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Two years (and ten years) of war in Europe

Hard times for Ukraine

By Ian Bond, Zach Meyers, Luigi Scazzieri and Sander Tordoir

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★ Two years since Russian president Vladimir Putin launched his full-scale invasion of Ukraine and ten years since Russia's war against Ukraine began with the annexation of Crimea, war fatigue and divisions in the Western camp are encouraging Putin to think that he can win.

★ Though Ukrainian forces have had surprising success against the Russian navy, they have made little progress on land in 2023. While Western support has been essential for Ukraine, it has arrived too late and in too small quantities. The longer Ukraine struggles to obtain adequate supplies, the more the balance may tilt in Russia's favour.

★ The West has been reluctant to supply some capabilities sought by the Ukrainians, such as longer-range missiles. But the US, and especially Europe, have also struggled to produce enough equipment and munitions. Defence firms will not invest in increasing manufacturing capacity without longer-term guarantees of continued orders.

★ Ukrainian president Volodymyr Zelenskyy remains popular domestically, though not quite as popular as in the early stages of the war. Having sacked the commander in chief of Ukrainian armed forces, Valeriy Zaluzhnyy, Zelenskyy will be open to more criticism if the battlefield situation does not improve. Ukraine's economy has proved surprisingly resilient over the last year, but the government depends heavily on continued foreign funding to maintain public services. If Polish farmers continue to obstruct Ukrainian grain exports, that will increase Ukraine's economic challenges.

★ Ukraine's candidacy for EU membership is slowly advancing, but it faces many obstacles and some member-states doubt that Ukraine will ever join the Union. Every step forward requires all member-states to agree that Ukraine is ready to progress. The EU will also have to reform internally to accommodate Ukraine. Some changes, for example to the Common Agricultural Policy, are likely to be difficult to agree.

★ The Russian economy looks resilient, because it has been mobilised for war, boosting growth. Both the war and sanctions will have negative long-term consequences, however. The West is taking a number of steps to reduce circumvention of sanctions, and in particular to ensure that sensitive components and technology for military production do not reach Russia. There is a lively debate about whether to seize frozen Russian assets and use them to help Ukraine. The US and UK are in favour; a number of European countries are not, though they might agree to use the interest on the frozen assets for Ukraine's benefit.

★ The war has affected European economies badly – above all Germany's. There will be no return to the pre-war model of using cheap energy from Russia to produce goods for export.

- ★ Putin will be elected to another six-year term in March elections. Repression is increasing, as the regime seeks to snuff out any possibility of resistance. The economy may face problems in 2025 and beyond, but so far the Russian people are putting up with the pain of the war.
- ★ Though most voters on both sides of the Atlantic still back military and other forms of aid for Ukraine, support is falling. If Donald Trump is elected president again, US support for Ukraine is likely to be cut off.
- ★ The short-term priority for European governments should be to ensure that Ukraine's defences can hold even without US support, through 2024 and beyond. For the longer term, Europe needs to put its economy on something closer to a war footing. It needs to tackle its economic weaknesses, and its dangerous dependencies on countries like China.
- ★ Europeans need to disprove Putin's belief that he only needs to sit tight and wait for US support to Ukraine to dry up before Europe also folds, leading to Ukraine's capitulation. This is a war that neither Ukraine nor Europe can afford to lose.

It is two years since the Russian president, Vladimir Putin, launched his full-scale attack on Ukraine, but ten years since Russia's war against Ukraine began, with the appearance of 'little green men' in unmarked uniforms on Ukrainian territory and the annexation of Crimea. The last year has been a particularly difficult one for Ukraine. Russia is devoting more and more of its human and financial resources to the war. Signs of war fatigue and divisions in the Western camp are encouraging Putin to think that he can win what has become a war of attrition.

Last year, in assessing the first year of the current phase of the war, a group of CER authors wrote: "Ukraine cannot afford to stop fighting, or it will cease to exist as a sovereign state; Putin does not want to stop fighting until Ukraine is back in what he sees as its rightful place, subordinate to Moscow". That judgement still holds.

This policy brief reviews the situation on the battlefield after another year of fighting; Ukraine's political and economic situation and its progress towards EU membership; Western military assistance to Ukraine and efforts to ramp up European defence industrial production; the effectiveness of sanctions; the state of European economies; Russia's domestic situation on the eve of Putin's expected re-election for another six-year term; and the impact that Donald Trump's possible return to the White House might have on the progress of the war and on European security. The policy brief concludes with some thoughts on what to expect in the coming year. It recommends steps that European policy-makers should take to shore up Ukraine's position in the short term. These are designed to persuade Russia that it cannot win. They should also put Ukraine in a position to liberate the rest of its territory and people in the longer term, if it decides that the potential gains still justify the cost.

The state of the war

Ukrainian forces ended 2022 having driven the Russians away from Kyiv and Kharkiv, and having forced them out of the city of Kherson, leaving all of the western bank of the Dnipro river in Ukrainian hands. With more Western weapons promised, there seemed to be good grounds for optimism that Ukraine could recapture more occupied territory in 2023.

