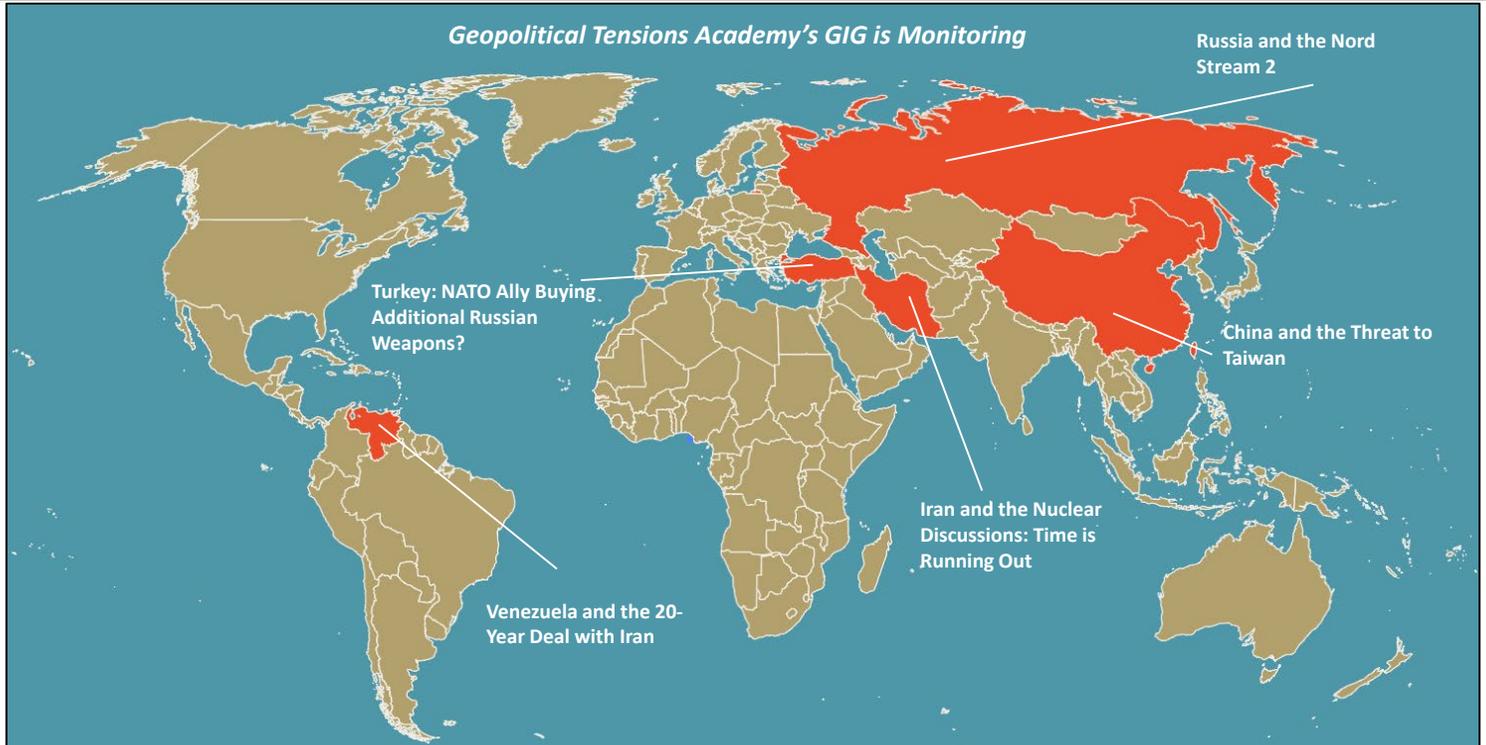


***Around the World with Academy Securities***



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 and the Threat to Taiwan
2. Iran and the Nuclear Discussions: Time is Running Out
3. Venezuela and the 20-Year Deal with Iran
4. Russia and the Nord Stream 2
5. Turkey: NATO Ally Buying Additional Russian Weapons?

