – or to so-called volunteers who go to fight in Ukraine, so far, that has actually created a new status quo in Russia which helps it sustain a more or less durable status quo. According to RUSI, for example – (inaudible) – estimated Russian state can sustain the war at least for the next three years. We have seen that the Russian MoD fairly – is fairly consistent in its military tactics, relying on mass infantry attacks, and sends large waves of soldiers against Ukraine in an effort to wear down the Ukraine defense, especially given the shortages in manpower that increasingly happens on the Ukrainian side.

Now, having said that, we do see some early indications of the spreading of fatigue, war fatigue, in the Russian society. For example, we have seen by the end of 2023 some growing – growth in the number of people, of Russian people, in response to the surveys who do support the war – or, sorry, the war negotiations, the war settlement, the peace talks. We have seen them, for example, very supported by – (inaudible) – by the Russians killed; having said that, only under the conditions of Russia holding onto the territories that it’s already occupied in Ukraine. So the numbers right now are about over 50 percent, actually, supporting – defending on the poll you’re looking at. There was this new campaign by Boris Nadezhdin, a politician who wanted to run against Putin, campaigning for end of the war. He also has been able to collect more than 20,000 signatures in order to run in the election, but he wasn’t allowed to run. So there are some spreading signs of the fatigue.

Having said that, so far Russia has been able to fairly successfully maintain an influx of so-called volunteers, promising them high social payments and salaries. Putin in this fall reported that about 300,000 new so-called volunteers volunteered to participate in Ukraine’s war. And RUSI reports that recruiters are achieving about 85 percent of their assigned target for contracting troops for Ukraine war. Therefore, with the current dynamic, unfortunately, it seems that Russia’s not facing serious social resistance to continuing this war, at least for the next year – couple of next years.

And I’ll stop here. Thank you.

Mr. Kisling: Maria, thanks so much. Really appreciate it.

Let’s turn next to Max Bergmann, director of the CSIS Europe, Russia, and Eurasia Program and Stuart Center. Max, over to you.

Max Bergmann: Great. Thanks, Alex. And thanks, Maria and Seth and Eliot.
Maybe I’ll just say a little bit about Europe’s response, and then maybe a quick thought on kind of where Ukraine sees itself and the current aid dynamic in Congress.

So I think one of the big surprises over the last two years has actually been the response of the Europeans. Now, two things can be true at the same time, where I think Europe’s response has genuinely surprised, I think, Washington, many in the administration, and I think many in Europe themselves about what they have done and what they – what they are doing; and yet, it’s also at times, you know, not sufficient to actually meet the needs for Ukraine.

I think the one thing when we think about the European response is it’s been far stronger than what we saw after 2014, the EU coming together on sanctions and actually pushing at times the administration to go harder and stronger. We’ve seen major European countries provide major military support for the first time – Germany being, I think, the lead there, where they have not only provided a lot of advanced weaponry but done so at a scale that I think is – has been sort of quite surprising to many, and especially at the beginning of the war given Germany’s history and policy of not providing lethal assistance to a country in conflict. And European will, which, you know, we were all nervous that it was going to crack over the winter of 2022/2023 when energy prices skyrocketed and actual inflation was really tied, I think, to the war in Ukraine and in the explosions of the Nord Stream 1 and Nord Stream 2 pipelines and the cutting off of Russian gas, Europe has adapted and public support has remained really strong despite the economic challenges.

And we’ve seen that recently with the EU coming together and basically getting over the hump with the Hungarian potential veto of 50 billion euros for Ukraine. What’s important to note is that it’s economic aid, not military aid. So the EU is stepping up on the economic side. And I think what we may be seeing in Brussels over the next few weeks, particularly as aid may be stuck in our Congress, is additional assistance packages from the EU. They have something called the European Peace Facility, which in typical EU parlance is actually an EU security assistance fund. That is now out of money, and the question is how much money will be put back into that and whether it’s sort of reformed to now fit the current challenges of the current conflict.

And from a European perspective, the way they support Ukraine military I think, basically, has to – has to evolve and change. I think I sort of identify three phases.

Phase one was the Eastern Europeans giving away all their old Soviet equipment from when they were part of the Warsaw Pact country. Now, those were integrated and used by the Ukrainians at great speed.
Phase two was many Western European countries providing a lot of their old major platforms, Leopard tanks and other things like that.

But now we’re in phase three, where the Europeans are kind of out of stock of a lot of older equipment in their warehouse and it’s now a lot more expensive for them to provide aid to Ukraine in the sense that they would have to provide newer equipment or they have to go and buy that from industries. And the problem in Europe is that they haven’t put things under contract fast enough. They have similar defense industrial issues that we have here and sort of ramping up on that scale. But theirs are – their problems are even more severe because it’s a completely fragmented defense industrial complex and it’s been underinvested in for decades.

