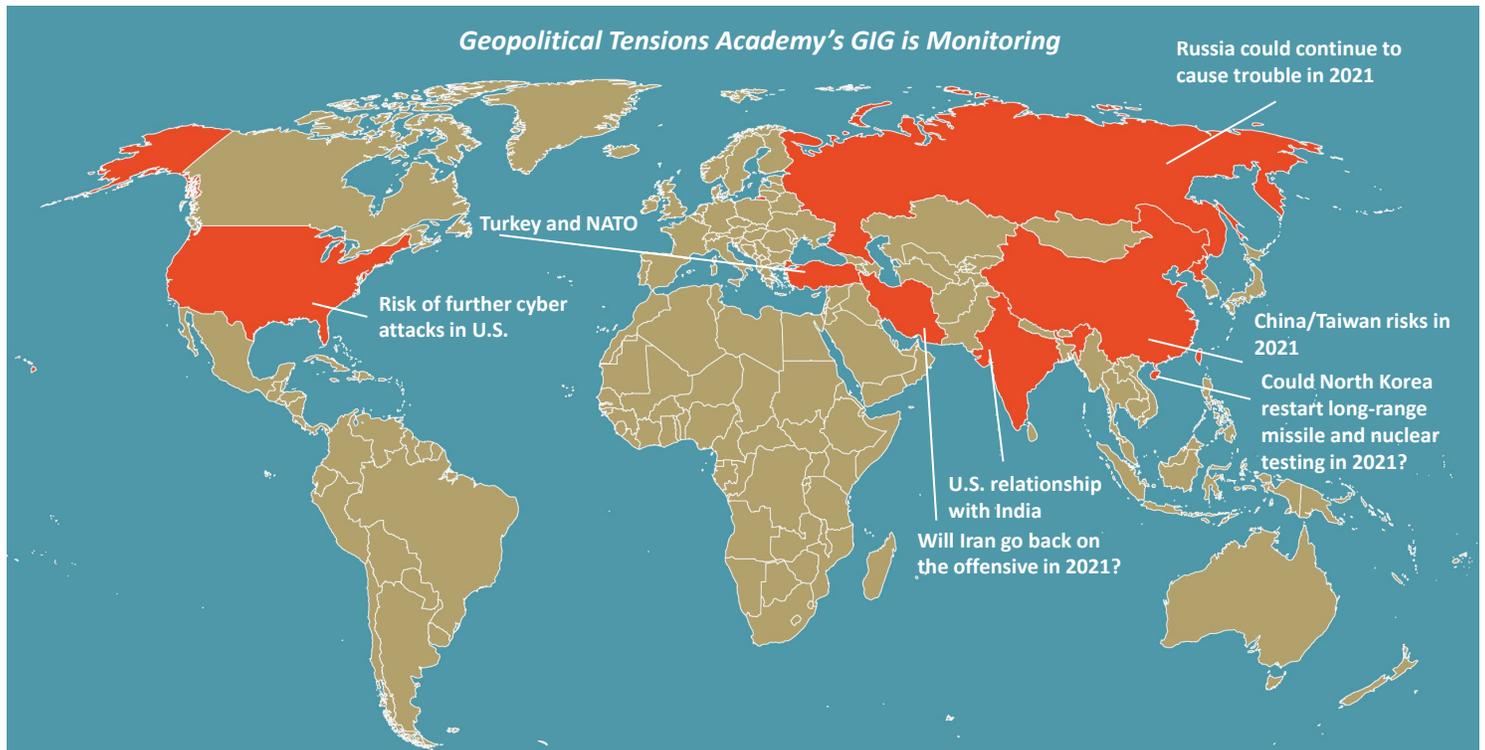


***Around the World with Academy Securities***



In this month’s edition of Around the World with Academy Securities, our [Geopolitical Intelligence Group](#) (GIG) examines some of the potential surprises in their 2021 outlook. With the new Biden administration taking over in 2021, the U.S. will continue to face threats from its adversaries. We begin with China and the future of Taiwan and ask the question: how far would the U.S. go in the defense of the island nation? We also address North Korea and the options it has in 2021, including a possible return to nuclear testing or the option to engage with the West in an effort to improve its economic situation. We then re-visit India and the potential stumbling blocks (trade, human rights) in its relationship with the U.S. We believe that Iran may not remain quiet in 2021 and review the difficulty the Biden administration will have in restarting nuclear talks. With regard to NATO, we look at the possibility that U.S. pressure on Turkey over the S-400 missile purchases may drive it closer to Russia. We also address the recent cyber hack on the U.S. that may have been ongoing for months. This is a highly sophisticated hack and highlights the risk to U.S. critical infrastructure. Finally, also of note, while the incoming administration will be preoccupied with COVID and geopolitical risks, General Marks believes that President-elect Biden will develop a new Canada/Central/South American strategy, but in focusing on immigration reform, an opportunity will be missed to come to an agreement on rare earth mineral access, which is critical to our national security. We begin with a quote from General Deptula below, which highlights the risks we see from Russia, China, and Iran in 2021.

*“There will be major trouble next year as pandemic related economic impacts hit in Russia, China, and Iran. All three regimes will see an opportunity with the new administration in office, continuing political discord across the U.S., and deep cuts to the defense budget. All three regimes need a reason to distract their population from their own woes. It is an open question as to which of these three regimes is the least stable. The less stable the regime, the bigger risks it will take as it has more to win and less to lose by taking risks. One possibility is that China makes a move on Taiwan—not necessarily a conventional invasion, but an unconventional set of actions to solidify their sovereign claim on Taiwan.” **General David Deptula***

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### Front and Center – China and Taiwan Risks in 2021

