

Conflict Update # 34

April 19th, 2022

Conflict Assessment

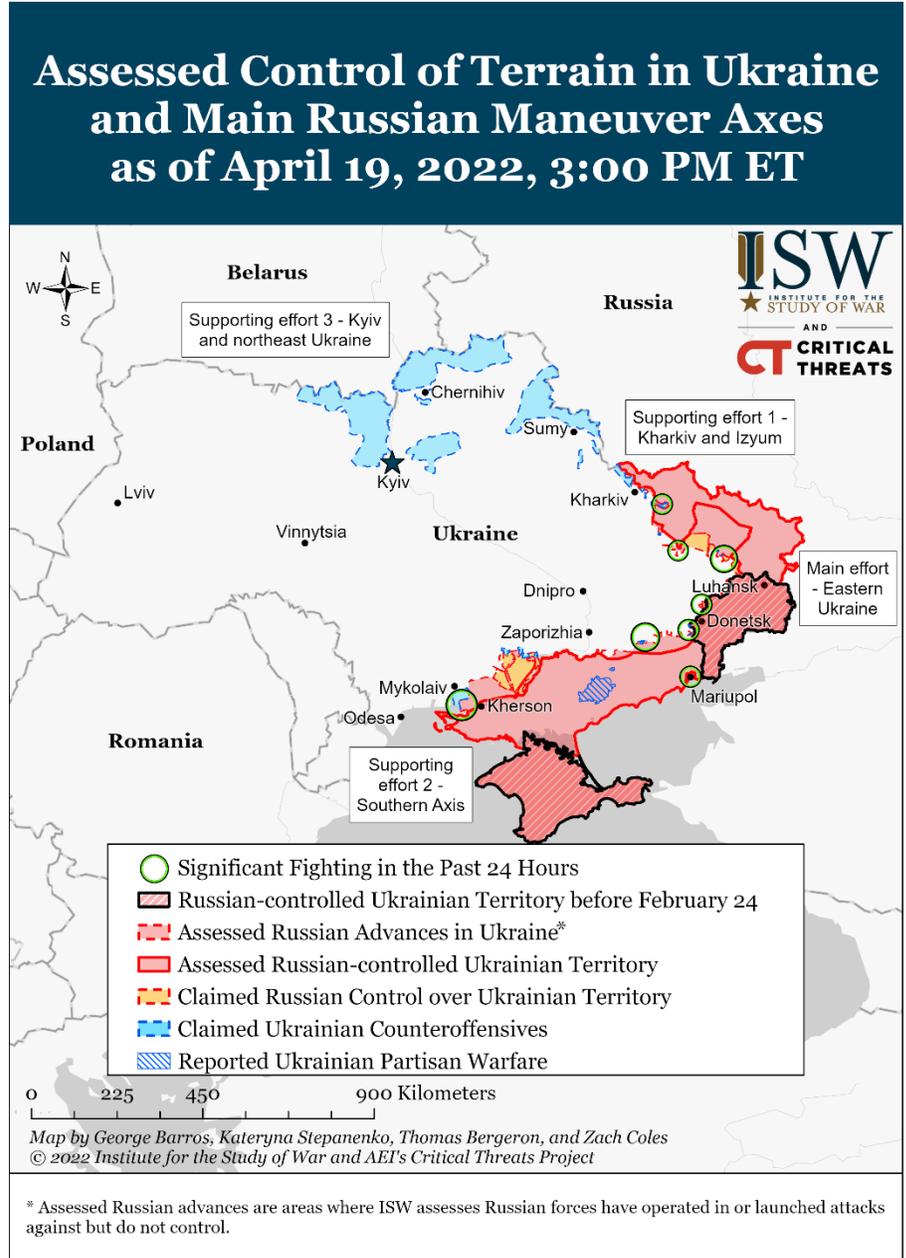
Russia unleashes 'Battle of Donbas' in east Ukraine, seizes city - Russian troops seized a frontline Ukrainian city on Tuesday, hours after starting a long-anticipated offensive in eastern Ukraine that the Kyiv government has called the Battle of the Donbas. Thousands of troops pressed an advance across almost the entire stretch of the eastern front as the assault began with massive Russian artillery and rocket barrages. Ukrainian officials said their soldiers would withstand the offensive.

