

Conflict Update # 23

April 6th, 2022

Conflict Assessment

Ukraine Is Getting A Massive Shipment Of Weapons To Fight Russia - The U.S. is sending more military aid to Ukraine as the country continues to fight off the Russian invasion. The Pentagon will be sending an additional \$300 million worth of weapons systems to the Ukrainian military to help it fight the Russian invasion in the following days and weeks.

In its latest shipment of military aid to Ukraine, the U.S. is sending a variety of weapons systems designed to address the evolving nature of the Russian threat and the operational realities on the ground.

In the first shipments, the Pentagon focused predominately on anti-tank and anti-air weapons, such as the FGM-148 Javelin anti-tank missile and the FIM-92 Stinger anti-aircraft weapon. But now, the military aid package includes more niche capabilities, such as unmanned aerial systems, suicide drones, and night vision devices.

The US is also sending the larger 600 series of drones capable of striking tanks from long distances as well.

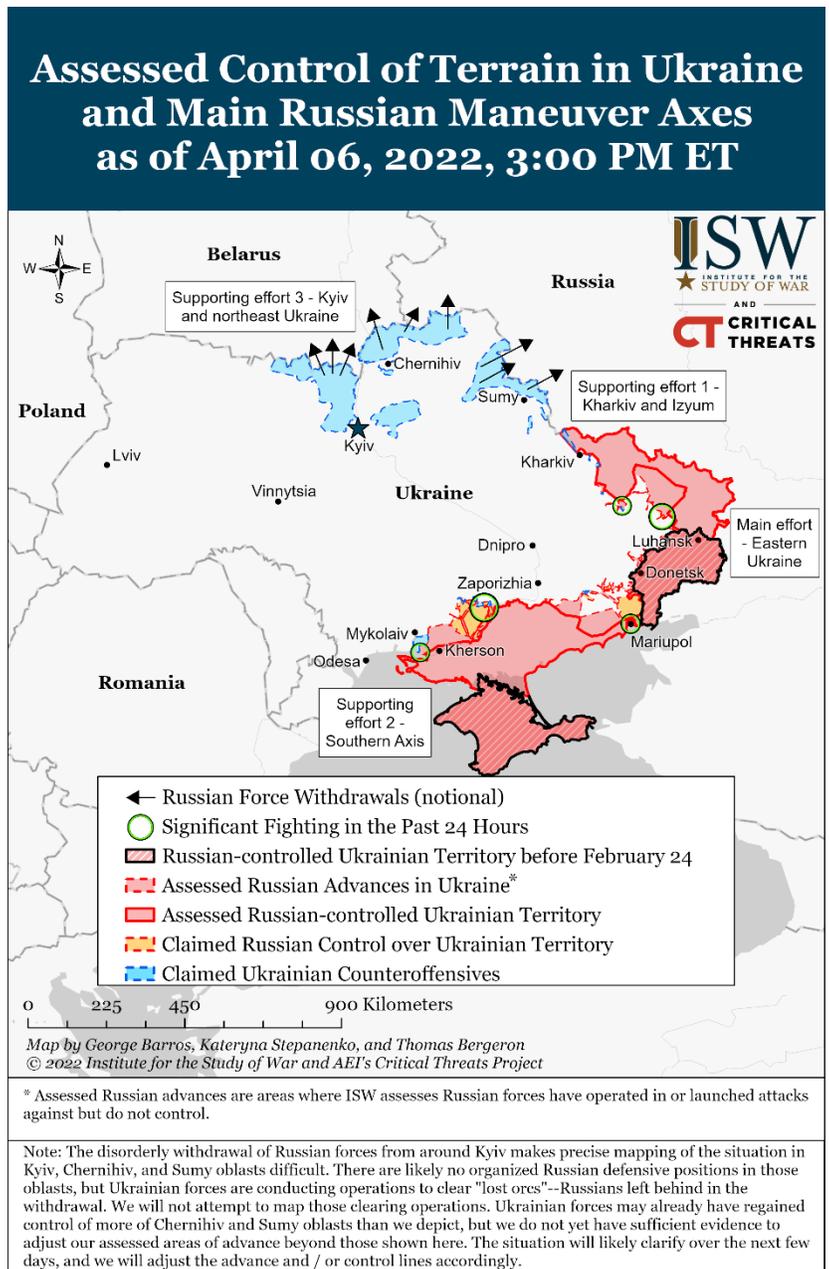
Watch for introduction of the anti-ship missiles routed to Ukraine from the UK. These have not yet been deployed and Russia is stepping up its bombardment of Odessa from sea-borne artillery platforms.

