# Conflict Update # 149

***August 12th, 2022***

## Conflict Assessment

**Russian losses** – No deaths or injuries to date reported today but 1,849 tanks, 233 aircraft, 193 helipcopters, 4,108 APVs, 975 artillery systems, 136 AAW systems, 261 MLRS systems, 76 fuel bowzers, 778 UAVs, 185 cruise missiles, 15 boats, 3,021 vehicles and 90 specialized ,ilitary equipment were reported as lost by Russia.

**Bodies of Russian mercenaries litter field after donetsk battle with Ukrainian army** - Ukrainian soldiers say they found bodies on the battlefield with uniforms bearing Grim Reaper patches near Bakhmut in the Donetsk region. The patches also bore the slogans, "Death is our business -- and business is good," and, "I don't believe in anything. I'm here for violence" -- calling cards for the Vagner Group, a mercenary paramilitary organization. There have been widespread reports of Vagner forces fighting in Ukraine.

**Armed Forces of Ukraine has successfully forced Russian military units to flee after the latter suffered heavy losses while attempting to advance their positions, according to a report** - The Ukrainian army thwarted Russians advancing on the Avdiivka and Bakhmut fronts.


Russian forces conducting assaults in Marinka and Pisky were also forced to retreat.

Russian forces also attempted to advance in Yakovlivka, Bakhmutske, Zaitseve, Vershyna and Dacha but were met with resistance by the Ukrainian army. The Russian military units suffered massive casualties and were forced to retreat from their positions, the report said.

Russian forces conducting assaults in the areas of Marinka and Pisky were also forced to retreat after suffering massive losses to the Ukrainian army.

At least 500 Russian soldiers and military personnel are believed to be killed or wounded every day in the war in Ukraine, as estimated by American intelligence officials. The high number of casualties among Russian President Vladimir Putin's troops has brought his war effort to a slow pace and is threatening to prevent Moscow from achieving one of its key objectives in the war: to seize the eastern regions of Ukraine by the end of the year, according to the New York Times.

### Long-Range Missiles? Special Op? Regardless, Crimean Air Base Blasts Are A 'Real Quandary' For Russia

New or modified Ukrainian-designed missiles? Shipborne, U.S.-made HIMARS? Armed drones? Ukrainian special forces? Sabotage?

While the preponderance of evidence points to a Ukrainian operation, there is still no clarity on exactly what caused a series of blasts that sent plumes of black smoke rising from a Russian naval air base on the occupied Crimean Peninsula.

The explosions at the Saky Air Base on August 9 destroyed at least nine military aircraft, including Su-30SM fighters and Su-24M bombers, as well as a few buildings that may have contained ammunition and fuel, an analysis of satellite imagery by Schemes, an investigative unit of RFE/RL's Ukrainian Service, indicated.

Officially, Ukraine has been silent about the cause of the blasts, but anonymous Ukrainian military sources told media outlets, including The New York Times, that Kyiv was behind it. And whatever sparked the conflagration, Ukraine is making the most of it with gloating, trolling social media posts -- such as one from a Defense Ministry account mocking Russian vacationers in Crimea to the tune of the 1980s pop hit Cruel Summer.

At least one thing is clear, however: It’s a blow to Russia in its war against Ukraine, particularly as both sides gear up for what may be a major counteroffensive by Kyiv in areas north of Crimea, aimed in part to retake the city of Kherson from Russian forces.

“It’s bad news for Russia regardless of who struck and how they did it. It expands a dangerous front in the war,” said Robert Person, a professor of international relations at the U.S. Military Academy at West Point. “The fact that Ukraine can and will destroy key targets in Crimea will make it more difficult for Russia to use the peninsula to support its occupation forces in southern Ukraine,” Person, who does not speak for the U.S. military, told RFE/RL in an e-mail.

“This could make a significant difference in Ukraine’s efforts to retake Kherson if Ukraine can wreak logistical havoc for Russia in Crimea,” he said.

**Crimea blasts significantly hit Russian navy** - Blasts at a Russian-operated airfield in Crimea this week have "significantly degraded" its navy's Black Sea fleet, the UK MoD says.


The loss of combat jets will make only a minor dent in Moscow's overall fleet of aircraft, but will be a significant setback to the Russian Navy's Black Sea fleet, it says. "The fleet's naval aviation capability is now significantly degraded," the ministry adds. The Saky fleet is used to engage Ukrainian fighters in southern Ukraine and probably carries out assessment work further east.

Referring to the two photgraphs above, we have marked (red circle) six more jet aircraft destroyed in the attack.

**'We were nothing to them': Russian volunteer reservists return from war against Ukraine feeling deceived** - “They paid us 205,000 rubles ($3,365) a month,” said Aleksandr, a middle-aged man from Tatarstan who recently returned from two months of fighting in Ukraine as a volunteer. “They didn’t give us our combat pay – 8,000 rubles ($130) a day. They didn’t pay any bonuses either. “We were nothing to them. Zero. It was shameful,” he said.

All of the volunteers had similar stories of their experiences in Moscow’s unprovoked war against neighboring Ukraine, experiences they say left those who survived feeling mistreated and deceived.

Viktor, another Russian volunteer, recalled that after his two-month term of service was complete, he and the other volunteers in his unit were bussed out of Ukraine to Russia’s western Rostov region. The vehicles stopped in a field about 10 kilometers from the nearest road. An officer distributed plastic bags to the men containing their documents, their telephones, and other personal belongings they had surrendered before heading to the conflict zone.