The reality has been much tougher. Though Ukrainian forces have had surprising success against the Russian navy, sinking ships, damaging infrastructure and even destroying its headquarters in Sevastopol, on land they have made little progress in recovering occupied territory, while Russia has made some gains, albeit at the cost of heavy casualties.

Modern warfare, as it turns out, means that it is very difficult for an attacking force to break through well-prepared defences. The war has been one of large-scale attrition, in which the ability to replace losses and to outproduce the enemy are crucial. Western support has been essential to Ukraine. But Western equipment has too often arrived in too small quantities and too late for Ukraine's needs. In January 2023, President Joe Biden promised to supply Abrams tanks; 31 of them were delivered in September, almost at the end of the fighting season – and the US has no plans to send more.[1] F-16 aircraft were supposed to start arriving early in 2024; that has now been pushed back by six months, if not more.[2] The EU promised to deliver 1 million rounds of artillery ammunition by the spring of 2024, but will supply only

1: Carla Babb, 'All 31 Abrams tanks in Ukraine, US military confirms to VOA', Voice of America, October 16th 2023.

2: Aila Slisco, 'Ukraine's major F-16 delivery gets new timeline', *Newsweek*, January 9th 2024.

half that number by the end of March; it will be the end of the year before the original target is reached.[3]

The then commander-in-chief of the Ukrainian armed forces, General Valeriy Zaluzhnyy, used the word "stalemate" to describe the situation in an interview with *The Economist* in November 2023. This reportedly contributed to his sacking by President Volodymyr Zelenskyy in February 2024. But it is hard to know what better word he could have chosen: for the moment, neither side can find a way to make a decisive breakthrough. The longer that Ukraine struggles to obtain Western supplies, however, the more the balance may tilt in Russia's favour.

Western military assistance to Ukraine

The US remains the largest provider of military support to Ukraine, having provided over $44 billion of assistance since the start of the conflict. Europeans have also provided growing amounts of military assistance. Germany has either spent or committed to spend in the coming years €28 billion for weapons, equipment and training (including its contribution to the European Peace Facility). The UK has spent or pledged £7.1 billion over the period from 2022-2025.[4] Other countries, like Norway, Denmark, Poland, the Netherlands and Sweden have also made substantial contributions. Europeans have trained over 70,000 Ukrainian troops: 40,000 through the EU mission (with another 20,000 to be trained by the summer of 2024) and a further 30,000 within the framework of the UK-led Operation Interflex.

> *"Limited production capacity is a major constraint on Western, especially European, ability to provide military support to Ukraine."*

The EU has also become more involved in defence production and procurement.[5] The Union has provided Ukraine with €6.1 billion in military support through its European Peace Facility; and the EU is trying to ramp up ammunition production, for example by providing direct financing to firms.

The West's military support to Ukraine has political and practical limits, however. Some European countries have not been enthusiastic about supporting Ukraine. For example, France has been criticised by some allies for providing relatively little assistance compared to its theoretical ability to do so (France counters that it has provided much more assistance than publicly available figures would suggest). Germany, for its part, has refused to provide Ukraine with the long-range Taurus missile system, arguing that this would risk involving Berlin directly in the conflict.

The US only decided to provide Ukraine with the ATACMS (Army Tactical Missile System) missile in September, despite Ukraine asking for that capability for many months, and has only supplied Ukraine with an older version of ATACMS with a range of 170 kilometres; it is still reportedly considering whether to supply a newer version with a 300-kilometre range. Washington remains reluctant to dig deeper into its stores, given the need to maintain the capability to address a crisis in Asia. The Israel-Hamas conflict has also meant that Washington has chosen to devote more materiel to deterring Israel's enemies in the Middle East, sometimes diverting it from Ukraine.[6]

Limited production capacity is a major constraint on Western, especially European, ability to provide more support to Ukraine. Shortfalls in artillery ammunition have been a particular problem. After the end of the Cold War, Western defence industries adjusted to the drop in defence budgets by reducing their capacity and focusing on the production of ever smaller quantities of increasingly advanced and expensive equipment. As a result, they have faced real difficulties in increasing their output. Supply chain problems, labour shortages and scarcity of raw materials have led to further delays.

Uncertainty about future orders is a major issue. Defence firms argue that, despite announcements of large spending rises, in practice governments have been slow to place firm orders. Many defence firms are unwilling to make big investments in expanding their output while the mid-term outlook for defence spending in many European countries is unclear. It is also worth noting that some of the big spending increases seen in Europe, like those of Poland and Germany, consist largely of off-the-shelf purchases from foreign suppliers. These do not necessarily reflect a long-term rise in defence spending, and do little to boost domestic industrial capacity.

3: Laura Kayali, Joshua Posaner and Jacopo Barigazzi, 'EU to Ukraine: You'll get half the ammo we promised by March', *Politico*, January 31st 2024.