Russian forces with heavy air and artillery support - continued assaults on Ukrainian positions in Mariupol in the past 24 hours.

Russian and proxy forces in eastern Ukraine - are likely attempting to consolidate forces and material for an offensive in the coming days.

Russian forces continued offensive - operations from Izyum towards Slovyansk but did not make any major territorial gains.

Ukrainian forces - conducted successful counterattacks towards Kherson from both the north and west.



Russian forces completely vacated Sumy Oblast.

Russian General Officers are reportedly instructing commanders to severely restrict internet access among Russian personnel in an attempt to combat low morale.

The US and NATO should take a strong stance on any Russian threat to use its military forces in Transnistria, the illegally Russian-occupied strip of Moldova bordering Ukraine.

Financial

Russia is back on the brink of a debt default after the US blocked its dollar payments. Here's what happens next. The US Treasury blocked Russia from using American bank accounts, complicating Moscow's ability to pay its debts.

Russia Business Activity Falls Into Contraction as Sanctions Hit - PMI shows steepest fall in private sector activity since 2020. Service firms raised prices in March at fastest pace since '01.

China GDP: World Bank cuts 2022 forecast, Ukraine war 'most serious risk' to East Asia and Pacific growth. China's economy is expected to grow by 5 per cent this year, down from a previous estimate of 5.4 per cent, according to the World Bank. The Washington-based lender expects 2022 growth in the developing East Asia and Pacific region, which includes China, to expand by 5 per cent

Germany - Germany has seized control of a local unit of Russian natural-gas giant Gazprom, saying it will do 'what is necessary' to maintain energy supply in the country.

Peace Talks

Invaded Ukraine - is negotiating under duress for a two-part deal with the invader Russia: a bilateral treaty on the terms of ending the war and another treaty by which Russia and a number of Western countries would jointly guarantee Ukraine's security in the future. The first treaty would commit Ukraine to permanent neutrality (or non-bloc status), which would keep Ukraine not only out of the North Atlantic Treaty Organization (NATO) but from any military or security alliance of which Russia is not a member. The second treaty would, in essence, bestow international legitimacy on an arrangement already imposed by Russia on Ukraine; and it would install Russia among the guarantor powers, undoubtedly with blocking rights. This construction gives Russia impregnable advantages over Ukraine in the negotiation process and its eventual outcome

NATO

Finland and Sweden would be welcomed into NATO if they applied to join, Secretary-General Stoltenberg says – as Russia warns of retaliation. Finland and Sweden would be welcomed into NATO if they applied to join, the head of the alliance has said today, in what would be a major blow for Russia amid Vladimir Putin's faltering invasion of Ukraine.

Jens Stoltenberg, NATO general secretary, told a news conference that the 30-member alliance would work to overcome 'security concerns' between the countries applying to join and being ratified - amid fears Russia would retaliate.

He spoke after Finland's prime minister Sanna Marin said her country could take a decision on joining the alliance within weeks and polls in Sweden also showed a majority of people support membership.

Finland, which fought a short but bloody conflict with the Soviets in the build-up to World War Two, has been officially neutral since signing a pact in 1948.

As part of the pact, Finland agreed never to join a military alliance viewed as hostile to Russia, never to allow its territory to be used for an attack against Russia, and to maintain an armed forces for self-defense purposes only.

In return, the country - which shares an 830-mile border with Russia - was given guarantees by Moscow that it would not be attacked.

But, following Putin's invasion of Ukraine which had also been given security guarantees in return for giving up Soviet nukes on its territory, Ms Marin said her country needs to re-think its foreign policy.

Kosovo, Bosnia - call for NATO membership as war rages in Ukraine. As Russia's influence grows in the Western Balkans and war rages in Ukraine, the leaders of Kosovo and Bosnia and Herzegovina have said joining NATO would help preserve regional security.

Microchips

The impact of microchips in today's warfare is being immediately and fundamentally illustrated with the level of damage Ukrainian forces are inflicting on Russian weaponry.