Ukraine's top security official, Oleksiy Danilov, said Russian forces had tried to break through Ukrainian defences "along almost the entire front line of Donetsk, Luhansk and Kharkiv regions". After Russia's armoured assault fell prey early in the conflict to Ukrainian units armed with Western anti-tank missiles, Moscow may now hope a more conventional battle of armies in the Donbas will play to its firepower advantage.

But Russia still needs to keep its troops supplied across miles of hostile territory. For its part, Ukraine has counter-attacked near Kharkiv in the rear of Russia's advance, apparently aiming to cut off supply lines.

Russian and Ukrainian officials announced that the next phase of the Russian invasion of Ukraine began on April 19. Russian forces conducted intensive artillery and air bombardments of many areas along the front line from around Izyum to Mykolaiv but relatively few ground offensive operations.

The Russians have not fully set conditions for a large-scale offensive operation. The Russians have not had enough time to reconstitute forces withdrawn from the Battle of Kyiv and ready them properly for a new offensive in the east. They appear to be still building logistics and command-and-control capabilities even as they start the next round of major fighting.



Russian forces appear to be attempting to conduct a wide encirclement of Ukrainian troops along axes from Izyum to the southeast and from Donetsk City to the north even as they push west from Popasna and positions north of Severodonetsk. Russian ground offensives in the last 24 hours occurred around Izyum, Kreminna (north of Severodonetsk), and from Donetsk City toward Avdiivka. Only the advance to and possibly through Kreminna made significant progress.

Ukraine Defiant As Russia Launches Massive Offensive In East - Ukraine's General Staff said on April 19 that thousands of Russian troops are fanning out their offensive on the 480-kilometer-long front line in the east in what President Volodymyr Zelenskiy said was the start of the "Battle of Donbas."

Ukrainian media reported powerful shelling in the Donetsk region in Maryinka, Slovyansk, and Kramatorsk, and officials said Russian forces were attempting to break through Ukrainian defenses "along almost the entire front line of the Donetsk, Luhansk, and Kharkiv regions."

'Mom, This Is Hell': "Mom, this is hell, I don't know if I'll come back home," Nikita Avrova, a 20-year-old Russian soldier, wrote in a text message to his mother on February 14 as he and more than 150,000 other troops massed along Russia's border with Ukraine in the lead-up to Moscow's invasion.

That was the last time that Anastasia Avrova, his mother, heard from her son until she was told on April 2 by local authorities that Nikita was killed along with the rest of his tank crew at the end of March near Izyum, the scene of intense fighting in eastern Ukraine.

A contract soldier originally from Luga, a city near St. Petersburg, Nikita's death notice is one of many now filtering down through Russia as news about the harsh reality of Moscow's six-week war in Ukraine begins to hit regular families.

"Nothing is adding up in my head," Avrova told RFE/RL's North.Realities, who says that she was told to expect the arrival of her son's body within the next few days. She adds that it is becoming difficult for her as news regularly comes in of young men like her son killed fighting in Ukraine.

Many ordinary Russians are still in the dark about the full scale of their military's losses in Ukraine -- and about the brutal tactics it is using against civilians -- since the February 24 invasion.

Moscow May Not Be Able to Count on North Caucasians Any Longer to Fill Draft - Moscow has long counted on young males from the North Caucasus to ensure that each seasonal Russian military draft is filled. Men from that region typically view military service as a social lift out of the extreme poverty most find themselves in, a way of displaying solidarity with their comrades who have chosen a life in uniform, and even as a manifestation of the martial traditions that many peoples in that region do not want to give up. One consequence of that is that North Caucasians are overrepresented in the Russian military, a pattern that puts them at risk of being the first victims of any serious conflict. In the case of Ukraine, soldiers from the North Caucasus have been among the first to die; and their deaths are having an impact not only on the attitudes of their families and home republics about the war and military service in general, but also on Moscow and its approach to Ukraine and the military.

