

How to Support Ukraine

Peace Will Require Ukrainian Strength

By Max Bergmann

The war and the world are turning against Ukraine.

The conflict between Russia and Ukraine has become a war of attrition, with the side that can tilt the manpower and armament balance in its favor having the advantage. While Ukraine mobilized heroically, and the West has provided substantial military support that has helped preserve Ukrainian democracy, Ukrainian mobilization and Western defense industrial production have not ramped up sufficiently. As a result, despite its fumbles in the initial invasion, Russia has found its footing, created a manpower pipeline, and **built up** its industrial capacity to fight a long war. It has **leveraged** its immense Soviet-era stockpiles of military equipment, and China, Iran, and North Korea have **provided** crucial support—including lethal military aid, dual-use technology to ramp up defense production, and now even **soldiers** for the front lines. The war has tilted in Russia's favor, and Russia is pressing its armaments and manpower advantage relentlessly.

Russia now sees a light at the end of the tunnel of this attritional war, and that light just got brighter with the election of Donald Trump. During the election period, President Trump was clear about his **skepticism regarding aid to Ukraine**. He has said that he would seek to **end the war** through negotiations, but the prospect for talks and a negotiated settlement in the near term is unlikely—not because of Ukrainian reticence, but because Russia has shown no interest in a negotiated settlement to the war unless its maximalist goals are met. There is now little reason for Russia to negotiate, as Russian President Vladimir Putin likely believes he can win the war—which, in his view, means the subjugation of Ukraine under Russian control. A negotiated settlement that preserves Ukrainian sovereignty and democracy will be a humiliation for Putin, even if Ukraine recognizes Russian dominion over the territories gained since the full-scale invasion.

This is not conjecture. Between October 2023 and April 2024, U.S. aid to Ukraine **slowed** and then came to a halt, as Congress debated whether to fund Ukraine's war effort. Ukraine was at its weakest during this period, having lost access to vital aid and having failed in its 2023 counteroffensive. But

instead of seeking to negotiate with a weakened Ukraine, President Putin recommitted to Russia's maximalist war aims and went on the offensive. This is telling. Should Russia believe it has a major military advantage and a path to victory, it will likely pursue that path. It may seem logical for Russia to seek an end to the conflict, given it has suffered more than half a million casualties. Yet it is precisely because of the massive costs it has incurred that settling for a cessation of the war, with hardly any of its initial war aims met, is likely anathema to Moscow. As the United States well knows, it is not unusual for a country at war to succumb to the sunk-cost fallacy and continue fighting on, even if chances of success are slim. Thus, if there is to be a negotiated end to the war, it will likely require either Ukraine gaining the upper hand militarily over Russia, or for the war to threaten the stability of Putin's regime.

Unfortunately, the outlook on Western support adds to the sense in the Kremlin that they can wait out the West, which only increases their determination to continue the fight. Historian Sergey Radchenko **observes** that the "reason for continuing the war is Putin's reasonable expectation that western support for Ukraine will decline even further."

Bringing about successful negotiations that preserve Ukrainian democracy therefore likely requires making clear to Putin that the West will not allow Ukraine to lose the war. There are two credible ways the United States and Europe can convey that message. The United States or Europe could threaten and prepare to enter the war to defend Ukrainian democracy should Russia continue to advance. Alternatively, the Western coalition could provide a massive military aid package to Ukraine that gives the country the means to defend itself over the longer term. The latter is far more likely, as neither the United States nor Europe have indicated a willingness to go to war for Ukraine. Thus, the focus should be on arming Ukraine.

Arming Ukraine should be done in a way that facilitates a dramatic ramp-up of defense industrial production. This will not only enable the West to support Ukraine over the long term and potentially shift the armaments balance in Ukraine's direction but also help revive the defense industrial base of the West, enhancing its ability to compete with China's military expansion. Should the West demonstrate its financial and industrial commitment, Russia may be convinced that the war is unwinnable and agree to come to the table. In other words, the approach should be "peace through Ukrainian strength."

A significant transatlantic effort to expand defense industrial production for Ukraine may be demoralizing for the Kremlin, as it will be a clear, tangible sign of the West's long-term commitment. While the Kremlin is dismissive of the West's rhetorical commitment to Ukraine, allocating funding to support Ukraine for the long haul will make it clear to Moscow that this war is not winnable on their terms. Furthermore, the West needs to understand that the necessity to support Ukraine will not end if there is a cessation of the fighting. Should a ceasefire be reached, it will then be a race between Ukraine and Russia to recapitalize their militaries before a likely third round of fighting commences. Ukraine will need—and should insist on—massive military support as part of any ceasefire agreement to deter Russia from attacking in the future.