“And how are we supposed to get to Rostov?” Viktor recalled asking the officer. “The highway is that way,” came the reply.

The former volunteers all complained about poor supplies during their combat service.

The men also complained that their units suffered losses because of unqualified leadership.

“I was shocked that they didn’t put regular officers in command,” Viktor said. “Our unit commander was a former police officer who had never held a weapon or fought at all. In fact, he had been dismissed from the police! He didn’t know tactics. He didn’t understand anything. And we suffered casualties because of it.”

**Dozens of IRGC-linked flights landed in Moscow; US says drone deal advancing** - The number of Iranian cargo flights to Russia has surged since the war in Ukraine began, an analysis of open-source flight data shows.

Since April, at least 42 flights by Iranian carriers linked to Iran's Revolutionary Guards have landed in Moscow, compared to just three in 2021.

# Impacts

**Ukraine’s rail link to the west is EU’s top priority** - Rail transportation links from Ukraine to Europe are now more important than ever. These links are not only a channel of refugee for those fleeing the country, but also the most important channel for Ukrainian export. This export is essential for global food security, as well as the economy of Ukraine itself.

This was emphasized by Kristian Schmidt, director of Land Transport at the European Commission in a live interview. Yes, the rail freight links between Europe and China are very important, but the rail freight links to Ukraine is at the moment my top priority,” he said to the international audience.

“Ukraine is also an important partner of the EU. It is an important player in global food security, as they provide large proportions of grain and cereals. The EU has every interest in keeping trade going. So I would also like to address the audience by saying that we should strengthen the rail and road haulage links to Ukraine, in order to keep the lifelines running.”

Ukraine was the world's fourth largest grain exporter in the world in 2020-2021, Russia ranks third. Together, the countries account for almost 30% of global wheat exports, almost 20% of corn exports, and more than 80% of the world supply of sunflower oil.

However, most of this export was taking place via sea shipping, and the Black Sea ports have been blocked since the start of the war. Railways are only accounting for a fraction of this transport.

**Russian Hackers Are Escalating and Diversifying Their Attacks on Ukraine, Research Says** - As the Russian invasion of Ukraine reaches its sixth month, Russian hackers are escalating and diversifying their attacks on the country and its citizenry, sending mass texts to Ukrainian civilians threatening their lives if they don't retreat from their homes, attempting to breach the country's banks, and even crippling some of their basic utilities.

In a presentation at DEF CON 30, Kenneth Geers, a security specialist at Very Good Security and fellow at NATO Cyber Centre, outlined how Russia has forecast these actions for years, including via ongoing attacks on power grids and communication systems in Ukrainian towns.

**Huge line of cars on Estonia's border with Russia** - There are reportedly 336 vehicles in the line at the Narva border checkpoint now, and the waiting time is about 28 hours. "Crossing the Russian border when leaving Estonia has turned into a nightmare. There's no food or water for sale, and the restroom costs €1," a man who waited over 7 hours tells Fontanka.

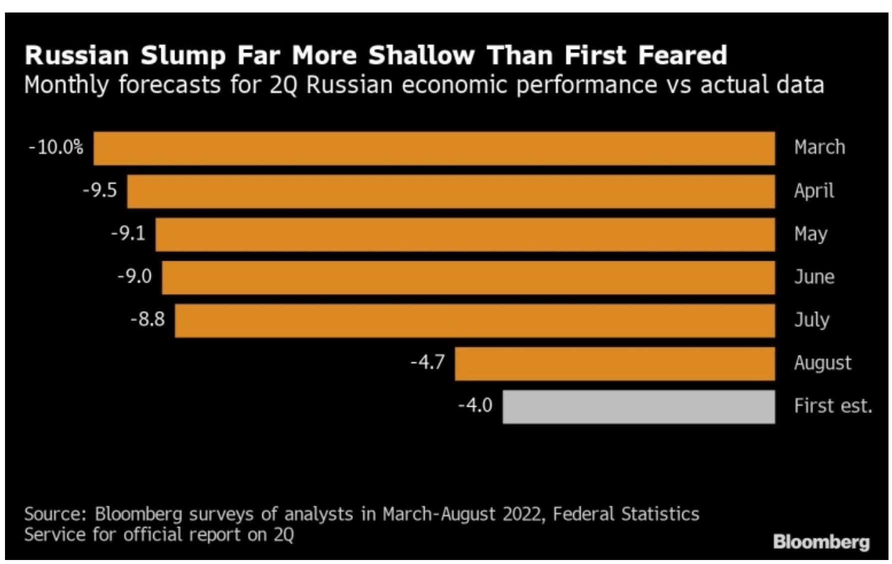
There is no queue whatsoever from the other side, says Russia's border agency within the FSB. "We know that there is some kind of a ticket system out there, it looks like Estonia has created the queue on purpose," the agency told RBC.

Estonia's officials have yet to comment on the matter. The country's Foreign Ministry announced earlier that it would close its borders for Russian nationals with Estonia-issued Schengen visas. The ban is to come into effect next week. Estonia is also considering a ban for Russians using any Schengen visas.

## Sanctions

**Putin's War Sends Russian Economy Back to 2018 in Single Quarter** - GDP declined annual 4% last quarter, first drop in over a year. Post-invasion drop milder than first forecast, may last longer.

