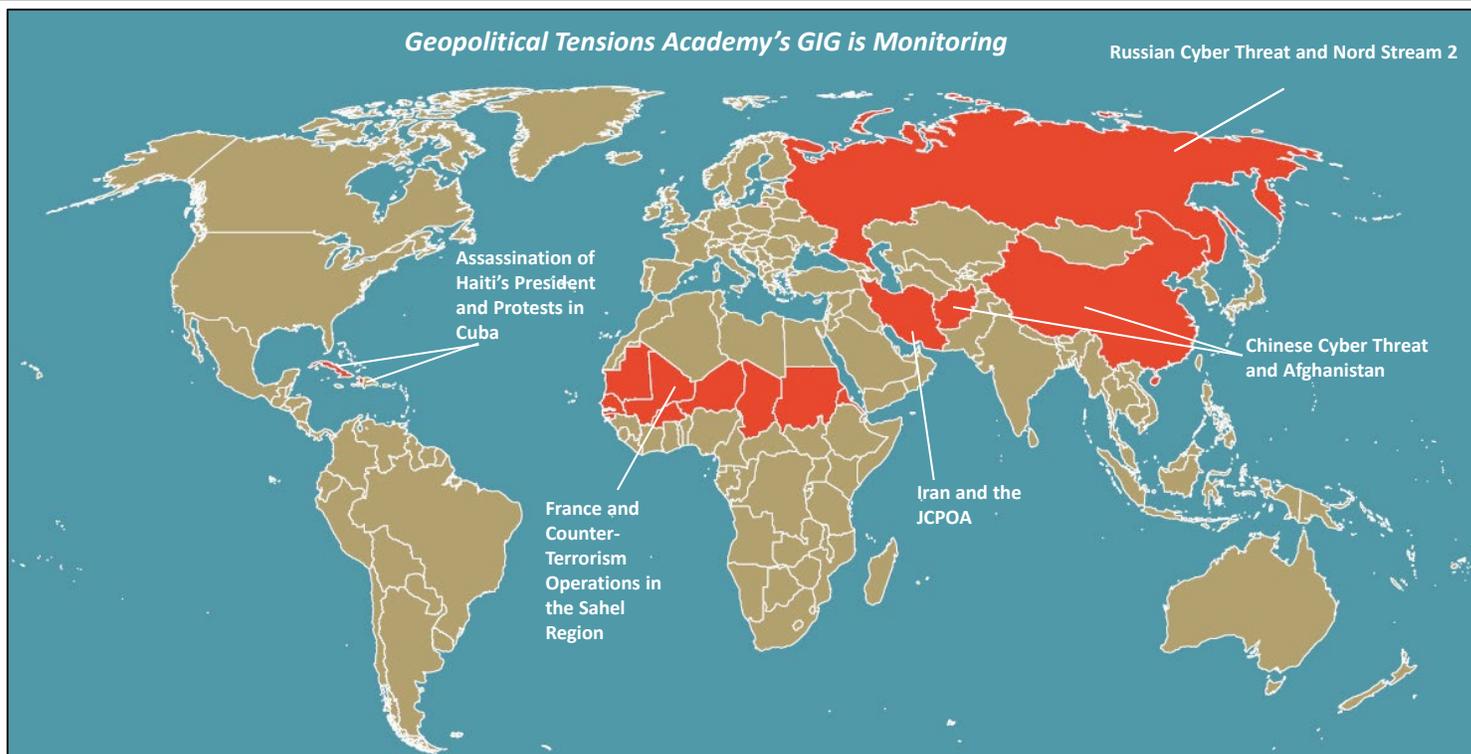


Around the World with Academy Securities



In this month's edition of Around the World with Academy Securities, our [Geopolitical Intelligence Group](#) (GIG) focuses on providing their perspective on the following tensions that we are monitoring:

1. China: Cyber, Afghanistan, and the Growing Tension with NATO
2. Russia: Cyber and Nord Stream 2
3. Iran and the JCPOA
4. Haiti and Cuba
5. France and the Sahel Region in Africa