In Dagestan alone, the most populous of the republics in that region, Russian officials have acknowledged that more than 60 local men have died in Ukraine; but republic journalists say the real number is over 100, a figure that means Dagestan has lost more soldiers in Ukraine than any other non-Russian republic—and by a large margin over the next largest, Buryatia (Kavkazr.com, March 15, 23). These deaths have left Dagestani society deeply divided, Meduza commentator Vladimir Sevrinovsky writes. Some locals view the dead as heroes whose demise must be revenged, but others now argue that those individuals were foolish to join the Russian army to fight this war because it has nothing to do with them. Many Dagestanis contend they are ready to fight against an invader but not to defend a government that invades someone else and seems more concerned about standing up for the owners of luxury yachts than helping its

own population at large. One local mother told Sevrinovsky that if she had known what was going to happen, she would have sought to keep her son from serving in the Russian military (Meduza, April 10).

Western nations and their allies continue to discuss ways to ratchet up the pressure on Moscow to end its aggression. U.S. President Joe Biden convened a virtual meeting of allies on April 19 to discuss the Ukraine conflict, the White House said.

The videoconference brought together the leaders of France, Britain, Germany, Romania, Poland, Italy, Canada, and Japan. NATO chief Jens Stoltenberg also took part in the call, as well as the presidents of the European Commission and the European Council.

Peace Talks

Ukraine's lead negotiator said it was hard to predict when peace talks might resume because of the Mariupol siege and the new military offensive.

Post-Conflict

Ukraine War: A Reshuffling of the Global Monetary Order? As a regular conflict, the ongoing Ukraine war is being fought with kinetic weapons and traditional power projection platforms in conventional operational battlefields. However, its span transcends the domain of military statecraft. It goes much further. In fact, this unfolding confrontation must also be understood as a major clash in the rising strategic competition to determine the future architecture of the global financial and monetary system – a dangerous game played for the highest stakes. On this chessboard, currencies, monetary assets and financial vehicles are being weaponized as instruments of coercion, manipulation, disruption, subordination and conquest. Therefore, said arena is one the key dimensions of the Second Cold War, in which the Western bloc of maritime powers – under US leadership – and the Eurasian axis of continental powers – headed by Russia and China – are struggling with each other to advance their corresponding views of what the world order should be like. The realm of money is now at the forefront of the current rivalry between Leviathan and Behemoth.

As one of the main Western responses to the 2022 Russian invasion of Ukraine, the assets of the Russian Central Bank held abroad – in places like the US, the UK, the EU and Switzerland – were frozen. The sum of money that was confiscated is equivalent to nearly half of Russia's total foreign exchange reserves. Perhaps unsurprisingly, Ukraine is reclaiming the delivery of this cash to Kiev as a compensation that would also punish and humiliate Moscow; but it is unclear if this request will be granted by the West, especially because holding Russian money could be leveraged as an incentive to engage in diplomatic negotiations. In contrast, an outright appropriation or direct transfer would be seen as an unequivocally escalatory move. In order to keep things in perspective, it must be borne in mind that as late as January 2022, Russia had the world's sixth largest forex reserves.

The greenback is still the globe's hegemonic reserve currency. According to the International Monetary Fund (IMF), in the last quarter of 2021, claims in US dollars represented 54.78 % of the world's total foreign exchange reserves, well above other hard currencies such as the euro, the Japanese yen, the pound sterling, the Chinese renminbi, the Canadian dollar, the Australian dollar and the Swiss franc. Moreover, information released by SWIFT about the total volume of payments made during February 2022 reveals that, in terms of value, the dollar is the currency employed in 38.85 % of recorded transactions, followed by the euro (37.79 %), the pound sterling (6.76 %), the Japanese yen (2.71 %) and the yuan (2.23 %). Aside from the sheer economic might of the United States, the dollar's strength is underpinned by US military might and its undisputed leadership in international financial markets. In comparison, the overall gravitational pull of the Russian ruble and the sheer planetary weight of the Russian economy are limited.

Nevertheless, in an attempt to armor itself with gas and gold, the Russian counterstrike has opened Pandora's box.

Humanitarian

Mariupol: How A Prosperous Ukrainian City Was Turned Into A Cemetery - The port city of Mariupol was home to 400,000 people before Russia's invasion. It has been under siege by Russian troops and under constant shelling for more than 50 days. The city has been reduced to rubble, amid claims by Russia that it now has near complete control. Thousands of civilians are believed to have died and tens of thousands remain trapped in the city.

