

## 2. Russia's war in Ukraine: Variables, scenarios and outlook

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- › The Russian invasion of Ukraine, which began in February 2022, is a key driver of the outlook not only in Central, East and Southeast Europe (CESEE), but in Europe more generally.
- › It has strategic implications for European states with respect to security, as well as the economy. These will vary very considerably, depending on the trajectory of the war – specifically its development, length and final outcome.
- › We identify four scenarios for the possible outcome of the war through 2023, not all of which are mutually exclusive, and to which we attribute percentage probabilities:
  1. Attrition conflict (45%)
  2. Negotiated settlement (15%)
  3. Russian defeat (30%)
  4. Ukrainian defeat (10%)
- › We have identified six variables that inform the likelihood of these four scenarios:
  1. The political aims of Russia and Ukraine;
  2. The balance of military superiority;
  3. The economic outlook for Russia and for Ukraine;
  4. The international response to the war;
  5. Government stability, especially in Russia; and
  6. The nuclear wildcard.
- › Our baseline scenario is that the war will continue through into 2023. Hostilities will be mainly based on attrition, hybrid and asymmetrical warfare. There is virtually no scope for a peace agreement at this stage.
- › The likelihood of the defeat of Russia has increased, but that will hinge on the collapse of its military capabilities – which may occur if mobilisation proves ineffective.
- › Imminent defeat would threaten the stability of the regime in Russia, which would in turn increase the likelihood that Moscow escalates the situation and resorts to nuclear weapons. A Western response with conventional weapons to devastate the Russian military capabilities in Ukraine would increase the political risks for Moscow, but would also threaten an exchange of strategic nuclear weapons if neither side backs down.
- › The defeat of Ukraine at this stage seems unlikely, but would involve the seizure of territory beyond that which is already occupied, such as Kharkiv and the Black Sea coast up to Odesa.

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As it stands, the original maximalist goals of Russia when it invaded Ukraine in February have failed. Hostilities since then have been characterised largely by attrition warfare. The success of Ukraine's armed forces (ZSU) in this respect has allowed it to launch counter-offensives across multiple axes of the front line. This has wrested the strategic momentum away from Russia, which is now seeking to cement its territorial gains by launching a partial mobilisation of the male population, illegally annexing occupied territories and threatening the use of nuclear weapons.

The probability weightings assigned to the four scenarios we have identified are influenced by six variables.

## 2.1. THE POLITICAL AIMS OF RUSSIA AND UKRAINE

The objectives of Moscow and Kyiv are important because they inform the conditions under which the war could end. The administration of Russian President Putin has sent mixed signals in this respect.

The official stance of Moscow was to secure guarantees from NATO to allay its security concerns. This included ruling out both the admission of new members to the alliance (including Ukraine) and the supply of sophisticated long-range weaponry to Kyiv that could strike targets within the Russian Federation. Following failure to reach agreement on these points, Moscow launched its invasion, which sought to install a pro-Russian government in Kyiv, while occupying territory in eastern Ukraine. Putin threatened nuclear escalation if the West interfered.

Yet Putin has also repeatedly stated that the objective of the invasion was to 'gather in' formerly Soviet lands, in order to construct a 'Russian world'. Moreover, Moscow did not act when Finland and Sweden – previously neutral nations, the former of which shares a 1,340-kilometre land border with Russia – applied to join NATO in May. Nor did it escalate matters either when Kyiv received advanced weaponry from the West or when its application for candidate status of the EU was approved.

When the first phase of the invasion failed, Moscow slimmed down its objectives, placing emphasis on the annexation of the eastern Ukrainian Donbas regions of Donetsk and Luhansk. The incorporation of the southern regions of Kherson and Zaporizhzhia into the Russian Federation was also envisaged, in order to provide territorial continuity between Donbas, Crimea and the Dnieper River. Furthermore, by formally annexing these territories, Moscow can frame Ukrainian attacks as targeting the Russian Federation directly, potentially justifying the use of nuclear weapons.

Following the sham referendums in the aforementioned regions, Putin signed a decree on their annexation. He also called for an immediate ceasefire and the resumption of peace negotiations with Kyiv. This suggests that Moscow is attempting to consolidate its territorial gains, which could then be framed domestically as a victory. In practice, it is likely to entail an attrition conflict characterised by frequent stalemate, since Kyiv controls up to half of Donetsk and Zaporizhzhia regions, as well as small portions of Kherson and Luhansk. Nonetheless, Putin must formalise any gains, in order to guard against territorial losses and also to stabilise his political position at home, which has come under increasing criticism from the ultranationalist faction.

