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Executive Summary Report

Ukrainian forces launched a surprise attack across the border into Russia on August 6, 2024. Initial reports indicated a small number of forces that continued to increase in subsequent updates. Clearly something new and very bold was happening. Most recently, Ukraine has continued to add forces to the fight and met very little resistance from a disorganized and lightly armed Russian territorial defense army while pushing deeply across the border region. This is the first time since World War II that a nation, in this case, the Ukraine, has violated Russia's territorial integrity. Russia on the other hand, has invaded several neighboring countries since World War II, notably initiating an attack on Ukraine in 2014, followed by a failed attempt to capture the entire country 2022. This led to a protracted war of attrition that continues to this day.

This Executive Summary addresses recent developments in the Ukraine-Russia War, as well as the implications as seen from a military and economic perspective.

What Happened?

Ukrainian Armed Forces (UAF) attacked into Russia's Kursk Oblast (like a U.S. state) and sustained the fight since then. The initial days of the operation looked like a punitive raid, with a short-lived operation and a planned withdrawal, but the success of the mission was exploited by additional Ukrainian forces. The UAF is wisely using maneuver tactics to avoid decisive and set-piece battles. Now, the Ukrainian attack consists of at least five fully-formed and manned brigades and two more will be added.

Currently, the pace of the Ukrainian incursion is slowing, and the scope of the ground gains are slowing. This is, of course, to be expected as Russian forces arrive, supplanting the ineffective Russian national guard (called the "Rostgvardia"). Both sides are preparing defensive positions anticipating a longer battle that will replace maneuver tactics with generally static fighting, as Russia will attempt to deplete Ukrainian forces to the point it becomes untenable to stay in Russia.

As for the next steps – there are many variables. What happens going forward depends on Ukraine's objectives in the area. Currently, Ukrainian leadership has not publicly stated their goals in Russia, but some elements appear obvious. The main objective almost certainly is to seize and hold enough terrain that they can use it as a bargaining chip in future negotiations. Clearly these are military preparations for the political endgame and a classic "politics by other means" operation, to borrow a time-honored phrase from Clausewitz.

Other immediate effects are derived from this central objective and may come into play. Some observable and probable tactical effects are:

- To take pressure off the defending Ukrainian forces in Donbas. Elsewhere, Russia is increasingly successful in their very Russian way – a slow, grinding, highly kinetic method of advance. With the incursion into Russia, at some point it will likely need to take some forces out of eastern Ukraine and commit them to the UAF penetration.
- This operation also resembles a punitive raid designed to inflict damage and destruction on Russia, its people, and its forces. From the salient, Ukrainian forces have launched large drone strikes at distant targets to bring the war home to ordinary urban-dwelling Russians who have been spared any hardship or danger up to this point.



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- The UAF's position inside Russia has also brought their drones closer to the Russian airfields that base the planes which are pummeling Kharkiv and northern Ukraine with glide bombs, and critical infrastructure with cruise missiles. Ukraine is also having some good effects on the airfields. Of note, one of the reasons why their drone strikes have been so plentiful and successful is that they are launching them from behind the protective electronic warfare umbrella covering Russia's frontline troops and rear areas. As a result, more drones are getting to their target areas now.

Russia, for its part, has been heavily criticized by its military bloggers for being slow to react. This is a legitimate critique, but it has legal and organizational origins. First, most of the conscripts from the spring levy have been left inside Russia around the combat theater in support roles because they are not legally allowed to deploy outside the country for combat. This has not stopped some forces from taking them along, but it has deterred most from crossing into Ukraine. Despite what the law and Putin say about conscripts not being sent to the battlefield, some say that the legislation covering conscription allows recruits to be sent to perform any tasks, including actual fighting, if war, martial law or a counter-terrorist operation (CTO) is declared, as it has been in Kursk.

Second, Russia does not have trained and ready quick reaction forces on standby for domestic emergencies. It will take time to mount a counterforce and get it in position to be effective against the penetration.

Oddly, the same laws governing the CTO puts the military under command of the Russian Federal Security Service (or "FSB," Russia's state security department). The Ministry of Defense has been given the task of pushing Ukrainian forces out of Russia, while FSB is responsible for defeating Ukrainian sabotage and reconnaissance groups, and Rosgvardia (Russia's national guard) for basic border security. This command arrangement is the same as what Ukraine was doing in the east from 2014-18 which they abandoned because it simply did not work.

President Putin has appointed his former bodyguard in charge of this operation, once again relying upon personal loyalty rather than competence to do something important and difficult. Further, throughout his tenure as president, he has accepted suboptimal performance from leaders in exchange for absolute personal loyalty to him.