European militaries will also need to rearm and restock after decades of underinvestment. Whatever Ukraine needs to fight this war is also what NATO militaries will need to deter Russia. Therefore, massive investments to scale up industrial production are not just for Ukraine but also for Western countries, and they will serve to benefit NATO's deterrence posture toward Russia.

Additionally, major Western commitments may also help revive Ukrainian morale and energize its flagging mobilization effort. Ukraine's military has a significant manpower shortage, as Ukrainian leaders have been reluctant to mobilize the country's younger population. While perhaps understandable, this has significantly handicapped Ukraine's war effort. A large Western aid package should thus go hand-in-hand with a much broader mobilization and training effort.

Yet the debate around the war and the main thrust of Ukrainian diplomacy has centered on issues related to escalation or Ukraine's NATO future. These are incredibly important issues, but they are secondary to the core task of arming Ukraine. Despite criticism of being slow and cautious, the United States and its Western partners have successfully escalated their support without triggering a broader war with Russia. Russia is currently suffering **1,500 casualties a day**, in large part due to Western weapons. Support that once seemed **escalatory**, such as providing long-range artillery, is no longer perceived the same way. The Russian frog has been boiled on a low flame when it comes to support for Ukraine. This policy success now needs to be fully exploited. The main challenge for the West is no longer whether and how to introduce new weapons systems to the fight; it is simply to provide much more of the systems that they have already provided. Instead of constantly pushing the escalation ceiling higher and higher, Ukraine and its ardent backers should focus on the primary need: getting more weapons. Thus, a new Trump administration does not have to push the boundaries of U.S. policy but simply keep doing what the United States has been doing.

This paper outlines the need for the West to focus primarily on shifting the armaments balance, which will involve a collective allied effort to bolster defense industrial production to aid Ukraine. For Europe, a common "European Supplemental" is needed, as the current ad hoc approach of individual European countries each aiding Ukraine separately and sporadically—which provides a wide array of systems—needs to change. A common European, and preferably EU-funded, effort is needed, and this paper outlines four ways to find the required funding. Once funding is provided to ramp up production, Western militaries need to take more managed risks with their own equipment stocks, and therefore the readiness of their militaries, by providing Ukraine more from their own stockpiles. For the United States, the most straightforward course would be for the Trump administration to pursue another supplemental budget appropriation for Ukraine. However, recognizing that the incoming administration may be less interested in playing a leading role in Ukraine, this paper outlines other steps the new administration can take to support Ukraine, encourage Russia to come to the negotiating table, ramp up U.S. defense industrial production, and preserve the global credibility of the United States.

Shifting the armaments balance is also about impinging Russia's ability to access and produce weapons. The West needs to redouble its efforts to squeeze the Russian economy and its defense industrial production. This requires a multi-pronged effort to hit Russia with oil and expanded energy sanctions, stepped-up and targeted sanctions enforcement, and European efforts to pressure Beijing to curtail its industrial support for Moscow.

Ultimately, the situation in Ukraine is not hopeless by any means. However, after two and half years, the West's approach to aiding the country needs a refresh. The Trump administration's desire to end the war through negotiations is being welcomed by Ukraine. Yet it is unlikely that Russia will engage in productive talks unless the West's long-term commitment to Ukraine is made abundantly clear.

What Europe Needs to Do

Russia has shown its ability to adapt to changing circumstances over the course of the war. Europe's approach has remained ad hoc, though its military support has evolved over three broad phases. First, older equipment was quickly **taken from the warehouses of Western militaries**, especially old Soviet-era equipment from Eastern Europe, and seamlessly sent to Ukraine. Second, as that older equipment was cannibalized, European militaries provided more modern systems—but this often left Ukraine with a panoply of disparate systems, creating **inefficiencies** and a major maintenance burden.

Support for Ukraine has since entered a new, more expensive third phase, where equipment must either be procured from scratch or pulled from European militaries, which impacts force readiness. European states have been less willing to provide Ukraine with newer types of equipment that are in use by their own militaries. For instance, Poland may have **provided** its old Soviet fleets, but it has not been willing to hand over newly acquired systems. There is tension between support for Ukraine and meeting NATO defense planning goals: Former NATO secretary general Jens Stoltenberg has told countries that they should prioritize Ukraine support, but defense ministries across Europe are inevitably resistant to give away expensive new equipment when their own militaries face shortfalls and uncertain budgetary futures.