Putin's invasion of Ukraine set Russia's economy back four years in the first full quarter after the attack, putting it on track for one of the longest downturns on record even if less sharply than initially feared.




In a bleak tally of the war for Russia, an economy that was picking up speed at the start of 2022 swung into a contraction during the second quarter. Data on Friday showed gross domestic product shrank for the first time in over a year but fared better than forecast, dropping an annual 4%.

Considering the lost output, GDP is now roughly equivalent to its size in 2018, according to Bloomberg Economics.

The jolt of international sanctions over the war disrupted trade and threw industries like car manufacturing into paralysis while consumer spending seized up. Although the economy's decline so far isn't as precipitous as first anticipated, the central bank projects the slump will worsen in the quarters ahead, reaching its lowest point in the first half of next year.

"The economy will move toward a new long-term equilibrium," Bank of Russia Deputy Governor Alexey Zabotkin said at a briefing in Moscow. "As the economy undergoes a restructuring, its growth will resume."

The report also included a so-called risk scenario where global economic conditions deteriorate further, and Russian exports come under additional sanctions. If that happens, Russia's economic slump next year may be deeper than during the global financial crisis in 2009 and growth would only resume in 2025.

# China

**Russia-Ukraine conflict: likely impact on BRI** - The Russia-Ukraine conflict has important implications for the regional and international landscape. With the increasing international influence of China, changes in the geo-political situation will have an increasing impact on China too. The continued escalation of the Russian-Ukraine conflict makes it imperative for Beijing to examine major strategic issues related to the Belt and Road Initiative's (BRI) westward expansion, China's peripheral security, and "strategic competition between China and the US."

China Chengxin International (CCXI), a domestic credit rating agency, in its assessment of how Russia's war in Ukraine may affect the BRI, acknowledges the short-term shock the war has brought to the BRI, with China-Europe freight rail services through Ukraine stopped or rerouted. The Chinese projects in Ukraine valued at US$ 6.64 billion in total have also largely halted.

However, CCXI gives a positive projection for mid-to-long-term. It also claims that Europe's need for economic recovery would widen the space for bilateral economic cooperation.

Some Chinese think-tanks also underline the ongoing conflict may affect China's economic security in the BRI. In the short run, it is likely to increase transport risks along the BRI route. In the long run, as sanctions against Russia intensify and conflicts escalate, China's investment risk along the BRI may increase.

Construction of the "Northern Route of BRI" may be seriously affected, coupled with economic stagnation in Central Asian countries, which may also affect the construction of BRI.

In order to counter any sluggishness in the BRI advancement, Chinese experts view that in the short term, Beijing should strengthen economic and trade cooperation with Russia and continue to promote cooperation between China and the countries along the BRI.

At the same, they suggest that Beijing should take into account Russia's concerns while enhancing cooperation with the BRI countries in order to prevent building of any perception that China has "profited from Russia's misfortune" to increase its influence in the countries along the BRI, particularly Central Asia.

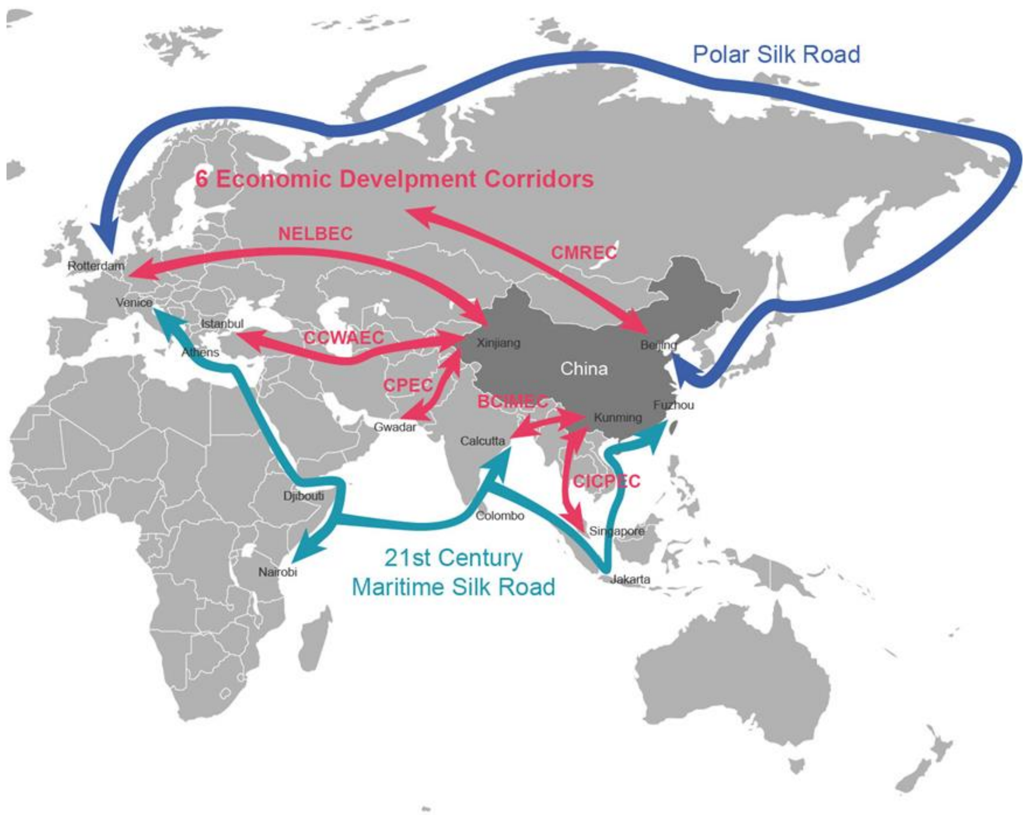
China's '17+1 initiative' was severely impacted following the ongoing war in Ukraine, as most of the Central and Eastern European (CEE) countries have started to become wary of foreign powers, including China.