Impacts

China economy grew, but 'more pain will come' as coronavirus, lockdown pressures weigh on outlook. China's economy grew by 4.8 per cent in the first quarter of 2022 compared with a year earlier, up from the 4 per cent growth seen in the fourth quarter of last year.

Retail sales fell by 3.5 per cent in March from a year earlier, while industrial production grew by 5 per cent last month and the surveyed jobless rate rose to 5.8 per cent.

The question remains – *Is China in a position to provide support to Russia?*

China has forecast a 5.5% GDP growth for the next year, cut to around 4.25% by the World Bank.

It desperately needs to maintain significant growth as without this, may be exposed to internal dissent, particularly from the non-Han Chinese sector of the population.

These folk have been relocated from distant agricultural and remote areas to feed the growing (Chinese) need for cheap labor.

But being non-Han in ethnicity, they are treated like second-class citizens, with lower health and social benefits, poorer types of neighborhoods and generally looked down upon by the Han. There are literally hundreds of millions of these non-Han folk and they present a distinct threat to China proper. They send money back to their villages and exist in squatter-like communes. Upset them by having no work or being impeded and you have a recipe for revolution.

China realizes it has a problem in this regard and is looking to rectify the imbalance. BUT it is a multi-trillion-dollar solution – money which they do not have. China has to keep growing in order to fund this rising requirement within their society.

Their biggest fear is a repeat of the 1949 Mao revolution. I spoke with a member of their leading politburo back when I had a business in Beijing, and she impressed upon me that this was their biggest concern.

As of this moment, China is seeing the following, among other concerns

- Premier Li Keqiang has repeatedly warned of risks to economic growth, telling local authorities they should “add a sense of urgency” in all policies.
- China posted sluggish commodity imports in March, as elevated prices due to the war in Ukraine and tightening virus restrictions took their toll on demand. Commodity imports are a good gauge of Chinese growth, dropping imports tells me production is dropping.
- Natural gas purchases are worst affected, dropping below 8 million tons to their lowest level since October 2020. Crude and coal purchases are also running well behind last year's schedule.
- Demand for jet fuel is projected to drop by 25,000 barrels per day from a year earlier, a 3.5% fall, according to the International Energy Agency. The IEA previously expected 10,000 barrels per day of growth.

- The number of daily flights in China, as averaged over seven days, has fallen below the lowest level seen since 2020, with less than 2,700 active flights on Tuesday last week, according to Airportia, a real-time flight tracker.
- The number of passenger trains has dropped to about 3,000 a day, 30% of normal, according to a post on WeChat by China Railway.
- China's domestic metals fabricators are facing hurdles to transport raw materials and finished products, which have led to output cuts.
- Six out of twelve copper-rod plants in Shanghai's neighboring provinces surveyed by Shanghai Metals Market earlier said they either have halted or plan to halt output.
- Chinese buyers have slashed liquefied natural gas purchases as prices soar and domestic demand stalls.
- The number of container ships waiting off Shanghai as of April 11 was 15% higher than a month earlier, according to Bloomberg shipping data. This affects export capability, affecting revenue and foreign exchange.
- Vessels carrying metals like copper and iron ore, are stranded offshore as trucks are unable to send goods from the port to processing mills.
- The Caixin index, based on surveys of smaller, export-oriented businesses, dropped to its worst level since the start of the pandemic two years ago.
- Road logjams are preventing crucial deliveries from reaching companies, stalling production in key industrial regions. Trucks dominate China's local transportation, hauling about three-quarters of total freight.
- Overall passenger vehicle sales slid 10.9% last month, suggesting pressure in the massive Chinese car market.
- Domestic sales of excavators — a leading indicator for construction — plunged almost 64% in March from a year ago, indicating strain in the sector. When I was in Beijing in 2012, the skyline was littered with the profiles of construction canes, it was estimated that some 870% of the world's cranes were in China at that stage.
- The 100 biggest realtor companies in the debt-ridden property industry saw a 53% drop in sales from a year earlier.
- Fresh vegetable prices jumped 17.2% in March, compared to a drop of 0.1% in February, data from the National Bureau of Statistics showed this week.
- And so on.
- China today cut its reserve requirement ratio to boost economy, releasing US\$83.2 billion into banking system. People's Bank of China decision comes only two days after Premier Li Keqiang said there will be a 'timely' reduction in the reserve requirement ratio (RRR). He also said other policy tools could be used to support the economy which is faltering amid the country's worst coronavirus outbreaks in two years.