As we discussed in our [SITREP](#) in September as well as in our last [ATW](#), the tensions between China and the U.S. with respect to Taiwan continue to grow. While China has threatened an invasion of Taiwan for decades, the risks are growing over a potential conflict. While a war might not be imminent in 2021, over the next 5-10 years China will develop the military capabilities to try to deter U.S. intervention. With the stated goal of reunification, the question remains how that might be achieved. With the help of the U.S., Taiwan has built up formidable defenses. In addition, its coast line is rugged and presents very few opportunities to land a Chinese invasion force capable of overrunning a population of 23+ million. It is hard to believe that China would use an overly heavy hand and inflict unthinkable destruction and a high number of casualties if the end goal is to highlight Taiwan as a flourishing territory that is loyal to the CCP. **A question for the Biden administration is how far would the U.S. go in the defense of Taiwan?** If China decided upon a preemptive attack against U.S. forces in the Pacific, such an action would force a U.S. response. But what if China utilized a softer approach, including cyber-attacks and the kind of pressure used in Hong Kong in 2020? To be clear, we do not believe any action is imminent, but we realize that China's strategy of biding its time and gaining strength to eventually realize the goal of a unified China is not just a 100-year strategy. Make no mistake, China watched the global response to the national security act in Hong Kong and there is a possibility that non-military actions could be taken in the near-term to see how far the U.S. is willing to go to support Taiwan.



**In 2021, General Marks, our Head of Geopolitical Strategy, expects “an emboldened China”.** While the U.S. and others cannot resist selling to China, there is an increased risk with respect to IP protections. He also believes that China's policy to “rob, replicate, replace” will go unchallenged and China will provoke Taiwan militarily while the U.S. responds and de-escalates. He thinks that Hong Kong Chief Executive Carrie Lam, will get a confidence vote from Beijing and Hong Kong will disappear from the news cycle (but we must look behind the curtain). Finally, he believes that the Chinese Navy will increase its disputed island presence in the South China Sea. In an effort to build a regional alliance, he feels that the U.S. will strike a deal with Indonesian President Joko Widodo's Ministry of Defense for a bilateral partnership to include expanded training and foreign military sales and the U.S. will seek to establish a “formal security treaty” with Indonesia. However, he worries that the challenges will remain centered on human rights and overlooking or mitigating this may be “the bridge too far” for the Biden administration.