We begin with an update on China and the EU/NATO support the U.S. has for its recent public accusation of China's involvement in the Microsoft Exchange server hack earlier this year. While no sanctions were announced in conjunction with this accusation (like we saw in the aftermath of the SolarWinds hack by Russia), the multi-lateral support the U.S. received is important. In addition, we address China's strategy in Afghanistan in the wake of the U.S. withdrawal and its use of the Belt and Road Initiative to gain a stronger foothold in the region (and access to rare earths critical to U.S. national security). Next, we provide an update on the Russian cyber threat and review possible reasons why REvil, the Russian criminal hacking group responsible for the Kaseya attack earlier this month, has disappeared. We then review the status of the nuclear discussions with Iran and the fact that the regime will wait until the new president is inaugurated in a few weeks to discuss any next steps in the negotiation. We also provide an update on our July 7 [SITREP](#) and review the security situation in Haiti (post the assassination of the president) and cover the protests in Cuba, which are the largest in 30 years. Finally, we discuss the decision by France to scale down its counter-terrorism operations in the Sahel region in Africa.

Please reach out to your Academy coverage officer with any questions and we would be more than happy to engage.

Around the World with Academy Securities

Front and Center: China - Cyber, Afghanistan, and the Growing Tension with NATO

As we reported in our previous [ATW](#), the Biden administration has enlisted the EU and NATO to take a tougher stance against China. On July 19, the Biden administration (and other U.S. allies) publicly accused China of the massive hack of the Microsoft Exchange email system (used by some of the largest companies and military contractors in the world) that occurred back in March of this year. This announcement was notable because it included support from the EU and NATO nations. While some European nations had to tread lightly because China is their largest trading partner, other nations (including the UK) directly accused the Chinese government of working with cyber criminals. Secretary of State Antony Blinken said China's Ministry of State Security "has fostered an ecosystem of criminal contract hackers who carry out both state-sponsored activities and cybercrime for their own financial gain."



This announcement comes after several high-profile ransomware attacks by suspected Russian criminals targeted U.S. infrastructure such as the Colonial Pipeline. However, unlike the actions taken against Russia after the SolarWinds hack (which included sanctions), the public "shaming" of China did not include any sanctions. Even without any new sanctions on China, relations between the U.S. and China continue to deteriorate. Recently, the U.S. warned against doing business with Chinese companies in Xinjiang due to the repression of the Uyghurs in the region. The U.S. has also warned companies about doing business in Hong Kong and a Business Advisory published by the Departments of State, Treasury, Commerce, and Homeland Security stated that "businesses face risks associated with electronic surveillance without warrants and the surrender of data to authorities." In response, China has cracked down on Chinese companies listing on U.S. exchanges. Relations continued to deteriorate this week during high level meetings in Tianjin between the U.S. and China. Before the meetings were even over, Chinese Vice Foreign Minister Xie Feng told U.S. Deputy Secretary of State Wendy Sherman that the two countries' relationship "is now in a stalemate and faces serious difficulties." It was also reported on July 28 that China was drastically increasing the number of its nuclear missile silos, which is a sign that China could soon be expanding its nuclear arsenal.

Separately, another issue our GIG is monitoring is Chinese action related to our withdrawal from **Afghanistan**. In our May 2021 [ATW](#), we highlighted the fact that while China was a large beneficiary of the U.S. presence in Afghanistan and Iraq, the instability that could follow the U.S. departure is of concern to China. On July 14, a bus carrying Chinese workers was attacked by a suicide bomber in Pakistan killing 14. China called this a terrorist attack and it highlights the security concern China has in the region. As the Taliban continues to take more territory in Afghanistan, China may remember the fact that the Taliban gave refuge to Uyghur fighters from Xinjiang prior to 9/11. This time around, however, China will likely try to embrace the Taliban with their Belt and Road Initiative, including the investment and reconstruction funding that could follow. Also at stake in Afghanistan are rare earth deposits (potentially valued at over \$1 trillion). China is the largest supplier of certain rare earths critical to U.S. national defense and communications networks. The U.S. could be at risk of losing an opportunity to access these minerals in Afghanistan after its departure. China sees an opportunity to use its Belt and Road Initiative to expand its involvement in the China-Pakistan Economic Corridor (\$62 billion already invested) by providing "border security and stability". While this could be welcomed by many countries, it would provide China with a larger strategic foothold in the region.

