

# RUSSIA'S ASSAULT ON UKRAINE: FALLOUT FROM THE WAR

*The war between Russia and Ukraine that began on 24 February 2022, has now gone on for more than four months. It has already taken a severe toll on much of the world and will cause much more harm the longer it continues. Moreover, it does not seem likely to end soon. Russian President Vladimir Putin recently declared that Russia has barely begun its military operation in Ukraine. He has clearly stated his goal of taking the entire Donbas. Success in that endeavor may motivate him to continue the fight for other objectives, including the major industrial center of Kharkiv, the key Black Sea port of Odesa, and perhaps even Kyiv and its environs. For his part, Ukrainian President Volodymyr Zelensky has repeatedly said his goal is to push Russia back to the line it occupied on 23 February. His Minister of Foreign Affairs Dmytro Kuleba has spoken of winning back the entire Donbas and liberating “the rest of our territory.” The U.S. Director of National Intelligence has predicted that a “grinding struggle” may continue for a long time. This article will explore some of the consequences of the war already in evidence.*

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**I**n addition to active-duty military personnel, perhaps as many as 100,000 Ukrainian civilians have been fighting as volunteers against the invading forces of the Russian Federation. Thousands of combatants and tens of thousands of non-combatants have died, according to Mr. Zelensky. The Ukrainian Ministry of Defense reports that 100-200 of its soldiers have been killed and hundreds wounded daily in recent weeks. Russian Minister of Defense Sergei Shoigu has said 6459 Ukrainian enemy soldiers had been captured by early June. Casualties among civilians caught in destroyed structures will also amount to many thousands more. In the Donetsk Basin, the Ukrainian military has now expended most of its ammunition against the much better-armed Russians and needs replacements from Western sources.

Besides those permanently lost, more than 8 million Ukrainians have fled to neighboring countries, especially Poland, or been moved (often forcibly) to Russia, while another seven million have been internally displaced. Although some of those who left have returned, many may never do so. Most EU member states have welcomed the refugees despite the substantial cost of housing and feeding them, as well as providing other desperately needed services. Some are beginning to find jobs, benefiting from tight labor markets or assistance from pre-existing diasporas.

Partly because of all its missing workers, nearly half of the expected output of Ukraine's economy will not be produced this year, according to the World Bank.<sup>1</sup> After 100 days of the war, 182 educational institutions were destroyed and nearly 1900 damaged, as well as more than 500 hospitals and other health care centers, and a comparable number of factories. Thirty-eight thousand residential buildings were destroyed, leaving 220,000 people homeless. The vast majority of the residents have fled since the fighting escalated in Eastern Ukraine. By the war's end, the number of people without long-term housing may well be in the millions. Transportation infrastructure will need to be completely rebuilt: roads, airports, and railway stations have been frequent targets of the Russian military. Destruction was estimated at more than \$100 billion after 100 days. Eventual reconstruction might cost \$750 billion, according to a recent estimate by Denys Shmyhal, Ukraine's Prime Minister.<sup>2</sup> Besides the material losses, the Ukrainian economy is already suffering from shortages of consumer goods and severe inflation, especially in food and gas prices.

On the other side, perhaps as many as 50,000 Russian troops have been killed or wounded in battles, according to British estimates. They come from an invasion force of 300,000. Many contract soldiers, often drawn from poor regions in the

<sup>1</sup> Simon Torkington, "Ukraine's Economy Will Shrink by Almost Half This Year, Says World Bank," *World Economic Forum*, 22 April 2022.

<sup>2</sup> Dan Bilefsky and Nick Cumming-Bruce, "Ukraine's Prime Minister Says Rebuilding Will Cost \$750 Billion," *The New York Times*, 5 July 2022.

North Caucasus and Siberia, have been affected by low morale. To recruit them, the pay<sup>3</sup> has to be some three times the median wage, and generous settlements must be provided to those injured or the families of those killed. Besides ordinary soldiers lost, many junior officers in the Russian Army have been killed during the offensive, including several generals. Ukrainian weapons have wiped out at least one thousand tanks, as well as many other pieces of military equipment.<sup>4</sup> Most of these may be replaced in time, but some of the most sophisticated weapon systems require Western electronic components that are not available to Russia now.

