

Conflict Update

March 15th, 2022

Widening of Conflict

"The Russians are predisposed to worst-case scenario, their intelligence assessments say that a war between the U.S. and Russia is inevitable, they already believe it," former DIA intelligence officer Rebekah Koffler.

Swedish FM has dismissed Russian warnings against joining NATO. Moscow has repeatedly warned both Finland and Sweden that their possible joining NATO would be seen as a hostile act from Moscow. Both countries have brushed off those warnings.

Arms shipments are a legitimate military target, Kremlin warns west. Over the weekend Russian missiles struck a western Ukrainian airport where inbound shipments were located.

Russian forces ISW reports that Russia did not conduct offensive operations northwest of Kyiv for the third day in a row.

Russian forces did not conduct attacks toward northeastern Kyiv and prioritized reinforcing their lines of communication and logistics routes.

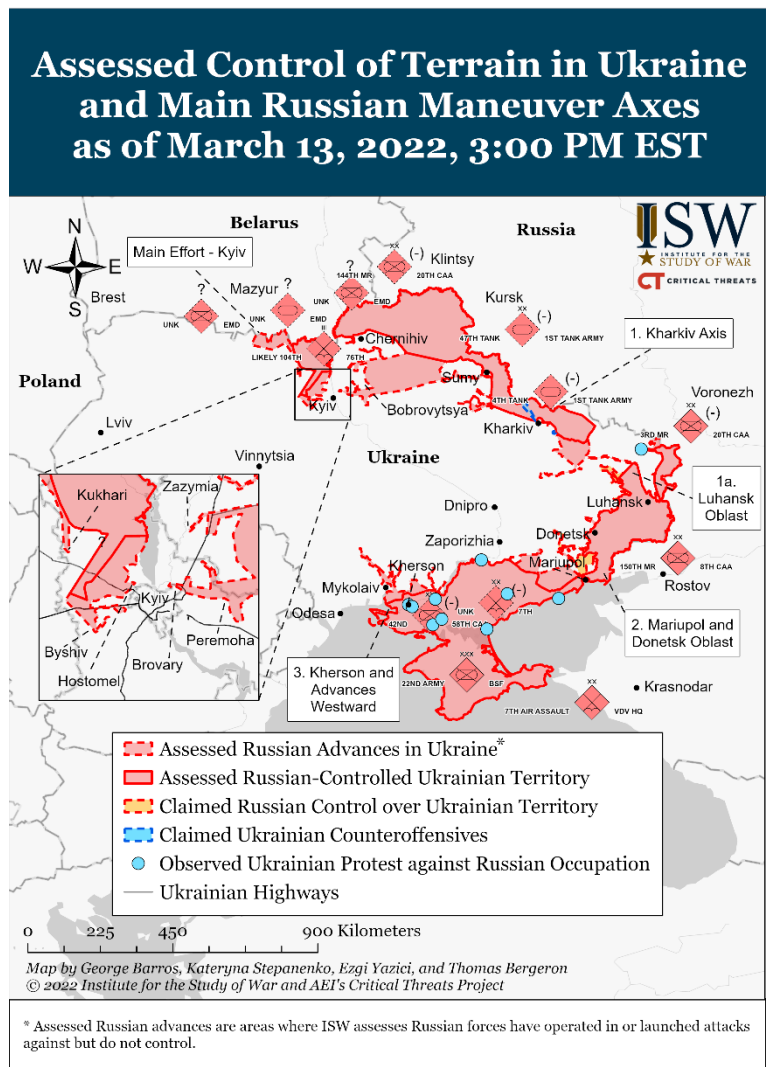
Russian and proxy forces successfully captured several towns north of Mariupol in Donetsk Oblast on March 13, the only offensive ground actions of the day.

Ukrainian protests in occupied Kherson are likely expanding.

Russia is diluting its international deployments in Armenia and Nagorno-Karabakh to reinforce operations in Ukraine and pulling additional forces from Russia's far east.