The good news there – there’s good news and bad news. The good news is that Europe is ramping up its defense industrial production. European factories are expanding and increasing ammunition production. The EU has provided funding to help finance the expansion of the capacity of defense industries. The challenge is that orders haven’t really come in at the scale that is needed. And part of the issue is that there’s a – there’s kind of a tension between European countries modernizing their own militaries – so investing in NATO capabilities and supporting Ukraine.

For example, Germany announced the Zeitenwende fund, investing a hundred billion. A lot of that money’s going to F-35s, going to advanced helicopters, great equipment that will really improve the German military. That is important for NATO. On the other hand, what Ukraine needs is ammunition and other things that that fund isn’t going to. And so European defense ministries are sort of struggling with they’ve got an increase in funding and how much of – how much of that increase in funding do you use to provide for Ukraine or to now finally modernize your forces. So that’s one of the tensions. And I think, hopefully, there will be some breakthroughs at the EU level.

Just quickly on the state of the war to pick up something I think Seth mentioned earlier about, you know, the – a number of – we’ve seen smaller countries frequently, you know, defeat larger countries in battle, with Vietnam and others being key examples. And I think that’s exactly the right way to view this war. I think Putin – the problem for Russia and the problem for Putin is he has wanted this war in many ways to be treated by the Russian public as a civil war, where this is a war – not a war of choice but an existential conflict for Russia – think our Civil War between North and South, and that once the North sort of fully puts its weight into it with its industrial might and its population advantage, well, the South is – was going to crumble, and that Ukraine will crumble and sort of be reincorporated to Russia. The problem is that he has not won that narrative battle inside of
Russia. Calling this a “special military operation” and being concerned about how this is viewed inside of Russia, and by coming up with all sorts of, you know, evolving narratives about this war has meant this is very much a war of conquest by Russia. And that is, obviously, how it’s seen in Ukraine, and I think around much of the world. But I think for most Ukrainians, this is – or, most Russians this is seen somewhat as a war of choice. And while there’s a lot of popular choice for war of choices – we have seen that in the United States – that can really wane, and I think that leads to some constraints on the Kremlin in how they’re going to wage this war.

And so what I’d say is that Ukraine, I think, is at a bit of a pivot point. I think they are at a point where a long war, to me, actually favors them as long as we – that they are continually supported by Europe and the United States in particular. And that is critical, because, while this is utterly sustainable for us economically, maintaining this war economy may not really be sustainable for Russia over the long term and may have – lead to increasing internal challenges.

And so that gets to the assistance funding, where if that funding is passed I have no doubt that Ukraine will be able to completely absorb the Russian offensive that is going on in 2024. In fact, I would be quite optimistic about Ukraine’s potential in 2025 with Russia sort of, in its hubris, launching constant offensives, losing lots of people, and they’re kind of running out of prisoners to throw into the meat grinder so they’re starting to throw people that have more importance or significance from a societal standpoint into the frontlines, that that will really pay a toll on the Russian military, on the Russian war effort, and that in 2025 we’ll have a point where European production will have really ramped up as well. So if U.S. aid continues and European production ramps up, Ukraine will be in a very strong point to, I think, continue this war into 2025.

And this leads to, I think, maybe my final – well, maybe one final thought: Therefore, Congress getting this over the line, the aid funding, is really existential for Ukraine, because if they don’t provide the funding then the war of attrition, the kind of balance goes back to Russia. And I agree with Seth; Russia doesn’t have much offensive combat capacity. But right now, Ukraine is running out of ammunition on the frontlines. They’re having to use more manpower to plug the holes on the frontline. And so the war of attrition really advantages the Russians, and you don’t know when those frontlines may break. We saw in World War I, you know, the Germans in the spring of 1918 were on the outskirts of Paris, and then they lost the war six months later, where their lines just suddenly broke. In a war of attrition, lines can break if the attritted side is depleted enough. So I think that passing the assistance is really critical.
And just one final thought is that right now I've seen this narrative on the Hill about, well, maybe it's time for negotiation. Well, to have negotiations you need both sides. And right now in the Kremlin they think they're going to win. And if they think they're going to win, they're not going to negotiate and they see a real advantage. Negotiations tend to happen when there is a sense of stalemate and that neither side thinks they're going to be able to win. And we are, I think, a very long way from that happening, and the Russians have to be convinced that they're not going to win. And to do that essentially requires us to provide assistance and support, and to make clear that that's not going to stop, then the Russians may view their situation as completely untenable over the longer term and may seek a way out. They're not going to do that in the near term. And the same applies for Ukraine, in the sense that Ukraine needs to know that they can basically – that they can fight the Russians to the point where the Russia wants the war to end.