We would first like to highlight our inaugural Academy Securities Geopolitical Summit (and [Geopolitical/Macro](#) and [Cyber](#) focused webinars) held in Annapolis, MD, earlier this month. As a follow up, in this report we provide an update on China and the 149 incursions of Chinese warplanes into Taiwan's Air Defense Identification Zone earlier this month. In addition, we address the possible hypersonic missile test by China and the fact that this demonstrates a significant (and concerning) leap forward in technology for China. Next, we provide an update on Iran and the contingency planning that is taking place if the regime does not return to the nuclear negotiating table. We also revisit Venezuela and the 20-year strategic agreement it recently signed with Iran (part of the strategy for pressuring Iran will be to target their major oil trading partners, which includes Venezuela and China). We then provide an update on Russia, focused on the Nord Stream 2 and the fact that the energy crisis in Europe is providing Russia with the leverage that many nations feared it would have if the pipeline was completed. We then provide an update on our NATO ally Turkey and the recent announcement that President Erdogan is considering purchasing more Russian S-400 missile systems (and possibly additional weapons from Russia). Finally, in our next ATW, we will revisit Africa and our GIG is closely monitoring the military coup in Sudan and the arrest of the civilian Prime Minister Abdalla Hamdok. Sudan (a signatory of the Abraham Accords) is important to the stability of North Africa.

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

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### Front and Center: China and the Threat to Taiwan

In our previous [ATW](#) we highlighted the ongoing tension with China in the region, especially on the heels of the U.S./UK/Australia nuclear submarine deal. Tensions have continued to rise with respect to Taiwan and between October 1-4 (in conjunction with China's National Day), 149 Chinese military aircraft entered Taiwan's ADIZ (Air Defense Identification Zone). In response to this, which was clearly a show of force designed to intimidate/test Taiwan's air defense systems, Taiwan asked the U.S. to accelerate the delivery of the 66 F-16s it ordered in 2019. Taiwan's Defense Minister Chiu Kuo-cheng was quoted saying that the recent Chinese ariel incursions in the Taiwan Strait were "the most serious moments in my 40 years of military service" and he forecasted that "by 2025, (China) will have the ability to launch a full-scale invasion of Taiwan." This concern was raised earlier this spring by Admiral Philip Davidson, commander of the U.S. Indo-Pacific Command, when discussing the 2022 Defense Authorization Request. He said that he believed China is accelerating its timeline to "supplant the United States" and a military move against Taiwan could take place "within the next six years." In addition, in mid-October, there were reports of a nuclear capable Chinese hypersonic missile test that occurred in August. While the Chinese denied the news saying that it was just a routine test of a reusable space vehicle, if this really was a hypersonic missile test, it would mean that there has been a significant advancement in Chinese hypersonic technology that the U.S. did not anticipate. The concern is well-warranted as hypersonic missiles fly 5x the speed of sound and can potentially bypass U.S. anti-ballistic missile defense systems.



These recent events, coupled with the more aggressive posture China continues to take with neighboring nations in the region (including Australia, India, and Japan - aka the Quad), are the reasons why the U.S. continues to shore up its partnerships. In addition, the Biden administration has urged NATO and the EU to take a tougher position on China, particularly with respect to cyber. While President Biden and President Xi have agreed to hold a virtual summit before the end of the year to try to reduce some of the tension, Chinese ambitions in the region remain clear and the risk of a miscalculation or an accident grows by the day. With respect to Taiwan, as former Defense Secretary Gates recently said, "There are two strategies that we need to focus on. One is deterrence — strengthening our own military presence in the region, and the second piece of the strategy is to strengthen Taiwan's ability to defend itself." While we believe that there is little risk of a near-term move on Taiwan, especially considering the upcoming Winter Olympics in Beijing in a few months, the Chinese military continues to improve its capabilities and believes it will soon be in a position where its strength will act as a deterrent to any U.S. response. Also of note is the first joint Russian/Chinese naval patrol in the Western Pacific that occurred last week. While this first of its kind exercise was advertised "as a means of ensuring stability" in the region, what it really did was give Japan more reasons to boost its own defense spending and further demonstrated the rationale for the Quad partnership.

*"China is testing the waters. There is little chance China will initiate a strike against Taiwan as Taiwan Semiconductor moderates kinetic behavior. China would, however, love to get one of its planes shot down, becoming the aggrieved party not the aggressor. This comports with Chinese strategic patience: "to win without firing a shot" which says nothing about making themselves a target which, if it happened, would accelerate international acceptance of China's assimilation of Taiwan. This could be the harbinger of a new (hypothetical) Francis Fukuyama "End of History": China as the sole superpower (that includes Taiwan) competing with America in decline and a suzerain over recidivist Russia that needs Chinese economic and military support." **General Spider Marks***

*"Words have meaning, and it is critical to understand exactly what happened so there is no miscalculation by either side. Under international law, a country's airspace extends 12 nautical miles outside its land boundary - this was not*