Ukrainian intelligence reported Russia will deploy preexisting pro-Assad Syrian units to Ukraine, in addition to previously announced plans to recruit new Syrian and Libyan mercenaries. These forces are unlikely to enable Russia to favorably change the balance of forces around Kyiv in the next week but may provide a longer-term pool of low-quality replacements.

Russian ballistic missiles killed 35 Ukrainians at the Yavoriv military training center near Poland in a likely



effort to interdict Western aid deliveries to Ukraine—following up on the Kremlin’s March 12 announcement it will treat international aid shipments as military targets.

Signs have begun to show Russia’s realization that this is not a quick-win offensive. They have started moving off-shore units into the Ukrainian conflict zones as well as recruiting foreigners, starting with Syrian and Libyan mercenaries.

This may well be, as previously reported, their Achilles Heel, in that Russian mothers are increasingly boisterous about their sons being killed in the invasion. This is a particularly sensitive issue with Putin, as witnesses by his address to Russian mothers early last week.

Independent Ukrainian media reported on March 13 that Russian commanders are **taking control of Belarusian units** to suppress Belarusian soldiers’ efforts to resist going to war in Ukraine and reported “riots” in some Brest-based units.[6] ISW cannot independently confirm these reports through other sources at this time; if confirmed, the reports support ISW’s previous assessment that the Kremlin seeks to bring Belarus into the war but faces resistance from both Belarusian soldiers and Belarusian President Lukashenko.

Belarussian tanks – there are reports of 300 Belarusian tanks standing ready to enter Ukraine via various routes.

Institute for Strategic Research (IRSEM) - "Putin now finds himself in a no-win position," Professors Stephan Cimbala and Lawrence Korb argue for the Bulletin of Atomic Scientists (who set the Doomsday Clock). "To achieve his original policy objectives, he must up the ante on the battlefield, which means higher levels of troop attrition, civilian casualties and property destruction."

He's losing troops, tanks and aircraft. He's losing the clash of ideologies.

"As Putin becomes more isolated, he may consider launching 'limited' tactical nuclear weapons out of desperation," the Bulletin political scientists warn. All depends on how secure Putin feels himself to be. And his judgment isn't looking good.

"He has over-estimated his forces in Ukraine and underestimated the international reaction – he is losing control of the situation,". "Putin may want to regain the initiative by escalating. He may actually think that the only way out from this mess for him is to escalate."

It could give him a "win" to hide behind. He could down a slew of satellites – claiming they have been assisting Ukraine. He could cut undersea internet cables and cripple the global economy.

This would give Putin a diversion. A victory that could hide his defeat in Ukraine.

"Putin may be willing as a last resort to use a tactical nuclear weapon," IRSEM warns. That would require a plausible 'trigger'. And he appears to be laying the groundwork for just such an excuse.

There are his unfounded accusations of Kyiv building a "dirty" radioactive bomb. Now there's the claim Washington used Ukrainian laboratories to develop a coronavirus from bats as a biological weapon.

Kamikaze vehicles - While Russia's side of the conflict appears to have been surprisingly light on the use of unmanned aerial vehicles, that is changing. Russia is now posting UAS footage from the front lines much as it did with Syria. And now, for the first time, it is confirmed that Russian suicide drones/loitering munitions have been employed, as well.

The deciding factor is terror: just as populations are terrorized by the thought that a stranger may turn out to be a suicide bomber and kill without warning, so can they be terrorized by a suicide drone that can drop from the sky without warning.

Israel - the Russians are sending indirect signals to Israel, with an announcement of joint patrols with the Syrian Air Force, some near Israel's border. Already, advanced fighter jets of the Russian Air Force took part in reconnaissance flights near the Golan Heights in mid-January, and according to an announcement from the Moscow Ministry of Defense those flights "will continue on a regular basis."

