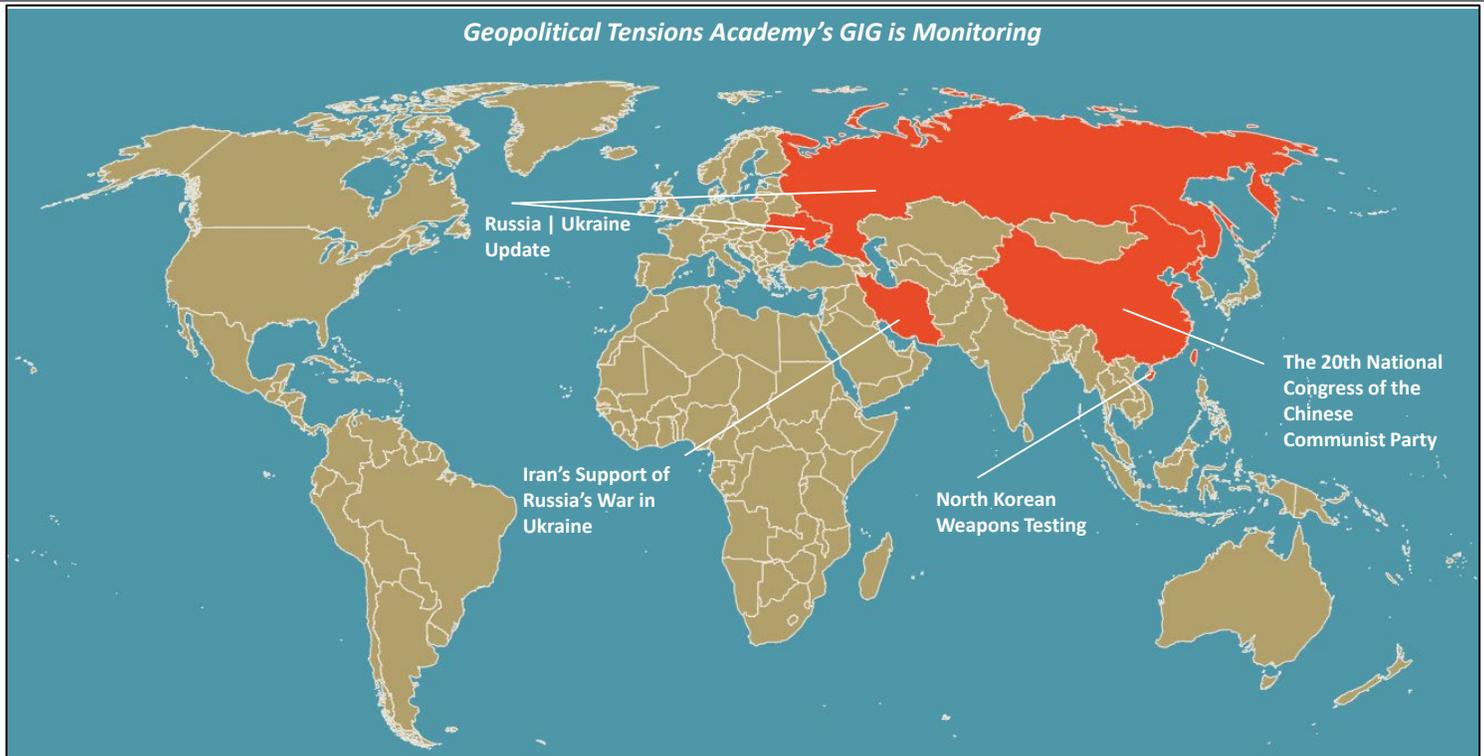


Around the World with Academy Securities

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

1. Russia | Ukraine Update
2. The 20th National Congress of the Chinese Communist Party
3. North Korean Weapons Testing
4. Iran's Support of Russia's War in Ukraine

