Conflict Update # 156

August 19th, 2022

Conflict Assessment

Russian losses – 44,700 (+400) soldiers killed and 134,100 injured, 1,899 (+10) enemy tanks, 4,195 (+16) armored combat vehicles, 1,016 (+6) artillery systems, 266 (+1) anti-aircraft missile systems, 141 (+5) air defense systems, 234 (+0) warplanes, 197 (+0) helicopters, 795 (+2) UAVs of the operational-tactical level, 190 (+0) cruise missiles, 15 (+0) warships/cutters, 3,130 (+69) trucks and tankers, 76 fuel bowsers and 93 (+0) units of specialized equipment.

Key takeaways

US approves of Ukraine striking Russian-occupied Crimea - Attacking Crimea is fair game for Ukraine — and it has America's support to hit the Russians there.

A senior administration official told NatSec Daily the U.S. supports strikes on Crimea if Kyiv deems them necessary.

"We don't select targets, of course, and everything we've provided is for self-defense purposes. Any target they choose to pursue on sovereign Ukrainian soil is by definition self-defense," this person said.

After your host checked to see if the administration considered the peninsula sovereign Ukrainian territory, the official replied: "Crimea is Ukraine."

Putin's most dangerous "bad bet" is now unfolding - With the destruction of the bridges necessary to resupply and/or reinforce them, the estimated 20,000 Russian troops on the west bank of the Dnipro River are trapped, effectively surrounded by Ukrainian forces without the capability to break out or to fight for any extended period of time. Putin did not reposition these troops when he had the chance to do so, effectively leaving them stranded. As a result, some senior commanders have deserted across the river, damaging Russian troop morale in Kherson and elsewhere.

Ukrainian troops hit Russian positions In the east - A mobile Ukrainian light-artillery unit jokingly calls itself the Tour de Donbas, as it races between various positions. The crew targets Russian units around Lysychansk and Bakhmut in eastern Ukraine, seeking to prevent their advance and complement long-range artillery. While explaining the advantage of firing at closer range to RFE/RL's Maryan Kushnir, the troops launched multiple anti-tank rounds at the enemy.

Fire erupts at munitions depot in Russian border region near Ukraine's Kharkiv - The governor of Russia's Belgorod region, which borders Ukraine near Kharkiv, reported on August 19 that two villages had been evacuated after a fire broke out at a munitions depot.

Governor Vyacheslav Gladkov wrote on Telegram that no one was injured in the incident, which occurred during the night of August 18-19. He said the cause of the fire was being investigated.

Huge tank losses are blamed on 'inept' Russian top brass as MoD mocks 'poor' efforts of Putin's troops

Britain yesterday mocked 'the poor performance' of Russia's armed forces in Ukraine, blaming the country's top brass for their ineptitude and lack of discipline.

A daily intelligence report by the Ministry of Defence said Moscow had lost a large number of battle tanks because they were not equipped with explosive reactive armour technology – or ERA.

'Used correctly, ERA degrades the effectiveness of incoming projectiles before they hit the tank,' the report said.

'This suggests that Russian forces have not rectified a culture of poor ERA use, which dates back to the First Chechen War in 1994.' The report added: 'It is highly likely that many Russian tank crews lack the training to maintain ERA, leading to either poor fitting of the explosive elements, or it being left off entirely.'

British officials said 'the war has seen numerous failures by Russian commanders to enforce low-level battle discipline,' adding: 'The effect of these failures is likely a significant factor behind the poor performance of Russia's forces.'

Data released by Ukraine's military said their troops have killed more than 44,000 Russian soldiers and destroyed some 1,800 tanks.

The UK has given Ukraine almost 7,000 anti-tank missiles since Vladimir Putin's troops invaded the country in February.

Ukrainian military intelligence officials said yesterday that Russia has been forced to pull back 24 fighter planes and 14 attack helicopters from occupied Crimea after strikes on airfields in Saki and Gvardiyske. The retreat has seen the aircraft moved deeper into the annexed Black Sea peninsula, or to Russia itself.

Blasts behind Russian lines had major psychological effect on Putin – officials - Recent explosions deep behind Russia's lines in Crimea have had a major psychological effect on Moscow's leadership, with its invasion of Ukraine at "near operational standstill," Western officials have said.

More than half of the Russian navy's Black Sea Fleet combat jets were put out of action in blasts last week at the Russian-operated Saky military airfield in western Crimea – an area Moscow previously considered secure, officials said on Friday.

The Kremlin is busy seeking to allocate blame for the debacle and Putin is struggling to hide Ukraine's success from the Russian population, as thousands of Russians fleeing Crimea have streamed into the country, they said.

One official said: "Ukraine is now consistently achieving kinetic effects deep behind Russia's lines…

"The incidents have been having a material effect on Russia's logistics support, but as importantly, there's a significant psychological effect on the Russian leadership."

They added that the attacks had forced the Black Sea Fleet into a defensive posture and stymied Russia's ability to launch a successful amphibious assault on Odesa on Ukraine's coast.

It comes as the war has entered a phase of "near operational standstill," with neither side's ground forces having enough concentrated combat power to launch effective offensive actions.

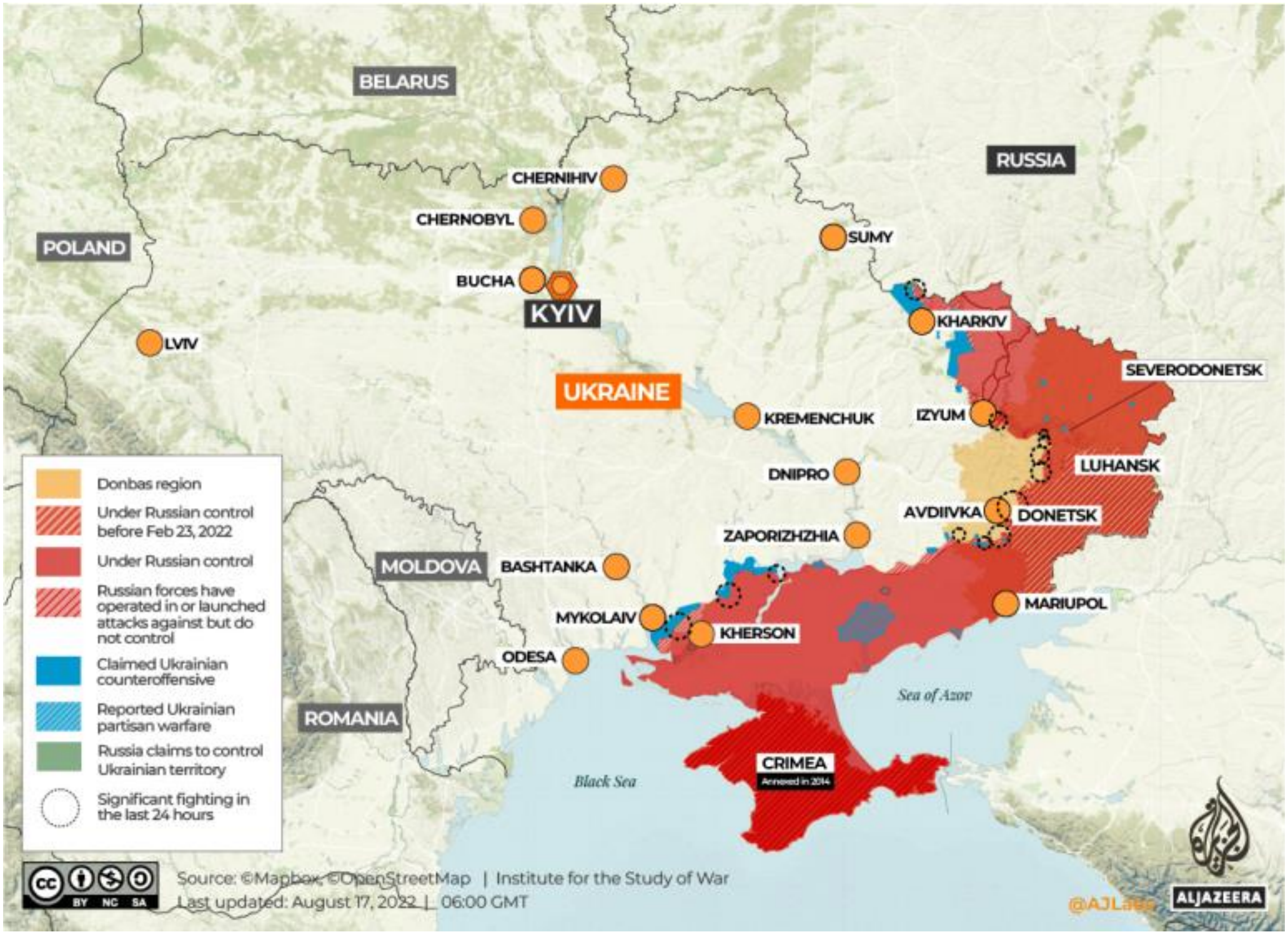
Russia is facing an increasingly acute shortage of stocks, even of basic munition, as well as manpower issues as it struggles to reconstitute its forces, the Western official said.