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Despite the sanctions imposed on Russia by Western powers, the country has profited handsomely from high oil and natural gas prices on the world market. A Finnish Centre for Research on Energy and Clean Air report estimated Russia’s daily profits at about one billion dollars from oil and gas exports during the first hundred days of the invasion.<sup>5</sup> That could cover the estimated daily war expenditures of \$876 million. Oddly, the ruble has appreciated against the U.S. dollar and the Euro despite the double-digit inflation, partly because of forced conversion of foreign earnings and reduced imports.

However, the Russian economy, too, has suffered significantly from the effects of the war. Despite the strengthened ruble, the government had to declare a dollar-debt default. The country’s domestic product is down some ten percent, following the stagnation of the entire period since 2014. Russia cannot access the special parts needed for many kinds of equipment it formerly obtained from Europe or the USA. Among important items disabled are many pieces of agricultural machinery and airplanes owned by Russian companies, 70 percent of which are now grounded. Imported articles are disappearing from shelves in Moscow and other cities, including some critical medicines, or are being sold at higher prices. Prices in general have risen some 17 percent.

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<sup>3</sup> Neil McFarquhar, “Desperate for Recruits, Russia Launches a ‘Stealth Mobilization,’” *The New York Times*, 12 July 2022.

<sup>4</sup> Terrence Guay, “Global Arms Industry Getting Shakeup by War In Ukraine,” *The Conversation*, 7 June 2022.

<sup>5</sup> Financing Putin’s War: Fossil Fuel Imports from Russia in the First 100 Days of the Invasion,” Centre for Research on Energy and Clean Air, 12 June 2022.

Longer run harm to the Russian economy will result from the departure of substantial number of intellectuals and technical personnel —300,000 by one estimate—who have left the Russian Federation out of disgust for the actions and the propaganda of the Putin regime. The *Moscow Times* estimated that 170,000 information specialists, who now have much better prospects in the West, may have left by the end of April.<sup>6</sup> Many are now temporarily living in Armenia, the Baltic states, or other countries where Russian is widely spoken. Since these individuals can often manage in English or other Western languages, they may be able to consider careers abroad, in the USA, Canada, or Western Europe. This means a long-term weakening of Russian technical efforts. More than 1000 Western companies have picked up and left the country. They will not return until peace seems assured.

The economy of the Russian Federation is linked to that of several Central Asian states which normally trade with or through Russia. 75-80 percent of Kazakhstan's oil exports to the West go through the Russian port of Novorossiysk on the shore of the Black Sea. These have been hurt by reductions in Western purchases of Russian oil and increased shipping costs owing to more significant risks to tankers. Sanctions on Russia have likewise prevented European goods from reaching Central Asia. At the same time, Russia has imposed a ban on the sale of crucial commodities Central Asian countries had imported from there. It has ended the export of grain and white sugar to its partners in the Eurasian Economic Union, creating substantial food insecurity in Kazakhstan and Kyrgyzstan. Kazakhstan received 77 percent of its grain from Russia in 2021. As a response, Nur-Sultan has blocked wheat exports to Kyrgyzstan, which has obtained 90 percent of its supply from Kazakhstan and Russia in recent years.

As Western sanctions have led to the closing of many Russian businesses and reduction in new construction, the demand for Central Asian laborers has diminished. Thus, many Central Asians have returned to their homes in Kyrgyzstan, Kazakhstan, Uzbekistan, and Tajikistan, depriving these individuals of the rubles they had been earning and sending to their families. 60,000 workers returned home from Tajikistan and 133,000 from Uzbekistan in the first quarter of 2022, for example<sup>7</sup> Typically, these workers come from highly impoverished communities, whose situation has now become desperate. The overall economies of these states are likewise negatively affected. Remittances from workers abroad amounted to 31 percent of Tajikistan's GDP and a comparable percentage of Kyrgyzstan's.<sup>8</sup> Revival of Islamist fundamentalism may be one consequence, while political unrest and tensions among

<sup>6</sup> "170,000 Russian IT Specialists Could Emigrate by April," *Moscow Times*, 19 April 2022.