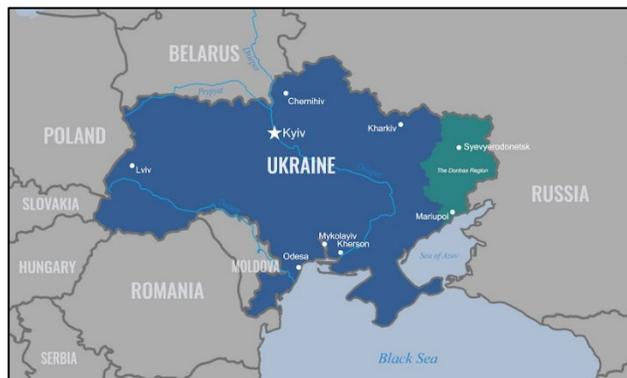
Last week, Academy held its second annual **Geopolitical Summit in Annapolis, Maryland**. The event was attended by guests from across the country including executives from large corporations, asset managers, and investors. The geopolitical and cyber panels included several Academy GIG members and focused on a variety of topics including the latest developments regarding Russia's war in Ukraine, China and Taiwan, the global supply chain, and cyber threats from U.S. adversaries. In addition, Academy hosted panels focused on ESG and Inclusion & Innovation. It was a great event that also included group dinners, golf at the Naval Academy Golf Club, and a Navy football game.

We kick off this report with an update on Russia's war in Ukraine and the upcoming battle for the strategically critical city of Kherson. Next, we provide our perspective on China's 20th Party Congress meetings and how President Xi further tightened his grip on power. We also address the tensions on the Korean Peninsula and the high probability that North Korea will conduct a 7th nuclear test in the near-term. We also revisit Iran's shipping of combat drones (and potentially surface-to-surface missiles) to Russia. Finally, we will be watching this weekend's runoff election in Brazil very closely. General Chinn from our GIG believes that, "If Bolsonaro wins, there will be no substantial change. He is going to have more support from the Congress because the majority is conservative. If Lula wins, we will see a progressive agenda and substantial changes in Brazil's foreign policy, as the new government will reach out in Latin America to the governments of Chile, Colombia, Venezuela, Argentina, Nicaragua, and Cuba."

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

*Around the World with Academy Securities***Front and Center: Russia | Ukraine Update**

In our previous [ATWs](#), our [SITREP](#) on the attack on the Kerch Bridge, and our [T-Report](#) on the Russian nuclear threat, we have continued to provide updates on the latest developments in the conflict in Ukraine. Ukraine continued to have significant success on the battlefield in the last several weeks and has reclaimed territory that had been held by Russian forces for months. With respect to the situation in Kherson, Russian proxy officials have begun to evacuate from government offices. Russia has also encouraged civilians to leave the city in advance of an urban warfare operation. If Russia loses control of Kherson, which is a gateway city to Crimea as well as to the Black Sea port of Odesa, it would be a major defeat for Putin. The fear is that since Putin drew "red lines" with the annexation of Kherson, Zaporizhzhia, Donetsk, and Luhansk earlier this month, he could lash out with a major escalation of the conflict if he loses any of this territory. There have even been concerns about the potential for the use of a radioactive or "dirty" bomb by Russia. While Russia initially came out and said that it is worried that Kyiv would use this weapon in an act of terrorism, the real risk is that Russia could take nuclear materials from the occupied Zaporizhzhia plant, create a dirty bomb, and then use it and blame it on Ukraine. Our GIG will be monitoring the developments here closely as the war moves into the winter and Ukrainian resolve (coupled with U.S./NATO support) continues to be strong,



"It has become clear that the Russian Army is poorly trained/equipped and that sanctions are impacting the Russian industrial base's ability to modernize and resupply the Army with new gear. They are increasingly turning to Iran and North Korea for needed equipment. We are seeing Putin double down and take a more brutal approach to conducting the war because his biggest fear is falling from power. Putin's false reassurances to the Russian people that his "special military operation" was going according to plan have been exposed. Zelensky and Ukraine have seen the Russians overcommit themselves, commit genocide, and attempt to destroy their country. They stand united in their objective to hold Russia accountable.