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*violated by China. About 20 countries (the U.S. included) have an Air Defense Identification Zone (ADIZ) that can be established in the interest of national security and can extend as far out as 200 nautical miles. The purpose of the ADIZ is to give air defenses more time to identify aircraft as friend or foe. China has been flying/entering the southwestern corner of Taiwan's ADIZ with bombers escorted by fighters and electronic warfare planes this year, but this latest incursion established a new normal as the previous largest incursion was around 28 planes. A lot of international and domestic political/military messaging was involved as it occurred between 1 OCT (China's National Day) and 10 OCT (Taiwan's National Day) while ships from Canada, France, New Zealand, Netherlands, U.K., and the U.S. were conducting an exercise east of Taiwan. These incursions were planned "grey zone" events to reinforce China's dominance in the region and reiterate to all that geography cannot be ignored as Taiwan is less than 100 miles off the coast of China.*

*With the Olympic flame being lit in Beijing on 20 OCT for the 2022 Winter Olympics and Japan having successfully executed the Summer Olympics amid the COVID pandemic, the onus is now on China to conduct the Winter Olympics without it being an international super spreader event. Successful execution of the Olympic games without incident will provide China with a unique messaging opportunity to the world as a global leader. Between now and the end of the Olympics in China, it would be a miscalculation by China if an action taken by them is considered provocative and forces nations to seriously consider a boycott of the Olympic games.” **General KK Chinn***

*“The Financial Times reported (and it was collaborated by somewhat vague comments from senior U.S. defense officials) that China has developed a military capability that presents a challenge unseen since the Cold War with the Soviet Union. If true, this capability both nuclearizes and weaponizes space. The Soviet Union and the U.S. previously agreed not to nuclearize space. The capability called a hypersonic Fractional Orbital Bombardment System is designed to send up a rocket with a hypersonic missile on it that orbits the Earth and delivers a nuclear weapon. The missile is very maneuverable and difficult to track with current U.S. missile defense systems. The U.S. will have little early warning and not much capability to defeat it. The U.S. involvement in the wars in Iraq and Afghanistan focused its military capability development away from threats like China and Russia allowing them to move ahead of the U.S. in key areas like hypersonic missiles and space.” **General Robert Walsh***

### **Iran and the Nuclear Discussions: Time is Running Out**

Last week, a glimmer of hope emerged that Iran would be re-engaging on a path to returning to the nuclear discussions in Vienna, which have been on hold since June of this year. Enrique Mora, the EU’s top representative during the Vienna negotiations, recently met in Tehran with Ali Bagheri Kani, who is Iran’s chief nuclear negotiator. While the talks were “positive and constructive” and both sides felt that the discussions would continue in Brussels in two weeks, these talks are not a substitute for the Vienna meetings. Kani tweeted on October 27 that the nuclear talks will resume by the end of November, but no date has been set to finally see if a new nuclear deal with Iran is possible. The EU’s Foreign Policy Chief Josep Borrell said, “We made it clear to the Iranians that time is not on their side and it’s better to go back to the negotiating table quickly.” Meanwhile, Iran’s President Raisi said that Iran is “serious and committed” to returning to formal talks, but he added that “for the other side, a readiness to lift sanctions can be a sign of its seriousness”, meaning that before Iran returns to the discussions, they must receive signals that the U.S. is prepared to lift sanctions, which the U.S. will not do until Iran comes back into compliance. Iran was also accused of a drone attack on U.S. forces in Syria last week, further contributing to the tension. The bottom line is that in the 4 months since the last round of talks ended, the Iranians have continued to enrich uranium to 60% and are even closer to a nuclear breakout. IAEA chief Rafael Grossi believes that Iran could be “within a few months” of having enough uranium for a nuclear weapon and the IAEA is desperately trying to put back in place the monitoring program.



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Meanwhile, Israel said it recently approved a \$1.5b defense budget increase (and will start training early next year) for a strike on Iran, while the U.S. is looking at diplomatic options to further pressure the regime. As we have addressed in our previous [ATW](#), sanctioning oil sales to China is one major lever that the U.S. can pull (though China may not cooperate on this) and another is enforcing sanctions on Venezuela, which openly trades oil with Iran. As the clock winds down, Iran is getting closer and closer to the point of no return and contingency plans are being put in place if that stage is ever reached. At the UN General Assembly in September, Israeli Prime Minister Naftali Bennett said that “Iran’s nuclear program has hit a watershed moment, and so has our tolerance. Words do not stop centrifuges from spinning...We will not allow Iran to acquire a nuclear weapon.”