The reaching of a peace accord – provisional or otherwise – would strengthen the position of those European politicians and businesspeople arguing for the lifting of some of the sanctions, freeing Russia to speed up its economic recovery, while reinforcing its military capabilities. It is likely that Moscow would take advantage of the lull afforded by such a scenario to prepare for further hostilities not only against Ukraine, but against NATO as well.

It is our assessment that the conclusion of a peace agreement is very unlikely. Moscow can accept nothing less than it is tentatively offering, since its formal territorial gains would be so modest as to be pyrrhic. From this perspective, it is more likely that Moscow would opt for an escalation (including nuclear), as a means of intimidating the West into forcing Kyiv to accept Russian demands.

The willingness of Kyiv to negotiate has all but evaporated. When Kyiv was at a disadvantage, in the first months of the war, there was a window for agreement. But that has since closed, not least because the Ukrainian military – supported by Western weaponry and training – has halted the Russian offensive and is mounting one of its own, recapturing large swaths of territory in the process. The mood in Kyiv is uncompromising, amid a growing belief that the Russian invasion can be repelled altogether. Even if the administration of President Volodymyr Zelensky were prepared to cede territory, it would be in the face of massive opposition from within the political, military and security establishments, as well as from among the public.

The most the Zelensky administration could agree to would be autonomous status for Crimea. Yet the likelihood of such a prospect is diminishing. Before the Russian annexation of the four eastern and southern regions, the widespread feeling in the West – including the US – was that the forcible return of Crimea to Ukraine was a red line for Russia. Its 2014 annexation may have been illegal, crudely justified by a referendum that was not internationally recognised; but the seeming acquiescence of the local population led to a tacit acceptance by Western governments that Crimea is de facto part of the Russian Federation.

However, the repetition of that strategy in the aforementioned regions is undermining the geopolitical protection that Moscow enjoys with respect to Crimea. The West has openly condemned the newest annexations as entirely illegitimate and has endorsed the continued efforts of Kyiv to recapture them. Yet this logic also extends to Crimea, given that its status is now identical to that of the occupied regions.

The likelihood of Ukrainian incursions into Crimea has therefore risen. This was demonstrated by the targeting of Russian military assets in Crimea over the summer, and mostly recently by the attack on the Kerch Strait Bridge connecting Crimea with the Russian Federation.

## 2.2. THE BALANCE OF MILITARY SUPERIORITY

### *Russia*

At the beginning of the war, Russia was widely regarded as holding overwhelming military superiority over Ukraine. Yet within weeks of the invasion, it became clear that military success along maximalist lines was not possible. Poor invasion planning, overstretched logistics (exacerbated by high levels of corruption in the defence sector),<sup>4</sup> a failure to establish air supremacy, and dysfunctional coordination

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<sup>4</sup> <https://ti-defence.org/qdi/countries/russia/>

between units at all levels resulted in heavy losses and severely limited the ability of the Russian Armed Forces (RAF) to recoup those losses.

This has narrowed the range of strategic options open to the RAF in Ukraine. Western sanctions have prevented the supply of crucial components for modern equipment (such as high-precision missiles and aircraft engines), prompting the RAF to increasingly source equipment from Soviet-era stocks. Moscow is also turning to its allies for stop-gap supplies. According to US intelligence sources, Russian missile stocks are so depleted that Moscow has approached North Korea for replacements, while Iran is supplying combat drones.

Manpower is a particular problem. Moscow initially committed some 190,000 troops to Ukraine (some 80% of the RAF) – a figure that has since risen. These troops were deployed across four axes of advance along a front line stretching over 1,000 kilometres. In the early stages of the invasion, they advanced rapidly, but found that the logistics networks could not keep up. Heavy losses were sustained during the chaotic advance towards Kyiv, the failure of which prompted the RAF to pursue a cautious approach on other fronts. Yet attrition continued to take its toll on the invasion force, and Moscow could not offset the losses with reserves mobilised during the spring conscription season.

Estimates of casualties on the Russian side vary widely – from approximately 6,000 to 60,000 dead, with 3-4 times that number wounded. Assuming that the lower and upper bounds of these estimates are exaggerated, the true figure would still account for a substantial proportion of the invasion force. Estimates of equipment losses are more reliable: open-source verification has determined that up to 10% of the total Russian tank and armoured vehicle inventory has been neutralised, while the ZSU puts the figure at 20%.<sup>5</sup>

As the situation became critical amid Ukrainian counter-offensives in the Kharkiv and Kherson regions, Moscow announced a partial mobilisation that will focus on reservists. Officially, the number to be mobilised is 300,000; however, there are indications that the figure could extend to 1m. Theoretically, the decree that President Putin issued would allow full mobilisation of the population. However, such a move would be high risk for the Kremlin, given the possibility of public unrest, as well as the fact that powers would have to be delegated to a military leadership that Putin does not trust.

