

Conflict Update # 306

December 26th, 2022

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Conflict Assessment

Russian losses – 102,600 (550) soldiers killed, 3,016 (+5) enemy tanks, 6,017 (+7) armored combat vehicles, 1,996 (+5) artillery systems, 418 (+0) MLRS systems, 212 (+0) air defense systems, 283 (+0) warplanes, 267 (+0) helicopters, 1,707 (+1) UAVs of the operational-tactical level, 653 (+0) cruise missiles, 16 (+0) warships/cutters, 4,647 (+12) trucks and tankers, 4 Iskander Missile Launchers (+0), 239 fuel bowsers (+0) and 178 (+0) units of equipment.

Key Takeaways

West gaining traction in Russian assessment – The West – NATO, EU and the US – now realizes Russia is no longer, if it ever was, a military threat sans its nuclear weapons.

That any conventional war scenario will see Russia defeated. Russia knows it as well.

Leaving the (Russian) nuclear option on the table.

The Russian Constitution restricts use of these weapons to defending the country from invasion. This is perhaps why Putin has recently started talking about changing the Constitution to match that of the US in order to implement a “First Strike” option.

Russia’s erstwhile (internal) projection and the global (external) assessment of its military capability has been damaged beyond repair.

This realization constitutes the critical failing of Putin’s illegal misadventure into Ukraine.

Russia has a stagnating invasion, fast-diminishing war chest, cratering economy and “allies” making increasingly louder noise about peace and nuclear restriction.

Putin now is starting to reach out about peace talks (albeit still on his terms), whilst attempting to re-instill Russian and allies’ confidence in his military ability by seeking new fronts and looking to reinvigorate talk around a “New Global Order,” the last in order to project strength.

At the same time he constantly refers to his nuclear option, needing to keep this uppermost in opponents’ minds – because that is the sole reason he believes they haven’t physically entered the fray.

Which is why the West does not want to see Ukraine enter “proper” Russian space – space that is recognized globally as being “Russia,” but excluding any Ukrainian territory seized in 2014 and earlier this year.

Doing so will provide Putin and the Kremlin the justification to move to a nuclear footing, his last-remaining threat of magnitude and effect.

Zelenskyy meeting Biden in Washington and Russian officials meeting Xi in China last week, speak to a realization that Russia is in desperate straits and further action(s) may be needed in order to address their situation.

China last week sought from Russia an iron-clad timetable for peace negotiations whilst simultaneously softening its anti-West position, but also indicated they intended to strengthen Sino/Russo ties, so it remains to be seen where they

stand on Russia. The Chinese economy needs a manufacturing re-boot post-COVID 19, failing which they have bigger challenges in their internal (worker) situation.

The Chinese need an end to this conflict for their own internal reasons. Rome had this threat contained.

Roman solution

The Roman Empire was always and keenly aware of and worked exceptionally hard at avoiding the threat of a public uprising. Understanding full well the nature of this threat and the danger it posed to the Empire, the Roman Senate employed full-time administrators to ensure Romans, wherever they existed, were fed, employed and entertained - **Rome's Hierarchy of Needs.**

The uppermost items on the Roman annual political calendar were imported grain tonnage and water availability.

This is why they built aqueducts and placed fountains on every corner of every city – to ensure Romans always had access to that most basic need – **water.**

This is partly why they invaded Egypt, Gaul, and Hispaniola and others - to satisfy an ever-increasing demand for **food**, primarily grain in those days, to keep Romans fed and content.

They drafted men into armies and sent them to war. Aside from defending the Empire, it kept them **employed.**

They granted them land and titles in conquered territories.

And after they fed the people and kept them busy, they **entertained** them, which is why they built amphitheaters and coliseums in all their cities.

They kept their people occupied 24/7 – satisfied and leaving them little time to insurrect or cause trouble.

Romans were fed, mothers saw kids growing and secure, they were occupied and when not working, entertained. They were never allowed to be idle. There was nary a moment for contemplating revolution or an uprising.

Rome built a dual passage transport canal from Osteria to Rome – ensuring sufficient food for a million Romans, it instituted commercial routes across the Empire and beyond to secure its needs -“all roads lead to Rome” aptly framing this system - along which they brought slaves and riches back to Rome to show Romans they were secure, successful and elite. Why elite? – because it reinforced the Roman position of dominance and long-term security. People wanted to belong to Rome and be Roman, not revolt or rise up against the system

Chinese solution

China needs to contain its massive citizen working population, just like the Romans needed to contain their citizens in their day, otherwise they have bigger worries. They need this conflict to end, it is gouging markets for their finished goods in their two primary markets – EU and the US (together 68% of foreign trade) - and undermining global financial wellbeing. Both critical to the Chinese success formula.

