Peterson Institute for International Economics

The war in Ukraine, sanctions, and the Russian war economy

November 4, 2026

This is an unedited AI-generated transcript that may contain errors. Please confirm quotes in the corresponding event recording. If you find substantive errors, please contact meetings@piie.com.

[00:00:00.00] - Cecilia Malmström

Good morning, good afternoon, good evening. Welcome to this episode of Trade Winds. My name is Cecilia Malmström, I'm a non-resident senior fellow at the Peterson Institute for International Economics in Washington.

[00:00:00.13]

Today, we are going to talk about Russia's war in Ukraine. It's now been 4 and a half years since Russia unprovokedly invaded Ukraine, and the Ukrainians are preparing for their 5th winter of war. 5 years almost of killing, terror, attack on infrastructure, on cities, on the economy, public institutions, kidnapping of children. All this is a nightmare that doesn't seem to stop. But also Russia is suffering from severe losses and economic harm, even if it shows no sign of wanting to end the war. The West, a coalition led by the European Union and the then Trump administration, coordinated sanctions against Russia and strong support to Ukraine with UK, Canada, Australia, New Zealand, Japan, South Korea, et cetera. And they've been supporting Ukraine economically, militarily, and politically. The EU, the European Union, has given Ukraine €230 billion, more or less the equivalent in dollars, in loans and in gifts. And Ukraine is now also negotiating a future membership of the European Union. There was also a large coalition of sanctions vis-à-vis Russia, and the EU has just presented its 21st so-called sanction package. But do all these sanctions really have an effect? This is what we're going to discuss today. today. The Trump administration just recently withdrew planned sanctions by the late Lindsey Graham and have been also declared to buy diesel from Russia, which was part of the sanctions before.

[00:01:44.06]

What does this mean for the Russian economy and for the morale of the war? So where do we stand? How does it look on the battlefield? How bad is Russia's economy? Can Ukraine win this without US backing? And will the elections today have have an effect on the possible congressional support to Ukraine. This is what we're going to discuss with 2 very qualified panelists. I welcome Elina Rybakova, who is a non-resident senior fellow at the Peterson

Institute, also a non-resident fellow at Bruegel in Brussels, and a director of the international program at Kyiv School of Economics in Ukraine. And we have Thomas Wright, a senior fellow at the Strobe Talbot Center for Security, Strategy, and Technology at Brookings in Washington. And he's also the former senior director, Senior Director for Strategic Planning at the National Security Council in the White House. Thank you so much, both of you, for coming. So let's start a little bit to set the scene on the ground right now. How is the war going? We read, at least in Europe, every morning about intense attacks towards Ukrainian civilians. It seems that they've been upscaled the last weeks, but also Ukraine attacking Russian infrastructure and oil depots.

[00:03:01.11]

How would you say that the situation is right now to give a broad overview? Elina, why don't you start?

[00:03:09.06] - Elina Ribakova

Thank you. So to give a broad overview, we have a period when both sides are adapting. You know, both sides have settled into a war of attrition and both sides are adapting. And that is not surprising. I think a lot of people in the press and even analyst communities want to have clear answers. Ukraine is winning, Russia is winning. Well, it's usually not that straightforward. And you have periods when Ukraine has leadership For example, in some areas where Ukraine has leadership, for example, strategic bombing or kinetic sanctions. I think Ukraine had clear leadership on that front until recently in terms of targeting. You mentioned already the refining capacity, targeting military-industrial complex of Russia, targeting Russia's distribution systems. I think they were definitely leading more recently, especially over the summer. Russia said, wait a second, we can do something similar. We can learn from it. Russia is also adapting and they have started targeting more strategically. The economic pain points of Ukraine. So that is the border crossings. This is exports of grain, something that will affect not just the military effort, but also the economic capacity of the country, the budget and the ability to generate foreign revenues.

[00:04:20.11]

So this is, this is just an example of this adaptability, right? Ukrainians have been very successful at dealing with Russian drones. They're used to getting hundreds and hundreds of drones flying their direction. Well, You know, Russia got the cheap drones from Iran, improved, scaled them and improved. And recently, over the last 6 months, put jet-powered jet engines on those drones, which means they're flying faster, they're flying somewhat higher, and therefore makes it harder for Ukrainians to intercept. And then, of course, the final one, the effect of the

partners. Europeans have been very strongly supporting Ukraine throughout. Of course, US, you know, we'll talk more with Tom about the midterm elections, but US have stepped back, if anything, as Chinese said, you're helping Russians more than we are. So, you know, that has created a big issue for Ukraine in terms of the ballistic missiles. So the only still effective way of shooting down a ballistic missile is the need of a certain type of Patriot missile to do so. Ukrainians and Europeans—and we can talk more about it—they have an initiative to develop their own domestic European system for missile defense. But we're not there yet and it will take time.

[00:05:28.22]

So it's a complex situation, I think. You know, both sides are adapting. Both sides are in this sort of entrenched war of attrition setting. Russia is losing physically on the front lines. So in terms of square kilometers, actually Russia has been pushed back. In terms of the economics, both sides are going to have zero growth. You know, Ukrainians officially came out with a somewhat sort of negative number for this year. Russians are coming out with somewhat positive number. I don't care. These are emerging markets and we all worked on them. 1%age point of GDP is false precision. Let's not fool ourselves, it's broadly zero. In Russia's case specifically, I think it will be hard for them to cut from the current interest rate of 14%. Maybe they can cut to 12 or 13 next year. But despite the reported inflation of about 6%, 6.5%, they have to keep this high rate. So either—so basically you have a stagflation situation in Russia at the moment.