Even with partial mobilisation, it will be very challenging to train and coordinate such an influx of recruits. Much of the Soviet-era infrastructure for mobilisation was dismantled over the last two decades, as the RAF modernised itself. Furthermore, the RAF typically undertakes the training of new recruits in existing units – but the majority of those are currently in Ukraine, along with the officer corps. The quality of the training is thus likely to be poor. At the very least, it will take some considerable time – 3-4 months.

At present, RAF positions in Ukraine are so overstretched that Moscow is aiming to deploy 60,000 to 120,000 recruits to the front within weeks. If this transpires, it is questionable what difference such inexperienced reinforcements can make. There is little indication that the coordination of the RAF will improve. Command chains are strictly hierarchical, inhibiting flexibility. They are not unified across the invasion force: the armies of the Luhansk and Donetsk separatists, the Wagner Group private mercenary company and the Chechen paramilitaries all have different hierarchies and operate semi-

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<sup>5</sup> <https://sofrep.com/news/soviet-weapons-bazaar-in-kharkiv-heres-a-list-of-the-weapons-russians-left-and-more/>

autonomously. The Ukrainian counter-offensive in the Kharkiv region has also undermined Russian railway logistics networks in the east, since the seizure of the Kup'yans'k transport nexus by the ZSU is preventing the running of trains on the north-south axis.

It is our assessment that the best-case scenario for Moscow would be for the RAF to simply hold its defensive positions through the winter. It is very unlikely that it will be able to launch fresh offensives with a view to capturing new territory in the next 3-6 months. We note reports that large numbers of Russian troops are being stationed in Belarus<sup>6</sup> to conduct training and exercises in joint groups with the Belarusian military, which could presage the launch of fresh hostilities on the northern front. Yet these deployments are more likely being exploited by Moscow to tie up Ukrainian manpower and resources. If hostilities do resume, they would likely serve the same purpose, namely to ease pressure on the front lines in the south and east. Deeper incursions towards Kyiv are highly unlikely, not least because the ZSU has pre-emptively sabotaged most of the infrastructure in the border region.

If the RAF avoids further defeats, its ability to launch fresh offensives in the second half of 2023 and beyond will increase. Indeed, there are indications that Moscow is preparing for a long conflict, with the draft budget for 2023-2025 increasing planned defence spending from RUB 3.5 trillion (USD 59bn) to some RUB 5 trillion (USD 85bn).<sup>7</sup> The actual amounts are likely to be far higher, since a further RUB 6.5 trillion (USD 112bn) is reserved for 'classified' or 'unspecified' spending. However, the impact of this spending is not likely to be fully felt in the medium term.

It is our assessment that Moscow is more likely to rely increasingly on asymmetric and irregular warfare tactics against Ukraine. These will probably include targeting civilian infrastructure, logistics and cities with long-range shelling and cyber-attacks, reinforcing the trend of attrition. This strategy is increasingly in evidence, with Moscow launching a wave of cruise missile and suicide drone attacks on cities and infrastructure across Ukraine in October, including Kyiv. The extent to which further attacks on such a scale can be pursued will depend on the stock of precision missiles available to Moscow.

European states are also likely to be targeted with hybrid warfare attacks, in order to discourage material support for Ukraine, even as Moscow asserts plausible deniability. This was demonstrated by the sabotage on the Nord Stream gas pipelines in the Baltic Sea in September, which was most likely carried out by Russian actors. The Norwegian gas infrastructure, which is a major alternative source of supply for Europe, would be a likely target, should this trend continue. The electricity infrastructure is also at risk: the German authorities strongly suspect that Russian sabotage was responsible for a power outage along railway lines in northern Germany in early October.

The weapons facilities of NATO member states are similarly at risk, as they have been the target of espionage and sabotage over the past decade, including since the war began. Operations are known to have occurred in Czechia, Bulgaria and Albania. Given that Putin has specifically stated that the 'collective West' and NATO are waging war on Russia, further hybrid warfare operations are to be expected.

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<sup>6</sup> <https://www.reuters.com/world/europe/belarus-russia-form-joint-military-group-lukashenko-says-2022-10-10/>

<sup>7</sup> <https://tass.com/economy/1514771>

## *Ukraine*

The military position of Ukraine has improved considerably since the beginning of the war, even though its air force and navy were largely neutralised. There are two reasons for this. First, the ZSU received advanced weaponry, intelligence support and training from NATO member states, allowing it to blunt the RAF offensive over the summer. Anti-aircraft systems strengthened its airspace defence, while long-range artillery allowed Russian weapons depots, command posts, airfields and infrastructure routes to be targeted up to 92 kilometres away.