At this point there seems to be only two potential end-states: Ukraine pushes the Russian Army completely out of the occupied and annexed regions, or a negotiated peace is agreed to with Russia maintaining some of the occupied terrain. Putin hopes that Europe's unity will crumble over high winter energy costs, and it will force Ukraine to lower its expectations. His objective to strengthen his bargaining position with illegal referendums and annexations has had little effect on Ukraine or his own people. His chaotic mobilization has resulted in Russian men fleeing and it is beginning to turn Russian citizens against Putin. His declaration of martial law and putting the occupied regions on a war footing only added confusion both in the regions and in Russia. Turkey's President Erdogan provided some hope of hosting peace talks and ending the war by saying that Putin appeared "much softer and more open to negotiations" than in the past. The best assessment is the war will continue in the same grinding attrition manner through the winter and into next year. Putin's actions message that he is setting conditions for a protracted high-intensity conventional war well into the future and not a negotiated settlement." - General Robert Walsh

"If the Ukrainian counteroffensive continues to go as well as it has to date, it will continue to shock the Russians (and move this turning point forward). It caused Putin to take the step of mobilization—and that's not going well. While the war already had turned Putin into a political pariah externally, Russia's military failures are now testing Putin's domestic strength. Therefore, Putin is trying to find a means to garner support domestically by demonstrating that he's still strong by making nuclear threats and striking with air and missile attacks across Ukraine. He will continue to do that. His hope is that Ukraine will break under the pain of bombardment, but he seems unable to

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understand the unbreakable will of the Ukrainians. Russian soldiers now believe that their army is weak, not strong. Such a low morale and psychological state makes victory for Russia a real challenge. The image of a reliable and strong Russian Armed Forces has been shattered. There will be no off-ramps before winter, and unless he faces enormous internal pressure, there is little chance of a peace deal anytime soon." - General David Deptula

"If Russian forces lose control of Kherson, it could be the first step in isolating/cutting off Crimea from mainland Ukraine (please see map above). From Kherson, Ukrainian forces can push south and east to connect to the Black Sea. With the right flank protected by the Black Sea, Ukrainians can regain the operational momentum and begin offensive operations east across northern Crimea. A link up with Ukrainian forces pushing south from the contested region in the vicinity of Zaporizhzhia would place Russian forces in Crimea at risk.

This Ukrainian tactical maneuver is essential to have a realistic opportunity to discuss off-ramps. Both Russia and Ukraine are waging a war of wills. Ukraine remains sovereign but weakened. Its economy has collapsed, and the country has not suffered such horrendous losses since WWII. Russia has been globally exposed as feckless and incompetent in every step of their invasion, but it still has friends who will supply them with weapons and vindication. Ukraine, on the other hand, having achieved the global status of a super star with significant tactical victories on the ground, will not be satisfied unless they re-establish the pre-2014 Russian borders. That simply is unattainable. There is an "ends and means" imbalance. President Zelensky has maximalist objectives, but the American led NATO alliance is providing support with limits and restrictions. Russian forces are going to end up on Ukrainian land. With Ukraine's recent successes, negotiations are more, not less, likely." - General Spider Marks

"Since the beginning of the war between Russia and Ukraine, Ukraine's warfighting and information operations campaigns have been aided tremendously by the support from Elon Musk's Starlink low earth orbit satellite communications capability. The United States and SpaceX banded together and provided about 20,000 Starlink terminals to Ukraine, connecting their military and other key government agencies. Troops on the ground were even using this connectivity in conjunction with weapons provided by the U.S. and NATO allies to launch drones for intelligence and reconnaissance missions giving real-time information about Russian troop activities and supply lines. Starlink was used for kinetic strikes against Russian targets by connecting drones, anti-tank weapons, and surveillance vehicles. This situation brings to light how a commercial company supporting vital critical infrastructure during a war, by themselves or via public-private partnerships, can dramatically affect the outcome on the battlefield." - Admiral Danelle Barrett