[00:06:29.07] - Cecilia Malmström

Okay, thank you. That's a lot of information. We will disentangle a little bit of that as we go on. Tom, what's your assessment of this and how has it been received, the sort of new volatile strategy from the Trump administration in Ukraine? What does it mean for Ukraine and for Russia?

[00:06:48.11] - Thomas Wright

Yeah, just to add a couple of—and it's great to be with you both—and just to add a couple of things to what Alina said. I mean, to me, I think The simplest way to think of this war is that the frontline is relatively static because of the saturation of it with drones, turning it effectively into a kill box that it's very difficult for troops to move in. Russia continues to try to press there, I think, because it is an obsession for Putin, even though it doesn't make a lot of rational sense, I think, to throw people into that environment where they're not actually making gains, but his casualty rate is quite high. I think it's very difficult. While Ukraine has made a little bit of gains from time to time, that's quite difficult too. So I think the front is quite static. The rear, I think, is relatively

unstable in both countries. So you have these long-range strikes by both, but I think there it probably has a greater effect for Russia because it's larger. Ukraine is smaller, it's more sort of concentrated. And so while Ukraine is conducting pretty audacious, successful long-range strikes in Russia, it probably has less of an effect on sort of day-to-day life than the Russian strikes in Ukraine.

[00:08:16.03]

So both sides, I think, are unlikely to make a breakthrough, particularly Russia, unlikely, will not almost certainly make a breakthrough on the front, but they're trying to break the will of the other side by this bombing campaign. I don't think it will work pretty much in either case. I think Putin is looking into this winter that this is his opportunity to break Ukraine. He sees lots of stresses and strains inside Ukraine, Zelensky under pressure, But it's very, very hard to imagine, I think basically impossible to imagine for me, how imposing more pain on Ukraine will cause it to totally revise and transform its preferences at the negotiating table where it would accept basically a surrender on Russian terms. I think that's basically impossible. If Zelensky was forced out for some reason, his replacement would also be in favor of continuing the war. Because I think Ukrainians understand they don't really have another option. On the Russian side, I think, and we can get into it a little bit more, that he does have, I think, more strains on the Russian economy, and there are more strains domestically than there were before. But I still think this is sustainable for him because Putin just has a very high pain threshold.

[00:09:51.08]

Ukraine is his sort of white whale of and he's willing to pay a lot to continue to prosecute this war. I think there's a possibility it could end next year, and we can talk about that in a minute if you'd like. But I think right now, we're in a period where the lines are static, but the war itself is fluid and very devastating, I think, particularly for Ukraine, but to both countries.

[00:10:18.20] - Cecilia Malmström

The recent diesel deal that Mr. Trump, President Trump did, it got a lot of headlines in Europe, especially, I think, also because of the symbolism. I read somewhere that the sums didn't even correspond to 13 hours of American energy consumption. So it was very little. But the symbolism of this is, of course, very remarkable. Does it at all have an effect on the economy?

[00:10:48.18] - Elina Ribakova

Well, on the Russian economy, it has zero effect. They still had to extend otherwise exports of diesel ban. There are some seasonal factors when You know, the agricultural seasonal demand

falls a bit. They have a little bit of room. So that's what they're probably hoping to export. They're still limiting their own sort of their own sale of gas to 40 liters per car, I think, at the moment. So they have their own problems. It's very hard for them to take truly advantage of this supposed deal. However, what did help them meaningfully is when Ukrainians stopped briefly, I think it's about 2 weeks when they stopped hitting refineries. I think that immediately allowed Russia to improve production refining. So I think that shows that Ukraine has a lot of leverage and it's not surprising Ukraine is not giving up that leverage for free.

[00:11:41.29] - Thomas Wright

I would just add that you asked about the symbolism. I think this was symbolism from Trump. It was also throwing spaghetti at the wall, right? Just to see what would stick in advance of the midterms. I mean, we saw the effects of, you know, what happened in the midterms last night. I think he was worried about that happening, maybe not even quite as bad as it ultimately turned out for him, but anything he could do to try to show he was, you know, concerned about gas prices or taking some bold move that might, you know, inspire his MAGA base. I think it didn't really matter in a material way either for the Russian economy or for the US economy, but obviously coming after the Graham Act and going absolutely in the opposite direction, I think it was deeply disappointing to many people, especially in Ukraine, but also in the US. And I think there was sort of a pushback there because of that, very understandably. I think the other point is that Trump basically has had a whole theory of the case with Ukraine that he could end the war if he put pressure on Ukraine and if he offered Russia economic incentives.

[00:12:59.29]

And I think he has consistently overestimated how much Putin actually cares about economics. Because he doesn't, I think, care all that much. He can't be bought off on this. It's not that if an attractive proposition is laid out that he will say, well, those benefits exceed the cost of the war. I think Wyckoff and Trump believe that Putin should see it that way. And he has wanted to reset the relationship and open up all of these deals. They have assumed to this point they can't really do that till there's a ceasefire. I think what we saw in the last few months is them exploring whether they could do that without a ceasefire. Can they start engaging in business deals with Russia anyway? And the diesel thing might have been the first sort of inkling of that, which I think also made people quite nervous because of what it might portend. they would do in the near future.

[00:13:56.29] - Cecilia Malmström

Yeah. Do you agree with that, Elina, that Putin doesn't really care about the money?