"There was a point when there was constant shelling, there was a real high point, particularly around the battle for the Donbas," they said.

"We aren't at that high point anymore.

Ukraine's new strategy for the next phase of the war - Ukraine's summer campaign has thus far taken out Russian command centers, decimated ammunition depots, and crippled supply lines with strikes on key pieces of infrastructure across the southern Kherson region. A large-scale push to retake territory, however, has so far failed to materialize, with Ukrainian frontline forces in the south largely pinned down in trenches and facing Russian artillery barrages.

These targeted precision strikes that Ukraine has been conducting against logistical targets throughout southern Ukraine, as well as in occupied Crimea, are part of a coherent Ukrainian counteroffensive in order to regain control of the west bank of the Dnieper River and the upper part of Kherson Oblast.



it's important to remember that strikes against Crimea do not violate Ukrainian commitments to Western partners about Ukraine's non-use of Western weaponry against Russian territory because this is territory that Russia illegally took, back in 2014. Since then, Crimea has become a massive Russian military stronghold, from the Black Sea Fleet to airborne forces. It is also where Russian supply lines run directly between Russia itself via the Kerch Strait bridge into southern Kherson, which directly supports Russian frontline troops.

Western observers have been expecting to see a grandiose, large-scale Ukrainian counteroffensive in Kherson, but the Russians have reinforced this territory and brought in equipment and units, creating defensive lines.

The Ukrainian response has since been to degrade the supply lines required to sustain those frontline positions so that over time they might be able to actually break through. Ukraine doesn't want to engage Russian defenses head on. What they want to do is to degrade it to the point where it actually becomes manageable.

The example of how the Ukrainians retook Snake Island is useful here. Ukraine did not retake Snake Island by sending airborne forces or launching an amphibious force to physically go clear the island. Instead, they did consistent strikes on Russian assets that were on the island to make it so that holding the island was extremely costly for the Russians until Russian commanders decided that the costs were greater than the utility of holding it.

We're seeing a similar approach now in the south around Kherson and to a degree in Crimea as well.

Russia has a concept of what they call national battalions, which are essentially an effort to generate volunteer units. They usually call them battalions, but they're putting together groups of between 300 to 400 troops per unit, often recruiting people with no prior military experience and in some cases sending them to the front line with just 30 days of training.

Russia will have difficulties mustering enough forces for effective combat power but will continue to try all it can to get soldiers without actually calling for a mass mobilization.

If Ukraine can successfully get this counteroffensive going in the next six to eight weeks to the point where they can sufficiently degrade Russian forces and hollow them out, expect also to see an uptick in more coordinated partisan efforts.

Explosions reported in Ukraine's Russian-occupied Crimea region - At least four explosions were reported in the Russian-occupied Ukrainian region of Crimea overnight near the Belbek military airport outside the port city of Sevastopol, according to local sources.

Ukrainian officials have avoided publicly claiming responsibility for the explosions, but an unnamed senior Ukrainian official was quoted in The New York Times as saying an elite Ukrainian military unit operating behind enemy lines was carrying out at least some of the attacks.

Other explosions erupted overnight near military bases deep within Russian-held areas of Ukraine and in Russia itself, an apparent display of Kyiv's growing ability to wreak havoc on Moscow's logistics far from front lines

Russia's repeat failures - Moscow's new strategy in Ukraine Is just as bad as the old one - When Russia invaded Ukraine in February, the Kremlin inadvertently put its military forces in an unsustainable position, ordering them to take on more operations than they could bear. It had nearly all its soldiers surge simultaneously and rapidly into Ukraine to fight along multiple fronts. It did so without taking necessary protective measures, such as clearing routes of explosives. It had its forces advance at an unsustainable pace. As a result, Russian troops were vulnerable to ambushes, counterattacks, and severe logistical problems that cost the military enormous numbers of soldiers and equipment.

That initial error was caused by the Kremlin's prewar delusions. Moscow was overconfident in its intelligence, in the ability of its agents to influence events and politics inside Ukraine, and in its own armed forces. It underestimated Ukraine's capabilities and will to fight. And it failed to account for a massive expansion of Western support to Kyiv.

But although Russia has had six months to learn from these mistakes, it appears poised to once again commit its depleted forces to an untenable mission: annexing and holding Ukraine's Donetsk, Kherson, Luhansk, and Zaporizhzhia Provinces, or oblasts. Holding this territory will require substantial amounts of manpower and armored equipment—particularly given that the regions have contested frontlines and that Russian forces in each experience organized partisan attacks.

And Moscow has lost its most advanced equipment, for which it does not have equivalent replacements. The Russian armed forces have also suffered tens of thousands of casualties, including well-trained personnel, and its current strategy for replenishment—recruiting new soldiers from a motley mix of communities and armed groups—will not create a combat effective force. There remains, in short, a mismatch between the Kremlin's goals for Ukraine and the forces it has to deliver them.

The Kremlin may continue with its plans anyway, concluding that by annexing these four regions, it can force a rapid end to this phase of the war, stymie Western support for Ukraine, and buy itself time to repair and regenerate its military. If Moscow cannot marshal enough resources to support this goal, however, an exhausted Russian military will struggle to hold a contested frontline of about 620 miles.

Even if the Kremlin pulls all levers available, declaring a general mobilization to call up sufficient armored equipment and trained personnel, that process would still take time. Russian forces, then, are likely to face very significant resource constraints in the next year or two. This may provide Ukrainian forces with an opportunity to push back against Russia's efforts to hold all four oblasts.

Running on empty

Russia's invasion of Ukraine began with high-profile losses. As Russian troops advanced toward Kyiv and Kharkiv, they were vulnerable to intense fires and ambush tactics from a committed and increasingly well-supplied Ukrainian military. After their offensive stalled and suffered heavy casualties, Moscow abandoned its plan to capture these cities. Instead, it concentrated its attacks on the Donbas—made up of Ukraine's eastern Donetsk and Luhansk oblasts—and southern Ukraine, both places where the Russian military has had more success. Today, these forces have conquered the entirety of Luhansk, the vast majority of Kherson, and over half of Donetsk and Zaporizhzhia.

Seizing Kyiv was critical to one of Moscow's key objectives at the outset of the war: fast regime change. When that failed, it downsized its plans, and now, the Kremlin's revised intermediate goal has come into sharper focus. Through a series of policy announcements, leadership statements, and targeted military operations over the last three months, it appears that Russia seeks to illegally annex the provinces it has entirely or mostly occupied, potentially as early as this fall.

Russia has laid the administrative groundwork for such a move. It has installed Russian citizens or officials to administer occupied Ukrainian territories, appointed instructors to teach a distorted pro-Russian curriculum in schools, changed Ukrainian Internet service providers and telephone area codes to Russian ones, and confiscated Ukrainian passports to force Ukrainian citizens to acquire Russian documents.

The recently installed puppet governments of occupied regions have announced so-called election commissions that could hold sham referendums on joining Russia. Moscow has created temporary security services offices in Kherson and Zaporizhzhia, nominally to help administer these southern regions but probably to break up partisan networks that could interfere with the annexation process.