"There will be no peace deal in the near-term because Russia annexed part of Ukraine. For Russia/Putin the annexation justifies the call up of soldiers to defend their new territory. Putin is desperate to prove to the populace that they are winning (and that this is a winnable war). Ukraine's position is no territory of Ukraine will be part of Russia. Putin is focused on creating fear to deter actions or force actions by others so they will continue to attack/destroy Ukraine's critical infrastructure (power generation, etc.) in the hope of swaying regional/global public opinion that the suffering from the cold winter can end with a cessation of hostilities. We are watching the implosion of Russia under Putin." - General K.K. Chinn

*Around the World with Academy Securities***The 20th National Congress of the Chinese Communist Party**

As the 20th Chinese Party Congress meetings came to an end last Sunday, the world witnessed Chinese leader Xi Jinping rise to a level of power in China not seen since Mao. Xi's unshakable grip on power was cemented by the appointment of his closest allies Li Qiang, Zhao Leji, Wang Huning, Cai Qi, Ding Xuexiang, and Li Xi to the Politburo Standing Committee. The choice of these individuals assures that Xi will not only have a third term in office, but his authority will be completely unopposed internally. In addition, in a potential demonstration of Xi's unrivaled power, his predecessor Hu Jintao was escorted out of the Great Hall of the People. There is also no clear successor to Xi as the newly appointed members of the Standing Committee are all over 60 years of age. It is clear that this "re-centralized bureaucracy" in China is completely intentional and will result in Xi's complete control over everything including the economy and foreign affairs. As Xi expects to make China even more assertive in its dealings with the West, it also highlights the threat to Taiwan. In his speech at the Congress, Xi said that China would "strive for peaceful reunification," but China would "never promise to renounce the use of force." The promotion of He Weidong, who was the commander of the People's Liberation Army's Eastern Theater Command (overseeing the Taiwan Strait) to the position of vice chairman of the Central Military Commission signals that while a move on Taiwan is not imminent, Xi will make sure that his military is ready. With an election coming up in Taiwan in 2024 and Secretary of State Blinken noting that China is accelerating plans to take over Taiwan, there is a risk that a plan to offer a peaceful reunification (followed by coercion and even military force) could be set into motion sooner than the anticipated 2027 timeline which marks the date when the Chinese military is expected to be capable of executing a military operation across the Taiwan Strait.



"Last week's 20th Chinese Party Congress meeting reiterated President Xi Jinping's plan to strengthen his grip on power. The meeting also reinforced Xi's vision for the Chinese Communist Party's increased role in controlling politics (and the Chinese people). He also sent a clear message regarding his desire to unite Taiwan with the mainland and took a more aggressive approach to foreign affairs. Xi also readied the CCP for "worst-case scenarios" for China's economy and foreign relations. While there were no major changes to Xi's position on Taiwan, he was clear once again that he stands ready to "use military force and take all measures necessary" if "Taiwanese separatists and foreign powers" continue to interfere with China's sovereign affairs. He also vowed to continue his path to modernize the Chinese military and promised more deployments by the Chinese military overseas. In summary, the Congress highlighted Xi's obsession with his national security aims and concerns that he is under siege from the U.S. and the West and is now in a new form of Cold War." - General Robert Walsh

"It's fair to say that Xi has advanced and modernized the influence of the founder of the People's Republic of China by setting the conditions for the anticipated completion of what could be called the Long March #2 - the recognition of the PRC as the world's sole superpower. The importance of what just occurred in Beijing at the 20th National Congress of the CCP cannot be overstated. With his third five-year term, Xi remains the General Secretary of the CCP, the Chairman of the Military Central Commission, and President of China. It's also fair to say that the results of the 20th Congress are not surprising. It clearly was more form than function, even with the incredibly uncomfortable forced departure of Hu Jintao, Xi's predecessor.

Also, Xi is unburdened. He has elevated his close associates into key positions in both the party and the state. Although Taiwan's independence remains a key issue, there is little reason to believe that China will seek to conduct a military invasion of the island in the near-term. I expect China's military to continue provocative naval and air exercises. The real intention of these exercises is reconnaissance to collect intelligence on Taiwanese and U.S.