Russian forces focused on defence, says British MoD - Russian forces have focused on forming “defensive positions” on the front line, according to the latest British Ministry of Defence update.

“Russian forces have largely focused on constructing defensive positions along many sections of the front line in Ukraine since October. This includes laying additional fields of anti-tank and anti-personnel mines, almost certainly going beyond Russian doctrinal guidelines,” the ministry said on Twitter.

“Minefields only present an effective obstacle for trained troops if covered by observation and fire. A major challenge for the Russian forces will likely be a shortage of surveillance assets and trained personnel to effectively monitor large areas of the new minefields.”

Three killed from Ukraine drone wreckage at Russian military base - Three military personnel were killed from the debris of a falling Ukrainian drone shot down over a Russian military base deep inside the country's territory, Russian agencies reported citing the country's defence ministry.

“On December 26, at about 01:35 Moscow time, a Ukrainian unmanned aerial vehicle was shot down at low altitude while approaching the Engels military airfield in the Saratov region,” the Russian defence ministry said.

“As a result of the fall of the wreckage of the drone, three Russian servicemen of the technical staff who were at the airfield were fatally wounded.”

The ministry added that aviation equipment was not damaged.

Russian forces bombarded dozens of towns in Ukraine on Christmas Day as Putin said he was open to negotiations, a stance Washington has dismissed as posturing because of continued Russian attacks.

They launched more than 10 rocket attacks on the Kupiansk district in the Kharkiv region, shelled more than 25 towns along the Kupiansk-Lyman front line, and in Zaporizhia hit nearly 20 towns, Ukraine's top military command said.

Ukrainian authorities said a Russian attack on the recently recaptured city of Kherson killed at least 10 people, wounded 58 and left bloodied corpses on the road - Ukraine's President Volodymyr Zelenskyy condemned the hit on Kherson, accusing Russia of “killing for the sake of intimidation and pleasure”.

The Russian-installed governor in the Kherson region, Vladimir Saldo, accused Kyiv of being behind the shelling in the city. “This is a disgusting provocation with the obvious aim of blaming the Russian armed forces,” he said.

Russian military unit catches fire near Kremlin – A fire at an army site in Moscow has become the latest unexplained blaze to hit a Russian facility linked to the country's military.

Moscow City News Agency reported that emergency services were alerted at 11:45 p.m. Thursday to the blaze at building 10 on Sokolinoy Gory Street in the east of the city, which is around six miles from the Kremlin and Red Square.

The fire engulfed garage units at the site with a video shared on social media showing smoke pouring from the site next to the flashing lights of emergency services vehicles.

Russian Iskander missiles ready to be used, says Belarus - The Iskander tactical missile systems and the S-400 air defence systems that Russia sent to Belarus are ready to be used, said a Belarusian official.

While it is unclear how many systems were deployed to Belarus, the news comes amid fears that Russia is planning to strike from the Belarusian border with Ukraine and involve their troops in the conflict.

“Our servicemen, crews have fully completed their training in the joint combat training centres of the armed forces of the Russian Federation and the Republic of Belarus,” Leonid Kasinsky, the head of the Main Directorate of Ideology at the Belarusian defence ministry, said in a video posted online.

“These types of weapons [Iskander and S-400 systems] are on combat duty today and they are fully prepared to perform tasks for their intended purpose.”

Comment - Of import to Ukrainian and US planners are supply routes for moving S400 missiles from Russia to Belarus, routes which are being monitored and mapped by partisan and friendly Belarussian forces.

Areas under Ukrainian control

Positions of Ukrainian and Russian forces in eastern Ukraine as of December 23.



Blasts reported at Russia's Engels air base - Blasts were heard at Russia's Engels air base, hundreds of miles from the frontlines in Ukraine, Ukrainian and Russian media outlets reported early on Monday.

There was no immediate official confirmation of the blasts and Reuters was not able to independently verify the reports. The RBC-Ukraine news agency reported that two explosions took place.

The air base, near the city of Saratov, about 730 km (450 miles) southeast of Moscow, was hit on Dec. 5 in what Russia said was Ukrainian drone attacks on two Russian air bases that day.

China's Xi Jinping 'demanded a written explanation from Putin on how and when he planned to end the war in Ukraine' - Chinese premier Xi Jinping has demanded a letter from Vladimir Putin detailing how and when he will end the war with Ukraine, it has been claimed.

The Russian president was allegedly asked the exact dates he intends to end the bloody conflict by his Chinese counterpart, who threatened to halt communications unless he received a response.