In years gone by, war was conducted on scale – thousands of tanks, planes and hundreds of thousands of bombs. It has been estimated that 1 in 1,000 bullets strikes its target, and only about 7% of the bombs dropped by the US 8th Army Air Force hit within 1,000 feet of their aim point during WWII.

Hitting the bullseye with only one shot became easier by the time of the Balkan and Gulf wars. This was due mostly to semiconductors, those tiny silicon chips for computing, seeing and guiding a projectile.

Over the years, bombs and missiles became wire-guided, radio-guided, infrared-guided, laser-guided, satellite-guided and a whole lot more. With today's technology, if you can locate the target, you can hit the target, even a moving target in the dark.

This was a game-changer: a number of accurate hits can weaken an enemy with numerical superiority. And higher the accuracy, the smaller the projectiles and the lighter the weight.

Anti-aircraft missiles like the Stinger and anti-tank missiles like the NLAW and Javelin are light enough to be “man-portable.” David can win against Goliath in this battlefield as the Ukrainians have demonstrated.

You would expect the Russians to respond in kind. But Russian precision weapons are almost totally missing in action.

The much-hyped Russian drones are nowhere to be seen. Russians are using mostly dumb (indiscriminate) artillery and unguided truck top rockets. Russia accounts for only 0.1% of global demand for semiconductors, according to WSTS (World Semiconductor Trade Statistics) and it appears that consumption has been declining since 2018.

Autopsies of Russian drones reveal almost all imported electronic components scrounged from consumer products made by Sony, Nintendo and Samsung.

Russia is almost totally excluded from the global semiconductor food chain. And as long as this continues, the Russian military's electronics are likely to suffer.

The problem for Russia is that most of the “fab” equipment for these steps are made in the West, mainly the US, Japan and the EU, and they are not available for Russia to purchase.

Russian chip designs are mostly fabricated in Taiwan, South Korea and a handful of other countries. But now these sources have been sanctioned. Once Russia runs out of its stock of semiconductors, it is high and dry – like the EU running out of natural gas from Russia.

Taiwan produces most of the world's chips, so its importance to China is becoming increasingly vital. The US in 2018 sanctioned Chinese access to chips with made in the US, made with US technology or originating from US technology.

This will effectively push China 25 to 30 years behind the US and NATO in electronics in warfare.

Without semiconductors, Russia is reduced to fighting medieval siege warfare. Without precision weapons, Russia violates the Geneva Conventions.

Watch this space.

Widening of Conflict

Longtime Putin Adviser Pavlovsky - The longer the conflict drags on, the likelier Moscow could escalate in Ukraine, Pavlovsky predicts, with the possibility of a spillover beyond the borders of Ukraine becoming greater.

"And if Russia doesn't choose peace and decides to continue the war, then it might do things in Ukraine that will see this conflict escalate to an unforeseen level. And this next level will take place beyond Ukraine's borders. This might spill into conventional warfare between Russia and the West, with NATO. How exactly this would look is hard to say, but I no longer think this to be unthinkable and impossible," Pavlovsky said.

If Russia's aggression in Ukraine drags on -- including mounting casualties and hardware losses -- and global sanctions begin to bite even harder, Pavlovsky believes it is unlikely Russians will turn on Putin but will rather rally around the flag.

That doesn't mean Putin couldn't face threats to his power, not least from his inner circle, Pavlovsky added.

"They aren't idealists. They have their own designs on that throne. They are all waiting for the transition moment. And it's actually making Putin quite nervous, being surrounded by people who crave his throne. Especially considering that the majority of day-to-day running of the country is done by them and not by him," Pavlovsky said.

"Potential For Significant International Conflict" Rising: Top US General - The world is becoming more unstable and the likelihood of a significant international conflict between the great powers, including China and Russia, is increasing, Chairman of the US Joint Chiefs of Staff General Mark Milley said during a congressional testimony on Tuesday.

"We are now facing two global powers, China and Russia, each with significant military capabilities, both who intend to fundamentally change rules based on the global order. We are entering a world that is becoming more unstable. The potential for significant international conflict between great powers is increasing, not decreasing," Milley told the US House Armed Services Committee.

At the same time, the US military stands ready to deter, fight and win against any country that seeks to attack the United States, added Milley.