<sup>7</sup> "Sanctions on Russia Already Hitting Remittance-Dependent Countries in Central Asia," UN Office for the Coordination of Humanitarian Affairs," 16 June 2022.

<sup>8</sup> "Central Asian Governments Fret Over Shrinking Remittances from Russia," *The Economist*, 23 June 2022.

various ethnic groups in these countries are also expected to rise.

In some Central Asian states, the economic impact of the war is combined with fears that they may be the next targets of Putin's imperial ambitions. Strains in their governments' relations with Moscow have been especially noticeable in the case of Kazakhstan, where there have been multiple rallies against the war. All the Central Asian states have been careful to avoid antagonizing Russia, refraining from explicitly condemning its actions. Representatives from Turkmenistan and Uzbekistan stayed away from the emergency session of the UN General Assembly in February which criticized those actions; Kazakhstan, Kyrgyzstan and Tajikistan abstained.<sup>9</sup> However, Kazakhstan has announced that it will not recognize the independence of Donetsk and Luhansk or acknowledge that Crimea is part of Russia.<sup>10</sup> The governments of both Kazakhstan and Kyrgyzstan reportedly have been questioning the value of their membership in the Russian-led Eurasian Economic Union and Collective Security Treaty Organization, Moscow's answers to the EU and NATO. Putin has visited Tajikistan's capital Dushanbe and Turkmenistan's Ashgabat to reassure friendly rulers of his benign intentions, as widespread bitterness at Russia has been reported there.

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The impact of the war is also beginning to be felt far beyond the borders of the former Soviet Union. Perhaps the most significant effect has been the substantial drop in the global supply of food, especially cereals and oil seeds. Before the war Ukraine shipped 6 million tons of agricultural products per month to the Middle East, Asia, and Africa. Owing to Russia's blockade of Ukraine's Black Sea ports and damage to its roads and railroads, only 15-20 percent of this amount can now be exported.<sup>11</sup> The

<sup>9</sup> Shannon Tiezzi, “How Did Asian Countries Vote on the UN's Ukraine Resolution?” *The Diplomat*, 3 March 2022.

<sup>10</sup> “Kazakhstan Says It Does Not Recognize Separatist-Controlled Territories in Ukraine as Independent,” *Radio Free Europe/Radio Liberty*, April 5, 2022; Vladimir Rozanskij, “Tokoev and Putin Clash Over Ukrainian Crisis,” *AsiaNews*, 22 June 2022.

<sup>11</sup> Heinz Strubenhoff, “The War in Ukraine Triggered a Global Food Shortage,” *Brookings*, 14 June 2022.

fighting has also sharply restricted cultivation and harvesting of grain in the country. Russia likewise was a major supplier of food to the world. Sanctions imposed by governments and banks have prevented a significant proportion of its food exports from reaching global markets as well. Experts predict that if the war continues, by the end of 2022 world food exports will have declined by 40-50 percent.<sup>12</sup>

The most immediate impact has been on the cost of food. In some countries like Lebanon, Egypt, and Pakistan, which are heavily dependent on imports, food prices have risen more than 30 percent since the beginning of the year. Exacerbating the problem, as many as twenty countries have responded to this situation by restricting profitable food exports to stabilize domestic prices and ensure adequate supply at home. Some have imposed a complete ban on grain exports. Consequently, 94 percent of low-income countries are experiencing significant increases in the price of food, according to the World Bank.<sup>13</sup> As a result, hundreds of millions of people are already experiencing hunger and malnutrition; the UN World Food Program has forecast multiple famines in the coming year. What is currently a food *affordability* crisis is likely to become an even more dangerous food *availability* crisis in as many as 45 countries in Africa, Asia, and the Middle East. Intense political unrest may follow, just as it did prior to the Arab Spring.