4: Claire Mills, 'Military assistance to Ukraine since the Russian invasion', House of Commons Library Research Briefing, February 22nd 2024.

5: Luigi Scazzieri, 'Can European defence take off?', CER policy brief, January 19th 2024.

6: Barak Ravid, 'Scoop: US to send Israel artillery shells initially destined for Ukraine', *Axios*, October 19th 2023.

Ukraine: Domestic politics and economics

In April 2019, Zelenskyy was elected president with 73 per cent of the vote. His popularity drained away over the following years: from late 2020 onwards most opinion polls showed him with 30 per cent support or less. In a poll in November 2021, two-thirds of those surveyed said that the country was heading in the wrong direction.[7] The war initially brought about a dramatic surge both in Zelenskyy's popularity and (paradoxically) in optimism about Ukraine's future. In March 2022 (when Russian forces were still fighting in the northern suburbs of Kyiv), 97 per cent of those surveyed said that Ukraine would win the war, and 94 per cent approved of the job that Zelenskyy was doing. After that, confidence in Ukraine's eventual success and Zelenskyy's popularity both fell slightly, to 94 per cent and 82 per cent respectively in September 2023.[8] The number of those who strongly approved of the job the president was doing fell more dramatically, from 74 per cent to 42 per cent. Even so, in a recent poll 70 per cent of those questioned wanted Zelenskyy to remain president as long as martial law remains in force.[9]

> *"If Zelenskyy's reshuffle of the military command does not produce results, popular dissatisfaction may grow over time."*

In any case, under Ukrainian law elections cannot be held while martial law is in force. Some in the West worry that failure to hold elections this year, as scheduled before the war began, will be a sign that Ukraine is no longer fully democratic, and therefore no longer eligible for EU membership. Apart from this legal obstacle, however, the majority of Ukrainians, including the parliamentary opposition, do not think elections should be held under current conditions. From a practical point of view, holding free and fair elections with almost 20 per cent of the country occupied, and an even larger part of the population either refugees or internally displaced persons would be impossible.

There had been rumours for some time before Zelenskyy dismissed Zaluzhnyy that the president was impatient with the lack of progress on the ground and that his circle saw the general as a potential political threat. If Zelenskyy's reshuffle of the military command does not produce results, popular dissatisfaction may grow. Russia has not hit civilian infrastructure as much as it did in the winter of 2022-2023, but living conditions are still hard. And Ukraine's ability to keep normal public services running is crucially dependent on financial support from its Western partners.

In general, Ukraine's economy has held up better than expected, after a 35 per cent fall in GDP in 2022. It grew 4.8 per cent in 2023, and the EU is forecasting growth of 3.7 per cent in 2024 and 6.1 per cent in 2025. But the figures are distorted by massive defence spending – 37-39 per cent of GDP in 2023, according to one estimate.[10] In 2024, defence spending is supposed to make up a smaller share of GDP, but it will still be more than 21 per cent, while Ukraine's budget deficit will be more than 20 per cent of GDP. Ukraine's success in driving Russian ships away from its coast has enabled it to resume some agricultural exports through its Black Sea ports, which will increase revenues. Ukraine is still having to export significant quantities overland, however. This has raised costs and brought friction with farmers in neighbouring countries, particularly Poland. Polish farmers have blockaded border crossings and destroyed grain in an effort to ensure that lower-cost Ukrainian products do not reduce prices on the Polish market. The European Commission has intervened to enable Ukrainian crops to transit neighbouring countries and be sold elsewhere, but the high cost of rail or truck transport means that further the crops have to go, the less chance there is that the sellers can make a profit.

Ukraine's EU candidacy

Ukraine's candidacy for EU membership is slowly advancing. At the December 2023 European Council, EU leaders decided to start accession negotiations with Kyiv. In mid-January, the European Commission started the 'screening' process, through which it evaluates the steps that Ukraine needs to take to align with the *acquis communautaire*, the body of EU laws and court judgments that binds member-states. While screening can take well over a year, the Commission hopes it can be completed more quickly in Ukraine's case.

In parallel, the Commission is preparing a negotiating framework that will have to be unanimously adopted by the member-states. That will not happen until Ukraine has fully implemented the three remaining steps (of the seven originally set out in 2022) that the Commission

7: 'Public opinion survey of residents of Ukraine', Center for Insight in Survey Research, International Republican Institute, November 6th-15th 2021.

8: 'National survey of Ukraine', Center for Insight in Survey Research, International Republican Institute, September 2023.

9: Nate Ostiller and the Kyiv Independent news desk, 'Poll: Majority of Ukrainians want Zelensky to remain president for duration of martial law', *The Kyiv Independent*, February 20th 2024.