In short, China needs stability, and Russia is jeopardizing that.

The New Nuclear Age - How China's Growing Nuclear Arsenal Threatens Deterrence. In late June 2021, satellite images revealed that China was building 120 intercontinental ballistic missile (ICBM) silos on the edge of the Gobi Desert. This was followed by the revelation a few weeks later that another 110 missile silos were under construction in Hami, in Xinjiang Province.

Together with other planned expansions, these sites amount to a dramatic shift in the country's approach to nuclear weapons. For decades, China maintained a relatively small nuclear force, but according to current U.S. intelligence estimates, that arsenal is now on track to nearly quadruple, to 1,000 weapons, by 2030, a number that will put China far above any other nuclear power save Russia and the United States. Nor does it seem likely that Beijing will stop there, given President Xi Jinping's commitment to build a "world class" military by 2049 and his refusal to enter into arms control talks.

It is hard to overstate the significance of this effort. In developing a nuclear arsenal that will soon rival those of Russia and the United States, China is not merely departing from its decades-old status as a minor nuclear state; it is also upending the bipolar nuclear power system.

For the 73 years since the Soviet Union's first nuclear test, that bipolar system, for all its flaws and moments of terror, has averted nuclear war. Now, by closing in on parity with the two existing great nuclear powers, China is heralding a paradigm shift to something much less stable: a tripolar nuclear system.

In that world, there will be both a greater risk of a nuclear arms race and heightened incentives for states to resort to nuclear weapons in a crisis. With three competing great nuclear powers, many of the features that enhanced stability in the bipolar system will be rendered either moot or far less reliable. (Foreign Affairs).

Citing Impact Of War In Ukraine, IMF Slashes Global Growth Forecast To 3.6 Percent - The International Monetary Fund (IMF) has slashed its forecast for world economic growth this year to 3.6 percent, citing a disruption of global commerce caused by Russia's war in Ukraine.

The IMF revised its global growth projection downward by nearly a full percentage point from its January projection in its latest World Economic Outlook released on April 19.

The IMF said the war was the main reason for the downward revision, and its fallout will be felt most acutely in Ukraine, Russia, and the poorest nations in the world.

"The economic effects of the war are spreading far and wide -- like seismic waves that emanate from the epicenter of an earthquake," IMF chief economist Pierre-Olivier Gourinchas said in the report.

Moldovan President Signs Law Banning Symbols Of Russia Aggression; Lithuanian Parliament Passes Similar Ban - Moldovan President Maia Sandu has signed into law a bill banning the ribbon of St. George, a black and orange military symbol of Russian patriotism and aggression against Ukraine, as well as the signs "Z" and "V" used by Russian armed forces to mark their vehicles and equipment during Moscow's unprovoked invasion of Ukraine.

Lithuania's parliament approved a similar bill that outlaws the ribbon of St. George, as well as the "Z" and "V" signs, on April 19.

Last week, Ukrainian lawmakers also banned the Russian symbols in public places, commercials, clothes, media, and social networks.

Containment

Russia-Ukraine latest updates: Western leaders pledge more aid - The United States has authorized transactions necessary for certain activities, including for humanitarian projects in Russia and Ukraine, by non-governmental organisations that are prohibited under US sanctions on Russia.

Sanctions

Germany - Decades of leaning on Russia has forced Germany into a perilous decision: continue to buy Russian oil or risk economic catastrophe.

The US, the UK, and the European Union all moved in tandem last month to sanction Russia's massive energy industry. The punitive measures varied dramatically. The US fully banned Russian oil, natural gas, and coal, while the UK rolled out a plan to stop importing Russian oil by the end of the year. The EU announced a ban only on Russian coal this month and is still mulling whether to target Russia's oil or gas trades.

Germany is one of the biggest holdouts.

Russia-China increase freight traffic while new rail line is almost operational. Russian and Chinese railways have agreed to increase the number of rail freight trains passing through their shared border crossings. Traffic has already increased in April, and the two parties aim to boost both westbound and eastbound volumes even more.