Second, Kyiv quickly launched a full-scale wartime mobilisation of the male population, enabling its available manpower to reach between 500,000 and 700,000. Large numbers of the mobilised forces have military experience, owing to rotations through the Donbas front in 2014-2021, while training has been provided by NATO forces. Kyiv is circumspect about its casualties, stating that some 15,000 troops have been killed; meanwhile, Moscow claims the figure is over 60,000. Whatever the truth, the losses are more easily replenished by the ZSU, even as the share of experienced soldiers dwindles.

These advantages bolster the ability of the ZSU to engage in attrition warfare, exploiting RAF vulnerabilities on a targeted basis. The gradual overstretching of the invasion force across four axes ultimately allowed for counter-offensives to be mounted that rapidly penetrated occupied territory, while exposing RAF units that could then be isolated in pockets.

At present, the ZSU is attempting to capitalise on the momentum generated by its counter-offensives before the winter weather complicates operations. This is likely to lead to the recapture of the western bank of the Dnieper River, if not the city of Kherson itself. Further incursions into Luhansk region are also possible, with cities captured by the RAF earlier in the summer – such as Lysychans'k and Severodonets'k – coming back into play.

Such successes would be significant, but they are unlikely to alter the balance of the conflict in any decisive way. For that to occur, the ZSU would need to achieve breakthroughs in the Zaporizhzhia region, severing the land corridor between Donbas and Crimea by recapturing Melitopol', Mariupol' and the coastline of the Sea of Azov. There is already extensive Ukrainian partisan activity in this region, especially around Melitopol'.

By its own efforts, the ZSU is highly unlikely to achieve such a breakthrough: that would only be possible if the RAF experienced a more general collapse. The recent counter-offensives by the ZSU have hinged on exploiting the fact that the RAF is overstretched and its defences have become dysfunctional. In Kherson, where the RAF was reinforced by some 20,000 troops, the ZSU counter-offensive is much slower. An absence of heavy tanks and armoured transport vehicles has left ZSU units exposed in the flat terrain of the southern regions.

There is little indication that NATO member states will provide weaponry that would enable the ZSU to upgrade its military strategy from that of opportunistic counter-offensives amid dynamic attrition. Germany has repeatedly refused to provide Leopard 2 battle tanks from its arsenal. But it is not alone: the US, which has supplied by far the largest quantity of weaponry to Ukraine, is similarly reluctant to provide M1 Abrams tanks.

This is partly for geopolitical reasons, since it would represent an escalation in support. But there are other concerns, too. Such tanks are not produced on a large scale and cannot be replaced easily. They are costly to operate, requiring extensive support logistics, and are not compatible with the existing armour inventory of the ZSU. Furthermore, since they operate on the front line, it is easier for the RAF to capture them than artillery, which potentially compromises the armour inventories of the large number of states that use these tanks.

Weaponry supplies are thus likely to remain confined to what is currently being provided. The ZSU is doubling its inventory of US High Mobility Artillery Rocket Systems (HIMARS), which has enabled the strategic degradation of Russian logistical capabilities. Kyiv is pushing for the provision of army tactical missile systems (ATACMS), which would extend the range of its HIMARS to 300 kilometres; however, such a move would enable the systematic targeting of military assets in the Russian Federation – a situation that the West is seeking to avoid.

Despite the economic counter-warfare waged by Moscow, Western governments have remained united – if not strengthened – in their resolve to provide material support to Ukraine. However, it is our assessment that they are probably at the very limit of what can be provided. This is discussed under variable (4).

### **2.3. THE ECONOMIC OUTLOOK FOR RUSSIA AND UKRAINE**

Economic resilience is key to influencing the respective abilities of Russia and Ukraine to continue the hostilities. It is particularly critical for Russia, which must balance the attainment of its geopolitical objectives with the ability of its economy to withstand the consequences and adapt to changing circumstances.

It is our assessment that the Russian and Ukrainian economies will continue to sustain their military capabilities through 2023, despite increasing structural dysfunctionalities. The respective outlook for the two economies is included in the relevant country reports.

### **2.4. THE INTERNATIONAL RESPONSE TO THE WAR**

#### *The West*

Ukraine's ability to withstand the Russian invasion to the extent that it has would not have been possible without the material support provided by the West (i.e. NATO and the EU, as well as Canada, Australia and Japan). However, this has had costly consequences for the West – and especially for the EU, which was already having to deal with increasing inflation even before the war.

Sanctions on primary Russian exports, such as oil, coal and fertilisers, have reduced the available supply and sharply increased the price of various global commodities. Moscow has exploited the market uncertainty wherever possible, for example by arbitrarily limiting the supply of gas to the EU – a move that pushed prices to record levels in August, though they have subsequently fallen. Moscow is calculating that, by creating an energy shortage in the EU in the short to medium term, it can cause member states to waver in their resolve to provide support to Ukraine.