China – The U.S. and China met in Rome for 7 hours to discuss enforcing global sanctions on Russia and the NATO concern of China meeting the Russian request for arms and capital supplies. China does not acknowledge any Russian request and has not committed to enforcing sanctions. More to come and transpire.

Military drills - The U.S. military said Tuesday it has intensified air defense drills in South Korea and conducted an aircraft carrier exercise in the Yellow Sea as part of a "demonstration of resolve" following two partial North Korean tests of a new long-range missile.

NATO Meetings – How does this bode for the future of the conflict? Build-up of NATO forces has been ongoing, followed by meetings at the highest levels of NATO governments.

- NATO held an extraordinary meeting of NATO Defense Ministers this week
- U.S. President Biden will be meeting with his NATO counterparts next week.

NATO Allies demonstrate strength and unity with exercise Cold Response in Norway - Tens of thousands of troops from across Europe and North America are currently training together in harsh climatic conditions as part of Norwegian exercise Cold Response 2022. The exercise is defensive and long-planned, and it demonstrates NATO's ability to respond decisively to any threat, from any direction. Around 30,000 troops from 27 nations, including NATO's close partners Finland and Sweden, are taking part in the exercise, as well as about 220 aircraft and more than 50 vessels.

Containment

Talks - Ukrainian President Volodymyr Zelensky said on Saturday (March 12) that Russia, which invaded his country on Feb 24, had adopted a "fundamentally different approach" in talks to end the conflict.

In a media briefing, Zelensky said that the approach was in contrast to earlier talks at which Moscow only "issued ultimatums", and that he was "happy to have a signal from Russia" after President Vladimir Putin said he saw "some positive shifts" in their dialogue.

Institute for Strategic Research (IRSEM) – PUTIN could settle for what he's gained. Consolidating his grip on Eastern Ukraine would at least be spun as a victory. The Russian-speaking peoples living there was supposed to be why he attacked in the first place. He may table a DMZ east of the Dnieper River, telling the Russian people that he has achieved what he set out to do.

But that leaves Western Ukraine standing. It will join the European Union. And NATO.

Peace talks in Jerusalem? Ukrainian President Volodymyr Zelensky's adviser said on Monday it is "realistic" for negotiations to end the war in Ukraine to take place in Israel's capital of Jerusalem.

"There is certain progress regarding the talks between the two countries, and if president Zelensky says it is an option, it would probably happen. If the Russians would not agree to this, it wouldn't be considered as a possibility in the first place," Ukrainian presidential adviser Oleksiy Arestovych said.

U.S. and NATO Concerns

Russian footholds in Mideast, Africa raise threat to NATO - Putin's strategy in the Mideast and Africa has been simple, and successful: He seeks out security alliances with autocrats, coup leaders, and others who have been spurned or neglected by the U.S. and Europe, either because of their bloody abuses or because of competing Western strategic interests.

- In **Syria**, Russia's defense minister last month showed off nuclear-capable bombers and hypersonic missiles over the Mediterranean, part of a security partnership that now has the Kremlin threatening to send Syrian fighters to Ukraine.
- In **Mali**, the government is the latest of more than a dozen resource-rich African nations to forge security alliances with Kremlin-allied mercenaries, according to U.S. officials.
- In **Sudan**, a leader of a junta that's seized power in that East African country has a new economic alliance with the Kremlin, reviving Russia's dreams of a naval base on the Red Sea.
- From Libya to Madagascar, security contracts granted to Wagner Group and others give Russia access to mineral resources, staging grounds for deployments and substantial footholds challenging Western nations' influence there.

Russia's new security partnerships also aid it diplomatically. When the U.N. General Assembly condemned Putin's Ukraine invasion this month, Syria joined Russia in voting against, and many of the African governments that have signed security deals with Russian mercenaries abstained.