It is important to note that industrial production has increased in the United States and Europe, at times impressively so. Nonetheless, European militaries are depleting themselves, exemplified by **Romania** and **Spain** which have given away expensive Patriot missile systems. But a lack of large pools of funding has limited the expansion of defense production in critical areas and therefore countries' willingness to divest. While defense firms are adding shifts and working to expand production, they are often hesitant to invest the capital needed to open additional factories, particularly without long-term contracts. Since defense companies essentially only sell to governments, they are worried that demand will fall off, either due to the war ending or European governments not increasing defense spending. Thus, unlike other commercial industries that invest speculatively to build capacity to try to meet rising demand, the defense sector insists on receiving funding up front. Because of the scale of investment needed to incentivize expanding production and the time that it will take for this to reach the battlefield (often years), policymakers have hesitated to devote the significant funding needed for large long-term contracts. Thus, decisions that should have been made and funding that should have been allocated to ramp up production one or two years ago, or even three months ago, have still not been made. In Europe, this time lag has fed into a sense of helplessness and an excuse not to find ways to finance the war.

Europe therefore needs to create a European Supplemental Fund. Europe has done a **tremendous amount** for Ukraine, providing \$125 billion in total allocated aid with an additional \$116 billion to be allocated. As part of this support, the military aid provided by EU member states and EU instruments total \$46 billion. Yet European states are unable to meet Ukraine's military needs, and Europe has failed to make the big structural changes needed to robustly support Ukraine and rebuild its military capacity over the long term. This is not just due to the need for funding but also due to the disparate and disorganized nature of European military spending and procurement. A common EU supplemental fund, estimated at a magnitude of €100 billion, is needed to make large joint procurement orders.

Europe faces three big challenges in supporting Ukraine. First, it lacks robust and comprehensive military stockpiles after **decades of underinvestment**. Europe simply has less on hand to give to Ukraine than the United States does. Second, Europe's defense industries, in large part due to scarce funding, **lack production capacity**. Third, Europeans **operate** a vast assortment of equipment, meaning European aid amounts to less than the sum of its parts in terms of impact. European militaries rarely coordinate their procurement with other European states; as a result, their militaries face challenges in interoperability. European militaries would likely struggle to fight together in any meaningful way, as the maintenance and logistical challenges of operating so many different systems create a significant military impediment. Europe has provided Ukraine with a vast array of divested equipment, all of which adds training, maintenance, and operational burdens on Ukrainians.

These three challenges—limited stockpiles, a weak defense industrial base, and fragmented European militaries—are not just a problem for Ukraine but also for NATO and European security writ large. Aiding Ukraine presents an opportunity to revive the European defense industrial base and to streamline European militaries, but it will require moving beyond the current national approach to supporting Ukraine and rearming Europe. What is needed is a consolidation of the European support effort and a concerted defense industrial ramp up.

How Europe Can Fund This Effort

European rhetoric from political leaders, such as foreign and defense ministers, often emphasizes the importance of Ukraine. But the most critical European actors in this fight are the finance ministers, who have maintained a business-as-usual approach to the present environment, including putting back in place strict budget rules. Last year, the European Union agreed to **reinstate** its Stability and Growth Pact, which limits the deficit a country can run at 3 percent of GDP. This means a country like France, the second-largest economy in the European Union, will struggle to support Ukraine, as it has a deficit above **5 percent of GDP**, debt exceeding **110 percent of GDP**, and **surging** financing costs.

The European economy **has been hit hard** by the energy crisis stoked by Russia's invasion, which has significantly reduced European competitiveness through higher energy prices and undermined growth. European governments dealt with the crisis through emergency spending; coupled with the Covid-19 pandemic, much of Europe is left with a significant debt overhang. Thus, the solution of simply spending more is incredibly difficult for most European states (with the exception of Germany—see more below).

Additionally, many European states have sought to support Ukraine out of their regular budgets, therefore creating hard tradeoffs, limiting the amount of funding, and building significant uncertainty about the sustainability of such funding. It is apparent that European member states lack the budgetary space, the financial and borrowing capacity, or the will to properly resource the Ukraine support effort. National governments have not mobilized the capital needed to dramatically ramp up production of the items most needed by Ukraine, while individual states have put in orders but often at lower quantities, lacking the scale to prompt a structural production shift. A common fund could address this problem, and Europe has practical options to generate the funding needed.