10: Daniil Monin, 'Ukraine's budget for 2024', Wilson Center, December 12th 2023.

set out in its November report on enlargement, which member-states also highlighted in their December decision to open negotiations.[11] Since then, Ukraine has addressed some of the remaining concerns: it has increased the staffing of the national anti-corruption office (NABU); closed loopholes in the asset declaration law for politicians and public servants; passed a first reading of the 'de-oligarchisation' law; and passed a major law on protecting national minorities (though the Commission is waiting to see how this is implemented in practice). Commission President Ursula von der Leyen has caused some confusion by suggesting first that the negotiating framework would not be ready until after the European Parliament elections in June, and subsequently that it would be finalised in March.

Notwithstanding Ukraine's progress with reforms, and the state of its democracy, the decision on starting accession negotiations will be political and depend on the member-states. Hungary may well prove difficult: partly because of its bilateral disputes with Ukraine over the status of the Hungarian minority in the Zakarpattia region, and partly as a means of extracting as many concessions as it can from the Union on other issues. Once EU leaders have unanimously adopted the negotiating framework, formal talks can start. A unanimous decision is also needed, however, on whether to start and conclude negotiations on each 'chapter' in the accession process (that is, each area, such as transport or financial services, in which Ukraine has to align itself with the *acquis communautaire*). Hungary (and others) will have many opportunities to delay or block Ukraine's progress.

Moreover, as Ukraine's candidacy advances, the EU will also have to figure out how Ukraine's accession would impact its own policies. There would have to be consensus on whether institutional reforms are needed before accession, and if so, what form these would take. Given Ukraine's vast agricultural potential, major agricultural producers like France and Poland are likely to demand reforms to the Common Agricultural Policy (CAP) to protect their own farmers; but agreeing a revised CAP will prove particularly difficult. Faced with all these hurdles, many of them entirely outside its control, some member-states doubt that Ukraine will ever join the EU.

Sanctions

Despite hopes from Western leaders that sanctions would hit Russia severely, the country's economy has been surprisingly resilient – at least when looking at headline GDP figures. Sanctions failed to crash Russia's economy when they were initially imposed. The reality, however, is that Russia has mobilised its economy and society for war. Russia's ability to do so has relied in part on significant foreign revenue from sales of oil and gas. High government spending on producing military equipment is boosting boost GDP figures. But it probably hides significant decreases in household prosperity and reduced investments in infrastructure to maintain Russia's future economic potential. That, however, may be unsatisfying for Western governments: making Russian households poorer is unlikely to help foster any meaningful opposition to Putin's war, and sanctions do not appear to be delivering their immediate goal of persuading Putin to change course.

"Sanctions lose effectiveness over time, as sanctioned entities exploit circumvention opportunities, so they require frequent updating and tightening."

European governments launched a barrage of sanctions in February 2022, when Russia's invasion commenced. They have since periodically ratcheted up the intensity of sanctions. The need for governments to do so should be no surprise: sanctions lose their effectiveness over time, as sanctioned entities identify and exploit circumvention opportunities. Over the course of 2022, the provision of various professional services to Russia was banned. In December 2022, oil imports were mostly prohibited. In December 2023, import bans extended to diamonds, and Western firms were prohibited from providing certain types of business software to Russian firms. The EU has now imposed import and export bans on a significant proportion of trade between the EU and Russia, and has frozen a large proportion of Russia's foreign reserves. Sanctions now apply to 1718 individuals and 419 entities, meaning their assets in the EU are frozen and individuals face travel bans. However, the West continues to consider whether and how sanctions can cause more immediate bite.

First, policy-makers are attempting to tackle circumvention, such as when goods are sold to intermediaries based in countries like China and Kazakhstan and then make their way to Russia. There is significant evidence of circumvention occurring. The US has been far more willing than Europe to impose so-called secondary sanctions on non-Russian entities suspected to be involved in circumventing primary sanctions. At the urging of countries like Germany who

11: European Commission, 'Commission Opinion on Ukraine's application for membership of the European Union', June 17th 2022; European Commission, 'Commission staff working document: Ukraine 2023 report', November 8th 2023; General Secretariat of the Council, 'European Council meeting (14 and 15 December 2023) – Conclusions', December 15th 2023.

fear Chinese retaliation, the EU has instead preferred to use diplomacy to urge China to force its companies to stop facilitating sanctions circumvention. That soft approach may, finally, be changing. The 13th package of sanctions, approved on February 23rd, tackles exports of dual-use goods, especially electronic components, to companies suspected of helping Russia evade sanctions – including, for the first time, four companies registered in China and one registered in India, as well as firms in Kazakhstan, Serbia, Thailand, Sri Lanka, and Turkey.

The EU has also been tackling circumvention through other means. As of December 2023, exporters of certain goods must contractually prohibit their re-exportation to Russia. Such legal anti-circumvention provisions could be dramatically widened to cover most sanctioned goods. More importantly, the EU needs to devote significantly more resources to identifying and investigating circumvention activities.

"Washington may feel freer to seize frozen Russian assets since it has little skin in the game."