The consequences of the war have not been entirely negative for some countries, most notably energy exporters. Iran, Saudi Arabia, and the UAE have benefited from higher prices for their oil, resulting from the Western refusal to purchase it from Russia. U.S. eagerness to bring down that price has led Washington to attempt to repair its relationship with the Saudis, resulting in a presidential visit in July. Qatar and the U.S. have greatly benefited from a 700 percent increase in the price of natural gas in the last year.<sup>14</sup> Israel has concluded a deal with Egypt and the EU enabling Israeli natural gas to be sent by pipeline to Egypt, which will liquefy it and transport it to ports in Europe. That will assist EU members eager to reduce their dependence on Russian gas. Shipyards in South Korea, the world's largest supplier of LNG tankers, have experienced a considerable surge in orders.

Even some energy importers have benefited from the situation created by the war. Deprived of its market in Europe, Russia has been selling crude oil at steeply discounted prices to India and China. That has helped both nations combat inflation. At the same time, India has profited by marketing refined petroleum products such as gasoline and diesel. China has moved closer to achieving its long-term national

<sup>12</sup> Heinz Strubenhoff, (2022).

<sup>13</sup> "Food Security Update," The World Bank, 15 July 2022.

<sup>14</sup> Gerson Freitas Jr., Stephen Stapczynski, and Anna Shiryayevskaya, "Natural Gas Soars 700%, Becoming Driving Force in the New Cold War," *Bloomberg*, 5 July 2022.

security objective of diversifying its oil supplies. Its security has also been enhanced by the fact that the U.S. navy can no longer obstruct the transportation routes for this vital commodity, as was the case with imports from the Middle East.

The war has had not merely a vast economic impact, but comparably profound geopolitical implications as well. Russia's large-scale invasion of Ukraine has generated a sense of alarm among NATO members not felt since the early 1980's. Many member-governments, including those in Germany, France and the United States had come to view Russia as a status-quo power. Moscow was perceived to be unhappy with, but not prepared to disrupt, the post-Cold War territorial settlement that had involved the dismemberment of the USSR into 15 independent sovereign states, each free to determine its security arrangements and political allegiances. Evidence to the contrary, such as Russia's war with Georgia in 2008 and its seizure of Crimea in 2014 had not been sufficient to alter this perception. That view was abandoned in February 2022. The leaders of many NATO countries now see Russia as a real threat, not only to the eastern members of the organization, but to the fundamental principles of sovereignty and democratic governance. Moreover, the danger seems immediate, rather than merely a remote possibility.

To the surprise of many observers, an organization that only recently had been riven by disputes about burden-sharing and the amount it was incumbent on each to spend on collective defense quickly became united in the days leading up to the invasion. When Russia recognized the independence of the self-proclaimed Republics of Donetsk and Luhansk and sent in troops to support their claims, NATO Secretary General Jens Stoltenberg announced, "We stand in solidarity with Ukraine's people and its government."<sup>15</sup> NATO countries were united, he declared, in their full support for Ukraine's sovereignty and territorial integrity within internationally recognized borders. They would provide military equipment to Ukraine and do whatever was necessary to protect any and all members from aggression.

For three decades, since the USSR collapsed, NATO had struggled to find a sense of purpose. Experts, politicians, and national leaders in many member countries had begun to question whether it was truly needed. Their sense of purpose was restored overnight when Russian troops crossed into Ukraine. All NATO members now concluded that they must protect one another against an aggressive Russia that might launch an unprovoked attack on any of them. Deterring such an attack was clearly necessary; defending member states in the event of such an attack might well be. Moreover, it was incumbent on NATO to defend the rules-based international order Western countries had erected after World War II.

<sup>15</sup> "NATO Secretary General: This is the most dangerous moment in European Security for a generation." [www.nato.int](https://www.nato.int), 22 February 2022.

Four months later, NATO would issue a radically new mission statement identifying not only Russia, but also China as a threat to that order.<sup>16</sup> The previous statement, published in 2010, had identified Russia as a potential ally in creating a common space of peace and security. It had not mentioned China. Now China has been depicted as Russia's partner in mounting a challenge to the values and interests of NATO members. Like Russia, it is described as committed to realizing its ambitions through its "coercive policies."