- **Option 1: Issuing “Eurobonds.”** This is the most straightforward and obvious mechanism to inject immediate and massive amounts of funding into the European defense sector. The

European Union would simply borrow funding from capital markets. This would work in a proven and straightforward manner: The European Union would go to capital markets and issue bonds. The European Union has done this in the past when it **borrowed** in response to the pandemic for the NextGenerationEU recovery fund. EU debt **receives** a AAA credit rating, and the market has **clamored** for more EU debt, seeing it as a safe asset. This is something that the European Union is much better placed to do than NATO, both because it has done this before and because the European Union has a currency, the euro, which can be leveraged.

EU debt payments would be serviced through the regular EU budget, amounting to a modest annual cost. In his high-profile report on EU economic competitiveness, former head of the European Central Bank and Italian prime minister Mario Draghi **has called** for the European Union to create a safe asset to improve the functioning of European financial markets and improve the transmission mechanism of monetary policy. Moreover, the existence of wide and deep markets of EU debt could facilitate the international role of the euro. But servicing debt payments through the EU budget requires the issuance of large quantities of euro bonds that could be rolled over, just like the United States and other countries do on a regular basis. Therefore, issuing “Defense Eurobonds” could play an important role in stimulating Europe’s economy through additional investments.

The arguments against taking this step include ideological concerns (including Germany’s philosophical **opposition to debt**), bureaucratic politics (fear of the European Union’s expansion), and negativity about the internal political obstacles within the European Union. Germany is presently the main obstacle to Eurobonds, **rejecting** the idea at a European Council meeting held this past June. Germans have generally seen EU spending or debt as not benefiting them, exemplified by NextGenerationEU, which was focused on Southern Europe. However, in this case, Germany (and its large defense firms) would potentially be the biggest beneficiary. For instance, as part of the **European defence industry reinforcement through common procurement act** (EDIRPA) fund, each of the five cross-border projects receiving **€60 million** in support will include significant participation by Northern European member states. Issuing Eurobonds for defense would be the opposite of NextGenerationEU: Southern Europeans would be contributing to German and Swedish defense firms, and therefore to jobs in Western and Northern Europe, where most of the production would occur.

The European Union’s **efforts to seize** the profits of Russia’s frozen assets and leverage them into a loan, which has been negotiated through the G7, has been extraordinarily complicated. It would be much more straightforward if the European Union simply borrowed the funding itself and then used the profits of the frozen Russian assets to service the debt. Eurobonds is thus the easiest, most straightforward option for the European Union to generate significant funding for Ukraine. European states reluctant to do this by default are not prioritizing Ukraine; it is such an obvious option that opposition to it should call into question whether a country supports Ukraine.

- **Option 2: Seizing Russia’s frozen assets.** There are **more than €200 billion** in frozen Russian assets in European financial institutions. The European Union is currently seizing the profits that

this money is generating to buy weapons for Ukraine and to support Ukraine's defense industrial production; it could do something similar with the assets themselves.

However, the **European Central Bank**, international **legal experts**, and **economists** are nervous about seizing these assets, highlighting the potential threat to the euro. Many experts believe that the legal basis for this kind of action is questionable and that emerging countries and investors could sell their euro-denominated bonds to avoid future expropriations, undermining the international role of the euro.

The European Union's reluctance to issue joint debt is backed by legitimate concerns among the fiscally hawkish EU member states. But if the European Union is unwilling to issue debt, it will be difficult to establish the euro as an actual reserve currency. While seizing frozen Russian assets seems like an entirely sensible option, it is legally and bureaucratically complex. Laws may have to be changed or amended for it to happen. But if the European Union refuses to borrow, it remains a sensible course. It could also be done in tandem with the issuing of Eurobonds, with these funds going to Ukraine.

- **Option 3: Creating a common fund out of mostly national contributions.** This is currently how the European Peace Facility has been funded, with EU member states contributing national funding proportionally into a common pot to incentivize and facilitate aid to Ukraine. This has been a huge success. But there is a growing challenge with member states, particularly Germany, which has become reluctant to contribute more funding, and Hungary, which has **blocked aid** to Ukraine. Other countries, including France, now face growing budget shortfalls. In summary, it is unlikely that European member states will be able or willing to contribute significantly more funding out of their national budgets unless the European Union makes budgetary exceptions to its Stability and Growth Pact.