Comment – Russia has also deported millions to Russia with the objective of lessening the number of "No" votes in any referendum.

For the Kremlin, annexation would be a means to a bigger end. Should Moscow declare these territories part of Russia, it could then proclaim a cease-fire and paint continuing Ukrainian counteroffensives as attacks on what it defines as Russia. Kremlin officials might also declare that their country's nuclear guarantees apply to all of what they consider to be the Russian Federation, as Russian Putin did after annexing Crimea in 2014.

Such a plan assumes that the threats would deter the United States and Europe from supporting Ukraine, prompting them to curtail or even cut off arms flows to Kyiv over fears of escalation. Over time, the Kremlin hopes, Western interest in and support for Ukraine will fade, allowing Russia to set the terms of the conflict's settlement.

Ukraine is highly unlikely to accept any annexation or cease-fire. Ukrainian President Zelensky has declared that "freezing the conflict with the Russian Federation means a pause that gives the Russian Federation a break for rest." Kyiv will almost certainly also continue to ask for Western assistance.

Ukrainian and Russian goals through the end of 2022 are therefore on a collision course: one side is working to prevent the conflict from ossifying along a frozen line of contact while the other works to attain precisely that outcome.

Muddling through

The Ukrainian and Russian militaries are entering a critical period in the weeks and months ahead, although for different reasons. In some areas, Ukrainian forces are outgunned, outranged, and in critical need of ammunition and certain weapons—thanks in part to Russia's efforts to disable Ukraine's defense industry.

But in the near term, Ukraine may have a more sustainable position. The country has sufficient personnel, Western support, and a strong will to fight. Russia, meanwhile, has experienced troop and material losses that will be difficult to overcome. It has lost huge numbers of personnel killed and injured and thousands of pieces of equipment. Russia's military has learned and adapted at the operational and tactical levels from its early defeats, shifting to new tactics that favor its superior firepower. But such battlefield adjustments are not enough to overcome the early and severe losses. These deficits will make it hard for Russia to successfully hold the regions it may try to annex. At a minimum, if the Kremlin annexes them this fall, it will be doing so at a time of great vulnerability. To succeed, Moscow will have to replenish personnel and equipment at scale—tasks that will prove extremely difficult.

Consider, for instance, Russia's shortage of soldiers. So far, Russia is taking an ad hoc approach to replenishing personnel, drawing from at least nine populations: active-duty troops stationed outside Ukraine, reservists, mercenary groups, Kadyrovtsy (fighters loyal to Chechen leader Ramzan Kadyrov), military prison battalions, foreign fighters, the National Guard, direct volunteers, and far-right neo-Nazi groups such as Rusich. This system is far from ideal. The Russian military and mercenary groups may be touting decent combat pay—over $3,000 a month—but they are offering short-term contracts, dropping recruitment standards, and providing only a few weeks of basic training.

Comment – It is now actively recruiting from Central Asian countries, making this the tenth population - and counting.

Russia could drum up more soldiers by reaching into the border troops or further into the National Guard. But the country's ability to generate personnel will also probably reach its zenith in the coming months unless it declares a general mobilization and drafts men from across the country. Even in a best-case scenario, however, mobilization would take at least several months to a year to confer an operational benefit. Russia's mobilization base, made of equipment in long-term storage and reservists with military experience, has been largely dormant for over a decade. Expanding the system nationwide, including by calling up military-age males with no experience, would strain it significantly; thousands of officers and noncommissioned officers needed to command mobilized units are currently fighting or have already been killed in Ukraine.

Russia's equipment problem is just as difficult to solve. According to US officials, the Russian military has committed 80 percent of its active-duty army, airborne, and marine units and their equipment to Ukraine, and it has already withdrawn additional equipment from long-term storage. Although Russia has thousands more armored vehicles and missiles in storage, they are less capable and more unreliable: gear in long-term storage, for example, is mostly old and in various degrees of serviceability, often kept for years in open fields. Russia's defense industry still has manufacturing capacity, but with its already bottlenecked and inefficient production lines under heavy Western sanctions, Russia will struggle to mass-produce new equipment on short notice. The Kremlin has taken initial steps to shore up this sector so it can better regenerate lost gear and expand its supply of missiles, but it will take many months to several years before these measures begin to show results.

Comment – The Kremlin is finding it extremely difficult to maintain and repair equipment already in the field, satellite images show hundreds of tanks and armored vehicles lying in wait for repair. Putin signed a new law that mandates mechanics to perform repairs and maintenance when instructed by the Kremlin to do so. Recovering old equipment as mentioned above, some of it forty to fifty years old and lying in storage, oftentimes out in the open, will be a mammoth task.

Kyiv has said its counteroffensive in Kherson is a priority, and it is striking Russian bases at greater distances—including a naval aviation base in Crimea. Russian forces in Kherson were the most vulnerable at the start of the summer, but in recent weeks, they have redeployed assets there from the Donbas.

Ukraine can complicate Russia's ability to fortify and annex this vital territory by using a method that worked in the opening phases of the war: inflicting battlefield losses so stark that Russia's military leadership becomes convinced their forces cannot hold the oblast and that their positions are, or will imminently become, unsustainable. To do that, the Ukrainian military must maintain a contested frontline, attack Russian command-and-control systems, and steadily thin out Russian forces to the point that they are combat ineffective in a particular area.

Russian military planners closely study whether their forces are combat effective, including attrition rates. For ground forces, military planners projected before the war that a unit becomes ineffective when it loses 50 to 60 percent of its original strength. They estimate that a regional command-and-control network is permanently broken when 40 percent of its equipment is destroyed. They believe that an air force squadron can no longer operate when it loses 70 percent of its aircraft. If Ukraine can create a highly contested frontline—just as it did outside Kyiv and Kharkiv—with attacks on command-and-control points, high rates of equipment losses, and large Russian casualties, it may again convince Moscow to withdraw.

But for such a Ukrainian strategy to have the best chance of success, it must be in progress before Russia attempts to annex the territory it holds; that way, Ukrainian attacks can deny Russia a foothold in an area like Kherson. And even if Russia does annex Ukrainian territory and tries to force an operational pause, Kyiv and its Western supporters don't have to comply.

Russia's overall ambitions for Ukraine, after all, remain intact. Moscow wants to annex large parts of Ukraine, it wants to demilitarize the country so that the government cannot fight against its actions, and it wants a pro-Russian leader in Kyiv. The sad reality is that annexing four regions is unlikely to be the end of Russia's mission in Ukraine, but just one phase in Putin's much longer project. Both Ukraine and its backers must be prepared for a protracted war.

Comment – We have commented extensively in previous War Updates on Putin's annexation strategy in order to invoke a declaration war to enable mobilization. But this will alarm Muscovites, from where the majority of mobilization will draw from. Hugely important also is the looming winter, set to kick in during December, which makes for very difficult military advancement. Both sides, and particularly Ukraine, are keenly aware hereof and are pushing for the strategic upper hand ahead of the onset of cold weather.

China

How Beijing is changing its rules around Taiwan - China put on an ominous firepower display for the world and Taiwan following House Speaker Nancy Pelosi's visit. Many have cheered Pelosi's bravery in visiting the isolated island, just 90 miles off the coast of a rising superpower.

There appear to be some changes in China's military posture toward Taiwan that will leave the beleaguered island more vulnerable. Three aspects of the drills by the People's Liberation Army, or PLA, are most troubling.