So I think that's where we are. It's a real pivot point, I think, right now in history about what Congress does. So maybe I'll leave it at that.

Mr. Kisling: Thanks, Max.

We have a couple of speakers left. Just for those of you who want to ask a question, to add your name to the queue please press one and zero. And then we'll turn to questions after our speakers wrap here.

Let me turn next to Dr. Eliot Cohen, CSIS Arleigh Burke chair in strategy. Eliott, over to you, please.

Eliot A. Cohen: Great, thank you. So a number of observations. Some pretty much, I would say, supplementing or complementing things that colleagues have pointed out, but some are a little bit different. Let me begin with the first one.

I think it's easy to fixate on the fact that the lines on land look fairly static. You know, we get a lot of reporting about the battle front, Avdiivka, and so on. And it looks kind of like our mental image of World War One, with a very static trench line. The fact is that there are multiple campaigns going on. And I think it's important to recognize that fact.

So in fact, just the other day, yesterday, the Ukrainians were able to hit with some of their naval drones a yet another Russian landing ship. This is a pretty substantial ship. I think it's about 269 feet long. It's the fifth of nine landing ships that the Russians had in the Black Sea Fleet. So they've now sunk more than half of those. Those are actually quite important, because that's how the Russians -- one of the main ways in which the Russians are getting ammunition to the frontlines in southern Ukraine. So there's a maritime campaign where the Ukrainians have been remarkably successful. They continue to be able to export wheat. It's not easy, but they're exporting
quite a bit. They've pushed a large chunk of Black Sea Fleet off the Crimean Peninsula, as they gradually erode the ability of the Russians to resupply by sea. The Russians are very dependent on the Kerch Bridge. And if they ever get the means to take that out, that'll be gone.

There's a deep strike campaign where the Russians have the advantage, but where, frankly, Ukrainian society has, to some extent, I think, become somewhat inured to this. But the Ukrainians are also striking deep in a variety of ways into Russia, with drones, with missiles, but also with a very active sabotage campaign. This has some military consequences, but also has a lot of psychological consequences. And there's a – there's an information campaign, on both sides. Which it feels to me a bit more like a draw. You know, the Ukrainians I think clearly had the edge at the beginning, the Russians are, I think, very actively trying to create a narrative of inevitable Ukrainian defeat. Unfortunately, they have some people in Congress are all too willing to believe in that.

Even on land, I think it's – we got to be careful about how we assess this. My assessment of what the Ukrainians are doing is, in battles like Avdiivka, as with Bakhmut, I think they've made a conscious decision to fight for some of these places as way of attritting the Russians. Now, it's true that, on the one hand, Russians, by a variety of means, are kind of replenishing their manpower. But the point that has to be borne in mind is, you know, this is not a well-trained force. And there's some elements of it which still are, most of it, though, is very poorly trained. And it's pretty demoralized. And therefore, not really capable, I think, of large-scale land maneuver. And I do think this is part of the Ukrainian concept.

The other thing I would say is that this is not a static battlefield in another way. Both sides are pouring a lot of effort into the use of advanced technologies. And Seth referenced this earlier. The Russians obviously, in a variety of ways that people have spoken that, are doing this, including with a very active drone program but also with acquisition of technology from Iran and North Korea. But the Ukrainians are very far from sitting still. And in fact, they do have their own industrial strategy in all of this. And they are – they have shown themselves, I think, particularly – I'll go back to the naval realm – capable of being very ingenious and effective. And really, that was that way throughout the war.

There'll be new elements entering the battlefield. The Ukrainians are going to get F-16s. They're not going to be a wonder weapon, but they're both – they are going to change a little bit, I think, the ability of the Russian Air Force to operate. With luck, they're going to get some of the weapons systems that would really be helpful to them, particularly the German Taurus and, of course, American ATACMS. So the war is evolving technologically as well, and we shouldn't – we shouldn't miss that fact.
The critical question, as a number of my colleagues have pointed out, is, of course, U.S. support, particularly this vote that’ll be coming up in the House. And that’s important, both on very concrete grounds – the Ukrainians are suffering from real shortage, particularly of 155-millimeter artillery ammunition, as well as other things. And this would go a long way to helping them. It’s also psychological. I think it is very important that people don’t think that the United States has lost faith in Ukraine. Although, one has to say that one of the consequences of this debate in the United States has been to spur, I think, increasing European efforts.