This option is also difficult because Germany is the biggest defender of a **hawkish interpretation** of the new fiscal rules. Moreover, with a common currency, fiscal rules on debt and deficits of member states make sense—just as how individual U.S. states must maintain a balanced budget while the federal government is allowed to operate a debt and deficit with a common currency. But in the European Union, the member states are restricted and there is no significant federal fiscal capacity or joint EU-level borrowing. Thus, if the European Union is not going to develop a centralized fiscal capacity, it needs to allow member states to spend more (i.e., decentralized fiscal capacities). That will not happen, as the new fiscal rules will be enforced with Germany's support.

- **Option 4: Germany pays.** This option involves continuing to support Ukraine with loosely coordinated national aid. If this status quo remains, then it is incumbent on countries with fiscal capacity to provide dramatically more funding—primarily Germany along with the Netherlands and some Nordic countries. Berlin would likely protest, noting its already significant **contributions** amounting to €11 billion in military assistance, second only to the United States. While this is a significant amount, it does not bridge the gap or get Ukraine where it needs to be militarily. However, if Berlin continues to block the three other mechanisms to fund an expansion of Ukraine aid—all of which would require comparatively little from Germany

financially (especially options 1 and 2)—then the last resort is that Germany will need to spend significantly more. Doing so would be difficult for Berlin, not fiscally but politically. Germany has a constitutionally enshrined **debt brake**, requiring a balanced budget. This was significantly hardened by a **ruling** of Germany’s constitutional court in 2023 restricting the use of off-budget funding vehicles. Berlin may be able to fund Ukraine aid as an emergency provision; if not, it would have to amend its constitution to remove the debt brake.

In summary, the major obstacle to a dramatic ramp-up in European support for Ukraine is not fiscal or economic but political. There are ways to finance Ukraine and military spending. But the unwillingness of Germany to get serious about long-term funding for the war effort is a major obstacle. A change of approach in Berlin could unlock significant aid. U.S. and Ukrainian diplomatic efforts should be focused on pushing Berlin on this issue. This approach would relegate the delicate issue of whether Germany could supply Ukraine with long-range Taurus cruise missiles to a secondary topic.

How to Implement a Common European Supplemental

Should the European Union generate funding through borrowing or member state contributions, it would then have to take on the task of implementing the supplemental bill financing a Ukraine aid package. This will be challenging, as it would push the European Union into new territory when speed is of the essence.

There is significant momentum in the European Union on defense, with the establishment of a **new EU defense commissioner position** taken up by former Lithuanian prime minister Andrius Kubilius. The new commissioner’s portfolio should focus first on defense industrial production for Ukraine. In the last year, ideas have been discussed for a **massive EU defense fund** to support the rearmament of Europe. That is entirely sensible, but EU officials should focus first on the war at hand and ramping up the production needed for Ukraine. To implement the fund, the European Union should take the following into account.

- 1. Let Ukraine pick the systems and requirements it needs. In short, let Ukraine lead in doing the shopping.** The European Union should essentially give Ukraine a menu of European procurement options, with systems and timelines. Ukraine, for instance, may decide it wants Swedish and Finnish vehicles, French artillery, and German tanks. Of course, Western military officers should be involved in advising. What Ukraine is asking for must make sense and be scalable; if a system cannot be ramped up at scale in any reasonable timeframe, then it is not ideal. The European Union, European defense firms, and member states should all have input. But Ukraine in the lead will reduce the political pressure on the European Union, with member states and companies lobbying it for contracts, as Ukraine will largely be driving the process. This method closely resembles how the U.S. security assistance system works. The execution of this fund should be closely coordinated with the United States and NATO to create a smart division of labor between efforts. For instance, if the United States can meet Ukraine’s need for a particular system, Europe can focus its efforts elsewhere.

Furthermore, what Ukraine needs to fight the Russians is also what Europe should buy for itself to deter Moscow. There is far too much bureaucracy within European defense procurement, with all 27 EU countries setting different requirements and specializations when on balance what

is largely needed are deep reserves of the same equipment that can be seamlessly employed by European militaries.

The long-term contracts should be big enough to meet both Ukrainian and European demand. If the war ends with Ukraine rearmed, but there are still four years left on contracts, that production can be absorbed by European militaries or even stockpiled by the European Union or NATO. A major lesson of the war is that stockpiles of old gear are useful and have a deterrent value on their own. **Ancient Soviet tanks**, mocked by Western analysts at the beginning of the war, are currently killing Ukrainians.