*“Iran is challenging the world’s diplomatic community by stalling its return to the nuclear negotiating table while they continue to “race to the bomb.” Most diplomats acknowledge that Iran’s escalating nuclear activities and their refusal to get back to negotiations are creating a crisis that could result in military attacks on the Iranian facilities. The other option that Iran seems to be banking on is that a nuclear weapon is a fait accompli because they are so far along in its development and the JCPOA negotiators now have very little leverage. The U.S. and several of its partners are increasing pressure on Iran and are now discussing possible military action. Their new approach seems to be aimed at isolating Iran diplomatically while threatening military action. It’s difficult to predict the end state in this cat and mouse match of wills. Iran seems hell bent on developing a bomb while only Israel seems fully committed to military action to prevent it.”* **General Robert Walsh**

#### **Venezuela and the 20-Year Deal with Iran**

On October 16, Venezuela’s government (led by President Nicolas Maduro) announced that it would no longer continue negotiations with the opposition party (led by Juan Guaido). The reason for this decision is because the U.S. recently extradited Alex Saab, a close friend/ally of President Maduro. Saab has been accused of money laundering and having ties to Hezbollah. In addition to calling off talks in Mexico with the opposition party, Maduro also ordered the detention of 6 U.S. Citgo oil executives.



With the upcoming elections in Venezuela this fall, there was hope that these talks and a free and fair election would pave the way for better relations between the U.S. and Venezuela. However, attention has instead turned to the oil trade between Iran and Venezuela, where a tanker carrying crude oil (in exchange for Iranian condensate) recently left Venezuela headed for Iran (a possible sanctions violation). In addition, the two countries also recently signed a 20-year cooperation agreement. As Iran looks for lifelines in the likely event that U.S. sanctions are not removed, bilateral trade with Venezuela is a lucrative option for both countries. As the U.S. tries to further pressure Iran, it must look to Iran’s oil trading partners. In addition to the cooperation agreement with Venezuela, the bigger picture in Central and South America is countering foreign influence (including from China) and promoting democracy.

*“Both Venezuela and Iran continue their approach to negotiate trade deals with other countries to try to invalidate U.S. sanctions. The U.S. is treating both situations independently as Venezuela and Iran continue developing closer relations. Iran’s recent economic and military partnership with China took a big step towards working around U.S. sanctions while they continue to seek a similar agreement with Russia. Venezuela is linking its partnership with Iran to breaking out from the isolation placed on it by the U.S. and others in the region. The Biden administration is following Trump’s plan to isolate Venezuela while reversing Trump’s decision to not negotiate a new JCPOA agreement.”* **General Robert Walsh**

*“There are no easy solutions with respect to Venezuela. We know about the Iran/Venezuela relationship and oil shipments, but it is very difficult to navigate the legal authorities for intercepting ships in international waters. The Alex Saab case will further reveal what we already know: the Maduro regime is corrupt and for the good of the*

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*Venezuelan people, Maduro should step down and execute a peaceful transition of power to Juan Guaido so free and fair elections can be held. Venezuela has learned well from Cuba on how to operate and exist just below the strategic escalation level - we have been waiting for Cuba to implode for over 62 years.” **General KK Chinn***

### Russia and the Nord Stream 2

Russia’s Nord Stream 2 pipeline under the Baltic Sea is complete and awaiting regulatory approval, which could take several months. This comes at a time of high natural gas prices in Europe due to the lack of supply. Putin said that “if the German regulator hands its clearance for supplies tomorrow, supplies of 17.5 billion cubic meters will start the day after tomorrow.” However, what he is implying is that no additional natural gas will flow from Russia into Europe to ease the current energy crisis until the Nord Stream 2 is fully approved. In other words, the leverage Europe feared Russia would have because of the new pipeline is coming to fruition and Putin is not afraid to use this to his advantage. The Nord Stream 2, which was opposed by Ukraine and other countries in Europe, would immediately double Russia’s natural gas output to 110 billion cubic meters.



As we discussed in our previous [ATW](#), it comes as no surprise that Russia is focusing inward. Putin’s party, while still holding a majority in parliament, lost some ground compared to the results from the 2016 elections. Even with a high degree of fraud suspected, Navalny’s (the jailed opposition leader) message of fighting against corruption is having an impact in the minds of the Russian voters. There is high unemployment and the longer-term economic prospects of many in Russia are not very strong. Putin said recently, “our main problem, our main issue and goal is to increase the revenues of our citizens.” Striking a nationalistic chord by using the power of the new pipeline to achieve Russia’s economic objectives is of no surprise. Deploying 100,000 troops on the Ukrainian border to test the new Biden administration helped increase national pride, but did not do anything to improve the life of the average Russian. The new pipeline will, on the other hand, give Putin a significant economic win in the eyes of his own citizens.