*“China's aggressive behavior towards Taiwan is becoming a rinse and repeat of what they did in Hong Kong. Beijing ratcheted up the pressure on Hong Kong's democracy movement until there was no way to counter it. The same approach has worked for President Xi Jinping in Tibet and with the Uighurs in Xinjiang. Taiwan is his last and most important objective. President-elect Biden's past actions as a Vice President and as a U.S. Senator demonstrate that it is unlikely he will provide the same level of support to Taiwan as President Trump. China usually takes the long view in its actions regarding Taiwan, but its spectacular increase in irregular “gray zone” tactics are testing the waters on Taiwan's willingness to resist. There is a point coming soon when China is willing to challenge the U.S. military over Taiwan with the PLA's rapid military expansion. All trends are towards another Hong Kong.”* **General Robert Walsh**

In addition, with respect to China's anticipated approach to competition with the U.S. in 2021, General Walsh believes that China could further engage with Asia and Europe to build alliances and put the U.S. at a disadvantage. General Robeson also thinks that China will put more emphasis on spreading its influence via infrastructure investment abroad.

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*“China’s Belt and Road initiative bilaterally aligns individual countries with China’s needs often leaving them with huge debt and reliance on China. Could China reverse gears and now focus on multilateralism to counter and compete with the U.S.? China’s recent signing of the Regional Comprehensive Economic Partnership, that is made up of 15 Asia-Pacific countries, is a signal of the shift in policy. President Xi Jinping also promised to “speed up negotiations on a China-EU investment treaty and a China-Japan-South Korea free trade agreement.” President-elect Biden already sees China’s new approach as a threat by saying that the U.S. must align itself with other democracies to set global trade rules. The agreement puts the U.S. on the outside looking in and allows China to be viewed as the new leader in influencing trade in the Asia-Pacific region. China claimed the signing as a “victory of multilateralism and free trade.” While China’s signing aligns with the Biden approach to internationalism, it will also be a challenge in the acknowledged competition. Additionally, China is reaching out to Europe (during the pandemic crisis) to “build a community of common health for mankind.” President Xi Jinping could be willing to take the long view with his global agenda in winning the competition with the U.S. by accepting internationalism, partnerships, and leading other nations which would reduce animosity towards China in the short-term.” **General Robert Walsh***

*“China will plead that they have been mis-understood by the Trump administration. Part of this will include backing off from Hong Kong & Taiwan escalations, though they will likely threaten escalation in an effort to have something to negotiate with for fewer trade restrictions in return. At this point, China desires a more favorable trade deal without tariffs. They are suffering economically. It is likely that Biden will offer this to them in an effort to demonstrate his ability to “repair” Trump’s damages. China will revert back to its former ways of spreading influence more quietly through building infrastructure and economic takeover.” **General Mastin Robeson***

On the topic of future alliances with China, General Walsh believes that there is a possibility that China and Russia will grow closer in 2021, which would be a very concerning scenario.

*“The increasingly close and pragmatic relationship between President’s Xi Jinping and Vladimir Putin is the most dangerous threat to U.S. global power outside of China itself. Both are personally preoccupied with regime survival and see U.S. global influence as a threat. Their increased desire and real efforts to work together and counter U.S. influence will not stop at the end of the Trump administration. China and Russia see the Biden administration’s renewed focus on internationalism as an even greater threat to their strategic objectives than the Trump administration’s “America First” policy. Xi Jinping recently said that the two countries will work together to “oppose hegemony and unilateralism.” Meanwhile Putin has said that Russia is sharing sensitive military technology with China to increase China’s military capabilities. A future alliance between the most powerful authoritarian leaders on the planet will have global ramifications in disrupting President-elect Biden’s plan to “sit at the head of the table” and lead a rules-based international system. In the end, they both want to undermine the U.S. political, economic, and social agendas.” **General Robert Walsh***

Finally, with respect to competition with China in space, General Kearney believes the following:

*“I suspect the Biden administration will have challenges with current defense and space budgets. The militarization of space and the simultaneous commercialization will drive the next big military industrial complex engagements. I also suspect the hypersonic arms race will lead to even more competition in space with decreased reaction times requiring space-based interceptors. There will have to be budget tradeoffs to compete with China in this domain. How we will pay for this and what our treaty responsibilities will be in the new space fight with potential nuclear payloads are key questions.” **General Frank Kearney***

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**North Korea - More Aggressive vs. Engaging in 2021**

Relations with North Korea could go in one of two directions under the new Biden administration. The first is a more aggressive option where North Korea continues to provoke their neighbors/U.S. In the second option, North Korea could realize that opening up to the West and reducing its focus on nuclear capabilities in exchange for sanctions relief is the pathway to ensuring the longevity of the regime. While the economy struggles under Kim, North Korea continues to focus on its nuclear and ballistic missile development.



During a military parade in October 2020, a new mobile launched ballistic missile and a new submarine launched ballistic missile were on full display. This is concerning because the larger (mobile) missiles have the potential to carry multiple nuclear warheads. The goal of the 2018 Singapore Summit was to commence a denuclearization process. However, even though no nuclear tests have been conducted recently, the regime has improved upon its technology and expanded its capacity for the production of nuclear material required for warheads. **General David Deptula from our GIG believes that “North Korea will resume nuclear weapons and ICBM testing” in 2021.** Kim still reserves the right to self defense and to act first if he feels threatened. While Kim has not conducted any overly aggressive actions since the 2018 summit, North Korea is not denuclearizing. **How will the new Biden administration engage with North Korea?** Any path to working with the regime must come through Seoul. Tensions could rise dramatically in 2021 if Kim believes he is being cornered or if the economic situation continues to worsen. The question of succession is also there in the event something happens to Kim. On the other hand, if the regime realizes there is an opportunity to maintain its ability to defend itself and begin to build a more global economy, then we could see the tone of engagement shift dramatically.

*“I believe that North Korea will not remain silent in the New Year and will create circumstances to gain attention from Washington. The Chinese will clearly want stability in the region for economic reasons but history tells us each administration faces a North Korea test early to both evaluate the waters and gain attention. The Biden administration likely needs to shore up relations with China, and North Korea could be the predicate for engagement.” **General Frank Kearney***

*“Biden’s administration will reduce pressure on North Korea in an effort to show that a more understanding/diplomatic agenda is better than a “gunboat”/tough approach. That said, Biden will tread carefully in his effort to return to a softer diplomatic position to avoid President Obama’s perceived early, “apologetic” approach. The number of Obama cabinet/advisors returning to positions of influence will make this a very difficult balance for President Biden to achieve.” **General Mastin Robeson***

**U.S. Relationship with India in 2021**

In several previous ATWs, including our [March 1<sup>st</sup>](#) edition that detailed President Trump’s visit with PM Modi, there have been high expectations regarding the future of the U.S./India relationship. For some time, the U.S. has viewed its relationship with India as critical to forming a counterweight to China. While there have been disagreements on the trade deficit front, the two countries share a strong stance against terrorism as well as countering China’s rise to power in Asia. However, the Biden administration may add human rights (i.e., Kashmir) to the agenda in future discussions. The current India/U.S. relationship is built on a strong foundation, supported by the past four U.S. presidents so the expectation is that the partnership will continue. **However, we will watch for signs that economic issues or different positions on human rights could drive a wedge between the two countries.**



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**Iran Back on the Offensive in 2021**

Over the past several months, tension with Iran has continued to increase. Maximum pressure sanctions, secret meetings between Israel and Saudi Arabia, and the killing of the top nuclear scientist in Iran have all but guaranteed that a return to the JCPOA by the incoming Biden administration would be extremely difficult, if not outright impossible. Iran cannot be trusted to abide by any kind of international agreement and the likely preconditions they would require coupled with a potentially hardline regime coming into power in 2021 would make any deal unpalatable. **While Iran has been biding its time in the final days of the Trump administration, we do not expect Iran to remain quiet in**