The '17+1 initiative' was formed in 2012 by the Chinese Ministry of Foreign Affairs to promote the business and investment relations between China and Central and Eastern European (CEE) Countries.

Realizing the unease in the attitude of the CEE government, China sent two delegations to 10 countries to eliminate any misunderstanding regarding the Russia-Ukraine conflict and hold discussions to reignite their interest in the Belt-Road Initiatives, Valerio Fabbri wrote in Think-Tank Russian International Affairs Council.

However, several CEE countries did not give much importance to these delegations and instead asked the lower officials to hold discussions with the Chinese delegates. The most disappointing response came from Poland, where the Chinese delegation could not even meet officials of the Polish Foreign Ministry.

Though China forged the '17+1 initiative' to enhance its penetration into the European region, its failure to convert investment promises into actual investment has dented the progress of the grouping.




This year marks the tenth founding anniversary of the '17+1 initiative', but most of the CEE countries have not shown enthusiasm for celebrating the landmark year. Furthermore, Beijing could not even find a single CEE country willing to host the annual summit.

According to the author, Chinese investment in the CEE countries is limited to only a few countries like Hungary, the Czech Republic and Poland. And in 2020, its investment in CEE countries stood at 3% of total Chinese investment in Europe.

Chinese companies have also not shown much enthusiasm in making investments in these countries because they are less profitable. Some flagship projects like Romania's Cernavoda Nuclear Power Plant or Budapest (Hungary)-Belgrade (Serbia) railway project, which could have improved China's image in the CEE region, were either abandoned or face delays.

The relationship between China and CEE countries deteriorated further when Beijing started to target them for forging relations with Taiwan. China even warned the Czech Senate President, Milos Vystrcil, for his official visit to Taiwan in 2020 and said that he has to "pay a heavy price" if he goes to Taipei.

Lithuania was also targeted by economic sanctions for its decision to open the 'Taiwanese Representative Office' - instead of using the common title 'Taipei Economic and Cultural Office' - in Vilnius in 2021.

According to Fabbri, the lowest point in the '17+1 initiative' came when Lithuania left the Group in May 2021 after its Parliament passed a resolution condemning China's treatment of its Muslim Uighur minority, describing it as a 'crime against humanity and 'genocide.'

With the ongoing Russia-Ukraine conflict, the dynamics of the whole European region have changed. By providing support to Ukraine against Russia, the US has consolidated its position in the region and CEE countries are also situated in the vicinity of Kyiv which made Washington a key security guarantor. And the US has been highlighting China as a strategic and economic threat that is likely to break European unity.

**Where Chinese real estate troubles could spill over** - China's real estate troubles could spill into other major sectors if the problems persist — and three particular businesses are most vulnerable, according to ratings agency Fitch.

Since last year, investors have worried that Chinese property developers' financial problems could spread to the rest of the economy. In the last two months, many homebuyers' refusal to pay their mortgages have brought developers' problems to the forefront again — while China's economic growth slows.

"If timely and effective policy intervention does not materialize, distress in the property market will be prolonged and have effects on various sectors in China beyond the property sector's immediate value chain," Fitch analysts said in a report Monday.

Under such a stress scenario, Fitch analyzed the impact over the next 12 to 24 months on more than 30 kinds of businesses and government entities. The firm found three that are most vulnerable to real estate's troubles:

1. **Asset management companies** - These firms "hold a sizeable amount of assets that are backed by real estate-related collateral, making them highly exposed to prolonged property-market distress," the report said.
2. **Engineering, construction firms (non-state owned)** - "The sector in general has been in difficulty since 2021. ... They do not have competitive advantages in infrastructure project exposure or funding access relative to their [government-related] peers," the report said.
3. **Smaller steel producers** - Many have been operating at a loss for a few months and could face liquidity issues if China's economy remains lackluster, especially given the high leverage in the sector," the report said.

Fitch said construction accounts for 55% of steel demand in China.

The slowdown in real estate has already dragged down broader economic indicators like fixed asset investment and the furniture sales component of retail sales.

Official data show residential housing sales fell by 32% in the first half of this year from a year ago, Fitch pointed out. The report cited industry research as indicating the 100 largest developers likely saw even worse performance — with sales down by 50%.

# Containment

**Western nations pledge $1.55 billion in military aid to Ukraine** - Western countries committed more than 1.5 billion euros ($1.55 billion) in cash, equipment, and training on August 11 during a donor conference to boost Ukraine's military capabilities in its war against Russia.

The money was pledged by 26 countries at the conference of defense ministers in Copenhagen, Danish Defense Minister Morten Bodskov told journalists.

The money will be used to supply weapons, missiles, and ammunition, increase weapon production for Ukraine, train Ukrainian soldiers, and demine war-torn areas in Ukraine.

