

IUMI 2022: Russian forces could fall to defeat by November, says war analyst

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The only two realistic scenarios for Russia in the current Russia-Ukraine conflict are a stalemate or a significant defeat, possibly within 10 weeks, according to Dr Dominick Donald, Senior Advisor Herminius UK-London.

In his analysis of the current geopolitical situation in the region at this year's IUMI conference in Chicago, Donald said that Russia was likely to be crippled for a decade. China, meanwhile, was operating on its own timeline, but was targeting control of Taiwan by around 2030. This strategy was not dependent on the outcome of the Russia-Ukraine conflict. There were no direct implications for other geographies (e.g., Iran).

However, the implications of the war for shipping depended on whether the outcome for Russia was stalemate or defeat.

A big Russian defeat would see expropriations of foreign assets within Russia, long-term sanctions to prevent Russia rebuilding to a level where it could invade again, and the Black Sea becoming a NATO/Ukraine lake.

A stalemate on the other hand would result in sanctions easing, with Russia aiming for self-sufficiency so that it could rebuild its military strength. The Black Sea would remain contested.

Donald illustrated his reasons for thinking that Russia could be on the verge of military collapse by showing a picture of a recent operational T-62, a Russian tank that was nearly 60 years old. He noted that Russia had 12,000 tanks at the start of the conflict, and that 10,000 of them were newer than the T-62. "The only reason Russia is using this tank is because it has to", Donald said.

The newer tanks were not in the main lost in battle. They simply didn't work. Parts of the tanks, such as copper cables, had been stripped out and sold. Corruption amongst army members had led to a massive reduction in technical capacity.

Severance of Russia from the commercial world was likely to last as long as sanctions do, said Donald. The sanctions were as much about stopping Russia's influence in the west as anything else. That was achieved through amputation.

The Russian guidance systems often relied on Chinese microchips, but Chinese companies were reluctant to supply these, because they did not want to be seen by the west as sanctions-breakers. Putin had been surprised that China had not given him the degree of support that he had imagined.

Donald said that this was because Putin failed to realize that China's and Russia's strategic geopolitical aims were not aligned. While Russia, a relatively minor power (albeit one with nuclear weapons) wanted disruption in the west so that it could reassemble a Russian empire in eastern Europe, China wanted the existing system to continue, but with a country other than the US in charge.

This unwillingness on the part of China to back Russia with technology had meant that the sophisticated side of the Russian economy was now in a difficult position.

On Taiwan, that has been entirely separate from Russia-Ukraine. Xi Jin Ping had his own Taiwan timeline, wanting it back by 2030. China did not want a significant global geopolitical crisis that might undermine Xi Jin Ping's power. Xi Jin Ping would get his third term, but he did not want the potential downside that might result from China becoming involved in a significant crisis.

Iran was going to become "a slightly more tricky actor", according to Donald, but it was still keen on another deal with the US, "so at the moment it is containing the things that it might do. Broadly speaking, Iran is not at the moment interested in being extremely provocative", said Donald.

On the implications for shipping-linked business, Donald said that if there was a wholesale Russian defeat – with Ukraine taking back everything it had lost in the early days of this war and perhaps some of the ground that it lost since 2014, then expropriations of western-linked assets in Russia would follow.

A stalemate would see both sides more or less stop where they were, exhausted, with diplomats trying to turn a ceasefire into a treaty. That would result in sanctions easing, with the Russian strategy being to aim for self-sufficiency, so that it could build up its strength, learn from its mistakes this time round, and fight again.

When asked to call between the two, Donald said he thought that we were likely to have a wholesale Russian defeat by the end of November. The gulf between Russian capabilities and Ukrainian capabilities was widening all the time. There were fundamental flaws with the Russian military that could not be changed.

Freddy Furuland, of the intelligence and operations centre at the Norwegian Shipowners' Mutual War Risks Insurance Association DNK, noted that many observers had been surprised by the poorly trained, poorly equipped, demotivated

and uncoordinated Russian forces when compared with their opponents – a well-trained, well-motivated and well-coordinated Ukrainian defence force that was also now well equipped.

Ukraine's tactics of dividing, isolating and neutralizing had seen Russia lose perhaps 80,000 men in seven months, compared with 50,000 over 10 years in Afghanistan – another conflict where eventually public opinion forced a withdrawal.

Furuland observed that the manpower strategy for the Russian army remained the same as it had been for decades – rural Russians and others were put in the firing line while the sons of Putin's middle-class supporters in the cities stayed at home. Furuland did not see this strategy changing. Prison inmates and older people from the countryside would be recruited before the younger and wealthier male middle class in the cities. But a lack of manpower and a lack of materiel had repeatedly forced Russia to scale back on its operational ambition – while at the same time lying to their own population about what was really happening. Russian forces in occupied areas had instead had to fall back on brutality and atrocities.

The Russian hope was a return to a historical NovoRussia, consisting of most of southern Ukraine and leaving the rump as a landlocked country.

Its lowest acceptable achievement would be taking all of the Donbas and a coastal corridor down to Crimea.

Ukraine, meanwhile, would probably accept nothing less than regaining all of the currently lost territory. The current area occupied by Russia was about two-thirds the size of Italy.

Furuland said that more fighting had to be expected. Ukraine would probably enter Kherson and the northern Donbas. Cutting off Russian forces in Mariupol was likely to be an aim but would probably depend on increased external support. While Furuland felt that the safer more conservative strategy would be for Ukraine to pause when the weather deteriorated, and to wait for Spring, there was a possibility (danger?) that Ukraine, buoyed by its strong recent counter-attacking successes, would continue to advance well into the winter. While this had a potential upside of "winning the war" quickly, it also had the downside risk of Ukraine repeating the mistakes that Russia made in the first place – heading into areas where Russian was the dominant language by far and sympathies lay less with the Ukrainian government.

Furuland noted that the Ukraine foreign ministry in August had raised the possibility of adding Mykolaiv to the Black Sea Grain Initiative. That port still contains 36 vessels that are blocked in and four which are damaged. The CTL deadline of February 24th, 2023 was now only just over 150 days away.

Suki Basi of The Russell Group, which has become an IPP with IUMI, noted that there was an element of "Back to The Future" about the current geopolitical

situation, with echoes of the geopolitical aftermath of Hurricane Andrew in 1992 – which caused insured losses of about \$70bn in modern money.

Hurricane Andrew 1992	Ukraine 2022
Change the insurance industry	Change the insurance industry
End of cold war	Start of new cold war
Start of globalization	Start of deglobalization
Russian federation formed	Russian expansion
Maastricht Treaty and start of EU	Brexit
Rising Interest Rates	Rising Interest Rates
Rising Inflation	Rising Inflation
Trade uncertainty	Trade Uncertainty