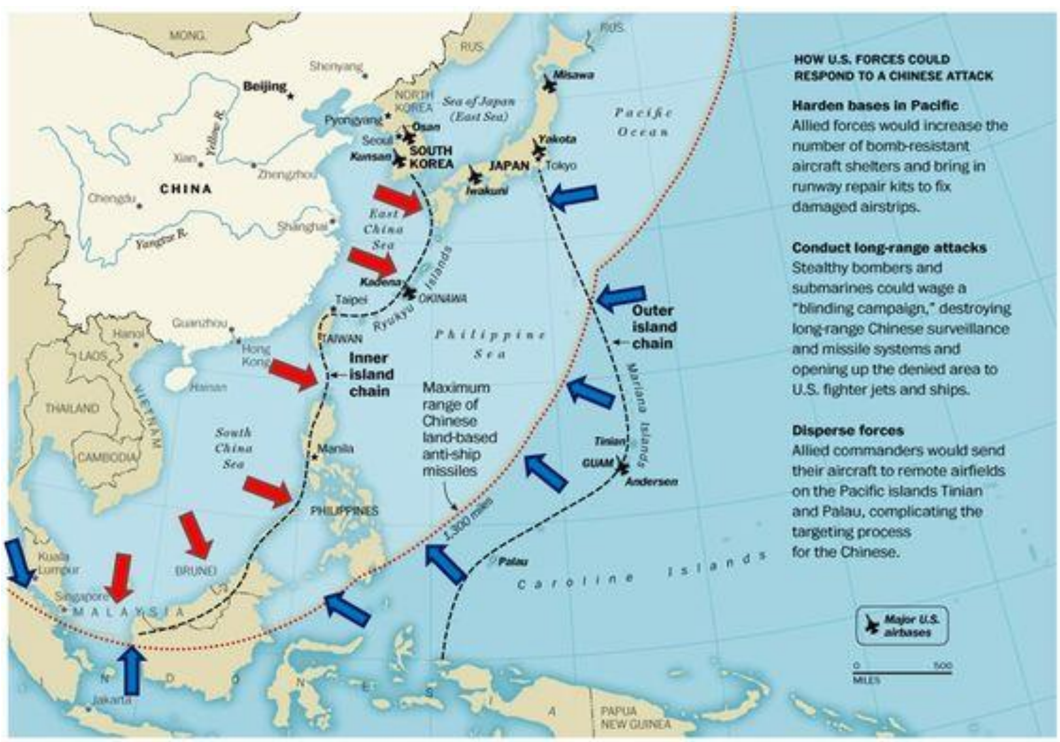
- First, the exercises involved quite extensive and brazen movements along **Taiwan's relatively sheltered eastern shores,** the area through which the U.S. and its allies might hope to resupply and reinforce the island should China invade.

- Secondly and additionally, these exercises appear to be the **end of any dividing line** that had previously limited the deployment of Chinese forces near Taiwan. An informal median line has helped maintain peace in the Strait for decades, but Chinese officials have now made it clear that they no longer accept it. Indeed, Beijing has stated recently that Taiwan has no territorial seas; this seemingly new doctrine likely applies to the island's airspace as well.
- A third and final ominous conclusion from the exercises concerns the **types of fires used**. Not only did the PLA launch ballistic missiles over Taiwan in a dramatic display of firepower, but there was also a subtle message with the testing of rocket artillery fire into the Taiwan Strait. Rocket artillery is much cheaper and easier to launch than ballistic missiles. Rocket artillery that can reach across the strait would threaten radars, runways, munitions stores, headquarters and other crucial defenses, and could be used to coerce or in preparation for invasion.

While China has nearly all it needs to conduct a swift conquest of Taiwan, there are still vital pieces missing on the naval side, in particular. Thus, it is telling that on Aug. 8, Beijing announced that drills around Taiwan would continue, and they would focus on anti-submarine warfare, or ASW. China has made much progress in this field, including deploying corvettes with towed sonar arrays and maritime patrol aircraft. Still, the Chinese fleet remains quite vulnerable, because its ASW helicopters are few and not very capable.

Beijing aims to change that. A recent issue of the Chinese magazine Ordnance Industry Science and Technology profiled the new Z-20F. The article says the new helicopter will quadruple the ASW search range for PLA Navy surface combatants from 50km to 200km. It will carry 20 to 25 sonobuoys, a large surface-search radar, and an "extremely advanced" magnetometer. In addition to "guided depth bombs," it will be able to carry two of the new Y-11K lightweight torpedoes, which have a sprint speed of 50 knots and a range of 25km. Underscoring the importance of this new platform for the future Chinese Navy, one may note the article explains that the PLA Navy will be looking to acquire more than 200 of these airframes.

Yet, at this point, the Z-20F remains in sea trials, and therefore China's ASW capability remains in doubt for at least the near future. The PLA Navy intends to employ sea mines and also to rely on the country's vast Coast Guard to help close this gap, but China will remain at a disadvantage to U.S. and other submarine forces. Other major parts of China's military arsenal also remain a work in progress, including its nuclear forces, aircraft carriers, and heavy bombers.



In the end, Chinese leaders understand that both sides are making intensive military preparations and that the Chinese military will never be 100 percent ready. Given China's extremely favorable geography for an attack on Taiwan, Beijing understands that victory over Taiwan is nearly certain, but the costs in blood and treasure could be exceedingly high—up to and including the loss of warships of great symbolic importance like its new aircraft carriers. Unfortunately, Chinese leaders seem to be very willing to pay such immense costs to achieve victory. This point about costs relates to the rather stark asymmetry of interest and national will that makes the Taiwan scenario so precarious for the U.S. and for the wider world. After all, most Americans could not find the beleaguered island on a map.

A realistic U.S. policy for Taiwan should accept the fact that China's calculus on Taiwan is not strictly rational. No matter how many Javelins, Stingers, Harpoons, Patriots and HIMARS are packed onto the small island, China is not likely to be deterred. Indeed, these weapons shipments could have the opposite effect: of lighting the fuse.

Washington would be wise to draw its red lines for the Asia-Pacific elsewhere and not over Taiwan. American leaders must act with the utmost caution to avoid a catastrophic superpower war over Taiwan that could quite easily slip over the nuclear threshold. (DefenseOne).

Comment – As laid out in previous War Updates, the US is sure to invoke its "First Island Chain" Policy in the event that China acts too aggressively against Taiwan (see alongside).

China is just as surely aware thereof, which is believed to present a serious deterrent against it conducting any invasion.

China doubles down on its warnings; vows to respond to US army drills in Taiwan Strait - A day after the United States confirmed its intention to continue military exercises in the Taiwan Strait, China reacted strongly and warned it will respond to the ongoing "US aggression". Taking to Twitter, China's Ambassador to the US, Qin Gang, urged his American colleagues to restrain from conducting any military exercise with Taiwan and added it would only escalate tension between the two countries.

"We noted that the US military said they would have a military exercise or navigation again," Qin wrote on Twitter. "I do call on American colleagues to exercise restraint, not to do anything to escalate the tension. If there's any move damaging China's territorial integrity and sovereignty, we will respond," he added.

China's economy on the brink of collapse like the U.S. in 2008; Here's why - On Monday, August 15, China's central bank cut a key interest rate, representing a second cut this year, withdrawing cash from the banking system.

Analysts believe that this divergence in policy compared to other major economies raising rates has to do with the government's determination to support the slowing economy, as reported by Reuters.

Moreover, real estate investor Graham Stephan took to Twitter on August 17, to share his perspective on the current state of the Chinese economy. He shared a thread in which he explains, among other things, that Chinese investors appear to be obsessed with real estate, tying up to 70% of their wealth in this market.