The defense ministers of Poland, Slovakia, and the Czech Republic signaled a willingness to expand the production of artillery systems, ammunition, and other military equipment for Ukraine, Bodskov said.

In a joint statement, the countries pledged to ensure continued and sustained military support for Ukraine and agreed to hold a virtual meeting in September.

Britain pledged an additional 300 million euros, including multiple-launch rocket systems and precision guided M31A1 missiles that can strike targets up to 80 kilometers away.

# GeoMilitary

**Moldova's Bizarre Neutrality: No Impediment to Western Security Assistance** - Russia's war in Ukraine, with an undisguised goal to advance on Odessa, threatens by the same token to open a corridor to Transnistria and bring Russian forces onto Moldova's and Romania's land borders. These looming threats and risks must jump-start efforts by Moldova's Western partners to secure the country against Moscow's re-expansion.

Moldova's constitutional neutrality is of a most bizarre kind: unilaterally declared and unrecognized internationally, much less guaranteed. It is protected by none, unarmed and practically demilitarized. Chisinau has no combat-capable army and no defense industry. Russian troops stationed in Transnistria have violated Moldova's constitutional neutrality on a daily basis since 1994.

In sum, neutrality per se cannot protect Moldova from military or hybrid risks and threats; it would prove just as irrelevant in the event that the Russian army forces its way through Ukraine toward Transnistria and Right-Bank Moldova.

Moldova became a permanently neutral state by its own choice, ill-advised but perhaps inevitable at the time. Under Article 11 of its constitution, adopted in 1994, "The Republic of Moldova proclaims its permanent neutrality. The Republic of Moldova does not accept the presence of any foreign military troops on its territory" (Parlament.md, accessed August 10). The second clause indirectly reveals the main purpose of the first clause: namely, to help rid Moldova of Russian troops in Transnistria. However, Moldova never found enough inner strength or external support to actually achieve that goal.

Unarmed, pauper, and more vulnerable than any of Ukraine's (or Russia's) other neighboring countries, Moldova is unable to provide for its national security and defense. The country needs security arrangements to be devised, assisted and funded by its Western partners. It needs, in effect, a security protectorate under any other name.

**Is Kazakhstan Going to Follow Ukraine as Putin's Next Target?** - Many in Moscow are furious at Kazakhstan's leadership for its ingratitude about Russia's help in putting down a popular uprising in January 2022, for its increasing nationalism that is prompting ever more ethnic Russians to flee the country and for its efforts to attract foreign firms leaving Russia to Kazakhstan. Additionally, the Kremlin has been bristled by Nur-Sultan's plans to bypass Russia in exporting oil and gas, its public unwillingness to back Moscow's policies in Ukraine and, most recently, for reports that Kazakhstani firms are shipping weapons to Ukraine via third-party countries.

Relations between the two countries indeed appeared to have reached a new low on August 2, when a post attributed to Dmitry Medvedev, former president and current deputy head of the Russian Security Council, declared that "historically" what is today northern Kazakhstan was part of Russia—suggesting to some that Moscow would soon launch an invasion into its southern neighbor. The post itself was soon taken down, with hacking blamed for its posting in the first place. Yet, most Russian commentators have acknowledged that the now-deleted post reflects the views of many in the Kremlin—and even Medvedev himself judging from earlier commentaries he has not disowned (Politnavigator.net, August 2). As a result, increasing numbers of Kremlin analysts have suggested that Kazakhstan is likely to become Russian President Vladimir Putin's next target, if not immediately, then following the victory he expects in Ukraine (E-vid.ru, August 9).

That Moscow is angry, and that Nur-Sultan is worried are beyond doubt. A veritable war of words have occurred between the two sides, with Russian writers talking about Kazakhstan becoming "a second Ukraine," and Kazakhstani commentators countering that the two countries are in the midst of "a bad divorce." These comments are especially alarming because Russians have traditionally viewed Kazakhstan as one of their most reliable partners in the former Soviet space, and Kazakhstani citizens have viewed Russia as a country they cannot afford to offend because of the countries' shared lengthy border and the still large ethnic Russian component of Kazakhstan's population. This summer, Moscow has shown its displeasure by stopping the flow of oil westward from Kazakhstan through its territory, and Nur-Sultan has countered by upgrading its military (Tengrinews, May 6, 19).

Three aspects of this situation certainly suggest the Kremlin may decide to move against Kazakhstan as it has with Ukraine.

1. **First, from Moscow's perspective, Kazakhstan has been moving along the same path as Ukraine**—the result, Russian commentators say, of the fact that both represent the product of Western influence and thus must be countered in the same way. Given Putin's view that Ukraine is less a war with Kyiv than with the West, that is no small thing and certainly would appear to push him toward considering a move against Nur-Sultan, most likely seizing the northern third of Kazakhstan where ethnic Russians still form a large part of the population.
2. **Second,** if Kazakhstan continues to move away from Russia, the danger could crop up that Russians begin to believe **Moscow will lose its influence across Central Asia as a whole**, with China and the West picking up the pieces.
3. **And third,** in the absence of such a Russian move, **Kazakhstan would likely become more similar to the rest of Central Asia** and thus become a bridge, rather than a bulwark, for Islamist expansion northward into Russia itself

**Georgian Fears of Widespread Russification Intensify** - As a result of the war in Ukraine and Western sanctions on Russia, according to the latest data, about 250,000 Russians are already in Georgia at present. In Georgia, citizens of Russia and Belarus are considered one and the same. The Georgian opposition, in early August 2022, demanded that the authorities introduce a visa regime for Russia and Belarus—since such a high number of Russians (including Belarusians) in the country already pose a threat to Tbilisi's national security. Yet, Georgian authorities have already categorically rejected the possibility of introducing a visa regime with Russia. Moreover, chair of the ruling party, Irakli Kobakhidze, on August 5, called this opposition initiative "a shameful, targeted xenophobic campaign."