[00:14:01.26] - Elina Ribakova

I agree with that. I think it is a broader geopolitical objective and it's, I think, personal survival, right? It doesn't matter if the size of the pie is small as long as I have a piece of that pie, right? So I think it's also an important signal, symbolic signal from the US to other buyers of Russian exports, China and India, that now they need to fear it less because US itself is trying to sort of have a deal, including on the diesel. So I think that is another important signal in terms of the Russian economy. I think people are increasingly discontent about what's happening, including at the highest level. And we've seen very public dismissal of one of the top Russian economists at the state-controlled bank. We have also seen people sort of commenting about the issues. And I think although Russia's territory is much bigger and Ukraine's ability to inflict pain is, of course, much smaller proportionately, but it is much more noticeable. And Russia's inability to meet that, you know, to not to give in-time reports about in-flying sort of drones, about not giving protection, still not paying people who were displaced during Kursk invasion or sort of incursion by Ukrainian troops.

[00:15:15.27]

So Russia's also inability to respond too well is also creating discontent among people. But it still—it doesn't seem that people are connecting directly Putin's policy with why the economy is not doing well and why they're feeling the pain. So I think there is still disconnect or people are just not comfortable saying that in public.

[00:15:38.02] - Cecilia Malmström

But the broader change of strategy from the White House withdrawing the sanctions that were agreed by the House, the Lindsey Graham sanctions, would they have had an effect on the economy that could shift the balance a little bit? What do you say, Tom?

[00:15:56.13] - Elina Ribakova

No, I mean, this is just a joke. I mean, this is not—I mean, there is this—They were not really They're not meant to—

[00:16:03.04] - Cecilia Malmström

You're saying that the sanctions in that package were more symbolic than for real?

[00:16:08.23] - Elina Ribakova

Sorry, I misunderstood your question. I thought you were talking specifically about the diesel waiver.

[00:16:13.15] - Cecilia Malmström

No, no, I'm talking about the Lindsey Graham sanctions that was passed and that President Trump in the name of his late friend passed and then withdrew just a couple of weeks ago.

[00:16:25.15] - Elina Ribakova

On the Lindsey Graham package, it started as a grandstanding project that will never pass. And then, of course, things happened. And, you know, there are many—it passed with overwhelming majority. I think it was unfortunately misguided in terms of its instruments. People confuse secondary sanctions and then somehow they move on to secondary tariffs, which is not exactly the same thing. So the secondary sanctions, if you as a third party violate US financial or other sanctions, I can still go after you. That's what means secondary sanctions. I'm not sure what it means means secondary tariffs. It is great that there was such a strong show of support for Ukraine, but I think it gave tariffs discretion to Trump that he's not likely to use constructively in any case. And I think I'll stop here and I'll pass it on to Tom because I think he has written a lot on that and commented as well.

[00:17:26.28] - Cecilia Malmström

Yes, you have. And also, I mean, taking into consideration what happened this morning and this night with the gigantic blue wave, both in the House of Representatives and in the Senate, is this likely to change?

[00:17:39.27] - Thomas Wright

Yeah. Just on the sanctions first, I mean, I think where I would start from, I thought the sanctions part of it, if they were implemented, would be helpful. I also thought they were very unlikely because we know basically Trump has very little interest in imposing sanctions on Russia, and he hasn't updated the sanctions that currently exist. He's not fully enforcing them. And the idea that he would want to pile on with these additional measures, I think, was relatively unlikely. There's a little bit of difference inside the administration on it, but I basically opposed the act because I worried that he wouldn't use the sanctions, but he would use the tariff authority on allies and partners, not on Russia or not on Russia's partners. But I would just make a broader point that ultimately, I'm in favor of sanctions. I was in favor of sanctions obviously when I was at the NSC as well. I don't think that the key to unlocking the peace deal is going to be purely imposing more costs on Russia. I mean, that's very helpful, but it's necessary

but not sufficient. And it's because he's not really moved by the economic costs and benefits, and he has a very, very high pain threshold.

[00:19:08.27]

So again, helpful, but I think when people look at it that this is the silver bullet that might tip things over. I wish that were the case, but I think that has not been the case throughout this war. On the Hill, I think it will help. It is true that presidents have enormous discretion and authority on foreign policy. They tend to pivot to foreign policy in their last 2 years. he was already focused on it. It's basically impossible to force a president to do something they don't want to do. You can sometimes stop them from doing something you don't want them to do, but you can't affirmatively make them do something internationally that they resist. You can't make them give military assistance, for instance. But there are certain things that I think the Senate in particular can do. One is they could appropriate some funds for Ukraine, and they could go to court to force force Trump to spend it. And so that's—some money has been appropriated in the last 2 years. He refused to spend it. That could potentially change. I think you will have obviously more oversight and subpoenas and hearings. They may or may not participate in those fully, but I think there will be some pressure there.

[00:20:36.02]

I think you'll see official reports into Russia's shadow war in Europe. Europe, or in just the winter bombing campaign in Ukraine, that I think will build some support. And there is a, even setting aside the Democratic majority, which now is very, very large, relatively, there is strong Republican support for Ukraine too. And so they could get to veto-proof majorities on certain things. I think that's well within the realm of the possible. And the final thing I would just say is last night when Trump was doing some ad hoc interviews on the results, you know, he did say there was a bunch of things he could not cooperate with the incoming Congress on, but he was looking for some areas to cooperate on. I just wonder a little bit if he will give a little bit potentially to Congress on Ukraine. especially if Russia continues to be stubbornly fighting the war and resisting a peace deal. I wouldn't be too optimistic about that, but I think the Congress can explore different things that they could do, including on ensuring that there are some air defense interceptors as part of these PURL arms sales that Europe is paying for.