The problem, as Max and others have pointed out, is that the Europeans are still behind the power curve in terms of actual military industrial production. The Ukrainian – issues that the Ukrainians face are really three, I think. One is this question simply of resupply there, and shortage of hardware. They have a second big question. That’s a mobilization question. This has been posed sometimes as conscription. That’s not the issue. They have conscription. So the question is, are they going to make more extensive efforts to mobilize the manpower they have, to share the burden more equally, to make sure that units get rotated and so forth? President Zelensky has talked about that. And he particularly talked about that in the context of the change in the command team that he’s put through. And I think that’s a critical domestic, social, and political issue.

And that does bring up the third issue, which is this rather major overhaul of Ukrainian military leadership. The replacement of General Zaluzhny with General Syrskyi. But there is a whole tier of other general officers who’ve been replaced. That tier is actually the more interesting one, in some ways. It is a younger, combat-experienced team. Most of them have worked with Syrskyi himself. He’s actually quite a talented general. There’s a lot of misleading commentary, I think, about the changeover. You know, generals are heroes in wartime. So everybody loves Zaluzhny. People will love Syrskyi, I’m sure, almost as much. He’s a less charismatic figure in some ways, but he’s certainly highly competent. This is a normal kind of thing that have happen in war. What was interesting to me about that, though, was the instructions that Zelensky gave as he got in this new command team. And I think I think all of us augured pretty well, but he be sure that units get rotated, make sure that the Ukrainians up the level of training, and so forth. So I think that is actually, in many ways, a good sign.

And I just want to address the question of, how could the war end? So my first thought on that one is, if you look at military history most wars, particularly of this magnitude, have to end with the change of leadership on one side or the other. I don’t think either the Ukrainian government or the Russian government, as currently constituted, would be willing to throw in
the towel. And so it’ll be the moment when either Zelensky is not in power or Putin is not in power. I think the latter’s a bit more likely than the former. I don’t see the Ukrainians giving up, because this is an existential war for them. It is not an existential war for Russia.

It’s also the case that wars like this often end with a sudden collapse. We need to – in this respect, I think the World War One analogy can be fruitful. Nobody expected the war to end in November 1918. You know, in September, even into early October, people are planning for the campaigns of 1919. And there was not just one collapse, but a set of collapses. I think something similar might happen in this case.

But, you know, my baseline prediction would be this war is going to go on for quite some time. That 2024 is going to be a year when both sides are remodeling their militaries. Hopefully, the Ukrainians are resupplied on the large scale. And I think, unfortunately, there’s going to be quite a bit more fighting to be done before this war ends up resolving itself.

Mr. Kisling: Eliot, thanks so much. Really appreciate it.

Again, if you have a question that you’d like to ask, please press one and then zero. We’ll get to those in just a moment.

But let me turn next to our final speaker, Romina Bandura, who is our senior fellow with the CSIS Project on Prosperity and Development. Romina, over to you.

Romina Bandura: Thank you, Alex. And thank you for – to my CSIS colleagues. I’m going to take another angle in the discussion and address an important aspect of the war, which is the Ukrainian economy. And I’ll make four points. First, Ukraine’s future depends on the outcomes on the battlefield as much as on the economic front. You know, Ukraine is fighting as much a military war against Russia as an economic war. The enemy is trying not only to occupy land, wipe out physical infrastructure, and inflict mass civilian casualties, but also wants to cripple the Ukrainian economy, targeting critical industries.

In this regard, as Max mentioned, the international community needs to continue helping Ukraine keep the lights on. So, you know, this is essential to pay pensioners, teachers, police, which in turn fuels consumption in Ukraine so that, you know, the economy and society did not completely collapse. A staggering indicator is that now more than 24 percent of Ukrainians are now poor and need support. We need a functioning state and a functioning economy in Ukraine. The Ukrainian economy grew by 4.5 percent in last year, in part due to the international support but also thanks to a resilient information technology sector, consumer spending, and Ukraine’s ability to reroute its exports through the Danube and Western borders.
My second point is that budgetary aid for the government of Ukraine is super important to keep the economy running, but the private sector in Ukraine also needs support. A strong business sector is the key to Ukraine's future. I would say, yes, it's true that many companies have had to shut down or had their operations halted or interrupted. But many others have proven to be resilient and have adapted to war times. We have to remember that businesses employ people and pay taxes to the government. And a large portion of Ukraine, which is close to 85 percent of the territory, is unoccupied. And this is where businesses can operate and potentially grow.