**2021.** Iran’s proxy forces are a significant threat and as the U.S. continues to reduce its troop presence in the region, Iran will continue to sow instability. Saudi Arabia and the UAE will look to reinforce their regional relationships to try to deter any direct action, but unconventional attacks will continue (see the recent attack on a tanker in the KSA port of Jeddah). The attack was attributed to Houthi rebels in Yemen (which are supported and armed by Iran). Iran’s economy is deteriorating and in 2021, we may see a regime that does not believe the incoming Biden administration will try to punish them for their actions. **How far will the incoming administration be willing to go?** Time will tell. What is clear is that while Iran is “laying low” now, we do not believe it will take that approach in 2021.

General Marks believes that the incoming administration will be off to a disappointing start and its focus on global multilateralism as a process will overcome a “concise definition” of what strategic success looks like. COVID will rightfully take up a preponderance of the new administration’s time and resources and he believes that **Iran will be close to a nuclear breakout.**

*“President-elect Biden said that he would favor a return to the Iranian nuclear deal, reversing the maximum pressure campaign of President Trump. This decision could have dramatic effects on the ongoing Abraham Accords, even though he has said positive things about them. We can expect President Biden to focus more on Iran than improving Arab-Israeli relationships. This may set aside future gains for the Abraham Accords. We also know that Israel’s goal was to create an anti-Iranian coalition of Arab countries that feel threatened by Iran. Led by Saudi Arabia, this approach has developed unity amongst many of the Arab countries to put pressure on others to not re-negotiate with Iran over the failed Joint Comprehensive Plan of Action. A wild card is the proposed China-Iran investment and security pact that provides Iran leverage in any nuclear discussions.”* **General Robert Walsh**

*“I believe Iran will be a big player next year as sanctions add to the pandemic’s economic toll. They will press for the U.S. to lift sanctions and likely will continue enrichment to drive U.S., Israeli, and Gulf ally concerns. Retaliation for killing Soleimani and the nuclear scientist have yet to play out in my view, but will. I expect Hezbollah out of Lebanon or Syria (or both) will act against Israel which will create instability. I also remain concerned about the KSA leadership transition and low oil prices. The death of the King may create a contested transition as the royal family may not all support the crowned prince. Low oil prices also mean the Saudis will support U.S. sanctions on Iran as they need to keep a high market share to pay the royals and tribal patronage.”* **General Frank Kearney**

*“Iran will quiet down to see if they can establish a more favorable relationship with the new administration. The new administration will likely re-establish a nuclear agreement that is more favorable to Iran and will rescind the embargo. Iran most fears a continued embargo (and thus increased economic pressure), Iraq fully recovering economically and friendly to the U.S., a solidified Middle East, and increasing agreements between Islamic nations and Israel.”* **General Mastin Robeson**

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**Turkey and NATO in 2021**

As we reported in our previous [ATW](#), we continue to monitor the situation in the Eastern Mediterranean related to Turkish oil and gas exploration in Greek territorial waters. However, on December 14<sup>th</sup>, the U.S. decided to place sanctions on Turkey for another reason: their purchase and testing of the Russian S-400 missile system. For the first time, the Countering America’s Adversaries Through Sanctions Act (CAATSA), was used on a U.S. ally. While Turkey has rejected these sanctions, the larger questions is how will the Biden administration deal with Turkey? Turkey is a NATO ally, but in addition to the S-400 purchases and the situation in the Eastern Mediterranean, the U.S. has had



concerns about Turkish involvement in Syria, Libya, and Azerbaijan. **Is there a chance we will see Turkey leave NATO in 2021?** This will have to be determined by how the Biden administration views the relationship with Turkey moving forward. Biden’s advisors have said publicly that they do not intend to “push Turkey into a corner”, but placing sanctions on Turkey by the Trump administration could very well do just that.