Telegram channel General SVR, which has alleged links to the Kremlin and Putin's bodyguards, said Dmitry Medvedev was dispatched yesterday to Beijing 'as a postman' to deliver his leader's response to Xi.

The unverified channel is reportedly authored by an exiled Kremlin lieutenant-general, known by the alias Viktor Mikhailovich, and it has made a series of anti-Putin claims throughout the war.

Medvedev, deputy chairman of the Russian security council, has been seldom deployed by Putin in recent years and lately has been portrayed as a 'court clown' in the Kremlin for his extreme anti-Western social media posts.

The claims about the letter indicate that Putin is facing strong pressure from China to end a war that is causing grave ructions in the world economy.

NATO

Sweden, Finland to join NATO in 2023, says Stoltenberg - NATO Secretary-General Jens Stoltenberg expects Sweden and Finland to join the bloc officially in the new year, he said in an end-of-year interview with the dpa news agency.

Stoltenberg was not able to say when exactly this would happen.

However, he said he was “absolutely confident that the ratification process will be finalized in a timely manner.”

Sweden and Finland applied for NATO membership in May amid Russia’s war on Ukraine. Turkey has so far refused to ratify the accession protocols to clear the way for them to join NATO.

Impacts

Only Russia's nuclear arms preventing West from declaring war, says Medvedev - Russia's nuclear arsenal and the rules Moscow has laid out for its use are the only factors preventing the West from starting a war against Russia, a top ally of President Vladimir Putin said in an article published on December 25. Former President Dmitry Medvedev, now deputy chairman of Russia's Security Council, also said Moscow would pursue its war in Ukraine until the "disgusting, almost fascist regime" in Kyiv was removed and the country had been totally demilitarized. Medvedev, who once cast himself as a liberal modernizer, is one of the most hawkish proponents of the war.

Amid the war in Ukraine, Eastern Europe is growing stronger - The balance of power in the European Union is shifting eastward.

As 2022 is coming to a close, the war in Ukraine rages unabated. Putin sees what he still calls a “special military operation” as a life-or-death contest with the US and its allies in NATO. The West, for its part, considers the war a threat to its own security and has thrown its weight behind the defence of Ukraine’s sovereignty.

But there is an inherent problem with framing the war as a clash between the US and Russia. It underplays the spirit, resilience and daily sacrifices of Ukrainians in resisting their mighty neighbor bent on re-creating a Moscow-centred imperial order across the post-Soviet space. No amount of military and financial aid for Kyiv would have been sufficient to thwart the Kremlin’s ambition had there been no resolve among Ukrainians to fight back aggression and revanchism.

That Eastern European countries and nations have agency and are more than pawns in the power struggles of larger players is a key takeaway from this war. And it goes well beyond Ukraine’s example.

Poland has become a much more influential player in European defence than it ever was. It is not just the fact that it is a front-line country which takes in many of the refugees coming from Ukraine, provides a land route to supply its neighbour with weapons and humanitarian aid, and sends assistance from its own pocket (more than \$3.5bn so far).

Poland is also ramping up its defence spending from 2.2 percent of its GDP to a record 3 percent in 2023, one of the highest rates within NATO. The money will go into modernizing and expanding its military forces and could make the Polish army one of the largest on the continent.

Warsaw is purchasing tanks and self-propelled howitzers from South Korea in a deal worth \$5.76bn and will acquire state-of-the-art F-35 fighters from the US in the coming years.

The Polish case is not an exception. **Romania's** defence budget is to reach 2.5 percent of GDP next year, well over the NATO benchmark of 2 percent. The Baltic states – **Latvia, Lithuania and Estonia** – will also hit a target of spending 2.5 percent of their GDPs over the next few years.

Indeed, Eastern flank countries are rearming on a major scale, with old Soviet-made systems being transferred to Ukraine or altogether scrapped.

One should also consider the newly acquired clout Eastern Europeans have within the EU and NATO. For many years, Poland and the Baltic states were dismissed as being too hawkish on Russia. Germany's cautious approach, banking on the notion that dense commercial links would create commonality of interest with Moscow, prevailed and was embraced by other major Western European powers, including France.

That was the case even after Russia's annexation of Ukraine's Crimean Peninsula and the first stage in the war in the Donbas region in 2014-2015. Europe-watchers surely remember French President Macron cheering for France right next to Putin during the 2018 World Cup final in Moscow.

But this year's attack on Ukraine overturned that. Now the EU is applying increasingly rigorous sanctions against Moscow, including its lucrative energy sector. And Poland and the Baltic states are at the forefront of that effort, pushing for ever more severe penalties against Moscow. They feel emboldened and are driving EU policy.