[00:21:59.14]

So I think you'll see a lot of pressure in the right direction, And hopefully it will yield to something. I would just finish by saying, I think the key is, it's possible there might be substantive negotiations next year. I think if Putin worries that the next president will be pro-

Ukraine, and if he looks at last night and thinks, actually, the clock is running out on Trump, so any deal he would be offered in the future would be worse than the deal that he might be offered now, I do wonder if that sort of binary choice might cause him to accept a deal that would mean full lifting of sanctions, freezing of the lines, no Ukraine in NATO. You know, it wouldn't involve additional territorial concessions, but it would be a relatively favorable deal for him. I wonder if he might move a bit on that next year.

[00:22:54.11] - Cecilia Malmström

That's very interesting. Hold that thought for a little moment. I just wanted to come back to Alina on the sanctions. I mean, these sanctions now obviously will not happen in the form that Europe has imposed a lot of sanctions on Russia, 21 big packages and other countries as well. Do they have an effect? Can they, I mean, they are obviously hurting the Russian economy, but is it enough or is it, as Tom said, they will not be pivotal in solving the crisis?

[00:23:23.20] - Elina Ribakova

So sanctions, what are the objectives of sanctions? They're to make Russia collect less revenue, ability to access components or full weapons for its war in Ukraine, and also ability to interact with the global payment system in order to either collect revenue or get access to the weapons. So in that sense, there have been a lot of impact from the sanctions. They're not perfect. There is always workaround. And as we know also from the Cold War, you know, the, the bigger the size of the countries that are not aligned or sitting on the fence, of course, the harder it is to make sanctions airtight. So European packages, I think, have been very impactful. I personally think that European embargo on Russian energy has been much more impactful than the oil price cap. And that was created the opening to force Russia give discounts to China and India. And we've seen actually significant discounts, especially immediately after the embargo, and then also into the beginning of this year before Iran war has changed the global oil markets dynamic. So I think that has definitely been impactful. US imposing sanctions on Russia's shadow fleet has also been very impactful.

[00:24:35.19]

And since then, Europeans and other countries have picked it up and has done a lot of it. In fact, now much more than US has done because US largely has stopped. And that is also creating costs, imposing costs, reducing Russian volumes. Russian volume of oil exports dipped—oil production, sorry, dipped for the first time in years early this So that was a sign that together also with the U.S. sanctions on Rosneft and Lukoil that happened in autumn last year, all that has generated enough pressure to actually put Russia in a difficult position. Russian

economy and budget significantly depend on oil revenues. We have seen some reduction as a share of total revenues. I think it's now about 18%. But that reduction is because Russia also spends a lot on subsidies. So you net it out, you know, as a revenue. That suddenly the rest of the economy is growing so and diversified so well that you have the reduction from 40% of revenues to something much lower. It also, I think it's a lot of subsidies that eat out of that pocket, right? So this is on Russian exports. Now on Russian imports, we still have a problem.

[00:25:46.15]

And I do hope that what Tom is saying we will see now is that we have a coalition of Russia, Iran, potentially now China and North Korea as well. So what are the most efficient Russian drones. These are the drones that Iran has developed on the—because it was under sanctions. And as Trump put it, it's a country—no, what is it—has no military, no army, no navy, no, no, no whatnot. Well, they developed the drone. Russia took it and produced, improved it and produced it at scale. There is cooperation. But all of these products, they require US components. They require advanced US chips. And we haven't seen any meaningful fines on US or foreign companies for shipment to Russia. Indirect fine. But, you know, you need to make an effort to track it, right, to do due diligence on your distributors. We have seen some hearings in the US Congress before Trump election. So I do hope now that there will be again renewed interest in Congress to bring back those hearings because, you know, you know, the same US troops are also being attacked by the same weapons which have US components in them as well.

[00:26:56.21]

So I think that will be another potential sort of impact from, from, from the, from the change in Congress. And then finally, US financial sanctions. This is the most meaningful sanctions. This is where US still has the strongest grip. It is—there is a risk of losing some of that grip because we see Russia moving much more into crypto, much more sort of into alternative payments, and including trying to settle in dollar without actually touching the dollar in the, in the US, maybe with the Chinese banks and other banks. And I think that That is also very interesting. But again, it is making Russia's life much more difficult. And even with trade, in trade with China, when the US got much more forceful with financial sector sanctions, suddenly the trade with Russia plateaued and even dipped down. And I do think it was as a result of those financial sector sanctions. So I think, will sanctions end the war or change Putin's calculus? No, they will not. But that was not the objective. Do we, should we go ahead and sell ballistic missiles to Russia because we don't believe in sanctions? Well, probably not, right?

[00:28:01.00]

So it's one of the instruments among many in this sort of economic war with Russia.

[00:28:08.28] - Thomas Wright

Yeah, I totally agree with that, by the way. Just, I think it's really throwing sand in the gears, trying to make it more difficult for an enemy or for the country you're trying to prevent from winning the war to succeed. And so I think it's very helpful. My only point is it's I think sometimes in the wider debate, it's sort of seen as if we impose enough of these costs that they will flip. And as I was saying, I think we agree it's necessary but not sufficient, right? And it's not going to really have that effect, but it may make it more difficult for them to carry out their war effort. I think it's just on inhibiting their capabilities rather than changing their preferences. Yeah.