Second, European policy-makers – at the urging of the US – continue to consider whether and how to seize sanctioned assets. Seizing sanctioned assets of private firms and individuals will likely be a slow and legally fraught process, since it requires proving on a case-by-case basis that an asset is the proceeds of crime or that the asset owner has committed a criminal offence by breaching sanctions. A quicker way to raise cash would be to seize Russia's frozen foreign reserves, most of which are held in Europe. While the process to obtain these could be (relatively) quick and easy, doing so would breach the immunity of countries' sovereign assets under international law and would pose significant political risks.

The US has been urging the EU to move forward with seizure – but Europeans are nervous about the economic risks to the international role of the Euro, and the diplomatic and legal costs.

The economic risks should not be overstated, however. Countries that run trade surpluses still have no safer place to store their foreign reserves than in Western countries – even with the risk of forfeiture if they grievously breach international law. Unlike possible rival currencies, dollars, euros, pounds and the like are easily convertible and can easily be used to settle trade.[12] Indian attempts to persuade Russia to settle oil trade in rupees failed, for example, because Russia had no interest in accumulating vast amounts of rupees that would be difficult to use.

If they wish to avoid storing reserves in the West, the best alternative option for countries with trade surpluses would be to reduce their accumulation of foreign reserves, for example by increasing their domestic consumption. That would probably benefit Europe too, by boosting its exports, and contributing to global macroeconomic and political stability.

The political, diplomatic and legal risks are more significant. Seizure may further alienate non-aligned countries who see the West as hypocritical and inconsistent: indignant about Russia's invasion of Ukraine but unwilling to take a strong stance against potential breaches of international law by countries like Israel.

For now, EU member-states have been trying to find compromises. One proposal is to seize the interest earned on the frozen foreign reserves. This interest legally belongs not to Russia but rather the Belgian securities depository Euroclear. Euroclear earned approximately €4.4 billion on the €191 billion of frozen assets in 2023. Since this money is an unexpected windfall for Euroclear, appropriating it – for example through a special tax – seems somewhat less legally and politically troublesome. But for now, the EU has merely agreed to require Euroclear to segregate its future Russian-derived profits so that they might be taxed later – a move which has arguably come rather late, as declining interest rates mean Euroclear's future bounty is unlikely to be as lucrative. Western countries continue to look at other options. These include more complex proposals, involving issuing debt using the frozen assets (or interest on those assets) as collateral in case Russia refuses to pay for damages it caused in Ukraine. However, that essentially amounts to a promise to seize the assets in future if necessary, which may prove a step too far for many European countries.

Third, policy-makers are considering how to make the G7 oil price cap more effective. The cap bans the use of ships and technical and financial assistance to transport Russian oil and petroleum unless those products are sold below the G7-mandated cap. The purpose is to give Russia incentives to continue to sell – so as not to provoke a large global price spike – while vastly decreasing the Russian government's profits from its exports. However, there is significant evidence that the cap is being sidestepped through measures like ship-to-ship transfer to obscure the origin of oil products, or through side-payments which would increase the price paid above the cap. Significantly more resources will be required to help identify and address circumvention risks. Ensuring that the current cap was effective would be more useful than reducing its level, which would only provide more incentives for Russia to circumvent it.

12: Zach Meyers, 'Russia may ditch the dollar – but it needs the euro', CER insight, March 29th 2022.

Finally, the EU still has scope to expand sanctions significantly. Even on the European Council's own figures, sanctions have only reduced imports from and exports to Russia by about half of what they previously were. For example, Europe still imports oil and gas from Russia, albeit at much reduced volumes. Accepting a real cut-off of Russian fossil fuels would allow Europe to significantly tighten the screws on Russia. Europe could then cut off all Russian banks from dealing with the euro and freeze the foreign assets of Russian energy exporters – which today serve as a source of valuable foreign currency for the Kremlin.

For policy-makers who expected sanctions to achieve short- or even medium-term economic results, sanctions against Russia have been disappointing. But Europe should not be fatalistic: there are further steps EU policy-makers can take to make sanctions significantly more effective. Policy-makers should also bear in mind the long-term impacts of sanctions – such as depriving Russia of the technologies it needs to succeed in the war and pose a threat in future. Based on these metrics, sanctions look rather more effective. As we wrote in March 2022, "If coercive sanctions do not work, constraining sanctions will need to be in place for the long term, as they were in the Cold War. ...These sanctions aim to erode Russia's industrial base; suppress its military and technological capabilities; and thwart its ambitions to diversify its economy away from selling primary materials – constraining its ability to pose a threat in future".[13] Those are still sensible aims to pursue.

The state of European economies

The European economy had a thin year, even compared with its low structural growth rates. The EU and eurozone grew by only 0.5 per cent in 2023. Russia's war on Ukraine has played a key role: 2022 was the year of the acute economic shock, and 2023 the year of the fallout, as the energy price shock worked its way through output, confidence and an erosion of purchasing power.