At the same time, the war has empowered Putin's "friends" in Eastern Europe. It was a heaven-sent opportunity for **Hungarian** Prime Minister Viktor Orban to reverse his falling approval ratings and win re-election for a record third time. He skilfully inflated and exploited voters' fears their country could be dragged into the conflict to win April's vote.

Later on, Orban managed to carve out an exemption from the EU embargo on Russian oil reaching Hungary through the Druzhba (Friendship) pipeline via Belarus and Ukraine. He also used his veto power on a 18-billion-euro (\$19bn) aid package for Ukraine as leverage to lift a freeze on EU funds that Brussels had conditioned on his government implementing rule of law reforms.

While Hungary with its pro-Kremlin stance has acted as a spoiler on efforts to help Ukraine, it has also contributed to Eastern Europe's growing centrality on Brussels' agenda. Over the past 10 months, the EU has shown a much more serious commitment to aspiring candidates along its eastern border. Budapest can claim at least some of the credit for this as the man in the driver's seat of enlargement is Commissioner Oliver Varhelyi, a Hungarian career diplomat (who, interestingly, is considered to be close to Orban).

Of course, other Eastern European states have been quite active in this process too. Poland, Romania and other nations in the region have pushed hard for Ukraine and Moldova to join the union. They were granted candidate status in June.

Under the Czech presidency of the EU, which started in July, Brussels has also intensified engagement efforts in the Western Balkans. In mid-December, Bosnia and Herzegovina officially became a candidate while Kosovo was, at long last, given a green light for visa liberalization, due in early 2024. Slovenia lobbied hard for Bosnia's candidate status, in particular, even though Sarajevo has failed to meet many of the political conditions.

The December 6 EU-Western Balkans summit held in Tirana also demonstrated the EU's commitment to the region. Significantly, it was the first time the union's leadership gathered in a non-member country.

During the summit, EU and Balkan leaders mapped out a way forward towards a regional common market. Brussels pledged to spend billions in building cross-border infrastructure and “greening” and “digitizing” Balkan economies. It also announced a 1-billion-euro (\$1.06bn) package to help non-EU members in the region cope with the energy crisis caused by the Ukraine war.

Although Western Balkan enlargement remains a long shot, Eastern Europe is punching well beyond its weight. And of all people, Putin certainly deserves some credit for that. He has pushed the region to mobilize both politically and militarily to fend off his aggression.

The Kremlin’s boss would rather talk to Washington, and perhaps Berlin and Paris, about geopolitics in Europe, ignoring Warsaw, Bucharest and Tallinn. But his reading is no doubt out of date. (Al Jazeera).

Comment – And let’s not forget Turkey further south, increasingly belligerent against Greece and the Kurds in Syria and flexing muscle in Middle to Central Asia, creating tension in other regional countries such as Iran.

Secondary powers are rising in prominence and will increasingly exert influence and presence on the global stage and within their hemispheres.

Russia is at its weakest point, China is faltering, traditional centers of commerce and finance are floundering and countries where economies are geared to political decision are being exposed for what they largely are – corrupt and inefficient.

Post-WWII and post-Soviet boundaries are (again) being challenged and the source(s) of conflict and instability.

The US must and will support new “Allies” such as Poland and Romania, among others, in containing historical East/West conflict. It controls the oceans and will continue to do so for the foreseeable future.

But as countries grow so does conflict between them.

Turkey and Poland will expand, generating new demands and geopolitical presence (Harking back to the Polish/Lithuanian and Ottoman Empires?).

African countries and blocs with cheap labor and strategic minerals and ores will grow ever-louder in demand. It will serve traditional colonial powers well to continue to disunite African unity.

Globalization is being re-thought and international trading realigned, slowly changing global cash flows and wealth generation and transfer. There will be increasing North/South trading with secondary countries and regions such as Argentina and Africa rising in global importance.

Demographic swings are slowly being realized and fertility rates recognized for the future importance they hold.

With globalization came urbanization with individuals moving to cities to find jobs and China forcing them to do so.

Agricultural and inland communities had large families, given that it was literally free labor for farmers, acting as a positive fertility rate multiplier.

Post-1950 global migration to cities and China’s later One-Child policy saw the global fertility ratio sharply deteriorate with the need for free labor out in the fields dropping through farming mechanization and the prohibitive expense of raising large families in city centers.

This in turn drove an increase in wealth and demand, leading to consumerism, pushing industrialization to new heights and expanse, in turn driving globalization to decrease cost and increase efficiency and profit. Making the world a largely single entity, so to say.

This is all changing with a drop in fertility rates and “closer-to-home” sourcing.

Labor, water, food, social compacts, safe sourcing and climate will become of increasing import and dependence.