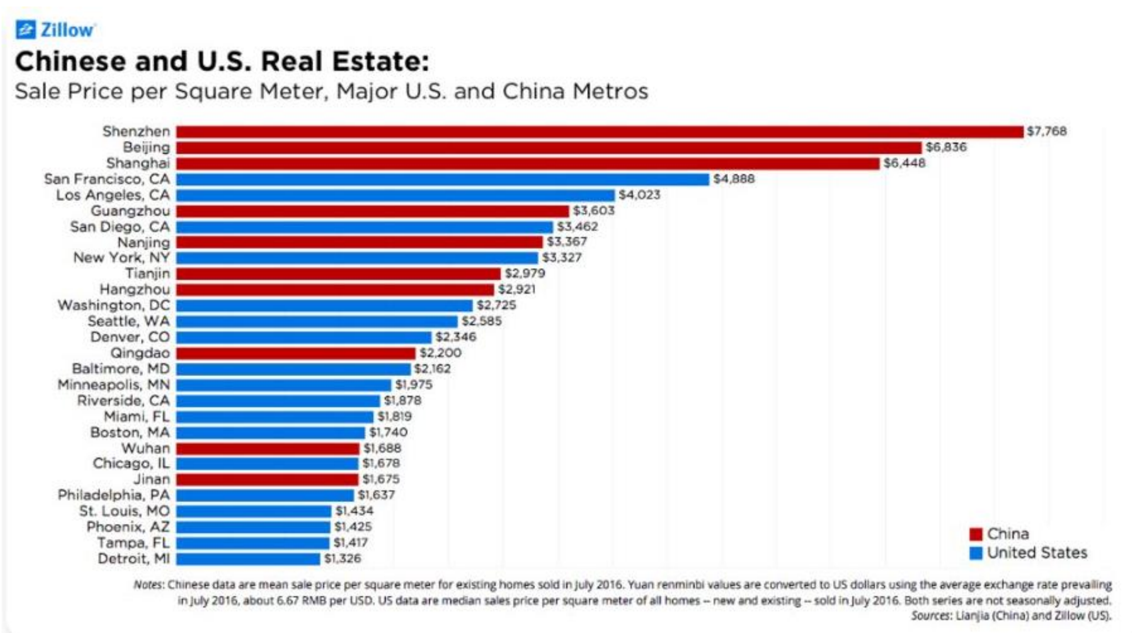
Due to the unreliability of the Chinese stock market, as the Shanghai Composite has not recovered from its 2008 peak despite China's GDP tripling since then, Chinese citizens prefer to invest in real estate.

> *"The Chinese economy is experiencing a near-complete collapse. Nearly half a million customers have lost their deposits as the banks lent indiscriminately to housing developers who are now facing cascading defaults. Here's the story the Chinese Government doesn't want you to know."*

According to Stephan, the median home price in Beijing can be as high as 25 times the average annual income, compared to New York, which reaches up to 10 times.

Such demand and high prices led to developers pre-selling homes that were not even built; they would then use that money to start new projects, creating a Ponzi-like cycle. As developers started defaulting on payments, the real estate crisis spread to banks loaning out money for projects, states Stephan.

"With reports suggesting that over 400,000 customers have fallen victim to such activities, public trust in the banking system plummeted, and the government stepped in to avoid bank runs and liquidity crunches. But their strategies seem, at best, questionable."



Such developments could lead to China missing its 5.5% GDP growth rate, now re-stated at c3%, which is something investors should keep an eye on. As Stephan concludes, Chinese companies have investments in U.S. equities; therefore, economic issues in China could lead to a sell-off with these holdings.

Regardless of the seriousness of the real estate crisis in China, investors need to be wary of various macro trends occurring around the world. Economies are still fragile due to shocks sustained during Covid lockdowns; therefore, abrupt sell-offs in equity markets could happen once a new exogenous shock hits the markets.

Impacts

South Africa could pay for its 'miscalculation' to side with Russia – experts - Top experts in defence and political science have cautioned that South Africa could pay dearly for its miscalculation to side with Russia, which is economically and strategically irrelevant to the country, as it might face retaliatory isolation from its genuine trading partners in the West.

Independent defence analyst Helmoed-Römer Heitman said the ANC's continued demonstration of its "slavish loyalty towards Moscow" was based on the "naive belief the Soviet Union felt warm and fuzzy about them," but it failed to understand it was a democratic state.

"In reality the support for the ANC was just one of the tools to annoy the US. Add a visceral hatred for the US and, to a lesser extent, other western countries [where they were hosted in exile] and you get things like their support to Russia, despite its unprovoked invasion of Ukraine. That, despite Russia being of zero economic or strategic relevance to SA," Heitman said.

Heitman described the relationship between Moscow and Pretoria and moves by some white South Africans to enter the anti-American fray, as a "rather funny situation."

"The right-wing whites have let their visceral hatred for the US lead them to also support the Russian invasion. Strange bedfellows," he said.

The problem was that the next time SA went begging, they may be less willing to help. Then, too, SA's smaller neighbors might wonder about the country's support for the unprovoked invasion and annexation.

“Unlikely to cause them sleepless nights, but it will be in the back of their minds,” he said.

Political analyst Prof Dirk Kotzé from the University of South Africa concurred with Heitman, saying the ANC had weak reason to support Russia because the Russian Federation was different to the Soviet Union, which gave it military support to fight against apartheid.

“Besides, South Africa is in a sort of non-aligned position on international relations, and … they are complicating their own policy of non-alignment.”

Russian Defence Minister Sergei Shoigu this week bragged about the presence of “military ally” SA and other African states at the 10th Moscow Conference on International Security.

Kotzé said Moscow was trying to demonstrate it still had support in Africa and parts of Asia. A number of countries had strong relationships with Russia such as Egypt, Algeria and India, due to the previous support they received from the Soviet Union. Many of these countries still used Soviet weapons, ironically from the Ukraine, where most ANC uMkhonto we Sizwe cadres were also trained militarily.

“South Africa has no military relationship with Russia, neither is it buying weapons from them and there were no joint military exercises between forces. “That South Africa is a military ally of Russia is not real, just an acknowledgement that Modise has attended their conference.

“SA foreign policy was based on democracy, respect for human rights and the application of the rule of law,” said Kotzé.

“In principle, SA should condemn any war. But the Ukrainian war is a foreign policy crisis for the ANC because it is seen as not following its own principles of non-alignment,” Kotzé said.

While President Cyril Ramaphosa understood the importance of being non-aligned, the ANC’s pro-Russian position is influenced by hawks within the department of international relations and cooperation.

Heitman said: “Russia has to brag about whatever little support it can find.”

Russian army recruiting forces from Central Asian countries - Russia’s military is running enlistment campaigns in Central Asian countries Uzbekistan, Tajikistan and Kyrgyzstan as the number of Russians willing to fight in Ukraine decreases, Ukraine's intelligence service (GUR) claimed.

Foreign recruits are being offered financial incentives, as well as Russian citizenship if they enlist in the Russian Armed Forces.

Additionally, GUR purports that young men from rural areas in Chechnya, Russia are being kidnapped by Ramzan Kadyrov's Chechen forces and forced to fight in service of Russia’s war efforts in Ukraine – causing discontent among Chechen citizens, who GUR says are outraged by the fact that Kadyrov is sending Muslims to participate and die in a "foreign" war.

GUR also reported in March that Syrian President Bashar Assad has promised to provide up to 40,000 militants to the Russian Federation for the war in Ukraine.

Containment

Sensing Russian stall, US Rushing arms to help retake Ukrainian territory - The latest weapons package includes MRAPs with special landmine-clearing devices–and brings the total to $10.7 billion.

Sensing Russia’s momentum has completely stalled, the US is rushing into Ukraine another $775m in advanced missiles, armored vehicles, and artillery to help Kyiv’s counteroffensive to retake territory, according to a senior defense official.

There's "a complete and total lack of progress" by the Russians now, said the official, who briefed Pentagon reporters on Friday.

The latest weapons package includes additional HIMARS rockets, 16 105mm Howitzer artillery systems, ScanEagle surveillance drones, anti-mine MRAP vehicles, Javelin anti-tank missiles, and more. It follows a $1 billion arms package announced last week and brings the total aid to Ukraine provided by the Biden administration to $10.7 billion.

"We have seen Ukraine employing HIMARS masterfully on the battlefield," the official said. "This long-range fire capability has really changed the dynamic on the battlefield. We want to make sure that Ukraine has a steady stream of ammunition to meet its needs."

The official, who spoke on the condition of anonymity because the deal has not been formally announced, said the ScanEagle drones would help the Ukrainian military target Russian forces.

Earlier this week after a call with Defense Secretary Lloyd Austin, Ukraine Defense Minister Oleksii Reznikov said more American-made weapons would soon be sent to Ukraine.

The U.S. official disclosed that the United States is sending Ukraine HARM anti-radiation missiles to target Russian radar sites. Ukraine has successfully installed the weapon on its Soviet-made MiG fighter jets, the official said.