[00:28:56.12] - Cecilia Malmström

Well, there's obviously a lot of wishful thinking in this, hoping that eventually at some point it will flip. But of course, the eroding economy with the sanction, and now, as you said, Tom, maybe some kind of political opportunity if Putin says that if I want to deal with Trump, it's at least better than waiting for a possible Democrat president. And there have been some attempts. There are rumors of Xi-Putin-Trump meeting in the near future. We had the very famous phone call by president from Finland, Alexander Stubb, and Jonas Støre from Norway the other day. So at least a few things are moving. Do you see that we are moving a little bit in the right direction on the political agenda, Elina, as Tom outlined as well? A little bit too early to fully analyze what's happening in the US, of course, after the elections, but still.

[00:29:51.12] - Elina Ribakova

I think we—there is hope of some temporary ceasefire sometime next year, but I perfectly—I see it as only a temporary let's regroup and rearm on both sides kind of ceasefire. I see very little chance, especially while Putin's still in power. And that doesn't mean that somebody who comes new will necessarily be a bright new democrat. No, I mean, if anything, we have historical research where usually After autocratic regime, it's very hard to have a succession by democratic regime because even if you do, they still have such rerouted institutions that they slide back into the same story. Right. So but at least for Putin, I think it's an existentialist story. And I think it's not just on the geopolitical front, but it's also domestic front. I think it's for him showing and staying in power. The war in Ukraine is as meaningful as it is to sort of for his geopolitical standing. So I think for that, we might have some For example, we recently had people not far from a small town, not far from Kherson, have been under occupation with no access to food and water and electricity for almost 4 and a half years now.

[00:31:02.09]

So we've seen some exchange. You know, I think, you know, the 2 ombudspersons met, you know, talked. We've—I think some Russian press reported 800 people. They left. You know, the buses were not attacked. You know, they arrived in Ukraine safely. I think maybe about, according to Ukrainian reports, it's about 70 or 80% of people chose to go to Ukraine while some decided to go to Russia. So there are little, maybe little things like this will happen, you know, whether it's prisoner exchanges or this kind of exchanges. But I'm not holding my breath for a proper sort of ceasefire that holds. I think Russia still feels it has enough resources. I think Russia is likely to double down on attacks in Europe to try to disconnect Europe from Ukraine because it has realized even though maybe I have supportive US administration at the moment, Europeans get in the middle. You know, the pesky Europeans, they prevent me from getting my objectives. So I do need to go after Europe now. And I think that's what Putin has been doing aggressively at the moment. And it's likely to escalate. And to speculate now, what we have seen in the past with Russia's contra-sanctions or sort of contra-measures, they tend to overplay their hand, which then only strengthens the resolve.

[00:32:16.24]

So I'm hoping that Europeans will be responding in that manner. I don't know if you were on the train. We had the attack. One of the first attacks on the border with Poland happened exactly when all the foreign dignitaries, like children on the big buses, you know, were going from one of the conferences in Ukraine and they were all traveling on that train. So the—I think it was the drone. The drone hit just literally 20, 30, so many meters away from that train. I'm not sure what kind of message those dignitaries took away, whether they should be afraid or whether they should be worried for their own countries and actually support Ukraine more.

[00:32:55.13] - Cecilia Malmström

They should. So you don't see much happening with all these rumors of different talks and meetings on a short-term basis, neither from Europe and from the US? I think the First Lady was involved in one of these. She even got some award from President Zelensky, and this award is something that the White House like, right? But maybe it will not change anything substantially. What do you think, Tom? Is anything of this going to lead to some progress on a short-term basis, or these talks?

[00:33:25.23] - Thomas Wright

Yeah, the first thing is I agree with Alina that what we're really talking about is a ceasefire, not a permanent settlement. But that still involves a deal. I mean, I think that's basically what the

negotiation is about because Russia won't accept an unconditional ceasefire. expire, which would mean no lifting of sanctions, no anything else. So the negotiations are about that. I think that would be good from Ukraine's perspective because basically while Russia would buy time to rearm and recuperate, so would Ukraine, right? And Ukraine needs it probably more than Russia does. And I think we could use that time Europe could use that time, a future American administration could use that time to really help Ukraine get back on its feet and be ready and potentially to deter a future conflict too, because Putin would need a theory of the case about how that would work. And so I think when we're talking about it being sort of ceasefires, I think that's still okay. I think it's not settlement is not possible at the moment and probably won't be, I agree, for as long as Putin is in power. I don't put a lot of stock in any of these initiatives.

[00:34:49.08]

I think they're probably at best not helpful, neutral, at worst probably unhelpful. I think when Witkoff goes and talks to Russia, usually bad things happen. Trump pivots away from Ukraine in some So I just hope they are distracted by other things and do nothing, right? I think if you think about what are the conditions that need to be created for there to be an end to a ceasefire next year, I think those conditions are Ukraine needs to survive the winter, right? Russia needs to be able—can't make any gains in the front. The Russian casualty rate and the cost being imposed on Russia needs to remain high. Putin needs to believe that there's no real hope on the horizon. Europe is not going to totally pull the plug. America is not going to completely cut Ukraine off on intel cooperation or in arms sales. And if all of those things are true, I think then you get to the other point that I made a moment ago, that if Putin then calculates—and I think those things are likely. I think that's base case. All of those things are base case right now. If all of those things are true, I think you get to the other point that we need to construct a situation where Putin thinks the only reasonable deal he can get is right now from Trump.