"European policy-makers would be making a big mistake if they forgot the war's key economic lessons."

Within this gloomy overall scene, many of the EU's smaller economies are doing well. Weakness is concentrated heavily in 'the big four economies' – Germany, France, Spain and Italy. But it is above all a story about the EU's largest economy: Germany. The war and increasing tensions with China have exposed the deep fragilities of the German economic model. The world in which Berlin could rely on demand from China for German products, and on supplies of Russian gas to power the factories that built them is gone. As a result, the German economy is now roughly the size it was in 2019, as is its industrial output.

Even if 2024 proves to be a better economic year than 2023, European policy-makers would be making a mistake if they forgot the war's key economic lessons. Europe, and in particular its vital economic engine Germany, can no longer rely to the same degree on energy and demand from abroad. The EU's vulnerability is glaringly obvious when one considers its reliance on imported energy from the Middle East and semiconductors from Taiwan – both areas threatened by actual or potential conflicts.[14] This dependency will become a weakness against the backdrop of geopolitical disorder and rising protectionism.[15]

Russia's political and economic situation

Putin will without doubt be re-elected for another six-year term when Russians go to the polls on March 15th-17th. He will not face a serious opponent. Boris Nadezhdin, who was running on an anti-war platform and seemed to be gaining some level of support, was disqualified by the Central Electoral Commission on technical grounds.[16] Nadezhdin was not a well-known figure and would have been starved of press coverage if he had been allowed to stand. But the fact that the regime found it necessary to exclude him suggests that Putin is nervous: he does not want to risk any significant protest vote. The death in prison on February 16th of leading opposition figure Aleksei Navalny and the imprisonment of veteran human rights activist Oleg Orlov also suggests that Putin is determined to eliminate any possibility of continued resistance to his regime.[17] Expressions of opposition to the war remain rare, and have been ruthlessly suppressed, but in recent weeks

13: Ian Bond and Zach Meyers, 'Russia-Ukraine: The West needs a sanctions strategy', CER policy brief, March 10th 2022.
14: Zach Meyers and Sander Tordoir, 'The EU cannot leave it to the US and China to slug it out', *The Parliament*, May 25th 2023.
15: Gita Gopinath, 'Europe in a Fragmented World: First Deputy Managing Director remarks for the Bernhard Harms Prize', November 30th 2023.
16: Paul Kirby, 'Putin challenger Boris Nadezhdin barred from Russia's election', BBC News, February 8th 2024.
17: Diana Magnay, 'Oleg Orlov: Russia jails Nobel Peace Prize winner for "repeatedly criticising armed forces"', Sky News, February 27th 2024.

the wives and mothers of mobilised soldiers have held demonstrations to demand that their relatives not be forced to serve indefinitely (as is the case at present).[18] So far the Kremlin has tolerated the demonstrations (which have not called for an end to the war), while detaining a number of journalists who have tried to cover them.

"The war is taking up an increasing percentage both of Russia's GDP and its federal budget."

When Yevgeniy Prigozhin, the leader of the 'Wagner' mercenary group, led a short-lived mutiny on June 24th 2023, in protest at the incompetence of Defence Minister Sergei Shoigu and Chief of the General Staff Valeriy Gerasimov, it looked as though Putin's regime might be starting to crumble. But Prigozhin lost his nerve, Wagner was absorbed into the Russian army, and Shoigu and Gerasimov remained in post. Prigozhin was killed in August 2023 when his aircraft exploded – presumably at the behest of Putin. Since then, Putin has seemed to be firmly in control. The fact that the war is going better for Russia may also have muted any previous dissent inside the regime, and Putin seems to have insulated Moscow and St Petersburg, homes of those most likely to oppose him, from the worst impacts, whether economic or human: military deaths appear to be concentrated among troops from remote regions.[19]

Assessments of the state of the Russian economy differ. The IMF estimates that GDP grew by 3 per cent in 2023, and is forecasting an increase of 2.6 per cent in 2024. The World Bank thinks GDP grew by 2.6 per cent in 2023, and will grow by 1.3 per cent in 2024. In either case, the Russian economy seems likely to outpace Eurozone growth. What analysts can all agree on is that defence spending is taking up an increasing percentage of GDP and of the federal budget: from 2.7 per cent of GDP in 2021, before the war started, to 4.4 per cent in 2023 and a forecast 6 per cent in 2024 – amounting to almost 30 per cent of the whole federal budget. IMF managing director Kristalina Georgieva has warned of hard times ahead for the Russian economy because of the outflow of people, restricted access to technology and an increasingly 'Soviet' economy focused on the military industrial sector at the expense of private consumption.[20] EU officials foresee a crunch coming in a year to 18 months as a combination of sanctions, labour shortages and high interest rates start to bite. But so far, Russians have been willing to put up with the pain of the war.

