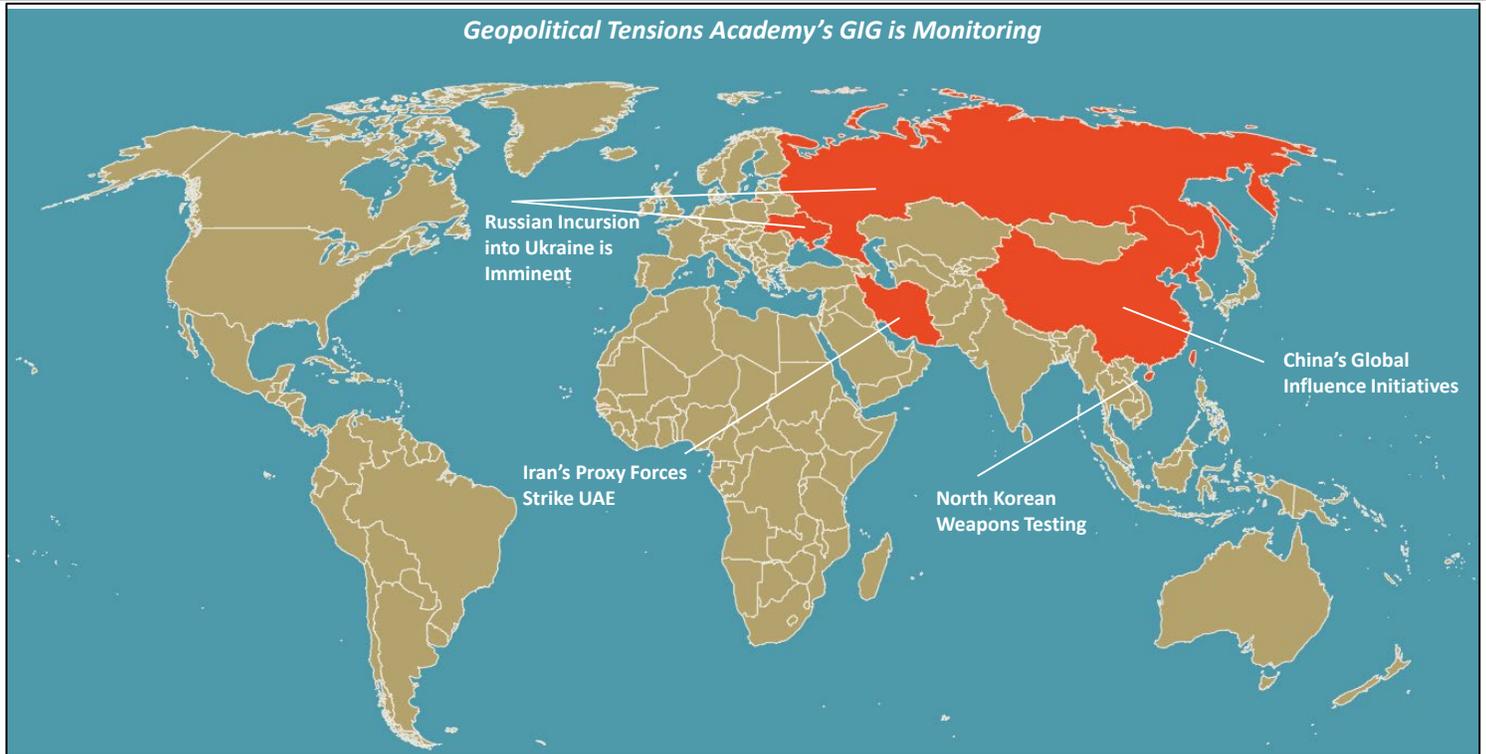


Around the World with Academy Securities



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 geopolitical tensions that we are monitoring:

1. Russian Incursion into Ukraine is Imminent
2. China's Global Influence Initiatives
3. North Korean Weapons Testing
4. Iran's Proxy Forces Strike UAE