These and other disruptions will see swings in geopolitical power blocs, creation of new ones, a diminishing influence of traditional international and regional powers such as France and Germany and new alignments in global affairs.

The Bi-Polar world may be translating into a Multi-Polar world where the historical East/West divide moves to an East/Central/South/West world.

And that may lead to a new era of “Grab.”

And this and all the above may translate into new global conflict.

Putin, Xi Jinping to speak before end of year: TASS - Russian state news agency TASS reports that President Putin and his Chinese counterpart Xi Jinping would speak before the end of the year.

Kremlin spokesman Peskov told the agency the two sides would release details about the conversation in due course.

Former Russian President Medvedev, now deputy chairman of Putin’s Security Council, met Xi on a visit to Beijing last week as Ukrainian President Zelenskyy went to Washington to ask for more aid.

Russian troops speed up work on new air defence positions - Russian troops are working “round-the-clock” at new anti-aircraft missile system positions to defend against missile and air raids by Ukraine, the Russian news agency Interfax said, citing the defence ministry.

Crews of the S-300V systems were “mastering new position areas” of the Russian long-range surface-to-air missile systems, the news agency reported, citing a ministry statement.

“The air defence units of the Western Military District continue to serve in the new position areas on combat duty around the clock,” the agency cited the ministry as saying.

Comment – In February this year they Russia was in an all-out offensive mode. So this move to a defensive position speaks volumes. Not only does it imply a fear of incoming missile attacks, it also requires re-deploying S300 batteries (these are the older missile systems having been replaced by the S400 with the S500 under development) from offense to defense.

They have been using these S300 platforms to launch attacks against Ukrainian infrastructure, showing their lack of ground-to-ground offensive hardware. The S300 is designed for anti-aircraft use and as such carries a small warhead.

Ukraine calls for Russia’s removal from the United Nations, arguing that the seat was initially granted to the USSR in 1991, not the Russian Federation, so their membership is “illegitimate”.

US is pursuing an ‘end of history,’ says Lavrov - Russian Foreign Minister Sergey Lavrov claims the United States pursues a policy to establish the “end of history,” referring to Francis Fukuyama’s *The End of History and the Last Man*.

“If you look at the policies that the administration of (US President Joe) Biden is pursuing, they want exactly this. They want the end of history to take place not just in the works of political analysts and political scientists, but for it to take place in real life,” Lavrov said during a meeting with journalists and leaders of the Russian media.

During the meeting, Lavrov added that actions taken on a global scale in taking an “anti-Russian stance,” which he said are initiated by the US, reflect attempts by Washington to establish the “end of history.”

Traditional Russian ally Serbia sees protests against Kremlin's war in Ukraine - Hundreds of people gathered in the Serbian capital, Belgrade, on December 24 to demand the immediate withdrawal of Russian troops from Ukraine.

Marchers held banners calling on Russian President Vladimir Putin to keep his "hands off Ukraine," along with slogans such as "Freedom to Ukraine," "Stop War Madness," and "304 days of death and fear."

Marchers were blocked from approaching the Russian Embassy in the Western Balkan nation, which traditionally has close ties to Russia.

Moscow's closest ally in the Balkans even as it pursues EU membership, Belgrade has condemned Russia's unprovoked invasion but staunchly resisted joining unprecedented Western sanctions on Russia that would curb trade, energy shipments, direct flights, and other links.

It is one of the few nations where rallies have also been held following the invasion in support of Russia and Putin by right-wing parties, Orthodox Christian church organizations, and other groups.

Former Mossad intel chief says Israel must prepare for an imminent attack on Iran - Zohar Palti, the former head of the Defense Ministry's political-military bureau and former intelligence director in the Mossad, says that Iran is days to weeks away from enriching uranium to the 90% military-grade level.

Iran, he says "is at a more advanced level than I can ever remember when it comes to uranium enrichment." "They are days or weeks away from enriching uranium to 90%, which is military-grade." Such a level "does not mean they can immediately build a nuclear weapon... but it's very bad, and we've never been closer to it."

Speaking in Ramat Hasharon hosted by Times of Israel political correspondent Tal Schneider, Palti says Israel has the military capabilities to attack Iran's nuclear plants: "I am not implying that Israel is capable, I am saying it is.

Palti says he believes Israel should prepare for a significant attack on Iran and will have to make "serious decisions" in the near future.

"Iran is not a standalone issue," Palti says of the current internal Israeli political divisions. "Our national security and our strategic relationship with the US are above all. Nothing can be done in Israel without the Americans."

Russia to supply Iran with dozens of Sukhoi Su-35 fighter jets - Russia is preparing to provide Iran with Sukhoi Su-35 fighter jets in the near future, according to a report citing Western intelligence officials.