As the winter season approaches, member state governments will very likely be forced to ration electricity and gas to the industrial sector. Although the EU's storage targets have been met,<sup>8</sup> it is likely that some member states will suffer periodic blackouts, especially if the winter is particularly cold and/or if alternative supply routes are disrupted. Germany's storage capacity stands at 25% of its annual gas consumption – and that could be depleted in as little as two months. Replenishing this capacity will be very costly, given that the gas supply is globally constrained. Most European economies could endure such a burden over the coming winter, but the costs are likely to persist beyond 2023 and will become unsustainable. The high costs are compounded by the fact that alternative markets for Russian gas exports – specifically those in Asia – are not yet served by the necessary pipeline infrastructure. Indeed, Russia will not be able to complete the necessary work to reorient its gas exports to the Asian markets until the latter half of the decade, forcing Europe, China and India to compete for supply.

Over the winter, the temporary closure of factories is very likely amid rationing, high inflation and possible restrictions to manage the COVID-19 pandemic during its annual peak. A deep recession is very probable, although a recovery is likely to follow in Q2 or Q3. However, there is an elevated likelihood of another recession at the end of 2023 if the status quo persists.

The political and economic impacts of this situation on member states will be asymmetric. At present, the EU remains united in its resolve to support Ukraine – with the exception of Hungary, whose prime minister, Viktor Orbán, has only very grudgingly backed sanctions. Even in those countries where populist parties have recently entered government, such as Italy, the policy stance with respect to Russia and Ukraine has not changed. Far-right populists, such as the newly elected Italian prime minister, Giorgia Meloni, and the French opposition leader Marine Le Pen, have expressly condemned the Russian invasion and voiced their support for the current EU strategy.

Nevertheless, there is an elevated risk that the Meloni government will waver. Meloni and her Brothers of Italy (Fdi) party may support the sanctions, but its junior partners in government – namely, Matteo Salvini's Lega and Silvio Berlusconi's Forza Italia – are old populist allies of Moscow. As the energy crisis impacts the economy, Salvini and/or Berlusconi are likely to emerge as disruptors, as they posture to win back voters that they lost to the Fdi in the recent election.

Italy is not the only member state where populists may waver. In Slovakia, whose economy has been particularly badly impacted by the war, the coalition government lost its absolute majority after one of its junior partners withdrew its support. If snap elections are held, the opinion polls indicate that former Prime Minister Robert Fico is likely to return to power at the helm of a populist nationalist coalition. Elsewhere, following a third set of snap elections in Bulgaria, any viable coalition in its fractured parliament will need to include the pro-Russian Revival party, which won 10% of the vote. In the likely event that government formation is not possible, a fourth snap election will need to be held, prolonging uncertainty and additionally granting disproportionate power to President Rumen Radev, who is sceptical of sanctions.

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<sup>8</sup> <https://www.consilium.europa.eu/en/infographics/gas-storage-capacity/#:~:text=The%20chart%20shows%20the%20gas,with%20the%20largest%20storage%20capacity>



Austria is also at risk, given the dependence of its economy on Russian gas and the scepticism about sanctions that is increasingly being voiced by politicians and businesspeople, especially the far-right Freedom Party (FPÖ).

Domestic political developments in various member states could, therefore, undermine EU unity. This is likely to have geopolitical consequences, given that sanctions fall within the remit of the Common Foreign and Security Policy (CFSP) of the EU, which requires EU Council decisions to be unanimous. If sanctions are not renewed every six months, they expire automatically. This will not be a factor over the winter, since the current sanctions regime runs until 23 March 2023. If member states wish to renew the sanctions but face a veto, as an alternative solution the EU is likely to coordinate the extension of sanctions at the national level.

Nonetheless, the likelihood of a veto in spring or autumn 2023 is reduced by the desire of member states to avoid difficult renegotiations of existing initiatives, as well as by peer pressure. If anything, most member states have stiffened their resolve to increase support to Ukraine, in spite – or even because – of the escalatory steps taken (or threatened) by Moscow and the high cost of these. The EU is thus locked into a path dependency from which it will find it hard to extricate itself.

Even if EU sanctions against Russia were to expire, and even if support for Ukraine were to be pared back, that would probably not make a decisive difference to the outcome of the war. Ukraine would continue to enjoy the material and financial backing of key allies, such as the UK, Poland, the Baltic states – and of course the US, which provides more support than all other states combined.<sup>9</sup> It is also unlikely to ease economic uncertainty in the EU, in whose recovery Moscow has no interest whatsoever these days, given that it is now openly viewed as Russia's strategic adversary (as opposed to rival).