In addition, the United States has worked to procure "thousands" of spare parts to keep Ukraine's MiG fleet flying. The official would not disclose the number of HARM weapons being sent.

The official also said National Advanced Surface-to-Air Missile Systems, or NASAMS missile interceptors, being sent to Ukraine would come directly from manufacturer Raytheon Technologies in the coming months, rather than from U.S. stockpiles.

The arms package also includes 40 MRAPs special rollers that can detect buried land mines. Fifty armored Humvees will also be sent to Ukraine, the official said.

"This isn't the end," the officials said. "We will continue to consult with the Ukrainians to make sure that we are providing them what they need when they need it."

US deploys more troops in eastern Europe – The is beefing up its military presence in eastern Europe as a reaction to the Ukraine war. It plans to redeploy troops from Germany to Poland and Romania and send more destroyers to strengthen NATO's naval presence on its southern flank in the coming months.

The US will establish a permanent headquarters of the US 5th Army Corps in Poland, acting as a forward command post and army garrison headquarters. There will be an additional brigade stationed in Romania to enhance Nato forces across the eastern flank, alongside other maneuverable US army units. It will also increase deployments of special operations forces, armored vehicles, aviation and air defence to strengthen the security of the region.

The emphasis is on combined operations with other Nato allies, using forces that have enhanced flexibility and combat readiness. The US will also deploy two additional F-35 fighter bomber squadrons to the UK and two additional destroyers at Rota naval base in Spain.

A significant element in Biden's statement was the clear commitment to defend "every inch" of Nato territory.

Ukraine receives access to ICEYE's synthetic aperture radar image on Crimean bridge connecting Russia

Ukraine is getting a massive boost in its military and government needs, especially with a pledge from ICEYE's synthetic aperture radar image on a critical location. The company would provide an image regarding the Crimean Bridge, a strategic look at what connects Mainland Russia to Crimea, where significant military operations recently took place.

ICEYE announced via its press release that it is providing Ukraine with access to its significant technology, something that would help in expanding its intel on the Crimea Bridge. It is one of the many access that Ukraine received from the company, which is also providing access to its SAR (synthetic aperture radar) satellite operations.

Putin

Putin's on the brink - In Vietnam, Afghanistan and many other conflicts, the stronger power lost because it could not win, and the weaker power triumphed simply because it did not lose. So shall it be in Ukraine, where the same process is playing out rapidly.

In less than six months, Russian President Vladimir Putin's war of choice has had catastrophic consequences — for Russia itself. It has led to a long-term Russian loss of political influence and energy leverage in the West. It has helped resuscitate the NATO alliance, which just a few years ago seemed to be on its last legs. And it has inflicted severe, long-term damage on the Russian economy, effectively erasing all of the gains made since the Soviet Union's collapse.

And what has Russia gotten for this? Only a few more slivers of land in Ukraine — land that the Kremlin may not be able to hold for very long.

Russia's elites already know this. As the body bags, wounded and discharged soldiers return to Russia, the Russian people are beginning to comprehend it as well. All of which increases Putin's domestic political vulnerability — and puts him under growing pressure to find some way to declare victory.

As a result, Russia's president has continued to double down on his campaign of aggression. Following its failure to take Kyiv, Kharkiv and other Ukrainian territories, the Kremlin retooled its strategic objectives, narrowing them to the more limited aim of fully conquering the Ukrainian provinces of Donetsk and Luhansk, both of which had been partially occupied since 2014. At great human cost, some gains have been made toward that goal. Overall, however, Russia's revamped offensive can be classified as a strategic failure, as more and more Russians die to temporarily hold non-strategic territory.

This failure, in turn, has caused other problems. The troops used for cannon fodder in the Kremlin's campaign have been disproportionally not ethnically Russian — something that has caused a souring of troop morale and stoked tensions between ethnic Russian troops and those from places like Buryatia (traditionally Buddhist) and Dagestan (mostly Muslim). Some soldiers are now refusing to fight, and discontent among their families presents a growing problem.

All this makes Putin's internal situation worse, as more and more members of Russia's power ministries focus on his ongoing — and disastrous — mistakes. Eventually, a critical mass of Russia's decision-making elites (those with guns or money) will conclude that the country needs to cut its losses by withdrawing its forces from Ukraine, because doing so would be a precondition for the removal of Western sanctions and allowing Russia to rebuild its army and economy.

How Putin's Ukraine war has made Russia more reliant on China - Despite Putin's imperial dreams, in the last six months China has increasingly dictated the direction of the partnership and squeezed more concessions from the Russians.

Just before Russia's invasion of Ukraine, Chinese Foreign Minister Wang Yi said that Sino-Russian strategic cooperation has no end limits, no forbidden areas, and no upper bound.

In the months following, however, Russia learned that the rhetoric does not match reality. While the wave of global sanctions on Putin's regime and allied oligarchs have seemingly strengthened political, economic, and military ties between the two countries, the real strategic effect for Russia has been increasing reliance on China.

And Chinese Communist Party leaders have shown no qualms about using this growing dependence to their advantage.

China has increasingly dictated the direction of the partnership and squeezed more concessions from the Russians, hiking up prices and walking a diplomatic tightrope with Western nations from which it can't afford to commercially detach.

Rather than making Russia great again, as hoped, President Vladimir Putin's war in Ukraine has instead deepened Russia's position as the clear junior partner in the Sino-Russian relationship, militarily and economically.

A review of open source information shows us that the war has not just confirmed existing Sino-Russian military cooperation but intensified potential imbalances. Despite Western outrage at the war, military cooperation between the two countries is still under way. China and Russia held their first joint military exercise since Moscow's invasion of Ukraine on May 24, with both countries sending out nuclear-capable bombers while President Joe Biden visited the region.

In July, People's Liberation Army troops, tanks, and vehicles set out for Russia to participate in the so-called "War Olympics." China has also indirectly supported the Russian war machine by exporting off-road vehicles for transporting command personnel, as well as drone components and naval engines.

The war's effects are most dire in the defense market, though. In 2014, Western sanctions gave Russia's military industrial complex new impetus to sell technology to the PLA. Today, the Kremlin has even fewer customers or partners, and its reliance on China's technology after its Ukraine invasion could accelerate burgeoning joint development and operations, if only for a while.

In the long term, Russia's struggling arms manufacturers cannot bet on China to sustain or grow them. China's increasingly assertive defense firms are already seeking out more customers on the world stage. The country increased its share of the global arms trade to 4.6 percent in recent years, putting it in fourth place behind the United States, Russia, and France. China is also building on what had once been a niche role in the now booming market in drone technology and modernizing its air force with domestically built aircraft that will also increase exports.

As China emerges as a competitor in the arms export market, the effect of sanctions and the poor performance of Russian gear bodes a gloomy future for Russia. Russia's arms sales to Southeast Asia had already declined sharply over the past seven years, dropping from $1.2 billion in 2014 to just $89 million in 2021. Chinese firms are in a good position to plug the holes that Russian firms can no longer fill.

Russia's comparative advantage in the global defense market has been that it has been able to offer advanced military technology at relatively low prices, and its willingness—bordering on delight—to sell tanks, small arms, and fighter jets to nations regardless of the character of their governments. China has shown a similar willingness to engage with unsavory regimes in their Belt and Road initiative and existing arms sales.

Furthermore, Russia might not be able to manufacture equipment at previous rates because of sanctions. Reportedly, some Russian arms plants have halted production as they face difficulties in importing source components. Currently, only three of the world's 40 biggest arms importers—Pakistan, Bangladesh, and Myanmar—buy a majority of their weapons from China. That could increase if China fills the market that Russian arms makers dominated, facilitating Beijing's continued rise as a major weapons exporter—and gaining the political and economic benefits that accompany that.

In trade, the two nations have a seeming synergy. Russia supplies China with important raw materials and energy, while Russia needs Chinese investment and high-tech products. Trade between China and Russia grew by 36 percent last year, to $147 billion, clearly an effect of the sanctions. In March, after Russia launched its invasion, overall trade between the two countries rose over 12 percent from a year earlier.