"The U.S. announcement that it had confirmed the Chinese hacking of the Microsoft Exchange servers by criminal contracted hackers working for China's Ministry of State Security was delayed since March even though Microsoft

Around the World with Academy Securities

previously said the hackers were from China. The delay was probably so the U.S. could gather the needed evidence to link the hacks to the Chinese government and get key allies on board with the condemnation. The European Union support for the U.S. claims is key since the EU has been reluctant to condemn China in the past because of its economic ties. Other European countries agree (along with typical U.S. allies), but most important was NATO's condemnation. China did not expect nor want this reaction as President Xi has throttled China's diplomats in their "wolf warrior" diplomacy.

Expectedly, the announcement did not include a cyber response. Allies would be less willing to support retribution cyber-attacks while the U.S. would most likely conduct any such attacks in secret. The announcement is a major step in the Biden administration's approach to gather allies to call out and isolate China for its actions that are counter to global democratic norms. China dislikes any attempt by the U.S. to call them out on the global stage in this ever-increasing superpower competition. We can expect China to vigorously refute the U.S./allies claims with its increasingly bold rhetoric. International pressure led by the U.S. was China's biggest concern when President Biden was elected versus the more unilateral approach the Trump administration had taken. While the Biden administration's rhetoric and actions have been tougher on Russia than China, they did tie the attack to criminal hacking groups linked to the Chinese government, which is beyond what they did with Russia. The competition with China is increasing on all fronts (including cyber) and across the digital world. The competition is leading more and more towards a new type of Cold War." **General Robert Walsh**

"Agree with Bob. One additional thought. Shaming China remains the realm of diplomacy and public statements. Isolation, on the other hand, requires deliberate actions. The U.S. always uses proportionality as a criterion for responding but never limits itself by taking options off the table. A response could involve cyber but should involve economic pressures. As Bob indicates, we're simply not sure, beyond agreement among partners that China is culpable, what form the response will take. Fundamentally, by its aggressive "wolf warrior diplomacy" China has lost "international trust." Other nations are finding it increasingly difficult to shape deals with China's leadership. Diplomacy based on a clearly defined set of principles, collectively agreed to, can be effective. China's actions are being called out and that by itself can begin the process of isolating China." **General Spider Marks**

"The U.S. withdrawal from **Afghanistan** leaves an influence gap that Beijing is already exploiting. Afghanistan is another sought after prize for China's Belt and Road Initiative, and it provides further geopolitical influence in Central Asia. The U.S. influence in Afghanistan over the last twenty years prevented Beijing's Belt and Road Initiative there. With U.S. influence waning, China is already building relations with both the government in Kabul and with the Taliban to ensure its influence no matter which way the Kabul government goes. The Taliban's rapid military campaign resulting from the U.S. withdrawal is signaling that it is only a matter of time for the current government's fall and the Taliban's control once again (or some combination of joint control). China already has close relations with Pakistan, which is close to the Taliban. The influence train has left the station and there is little the U.S. can do to halt Beijing's influence after the U.S. withdrawal." **General Robert Walsh**

"The key to Afghanistan is Pakistan. Pakistan's talking point is "we want a safe, stable, and secure Afghanistan". What they didn't say was "so long as we maintain control through the Taliban and that India does not gain influence in a safe and secure Afghanistan established by western forces aligned with India." So, while saying they want a safe and secure Afghanistan, they did a great job to ensure instability. Pakistan sees the world through the lens of India as its existential threat. China is not likely to align with India, so it makes sense to encourage and maybe facilitate China's involvement in Afghanistan. Of course, for China, it's all about the minerals." **General Vince Stewart**

"China will remain quiet during the summer Olympics and through their hosting of the Winter Olympics. They don't want to do anything to cause any countries to not participate in the Olympics they are hosting on the global stage. The U.S. will continue to push for human rights, freedom, and democracy around the world. The U.S. changing its tone and messaging has made it more amenable for many nations to work with us multi-laterally and to push back against China. The same can be said for multi-lateral organizations / institutions like the WHO, NATO, etc. We just saw the change in tone with the WHO regarding an investigation into the origination of COVID-19 (potentially coming from a lab leak) and recently with the EU and the Microsoft revelations." **General KK Chinn**