**'A bloody mess with 'terrible loss of life': How a China-US conflict over Taiwan could play out** – A US Marine Littoral Regiment stationed in southern Taiwan is holding off hostile forces conducting an amphibious invasion near Tainan City. The MLR's land-based, anti-ship missiles have slowed the Chinese fleet's advances considerably, but the unit is running low on ammunition. It will need to be resupplied soon or face long odds in continuing to repel the invaders.

Despite the risks, the US sends in a C-17 Globemaster to restock the Marines' precious supply of missiles — and the plane is summarily shot down by the Chinese. It's a tragedy the kind the US has rarely faced for decades, but this far into the first major war between the US and China, with tens of thousands of lives committed to the conflict, the grim reality is this: There is no turning back for anyone.

It's not a pleasant scene, but it is a realistic one, according to a series of wargames hosted in early August at the Center for Strategic and International Studies, a DC-based think tank. The goal of the wargames — determining what would happen if China tried to take Taiwan through military force — is both an existential one for America's security posture and an unintentionally timely one.

The simulation made some significant assumptions, but the results so far suggest that if the US intervened, it could likely prevent a complete takeover or at least reach a stalemate. But any successes would be marred by heavy losses on both sides in terms of ships, planes, submarines and, most importantly, people.

"It is a very tough sell for China such that if Taiwan resisted and the US came to Taiwan's aid, there's an extremely low possibility that China would be successful," said Matthew Cancian, who partnered with CSIS as one of the wargame's chief architects. "But the US takes a lot of losses… In a lot of games, the US will lose almost its entire global fleet of tactical aviation."

CSIS had not finished calculating the number of assets lost across all its games by the time of publication, but, in general, project staff said the US usually loses around 500 aircraft, 20 surface ships and two aircraft carriers per game — a staggering loss unseen for the US since World War II, in just a matter of weeks. The loss of the carriers alone – the US has only 11 total, and each carries at least 5,000 souls — would have potentially disastrous results on the nation's ability to project power abroad.

The scenario, which the think tank is playing out 22 times this year with various defense experts, retired military officers and former Pentagon officials, will culminate in a public report by CSIS in December, which staff hope to brief to lawmakers and the Defense Department.

While such experiments usually only interest those inside the Washington, DC beltway, CSIS's wargames were underway while House Speaker Nancy Pelosi, D-Calif., made global headlines by visiting Taiwan despite increasingly hostile statements from Beijing. The visit, and China's subsequent reaction, has shed new urgency on the question of how the US could actively defend the island democracy.

When Breaking Defense arrived at the think tank on Aug. 3, in the midst of the 17th game, China had begun its assault near Tainan City, but was struggling to make headway further inland. Meanwhile, the US players were running short of their favored air-launched, long-range anti-ship missiles. To none of the staffers' surprise, the war was quickly turning into a bloodbath.

"The outcome varies from game to game, and a lot depends on the initial conditions. But what almost never changes is [that] it's a bloody mess, and both sides take some terrible losses," said Bradley Martin, a senior policy researcher at the RAND Corp, who participated in the wargame that day.

A Chinese invasion would likely start in the south where the Taiwanese army is less concentrated, but like for the US Marines, resupplying Chinese amphibious forces would be difficult.

If China does move on Taiwan, it'll need to fully commit its military or risk being overwhelmed by the US.

Despite some key differences in game mechanics, the CSIS and CNAS games present very similar conclusions. For one, while US officials such as former US Indo-Pacific Command head Adm. Phil Davidson have warned lawmakers that China hopes to develop the capability to invade Taiwan by 2027, wargames set in that timeframe highlight the difficulty China would have in conducting an amphibious invasion — even if its military modernization goes as planned.

"That suggests that perhaps maybe the window is a bit further afield, and that perhaps maybe we need to be looking at 2030, 2035 and beyond," Wasser said. "That said, because this is such a difficult problem for China … perhaps in the more near term, we need to think about China's ability to do other forms of coercion."

Those measures could include a blockade of Taiwan — a scenario that China practiced earlier this month when Chinese ships and aircraft encircled Taiwan, launching almost a dozen missiles into the waters surrounding the island, with five missiles landing in Japan's exclusive economic zone.

**Comment** – As mentioned in our article earlier this week, a Chinese blockade of Taiwan will surely see a US blockade of China through activation of its "First Island Chain" policy.

China can ill-afford any disruption to its economy, which an American blockade will severely test. Such (American) interference with China's industrial base and output will see drastic demographical fallout within China itself.

But any such sequence of "blockade" events will fall short of all-out war between the super powers.

**Russia can't fight a war and still arm the World** - Now in its sixth month, Russia's assault on Ukraine has become an unrelenting war of attrition. Their military has suffered horribly with casualties, and lost thousands of planes, tanks, and armored vehicles. The longer the war continues, the more challenging the situation will be for Russia's defense industrial base, which is being targeted by unprecedented Western sanctions and export controls.