Russian Concerns

Arms re-supply - Russia asked China for military and economic aid following their invasion of Ukraine, Fox News has confirmed. The request for military assistance, which was first reported by The New York Times, has reportedly raised concern among U.S. officials that China might interfere with efforts from Western nations to assist Ukrainian forces.

Continuation – it is increasingly appearing that Russian forces cannot progress as per plan. Appears that they are running short of capital, supplies, arms and soldiers, hence their call for mercenary elements and assistance from China.

The outcome and veracity of these reports will determine the future of this conflict.

Urban warfare - One can also understand why the Russian generals fear, or at least hesitate, to enter a city of with a population of four million, who have so far showed that they would rather die than allow Russian tanks enter their cities.

Urban combat would more than likely cost Russia a lot of lives. Putin, therefore, is likely to consider encircling the city and disconnecting it from supplies, all while bombarding government institutions and symbols in order to force the Ukrainians to turn their backs on their president, Volodymyr Zelensky, and agree to form a pro-Russian government.

NATO Concerns

Non-conventional weapons - Fears are high that an increasingly desperate Vladimir Putin could order strikes on Ukrainian civilians as he reached for 'Plan B' in his efforts to invade the country. Invading forces have hardly moved in recent days and the Russian attack is now largely focused on intense shelling and airstrikes as opposed to more tactical maneuvers.

And according to a Russian expert, the Kremlin has been plunged into panic as the Russian effort falters with concern that non-conventional weapons - such as deadly thermobaric bombs - could be used against non-military targets.

Nuclear Threat

"If Putin continues to get boxed in through sanctions, trading and banking stoppages -- and he starts losing the war, which may be reason enough for him to employ tactical nuclear weapons," Heritage Foundation Senior Research Fellow for Defense Policy John Venable

Financial

Crypto

The Russian invasion has sparked worries about how crypto could be used by authoritarian leaders to thwart U.S. foreign policy. Those fears have eased a bit in the past week, as experts in industry and government pointed out that the blockchain is a terrible place to try to hide money.

But the crypto industry is bracing for the unexpected — and keeping a keen eye on sudden moves in the Capitol — as geopolitical conflict raises the stakes.

"Russia can't and won't use crypto to evade sanctions," Jake Chervinsky, the Blockchain Association's head of Policy, stressed just days after the invasion. "Concerns about crypto's use for sanctions evasion are totally unfounded."

Senate Democrats led by Elizabeth Warren apparently weren't convinced, expressing fears in a letter to the Treasury Department that crypto had been used to "hide cross-border transactions for nefarious purposes" and that Vladimir Putin and his allies could use it to evade sanctions.

The sanctions against Russia—including the removal of its central bank and several of its biggest financial firms from SWIFT—will likely force it to cozy up to China. Having seen the consequences of dependence on the West, both Russia and China will try to reduce their reliance on the dollar and on Western financial institutions. We may see the creation of a separate river of capital flows—one that caters to autocrats and dictatorships fearful of Western financial reprisal.

That's a threat to world order. For more than 75 years, the United States has commanded the financial world and ensured its stability, largely due to the dollar's status as the world's reserve currency. However, in the digital future, the platform that undergirds the world's finances is likely to become more important than the currency that denominates it.

Russian "Deep recession" - The International Monetary Fund expects a "deep recession" in Russia following the immense sanction regime imposed in response to its invasion of Ukraine, IMF managing director Kristalina Georgieva told CBS News' "Face the Nation" on Sunday.

The ruble has depreciated significantly with the sanctions, meaning real incomes in Russia have shrunk and the purchasing power of the Russian population has significantly diminished, Georgieva said.

Georgieva said she is concerned about the consequences beyond Ukraine and Russia.

In particular, the IMF is concerned about the immediate neighbors of Russia and Ukraine, including the Central Asian republics, the Caucasus and Moldova, Georgieva said. These countries have more trade relations with Russia and Ukraine than the rest of the world, she added.

The shock from the sanctions is also particularly painful for countries that have yet to recover from the COVID-induced economic crisis, Georgieva said.