But those numbers hide the enormous and growing trade imbalance favoring China. In 2013, China accounted for 11% of Russia's trade. In 2021, the figure was 18%, while Russia represented a puny 2% share of China's trade. This imbalance is even more striking when considering that 70% of Russia's exports to China are energy related.

The war in Ukraine has accelerated these economic relationship inequalities and confirmed Russia's subservience to Beijing. China has refused to turn its back on Moscow, but it hasn't refrained from cashing in on its ally's plight either. For example, after being left with a near-monopoly following the mass exodus of Western manufacturers, Chinese car makers such as Haval have jacked up their prices by 50%, while Russia is selling its oil to China at a 35% discount.

For the moment, it appears that Beijing is not keen on rescuing Moscow with substantial economic lifelines and risking secondary sanctions. Most of its major banks, including the Bank of China and the Industrial and Commercial Bank of China (ICBC), have begun to restrict dollar—and possibly yuan—transactions for Russian commodity imports.

Chinese smartphone titans Xiaomi, Oppo, and Huawei have cut their supplies to Russia, and TikTok suspended services after blocking Russian state media. Huawei, which still operates in Russia, and other Chinese tech hegemons could not shore up the Russian market even if they wanted to. Huawei heavily relies on other chip suppliers, which generally employ U.S.-designed technology. In 2019, of the 50,000 5G base stations sold by Huawei, only 8% were free from U.S. technology or components.

The sum of these outcomes from the war in Ukraine is clear: Russia is accelerating its own decline as a world power, not just by failures to its Western border, but also in a loss of power in its relationship to its East.

Yes, in trading arms and natural resources to China, Russia gets a lifeline from Western sanctions. But it also risks becoming the ever weaker ally in the military relationship, while little more than a backroom supplier to an Asia dominated by China. The war in Ukraine has not just seen the Russian military humbled, but also forced Moscow into giving the Chinese preference in trade at below market rates, losing key global arms markets and long-term defense industry sales and capability, and losing autonomy from China by decreasing its own engagement with other partners.

So far, China has only mildly cashed in on its senior status in the partnership and has refrained from publicly humiliating Russia by demanding concessions, which is partly why the partnership has remained fruitful. However, if Russia's ultimate objective is to "get up from the knees," as Putin's supporters often claim, it will find that doing so on Chinese shoulders is not the way to get there.

Comment – Firstly, to replace western oil and gas exports, Russia will need to pivot to China and other Asian countries for sales of these, their exports totaling 70% of the foreign revenue base. To accomplish this, Russia will need to commission new and supplementary pipelines, all of which take years and vast amounts of investment to execute.

China may step up and invest – in line with its BRI – but it will see Russia becoming a "vassal" partner with China, and the world has witnessed the outcome of such relationships in Sri Lanka, Pakistan and other states around the globe.

In total, the US Energy Information Administration (EIA) assumes that about 80% of the crude oil subject to the EU import ban will find alternative buyers, mainly in Asia. As long as sanctions are not imposed by all the major oil importers, Russian oil will continue to find buyers.

The only alternative to pipelines is ocean carriage with bulk tankers. It is going to take a huge fleet to transport the replacement quantities in this pivot to new markets.

Secondly, Russia's crude oil quality is a challenge. It is generally accepted that crude oil supplied directly to a refiner or via an intermediate trader, shall be of satisfactory quality.

The answer to the question, "what is the best crude oil in the world," is based on two oil qualities: weight and sulfur content. Not all crude oil is the same. Just as there are different types of crude oil derivatives — diesel, gasoline, kerosene (jet fuel), fuel oil, bunker fuel, plastics, synthetics, cosmetics, household products, etc., — there are different kinds of crude oil. Different crudes not only have different ingredients, but the quality of every crude oil is different. Some crude oils are better than others. For example, West Texas Intermediate (WTI) is some of the best in the world and certainly the best crude oil produced on a large scale.

The difference in crude oil types, meaning the difference in crude oil qualities, means that there is also a difference in the prices of different crude oils. OPEC oil, “has a much higher percentage of sulfur within its natural make-up and therefore is not nearly as ‘sweet’ as WTI or even Brent Blend and since it is also not naturally as ‘light’ as well, the prices of OPEC oil are normally consistently lower than either Brent Blend or WTI.”

High-sulfur, heavy oils are the lowest quality and the least expensive on the global market. Low-sulfur, light oils bring the highest price because they are of the highest quality.

The price-per-barrel difference between high and low-quality crude oils can be significant. While it does fluctuate and the differences in price are not always extreme.

Sweet and sour are the industry terms for fuels that are low and high in sulfur content. The names sweet oil and sour oil come from the fact that oil which is low in sulfur has a sweet taste and high sulfur oil is bitter. Historically, when a well came in — began producing oil, — prospectors would taste the oil to determine its quality. Sweet crude tastes as the name implies and sour crude oil tastes rotten.

There are three reasons that high-sulfur crude oil is lower quality — therefore less expensive — than low-sulfur crude oils. The **first** reason is that high-sulfur crude oils **produce greater emissions**, particularly those emissions that are toxic and have a high global warming potential. The sulfur in sour crude reacts to different components in the air to produce toxic emissions like sulfuric acid and nitric oxide.

The **second** reason that high-sulfur crude oil is lower in quality is that **high-sulfur oils cause oxidation and corrosion**. Because of its high oxidation and corrosion qualities, refining high-sulfur crude oil is expensive. If a refinery is not properly fitted to support high-sulfur crude oil — and well maintained on a regular basis, — the oxidation and corrosion damage generated will exceed profits.

The **third** reason high-sulfur crude oil is less valuable is because **the higher the sulfur count, the lower the hydrocarbon count** — hydrocarbons being the component in petroleum that combusts and generates energy. “Carbon and hydrogen make up around 98% of the content of a typical crude oil type. The rest is made up of sulfur (1-3%), nitrogen, oxygen, metal and salts (less than 1% each).”

While a difference of only 3% may not sound high, the effect a 3% difference has on the price of a barrel of fuel is significant. “Each additional one percentage point of sulfur lowers the price US$0.056 per dollar of Brent [crude oil].” The reason being, the more sulfur a crude oil contains, the fewer hydrocarbons it contains on a volume scale. The more sulfur crude oil contains, the less energy it produces per gallon, barrel, or liter.

Heavy vs Light Crude Oil

American Petroleum Institute (API) gravity is the measure of the weight of crude oil. API gravity is a measure of the weight of a crude oil in relation to water. “If an oil’s API Gravity is greater than 10, it is lighter than water and will float on it. If an oil’s API Gravity is less than 10, it is heavier than water and will sink.” There are four classifications of API gravity: light crude oils, medium oils, heavy, and extra heavy.

Light crude oils have an API of greater than 31.1°; medium oils have an API of between 22.3 and 31.1°; heavy crude has an API of fewer than 22.3°, and extra heavy has an API less than 10.0 degrees. The larger the number of degrees, the lighter a crude oil. “API gravity [is] an inverse measure of a petroleum liquid’s density relative to that of water (also known as specific gravity).”

The lighter a crude oil, the more expensive it is. “Light Crude oil is liquid petroleum that has low density and that flows freely at room temperature. It has low viscosity, low specific gravity and high API gravity due to the presence of a high proportion of light hydrocarbon fractions. It generally has a low wax content as well.” The reason light crude oil is more expensive than heavier crude is because it produces the most gasoline and the most diesel, the two most sought-after elements of crude oil.

While API gravity and sulfur content are the two most common measures of crude oil quality, there is a third: total acid content (TAN). Total acid content is an important measure of quality because TAN directly affects the price of a barrel of crude oil.

“Each degree of TAN lowers the price by US$0.051 per dollar of Brent,” according to the Energy Sector Management Assistance Programme (ESMAP). The reason crude oil with a high TAN is considerably less expensive than other crude oil types is that it is highly corrosive. That means refining high TAN crude is expensive. “Mitigation of process corrosion includes blending, inhibition, material upgrading, and process control. Very few refineries are presently able to refine high TAN crudes so that most refiners need to blend them with other crudes before refining.”