The US policy stance on Ukraine will very likely remain unchanged until at least the 2024 presidential election. Even if the Republican party wins control of both houses of congress from the Democrats in the November 2022 midterms (which is increasingly unlikely), there is broad bipartisan consensus on the war. If Donald Trump (or a similar candidate) wins the presidency, uncertainty over the US stance will increase.

A potential concern in the medium term is the ability of the Western defence complex to continue to provide the weaponry Ukraine needs without exhausting its own stocks. Hitherto, military production has remained at peacetime levels, limiting the efficiency with which stocks can be replenished. The NATO general secretary and the EU high representative for foreign affairs have both highlighted this risk, stating that it will require months of preparation before production can be increased to the necessary levels.

#### *China, India and other Russian-allied or neutral states*

It has been possible for Moscow to minimise the economic damage from its war in Ukraine thanks to the refusal of major powers – namely, China and India – to support the Western coalition in penalising Russia. Indeed, Russia has expanded its trade relations with China and India, allowing it to source parallel import streams and cultivate alternative export markets. This increased cooperation has not,

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<sup>9</sup> <https://www.statista.com/statistics/1303432/total-bilateral-aid-to-ukraine/>

however, extended to Beijing or Delhi providing Moscow with direct material support. Indeed, the prolonged uncertainty that resulted from the failure of the first phase of the invasion is having an impact on the Chinese economy, which was already strained on account of structural imbalances in its growth model, as well as its zero-COVID policy.

Beijing and Delhi have made their concerns over the war increasingly public. Central Asian allies of Russia are distancing themselves, with Kazakhstan even offering to provide energy and uranium to Europe. These developments culminated in a promise made by President Putin at the summit of the Shanghai Cooperation Organisation to end the conflict quickly. Yet since the beginning of September, the RAF has experienced serious military setbacks, creating the impression that Russia is losing the war. In response, Putin has escalated the situation by announcing the sham referendums and the partial mobilisation. None of this is likely to inspire confidence in Beijing or Delhi that Putin is either able or willing to deliver on his promise.

The balance of geopolitical power is unlikely to change in the medium term, especially as the relative strength of Russia vis-à-vis China and India is weakening, given its heavy dependence on their markets. A major change is only likely if Moscow escalates the conflict to unacceptable levels, namely by using nuclear weapons. This possibility is discussed in variable (6).

## **2.5. GOVERNMENT INSTABILITY**

In the early stages of the war, government instability was very high in Ukraine, with Moscow attempting to decapitate the national leadership. In the following six months, the risk of that has decreased on account of the national unity precipitated by the invasion. This has been reinforced by recent military successes, but that unity could crumble if Kyiv ends up being forced into painful territorial compromise. The prospect of this seems unlikely in 2023 or even beyond.

Meanwhile, the risk of government instability in Russia is increasing for two reasons. First, the military, security and business elites of the country are increasingly unhappy with the trajectory of the war. There are indications that senior military figures are dissatisfied with Putin because of his deficient leadership, while most of the oligarchs quietly bemoan the devastation of their assets. Various factions are starting to emerge, the most visible being the 'war hawks'. For example, Wagner Group leader Yevgeny Prigozhin and Chechen head Ramzan Kadyrov are becoming increasingly autonomous, aggressively challenging the leadership of the Ministry of Defence and RAF. None of this grumbling has yet manifested itself as open dissent.

Second, as the tide of war shifts against Russia, Putin is attempting to create the conditions that might prevent outright defeat. Amid growing pressure from the 'war hawks', he has announced the partial mobilisation of the male population. This is politically high risk, because there is concern in the Kremlin that it will precipitate mass unrest. Accordingly, the regional distribution of the mobilisation was weighted to remote regions with a high share of non-Russian minorities, as well as lower income levels. The risk of contagion from protests is easier to contain in those regions than it would be in metropolitan centres such as Moscow and St Petersburg.

Nonetheless, the rapid mobilisation of poorly trained recruits will focus public awareness on the consequences of the war. High-profile supporters of the war are already publicly admitting that the mobilisation is being conducted poorly. Unrest on the front line in Ukraine is likely if casualties are high and conditions harsh. However, this is unlikely to result in the ousting of Putin via a popular uprising – not least because of the high levels of policing,<sup>10</sup> the funding for which is increasing.

If Putin were to be removed from office, it would more likely involve a palace coup by elements in his inner circle. But there is no indication that this is likely to happen, not least because it would expose the plotters. Regardless, the risks will increase if Putin is faced with outright defeat in the war. In such circumstances, there is a significant likelihood that he would be replaced by hard-line elements. These would not be inclined to end the war voluntarily, but they may have no choice amid internal instability.