Although the full impact of western sanctions may not be evident now, these strains will have long-term implications for Russia's ability to project power abroad, especially in the Middle East. Moscow has long competed with the United States and Europe as a major supplier of advanced weapons and spare parts to Arab governments. But the war in Ukraine will reduce its capacity to reliably deliver goods for the next few years and possibly longer, depending on how long the conflict lasts.

Any dent in Russian arms sales in the Middle East will likely be greeted by the Biden administration as a welcome development, given its tendency to view the region through the lens of great-power competition and fragile regional security balances.

The United States sees Russian arms sales as a driver of conflict in the region and a tool with which Moscow extends its political and military influence. According to this logic, fewer Russian arms sales could mean less military sway for Moscow and greater regional stability. But a reduction of Russia's share of the Middle East arms market might also present second- and third-order challenges for U.S. interests, including the potential emergence of supply gaps that could prompt other sellers, such as China and Turkey, to capitalize on Russia's troubles. At the same time, Moscow's growing need for cash may encourage it to adopt ever more irresponsible defense export policies even as its overall share of arms sales in the region shrinks.

Russian arms sales to the Middle East had begun to fall even before the war broke out in Ukraine, dipping to just 10 percent of sales in the region between 2019 and 2021, according to the Stockholm International Peace Research Institute. One reason for the drop may be the Countering America's Adversaries Through Sanctions Act, a 2017 law that imposes financial penalties on any country that makes a "significant transaction" with Russian arms manufacturers. But the United States has been inconsistent in its enforcement of the law, and demand for Russian arms remains strong, even among allies of the United States. Egypt, for example, reached a major deal to buy Russian aircraft in 2019 when it could not get comparable technology elsewhere, and the United States did not invoke the sanctions act. India has also continued to buy Russian weapons without incurring sanctions.

The US should avoid overindulging Arab autocrats with arms or security guarantees that might trigger instability or by turning a blind eye to their domestic human rights abuses. When the Biden administration deems new arms sales necessary, these sales should be integrated into a comprehensive strategy that fills specific and legitimate gaps in the defense capability of U.S. partners and, more important, prioritizes economic and political reform to address the mounting internal challenges that many countries in the region face.

**Comment** - Russian arms sales will be negatively affected by four primary cause and effects.

**First** is its inability to manufacture to order with the Russian military machine demanding and receiving the majority of arms manufacturing output in its invasion of Ukraine.

**Second** is the impact of western sanctions, including companies providing parts and designs to Russian weapon making.

**Third** and of cardinal impact, is Russia's lack of a domestic semiconductor manufacturing capability. In testimony before the U.S. Senate in May US Commerce Secretary Gina Raimondo noted that Russia was using semiconductors meant for refrigerators and dishwashers in military equipment because of shortages of specialized semiconductors. It is known that Russian instructions to BTG's in the field include directives to strip semiconductors from residential appliances and equipment in occupied Ukrainian areas and towns and send these back to the Kremlin.

Irrespective, the overwhelming majority of the most advanced semiconductor type – nano5 – is manufactured almost exclusively by TSMC in Taiwan. These are used in NATO, US and EU weapons systems whereas Russia has no access to these chips.

**Fourth**, and far more devastating, is the overriding international observation that Russian arms are inferior when compared to US and NATO weapons systems, and even when compared to Turkish unmanned aerial vehicles.

This places at risk Russia's foreign policy of Geopolitical and Geomilitary gamesmanship in providing military assistance to countries around the globe, particularly authoritarian regimes requesting help in staying in power.

Chinese weapons have yet to be tested in real time battle situations and as such should not generate a large replacement order bank and arms supply run at the expense of Russian military supply shortfalls.

But it could create a void for China to fill. China has long been seeking to expand its arms exports and thereby its role in the Middle East, and like Russia, it offers cheap weapons without preconditions.

Alternately, a regional supplier such as Turkey could step in to intensify the marketing of its own systems.

In addition, Arab states could seize on Washington's fear of encroachment by new arms sellers to try to extract concessions from the US, as Egypt, Saudi Arabia, and the UAE have already sought to do to avoid scrutiny of their human rights records.

These challenges won't render Russia entirely unable to produce and sell arms abroad, but they could impede its ability to deliver and maintain specific weapons systems—especially long-range missiles, tanks, and air defense platforms, which are in high demand from Russian forces in Ukraine and arms buyers in the Middle East.

Degradation of Russia's international arms supply ability and weapons systems' capability will surely be uppermost in American strategic thinking. Presently US arms manufacturers and developers are hard at work equipping Ukraine, whilst simultaneously preparing order fulfilment for a myriad other NATO and western countries.

# GeoEconomics

**Why the U.S. thinks depending on Taiwan's chips is risky** - Taiwan's semiconductor strength, and U.S. dependence on Taiwan for chips, has become synonymous with four letters: TSMC — the Taiwan Semiconductor Manufacturing Company. TSMC is a semiconductor juggernaut, a company that helped Taiwan produce a staggering 63 percent of global supply of semiconductors in 2020. In one sign of its market dominance, TSMC supplied 92 percent of the most advanced chips in 2019, according to a recent report.