Around the World with Academy Securities

Russia: Cyber and Nord Stream 2

As we addressed in our most recent [ATW](#), President Biden discussed the recent ransomware/cyber-attacks with President Putin at their June Summit in Geneva. At the meeting, Biden said that he made it clear that the U.S. has “significant cyber capabilities” and urged Putin to cooperate on agreeing to key infrastructure that is off limits to cyber-attacks in peacetime and to crack down on cyber criminal gangs operating out of Russia. A few weeks later, over the July 4 holiday weekend, a massive attack on Kaseya, an IT management company, affected thousands of businesses around the world. The group responsible for this ransomware attack is called REvil. However, a few days after Biden once again demanded that Putin stop these kinds of attacks, REvil’s servers suddenly shut down. There are three theories as to what happened. The first is that the U.S. Cyber Command acted and shut it down. Following the July 9 call with Putin, Biden was asked if he would act if Putin refused to take down the servers, and the answer was “yes”. The second theory is that Putin shut them down. It is hard to believe that this would be the case, but in the spirit of “cooperation” on this to possibly gain leverage in another area, anything is possible with Putin. The final theory is that REvil shut themselves down so they would not be targeted by the U.S., Russia, or both countries. DarkSide shut down after the Colonial Pipeline attack, so it is possible, but we do not expect the individuals behind it to just “go away”. They could reconstitute under a different name in the future and continue their criminal ransomware campaigns against other targets. Regardless of the reason for the shutdown, one could view this as “progress” in the cyber discussions between the U.S. and Russia, but others see the growing threat from Russian criminal enterprises (as well as from the Chinese as reported in the previous section) as the beginnings of a cyber-Cold War.



Also of note was the agreement on July 21 between Germany and the U.S. to allow the Nord Stream 2 to be completed. While both nations also agreed to not allow Russia to use “energy as a weapon” against Ukraine, some see this agreement as a massive concession to Russia that puts the energy security of Ukraine and even Western Europe in jeopardy.

“It’s difficult to say why REvil, the Russian ransomware group, has disappeared from the dark web and shut down its operations. The most likely answer is that it is standard procedures for cyber hacking groups to go into hiding when the heat is put on them. The cyber hacking group DarkSide did the same thing after it was implicated during the recent Colonial Pipeline attacks. The Biden administration may have acted against the group as they said they were ready to do. U.S. Cyber Command certainly has the capability and has done so in the past. It is time for the U.S. to respond with its significant cyber capabilities as digital warfare from non-state groups increases. Vladimir Putin could also have taken his own actions, but this seems less realistic knowing that he benefits from the chaos and impact the attacks are having on the U.S., its partners and allies, and democracy in general. All of this supports Putin’s “grey zone” warfare strategy. We can expect REvil to reemerge as we’ve seen with other hacker groups.”

General Robert Walsh

Around the World with Academy Securities

Iran and the JCPOA

On July 20, Iranian government spokesman Ali Rabiei said that the committee within Iran's Supreme National Security Council has rejected the draft nuclear "agreement" that had been negotiated with the parties in Vienna. This makes it clear that if there is to be any definitive agreement (i.e., a return to a nuclear deal with Iran), it will have to be approved by the new president, Ebrahim Raisi, after his inauguration in a few weeks. Iran's economy has been badly damaged by the sanctions, a new lockdown due to a spike in COVID cases that began last week, and a water shortage in southwest Iran that has resulted in protests and several deaths. However, Iran seems content to wait until after Raisi enters office before commencing with the seventh round of nuclear talks. While there is belief that since Raisi ran on an economic recovery platform which would make a return to the agreement more likely (in conjunction with significant sanctions relief), key negotiating points are still on the table. At a recent meeting in Iraq with Iranian backed militant groups, Iranian Revolutionary Guard (IRGC) commander Hossein Taeb encouraged further attacks on U.S. personnel in Iraq and Syria. In addition, Khamenei has said that the country's ballistic missile program is also not up for discussion. The lifting of sanctions on the IRGC (which is designated a terrorist organization) will not be palatable to the U.S. In addition, U.S. allies in the region are wary of Iran's missile capabilities and are hoping that some curtailment of the program is part of any return to the JCPOA.