Moldova – Transnistria, the Moldovan province and source of a decades-long conflict is within striking distance for Russia should it succeed in taking Odessa. Moldova is not a NATO state.

Watch this space.

Arctic - How Putin's Arctic Dreams May Crack Under The Weight Of Ukraine War. The worldwide impact of Russia's invasion of Ukraine extends from everything from food and energy supply to a massive refugee crisis to the revival of nuclear arms tension. Yet thousands of miles to the north, Vladimir Putin has his eye on another region with its own hefty weight on the future of the planet: the Arctic.

The reason? The glaciers and icebergs covering parts of the Arctic Ocean are melting away. In the last 40 years, the multi-year ice (the thicker part that stays throughout the summer) has decreased by roughly half, and estimates predict that the Arctic Ocean is heading for ice-free conditions by mid-century.

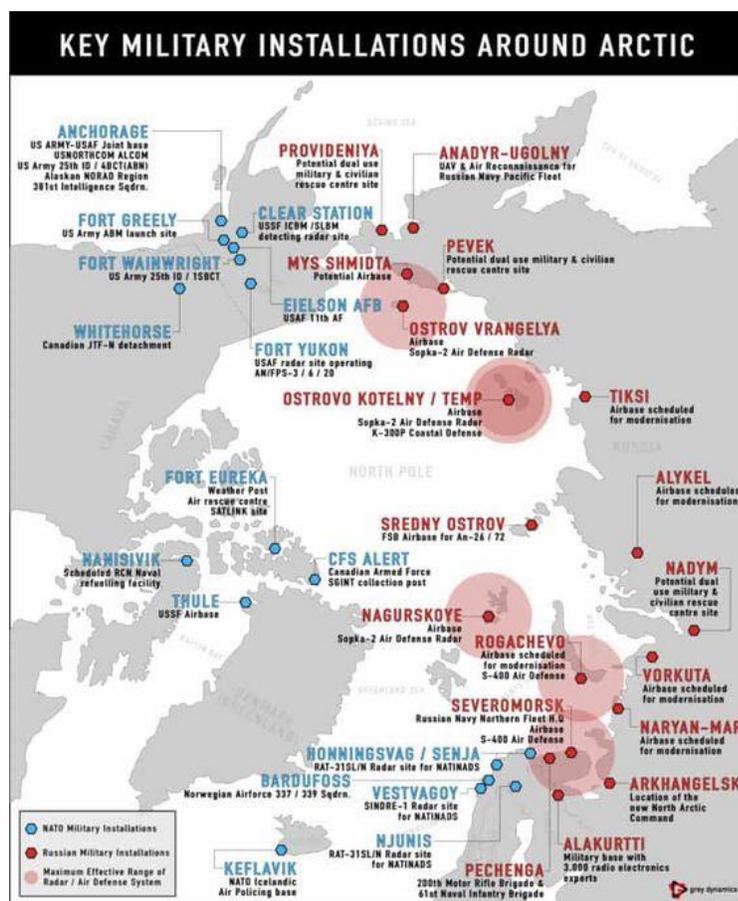
And not surprisingly, Russia — one of eight countries with claims to the region — has positioned to maximize its stake. And also not surprisingly, Moscow now finds itself and Russian scientists shut out of vital ongoing negotiations over a range of policies in the region with economic, environmental and geo-strategic impact that cannot be underestimated.

The region is largely overseen by the Arctic Council, consisting of Denmark, Norway, Sweden, Finland, Russia, Canada, Iceland and the U.S., each have claims to different territories that lie within the Arctic Circle. Currently, under a treaty called the United Nations Convention on the Law of the Sea, signatory countries can exploit resources from the seabed out to 370 kilometers off their shorelines.

While that might seem straightforward enough, the Convention also stipulates that if a country can prove its underwater shelf is an extension of its continental border, then its jurisdiction can be expanded deeper into the sea.

And so once-ice-covered resources are suddenly up for grabs, just as the technology for exploiting them improves. Several countries have already submitted papers to the UN claiming portions of the vast Arctic seabed. According to the U.S. Energy Information Administration, the Arctic Ocean houses an estimated 90 billion barrels of oil — about 13% of the world's undiscovered oil reserves — and 30% of the planet's untapped natural gas.

