On the Russo-Ukrainian War

Slightly increased likelihood of near-term war termination, but still with long-term hostility from Russia.

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After the events of the past week, I update my ongoing analysis of the conduct of the Russo-Ukrainian War. I upwardly revise my assessment of war termination in the next six months from *highly unlikely* to merely *unlikely*. I have four points:

- The "Joyride of the Valkyries" undertaken by the Wagner Group has revealed a complete lack of reserve military power on the Russian side.
- This increases the likelihood of a dramatic Ukrainian exploitation, if the Ukrainian forces can penetrate the Russian defensive lines.
- Industry outside Ukraine is learning from the Ukrainian experience, slowly.
- Investors should expect investment horizons supported by long-term Russian hostility.

I also offer some insights from this week's Land Warfare Conference at the Royal United Services Institute in London. I will continue to update my analysis as events warrant.

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There are no Russian reserves.

As Mick Ryan, a retired major general of the Australian Army, wrote in an essay this past weekend, why did a a successful march on Moscow eluded the French and Germans, but somehow almost realize for Yevgeny Prigozhin's mercenaries? After all, as John Barranco of Potomac International Partners noted, "it is unlikely even the most audacious among the Ukrainian military leadership ever envisioned launching an attack on Russia's Southern Military District headquarters in Rostov-on-Don, where Russia's war in Ukraine is being run, but that is precisely what the Wagner Group's sudden rebellion has done" (reporting by Sam Meredith). In the words of Joseph Roche and others on Substack, it may have been a mere "Joyride of the Valkyries," but it revealed an astonishing lack of resistance. Apparently, as put by Ukrainian Brigadier General Serhiy Melnyk, who leads the troops around Kharkiv, "you can get to Moscow in a matter of hours. They have no reserves." (commentary by Joseph Roche *et alia*).

The alternative explanation is that Russians shrank from fighting Russians. If so, then why did the Russian Air Force fight the Wagner Group, if not very well, when the Russian Army did not? Is it because the former is more professionalized? That seems unlikely, as no enterprising paratrooper lieutenant seems to have rallied his men anywhere on that 800-kilometer “Joyride of the Valyries” (Roche et al.) towards Moscow. Instead, I conclude that Mikhailo Podolyak, advisor to President Volodymyr Zelenskyy, is likely correct: “there is no military infrastructure inside Russia. There are no combat-ready units” (on Twitter, 26 June 2023).

Exploitation is highly likely if the Ukrainians penetrate the Russian lines.

Remaining just behind the Russian front is still lots of artillery, as guns and rocket launchers have been less attrited by the Ukrainians than tanks and troops carriers. In front of that stand a lot of under-trained infantry—though, as Hlib Parfonov wrote yesterday, without enough replacements en route. The main remaining issue is the whereabouts of the several hundred T-90s still available to the Russian Army, as those could be more useful against the oncoming Leopards and Challengers than the most-dead T-72s, and the questionably useful T-55s. Meanwhile, the Ukrainians continue with their huge armed reconnaissance, fighting for information, working to ascertain where the lines are weakest and with the lowest morale. As I note below in a vignette, there is little reason to think that Russian field fortifications can indefinitely survive the Ukrainians’ modern reconnaissance-strike regime.

Perhaps most notable is the embarrassment that the Russian tyrant needed the intervention of his presumed long-time vassal in Minsk to resolve an armed standoff with his former catering manager. This does not bode well for his long-term grip on power.

In consideration of all this I revise my assessment in my sequential, binomial stochastic model for war termination. I had previously assessed the likelihood of war termination in the next six months or so as *highly unlikely*, utilizing the terminology of the “Probability Yardstick” favored by British Intelligence. I now assess a slightly increased probability that the current Ukrainian offensive will penetrate Russian lines, an increased probability that Ukrainians troops will then reach and hold the coastline of the Sea of Azov, an increased probability that Russians troops in Crimea and in Kherson and Zaporizhia Oblasts then surrender en masse, a substantially increased probability that the Putinist Regime in Moscow will fall, and an increased probability, even if Putin remains in power, that the governments in Kyiv and Moscow agree to a peace treaty. Nonetheless, all those assessments remain within an extended probability tree. Thus, I now call the likelihood of near-term war termination as merely *unlikely*.