Meanwhile, Iran and Russia just extended an existing "political, security, military, defense, and economic cooperation" treaty for another 20 years and China's \$400b deal signed earlier this year puts Iran in an even closer relationship with the two largest adversaries of the U.S. These partnerships are concerning and could provide Iran with economic lifelines to survive in the event a nuclear deal is not reached and sanctions continue to decimate the economy. With Iran's announcement on July 22 that it had opened a new oil terminal in the Gulf of Oman to reduce dependency on the Strait of Hormuz, it remains clear that oil/natural gas exports are the lifeblood of the Iranian economy. However, the U.S. does have one more major lever it can pull: sanctioning oil sales to China. In the event a deal is not reached, or Iran continues to delay returning to the table, this option is being reviewed and would target the shipping network that transports the oil to Iran's largest customer, China (over 1mm barrels per day by some estimates).

"The restart of the JCPOA negotiations is not expected until after the inauguration of Iranian President-elect Ebrahim Raisi in August. While both sides have stated that they would like to make a deal, the delay is resulting in posturing by both the U.S. and Iran. The U.S. air attacks on Iranian backed militia groups on the Syria-Iraq border has resulted in retaliatory rocket attacks on U.S. bases in Iraq. The new Iranian hardline government is expected to demand more and take a harder line during any future negotiations. The U.S. has already anticipated the new Iranian government's approach by adding threats of sanctions on Iranian oil sold to China. The oil deal with China is one of the only means for Iran to gain hard currency in their crippled economy. It is also a signal by the U.S. to Iran of what may happen if Iran fails to return to the negotiations. We can expect more sanctions by the U.S. and potential nuclear infrastructure attacks by Israel if Iran fails to return to the nuclear negotiations." **General Robert Walsh**

Around the World with Academy Securities

Haiti and Cuba

As we reported in our July 7 [SITREP](#), President Moïse of Haiti was assassinated in an attack on his private residence. With a struggling economy and after years of hardship for the Caribbean Island nation, this kind of an event has the potential for significant security repercussions. Gang violence, corruption, and the COVID pandemic have all wreaked havoc in the years since the 2010 earthquake that decimated the country. However, some hope that a recent agreement between competitors for power in Haiti just before the funeral for Moïse last week could take Haiti in a better direction. The two men are Ariel Henry, a neurosurgeon who was appointed prime minister prior to the death of Moïse and Claude Joseph, who was the interim prime minister who took control of the government after the assassination. Joseph agreed to step down (and serve as foreign minister instead), hopefully enabling free and fair elections to take place eventually. While violent protests continue, our GIG will closely monitor the transition of power and security situation.



In **Cuba**, on July 11, massive protests erupted in multiple locations on the island in response to poor medical care, the country’s response to COVID, and the failing economy, which has suffered under years of U.S. sanctions on the communist party-controlled government. The question is whether these protests, the largest in 30 years, will result in any changes to the nation’s one-party system. The possibility exists that the ruling party could open the door for more than one candidate to run in the elections. 60 years after the revolution, with no Castro left in power and a younger generation looking to make changes to improve their futures in Cuba, the time may be right for change. The economy (and infrastructure) in Cuba continues to crumble and its staple export, sugar, just hit a 100-year low. Could real change be coming to Cuba? We will have to wait and see, but on July 22, President Biden hit several high-ranking Cuban officials with sanctions, appearing to maintain some of the tough policies from the Trump administration. This action will indeed increase the pressure on the regime and push for more change that will hopefully pave the way for a better economic and political future in Cuba.

“The U.S. is supporting the government of Haiti through diplomatic measures via the State Department. The State Department named Daniel Foote, a former ambassador to Zambia, as a special envoy to assist with promoting stability and peace and in holding free and fair elections. The Biden administration made it clear that they will only send U.S. Marines to protect the U.S. Embassy with no plans for any further military assistance.

*President Biden stated his support for the Cuban people in their ongoing government protests while falling short of announcing any policy changes or specific actions. The U.S. supports the protests in hopes of sparking a change in the government. The Obama administration provided humanitarian aid to Cuba and then the Trump administration placed an embargo on Cuban aid. President Biden has yet to address any changes to the embargo. However, last week he added additional sanctions based on the heavy-handed crackdowns on the protesters by the Cuban government. Meanwhile the U.S. sees restoring internet access to the Cuban people as the best way to support the protesters after the Cuban government shutoff access. The U.S. is assessing plans to find the best course of action to support restoring internet access. They see the internet as a means to fuel the protests and allow the protesters to share any government brutality with the outside world.” **General Robert Walsh***