But companies are having problems finding labor, especially highly skilled labor. Remember that between six and eight million Ukrainians have fled. And companies are reporting that between 10 to 20 percent of their staff has mobilized for the war. Companies are also finding it hard to access affordable credit, fresh capital, and war insurance schemes. Regarding new investments into Ukraine, foreign direct investment, unfortunately, it has collapsed since the war started. Ukraine was able to attract about 500 million (dollars) in new investments, according to the data provided by Ukraine Invest, which is the country's investment promotion agency. And these investments are taking place in regions that are not under active combat, such as the western and central parts of the country.

I would say that, on the other hand, like, large reconstruction projects that the international community is talking about, mainly in the east and southeast of Ukraine – you know – as you know, these are the regions that have been heavily destroyed or are under active combat. These reconstruction projects will probably have to wait until the war is over.

Third, what can donors do to support, you know, the private sector? Donors through their development finance institutions – what is known as DFIs – could do more to support companies. Only a small portion of the economic aid is being directed to the private sector. The European Bank for Reconstruction and Development, EBRD, is one of the main institutions that is helping the private sector in Ukraine with commitments of around two billion (dollars). And what we’re hearing is that companies need from these institutions more innovative schemes such as setting up investment funds where donors would provide a first loss tranche to attract other investors; more insurance schemes, maybe for the less-risky areas in Ukraine; more coordination and consolidation of the scattered initiatives that currently these institutions have; and more access to reasonable credit.

My fourth and final point is that Ukraine is also undertaking a lot of governance reforms and combatting corruption, even amid the war. You know, governance and anti-corruption are fundamental steps to attract foreign direct investment and join the EU family in the future.
There was a recent survey that highlights that Ukrainian society considers corruption as the number two problem in the country after the war, but Ukraine has made strong inroads in this regard, including ramping up criminal proceedings against suspected perpetrators, and we’ve seen high-profile cases in the last year. It’s taken judiciary reforms. Ukraine set up a competitive selection process for the heads of the main anti-corruption agencies, and has done improvements in public procurement and others. And due to these changes, the good news is that Ukraine has improved its corruption score. It’s now scoring 36 points out of a hundred in the latest edition of Transparency International Corruption Perception Index. I know this is still very low; it’s half the score of France and 18 points below Poland, but let me point out that it’s very similar to countries like Colombia, which scores 39 out of a hundred, and Mexico scores lower than Ukraine at 31 out of a hundred, and both of these countries – Colombia and Mexico – are part of – are members of the OECD. So combating corruption is an area where the international community can play a critical role by providing advice and accompanying Ukraine in these reforms. And Ukrainian civil society and independent journalists are important allies in this fight.

So just to conclude on the economy – keeping the economy running is key to Ukraine’s survival. The international community can support this effort through budgetary aid and innovative schemes to help companies continue their operations. I would say that as long as there’s – you know, the security arrangement for Ukraine remains unclear in the – you know, after the war, I would say large-scale investments in Ukraine will probably not materialize any time soon. And I know we’re talking about two years of the full-scale invasion, but I want to remind everybody that it’s actually ten years since Russia occupied Crimea, and so with that I will turn – I’ll thank you, everybody, and I now turn it back to Alex.

Mr. Kisling: Thanks so much, Romina – really appreciate it. And thanks to all of our speakers for their insights this morning.

We have a number of questions in the queue here. Just a reminder: If you want to add your name to the queue, please press one.

But let’s get to some of the questions here. And we’ll start with George Condon from National Journal. George, good morning.

Q: (Off mic) – stepping up.

How has the war affected views of American leadership of the alliance? And is Biden viewed as a leader able to deliver on his promises? And has the current impasse raised European fears of a return of Trump, and all that means for American global leadership?
Mr. Kisling: Thanks, George.

Max, do you want to take a pass at that one?

Mr. Bergmann: Sure.

I think what I would say is that the potential return of Trump is all the Europeans can talk about right now. I think they have viewed the Biden administration essentially as returning America kind of back to kind of its traditional role, as being engaged in leading NATO. I think there's been some critiques of kind of the slowness of U.S. aid at times.

But I think what has happened over the last year is that Europeans have sort of never – have struggled to doubt that we would provide aid to Ukraine, that they had always believed that we would come through. And in fact, part of the Biden administration's messaging to Europe over the – since January of last year has been, you know our Congress is divided, but America will be there. We're unwavering. Secretary of Defense Austin was in Ukraine, you know, late fall, early winter, and said as much, that, you know, we will come through. And Europeans have really grabbed onto that.