Western support for Ukraine, the Trump factor and European populism

The EU is by far the largest provider of aid to Ukraine overall, including humanitarian aid, budgetary support and military help.[21] The US, however, far outstrips all other providers of military help. But US aid of all sorts has effectively come to an end for the present. In October 2023 the Biden administration requested an extra $61.4 billion in aid for Ukraine, most of it to pay for military supplies.[22] In December, Pentagon officials said that previously-authorised funding had almost all been used.[23] Even though most commentators agree that there are majorities in favour of continuing to support Ukraine in both houses of Congress, there is also a small and influential group of Republicans in the House of Representatives who oppose further aid to Ukraine. The Speaker of the House, Mike Johnson, will not bring the aid package up for a vote, for fear that he himself would then be removed from his position at the behest of this group, as his predecessor, Kevin McCarthy, was. As a result, Ukraine is having to ration ammunition at the front lines, and is also running short of some sorts of air defence missiles, giving Russia the chance to advance on the battlefield and strike civilian targets in the hope of demoralising the population.

House Republicans blocking aid to Ukraine are reflecting the views of their voters: in a Pew poll in December 2023, 47 per cent of Americans thought the US was doing about the right amount or not enough to help Ukraine; 48 per cent of Republicans, however, thought it was doing too much.[24] Republicans in Congress are also reflecting the views of the party's likely presidential nominee, Donald Trump. When the war started, Trump described Putin as "a genius". More recently, he has claimed that if he were president he would be able to solve the war in 24 hours, and has criticized the Biden administration for giving Ukraine too much military hardware. Zelenskyy has expressed concern about Trump's intentions.[25] Trump has also caused

18: Liam Nolan, 'Why a group of Russian soldiers' wives is protesting in Moscow', RTE, February 13th 2024.
19: 'More than 42,000 Russian troops killed In Ukraine since launch of full-scale invasion', Radio Free Europe Radio Liberty, January 20th 2024.
20: 'Russia's war economy faces tough times ahead, says IMF's Georgieva', Reuters, February 12th 2024.
21: Christoph Trebesch and others, 'Working Paper: The Ukraine Support Tracker: Which countries help Ukraine and how?', Kiel Institute for the World Economy (data for January 24th 2022 to January 15th 2024).
22: 'Ukraine, Israel, submarines: What's in Biden's $105B supplemental request', *Breaking Defense*, October 20th 2023.
23: Noah Robertson and Jen Judson, 'Ukraine aid nears zero while supplemental remains stalled', *Defense News*, December 7th 2023.
24: Paul Whiteley, 'Ukraine war: What the US public thinks about giving military and other aid', *The Conversation*, February 8th 2024.
25: 'Zelenskyy to Trump: If you can really stop the war in 24 hours, "I invite you to Ukraine"', Associated Press, January 20th 2024.

constername in NATO with an outlandish statement in which he suggested that he would encourage Putin to attack a NATO ally that was spending less than 2 per cent of GDP on defence.[26]

"If Trump is elected president, there seems little chance of Ukraine getting much military aid from the US."

Whether or not Trump meant his comments to be taken literally, he has long been hostile to both NATO and the EU, while expressing admiration for Putin. If he is elected president again, there seems little chance of Ukraine getting much if any military aid from the US. European leaders, including British foreign secretary David Cameron and Polish foreign minister Radosław Sikorski, are lobbying hard in an effort to get Congress to vote through further aid for Ukraine as soon as possible. However, support for Ukraine has become a deeply partisan issue: the closer the election gets, the less likely it is that the Republicans will give Biden a 'win' by backing an administration request for more funds for Ukraine.

To compound Ukraine's problems, opinion polls suggest that as many as 45 per cent of Europeans do not favour further military support to Kyiv (though a majority still does).[27] Support remains strong in countries such as the UK, the Baltic states and Poland but softer in Western and southern European countries – particularly in Austria, Greece, Hungary and Italy.[28] Further increases in military spending to help Ukraine are likely to fuel even more opposition to supporting Ukraine by populist parties, particularly if they come at the expense of spending on other priorities. Support for Ukraine may equally be undermined if its understandable difficulties in holding elections lead some Europeans voters to believe that it is no longer a fully-fledged democracy – a misleading picture, but one which Russia will certainly seek to capitalise on. These negative trends in public opinion may well be amplified if Trump is re-elected and US support for Kyiv is reduced. That would embolden European opponents of further assistance to Ukraine.

Recommendations and conclusion

If 2023 was a difficult year for Ukraine, 2024 is likely to be worse. Although the EU and US are increasing ammunition production, the effects will not be seen until at least the end of 2024, if not later. Russia, having survived Ukraine's 2023 offensive, is pushing forward in a number of areas. At the same time, it is worth keeping a sense of proportion: at this stage of the Second World War, the Axis powers controlled most of Western Europe and were advancing deep into the Soviet Union and North Africa; that did not guarantee them victory. The apparent superiority of the defence over the offence in the conflict suggests that Russia may struggle to make much progress, particularly if the West can step up its help in the coming months.