It is not merely NATO members whose perception of Russia and its intentions changed dramatically in the aftermath of the Russian assault on Ukraine. Finland and Sweden now saw the need to take a step which leaders in both countries had considered since the 1950's but had never resolved to take: applying to join the alliance. For Sweden this was a particularly wrenching decision. It had a tradition of neutrality going back two centuries. Although it had secretly cooperated with NATO members throughout the Cold War, officially it remained neutral. Finland had likewise chosen neutrality after being invaded twice by the USSR during World War II. However, like Sweden, Finland effectively abandoned that policy in 1994, when it joined NATO's Partnership for Peace Program and began openly participating in operations conducted by the alliance. Still, both countries pointedly refrained from seeking full-scale membership until May of 2022. For both the decision to join, taken with new support from domestic public opinion, was a historic policy change, directly resulting from the war.<sup>17</sup> NATO has now formally extended an invitation to both.

The accession of these two countries is expected to strengthen NATO significantly. Both have proved themselves to be highly effective security partners in operations in Afghanistan, the Balkans and Iraq. Both have been steadily increasing the interoperability of their forces with those of the alliance. Both have been modernizing those forces and investing in new military equipment. Their membership will substantially enhance NATO's presence in the Baltic and the Arctic. Finland's 800-mile border with the Russian Federation will make it easier to stop an offensive should Moscow choose to mount one.

NATO's new threat perception has significantly increased members' planned spending to bolster their collective defense. Most notably, Germany has committed

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<sup>16</sup> NATO 2022 Strategic Concept. Adopted 29 June 2022.

<sup>17</sup> The first beneficiary of this decision was Türkiye. As a condition for supporting the Finnish and Swedish membership bid, which required the endorsement of all thirty NATO members, Türkiye obtained a formal commitment from both countries not to support Kurdish or other organizations that threatened its security. Both also agreed to end informal arms embargo they had imposed on Türkiye in 2019 after its intervention in northern Syria. At the same time, the United States indicated it was willing to sell Türkiye upgraded F-16 fighter jets which it had long sought.



to doubling its defense spending, while U.S. President Joe Biden endorsed an increase in the American defense budget of \$29 billion more than he had initially requested.<sup>18</sup> Together the members have pledged an extra \$210 billion to improve the military posture of the alliance.

In addition to promising higher spending, NATO has made plans to strengthen its forces' readiness level and deterrent capabilities. More troops will be rotated into frontline positions in the Baltic States. Four new multinational battalions will be stationed in Bulgaria, Romania, Slovakia, and Hungary. Hundreds of thousands of troops (a seven-fold increase) will be placed on high alert and kept on stand-by in their home countries for rapid deployment to the front. The number of U.S. troops in Europe will rise from 70,000 to 100,000, with many of these permanently stationed on NATO's eastern flank. The headquarters of the U.S. 5<sup>th</sup> Army and a field support battalion will be placed in Poland. The U.S. military presence in Western Europe will be enhanced as well. Altogether, these measures have been described as the most significant improvement in NATO's defense posture since the end of the Cold War. Like the invasion that triggered them, these changes have also entrenched more deeply the post-Cold War geopolitical rivalry between East and West.

These developments have been and are likely to be costly for both sides. Russia's military and economy have been damaged, and its security has also been diminished. Even if Mr. Putin was to achieve all his territorial objectives in Ukraine, that would do little to enhance his country's security. NATO's new-found unity, increased strength and more extended border pose a greater threat to Russia than Ukraine's foreign policy ever did. Russia will emerge from the war more vulnerable than when it initiated the conflict.

Less clear is whether President Putin will have a price to pay in terms of domestic political support. Polling by Russia's independent Levada Center indicates strong support for the war thus far. In fact, the percentage of individuals saying they back Putin's actions had risen steadily to 81 percent by mid-May.<sup>19</sup> Of course, the threat of steep fines or even jail sentences for criticizing Russia's invasion, even for calling it a war, may have deterred many respondents from giving an honest answer. Putin has used Russia's huge revenues from higher oil and gas prices to raise pensions and the minimum wage. That may be enough to enable him to avoid criticism for a while. In the long run, though, much higher prices for consumer goods or their disappearance from the market may be blamed on him.

<sup>18</sup> Shannon Bugos, "Biden Approves \$29 Billion Increase in Defense Budget," *Arms Control Today*, April 2022.

<sup>19</sup> Levada-Center, 18 May 2022. See also Anton Troianovski, "Putin's Mission to Indoctrinate School Children," *The New York Times*, 17 July 2022.