Industry outside Ukraine is slowly learning from Ukraine.

In my last note on this question, I often two points for technologists, industrialists, and investors, in considering the likelihood of a longer war, and now to invest in development, production, and marketing. In summary, these were

- “In the short run of the present war, Ukraine remains a valuable testing ground.”

- "In the longer run, of this war or any war, working with the Ukrainian arms industry opens access to skilled, experienced armaments engineers and software developers amidst a worldwide shortage of such people."

I stand by that assessment, with an additional vignette as a case study. Ukraine was naturally a central topic of the Land Warfare Conference of the Royal United Services Institute (RUSI), conducted over the past two days in London. Regarding industry, some of the most interesting remarks were from Rob Bassett Cross, a former British Army officer turned artificial intelligence entrepreneur. He extolled the Ukrainian development of Kropyva ("nettles"), "the Uber of Artillery," a software application running on an Android tablet computer that facilitates very accurate click-and-shoot fire on almost anything that can be identified from overhead reconnaissance, in as little as 30 seconds. Also remarkable, as *Defense Express* reported last July, is that the system was developed by the militant nonprofit "Army SOS," and pointedly not Ukroboronprom. As Adrien Fontanellaz wrote on LinkedIn last year,

> *The application has since been further developed through close cooperation between users and developers, with the flexibility and versatility of the system increasing over time. It can now be used for de-mining tasks too. As a result of this agile approach, the use of associations or small companies and the abundance of local IT specialists, the Ukrainians were able to develop a system quickly and at very low cost. It is also considered to be better than those in use in the US armed forces today thanks to its flexibility, whilst other Western armies still can only dream about such capabilities* (emphasis mine).

As Crowdstrike's global intelligence team reported in 2016, Kropyva has also survived repeated probes by the Russians' Fancy Bear hacker group, so the usual non-invented-here cyber fears are almost certainly overblown.

Russia still presents a long-term problem.

All this gets back to the comment at the RUSI conference by General Patrick Sanders, British Army chief of staff, about the panel of industrialists sizing up their recent progress with democratized digital technologies as "a therapeutic confession." Rob Cross and Sarah Randall of General Dynamics traded some mutual endorsements of the importance of alliances between small and large contractors in armaments, to marry unfettered innovation with market access and scale (and read my book!). Cross exhorted industrialists and the military to embrace "multi-modality, DevSecOps, and APIs everywhere" on a fast march to radically better capabilities, rather like those of Kropyva.

Usefully for investors, investment horizons will hold. On the one hand, as Marcus Walker wrote in today's *Wall Street Journal*, the events of the past week suggest that a long-term war may no longer favor the Russian war effort, or the survival of the current Russian regime. However, as Maria Engqvist and Emil Wannheden of the Swedish FOI recently wrote,

> *…regardless of how the war in Ukraine develops, Russia's confrontation with the West is of a long-term nature. It is not possible to return to a status quo ante. Too much has been*

destroyed in terms of trust, relationships, and cultural and economic exchanges; too many lives have been ruined; and war crimes have been committed. Russia's political leadership insists that the war is waged against Western values and ideas; therefore, they are unable to formulate a victory condition, achievable military goals, or indeed an end point for the confrontation. They also insist that the war was inevitable as a result of this increasing Western pressure. The war has become a goal in and of itself for Russia's political system, with or without Putin.

As I heard another Swede put it a few months ago, "we have been dealing with the Russians for five centuries. This probably won't be resolved in the next five months."

References and Further Reading

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Mick Ryan, "Why doubling down on Ukraine would be the worst outcome for Vladimir Putin," *Sydney Morning Herald*, 25 June 2023.

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