Arctic – Canada - Northern premiers discuss Arctic sovereignty with PM in light of war in Ukraine. Yukon's premier says he and the other two premiers of Canada's northern territories met with Prime Minister Justin Trudeau and the national defense minister on Monday to discuss Arctic sovereignty and security in light of the war in Ukraine.



Containment

US hypersonic missile successful in flight test, DARPA says - The US recently completed a successful “free flight” test of a hypersonic missile, according to the Pentagon, but reportedly kept the test quiet in an effort to avoid escalation with Russia over Ukraine.

US approves \$95m Patriot weapons support for Taiwan - The US State Department has approved the potential sale to Taiwan of equipment, training and other services worth \$95m to support the island’s defense in what would be the third arms package since President Joe Biden took office a year ago.

Poland - signs \$4.75 billion Abrams tank deal as Russia's war speeds procurements. Polish Defense Minister Mariusz Błaszczak on Tuesday signed a deal worth about \$4.75 billion to buy 250 M1A2 Abrams SEPv3 from the United States.

"We are strengthening the Polish military, and we are deterring a potential aggressor," Błaszczak was quoted in a statement released by the ministry.

Hypersonic Missiles - The United States, United Kingdom and Australia announced Tuesday they will work together via the recently created security alliance known as AUKUS to develop hypersonic missiles.

Australia - Australia has accelerated plans to buy long-range strike missiles years ahead of schedule because of growing threats posed by Russia and China.

Sanctions

Russian Car Sales Plunge as War Leads to Supply, Price Shock - Car prices rose an estimated 40 percent in March as automakers from Toyota to VW halted production. Russian car sales plunged last month as sanctions imposed over the invasion of Ukraine battered the ruble and many global auto companies joined a boycott of the country, leaving buyers confronting sparse showrooms.

New vehicle sales fell 60 percent in March from the previous month at Rolf, Russia's largest dealership, according to Chief Executive Officer Svetlana Vinogradova. She forecasts that demand will fall by half this year to a level on par with Spain, which has one-third the population of Russia.

Imported cars from Europe and Japan may be replaced with Chinese and Indian models, according to Anton Shaparin, a vice president of the National Automobile Union.

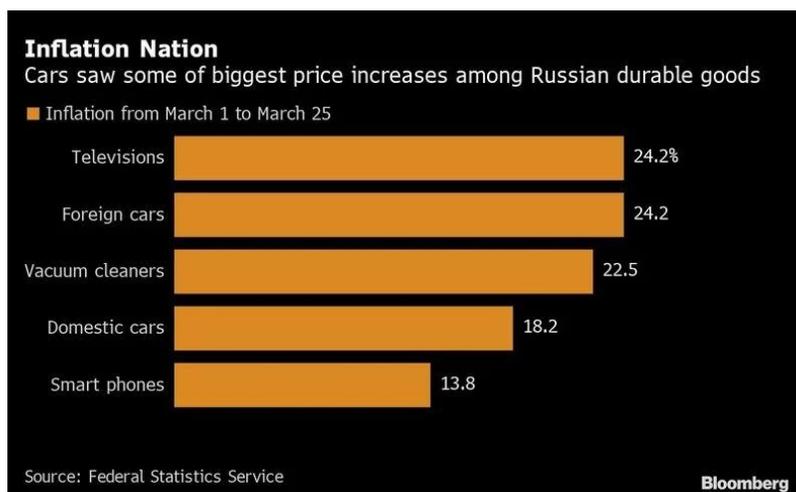
This ignores the requirement of a backup system of spares and maintenance.

New Sanctions: Biden administration imposes new sanctions on Putin's daughters and Russian banks - The US announced new sanctions Wednesday on Russia's largest financial institutions and number of individuals tied to the Kremlin, including Russian President Vladimir Putin's two adult daughters, as it looks to increase economic pressure on Russia and Putin himself following horrific images from the Ukrainian city of Bucha.

The US also announced sanctions on the wife and daughter of Putin's foreign minister, Sergey Lavrov. The United Kingdom later announced its own sanctions, and the European Union were expected to follow suit as well, ramping up Western pressure on Moscow as the war enters its second month.