[00:36:15.01]

And if he waits, it gets worse and it gets more difficult. And that may mean he takes whatever deal can be negotiated, which is probably some version of last year's deal minus the territorial concessions by Ukraine. Ukraine, probably plus some limits on European troops in Ukraine, right? It's probably some version of that. That would be, I would say, net-net good for Ukraine. I think it's mixed for Europe and mixed for sort of U.S. interests, because I think you'll see in that situation, you'll see Trump go to Moscow, you'll see him do a full reset with Russia, you'll see a full lifting of sanctions, you'll see Russia readmitted to the G7, '88, which is crazy, but something Europe basically agreed to with Trump last year because they just didn't want to fight him on everything in his draft deal. So you'll see all of these things, and you'll also see, I think, Putin whispered to Trump during this ceasefire, why do you have troops in Europe? We're not fighting

in Ukraine anymore, you know, trying to coax him, you know, out of some of his security commitments. So it will be complicated if it happens. My probabilities on this is there's like a 35% chance that happens.

[00:37:29.24]

There's probably a 50% chance this war is still going on in 2029 for the new administration. And there's probably a 10 to 15% chance that Russia does a little bit better, unfortunately, than we would anticipate. I think that's unlikely, but I can't rule it out entirely. And is able to press for more sort of terms on their—I'd like to press for more of their terms. So that's sort of where I'm at on it. But I think we ought to be focused on trying to help Ukraine through the winter and ensure that they are continuing to impose costs on Russia. The frontline is fairly static and there's asymmetric attrition. And then we need to figure out with Ukraine what is actually the bottom line on a deal that would be acceptable and how would it be be sort of monitored and implemented. And that is a lot of complicated work that I don't think has really happened. I think some European countries are doing it. I don't think the US is all that engaged in that part.

[00:38:30.26] - Cecilia Malmström

That is gloomy. I see you nodding as well, Elina. The European Commission just decided upon a $3 billion support for drones, radars, and ammunition to Ukraine, which is good, far from enough, but at least it's good. But on the other hand, they are trying now to raise money for next year. year for the Ukraine support. And in '26, they had special support of $19 billion or euros. And so far, member states in the European Union have only pledged $4 billion, and we're November right now. So it is looking gloomier and gloomier. We read every day about different hybrid attacks in Europe, some of them clearly from Russia, others not clearly if they are, but possibly. And we also see a wave of pro-Russian, quite extreme right-wing parties growing in European Union. We have elections in France, presidential elections in April. A lot can happen until April, but so far Marine Le Pen is leading the polls and she clearly wants to cut down support for Ukraine and negotiate with Russia. We see the same thing with the Alternative für Deutschland in Germany, in Slovakia, other parties, pro-Russian parties coming up as well. And we have lots of elections coming up the coming 12 months in Europe.

[00:39:53.12]

So will Europe hold? Because that is of course key if anything is going to happen, that Europe still keep being pesky vis-à-vis Russia. But a lot of things can happen until next spring. How do you see that, Alina?

[00:40:09.10] - Elina Ribakova

Well, I see that Russia is spending money wisely. So I think Russia does a lot of, and we've talked to Tom before, I've asked Tom for advice on this. Russia has never quite stopped the old Soviet active measures, and they still have their Russian researchers who are now abroad. There are others, former—some of the former CIA staff that are publishing and writing about it, is that Russia does have its—there's Risto Grozdev's investigations—has access to certain political leadership in Europe. And it is planting stories in European press together with Iran now, actually. This French protest, they've also now—the Iranians are also coordinating with the Russians how to emphasize these stories. Yeah. Russia today is still now not Europe, but bringing people from Global South, from Asia, from Africa to Moscow to get training, how to report better, to have the seminars, you know. So there are a lot of things we as Europeans do not do to project our positive power and resist this foreign influence. While Russia, of course, is doing very well and doing sometimes worse than others. But I think on their communication on social media, I think they're doing good strategies.

[00:41:21.02]

So I think that is—

[00:41:22.01] - Cecilia Malmström

Really, with all the riots that has been going on. Exactly. Exactly. There's been a very high presence of Russian trolls and people who want to disperse an image of Europe in ruins and burning and difficulties and divisions and so on.

[00:41:36.24] - Elina Ribakova

Absolutely. Absolutely. And then reports, at least from Hristo Grozdev and also others, in terms of some of the European politicians being in the pocket of Russian forces. So I think we shouldn't fall into the trap of thinking genuinely that people are believing this just because they genuinely believe. We also have to understand that some of it is just Russian external influence, and we need to fight that Russian external influence rather than worry that, oh my goodness, how come European citizens do not want to continue supporting Ukraine? So I think that's one of the The second part, which I think is critical for Europe, whether US changes in the US administration, negotiations with Russia, anything with Ukraine, is to rethink its defense strategies. And I think Nordic-Baltic Alliance has been much more serious about coordinating from ever since Trump election. But we do still have an issue. We want to cooperate with NATO closely, but we also need to have our own processes and we also need to have our own anti-missile anti-ballistic missile systems in Europe. And I think there is hope. You know, we do have

now, I think von der Leyen put it in one of her State of the Union, Freya project, which is a cooperation between Ukraine and a number of European companies.

[00:42:52.25]

It will be very difficult because they're just memos and memorandums of understandings. And I think Firepoint itself is not saying that they will be able to produce it quickly. In addition to that, the cooperation with European companies will be challenging, but there is hope that there will be an alternative in Europe to Patriots sometime within the next couple of years. And I think that is very important. Related to that, we need to understand how we respond to drone attacks, whether sort of it's a hybrid story or if it's a more massive attack, especially, you know, we from the Nordic-Baltic Alliance here with Cecilia, we do need to worry about that because any future incursion into European territory, any anywhere will unlikely to be little green men that Russia did in 2014 in Ukraine. It's very likely to be hybrid attacks, possibly together with the drone attacks. And do we have in our country's processes to respond to it efficiently? Bringing up planes on every little drone is not a strategy. So there has to be a multi-layered defense, sort of including air defense for our countries on the front line, how to respond to Russia.

