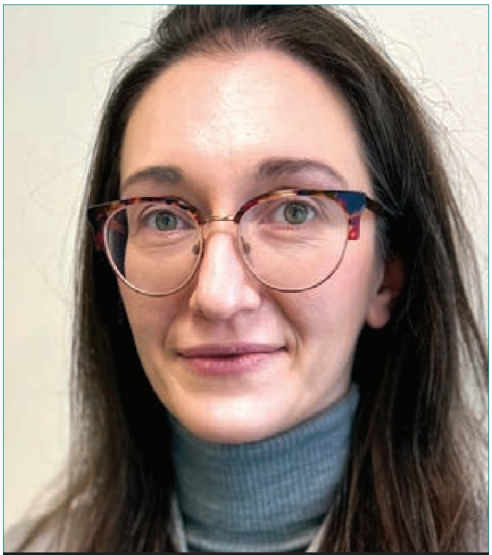

Cvete Koneska, Head of Advisory, Dragonfly

GMC Q&A

Staying a step ahead of security and crisis risks

Dragonfly, a specialist security intelligence firm, helps organisations stay a step ahead of security and crisis risks. We spoke with the company's newly appointed Head of Advisory, Cvete Koneska, to get her opinion on the risks facing the satellite and space industries now that sanctions have been placed against Russia.

Crispin Littlehales, Global Contributing Editor, Satellite Evolution Group

Question: The satellite and space industries have been directly and dramatically affected by the conflict between Russia and Ukraine. What do you see as the ongoing risks to this segment?

Cvete Koneska: The risks are like other sectors, only far more pronounced because this is a sector where there is limited commercial competition and barriers to entry are quite high. In addition, the collaboration between Russia and the West existed for a very long time, so the disruptions that we are seeing are high impact. It is very difficult to build a different supply chain, for example. So, I think the satellite and space industries are extremely vulnerable to these disruptions and I think we're probably going to see much more of that in the coming months.

Question: With sanctions in place, how do you see Russia's retaliation against Europe and the US unfurling and is there anything that can be done to mitigate the reputational and political risks?

Cvete Koneska: We are already seeing retaliation from Roscosmos which will continue to refuse to cooperate with other commercial satellite operators and space agencies. That's the only lever that Russia and its state supported entities can pull aside from espionage related activities. Obviously, the appeal to getting access to other countries and their companies' high-end technologies is always an attractive proposition not only for Russia, but for other actors like China. Espionage is a long-standing risk that is now elevated because there is that increasing desire to retaliate against the West.

I honestly do not think that there is a major risk of the tensions between the

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West and Russia spilling into space. I say this mostly because of what we know about Russia's own military capabilities. If on land they have performed this poorly, I don't think it is very likely that they will engage in hostile activities in space, where nobody has tested their military technology in an actual conflict. Plus, a lot of resources would be required. The Russian military are already struggling in this traditional kind of warfare, and not in a war with the West, but a war with Ukraine.

Question: What do you see as the implications for the satellite and space industries, NGOs, airlines, shipping companies and other multinational organizations operating in or using the airspace over Russia and the Ukraine?

Cvete Koneska: There will certainly be economic implications. Airlines that do long haul flights across Eurasia will now have to take different routes which will be more expensive. This will compound the already difficult situation affecting global airline companies, particularly in Europe. Satellite communications also are experiencing disruption and that will have a negative impact on shipping and transportation. Once those industries are affected, supply chains are disrupted as well.

Question: We are already seeing the financial markets being undermined by the conflict. How do you think this will play out and is there anything that can be done to stabilize the situation?

Cvete Koneska: The financial markets like stability and predictability and there is none of that now. The markets will remain in an upheaval until there is clarity regarding the outcome in Ukraine. So, at least in the short term, we are stuck in a politically unstable situation. This will continue to affect the financial markets, particularly since there are quite extensive sanctions targeting Russia's financial sector. What would help to stabilize the situation? Governments across the West are using the usual available tools that governments have when it comes to fiscal and budgetary policy. They will try and calm the markets, but the current situation is not only likely to persist, but it may also get worse as we see some second order consequences emerge. For example, food and supplies will be impacted in different parts of the world right along with semiconductors, rare metals, and all these other goods and commodities that Russia and Ukraine export.

Potentially there will be companies whose revenues increase, just as there were winners during the pandemic. But there are also likely to be victims of civil commotion, protest, and unrest in places unrelated to the main conflict because of shortages, especially in places where governments will not be able to step in with subsidies for food or energy. In Western Europe or the US, governments attempt to cushion the blow, but in Africa and the Middle East there is just not that ability to shelter the population from these external shocks.

Question: What do you see as the long-term impact of supply chain disruptions, destroyed infrastructure, closed airspace and the mass movement of people across borders?

Cvete Koneska: Eventually things will settle one way or another but that isn't to say that they will settle in an optimal way for the economy or for the well-being of the people. Yet some sort of new normal will set in. That might mean that the new normal supply chains are more local and domestic, and perhaps less profitable, but certainly more resilient to disruptions of this nature.

That might also mean that there will be more barriers to international trade. Trade regimes will change. Spending on defense will increase substantially and that will have implications on other government spending and priorities. We will see a new status quo emerging soon and some lasting changes in the world order and there may be some benefits. However, some changes will simply be a lose-lose situation for everybody.

Some governments will be much slower to act. Europe is still dependent on Russian gas. Of course, the objective is to reduce but you need to create a new infrastructure to achieve that kind of goal. It is very difficult to replace these alliances and capabilities.

Question: Satellite imagery and satellite communications are helping Ukraine stay connected and informed. In what ways do you think the Russians will try and disrupt this?

Cvete Koneska: We see how important it is to enable local populations caught in the conflict to have access. Because the Ukrainians are still able to use the internet, they have been able to track refugee flow movements and the refugees have been able to share stories and to figure out how to carpool together to get to the border.

While there is no way that I can verify this, I've read that some Russian military communications have been intercepted because they were not using satellite communications, but just regular phones to communicate with their troops. We expected to see the Russians utilize hybrid technologies and satellite imagery in their favor, given that Ukraine isn't really considered to be a major player. Yet, it doesn't appear that the Russians have done that. We have seen cyber-attacks but nothing on the scale that we imagined or forecasted. It makes one wonder, how capable is the Russian military?

Question: Some believe that Russia and China will join to create a formidable alliance, particularly in the satellite and space arena. Do you envision a space war scenario and is there any way to prevent such a thing from happening?

Cvete Koneska: There is always a risk that we might see two parallel operations at war in space, but I don't think so. Traditionally, space has been an area where everybody collaborates because the barriers to entry are so high. Is the Russian and Chinese alliance going to happen? Probably yes, because I don't think Russia is able to resource its own program without Chinese support.

The Chinese government is obviously very interested in developing advanced technologies. So, there are things that make such an alliance appealing to both sides.

This will be transactional, and convenience driven with both sides gaining. Is it going to happen now? I don't think there is urgency around it currently and both China and Russia may want to wait to see how this whole situation with the war and sanctions pans out internationally.

It is possible that current events could raise consciousness in some ways that might be beneficial to civilization as we move forward. We can learn a lot from what is happening. Perhaps company boards should be having conversations that focus on values, politics, and what it means to be a responsible global corporate citizen. **GMC**

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