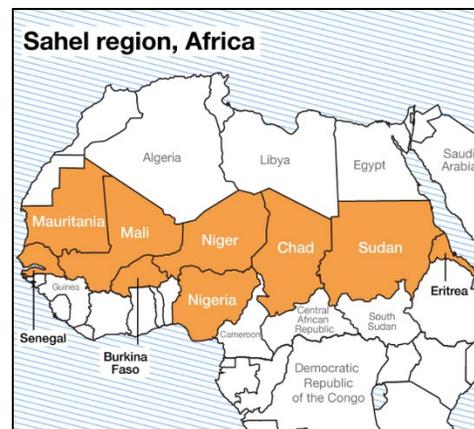
“In Haiti, there are two options. The first option is to put a transitional government in place to allow Haiti to build a stronger governance foundation and implement some reforms and then hold elections. The second (and the one the international community is backing) is to have elections as soon as possible and swear in a new president. Sounds logical and briefs well, but it will be challenging based on the security and political climate to have free, fair, and credible elections. We need to watch the security situation closely now that President Moïse’s funeral is over and if Haiti does not stabilize and present political divisions increase (causing a further breakdown of law and order), it

Around the World with Academy Securities

may be necessary to send external security forces to Haiti. If security forces are required, they will come from our partners and allies. We will not see a mass sea migration from Haiti or Cuba like we saw in 1993.” General KK Chinn

France and the Sahel Region in Africa

As a follow up to our February 2021 [ATW](#), the security situation in the Sahel region of Africa remains a concern. On July 9, President Macron of France announced that he will withdraw 2,000 troops from the counter-terrorism operation it began in the region in 2013. The purpose for the 2013 operation was to drive militants from power in Mali. The operation was later expanded and called Operation Barkhane with the goal of providing additional security/stability to the Sahel region. However, France’s new mission will be to provide training/support and utilize additional special forces as opposed to conventional troops. However, with the second coup in the past nine months in Mali, some believe the decision to scale back was related to the instability and France’s position that Mali should return to a civilian controlled government. Macron was not in favor of the May 2021 coup led by military strongman Assimi Goita.



In conjunction with the withdrawal, France has asked the U.S. for additional support in Intelligence, Surveillance, and Reconnaissance (ISR). The question is how committed will the U.S. be to that region with the withdrawal from Afghanistan and the focusing of time and resources on the growing threat from China? While the U.S. will likely remain committed to its international partners in Africa to support counter-terrorism operations, there is a possibility that if too big of a security vacuum is created, China could volunteer for additional UN peacekeeping missions in the area, which would be to their benefit as it helps secure their trading routes in Northern Africa.

Disclaimer

This document and its contents are confidential to the person(s) to whom it is delivered and should not be copied or distributed, in whole or in part, or its contents disclosed by such person(s) to any other person. Any party receiving and/or reviewing this material, in consideration therefore, agrees not to circumvent the business proposals explicitly or implicitly contained herein in any manner, directly or indirectly. Further, any recipient hereof agrees to maintain all information received in the strictest confidence and shall not disclose to any third parties any information material to the opportunity contained herein and, upon review hereof, agrees that any unauthorized disclosure by any party will result in irreparable damage for which monetary damages would be difficult or impossible to accurately determine. Recipients recognize, and hereby agree, that the proprietary information disclosed herein represents confidential and valuable proprietary information and, therefore, will not, without express prior written consent, disclose such information to any person, company, entity or other third party, unless so doing would contravene governing law or regulations.

This document is an outline of matters for discussion only. This document does not constitute and should not be interpreted as advice, including legal, tax or accounting advice. This presentation includes statements that represent opinions, estimates and forecasts, which may not be realized. We believe the information provided herein is reliable, as of the date hereof, but do not warrant accuracy or completeness. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

Nothing in this document contains a commitment from Academy to underwrite, subscribe or agent any securities or transaction; to invest in any way in any transaction or to advise related thereto or as described herein. Nothing herein imposes any obligation on Academy.

Academy is a member of FINRA, SIPC and MSRB. Academy is a Certified Disabled Veteran Business Enterprise and Minority Business Enterprise, and is a Service Disabled Veteran Owned Small Business as per the U.S. SBA. Investment Banking transactions may be executed through affiliates or other broker dealers, either under industry standard agreements or by the registration of certain principals.