[00:44:00.00]

And I think that will also show to Russia that, look, if we are prepared, then it's maybe less likely to push forward somewhere else in Europe. And I agree with Tom that on one point it's very positive, would be very positive, a ceasefire, even temporary, for Ukraine. But it actually could be very worrisome to Europe because that could free up Russian efforts elsewhere. And that is something that we shouldn't forget about.

[00:44:28.12] - Cecilia Malmström

Hmm, that's a gloomy picture. So lots of things are being done. And even if there is an increasing awareness of the hybrid attacks and of the Russian trolls and trying to manipulate the debate and the image in Europe and trying to divide us, but the truth is also even among the established parties that there is a certain Ukraine fatigue and also very stretched budget in many countries as well. So the question is, of course, if this can go on. And the Commission presented its enlargement report this morning. And, you know, it still shows that, yes, Ukraine is welcome and lots of positive things are happening, but they're not doing very well. And it's taking a lot of time. And Moldova is actually, you know, doing—which, of course, they're not in war. So for lots of—it's totally understandable. But, and behind the scenes, lots of countries who support Ukraine are still saying that, well, maybe they couldn't join anyway. the future will be very complicated and so on. So we have a political issue here, even if so far there's a lot of

money, there's a lot of weapons being sent there. And if you're right, Tom, that maybe the war will go on until 2029, we will be in trouble in Europe as well.

[00:45:49.14] - Thomas Wright

Yeah, and not to be too gloomy about it, but if it goes on in '29, it will continue to go on past that. I think in that scenario, ago, it basically continues as long as Putin is in power. You know, I think it's just a, you know, a literal forever war. And I think no one obviously on Ukraine's side wants that. You know, I think Ukraine would accept a lot of deals that it may not have accepted a few years ago, you know, but there are certain things it can't accept, like giving up additional territory or accepting constraints on its military, whereas Russia has none after the war. I think those things are true red lines that are not acceptable. So I think on the Europe bid, I would just sort of add that I think one way to maximize the chances of a ceasefire is for those like Marine Le Pen who are sort of sometimes associated more with the anti-Ukraine position to make it clear that they will not go in that direction. Like that while she may not spend money on Ukraine, that she will continue to facilitate, you know, EU support for Ukraine because that is really the only way in which Putin will agree to a ceasefire.

[00:47:18.06]

Without that, he constantly thinks there's hope on the horizon, that Ukraine's position will change in some way, and that he can just hold on for longer. So if you're a European nationalist who doesn't really like Ukraine very much and wants the war to end, saying that and implementing that view in policy is likely to have the opposite effect. And I realize that's probably unrealistic in a lot of those cases, but I think that is a bit of a dilemma. There was some inkling, especially with Russia's shadow war in France in particular, that there was some sort of awareness on the right that this was a threat to France in some way that needed to be stood up to. So we'll see what happens there. I do think that while it will be complicated for Europe, I think it's still—an end to the war is still worth all of those complications, I think, and those can be managed. So if Russia's resources are freed I still have confidence that Europe's rearmament and preparation will be better and faster than Russia's recovery in some ways. And there are, I think, deterrence options that Europe has vis-à-vis Russia that it could implement.

[00:48:56.12]

So I think it will be net-net, it's definitely If we can get an end to the war next year or in 2028, that's a very good thing. But we should also be aware of preparing for contingencies that might arise out of that.

[00:49:14.05] - Cecilia Malmström

You were nodding, Elina. Do you agree with this? I agree with you.

[00:49:18.03] - Elina Ribakova

I think on the financing—

[00:49:19.01] - Cecilia Malmström

What you're saying is complicated.

[00:49:21.08] - Elina Ribakova

It is very complicated. Actually, I have a crazy idea in terms of the veto that on some top topics in Europe, I know we need the unilateral decision to change the unilateral decision system, but I think we need to change it. And there is an example of the Polish-Lithuanian Commonwealth, which collapsed because the parliament was dissolved all the time because one person, every single person had a veto. So maybe we could learn from that and on certain topics decide not to repeat that experience. But I think we haven't touched on reserve assets yet. I think some sort of loan—

[00:49:55.09] - Cecilia Malmström

No, I was just going—yes.

[00:49:57.05] - Elina Ribakova

Exactly. Some sort of loan idea, again, using Russian reserve assets. That's probably where we're going next year. And then before we dwell more into that, I do want to say that Ukrainians also need to make an effort. I know that they're providing defense of European flank at the moment. They're providing an important physical integrity protection service. But at the same time, there are also reforms that need to take place. And the government has at times been more on the populist side. And so they do need to sometimes take hard decisions. We do the tax reform, the this sort of favor—sort of this disproportion towards SMEs, which are in reality not SMEs, but large companies breaking themselves up and registering as if they're SMEs. That messes up with the tax collection, with the risk-based tax collection. It messes up with the economy. That's, you know, that they need to address that. And the same thing with some of the anti-corruption measures as well.