And I mean, it's now dawning on Europe that that may not be the case, and it is causing a real degree of panic. Because I think one of the geniuses of American global leadership has been that we have always – you know, and the administration has sort of always – almost always been in sync with Congress, so that Congress provided the funding for America to do things globally. And you know, it broke down a couple times, Vietnam, but generally, that has been the case. Iraq and Afghanistan, wars were always funded.

And now, we're in a situation where here's a war that Europe and the United States are fully invested in, and there's concern that – whether the U.S. will be there. And it's coming – I think we haven't – my concern is that Europe has not been either alive to the fact, or we have been maybe overly reassuring them that we will be able to come through, and hence Europe hasn't been really geared itself up to take the kind of necessary steps to attempt to fill the gap left by the United States.

So – and I – Trump's comments over the weekend, President Trump's comments, were, you know, THE discussion point in Europe. And I think there's tremendous concern about what this means because, let's be clear, Europe is dependent on the United States for its security. And as much as we complain about that, and want the Europeans to spend more, that is how NATO is structured. NATO is structured that Europe goes to the United States, and the U.S. military will lead the effort to defend Europe. That is how
we have wanted it. That is what we have told the Europeans, that’s how they structured their militaries, around us, around NATO. And even if they all spend 2 percent, that will – they will still be dependent on us. And that is the freakout concern, is that somehow if we pull back there – you know, there’s no real ability for the Europeans to coordinate their military efforts without us. And that’s how we have wanted it, and now there’s concern that we are going to be pulling back.

Mr. Kisling: Thanks, Max.

And I actually have a related question here from Aamer Madhani from Associated Press, who unfortunately had to drop. But he posed this, and so maybe, Max, you can address, and, Seth/Eliot/Romina, feel free to jump in.

But essentially the question is, you know, if an aid package is passed here in 2024, will that really essentially be it? But how can the U.S. possibly keep up aid for Ukraine in the current political environment for a war that, you know, many on this call have even suggested that, you know, shows no end in sight? So, Max, I don’t know if you want to address that. And Seth and Eliot, Romina, please feel free to weigh in if you have any thoughts on that as well.

Mr. Bergmann: Yeah. I guess my quick thought is I’ve heard that and I don’t think that’s necessarily true. I think that I – who knows, well, if – I think it’s hard to see a second Trump administration pushing forward for more aid. That said, I think a second Biden administration would. And after an election in which President Biden would be successfully elected, I don’t know where the Republican Party will be. And I think what’s pretty clear is that I think still the majority of Republicans – maybe they’re not going to vote this way – support Ukraine. So I don’t think that this would be the end of the road for Ukraine assistance. I don’t think this has to be the end of the road. So I could be optimistic about continued U.S. support.

The thing I would say is that European production, hopefully, is a ramped up in 2025. As Seth said, if we aren’t able to provide aid, at least the aid that we provide now would be the bridge to transition this to more of a European effort.

Dr. Cohen: I mean, I think I would just add to that that, you know, we have lived through so many circumstances where people have said this can’t go on or, you know, they’re absolutely certain that things will turn out in a particular way.

This is just an incredibly fluid environment. You know, it’s not even inconceivable to me that if Trump were elected, you know, if he’s flattered the right way we could easily end up sending arms to Ukraine.
But I think on balance, you know, the – objectively the American security interest in a free Ukraine is enormous. It has tremendous repercussions for how we are viewed in Asia and, indeed, around the world. It is, from the point of view of our defense budget, a trivial amount of money for a very important outcome, which is the destruction of the Russian military.

So the basic arguments are going to remain intact. As for where the Republican Party goes, you know, I think God only knows and I wouldn’t – I really wouldn’t try to predict. But I do think that we have to accept the fact that there’s a reemergence of isolationist sentiments in the United States on a scale which we really haven’t seen since the ’30s and early ’40s and that’s – it’s very concerning.

But I don’t think it’s in any way a given that those instincts and inclinations will triumph.

Dr. Jones: Let me just add briefly – this is Seth – a couple of additions, and I strongly agree with the way Eliot just characterized the importance of this.

But I think it’s certainly possible that the U.S. does pass the aid package. I think there’s no question it’s become more difficult politically to do that, at least in this environment. But, you know, Germany is considering long-range Taurus missiles. I think there is a lot of concern about the future of Russian activity. We could certainly see countries on NATO’s eastern flank like Poland, for example, continue to provide assistance to Ukraine and use their territory to do that.

I’ve been pleasantly surprised to see South Koreans and the Japanese stepping up and providing either directly or indirectly weapon systems including indirectly South Korean tanks to Poland, which has allowed Poland to provide some assistance.