Impacts

India condemned the killings of civilians in Bucha and called for an independent investigation, having earlier declined to explicitly criticize the invasion of Ukraine by its long-time partner Russia.



Expelling Russian Diplomats - Denmark joins France, Germany in expelling Russian diplomats. **Denmark** on Tuesday expelled 15 Russian diplomats reportedly working for the country's secret service in Moscow.

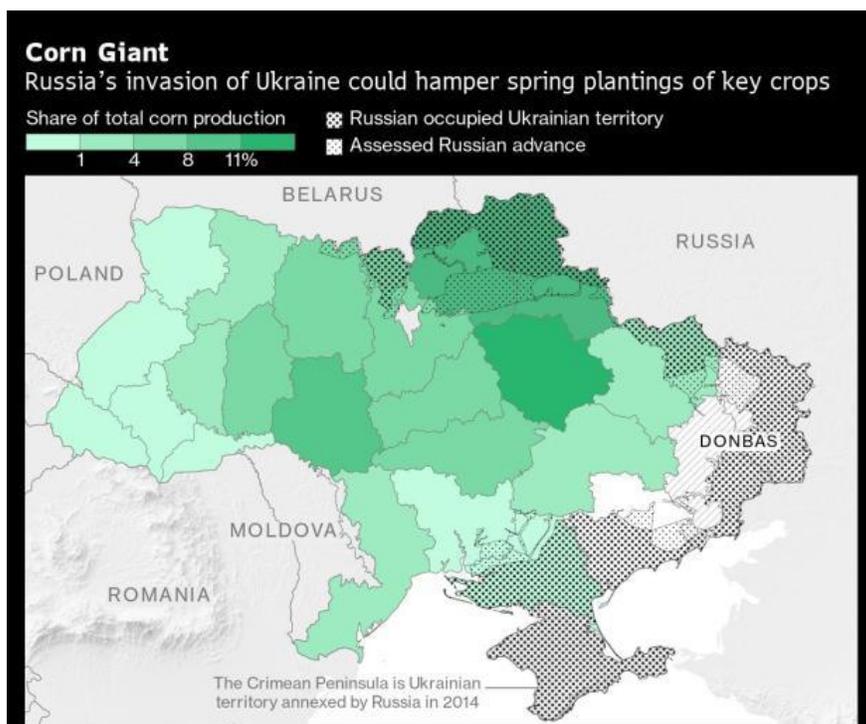
The Scandinavian nation's decision came a few days after **France, Italy, Sweden** and **Germany** expelled Russian diplomats over the country's ongoing conflict with Ukraine.

Latvia and **Estonia** each ordered the closure of two Russian consulates and told staff to leave their countries, the foreign ministries said on Tuesday, in measures taken in response to the war in Ukraine.

Keystone XL - Comes Back To Haunt America - The Wall Street Journal carried a report on Tuesday detailing meetings between officials of the U.S. and Canadian governments focused on finding ways to increase Canada's exports of crude oil into the United States as gasoline and diesel prices continue to rise. To no one's surprise, the Journal quotes sources as saying that "deliberations are in early stages and that no clear-cut solutions have emerged."

Grain trade - \$120 bn global grain trade being redrawn by Russia's war in Ukraine. Across Ukraine's farm belt, silos are bursting with 15 million tons of corn from the autumn harvest, most of which should have been hitting world markets.

The stockpiles — about half the corn Ukraine had been expected to export for the season — have become increasingly difficult to get to buyers, providing a glimpse into the turmoil Russia's war has wrought in the approximately \$120 billion global grains trade. Already gummed up by supply-chain bottlenecks, skyrocketing freight rates and weather events, markets are bracing for more upheavals as deliveries from Ukraine and Russia — which together account for about a quarter of the world's grains trade — turn increasingly complicated and raise the specter of food shortages. (Bloomberg).



Dan Basse, president of AgResource, an agriculture markets research firm, said "We can move the deck-chairs around today," he said. But if the conflict stretches into the summer, when wheat exports from the Black Sea usually accelerate, "then you start running into problems. That's when the world starts to see shortfalls," Basse said.

The United Nations has warned food prices — already at an all-time high — could rise as much as 22% more.