We begin with the imminent incursion by Russian forces into Eastern Ukraine. Our GIG believes that unless there is a significant diplomatic breakthrough, Russian forces could commence military operations into Ukraine in the coming weeks. While nothing is a certainty until it happens, Putin has built his case that Western influence on Ukraine and NATO military exercises near his border are red lines that have been crossed. We also revisit China and highlight that while Taiwan/the South China Sea are the likely areas where an incident could occur between China and U.S. forces/a U.S. ally, the U.S. must not take its eye off Central/South America because China's influence in the region continues to grow. Next, we address the recent weapons testing by North Korea and a return to the old Kim playbook of ratcheting up tensions to gain concessions and sanctions relief. Finally, we report on the recent attacks on the UAE by Houthi rebels (an Iranian proxy force). As the nuclear talks drag on with little progress, the Iranians continue to support regional activities against the U.S. and its allies to gain additional leverage in the discussions. We are also monitoring the situation in Burkina Faso after a military coup took control as a result of the limited action by the government against Islamic insurgents. We will revisit Africa in our next report.

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: Russian Incursion into Ukraine is Imminent

In our last [ATW](#), [Podcast](#), last week's [SITREP](#), and yesterday's updated [SITREP](#), we addressed the buildup of Russian troops on the Ukrainian border. Currently, there are ~100k+ troops near the Ukrainian border and the concern is that an incursion into Eastern Ukraine is imminent. As tensions continue to build, the U.S. has now begun to evacuate families of diplomats in Ukraine. In addition, the UK accused Russia of trying to install a pro-Moscow leader in Kyiv and the U.S. has accused Russia of escalating the situation by potentially positioning special operations forces in Ukraine to cause an incident that can be blamed on Ukraine and pre-empt a Russian move into the country. On January 21st, Secretary of State Blinken met with Russian Foreign Minister Sergey Lavrov to diffuse the situation and said that "If Russia wants to begin to convince the world that it has no aggressive intent toward Ukraine, a very good place to start would be by deescalating by bringing back and removing these forces from Ukraine's borders." Blinken also warned that "We and all of our allies and partners are equally committed to making sure we are doing everything possible to make clear to Russia that there will be a swift, severe, and united response to any form of aggression by Russia directed at Ukraine."



Leading up to this meeting, Putin had demanded that the U.S./NATO provide security guarantees to Russia including barring Ukraine from ever joining NATO and removing U.S./NATO forces from former Warsaw Pact nations including Poland and Romania. The concern is that these requests are non-starters for the U.S. as Putin appears to be trying to "avenge history" and the fall of the Soviet Union, which Putin believes was the worst geopolitical disaster of the 20th century. The loss of Ukraine to the West is an outcome that Putin is willing to go to war to prevent. In addition, he has made even more concerning statements about increasing nuclear patrols and deployments closer to the U.S. There is the continued risk that the U.S./NATO alliance is not as united as once hoped as there have been requests by some (including Macron in France) to open a separate dialogue with Putin. Fracturing the alliance at a time when Russia, China, and Iran are conducting naval exercises in the Indian Ocean would clearly send the wrong message to Putin.

While the discussions continue, an incursion into Eastern Ukraine will likely happen in the coming weeks unless there is a breakthrough in the talks between the two sides, and neither side appears to be backing down. In fact, while it is difficult to differentiate "posturing from intention," both sides are taking steps to escalate tensions to improve their negotiating positions (an incredibly slippery slope). Last weekend, the U.S. warned that it could deploy 8,500 troops to the Baltics to reassure NATO members in the region. The Baltics (as well as Poland) are within range of Russian Iskander nuclear missiles based in Kaliningrad, which is a legitimate concern as U.S. Patriot missile systems are not yet in place to defend against this threat. In response, Russian forces began military exercises (including with the Iskander missiles) in the western part of the country. Most recently, on January 25th, the USS Harry S. Truman aircraft carrier strike group was placed under NATO command (for the first time since the Cold War) in the Mediterranean and will take part in exercises with other NATO members. The question is, as this escalates, how far will the U.S. go in defense of Ukraine?