Finally, as we addressed in the May 2021 [ATW](#) and during the [cyber segment](#) of our Academy Geopolitical Summit this month, the cyber threat from Russia does not seem to be abating. On October 25, it was reported that even after sanctions were placed on Russia because of the SolarWinds hack, the S.V.R. (Russian Intelligence) is attempting to acquire more cloud data by continuing to hack Microsoft servers. While this kind of operation could be described as routine intelligence collection/espionage, the fact that it is happening right after discussions between Putin and President Biden designed to reduce ransomware attacks and ease tensions means that the cyber “arms race” is still on.

*“As the European Union’s economy rebounds from the pandemic, their need for natural gas is increasing along with the increased demand from the coming winter. Russia is using both to increase its leverage on the EU nations to pressure the Germans to approve the controversial Nord Stream 2 pipeline. They are also delivering less natural gas via pipelines running through Ukraine and Poland. Additionally, Russia is sending more natural gas to China putting even more strain on the Europeans. Russian actions are resulting in new discussions amongst some in the EU seeking less energy dependence on Russia.” **General Robert Walsh***

*“Russia continues to benefit from its investments in Eastern Europe and uses information (social media capabilities) as a tool so that the public is increasingly identifying with Russia over its Eastern European neighbors and questioning the relevance of NATO. As a result, U.S. Army Europe is deploying Brigade Combat Teams into Poland for defensive exercises and U.S. soldiers are participating in multi-national unit training exercises in Ukraine, all to sustain the NATO alliance and strengthen the strategic partnership with both countries.*

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*The completion of the pipeline results in an increased dependence of Eastern Europe on Russian gas which provides Russia with economic leverage, much like China has in the Indo-Pacific region where nations will self-censure or say nothing when China does not act in accordance with international law. I expect to see increased assistance to Ukraine and Poland from the nations that opposed Nord Stream 2.” **General KK Chinn***

**Turkey: NATO Ally Buying Additional Russian Weapons?**

As we highlighted in our February 2021 [ATW](#), the risk that Turkey moves closer to Russia and away from NATO is a real concern. While the U.S. has worked with Turkey (and needs their support in multiple areas like Libya and Syria), the fact that Turkey purchased the Russian made S-400 missile system, was removed from the F-35 program, and was also hit by U.S. sanctions (the first for a NATO ally) has driven relations to a new low. In late September, President Erdogan announced that not only could Turkey buy additional Russian S-400s, but would also consider other weapon systems including planes and submarines. This would be a major problem for the U.S. and would trigger additional sanctions, which have the potential to drive Turkey closer to Russia and away from NATO.



In addition, to make matters worse (for the west and the Turkish economy), on October 23, President Erdogan ordered the expulsion of the ambassadors from the U.S., Canada, France, Germany, Denmark, Norway, Sweden, Finland, New Zealand, and the Netherlands, sending the Lira to a record low. This announcement came after several western nations called for the release of Turkish philanthropist Osman Kavala from prison. If this would have been carried out, relations would have deteriorated even further, and the Turkish economy would have been badly damaged as this group includes not only several NATO nations, but large trading partners as well. However, on October 25, likely seeing the incredible problems that a move like this would cause, President Erdogan pulled back from the demand. However, the U.S. and NATO are not out the woods and the current state of relations with Turkey should be cause for alarm.

*“Relations between the U.S./NATO and Turkey are breaking down even further over the newly reported potential S-400 missile sales from Russia. Turkey is saying that it wants more independence from U.S. military sales and buying from Russia makes a clear statement. The U.S. decision to kick Turkey out of the F-35 program moved Turkey even further away from the U.S. sphere of influence while Turkey’s original S-400 purchases are what poisoned the Turkey/U.S. relationship. Things seem to have recently gotten even worse after many thought the Biden administration would ease the strained relations. The benefactor of this is Putin and Russia as he continues to divide NATO. The time is now for the U.S. to make a greater strategic effort to solve the growing problem before it spirals out of control. The U.S. offer to swap the sale of F-35s for F-16s will solve Turkey’s near-term aging fighter fleet problem, but will act as an accelerant to decoupling Turkish arms sales from the U.S.” **General Robert Walsh***

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