Family members of soldiers who have died or returned severely wounded are already beginning to voice their anger. Resentment is reportedly growing among returnees from the front who complain of inadequate training, poor medical care, inedible rations, the failure of the government to pay promised compensation or refusal by commanders to allow them to leave after they have completed their term of service. While popular support may not be needed to keep Putin in power, the Russian leader has always been concerned about maintaining it owing to the legitimacy it confers.

The war has also been costly for the U.S. and its allies in strategic terms. President Biden has made it his mission to mobilize NATO to support Ukraine.<sup>20</sup> He has been successful in this endeavor but has been unable to devote sustained attention to a comparable mobilization of America's Asian allies to counter Chinese aggression in the Pacific. The sharp deterioration in U.S.-Russian relations has effectively halted arms control negotiations. Both sides have a lot at stake: the U.S. is eager to limit Russian deployment of non-strategic nuclear missiles; Moscow badly wants an agreement on missile defense; both would benefit from a treaty that addressed cyber-defense and conventional precision-strike weapons.

The war has not been painless for the West in economic terms either. Assisting Ukraine has not been cheap for the U.S. or its European partners. Washington has provided \$54 billion in military and other aid to Ukraine since the war began; the EU has delivered \$15 billion, and individual EU members have contributed \$18-20 billion in financial, military and humanitarian assistance, according to *Statista*. These amounts, along with increased defense spending have made it more challenging to address domestic needs. At the same time, the sanctions imposed on Russia and Russia's countersanctions have sent energy prices soaring. U.S. and European consumers have paid at the pump. The 700 percent jump in the price of natural gas has dramatically increased the cost of electricity in homes and businesses throughout Europe. Germany is facing the prospect of energy rationing. These developments are likely to have political repercussions in Western democracies, where voters will penalize current officeholders.

While the dramatic rise in the prices of fuels, along with those of grain and seed oils, has imposed steep costs on millions throughout the world, perhaps the most widely shared consequence of the war will be its adverse impact on the global effort to limit climate change. To reduce their dependence on Russia for fuels and compensate for its reduction in supplies of gas, European countries are restarting coal-fired power plants and reversing decisions to shutter old ones that are still operating. Germany,

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<sup>20</sup>This began immediately after the invasion was launched. See "Statement of the President on the NATO Summit and Call With President Zelensky," The White House, 25 February 2022.

Italy, Austria, and the Netherlands are effectively abandoning their plans to phase out the use of coal. Others in Europe, including the Czech Republic and Romania are considering similar moves. Yet coal is much more polluting than other energy sources and generates much more significant greenhouse gas when burned.

At the same time, Europe is scrambling to find alternative sources of natural gas, whose extraction, transportation and liquefaction has an even greater impact on climate warming. Exploiting these sources will involve substantial new investment in infrastructure, both by European importers and by suppliers of this commodity. The G7 has committed the world's largest economies to undertake public investments in gas projects as "a necessary response to the current crisis."<sup>21</sup> Government-backed international lenders, such as the European Investment Bank and the European Bank for Reconstruction and Development, had been seeking to finance renewable energy projects. Now they are prepared to support projects that will expand the use of much less climate-friendly energy. Last November in Glasgow European and North American governments pledged their determination to phase out the use of fossil fuels. The war in Ukraine has made that a much more remote possibility—too remote to prevent irreversible climate warming.

If Ukraine succeeds in regaining the territory it has lost to Russia since the war began, and even if its only accomplishment is to prevent its adversary from expanding beyond the Donbas and the other territory it has captured in the east and the south, the war will arguably have accomplished some highly worthwhile objectives. It will have preserved the independence of an aspiring democracy subjected to unprovoked aggression, and it may have helped to deter similar aggressive actions by Russia or China in the future. But the cost to most of the world's actors—not merely the participants and their supporters—is certain to be very high.

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<sup>21</sup> G7 Leaders' Communique, 28 June 2022, p. 5. See also Leslie Hook, "G7 Accused of 'Backsliding' on Climate Goals Over Energy Security Fears," *Financial Times*, 28 June 2022.