"With respect to Russia, there are a variety of opinions, but only Putin knows for sure and even he may not have yet formulated his endgame. That said, a couple of realities are defining how the U.S. and our NATO allies may respond. The biggest factor is that Ukraine is not a member of NATO, and therefore no Article 5 defense of Ukraine is on the table. Some NATO members are stepping up military aid and assistance, but U.S. support to date has been very

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moderate. Of course, the U.S. has threatened serious consequential sanctions against Russia if they invade. If the Western powers intend to pressure the Russian elites to dissuade Putin from war, then they'd better mean it, not only for Putin but for everyone around him, including his underbosses who don't have Putin's political and financial resources to protect themselves and who thus will face real costs and personal losses.

*Biden has tried to say something along these lines, but the Russians understandably shrug off threats they've heard before from the Americans. Unless the West has the will to inflict serious economic punishment on the Russian elites, the only path out is by a diplomatic move where Washington publicly refuses to accept Russia's unreasonable demands but finds ways to craft a compromise between the United States and Russia, between Russia and Ukraine, and between the United States and its European allies. Through all of this, the Biden administration has cycled through every combination of threats to deter the Russians from attacking. But the reality is this: Putin created this crisis, and only Putin can end it." - **General David Deptula***

*"With respect to cyber, since NATO and the U.S. have not established hard cyber "red lines", there is uncertainty in what a response would be both in terms of proportionality and ensuring attribution (i.e., that it was actually Russia). For the U.S., CYBERCOM would be responsible for those actions, and I suspect it is already prepping the battlefield. The Article 5 collective self-defense clause of NATO would also come into play if Russia attacked NATO nations but again, attribution of the attack (with certainty to Russia) could take time, delaying international response." - **Admiral Danelle Barrett***

"Strategically, the situation in Ukraine goes well beyond the border between Ukraine and Russia and its impact on Europe. More importantly, this is another step in an alliance between China and Russia to undermine and replace the democratic norms that have been in place since WWII. Putin and Xi Jinping are supporting each other at every step in their plan to break down the current world order led by the U.S. Both see the U.S. efforts to criticize them on human rights and democracy as a threat and a means to undermine their sovereign authority. Their recent military exercises with Iran and their bi-lateral exercises in the Pacific were done as a show of strength and a way to counter U.S. military influence. They see cracks in America's global strength after the chaotic withdrawal from Afghanistan and they are now exploiting perceived U.S. weakness over Ukraine and Taiwan.

*Russia sees the U.S. meddling in Ukraine in the same way China sees the U.S. challenging its authority in Hong Kong and Taiwan. Putin and Xi are using force in all three places to pressure the U.S. and the West into concessions. Putin was successful in his land grabs in eastern Ukraine and Crimea and before that in Georgia. Xi's latest success was to break Hong Kong's democracy movement and he now has his sights set on Taiwan. A new cold war between democracy and autocracy has emerged. Putin's goal since coming to power has been to restore Russia's former sphere of influence while Xi sees a rising China's right to lead a new world order. The reunifications of Ukraine with Russia and Taiwan with China are both key pieces to their plan to weaken the U.S. Putin flexes his muscles using his military as his only means because of the weakness in Russia's economy while Xi is more willing to use his economic power through his Belt and Road Initiative while he continues to rapidly build up his military." - **General Robert Walsh***

*"Russia's economy is not as diversified as China's, and it is very dependent on earnings from fuel and energy exports. Since most geopolitical challenges end up in negotiation at some point, it will be important to create conditions where both sides can claim victory so don't be surprised if the Nord Stream 2 pipeline comes into play if Russia does not invade Ukraine in the next 30 days. Expect to see Russia continue to utilize their information warfare capabilities to foment instability and undermine regimes globally that are aligned with the West. In Ukraine, Russia will continue to stress Russian ethnic and cultural influences to support why Ukraine should be part of Russia and that it is the choice of the people living in Ukraine (the portion of Ukraine they invade/take over). As tensions heat up in Ukraine, much like we saw in 2008 (Tu-160 nuclear-capable bombers, four warships), 2013-14 (Tu-160's), and Tu-160's again in 2018, we can expect to see increased Russian presence in Venezuela. Strategically it makes sense to continue to leverage willing anti-U.S. regimes in the region. We may also see increased arms sales, but we will not see them putting weapons in Venezuela or Cuba." - **General KK Chinn***