The report by Channel 12 said the deal could include as many as 24 jets that were originally intended for Egypt, in a deal that the United States thwarted.

This left Moscow looking for a new potential buyer, which it has reportedly found in Tehran. The report comes after Iranian media said in September that Tehran was weighing such a purchase.

Comment – Is this the only way Russia can afford to pay for Iranian weaponry?

Direct flight distance between western Iran and Jerusalem is 1,200 miles and the range of the Su35 with twin tanks is 2,625 miles. Tight but within range, or less should they launch missiles from outside Israeli air space. That of course presumes flying over Iraq and getting through Israeli air defences. Not a very good bet.

Israel will not test this presumption. They will react before that. Their style is stopping any threat as soon as it is recognized or possible. They do not let things develop, not when it comes to their security.

So we should expect some reaction from Netanyahu and the Israeli Defense Force.

Peace Talks

Ukraine wants peace summit at UN by end of February - Ukrainian Foreign Minister Kuleba says his government is aiming to have a peace summit by the end of February with UN Secretary-General Antonio Guterres as the mediator.

"The United Nations could be the best venue for holding this summit because this is not about making a favor to a certain country," Kuleba told the Associated Press in an interview. "This is really about bringing everyone on board."

Russia could only be invited to such a summit if the country faced a war crimes tribunal first, said Kuleba, who a day earlier said Ukraine would call for Russia to be removed as a permanent member of the UN Security Council due to its continued strikes against civilian infrastructure in its war against Ukraine.

Kuleba added that diplomacy always plays an important role in ending conflict and said Ukraine would welcome Guterres' participation because he has proved to be an efficient mediator and "a man of principle and integrity."

Kuleba also downplayed comments by Russian President Vladimir Putin and other Russian officials that Moscow is ready for talks.

"They regularly say that they are ready for negotiations, which is not true because everything they do on the battlefield proves the opposite," he told AP.

Zelenskyy, Modi discuss 'peace formula' in phone call - President Zelenskyy says he sought India's help with implementing a "peace formula" in a phone call with Prime Minister Narendra Modi.

On Twitter, he wrote: "I had a phone call with [Prime Minister] Narendra Modi and wished a successful G20 presidency. It was on this platform that I announced the peace formula, and now I count on India's participation in its implementation. I also thanked for humanitarian aid and support in the UN."

Putin 'ready for talks' as Russian missiles rain down on Ukraine - Russian leader says Moscow is willing to negotiate over Ukraine, slams West for trying to 'tear apart historical Russia.'

Putin has claimed that Moscow is ready for talks to end the 10-month war in Ukraine, as he slammed Western countries for trying to "tear apart the historical Russia".

His comments, aired on Sunday, came amid continued Russian bombardment of Ukrainian towns, including in the Kharkiv and Zaporizhia regions and were immediately dismissed by a senior official in Kyiv. The US has also previously described Putin's stance as insincere because of the ongoing assaults.

Comment – Russia is raining missiles down on Ukrainian targets but is reportedly coming to the end of its available war chest of missiles. Perhaps a flurry of activity around Christmas is designed by the Kremlin to pressure Ukraine and the West into negotiations?

Should that be the reason, then now is not the time to engage.

Why EU leaders dread a Ukraine peace process - While peace in Ukraine would help stem Europe's economic hemorrhaging, the moment any peace process begins, the EU would be divided by an internal east-west fault line, which is bound to reawaken the EU's earlier north-south conflict.

A credible peace process would require difficult negotiations involving the world's great powers. Who will represent Europe at that high table? It is hard to imagine Polish, Scandinavian and Baltic leaders ceding that role to their French or German counterparts.

In the EU's eastern and northeastern flanks, French President Emmanuel Macron is considered a Putin appeaser ready to impose on Ukrainians a reprehensible — to them — land-for-peace agenda.

Likewise, setting aside Germany's long-term reliance on Russian energy, German Chancellor Scholz's standing as a torchbearer of Europe's collective interest has been damaged by his 200 billion euro (US\$213 billion) fiscal defense of German industry — the type of tax-funded protective shield which Germany vetoed at the EU level.

Meanwhile, French and German elites pour scorn on the idea that the EU might be represented in any peace process by the likes of Estonian Prime Minister Kallas or Finnish Prime Minister Marin.

"The moral crusades of the Ukraine war maximalists are fashionable now, but they will hinder, not help, any peace process," a German official said.

So, the question remains: Who would represent the EU in any future peace process?

Had the EU seized upon the massive post-2008 banking and debt crisis to democratize its institutions, it might be credibly represented by its president and foreign minister.

However, European citizens and national leaders would cringe at the thought of being represented by European Council President Michel and High Representative of the EU for Foreign Affairs and Security Policy Borrell.