2. **The European Union will need to either build its own procurement capacity, use NATO or existing European multilateral procurement bodies like OCCAR, or leverage national agencies.** Procurement requires significant staff to manage and execute contracts and the European Union will need to ramp up its capacity. But the goal should be speed: not to build the weapons of the future, but to ramp up existing production with slimmed-down requirements to get systems to the field fast. This means that the European Commission and the European Union will have to accept greater risk with procurement and move forward without running long, competitive procurement processes. In response to Covid-19, the European Commission was able to do something similar, procuring vaccines on behalf of the bloc. The process led to a nagging scandal about the uncompetitive nature of the procurement process. Transparency in procurement is important, yes; but in this case, there is a war on. In addition, the European Union should be ready to leverage the procurement capacities that are present within Europe, in particular NATO, the Organization for Joint Armaments Cooperation (OCCAR), or procurement offices within national ministries of defense.
3. **Money will not solve all production problems, so Europe and Ukraine will need to procure from third parties.** The West has **discovered** that its defense industrial base is not fit for purpose. This is true on both sides of the Atlantic, where a post-Cold War focus on expeditionary and counterterrorism operations meant Western industry moved away from a focus on building at the scale needed for conventional warfare toward building more exquisite, bespoke, high-end systems. For instance, a crucial challenge in ramping up armament production has been a **shortage of gunpowder**. Thus, some of the supply chain and production challenges will take considerable time to unknot. More funding is not necessarily the answer to everything—but without it, nothing will get solved.

While the United States and Europe should keep scouring the global marketplace for weaponry, this should not be treated as a choice between ramping up production or buying from third parties. In the spring of 2024, there was a **debate inside the European Union** over whether to use funds to build up defense production internally, as advocated for by Estonia and France, or to buy from third parties, as advocated for by the Czech Republic. The answer, of course, is that the European Union should be doing both. Furthermore, the European Union and its member states are in some cases better placed than the United States to make these acquisitions, as some countries, particularly past purchasers of Soviet or Russian equipment, may be more willing to sell to European countries than to the United States.

4. **Funds must be provided to ramp up Ukrainian production of long-range strike capacity.** The European Union is currently **supplying** considerable funding through the frozen assets provided to the European Peace Facility to support Ukraine's **highly successful** long-range strike capacity. This should be nourished and built up, as it represents a division of labor that avoids Western concerns about escalation. If the West remains reluctant to allow Ukraine to expand its strikes on Russian territory with its weapons, it should provide the resources and technology to make the Ukrainian deep-strike capability as potent and effective as possible.
5. **EU member states and institutions should significantly scrutinize European defense companies.** European leaders and parliaments should challenge defense companies and conduct significant oversight of their practices. There should be immense public scrutiny and pressure on these firms to produce more and to do so faster. The European Union should also not be exporting equipment that is urgently needed in Ukraine to other countries—those recipient countries can wait.
6. **European defense ministries need to increase their willingness to give away more equipment to Ukraine for immediate aid.** The European Peace Facility needs to operate at a different scale, as European countries need to start giving away modern weapons systems from their stocks. This process will negatively impact NATO readiness and therefore must be carefully managed so that the training of units does not deteriorate too much. In this sense, the European Union is essentially providing insurance to defense ministries that if they give away equipment, they will have the funding to replace it. In the United States, this method has been a key part of the success of supplemental funding, as it has enabled the president to take equipment from the U.S. military, through “Presidential Drawdown Authority,” while giving the Pentagon the funding to replace that equipment.

What the United States Should Do

While it has been asserted in Washington that support for Kyiv is a **distraction** from the pacing challenge of Beijing, it is to the contrary: A focus on ramping up support for Ukraine will position the United States and Europe to deal with all manner of threats.

Take 155 mm ammunition production. At the start of the war, the United States was able to **produce** under 15,000 shells per month, but as a result of supplemental funding, it will reach production capacity of 100,000 shells per month in 2026. CSIS studies have **shown** that the United States faces a critical shortfall of precision-guided munitions. Ukraine support should therefore be leveraged to expand U.S. production capacity in essential areas for the U.S. military, such as air defense and long-range fires.