The U.S. invented the microchip, but while it still leads in chip research and design, in 2019 it produced only 13 percent of the global chip total, down from 37 percent in 1990. Apple and other major U.S. companies are now highly dependent on TSMC for the chips that go into iPhones, iPads and various household appliances. TSMC's critical role in supplying the U.S. was on display during Pelosi's trip; in a 19-hour visit to Taiwan, she took time to meet with senior TSMC executives.

To understand the risks associated with this dependence, one need only glance at a map. TSMC churns out chips in a set of giant fabs on Taiwan's west coast — the shores where China would land if it were to invade the island. Some have argued that China's own dependence on Taiwan for these chips would deter it from attacking — a theory known as the "silicon shield." But the risk can't be ruled out, and the consequences would reverberate all over the world.

"It's likely that military force used against Taiwan would really be catastrophic for this industry, in ways that we can't really imagine," said Paul Triolo, senior vice president for China and technology policy at Albright Stonebridge Group. "At a minimum, it would be hugely disruptive, and then the question would be how long it would take to restore and if it could be restored."

U.S. officials were candid about this threat as they promoted the chips bill. Speaking at the Aspen Security Forum in July, Secretary of Commerce Gina Raimondo said, "Our dependence on Taiwan for the sophisticated chips is untenable and unsafe."

The United States' game plan to address its weakness in semiconductor manufacturing, and its overdependence on Taiwan, appears to have been borrowed from an unexpected place — China.

Like the U.S., China has relied on foreign manufacturers for most of its chip supply. But recently, it has poured government cash into changing that. Boosting domestic output of chips was crystallized as a Chinese government priority back in 2014, with the release of a national plan for the industry. The U.S. Semiconductor Industry Association estimates that China will invest $150 billion in the industry between 2014 and 2030; China's state-backed "Big Fund" for semiconductor development along with associated local funds had already invested $73 billion as of 2021.

China's program hasn't been a full-blown success; for one thing, executives charged with leading the industry's expansion are under investigation for corruption. But the investments have helped the industry scale up its fab capacity, and they have already produced some breakthroughs. The New York Times reported in July that SMIC, China's state-owned chip giant, may have created its most advanced chip yet. The tiny transistors that make up the chip were just 7 nanometers in width; any width below 10 nanometers is generally considered advanced (for perspective, a human hair is about 80,000 nanometers wide). A smaller transistor typically enables a faster processing speed or lower energy usage — which are increasingly important as chips are used for more advanced functions like AI.

The new law seeks to replicate China's approach before the U.S. falls too far behind. The $52 billion will be directed toward research and manufacturing chips on U.S. soil, with the Commerce Department in charge of allocating the money to companies. The theory is that government investment will help reduce the costs of manufacturing in the U.S., which (as is the case for most sectors) are higher than in Asia.

"Whether the U.S. or Europe are able to bring down the cost to the level of Asia, I think, will be the key, and also the continuous supply of talent, as well as the integrated ecosystem," said Jason Hsu, a former legislator in Taiwan and senior research fellow at the Harvard Kennedy School — citing the factors that have made Taiwan's industry so strong. "Bringing back chip manufacturing won't be an overnight success for the U.S."

There are already signs of traction: In the week since the bill passed, the U.S. company Micron announced a $40 billion investment to build out U.S. fabs, and the Taiwanese powerhouse TSMC has already started building a fab in Arizona, anticipating the bill's incentives.

The motivation for the U.S. isn't just maintaining an edge economically, but militarily as well. For decades, the U.S. has held a military advantage over other countries by leading in a range of advanced technologies. That, in turn, serves as a critical foundation for deterrence, Matthew Turpin, a visiting fellow at Stanford University's Hoover Institution and a former China director of the National Security Council, told Grid. Containing China's technological advances, he said, is part of that strategy.

# GeoPolitics

**With an Eye on Tibet, China Reacts Warily to Warming U.S.-Nepal Ties** - US Under Secretary of State for Civilian Security, Democracy, and Human Rights Uzra Zeya's three-day visit to Nepal in May evoked a strong reaction from China. During the visit, Zeya, who is also President Joseph Biden's Special Coordinator for Tibetan Issues, met with an array of high-level Nepali officials, including Prime Minister Sher Bahadur Deuba and Nepali human rights activists. She also visited two Tibetan refugee settlements in Nepal where she interacted with refugees and enquired about their problems. Zeya arrived in Kathmandu after meeting the Dalai Lama, senior officials of the Tibetan exile government as well as officials and representatives of the Tibetan refugee community in India (The Hindu, May 18).

The Chinese response was swift.

The US “should stop meddling in China’s internal affairs under the pretext of Tibet-related issues and offer no support to the anti-China separatist activities of the Dalai clique,” People’s Republic of China Foreign Ministry Spokesperson Zhao Lijian said in a press conference (PRC Ministry of Foreign Affairs, May 19). At the 14th meeting of the Nepal-China Bilateral Consultative Mechanism, which was held a few days after Zeya’s visit, Chinese officials reportedly expressed their misgivings over her engagements to their Nepali counterparts (Kathmandu Post, August 4). Then in July, Liu Jianchao, the head of the International Liaison Department of the Chinese Communist Party (CCP) visited Kathmandu, where at meetings with leaders of Nepal’s major political parties, he asked them to reaffirm their commitment to the ‘One-China’ policy (Nepal Foreign Affairs, July 14).