Macron and Scholz, alongside almost every other European president or prime minister, would surely object.

The optimistic view in Brussels is that, despite its lack of legitimate envoys and military weakness, the EU would carry considerable weight in any negotiations because it is the economic powerhouse that is likely to pay for Ukraine's reconstruction and be the arbiter of any process by which Ukraine joins the EU single market, customs union or even the EU.

However, is such optimism justified?

The EU would undoubtedly pay huge sums and orchestrate any post-war Ukraine accession process, but however, there is no reason to think this would guarantee the EU an influential role during the peace process.

There are good reasons to think that the EU's role as the main funder of Ukraine's reconstruction could divide and weaken the EU more than the crisis a decade ago.

The EU's European Investment Bank estimates the cost of Ukraine's reconstruction to be about 1 trillion euros — the amount of the EU's budget in the period from last year to 2027, and 40 percent higher than its post-pandemic recovery fund, Next Generation EU.

Already hamstrung by its domestic 200 billion euro plan to shore up Germany's collapsing industrial model, and the 100 billion euros Scholz has earmarked for defense spending, Germany lacks the fiscal space to provide even a fraction of that sum.

If Germany cannot pay, it is clear that the other EU member states would not be able to either. The only way to pay for Ukraine would be for the EU to issue common debt, retracing the painful steps that led to the recovery fund's creation in 2020.

Pressed to deliver the cash, the EU might well go down that path, only to find it leads to vicious acrimony. EU leaders agreed on common debt during the pandemic.

However, inflation was negative at the time, and all EU members were facing an economic implosion as lockdowns killed demand across the continent.

Once peace prevails in Ukraine, they would need to agree to even more common debt to fund Ukraine's reconstruction at a time when interest rates have quadrupled, inflation is rampant and the economic benefits to EU members are bound to be grossly uneven.

Spain is likely to question the fairness of shared debt when German companies get the lion's share of Ukraine's reconstruction business. Poland would protest loudly when Germany and Italy announce that, with peace restored, they would be buying energy from Russia again. Hungary would sell its acquiescence to any Ukraine fund dearly, demanding even more exemptions from the EU's rule-of-law and transparency conditions.

In the midst of this bedlam, the old north-south — or Calvinist-Catholic — divide, on the merits of fiscal union, could return with a vengeance.

Germany already fears that France would insist on permanent, and fairly regular, issuance of common debt, which the German political class would resist, and not only because the German Federal Constitutional Court has already ruled against the idea.

The deeper reason is that the fiscal union France seems to favor would require German conglomerates to abandon a practice that is in their DNA: accumulating US assets that they purchase on the back of the large net exports to the US made possible by stagnant German wages and underpriced natural gas.

Unless US President Joe Biden's Inflation Reduction Act changes Germany's mindset by raising a protectionist barrier that kills off German net exports to the US, any negotiations to end the Ukraine war are bound to aggravate the EU's east-west divide — and then reignite the old north-south divide.

None of this should be surprising. After the 2008 financial crash, the EU only papered over the north-south fault line that emerged.

The war in Ukraine inevitably produced a new east-west fault line. Once peace arrives, those fault lines will only grow deeper, uglier and impossible to ignore.

Comment – There will surely be demands for assistance to be funded in parallel with confiscated Russian assets being transferred to any Ukrainian rebuilding fund.

This will then see Russia balk at entering or negotiating any such deal.

Sanctions

Russia's Sberbank to close UAE office due to Western sanctions - Russia's money lender Sberbank will be forced to close its office in the United Arab Emirates (UAE) early next year, First Deputy Chairman Alexander Vedyakhin said.

Sberbank is one of several central Russian banks to have been blocked from the international SWIFT payments system after sweeping Western sanctions due to Russia's invasion of Ukraine.

Moscow is ready to resume gas supplies to Europe through the Yamal-Europe pipeline, Deputy Prime Minister Alexander Novak told TASS.

Novak also told TASS that Russia will be able to produce at least 490-500 million tonnes of oil in 2023.

Comment – Russia realizes it needs to boost foreign exchange.

The economy of Belarus is expected to shrink by 4 percent in 2022 after the European Union, the United States and others imposed sanctions over the war in Ukraine, much less than some had forecast, Interfax cited Prime Minister Roman Golovchenko as saying.

Putin

Another Russian dies - The head of a shipyard producing warships and submarines for Russia's Defense Ministry has died suddenly at 66 – the latest in a long line of powerful figures to die mysteriously in recent months.