Failure in Ukraine will have broader implications for the credibility of the United States as an alliance partner. It will also impact the Chinese understanding of U.S. willingness to stick by its partners. Arguments about **U.S. credibility** can be a slippery slope in justifying continuing with costly policies, but in this case, supporting Ukraine is one of the most cost-effective and mutually beneficial policies that the United States and Europe can undertake. First, Ukraine is grinding down the Russian military, and in so doing weakening the Russian state. Second, aid for Ukraine is spent on **ramping** up U.S. and European defense industrial production and therefore crucial to pivoting the defense industrial

base from the high-end, small-scale “War on Terror” era to producing at scale for conventional war. Third, the money spent is spent domestically and therefore serves as a stimulus directly funding manufacturing jobs across the United States.

Should the new Trump administration be skeptical or unwilling to request a similar supplemental funding package like the one Congress approved in April, the administration could pursue other options.

1. **Request supplemental funding bill focused not on Ukraine, but on ramping up the defense industrial base to address global threats.** The new Trump administration could seek funding to ramp up production and scale of precision-guided systems. The funding could seek to serve a dual purpose: escalate the production of items needed for Ukraine and for the U.S. military in general. In short, the goal is to identify the military equipment needed by Ukraine that is also relevant to the Indo-Pacific and general U.S. force readiness and to provide funding for that effort.

For instance, air defense interceptors and systems are needed at scale, both in Ukraine and for the United States and its partners. This is also the case for HIMARS and ATACMS-type systems, as well as stand-off precision-guided munitions like JASSM and infantry fighting vehicles, which have proved critical for force protection. CSIS has **identified** stockpile and industrial-base production limitations as key challenges to deterring China in the Indo-Pacific. The supplemental funding would need to include language that authorizes the administration to provide the resulting weapons to Ukraine (as well as other partners) at its discretion, but not obligating them to do so. In other words, while this would not be a “Ukraine supplemental,” it could have a similar impact.

2. **Authorize lend-lease for Ukraine in a new supplemental.** At the beginning of the war in Ukraine, Congress authorized the Biden administration to initiate a lend-lease program. This ultimately was not taken up by the administration and the authorization expired. The reason it was not executed is because, unlike in World War II, it was not needed. The United States now has a mature and sophisticated security assistance system at both the Department of State and, more recently, the Department of Defense. Lend-lease during World War II was initially used to **work around** Congress to provide military aid to the United Kingdom, Soviet Union, China, and other wartime allies—the United States was “lending” the equipment to be used in war, knowing it would never get that equipment back. However, recipients were expected to pay the United States back (which the United Kingdom eventually did, **finishing** payments during Tony Blair’s administration, more than half a century after the war). Converting U.S. military support to a loan would add to Ukraine’s future financial burden but could be a good alternative should the incoming Trump administration not want to pass a traditional supplemental.
3. **Sell critical munitions and other materiel to Ukraine or Europe.** In this option, Ukraine or European countries could buy equipment from the United States, such as the increased 155 mm production. This could be done through the U.S. Foreign Military Sales process, although European states intending to transfer those weapons to Ukraine would then need a third-party transfer approval from the State Department. For Europe, such a step might be considered a

last resort, as like the United States, it would prefer using its taxpayer funds to build up its own defense industrial production.

Transatlantic Efforts to Squeeze the Russian Economy

It is often said that sanctions against Russia **have not worked**. But sanctions have **increased inflation** and imposed major costs on Russia. By some **estimates**, sanctions-induced discounts to the market price of oil deprived Russia of about 20 percent of the income it would have received otherwise. If Russia must acquire goods through third parties or use illicit networks or espionage to acquire Western technology, those added steps increase costs and create relatively brittle supply chains. Russian CEOs of defense companies are **complaining** about the rising costs of components, and there are signs that the Russian economy is beginning to suffer the effects of “**stagflation**”—stagnating economic growth and significant inflation. The West should attempt to take more aggressive, disruptive steps that serve to weaken Russia’s economy, deprive it of revenue, and deplete Russia’s war machine.

1. **Aggressively sanction Russian energy, which will benefit the U.S. energy sector.** The West has not significantly targeted Russia’s main source of revenue: its energy exports. There was significant concern in Europe over sanctioning Russian natural gas and in the United States over sanctioning Russian oil supplies. That reticence was driven by fears that removing Russian energy from the global market would spur even higher inflation. Russia stopped flowing gas to Western Europe through the Nord Stream pipelines, which later exploded. The end result was significant inflation and massive fiscal outlays (according to Bruegel, **€650 billion** was allocated across the European Union in response) to support affected consumers and industries. However, significant quantities of Russian natural gas have been stranded, and Russia lacks the technology to turn this resource into liquified natural gas.