**In 2021, General Marks expects “a stressed NATO” with pressure coming from unbudgeted economic pressures as a result of the COVID recovery.** He believes that individual member countries’ obligation to meet the 2% GDP threshold will also be at a greater risk. Russia will become national security threat #1a (behind China as #1) and Russia will not be held accountable for Putin’s “WMD use” by poisoning political opponents. He believes that Nordstream 2 will be completed, increasing Russia’s strangle hold on Europe’s energy supply. He also thinks that Turkey will buy more military hardware from Russia. This combination of predictions makes the case for a united front by NATO (including Turkey) even more important.

*“Trade and economics will be Biden’s main approach to Turkey and NATO. He will bridge away from issues that emphasize the Russian threat and NATO vulnerability/security. Meanwhile Russia will continue to use economics and trade to exacerbate NATO’s security vulnerabilities.”* **General Mastin Robeson**

*“I expect terrorism to rise in the face of withdrawal from Afghanistan and Iraq/Syria. Disengagement is normally fuel for the narrative as well as an ability to plan and grow with less pressure. If we lose NATO HQ in Afghanistan, we lose the day-to-day engagement and relationship building that creates interoperability. I don’t advocate staying in Afghanistan for NATO team building, but since the early 90’s, we have operated in peace making and combat and that ending will have an impact. This means shoring up our relationship with NATO on the continent is an imperative.”* **General Frank Kearney**

**Risk of Further Cyber Hacks (or Attacks) in the U.S. in 2021**

As we discussed in our latest [podcast](#) and [last weekend’s](#) T-report on the cyber hack, while some nations will act accordingly to maintain or even improve relations with the U.S. under a Biden administration, others, particularly Russia, may take a different path. On December 14<sup>th</sup>, it was announced that a major cyber hack targeting the U.S. Departments of Treasury, Commerce, and Homeland Security (among others, including the private sector) had been discovered and has been ongoing for an unknown amount of time. Russia is believed to be behind



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the hack, but has denied this allegation. In 2014/2015, Russia was involved in hacking the unclassified email system of the White House, State Department, and Joint Chiefs of Staff. In addition, their involvement was at the center of the influence campaign conducted during the 2016 Presidential election. Russia is not a friend of the U.S. and will try to undermine U.S. interests at every turn. **The questions are will Russia or another nation try to execute a larger cyber-attack (or hack) in the U.S. in 2021? Will the U.S. respond?** While we have made significant progress in our ability to defend our critical infrastructure (including our election infrastructure), the U.S. is not immune to attacks from adversaries, such as Russia, as clearly demonstrated by the discovery of the ongoing hack.

*“This is pretty ugly and will get worse before it gets better. While it will become clearer regarding what has been breached, it will take a while and we probably won't find everything. It will take an even longer time to figure out the impact. Removing Solar Winds from networks is the easy part and identifying where to look is also not that hard. Hunting them down, getting them out, and assessing loss and impact is the real work. It will take a very long time and I doubt we'll ever know the total impact. For sure you can assume that the attackers will never leave some networks and will provide back doors for follow-on activities. This is a global supply chain attack impacting government (federal to local), private sector (lots of Fortune 500 companies), and cybersecurity companies. The second order effects will have intended and unintended consequences. I liken some of this to NotPetya. It's also targeted since they were able to breach FireEye, a high-end security company, with skills and capability to keep them out, but they didn't. While you can argue that it is espionage and that we do it all the time, it's time to say “stop” to what can be much more than stealing secrets. I worry most about critical infrastructure destruction. Finally, we need to better understand why and how but I believe it's the Russians and until we take action, you can expect more of the same or we ought to stop talking about deterrence.”* **General Rhett Hernandez**

*“What is needed is a major overhaul of the current enterprise systems (that likely includes completely new enterprises with all the latest defense/notification/isolation bells and whistles between the old and new enterprises), and then clean and innovate each individual application across the air gap and into the new enterprise. It is highly doubtful that any of the old enterprises can be saved because they are very likely all too corrupt at this point.”* **General Mastin Robeson**

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