The IMF is also concerned about countries that are more dependent on energy imports from Russia, because the impact on consumption and inflation is going to be more prominent, she said. Countries in Europe are particularly dependent on Russia for energy imports, with the European Union depending on Russia for about 40% of its natural gas, 27% of its oil imports and 46% of its coal imports, according to CNN.

Russian default on payments - One of the next big questions looming over the economic war against Russia is what will happen to its sovereign bonds. The Russian government has borrowed about **\$49 billion** in the form of dollar- and euro-denominated bonds and owes a series of interest payments to bondholders in the coming months.

Belarus and Ukraine government bonds are trading like they're going to default — and Russia's economic contraction along with higher commodity costs could tip others into distress, says Mitu Gulati, a law professor at the University of Virginia who focuses on sovereign debt-restructuring.

Russia - moves to seize hundreds of leased aircraft - Russian president Vladimir Putin has moved to effectively seize hundreds of aircraft currently operated by Russian carriers from foreign lessors.

Further sanctions – additional EU sanctions have been applied against Russia and Belarus effective March 14th. The new package also suspends the application of the most-favored-nation clause for Russia, in addition to the examination of Belarus' application for accession to the WTO. This means that Russian companies will no longer receive special treatment throughout the bloc.

Shipping

COSCO – (Chinese Overseas Shipping Company) Nine of the world's 10 biggest shipping lines have suspended service to Russia in response to the country's invasion of Ukraine. Together, they represent two-thirds of global shipping, and their decision to cut ties with Russia will make it harder for the country to bring in its biggest imports, including cars, clothing, liquor, and wine.

But Cosco, China's state-run shipping company, is throwing the Russian economy a lifeline. It's the only major shipping line still operating in Russia.

A good sign to watch for is whether COSCO starts avoiding Russian ports – this can only transpire with instructions from the Chinese government – showing support of global sanctions if enforced.

Impacts

On the Move - it is being reported that thousands of Russians who do not believe in or support the Ukrainian invasion have and are leaving Russia.

Destinations include (i) **Armenian** government gave a number of 80K there; **Georgia** - Tbilisi mayor said 20-25K there. There were more flights to **Istanbul** than to Erevan each day, and on larger planes. Plus, Israel, Almaty, Bishkek + tiny, but constant stream via **Estonia, Latvia, and Finland**. So, 200K is a lower bound.