[00:50:53.24] - Cecilia Malmström

Absolutely. A long to-do list there. But let's, before we stop, let's talk a little bit about the frozen assets that are in Europe. The Belgian government is about to fall, by the way. So let's see if that changes anything because the now sitting and maybe outgoing prime minister has been personally very attached to that Belgium doesn't want to act unless it has a wide support from other member states. But the money's there and it really, there's really use of it. So what do you think will happen? What should happen? Eline, would you start?

[00:51:28.24] - Elina Ribakova

I'll start. I think that should be taken over. And I think we can talk about—there is talk about countermeasures from—I'm not going to get into legal arguments because I don't understand them enough. I'm not a lawyer. But there is a conversation about countermeasures, including from the UN. There is also conversation about sort of setting up the right legal ways of taking these assets from Belgium. I understand also Belgium's raising the question that we also need protection.

[00:51:56.21] - Cecilia Malmström

They're concerned that they will have retaliation alone. Absolutely. So the European solidarity. Yeah,

[00:52:02.28] - Elina Ribakova

absolutely. There has to be European solidarity on this topic as well. From the financial system concerns, I'm much less concerned because if you are not a country that is planning to invade a neighbor, you know, probably you shouldn't be then concerned about investing in European or US assets. I think it's—there are also measures that the ECB can take in the worst-case scenario of sort of complete spillovers. So again, on the financial side, I don't think we have an issue. I think there's the biggest issue where Russia maybe is not desperate enough to want this money back, but it's definitely desperate and understands it will change the balance if this money goes to Ukraine. And I think that's why also Russia has been so careful in sending very simple messages that this is fraud, that this is, you know, private assets that cannot be taken over. And, and this way sort of persuading some of the governments to back off. So I think reserve assets, the solution, if we cannot take them over, we have to think of creative ways of again doing the law And using them for for the for support of Ukraine, and then finally people who do bring up Versailles agreements, they should go and reread them.

[00:53:13.26]

Versailles agreements have nothing to do. I think if you put it on one to to a hundred, Versailles is a hundred. Taking over Russian assets is 1%. You know, so you know there those agreements have nothing to do what is being discussed at the moment, and also given the size of the damage that already far surpasses. surpassed the assets available that Russia has inflicted on Ukraine.

[00:53:38.12] - Cecilia Malmström

What's your view from the US perspective on this?

[00:53:42.01] - Thomas Wright

I would just add to that. I mean, obviously there's a lot of details and a lot of specifics, but I think when you zoom back, the basic case for this is that Ukraine will need reparations from Russia after the war, the cost of those reparations will massively exceed what is in the sovereign assets. They're obviously very unlikely to get additional reparations from Russia, but there is a legal way to do this where the assets are given to Ukraine basically almost as a loan. And if Russia pays reparations in the future to the value that is invaded, then those assets will be repaid to Russia. Now, obviously, that's not going to happen, right? They're not going to pay reparations, but if they did, they would get the assets back. And so it's basically an advance payment on reparations, recognizing that Ukraine needs those reparations now. So I think that's sort of the legal—there is a legal case for that that we developed in the Biden administration on on how to implement that. But I think that's the argument. I think the problem is that the US is opposed to it. And I think if there was any hope of moving Belgium or even France or other countries, I think it probably would've needed at least neutrality from Washington.

[00:55:18.05]

And I think Belgium has a point in one respect, which is some of this should be mutualized, right? So there should be collective responsibility. Yeah. Now, maybe some of their requests go way too far on exactly what that would mean, but I think there is potentially a pathway with the new government there. I think the problem is France, just with the election coming up and whether Le Pen will oppose that very, you know, on principle essentially. And so there is a bit of a clock here. But I would really strongly encourage European leaders to move on this and to try to move on it in a full way. And if not, then to look back, you know, to look at the loan or other options. We've come up collectively with very creative options to use this already, I think on a number of occasions. But I think, you know, this this is the key moment, both because of Ukraine's needs, but also because of the changing political dynamics in the EU.

[00:56:23.07] - Cecilia Malmström

Yeah, that's very clear advice. And I know there are lots of discussions ongoing right now trying to find innovative solutions and so on. But if you were advising the US administration and the Europeans, this would be very concrete advice to at least bring some positive element. Elina, do you have one last advice if you could whisper in the ear of Mark Rutte or Ursula von der Leyen?

[00:56:48.16] - Elina Ribakova

I think I would stick to better coordination among European Union countries. And we already talked about the veto. I think it's—I'm sure historians will put in the comments. I don't know the case of Russia paying reparations ever actually. I think there are some agreements have happened, but I think they then repudiated on that. So, so actually Russia has a history of not paying reparations. So we're pretty safe here as far as that could indicate future performance. And I think on the sanctions front, it's enforcement. Nothing happens without enforcement. I always give this example. We all pay taxes, income tax, but we submit a form and we sometimes get audited. Even the best of us, right? Imagine if we would submit income taxes and would never be checked. So something similar happens, even worse, with sanctions. So I think this—people laugh at European packages, but a lot of these packages is also maintenance. You need to keep on sort of running in order to stay still. And I think this is where Europe now also needs to take leadership because US for now has been rather demotivated of doing any further sanctions or enforcement of sanctions.

[00:57:55.11] - Cecilia Malmström

Elina Rybakova, Thomas Wright, this has been very useful. I've learned a very interesting discussion that I think we will come back to, unfortunately. But thank you for taking time. for sharing your expertise on this, and thank you to those of you who've been tuning in. Have a nice afternoon.

[00:58:11.10] - Thomas Wright

Thank you.

[00:58:13.26] - Elina Ribakova

Thank you.

[00:58:15.13] - Cecilia Malmström

Thank you.