The role that defeat would necessarily play in Putin's removal from office suggests that he would rather choose escalation than de-escalation, in order to safeguard his political position and legacy.<sup>11</sup>

## 2.6. WILDCARD: NUCLEAR ESCALATION

Putin and other senior Russian figures have repeatedly mooted the possibility of using nuclear weapons either in Ukraine or against the West. Initially, this was intended to deter Western interference in the war; but since then, it has become a fallback strategy for avoiding outright defeat by Ukraine.

According to Russian nuclear doctrine, such weapons are to be used only in the event of an existential threat to the Russian state, suggesting that the bar for their use is set high.<sup>12</sup> However, Putin has exhibited a flexible understanding of 'existential threat', extending it to include any threat to the territorial integrity of the country. Through the illegal annexation of Donetsk, Luhansk, Kherson, Zaporizhzhia and Crimea regions, Moscow may construe these territories as being part of the Russian Federation, thereby including them within its nuclear deterrence strategy.

Moscow has numerous options with respect to nuclear escalation. Its arsenal includes strategic, as well as non-strategic capabilities. The former would be reserved for use in a major exchange with NATO – a 'doomsday' scenario. The latter are for tactical use and vary in size, with some being very small and with low fallout. Tactical nuclear weapons are typically to be used to achieve a military breakthrough. In the context of the Ukraine conflict, this would make little sense, as the front line is very long and has no large troop build-ups. Moreover, if they were to be used to stop ZSU advances, the weapons would target territory that Moscow views as its own. Their use would also probably render the territory in question impassable, as the RAF is not equipped to operate in a nuclear environment.

More likely, Moscow would target ZSU bases outside the occupied territories. This would not confer any decisive military advantage, but it may weaken Western support for Ukraine. Escalation is likely to be staged, with the first move consisting of the test detonation of a tactical missile over uninhabited Ukrainian territory. The speed with which nuclear escalation occurs would depend on how rapidly Russia is facing defeat by Ukraine (assuming that it is defeated).

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<sup>10</sup> <https://twitter.com/samagreene/status/1574792161647894529>

<sup>11</sup> <https://www.themoscowtimes.com/2022/09/29/putin-always-chooses-escalation-a78923>

<sup>12</sup> <https://www.usni.org/magazines/proceedings/2017/february/escalate-de-escalate>

If Moscow did deploy nuclear weapons, that would trigger an escalation. Western sources suggest that, in such an event, the West would not bring its own nuclear weapons into play, but would rely on conventional means to hasten the defeat of Russia in Ukraine. This would likely involve imposing a no-fly zone over Ukraine, with Russian anti-aircraft systems being neutralised both in Ukraine and in Russia's border regions. The Russian fleet in the Black Sea would be a potential target. The objective would be to completely disable Moscow's conventional ability to prosecute the war, without posing an existential threat to Russia itself.

However, the West is keeping up the uncertainty over the extent of its response. Prior to the war, it had ruled out certain types of sanctions against Russia in the event of escalation, such as excluding Russian banks from the SWIFT payments system – only to impose them immediately. Thus, it cannot be ruled out that the West would take stronger measures.

The use of nuclear weapons by Moscow would not only unite the West against Russia: the condemnation would likely be global. India's ongoing conflict with Pakistan in Kashmir means that it would wish to avoid setting a precedent for the use of nuclear weapons. China, which is seeking de-escalation, even as it learns certain lessons in advance of a potential invasion of Taiwan, has indicated that it would strongly condemn Russia for any such act.<sup>13</sup> In such circumstances, there is a high chance that Russia could become a pariah state among virtually all the countries of the world.

## 2.7. CONCLUSION

There are four scenarios in the outlook through 2023 to which we have assigned percentage probabilities. These depend on various combinations of the six variables described above and are outlined in the matrices below:

### 1. Attrition conflict (45%)

Variables	<i>Political objectives</i>	<i>Military balance</i>	<i>Economic outlook</i>	<i>International response to war</i>	<i>Government stability (Russia)</i>	<i>Nuclear wildcard</i>
<b>Indicators</b>	<b>Maximalist Russian</b>	Russian superiority	<b>Resilient Russia</b>	United global condemnation	Stable	Strategic escalation
	Compromise	<b>Balance</b>	Russian collapse	<b>Western unity</b>	<b>Weakening</b>	Tactical escalation
	<b>Maximalist Ukrainian</b>	Ukrainian superiority	Ukrainian collapse	Crumbling Western support	Regime change	<b>Intimidatory</b>
			<b>Resilient Ukraine</b>			

This is our baseline scenario. The ZSU may have prevented the RAF from conducting further offensive operations, but Moscow's current strategy indicates that it is preparing for a protracted conflict. The West will remain united in its support for Ukraine over the winter, but will not provide the type of weaponry that

<sup>13</sup> <https://email.gmfus.org/rv/ff009a5b4b99eb7b762135335a479604b6231b07>

could enable offensive operations capable of defeating the RAF outright. Territory may change hands in the meantime, but it will not make a decisive difference. Moscow will hope that, by freezing the front line, it can prepare for a renewed offensive in 2023, while simultaneously exploiting the energy crisis facing the EU to weaken its will within and beyond the 12-month horizon. Equally, while the Russian economy has remained relatively resilient in the face of Western sanctions, economic pressures will begin to build in 2023.