The U.S. could also provide assistance to Ukraine in other indirect ways, selling various weapon systems to European countries that allow them to then take older models and give them to the Ukrainians. There are questions about using frozen Russian assets which, you know, there’s some debate about.

And then it’s just worth noting that the U.S. support to the Afghan mujaheddin in the 1980s was not a Title 10 operation for the most part. It was (entitled ?) 51; it was done as a covert action program.

There would be options that the U.S. could provide covert assistance that would not necessarily require the same type of assistance that the U.S. has provided today – you know, large chunks of money that Congress has to approve but done through Title 50 needs. Thanks.
Mr. Kisling: Seth, thanks. And thanks, Eliot and Max.

We’re about to hit the hour here, but we do have a couple of final questions in the queue. So maybe we can quickly go through those.

Howard from Christian Science Monitor, why don’t you go ahead? Good morning.

Q: Good morning. Thank you all for doing this.

I wanted to ask – there was some discussion of Russia’s efforts to build up its defense production, its military industrial production, and – but I’m wondering if you can talk a little bit about Ukraine and how successful Ukraine is at that, kind of where that stands. And in particular, what I think I remember seeing was something about Ukraine shifting its space industry, which has been, you know, kind of a stellar international space program, but sort of transitioning that into defense production.

And then, secondly, there was also discussion of the Black Sea. I was glad; that was going to be my other question. But in particular on that, you know, over the past couple of years, always as we get around to summer there’s a focus on food and wheat exports. And I’m wondering if there’s any sense of prospects of this year for the food and in particular wheat exports. Thanks.

Dr. Cohen: Eliot here. Let me jump in on those.

I think one thing to remember about Ukraine is that when it was part of the Soviet Union it was really a piece of the advanced industrial infrastructure of the country, including in aerospace. They also have a – have had historically a very strong software and information technology industry. Now, that – all that doesn’t translate into the ability to, you know, manufacture large numbers of modern tanks or things like that, but they have been able to do a pretty remarkable job of producing some quite sophisticated long-range cruise missiles like the one that destroyed the cruiser Moskva, these underwater drones, the way they have been able to develop their own drone industry and to operate it in quite sophisticated ways with homegrown software. And so they’re clearly putting a lot of effort into this.

It remains somewhat opaque, and I think that’s entirely by intention and it’s entirely appropriate. I mean, the one problem that you have is the country is fundamentally within range of Russian missile attacks. And so there have – there has been talk of having some of the – some Ukrainian facilities outside the country, and I think you’ll see more of that. But it’s quite clear that the – you know, the Ukrainians do have a very energetic leader in their – I think it’s the Ministry for Strategic Industries, Mr. Kamyshin, who was the guy who
I believe had been running their railroad system very, very effectively as well. So there’s a lot of energy and dynamism in that. It’s going to pay off in a variety of ways.

But at the end of the day, they still absolutely need particularly heavy military equipment and very sophisticated long-range ballistic missiles and things like that. They’re going to be dependent on external supply.

I think, you know, the basic news on the Black Sea is they have been continuing to export grain and they will continue to do so. It is quite remarkable how the Black Sea Fleet has been driven back. And if you go — if you think back to where we were two years ago, where there was an expectation that you were going to have Russian marines landing and seizing Odesa, we’re a very, very far cry from that. Now, the Russians are going to continue to attack ports with cruise and ballistic missiles. They will continue to deploy mines, although that — you know, there are some issues associated with that in terms of how other Black Sea powers, particularly Turkey, feel about that; the same thing with submarine warfare. But on the whole, this is something that the Ukrainians have been able to sustain, and that’s — it’s quite a remarkable achievement. And people — we tend to be very land-focused. It’s important to think about the war at sea as well, because it’s really — it is very important in a number of ways for Ukraine.

Dr. Jones: Just to add briefly onto Eliot’s comments, particularly on — and, Howard, great to hear from you. This is Seth.

The key parts of the industrial base — despite recent meetings in Washington with the U.S. Department of Defense, Commerce, State, and Ukraine’s industrial base, key parts of that are going to just take a long time. I mean, it’s long enough if the U.S. — you know, for the U.S. to jumpstart its medium- and long-range munitions. You know, all of our sophisticated systems there are at least a two-year production phase. So to start not entirely from scratch, but to really build some of those domestic capabilities is — it’s a long process. I think, as Eliott notes, there are some areas where, you know, this sort of MacGyver-like — to highlight the former TV character — entrepreneurship of Ukrainians, where they’ve really been able to advance, and I think where they do have some domestic capabilities, is on uncrewed or unmanned systems.