Alexander Buzakov was praised for overseeing some of Admiralty Shipyards' most "complex orders" in a statement from United Shipbuilding Corporation announcing his death on Saturday. "The United Shipbuilding Corporation, the Admiralty Shipyards and the entire national shipbuilding industry have suffered an irreparable loss, as Alexander Sergeevich Buzakov, Director General of the Admiralty Shipyards, passed away at the age of 66," the corporation said in a statement

Putin's War In Ukraine Is Now A Historic Disaster - No matter how the war unfolds in the next year or two (and it looks set to drag on), Russian power has been badly reduced.

He planned a short war that would illustrate Russian military might and bolster his country's claim to sit at the high table of world politics, despite a corrupted economy too small for a great power.

Instead, he stumbled into a quagmire akin to the Soviet war in Afghanistan in the 1980s or the American war in Vietnam.

America's quagmires, such as the Iraq counterinsurgency, were costly and domestically disruptive, but enormous size of the US economy and the popular legitimacy of its democratic system insured that American could wind down its losing wars without a massive rupture.

Russia does not have this luxury. Its economy is 7% of the size of America's; to fight a long war will be profoundly economically disruptive. And Putin's dictatorship is fundamentally unstable. Putin is vulnerable to a coup if he does not win his war of choice in Ukraine.

More broadly, Russia's poor performance in the war abolishes the myth of Russian military modernization – that despite its shaky economy, Russia is still a great power because of its military prowess. This is no longer credible; Russia is losing to a country whose military no one took seriously a year ago. Russia's economy is only in the world's top twenty now, and the war-related sanctions will shrink it out of the group in a year or so.

In short, neither Russia's economic capacity nor its military capabilities justify calling Russia a great power anymore.

Ukraine's Rise

Just about everyone thought the Russians would roll over Ukraine. Early western discussion focused on whether we should support an insurgency there against the victorious Russians. Yet by the late spring, it was apparent there was no blitzkrieg victory to be had. Ukraine would survive as a sovereign state even if Russia held some of its territories. And by the fall, opinion suggested Ukraine was actually winning and Putin might use a nuclear weapon in desperation.

It is worth remembering in hindsight how remarkable this is. Putin expected to win his war in a week. Western opinion concurred. Few observers knew anything about Ukraine, much less the Ukrainian military.

Yet Ukraine is now on course to win the war; even re-taking Crimea from Russia is a genuine possibility. Although Ukraine's economy is being wrecked by the conflict, the country will emerge with arguably the finest ground force in Europe, an achievement no one foresaw in January.

If Russia is on the downward cusp of becoming a middle power, Ukraine is on the upward cusp.

Comment – Brings back memories of the Franco/Prussian War of 1870 when the French believed they could roll the German armies over in weeks. Instead Otto von Bismarck created the Germany we know today on the back of defeating French forces.

NATO is back

Yet another remarkable geopolitical outcome is the rejuvenation of NATO.

For years after the Cold War, NATO drifted. It never quite broke up, if only because its European members liked the US security umbrella. But it lacked a clear strategic purpose. It tried to find that in out-of-area deployments during the war on terror.

But few members like these deployments. Nor did they go particularly well – no one really knew what ‘winning’ the war on terror meant. And it all ended with an unsatisfying whimper in Afghanistan in 2021.

Russia’s invasion of Ukraine ended this malaise. Years of Putin’s vague threats and belligerence suddenly became concrete. NATO members like Germany and Italy who had tried to engage Putin could no longer avoid the long-standing Russian neo-imperialist fears of the alliance’ eastern members. The United States too, after the confusion about NATO during the Donald Trump presidency, re-engaged. The alliance also brought in two new members and has sought to build bridges to Asian democracies concerned about China.

Containment

Czech president calls for more support for Ukraine - Czech President Milos Zeman calls for further support for Ukraine, including military backing, arguing that Russia would eventually have to leave Ukraine.

“I am convinced that the pressure of free countries will sooner or later compel Russia to leave the territory of Ukraine,” Zeman said in his Christmas television address.

He said he had always favored the economic relations between the Czech Republic and Russia, but now, the world’s security was threatened.

Zeman was previously considered an opponent of tough European Union sanctions against Russia and had often been criticized as “pro-Russian” before the invasion began.

Kazakhstan donates 41 generators to Ukrainian hospitals - Ukraine’s health ministry has announced that Kazakhstan donated 41 generators to be used in Ukrainian hospitals.

“They will be transferred to regions that are under attack by Russian aggressors and where they are most needed — in Mykolaiv, Dnipropetrovsk, and Kharkiv,” the ministry said in a statement on Facebook on Sunday.

The statement added that Health Minister Viktor Liashko said each of the generators would help provide uninterrupted power to operating rooms, intensive care units, and oxygen stations.