The agreement comes at a time when the two countries are very close to completing a beacon railway project. This is the first railway bridge crossing the Heilongjiang (Amur in Russian) river. The railway bridge will be operational in the coming August and will contribute significantly to the shared targets of the two countries.

In addition, RZD underlined that cargo transported by rail from Russia to China becomes more diversified gradually. As a result, coal will not be the only cargo type moved eastwards. "The volume of submitted applications for eastbound transportation increased by almost 30 per cent compared to last year. In the first quarter of 2022, more than 3,5 thousand heavy-haul and 1,7 thousand combined trains travelled towards the East", said RZD.

The European Sea Ports Organisation (ESPO) is calling for uniform, clear application of the newly-imposed EU port ban on Russian-flagged vessels, which was adopted on April 8 as part of the fifth round of EU sanctions on Russia.

The sanction package includes a ban on Russian-flagged vessels from EU ports, except for ships carrying agricultural and food products, humanitarian aid and energy. The last category is a critical exemption, as the most important Russian export commodities are oil and gas, and Russian-flagged tankers will continue to be able to legally call in Europe. The sanctions measures also exempt all Russian-owned, -financed or -managed vessels that are flagged outside of Russia.

India resumes shipments to Russia - India has reportedly started shipment of goods to Russia again after two Russian banks have started facilitating payments in both Rupee-Ruble and Euro.

Last week, dozens of containers full of rice, tea, coffee and seafood among others were shipped to Russia through ports in Georgia. This is the first time goods from India are exported to Russia as stores in Moscow went empty after the Russian invasion of Ukraine on 24 February.

India is also importing low cost Russian fuel oil as offered by Moscow to maintain its foreign currency reserve.

Russian Sberbank and Alfa Bank are facilitating the bilateral trade, according to Indian traders. Officials of both countries have chalked out plans on how to restart trading and payments, especially in Rupee and Ruble.

Greece Seizes Russian Tanker As Part Of EU Sanctions Over Ukraine - Greek authorities say they have seized a Russian oil tanker in the Aegean Sea as part of European Union sanctions imposed against Russia for its unprovoked invasion of Ukraine.

The Russian-flagged Pegas, with 19 Russian crew members on board, was seized on April 19 near the coastal city of Karystos on the southern coast of the island of Evia.

"It has been seized as part of EU sanctions," a shipping ministry official said. The coast guard said the seizure order concerned the ship itself and not its cargo.

The fruit shipments that Argentina sent to Russia before the war are finally arriving at their destination. "Three of the four ships that were on their way arrived at their destination and the fourth one is going to arrive in good condition."

The start of the war in Ukraine and the sanctions against Russia took place while four shipments of Argentine pome fruit were in the middle of the sea on the way to the Russian market. The secretary of Fruit production of Rio Negro, Facundo Fernandez, reported that, despite the initial uncertainty, the shipments have finally started to arrive in Russia.

"Three of the four ships that were on their way arrived at their destination and the fourth one is going to arrive in good conditions. They arrived later than expected, but the worst thing that could have happened from an economic point of view is that they would have been forced to return to Argentina, or that they would have been redirected to markets that are tremendously congested," he said.

U.S. Senators Urge Serbian President To Impose Sanctions On Russia - A U.S. Senate delegation visiting Belgrade has urged Serbia to join Western democracies in backing sanctions against Russia for its invasion of Ukraine.

This is doubtful as Serbia remains a powerful Russian ally in the Balkans, where it has long instigated challenges to Bosnia-Herzegovina independence and two breakaway sectors.

China last week delivered anti-aircraft batteries to Serbia.

Tungsten, the primary alloy is used in steel for cutting tools as well as for electrical, biochemical, military and other manufacturing purposes. Industries requiring tungsten include automotive, aviation, medical, semiconductors, batteries and nuclear power. "There's a little bit of tungsten in just about everything in your life," says Lewis Black, chief executive officer of Almonty Industries, Inc., a global miner and processor of tungsten.

China is currently responsible for **83% of the world's supply**, followed by **Russia with around 8%**, according to Black. When China entered the tungsten market in the 1980s, he says, it essentially crashed the market and led to the closure of most mines in the West. "Since that day, there hasn't been any dramatic development of tungsten assets around the world, because China is very effective at taking care of the market."