And a lot of the technology — the Palantirs and Andurils that have provided assistance to the Ukrainians on the technology side, including software, the Ukrainians are pretty good now at key parts of what in the defense world we call the kill chain. And that’s the sensor nodes, the movement of intelligence quickly. That could be from a forward-deployed drone back to artillery. They’re pretty good at that. So there are key parts of that what I’ll call kill chain that Ukrainians are domestically, I think, able to do. Some of the bigger
and longer-range ammunition, or missiles, or air defense system, that’s just – that’s just a long – that’s a long time horizon. That’s long for the U.S. to do it in its own industry.

Mr. Kisling: Seth, thanks.

I know we’re over time here, but we have one final question. Jordan Davis from Swiss Broadcasting. Jordan’s been waiting patiently. So, Jordan, why don’t we go to your question? We’ll address it, and then we’ll wrap the call.

Jordan, please.

Q: Hi. Thanks for taking my question.

You touched on it just a few minutes ago, about sort of what the other possible options were for the United States if there’s no congressional authorization for Ukraine weapons and, you know, one of them the exporting to other allies who would then in turn send weapons to Ukraine. And I was wondering how – what the potential for that is? And, yeah, how if that – I mean, obviously, I don’t think that could replace the congressional authorization. But what is the potential for that to help Ukraine?

Mr. Bergmann: Yes. This is Max. I think there is – there is real potential. The broader issue is Europeans have run out – they don’t have the stockpiles that we have. And then there are certain countries, like France for instance, that have a serious military and they’re not going to be willing to go below certain thresholds, just like the Pentagon’s not going to be willing to go below a certain threshold. I could see a situation in an emergency where perhaps they go lower, but only if there’s adequate funding that then is allocated to ramp up production, and they have a degree of certainty.

So there is a sort of tension between the broader readiness of certain European forces and their ability in the immediate term to backfill. Over, I think, the longer term, in terms of providing weapons and selling weapons to Ukraine, I think there’s a lot more potential there. Now, obviously, they’re still not going to have the same industrial capacity that we have. But, you know, Europe is 450 million people. It has lots of resources. And they have a very diverse defense industrial base. So I think there is real potential there.

I’m a little bit more skeptical when I hear about U.S. defense companies going into, like, Eastern Europe to then build equipment for Ukraine. I think there’s potential there, but we have, in general, a challenge of allocating funding to – you know, in Congress – that would go – that wouldn’t be spent for jobs in America. So I think that’s our fundamental challenge. I think there’s this big question for the Eastern European defense industrial base that a lot of it has been geared to sort of focus on old Soviet equipment and
repairing sort of Soviet tanks and things like that, and keeping those in service. And they have a lot of spare defense industrial capacity now because all that equipment is gone.

So they have to retool. And there’s a challenge, just like anything with European defenses, that none of these countries or companies are really working together. And I think there’s a lot of uncertainty about where this defense industrial capacity would go. Some of – the EU is sort of trying to address that. That’s part of been the 155 ASAP initiative by the EU, linking some of the Western European companies with Eastern European companies. So there’s a lot happening in this space, I think, in Europe. But it is one that they – what’s certainly needed is funding, I think, to supercharge it all.

Dr. Jones: This this is Seth. Let me just add two kinds of examples. And, you know, this is – these are really meant to be examples rather than comprehensive. But the U.S. continues to export some of its more advanced fighter aircraft to a range of European states, like its F-35s. And that certainly could continue to allow some of those European states to export F-16s to Ukraine. And that’s already started, from Denmark and Netherlands. So, you know, one area to look at is the export of fixed-wing aircraft or even helicopters.

Second is tanks. General Dynamics has been pretty active in working with countries like Poland, discussions with Finland, about exporting Abrams to Europe, particularly to some of the frontline eastern flank states. So that leaves open the possibility of additional Abram supplies that provide a little bit of opportunity for, whether it’s the Poles or others, to export some land-based systems into Ukraine. So those are active discussions. And I think, you know, F-35s is obviously Lockheed, Abrams is General Dynamics, but these are the European – U.S.-European – exports to Europe that might provide some opportunities. And again, we’ve already seen that with that F-16s.

Mr. Kisling: All right, Seth, thank you very much. And to Max, thank you. And thanks to Eliot and Romina and Maria for all of their comments today. And thanks to all of our participants for a great discussion.

So we’ll leave it there. As I noted at the top of the call, we will have a transcript available of this call in a few hours, which we’ll share with everybody and post to CSIS.org. But, of course, we’re always happy to be a resource for your coverage. Don’t hesitate to reach out to the CSIS Press Office as you continue your coverage in leading up to the anniversary here. So with that, thank you all for joining us and enjoy the rest of your day.

(END.)