The best crude oil in the world is found in Malaysia. “Tapis, the Malaysian crude benchmark traded in Singapore, has for a long time held the title of the world’s most expensive grade. Its lightness (43-45° API) and extremely low Sulphur content (0.04 percent) make for a highly valuable refining asset.” In fact, of the benchmark crude oils in the world, Tapis is both the lightest and nearly the sweetest. There is no other oil in the world with an API greater than 40 and only one with a sulfur content lower than .04%.

Canada’s WCS has a sulfur content of 3.43 percent and an API of only 20 degrees. WCS Crude has the highest sulfur content of any in the world.

Russia produces several different types of crude oil, but its main export blend is Urals, which is a medium sour crude. It also exports large volumes of ESPO blend crude to Asia, via the East Siberia-Pacific Ocean (ESPO) pipeline. Other grades include Siberian light, Sokol, Sakhalin blend, Arctic oil and Novy Port.

Russia also blends some of its heavier crude oil with lighter crudes in order to allow it to flow through its pipelines to refineries. It is also reported that Russia contracts with suppliers of foreign oil transiting its territory to blend their higher quality with Russia’s lower quality, where required, to boost Russian oil process.

Towards the end of April 2019, reports began to emerge that there was a contamination problem with Russia’s main export grade to the west – Urals Crude – transported via a pipeline known as the “Druzhba”. Initially the problem was described by Russian officials as a technical problem that would shortly be rectified.

As the problem developed, it was clear that up to 1.5 million barrels per day of Russian crude could be affected, with the potential to cause significant refinery shutdowns and possibly even damage to processing units.

GeoMilitary

US says China will ramp up its military and economic 'coercion' of Taiwan 'in the coming weeks' after agreeing to trade talks with the island as USAF nuclear stealth bombers soar over the Pacific - The US expects China to ramp up its military, diplomatic and economic 'coercion' of Taiwan, its top envoy in East Asia said yesterday, after Beijing's unprecedented drills around the island it claims as its own.

Daniel Kritenbrink's warning comes a day after Taiwain's military staged exercises to show its ability to resist Chinese pressure to accept Beijing's political control over the self-governing island, following new rounds of threatening drills from China.

'While our policy has not changed, what has changed is Beijing's growing coercion,' Kritenbrink, who is Washington's top envoy for East Asian relations, told reporters on a teleconference call.

'These actions are part of an intensified pressure campaign... to intimidate and coerce Taiwan and undermine its resilience,' he added.

Washington believes the drive to press the island's government will carry on in the coming 'weeks and months.

The US risked further infuriating China by agreeing to start trade talks with Taiwan, as announced earlier this week, with both sides saying they wanted to agree with 'economically meaningful outcomes'.

Washington and Taipei unveiled the initiative on 21st-Century Trade in June, just days after the Biden administration excluded the Chinese-claimed island from its Asia-focused economic plan designed to counter China's growing influence.

The move will ratchet up tensions with China that have already reached fever pitch after Nancy Pelosi's visit earlier this month.

It has seen the Communist state deploy planes and fired live missiles in the Taiwan Strait amid escalating fears of a war.

But the US has also showed off its military presence in the region as nuclear stealth bombers soared over the Pacific Ocean in a training exercise.

GeoPolitics

Bomb threats put tiny Moldova, Ukraine's neighbor, on edge - For tiny Moldova, an impoverished, landlocked nation that borders Ukraine but isn't in the European Union or NATO, it's been another week plagued by bomb threats.

On an overcast day outside the international airport serving Moldova's capital of Chisinau, hundreds of people lined up this week as bomb-sniffing dogs examined the vicinity. That's now a common scene in Europe's poorest nation as it battles what observers believe are attempts to destabilize the former Soviet republic amid Russia's war in Ukraine.

Since the beginning of July, Moldova has received nearly 60 bomb threats — with more than 15 reported so far this week — at locations ranging from the capital's city hall to the airport, the supreme court, shopping malls and hospitals.

While no one has yet been charged for the bomb threats, most of which have arrived via email and all of which have turned out to be false, officials say they have traced computer addresses to Russia, Ukraine and Belarus.

Tensions in Moldova soared in April after a series of actual explosions occurred in the Russia-backed breakaway region of Transnistria, where Russia bases about 1,500 troops in a so-called frozen conflict zone. It raised fears that non-NATO, militarily neutral Moldova could get dragged into Russia's war orbit. At least one Russian official has spoken openly of snatching enough land in southern Ukraine to link up Russian-controlled areas from the mainland to Transnistria.

Observers pointed out that the blasts came as Moldova — which has historically close ties with Moscow — showed a growing Western orientation and after it had applied to join the EU, which it did shortly after Russia invaded Ukraine. It was granted EU candidate status in late June, shortly before the bomb threats started.

Chisinau Airport has been hit by dozens of bomb threats since July and has bolstered security in response. Radu Zanoaga, head of border police at the airport, says a specialist unit has been established to save security officials the trouble of traveling in from the city center each time a bomb threat is made.

"At the moment, we are dealing with the situation in cooperation with other (state) bodies and institutions that operate within the airport," he said. "There have been bomb alerts before — but not as many and not as frequent as now."

GeoCyber

Russian hacking - Russian hackers are world-famous thanks to their clandestine work for security services.

Chipping away at China's chipmaking - The US has spent months blocking exports of vital tools for advanced chipmaking to China. The idea: to choke off China's chip-making capabilities.

The goal of a new measure is to cut Chinese access to tools, software and support mechanisms needed to build specific transistors, two people familiar with the administration's plans told Protocol's Max Cherney.

- The administration plans to block US exports of tools that print chips that involve a specific transistor type known as FinFET. It will also restrict companies that make these tools — including Applied Materials, Lam Research and KLA — from servicing equipment they've already sold to Chinese chipmakers.
- The technology is one of the fundamental building blocks of modern microchips, and is widely used to manufacture chips for servers, iPhones and more.

This is part of a bigger initiative: The US Commerce Department already placed an export control rule on advanced chip design software needed to produce next-generation processors.

- It sees China's chipmaking as a threat.
- Instead of just halting further progress in China, the US is trying to "roll back its current capability"

China isn't impressed by current U.S. semiconductor policy. Yu Xiekang, vice chair of the China Semiconductor Industry Association, has called the $52-billion U.S. Chips Act "discriminatory," Bloomberg reported.

US tool companies will feel the impact of the new restrictions. China makes up around 30% of their revenue, a chunk of which is from service and support, as the tools used to build these chips becomes more complex.

- At least two companies — KLA and Lam Research — have already received notifications from the government about tool export restrictions.
- Shipments of machines will need to be redirected but finding demand for the supply won't be too difficult in the current climate. "Ironically, we don't have enough chips to make the machines to make the chips we don't have enough of."

Putin losing information war in Ukraine, Says UK spy chief - Russia is failing to gain ground in the cyber realm against Ukraine, some 6 months after its invasion, the head of Britain's GCHQ intelligence service said Friday.

Jeremy Fleming wrote that both countries are using their cyber capabilities in the war in Ukraine, but that Putin's tactics are "irresponsible and indiscriminate."

"So far, he has comprehensively lost the information war in Ukraine and the West. Although that's cause for celebration, we should not underestimate how Russian disinformation is playing out elsewhere in the world," Fleming wrote.

"Just as with its land invasion, Russia's initial online plans appear to have fallen short. The country's use of offensive cyber tools has been irresponsible and indiscriminate."

Fleming noted that Russia is using the same playbook as it did in Syria and the Balkans, and said online disinformation is a major part of Russia's strategy. However, the GCHQ has been able to intercept and provide warnings in time, he said.

Without going into much detail, Fleming asserted that the UK's National Cyber Force could respond to Russian cyberattacks by deploying a UK military unit that employs offensive cyber tools.

In June, the United States warned of elevated cyber threats in the wake of Moscow's assault on Kyiv, as Western nations began to experience a rise in cyber-attacks on financial institutions since the war broke out.

All pipes lead to EU

Ukrainian is one of the globe's leading strategic oil hub - If you question the strategic location of Ukraine as pertains to oil moving from Russia to the EU, check out this map.