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readiness. China's patience is legendary. There is no rush for Beijing to force a solution. Over time, it is certain that Taiwan will be more vulnerable with the technological advances of "Made in China 2025" and its increased military modernization. However, China will be reluctant to test the strength of the U.S. led regional partnerships with Korea and Japan. The Chinese simply cannot afford an underestimation of U.S./Korean/Japanese resolve."
- **General Spider Marks**

"Xi learned from the Soviet Union's collapse that party loyalty and ideological fidelity are paramount. Xi is working to make sure this (collapse) does not happen in China as the Politburo Standing Committee has no rival party members. Xi's objective is that the CCP must remain in power and everything else is secondary, hence their national security policy focus on domestic security and why we see the activities against its people/minorities. China is changing and is not mirroring the U.S. as much now as it returns to a closed party with the CCP running the country. They have many domestic challenges and the banner on the bridge is an example of the educated Chinese expressing their opinion on their loss of personal freedoms, which is a wild card for the future with technology and social media continuing to evolve. China will bide their time in the Pacific for now and may aspire to take back resource rich Siberia from the Russians as Russia continues to collapse." - **General K.K. Chinn**

North Korean Weapons Testing

Year to date in 2022, North Korea has conducted a record number of missile tests. Over the past two months, it has also conducted multiple tests of shorter-range weapons that have the capability of carrying a tactical nuclear warhead to demonstrate the North's ability to attack multiple South Korean locations and regional U.S. bases simultaneously. It also conducted a missile test over Japan that traveled 4,500 kilometers (the longest test yet). In addition, last month, Kim expanded his nuclear "first use doctrine" as well to include other scenarios (i.e., in addition to when a nuclear attack on the North is perceived to be imminent). However, there have been no tests of a nuclear weapon since 2017. This is all likely to change shortly as the 20th Chinese Party Congress meetings are over. In fact, South Korean President Yoon Suk-yeol said this week that North Korea had completed preparations for its seventh nuclear test. As Kim continues to learn from how Putin uses the threat of nuclear weapons to keep NATO and the U.S. directly out of the war in Ukraine, he will possibly use this next test to demonstrate that he could use his tactical nuclear capability against a regional target. These provocative actions are all designed to win concessions from the West and/or threaten South Korea. Kim believes that his nuclear capabilities are key to his survival and has no intention of giving them up. Our GIG will continue to monitor the situation and how this will impact the posture of our regional allies.



"North Korea announced that it was restarting nuclear tests after it launched over 40 missiles (since restarting missile tests in January 2022). They had ceased both efforts due to increased dialogue and warmer relationships during the Trump administration. During the Biden administration, Kim Jong-un's regime restarted missile launches and the potential nuclear tests (the first since 2017) are a means of ensuring the viability of the regime. Kim's ultimate card is having nuclear weapons and using them as a deterrence to threats they see coming from the U.S., South Korea, and Japan. North Korea sees having nuclear weapons and a long-range missile capability as ways to pressure the U.S. and South Korea as well as ensure the regime's survival. The Biden administration and Kim's regime remain at odds with the U.S. seeking denuclearization. Expect the stalemate to continue even with the potential nuclear tests but there is little chance of near-term war." - **General Robert Walsh**

"Kim enjoys the spotlight. Putin and Xi are getting all the attention. Kim routinely reminds us that he is still very much in charge of the Hermit Kingdom. He has nuclear warheads. He has long-range missiles. He aspires to be

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treated like an adult. Not unlike our near-violent/non-existent relationship with Iran, the U.S. near-violent/non-existent relationship with North Korea belongs to Washington to fix. Security is paramount and non-negotiable, but it is too dangerous not to talk with a country that is a nuclear power. We can do both – have a strong military and display strong diplomacy. It may cost us tons of money, but it is essential.” – General Spider Marks

“The North Koreans will likely conduct a nuclear test within the next year. They believe that the U.S. is occupied with supporting Ukraine and is not increasing military capacity in any way that would affect its posture toward North Korea. China is likely dictating the timing of such a test to optimize its impact with respect to their strategy. Actions to rekindle engagement with Kim to reduce the tensions will only occur if the U.S. is committed to increasing its military capabilities.” – General David Deptula