### 2. Negotiated settlement (15%)

Variables	Political objectives	Military balance	Economic outlook	International response to war	Government stability (Russia)	Nuclear wildcard
Indicators	Maximalist Russian	Russian superiority	<b>Resilient Russia</b>	United global condemnation	Stable	Strategic escalation
	<b>Compromise</b>	<b>Balance</b>	Russian collapse	Western unity	<b>Weakening</b>	Tactical escalation
	Maximalist Ukrainian	Ukrainian superiority	Ukrainian collapse	<b>Crumbling Western support</b>	Regime change	<b>Intimidatory</b>
			<b>Resilient Ukraine</b>			

The increasingly uncompromising stances of both Moscow and Kyiv render a negotiated settlement unlikely. The illegal annexation of the four occupied regions of Ukraine by Russia will reduce the likelihood that a compromise over Crimea can be reached. Moscow will seek to force the negotiation of a settlement through a combination of intimidation and the grinding down of Western support for Ukraine; but there is little indication that this will be successful. For the war to end, a settlement will ultimately need to be reached, regardless of whether it involves compromise or the defeat of one side or the other.

### 3. Russian defeat (30%)

Variables	Political objectives	Military balance	Economic outlook	International response to war	Government stability (Russia)	Nuclear wildcard
Indicators	Maximalist Russian	Russian superiority	Resilient Russia	<b>United global condemnation</b>	Strong	Strategic escalation
	Compromise	Balance	<b>Russian collapse</b>	<b>Western unity</b>	Weakening	<b>Tactical escalation</b>
	<b>Maximalist Ukrainian</b>	<b>Ukrainian superiority</b>	Ukrainian collapse	Crumbling Western support	<b>Regime change</b>	Intimidatory
			<b>Resilient Ukraine</b>			

The likelihood of a Russian defeat in Ukraine has increased very considerably since the beginning of the war. Poor planning by Moscow was a strategic error that severely inhibited its ability to conduct the war effectively. The partial mobilisation of the male population is militarily, as well as politically, high risk. As manpower and logistics problems on the front lines deepen, there is a moderate likelihood that the invasion force could collapse over the next 3-12 months. Outright defeat would ensue if the ZSU conducted an offensive that severed the land corridor between the Donbas region and Crimea. That would have consequences for regime stability in Russia. For that reason, there is an elevated likelihood that Moscow could authorise the use of tactical nuclear weapons to halt Ukrainian advances and intimidate the West into pushing for a settlement. This would be very unlikely to succeed, as NATO would probably use conventional means to devastate the remaining military capabilities of Russia in Ukraine. An escalation involving the use of strategic nuclear weapons would be possible thereafter; but it is more likely that the scale of the defeat suffered by Russia would prompt regime change.

4. *Ukrainian defeat (10%)*

<b>Variables</b>	<i>Political objectives</i>	<i>Military balance</i>	<i>Economic outlook</i>	<i>International response to war</i>	<i>Government stability (Russia)</i>	<i>Nuclear wildcard</i>
<b>Indicators</b>	<b>Maximalist Russian</b>	<b>Russian superiority</b>	<b>Resilient Russia</b>	United global condemnation	<b>Stable</b>	Strategic escalation
	Compromise	Balance	Russian collapse	Western unity	Weakening	Tactical escalation
	Maximalist Ukrainian	Ukrainian superiority	<b>Ukrainian collapse</b>	<b>Crumbling Western support</b>	Regime change	<b>Intimidatory</b>
			Resilient Ukraine			

The maximalist defeat of Ukraine envisaged by Moscow at the beginning of the war is no longer possible. A strategic defeat would involve the attrition of the ZSU to the point where the RAF is able to regain the offensive momentum, capturing the occupied territories in their administrative entirety, as well as pushing back towards Kharkiv and the Black Sea coast, including Odesa. This would be highly unlikely before spring 2023, but could become a possibility in the second half of the year, depending on the balance of military capabilities. The offensive capabilities of the RAF need to be rebuilt, while those of the ZSU would need to be degraded by dwindling Western support.