The West, but especially Europe, needs to take both short- and long-term steps to ensure that Ukraine can prevail. The short-term priority is to ensure that Ukraine's defences can hold even without US support, through 2024 and beyond. That means stepping up supplies of weapons systems and munitions, even if that involves running down stockpiles in the US and Western Europe and therefore tolerating a certain level of risk in relation to potential conflicts other than in Ukraine. To take one example: there are more than 2,000 Leopard 2 tanks in Europe, only about 130 of which have been sent to Ukraine. Western Europeans will only need to use their remaining tanks if Ukraine is overwhelmed; it would be much better, therefore, to give the Ukrainians Leopard 2s in large enough numbers to make a real difference on the battlefield. Europeans also need to redouble their efforts to help Ukraine boost its own defence production.

For the longer term, Europe needs to put its economy on something closer to a war footing. Given the size of its economy, it should not need to devote as high a proportion of GDP to defence as Russia has, but governments need to intervene more directly to ensure that production of weapons and munitions is increased as rapidly as possible.

To help mitigate the economic costs of supporting Ukraine, Europe should at least seize the excess profits earned by Euroclear on frozen Russian reserves – even if the legal, diplomatic and economic costs continue to deter Europe from seizing those assets themselves. And Europe should drastically boost its legal measures prohibiting circumvention of Western sanctions, and increase the resources devoted to identifying and investigating violations. This should include dramatically increasing the use of targeted secondary sanctions.

Europe must also tackle its own economic weaknesses, to improve its resilience and enable it to deal with the costs of the war and Europe's other needs. First, a looser fiscal policy and increased public investment will be essential to rebalance the European economy and reduce its dependence on demand from abroad. Support for EU

26: Andrew Gray and Sabine Siebold, 'What did Trump say about NATO funding and what is Article 5?', Reuters, February 13th 2024.
27: Isabell Hoffmann and Catherine de Vries, 'The War and the Vote', eupinions slides, Bertelsmann Stiftung, February 14th 2024.
28: Ivan Krastev and Mark Leonard, 'Wars and elections: How European leaders can maintain public support for Ukraine', European Council on Foreign Relations, February 21st 2024.

public goods, like spending on defence, innovation and climate change mitigation would be prime candidates for additional investment. A litmus test of Europe's ability to revamp its economic model after the shock of Putin's war might be whether Europeans can find a way to ramp up common defence spending for the good of all. Countries should focus on the wider benefits, not on ensuring that they get back as much from EU programmes as they pay in.

"Europe should ensure that Ukraine's defences can hold even without US support, through 2024 and beyond."

Second, to increase its strategic autonomy versus Russia and China, Europe should protect and revitalise its internal market. The EU single market has been quietly delivering: intra-EU goods trade is up more than 30 per cent since the pandemic, while the bloc's trade with the rest of the world has grown by less than 20 per cent.[29] Deepening the single market through reforms such as creating a capital markets union would help harness and spread the dynamism shown by firms like ASML and Novo Nordisk, which are single-handedly driving the growth of the Netherlands and Denmark respectively.

Third, building an EU-level toolkit to protect Europeans from geopolitical economic conflict is now an urgent task. The EU lacks the legal instruments and common pots of money to stand up to geopolitical rivals like China or Russia. For example, screening foreign investment or imposing export controls – economic weapons in Beijing (and Washington's) arsenal – remain largely national competences in Europe.

Whether the EU can meet these three challenges will matter not only for being able to respond to geostrategic rivals that weaponise interdependencies, but also for whether the EU economy can regain its dynamism and close some of the growth gap with the US economy, behind which it now lags by several percentage points. Boosting productivity and growth will help boost tax receipts, and help the EU carry the cost of rearming itself against Russia's threat.

Europeans need to disprove Putin's belief that he only needs to sit tight and wait for US support to Ukraine to dry up before Europe also folds, leading to Ukraine's capitulation. The biggest challenge for European leaders may be how to convince their increasingly wary publics to continue to support the large efforts that will be required. The most effective message is likely to be that allowing Putin to win in Ukraine would only embolden him to undertake further aggression against Europe itself, particularly if Trump is elected and the US's commitment to defend Europe appears to be in doubt. French President Emmanuel Macron has stirred up a hornet's nest by saying that the possibility of sending Western troops to Ukraine should not be taken off the table; but he is right to make the case that Russia's defeat in Ukraine is vital for European security.[30] The question is whether other European leaders will follow his lead, and put more effort into explaining what is at stake. This is a war that neither Ukraine nor Europe can afford to lose.

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29: Besides, much of that growth in EU trade with the rest of the world is due to its trade deficit with China ballooning from €165 billion a year in 2019 to around €400 billion today. Europe risks becoming a dumping ground for Chinese overproduction and a counterweight to Beijing's massive macroeconomic imbalances.

30: Jaroslav Lukiv, 'Macron says Russian defeat in Ukraine vital for security in Europe', BBC News, February 27th 2024.