Russia Expels 36 Belgian, Dutch Diplomats In Tit-For-Tat Move - Russia says it is expelling 36 diplomats from two EU countries in retaliation for similar steps taken against Moscow's foreign envoys over the Kremlin's unprovoked invasion of Ukraine.

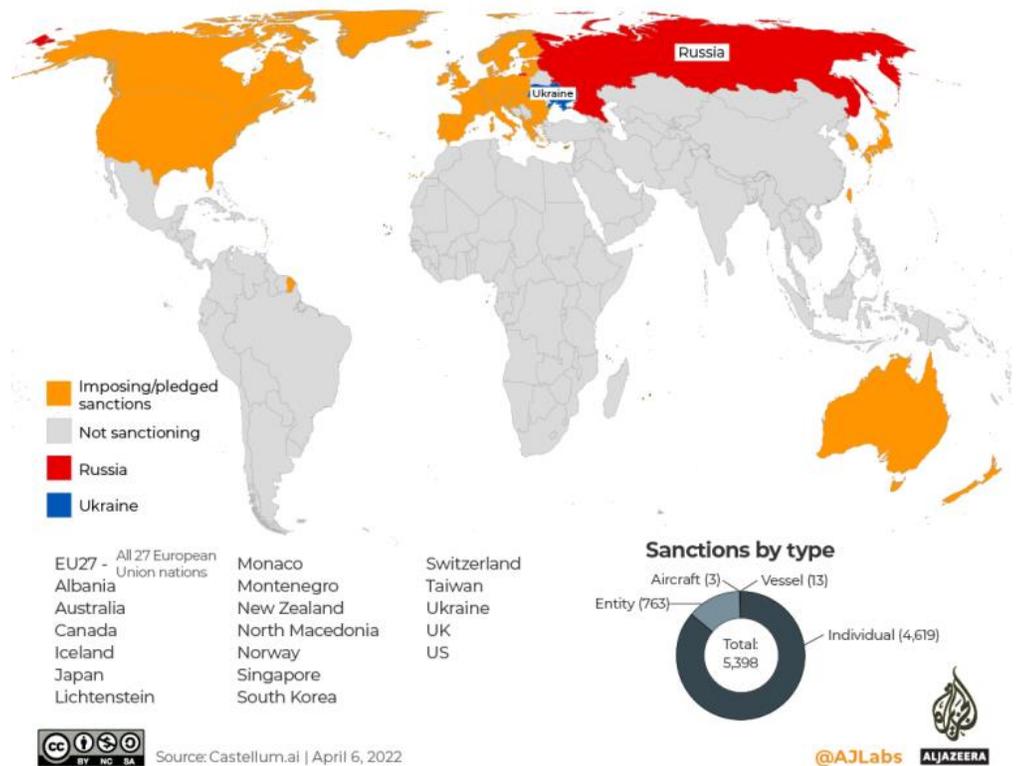
The Russian Foreign Ministry said in a statement on April 19 that it had declared 21 diplomats from Belgium and 15 from the Netherlands "personae non grata," giving them two weeks to leave the country.

Middle Corridor: Potential Alternative to Russian Railways? - The Russo-Ukrainian war has cast doubt on the sustainability of the Chinese Belt and Road Initiative's (BRI) "Northern Corridor" because of mounting Western sanctions on

RUSSIA-UKRAINE WAR

Which countries have sanctioned Russia?

At least **45 countries or territories** have imposed sanctions on Russia, or pledged to adopt a combination of US and EU sanctions. Since February 22, **5,398 sanctions** have been imposed on Russia, making it the **most sanctioned country in the world**.



this overland route's key links—Russia and Belarus. The growing vulnerability of the Northern Corridor, which carries the bulk of railway trade between China and the European Union, has led to new discussions about potential alternatives, particularly the so-called “Middle Corridor,” which traverses Central Asia and the South Caucasus, entirely bypassing Russian territory (AzerNews, March 17; Rail Turkey, March 22).

A series of political, economic and technical challenges hamper the possibility that the Middle Corridor could entirely replace the Northern Corridor via Russia and Belarus, at least in the short and medium term.

These types of interruptions will no doubt cause anxiety with the Chinese, as the BRIU is central to their long-term plan of creating an alternative “universe” for trade and development.