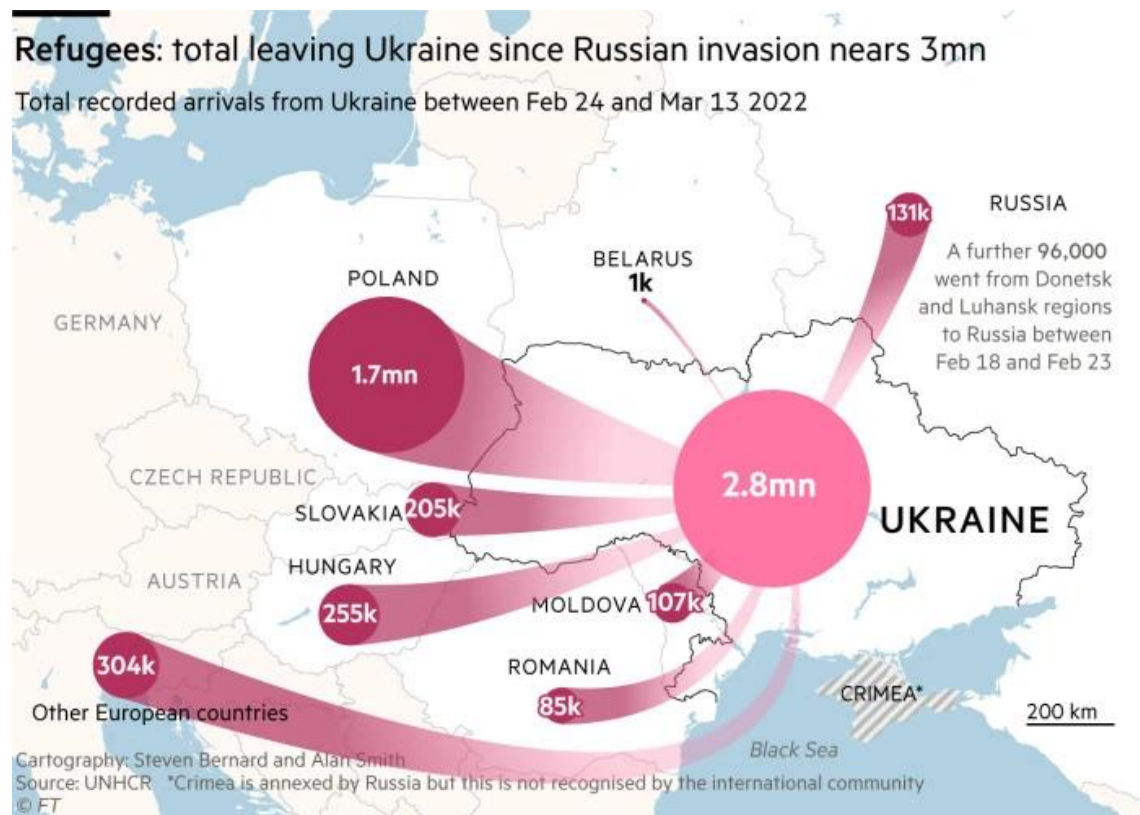
Belarusians are on the move too, fleeing repression and the Western sanctions imposed on authoritarian leader Alexander Lukashenko's government for collaborating with Russia's Vladimir Putin.

In Israel, the government has avoided sanctions on Russia or direct criticism of the Kremlin as it seeks to balance its ties with both Kyiv and Moscow. The country has also taken no action against Russian oligarchs with assets in Israel,

most prominently Roman Abramovich, a Russian-Israeli magnate who has been sanctioned by the United Kingdom and Canada.

But over the past week, a handful of large Israeli firms have joined the ranks of multinationals freezing or restricting their activities in Russia, including Fiverr, a company that connects businesses with freelancers offering digital services and products; web creator Wix, which employs nearly 1,000 Ukrainian developers; gaming giant Playtika; Payoneer, a payment processing firm with a previous history of running afoul of sanctions in regions like Crimea, Iran, Sudan, and Syria; and fintech firm Tipalti.

Ukrainian refugees (Financial Times)



Food - global fertilizer shortage is going to affect food. We are currently witnessing the beginning of a global food crisis, driven by the knock-on effects of a pandemic and more recently the rise in fuel prices and the conflict in Ukraine. There were already clear logistical issues with moving grain and food around the globe, which will now be considerably worse as a result of the war. But a more subtle relationship sits with the link to the nutrients needed to drive high crop yields and quality worldwide.

The latest sharp rise in fuel prices is directly impacting on the prices of fertilizers, which helps to explain why the United Nations Food and Agriculture Organization (FAO) food price index reached its highest ever value in February – and is rising at the highest rate since the 2008 financial crisis.

Vladimir Putin has explicitly been connecting the disruption to the trade in fertilizers with a coming surge in food prices. The Russians have just announced a suspension in fertilizer exports to the west. With major markets in Brazil, China and the US for Russian fertilizers, these global suppliers of grains to the world will be impacted.

Rise of the Millennials?

Around the globe, millennials have changed the direction of life enjoyment and global positioning. They generally do not want to work on factory floors, fight in any wars and see any interference with the luxuries of life to which they have become accustomed.

From China, through Russia, Ukraine, the U.S., Eu and other countries millennials are increasingly voicing opinion against conflict, in favor of a greener pasture and peace at large. Life is too good to waste.

Is this their time?