“We remain in the crisis/action cycle of North Korea's habitual pattern of engagement/behavior. Now that the CCP Congressional meeting is over, I expect an underground nuclear detonation that could lead to the next phases in the cycle: diplomatic outreach, negotiations, recriminations, breakdown, and a return to crisis as we have observed over the past 50 years. If there is a decision to reach out it will be a multilateral approach/dialogue most likely involving Japan, China, the U.S., South, and North Korea.” – General K.K. Chinn

Iran's Support of Russia's War in Ukraine

As we reported in our last [ATW](#), the likelihood of a new Iranian nuclear deal is getting slimmer by the day and the regime is clearly waiting until after the U.S. midterm elections to re-engage in any meaningful way. However, Iran has been supplying “kamikaze drones” (in violation of a U.N. Security Council resolution) to Russia and has sent troops to Crimea to help train Russian forces in the operation of these drones. It is also troubling that these drones have been targeting Ukrainian energy and power infrastructure and will accelerate the humanitarian crisis on the ground in Ukraine as the winter approaches. In response, the EU and the UK have announced sanctions on Iran. However, these measures have not been successful as Iran is now in the process of sending surface-to-surface missiles to Russia. With the war entering its 9th month, Russia is running very low on precision munitions and has also reportedly been buying artillery shells from North Korea all while continuing its bombardment of Ukrainian cities and critical infrastructure. Iran is also selling oil to China to continue to support its economy and regional terrorism. Time will tell how these alliances between Iran and U.S. adversaries play out (the upside for Iran could be Russian assistance on their nuclear program), but Iran continues to validate the fact that the regime cannot be trusted.



“Russia's use of Iranian and North Korean supplied weapons is evidence that sanctions are taking a bite out of Russia's ability to produce needed military capabilities for the war in Ukraine. U.S. intelligence insists that Iran is providing armed drones to Russia and is in discussions with the Russians over providing long-range missiles. Both Iran and Russia deny the allegations. Armed drones or Loitering Miniature Attack Munitions are being supplied to Ukraine by the U.S. and have been a tipping point that allows Ukraine's military to fight as a 21st century force while Russia has been stuck fighting as a 20th century force. The European Union named new sanctions against Iranian entities over the drones being provided to the Russian military. This will be an added challenge for the U.S. if it attempts to get back to the nuclear negotiations with Iran. Key European players like the UK, Germany, and France are now the ones discussing triggering harder sanctions, while it was the U.S. that drove Iranian sanctions in the past. While the Biden administration has expressed support for the ongoing Iranian protests over repressed women's rights, there has been no linking of these protests to returning to the nuclear negotiations.” – General Robert Walsh

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"With respect to Iranian assistance to Russia with their kamikaze drones or future supply of surface-to-surface missiles, our response should be to halt any negotiations with Iran on reviving the JCPOA nuclear agreement (this only rewards bad behavior). As a spokesperson for our National Security Council said recently, "It's just another example of Iran's desire to export violence, and both Iran and Russia need to be held accountable for it." Weapons systems that could be moved to Ukraine to assist in their defense against drones are the Iron Beam, which is a laser system from Israel and microwave weapons from the U.S. designed for counter-drone operations. We should also support the protesters in Iran uprising against their repressive regime." - General David Deptula

"In support of recent protests in Iran, internal and external hacker groups are working to further destabilize the situation. For example, an Iranian hacker group known as "Black Reward" published classified information concerning the Iranian nuclear program claiming to have hacked the email of the country's Nuclear Power Production and Development Company and other nuclear agencies obtaining over 50 gigabytes of data. They claim that they intend to release all the information on the internet and are demanding the release of political prisoners in the wake of arrests made during anti-government demonstrations following the death Mahsa Amini (a 22-year-old woman who died after being detained by the Iranian police). Other hacker groups like Anonymous are organizing cyber-attacks against Iranian government agencies helping Iranians circumvent internet restrictions imposed by the government. These actions will continue to erode government control over the general population, will limit the effectiveness of their influence operations over their people, and could potentially destabilize the country by increasing support for massive anti-government demonstrations." - Admiral Danelle Barrett

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