Future Geopolitical Alignment

The Next Sino-Russian Split? - Irrespective of how this war ends, the relationship between Russia and China will determine whether the world can avoid great-power war. If China continues to support the Putin regime in its attempts to subdue its neighbors by force, it is highly likely that the world at some point will stumble into a confrontation between Russia and Europe supported by the United States. If China reins Putin in or abandons its coalition with him altogether, a return to a more stable competition among great powers may be possible. As many observers—including

some in China—have pointed out, this could be China’s moment on the international stage to do good for itself and others.

Yet so far, China has failed to seize that opportunity. Instead of trying to prevent the aggression against Ukraine, it gave Putin the green light to invade, asking only that the assault be postponed until after the Beijing Olympics. Right up to the moment of the invasion, China’s Foreign Ministry parroted Russia’s lies about the planned aggressive war being a figment of the West’s febrile imagination. On the eve of the invasion, the Chinese accused the United States of “heightening tensions, creating panic, and even hyping up the possibility of warfare.” The Chinese Foreign Ministry spokesperson added, “The Russian side has said on many occasions that it does not intend to start a war.”

Is there a chance that China will pull the plug on Putin or at least facilitate real negotiations between his regime and the Ukrainians, negotiations that start from the premise of recognizing Ukraine’s right to self-determination? At the moment, this seems very unlikely.

The main reason for China condoning Putin’s war of aggression is, of course, Chinese self-interest. In standing by its partner in spite of Putin violating most principles of international relations that the Chinese say they believe in, Beijing hopes to tie Russia to China for a long time to come. Xi had, of course, preferred the Russian offensive to succeed smoothly and effectively, but even after the Ukrainian defenders made a mockery of that supposition, Xi seems to believe that Putin’s military problems will in the long run work to China’s advantage. They will create a Russia evermore dependent on China, as will Western sanctions. By saying very little and blaming the West, Beijing expects a positive outcome for itself.

For China, its relationship with the United States and with Europe will always be more important than relations with Russia. Like the Chinese in the 1950s, Russians will easily get the impression that their partner is negotiating with Washington, Brussels, or Berlin above their heads and will be suspicious and resentful when Moscow’s interests are not fully taken into consideration. China has a powerful position in the global economy, and Russia does not. Financially, China has a lot of lending power, but it will not necessarily lend to a Russian economy in steep decline, even if sanctions are removed. The differences in the two countries’ overall global positions create plentiful causes for acrimony.

Relations with third powers also complicate the picture, just as they did in the 1950s. India is a friend of Russia and, disappointingly for the West, has gone out of its way not to condemn the Russian invasion of Ukraine. But India is also an antagonist and a rival of China. In the late 1950s, one key Chinese accusation against the Soviets was Moscow’s continued closeness to India, even after the first Indian border clashes with China. The same power dynamic is problematic today. And it is not just India. Vietnam, Mongolia, and the Central Asian states will come under increasing pressure by China and will look to Russia to back them up.

Russia and China are not natural partners. There are just too many issues that drive them apart. Today, Putin’s foreign policy intellectuals hold forth about how Russia has made a fundamental decision on partnering with China now and in the future. But anyone who has spoken with them can sense, underneath, their many concerns about that choice. To them, the alliance with China is there because of a need to spite the West, not because of any natural cohesion between the two powers. Putin himself may think differently, but, if so, given Russia’s increasing weakness, he might get more than he bargains for when linking with a rising power next door.

African Support on Ukraine Shows Kremlin's Soft Power - Some of Russian President Vladimir Putin's most vocal defenders are pan-Africanists — advocates of the doctrine of African unity and anti-imperialism that flowered at the height of the Cold War.

Many African countries showed their support for Russia, or at least their diplomatic ambivalence, at an early stage in the crisis. On March 2, members of the UN General Assembly voted massively to condemn the invasion of Ukraine.

But out of the 35 countries that abstained, nearly half — 16 — were in Africa. Added to that is Eritrea, which voted against the resolution, while another eight African countries did not cast their vote.

South African radical leader Julius Malema declared: "We are here to say to NATO, we are here to say to America, 'we are not with you, we are with Russia'".

