Geopolitical Observations on Ukraine

Insights on the potential consequences of Russia’s invasion of Ukraine.

Over the past week, I've had a series of calls with senior-level military, intelligence, and diplomatic contacts across the US, UK, and Europe. The following are observations and quotes from those conversations regarding the potential consequences of Russia’s invasion of Ukraine.

- **Outcome spread is wide**: The situation is highly fluid and uncertain, misinformation is rampant on all sides, and the fog of war makes for a wide distribution of potential outcomes.

- **Pessimism reigns**: The overall tone among these national security professionals is one of grave pessimism about the near-, medium-, and longer-term impacts of the invasion.

- **Outsized advantage**: Russia’s overwhelming military advantages will likely lead to President Vladimir Putin’s core objective of regime change.

- **Struggle may be protracted**: None of these contacts believe this conflict will end quickly. Most predict it will evolve into increasingly organized resistance; the Ukrainian Ministry of Defense’s instructions for citizens to make Molotov cocktails indicates this. As one contact put it, “For Ukraine, this is a fight for national survival.” Organized resistance will likely necessitate the long-term deployment of Russian troops for counterinsurgency missions.

- **Sanctions unlikely to deter Putin**: One professional observed, “There is no way to fundamentally change his behavior, as Putin is a product of resentment and nationalism and is ready to pay the price.”

- **Signals long-term competition with Russia**: All emphasized that sanctions are now a long-term strategy to isolate Russia and to degrade its economy, in particular, its military and technological capacity. Another contact said, “The point is to be punitive and to reflect the West’s determination to resist Putin’s intention.”

- **Western alliances are key**: Sanctions will only work if allies remain united over the long run, which is no guarantee (most are pleasantly surprised by the depth and strength of US/European unity so far).

- **Putin likely has broader goals**: His geopolitical plan goes far beyond Ukraine and will lead to fundamental changes in Europe’s existing security architecture. Some contacts said, “He is signalling a redrawing of Europe’s map, and a significant one;” “Putin has broken the glass;” “Cold War II has begun.”

- **Range of impacts over time**: From Europe’s perspective, this conflict raises near-term questions about energy prices, inflation, and growth. Longer term, we should expect a significant increase in defense spending across the continent as leaders come to terms with this new geopolitical reality.
• Geopolitical effects could be profound: Conflict may create “chronically high levels of insecurity between Russia and the West,” and significantly raise the risk of military accidents between Russia and NATO.

• Potential for painful economics: Additional impacts include intensifying cyber risks, increasing misinformation campaigns to divide domestic politics (watch the US midterms and upcoming French elections, in particular). One contact predicts, “a slow burn of economic pain as the West seeks to decouple from Russia.”

• Countries on alert: Nations on the frontlines of this “new normal” include Moldova, Poland, Romania, Slovakia, Finland, Sweden, and, especially, the Baltic states of Estonia, Latvia, and Lithuania.

• NATO expansion possible: Long-term impacts include the potential expansion of NATO to include Finland and Sweden; a revitalized NATO with enhanced military capacity; and longer-term, reduced European reliance on Russia energy.

• Meaning of Cold War II: In some ways, a return to a Cold War is reassuring; in other ways, it’s deeply concerning. Quotes include, “Russia is a shadow of what it was as the USSR;” “There are real questions about Putin’s mental state;” “We all have new, more powerful advanced weapons, including capabilities in the cyber realm and outer space.”

• Potential impacts on the energy sector are high: These professionals expect military operations to impede Europe's gas supplies and anticipate sabotage during a resistance campaign and/or as a “tool of coercion,” depending on the direction of events. This outcome would be inflationary, affect monetary policy, and increase economic costs to the US, Europe, and across the globe.

• Western leaders will need to explain these costs to citizens: The narrative will likely be influenced by near-term events. “If this develops into Aleppo- or Grozny (Chechnya)-like brutality by the Russians, that will affect the political climate in the West and lead to more determination to pay the price.”

• China remains deeply ambivalent: “They support anything that distracts and disrupts the United States.” However, China values stability and doesn't appreciate the economic costs that the invasion will likely produce globally. “China will go along with this, but half-heartedly.”

• China-Russia alliance is tenuous: More fundamentally, this group doesn't see the emerging China-Russia partnership as durable. “President Xi Jinping views Russia as a tributary and a weaker state, and as a supplier for anything China needs.” “The only thing that binds them together is a delight in discomforting the US and its allies.”

• Few parallels with Taiwan: Most contacts downplayed the immediate risk of China invading Taiwan given Beijing's domestic focus and a desire for international stability. “China is watching how the West responds, but they will make their own calculations.”

• Global geopolitical backdrop has changed: Lastly, there's strong consensus that events in Ukraine are a stark reminder of how the global backdrop has changed and how geopolitics is reshaping markets and economies. “Globalization is dead;” “Regionalization is the new globalization;” “If you’re doing business in Russia or China, you’re going to have to rethink some things.”

• The great-power struggle continues: There will be a growing suspicion of Russian and Chinese geostrategic intentions; “Prudent people will have to assume this is a long-term trend, and a refractured geopolitical world will be reflected in the economic sphere.”
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