Oil products **account** for around half of Russia’s budget revenue. The softening of oil prices given slipping global demand and increasing production—particularly in the United States—combined with inflation coming back down to the target rate of central banks creates much more favorable economic conditions for a robust effort to sanction Russian oil. Furthermore, with the U.S. election out of the way and four years before the next, the political concerns of an energy spike are significantly less. Should oil prices spike, Gulf states could be encouraged to produce more to offset any price spikes or to lower global oil prices.

The challenge is to hit Russian oil revenues without causing a spike in global oil prices such that the increase in oil prices offsets the budgetary impacts caused by decreased oil exports, making the effect of sanctions on Russia negligible. One option, suggested by U.S. sanctions expert Edward Fishman, is to put in place a similar kind of sanctions mechanism as the one used to target Iranian oil revenues under the Obama administration. Under this framework, purchasers of Iranian oil could only make payments to specially designated **escrow accounts** at banks in their home countries. Iran could only draw funds from these accounts to make purchases of humanitarian goods approved by the sanctioning authorities. If a bank holding these funds enabled unapproved purchases, it risked being taken offline from the international dollar system. This strategic use of secondary sanctions, if politically enforceable, could significantly lessen Russia’s ability to access oil revenues for its war effort, without spiking global prices.

Another possible option, directed toward the oil price cap enforcement, is to limit the build-up of the shadow fleet exporting Russian oil above the price cap—for instance, by sanctioning more Sovcomflot tankers. Sovcomflot is Russia's leading tanker group, and 14 of its tankers have already been sanctioned by the United States. The United Kingdom recently **sanctioned** 10 vessels previously operated by Sovcomflot that had since been reflagged. Designating the company's remaining 100 tankers would significantly limit Russia's ability to trade oil above the price cap and would have only a marginal impact on global oil prices.

Russian foreign and military strength is directly tied to high global energy prices. The Soviets, for instance, **pursued** a very interventionist global military and foreign policy in the 1970s when energy prices were high. When prices tumbled in the 1980s and 1990s, Russia was forced to retrench. Putin's efforts to **conduct** a more aggressive foreign policy have gone hand in hand with the increase in global oil prices.

2. **Step up sanction enforcement, particularly on exports to the Eurasian Economic Union states.** The European Union has put in place robust sanctions, but its capacity and efficacy in enforcing them is highly limited and contingent on the whims of member states. As Brookings expert Robin Brooks has **highlighted**, European exports to Eurasian Union states that are in a common market with Russia have skyrocketed. Additionally, exports to states like Armenia, Georgia, and Turkey have also **increased** dramatically. The European Union and its member states should work to aggressively curtail exports to these states, particularly focusing on any advanced technology.
3. **Pressure China over its support for Russia.** Europe is currently not prioritizing the issue of China's support for Russia's defense industry. Instead, EU-Sino relations have **centered** around the issue of electric vehicle tariffs. That issue is important, but the European Union should be making clear to China that its continued support of the Russian defense industry will have significant costs to its bilateral diplomatic and economic relations. China does not want to lose access to the EU market and likely perceives itself as being below the redline that European officials set in the spring of 2023 when they **pressed** Beijing not to provide lethal support to Ukraine. U.S. officials have worked to elevate this issue to European leaders, including pushing for strong language in the NATO **summit communique** in July and on repeated trips to Europe. The European Union in the meantime should come up with a potential sanctions package to put in place should China not throttle its support for Russia's defense production. The stakes will be high, but given the weakness in the Chinese economy, now is the time for the European Union to press.

Conclusion

A revived Western effort to finance Ukraine's war effort will send a clear message to Russia of the West's commitment. It may also help revitalize the West's defense industrial production and leave U.S. and European security on firmer footing. This will be costly, but it is a cost that both the United States and Europe can easily manage. Furthermore, continued Western support should go hand in hand with a renewed effort to address its critical manpower shortages.

The war and the world may be currently turning against Ukraine. But this is not a permanent condition. Russia is also suffering greatly, experiencing massive battlefield losses and economic strain. Europe, the United States, and Ukraine can turn the tide of the conflict back in Kyiv's direction. Doing so is likely the only way to bring Russia to the negotiating table. ■

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