Additionally, Russia has both time and space on their side. There is no need to hurry, and Russia can afford to take its time in getting a force organized to deal with the penetration. The longer Ukrainian forces stay there, the more fragile they become unless there are substantial reserves and logistics projected into the salient to keep things progressing. Also, Russia's history is clear on matters of geography – its land gobbles up armies as they penetrate farther into Russia. Therefore, Ukraine must be careful that it is not "too" successful.

Why There?

Ukraine's careful reconnaissance of the border found a weak spot with different elements of the Russian domestic security services operating in the area. This is a normal source of confusion – many agencies and authorities are working in the same space. The assumption is the disparate nature of the border forces hampered coordination between them and slowed Moscow's response to the attack.

Kursk is where many of the forces flowing into Ukraine are organized for employment, and where they refit much of the equipment damaged in battle. There are multiple critical infrastructure sites as well in the Kursk Oblast. The first is the major gas terminal that is the remaining primary gas line to eastern Europe. While the amount of gas flowing from Russia to the Europeans is substantially less than before the war, it is enough to give Putin a meaningful source of income to finance the war and a point of leverage over the Europeans. Hungary, for instance, remains wholly dependent upon Russian energy. The second major site is the nuclear power plant north of the current limit of advance. Holding those at risk via physical control, inflicting damage will create effects well beyond the immediate battle area.

In summary, there are three immovable things important to Russia in this area: Mother Russian soil, the gas infrastructure, and the nuclear power plant. Ukraine has violated the mythical Russian sanctity of its territory and holds the remaining two sites at risk.

Why Now?

The timing suggests that these solid preparations are intended to establish countervailing facts on the ground to precede any post-inauguration negotiations. Ukraine is preparing for whatever the U.S. elections may bring. Ukraine may be forced to the negotiating table if former President Trump wins the upcoming election, so it needs to strive for the best negotiating position possible should that condition be imposed on continued aid.

What's Next?

For Ukraine:

- The most dangerous aspect of a salient is the failure of the flanks which would lead to encirclement and defeat in detail. Therefore, Ukraine must secure the flanks and deny all Russian efforts to cut off the salient.
- Ukraine will reinforce the salient and fortify positions because they want to hold as much Russian terrain as they can for as long as they can. This gets into the “so what” of the operation, discussed below.
- It may also go for the nuclear energy plant to put it out of action as a statement in reflection of Ukraine’s Zaporizhia Nuclear Power Plant that is currently under Russian occupation.
- Ukraine will continue to attack airfields, commercial centers, railways, and other infrastructure essential to the conduct of the war with drones. It will also attempt to damage as much of the Russian air assets as possible.

For Russia:

- Russia will attempt to build a force to deplete or defeat—preferably destroy—the Ukrainian forces.
- Russia is establishing extensive defensive lines to prevent deeper penetrations into its territory.
- Russia will have to accept some risk elsewhere in the fight, which means Russia will need to thin its lines to provide combat power to the operation. This will relieve the pressure on Ukrainian forces along the existing lines to some degree and may create more favorable force ratios.
- Russia will attempt to stop the Ukrainian advances then attrite Ukrainian forces forcing their exit from the Motherland or face destruction. However, the usual Russian war tactics may not be used here. Normally they will use artillery and air-delivered munitions from standoff range plus what some are calling “meat attacks” (human waves with high casualties) to pummel and wear down the Ukrainian forces. In the Kursk Oblast, Russia will likely limit indiscriminate fires and bombardments as it intends to capture and retain this area. This is terrain they would get back in negotiations, so there is no need to use the maximum firepower to dislodge the invaders.

So What?

There are many implications, several of which are currently speculative. Undeniably, this operation has pierced the veil of defending Russia's motherland from all aggression. The psychological blow to Russia is undeniable and will remain regardless of the outcome of this war. This is yet another example of the Russian bear's invincibility turning out to be nothing more than a chimera.

Indicators that this operation is successful:

- Ukraine gains a tremendous bargaining chip for future negotiations.
- Russia loses its pretense for keeping Ukrainian land.
- Putin is demonstrated to be incapable of providing peace, security, and stability for the people.
- Given that Russia has painted this war as a war against the West and NATO, the Motherland has been occupied by the enemy and forever stain Putin's tenure as president. After all, NATO never occupied Russian lands during the presidency of any of his predecessors. This strips away the basis for his apparent quest for greatness on par with the pantheon of czars and czarinas who expanded Russia's borders.