Chinese support in Africa – The Chinese People's Liberation Army Support Base in Djibouti is a military base operated by the Chinese People's Liberation Army Navy (PLAN), located in Djibouti in the Horn of Africa. It is the PLAN's second overseas military base and was built at a cost of US\$590 million. The facility is expected to significantly increase China's power projection in the Horn of Africa and the Indian Ocean, as well as the PLAN's blue water capabilities. The PLAN has used the base to conduct anti-piracy operations off of the coast of Djibouti and around the Horn of Africa. It is also said to have taken part in activities such as intelligence collection, non-combat evacuation operations, peacekeeping operations support and counterterrorism.

Djibouti is strategically situated by the Bab-el-Mandeb Strait, which separates the Gulf of Aden from the Red Sea and guards the approaches to the Suez Canal. The Chinese base is located by the Chinese-operated Port of Doraleh to the west of Djibouti City. To the south of the city are several other foreign military bases, including Camp Lemonnier (United States Navy), Base aeriennne 188 (French Air Force), and the Japan Self-Defense Force Base Djibouti.

China establishing Djibouti military base

China has dispatched troops to set up its first ever overseas military base in the Horn of Africa nation of Djibouti. The move marks a key part of a wide-ranging expansion of the role of China's armed forces

DEPLOYMENT: *CNS Jingtangshan* amphibious warfare ship
Displacement: 25,000 tonnes. **Length:** 210m
Capacity: 800 troops, six helicopters, 15-20 armoured vehicles, four landing hovercraft
Armament: 76mm gun, four close-in weapons systems (CIWS)

Obock: China says new base will support peacekeeping and humanitarian missions in Africa and western Asia. Includes ship repair facilities, barracks and storage structures

Flotilla includes *CNS Donghaihao* support vessel and unspecified number of Marines

Port of Doraleh
Chinese-owned commercial facility

GULF OF ADEN

Port of Djibouti

French military bases (1,700 troops)

DJIBOUTI

Japanese expeditionary base

Djibouti-Ambouli International Airport

Camp Lemonnier
Main base of operations for U.S. Africa Command (over 4,000 troops)

Chabelley Airport
U.S. drone base

Sources: Chinese Ministry of National Defence, New York Times, The Diplomat © GRAPHIC NEWS

Saudi Arabia - Saudi Arabia's de facto leader Crown Prince Mohammed bin Salman (MBS) avoided U.S. president Joe Biden by being a no-show at the G20 meeting in March, and not being on the line during Biden's recent phone call with Saudi King Salman.

But MBS did manage to pick up the receiver to talk to Russian president Vladimir Putin, and the kingdom invited China's leader Xi Jinping to visit the kingdom this Spring. (UAE leader Mohammed bin Zayed (MBZ) also ghosted Biden when the White House wanted to discuss the oil crisis.) MBS shrugged off Biden's negative opinion of him with, "Simply, I do not care."

During his visit to Riyadh, Xi will be sure to advocate that the kingdom should accept Chinese yuan for oil sales in a move to minimize China's exposure to the U.S. financial sector and increase its financial leverage.

Turkey and Russia - The relationship between Turkey and Russia is profoundly complex and is steeped in history. It's a relationship that's been haunted by tensions over Crimean Tatars, energy dependence and wars in Nagorno-Karabakh, Syria and Libya. Only in recent years, Turkey has shot down a Russian warplane, Russian airstrikes in Syria have killed 33 Turkish troops and Moscow's ambassador to Ankara has been assassinated.

A NATO member, Turkey has unabashedly labelled the conflict in Ukraine a "war," has blocked Russian warships from the Black Sea and has sold devastatingly effective Bayraktar drones to Ukrainian forces, much to Moscow's outrage.

Turkey has historic ties to the Crimean Tatars, a Turkic ethnic group indigenous to the peninsula, where 300,000 of them reside today. On Joseph Stalin's orders in 1944, more than 200,000 Tatars were forcefully deported to Central Asia, where up to half died. In 1989, they were finally allowed to return.

Given their ethnic bond and the Tatars' large diaspora in Turkey, Erdoğan often rushes to their defense. Russia's annexation of Crimea in 2014 — which revived the community's fears from Soviet times — proved a particularly difficult moment for Turkey.

In the South Caucasus, Russia and Turkey are directly at odds with each other, putting pressure on their alliance. In the long-standing rivalry between Armenia and Azerbaijan over Nagorno-Karabakh — a breakaway territory backed by Armenia but recognized internationally as Azeri — Moscow and Ankara back different sides.