Indicators that this operation is not successful:

- Many things could go wrong for Ukraine, even if Russia performs poorly. While the UAF's operation is going generally well, "Murphy's Laws of Combat" could become factors, the chief of which is: "if your attack is going well, you have walked into an ambush."
- Ukraine does not have enough combat power to indefinitely do everything well, go substantially deeper or wider, and project the logistics into Russia to sustain the force. Both Napoleon and Hitler discovered with their strategic humiliated defeats, that the vast expanse of Russia creates challenges that no modern army has ever conquered. Therefore, the Ukrainians would "culminate" at some point – where it cannot advance or retreat which leaves them to manage the fight until either they can no longer do so, or an agreement is reached.
- An encirclement and defeat or destruction of such a large force will represent a serious loss which would certainly alter the war for Ukraine for the worse. The loss of such a large force is not recoverable and could lead to larger and more dire circumstance for Ukraine, such as Russia advancing to the Dnipro River.
- If Ukraine is pushed out of Kursk, it would not have any meaningful leverage over Russia in future negotiations. Someone else will end up dictating the terms to Ukraine, which means Ukraine loses out.
- A catastrophic collapse of the UAF defenses would be followed by a Russian advance, that would have massive consequences for Ukraine – hence, much is riding on the Ukraine strike into Russia.

Big Picture:

Substantial collateral effects on Russia's ability to conduct war are coming into view. There are disparate indicators that Russia is running into meaningful logistical problems that will not be easily fixed and can change the course of the war, if they continue to accumulate into a much larger problem.

First, there are recurring reports that Russian soldiers do not have enough food water and ammunition to sustain the fight. Soldiers are drinking water from puddles, and there is evidence that waves of soldiers are employed without weapons to advance as far as possible then use the hand tools given to them to dig positions for the next assault wave.

Second, Ukraine has embarked on a campaign of striking the tactical logistics vehicles – trucks that haul supplies, move troops, and tow artillery. Over the 600+ days of the war, they claim to have destroyed nearly 23,000 trucks of various types. Ukraine claims that it has destroyed 30-50 trucks a day over the past few months.

Third, the Russians still use rail transport to resupply forces and move troops across vast distances, which is reminiscent of both the U.S. Civil War and both World Wars. They push the trains as far forward as possible, then the transports deliver the supplies to the forces. Ideally the depot would be no more than 40 miles from the front. This allows the transport trucks to make two round trips per day. However, the arrival of the HIMARS means Russia had to push its depots farther to the rear. Now, tactical transports can make only one round trip per day. The net effect is the logistical supply rate has been cut in half.

Fourth, reporting indicates the Ukrainian operation has had the ripple effect of clogging the regional rail networks. The main problem is congestion at stations and the ensuing lack of locomotives. Further, there was reporting before the Kursk operation saying the railways were already on the verge of collapse because of lack of manning, inability to sustain timetables, and maintenance problems induced by sanctions (bearings, in particular). Adding to this is the persistent threat from the resistance forces sabotaging hard to replace control boxes. This creates a cascading problem of snarled trains and fewer transports. It seems the Russians in the main combat areas must rely on the logistics it has on the ground for a while until the train mess gets sorted out.

Fifth, the Russians are running out of armor. Equipment depots are refurbishing war materiel but until recently the combat losses have far exceeded the replacements. They simply do not have the resources to include skilled labor to perform a refitting of the Russian army during conflict. While Russia still retains a significant amount of equipment in reserve, all of it must be renovated to be operationally effective in combat.

Finally, the war is funded by Russian energy proceeds. The U.S. and others have established a secondary sanctions regime that has forced China – Russia's primary benefactor and lifeline to funding – to stop using the ruble or yuan to pay for trades. Additionally, nations are starting to crack down on the ghost fleet that is moving Russian energy across the globe via illicit carriers. A scramble for alternative currency routes to include crypto systems has ensued. The ruble rate has wobbled in recent days and may dip below the benchmark 90 per dollar. The result is the Russian funding situation is becoming much more fraught and perilous.

Economic Perspective:

The Russian economy will need support from China to fund its war effort and stabilize its domestic economy if it is to be successful in the war. From a business perspective the uncertainty is how much China is willing to invest in Russia with the risk of increased sanctions and furthering escalating tension with the U.S. and Europe. China's global influence will depend on its ability to participate in financial markets and advanced technology development. Corporations and institutional investors should continue to evaluate the opportunities and risks with Chinese counterparties given the Russian relationship and other aggressions in Asia that are supported by China which could result in further sanctions if escalations increase.

The Ukraine-Russian war escalation scenarios will increase NATO Alliance partners investment in defense spending and energy infrastructure. Defense manufacturing and energy capacity will need to be expanded, which will require capital investment in the near term.

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