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China's Global Influence Initiatives

As we discussed in our previous [ATW](#), Taiwan and the South China Sea will continue to be flash points as the U.S. conducts patrols in the region supporting freedom of navigation and our allies. These tensions were again highlighted on January 24th when China flew 39 warplanes into Taiwan's Air Defense Identification Zone (ADIZ) in response to the USS Carl Vinson and the USS Abraham Lincoln strike groups conducting operations in the Philippine Sea. In addition to these concerns, China's growing nuclear arsenal was at the top of the agenda during the January 21st virtual meeting between President Biden and the new Japanese Prime Minister Fumio Kishida. Even with the upcoming Olympics in Beijing starting on the 4th of February, there continues to be a risk of an incident between China and the U.S. or a U.S. ally in the region (one area of concern is the recovery operations of the U.S. F-35 that crashed while landing on the Carl Vinson this week). However, with the world's attention focused on the South China Sea (and the standoff with Russia over Ukraine), China continues to expand its sphere of influence globally from the Middle East to Africa and even to Central/South America.



Currently, China has “comprehensive strategic partnerships” with Argentina, Brazil, Chile, Ecuador, Mexico, Peru, and Venezuela. China's trade in the region has risen from \$20b to ~\$315b in 2020. With respect to supporting China or recognizing Taiwan, currently eight countries in Latin America/the Caribbean (out of 13 countries worldwide) recognize Taiwan with the remaining 25 countries supporting China. On December 9th, 2021, Nicaragua cut ties with Taiwan and is now in support of Beijing. The incoming president of Honduras Xiomara Castro (who Vice President Harris is meeting with this week) initially pledged to increase diplomatic ties with China in her campaign, but has since backtracked, likely because of enhanced support/pressure from the U.S. (and Taiwan eliminating tariffs on certain goods traded with Honduras).

However, China is also focused on El Salvador since it severed ties with Taiwan in 2019. It now appears that China will move forward with a project to upgrade La Unión, the deep-water port on the Gulf of Fonseca (on the Pacific). In addition, China will establish a special economic exclusion zone in the region which will favor China over the U.S. Looking further down the road, all these factors could lead to a Chinese naval presence at the port, which would be a big problem for the U.S. As China has built infrastructure and established influence in the Western Hemisphere, it has become the top trading partner of Brazil, Chile, Peru, and Uruguay. With several elections taking place in Central/South America in 2022 (i.e., in Ecuador, Colombia, Peru, Argentina, and Brazil), the risk is that many elections will be won by candidates who could embrace Chinese overtures of lending, investment in infrastructure projects, and trade deals in exchange for support.

“China's air incursions this week into Taiwan's ADIZ were the second largest ever while the Chinese Navy continues to conduct naval operations near Taiwan and Japan. The increased naval activity is a signal to Japan to back off from its alliance with the U.S. and accept Beijing's demands for less military activity by the U.S. and Japan. We can expect China's military activity to decrease near Taiwan and Japan as the Olympics approach, but we can also expect China's air and naval operations to increase soon after. The lack of U.S. action in support of Ukraine will only stimulate Beijing's military intimidation operations.”

Latin America is seeing more Chinese presence as Beijing challenges the U.S. for influence in its own backyard. The Biden administration lacks a sustained plan for the region while China takes advantage of the U.S. lull by spending vast sums of money. Regional eyes are on President Biden's Build Back Better World program to counter China's Belt and Road Initiative (BRI). China sees increased funding in the region as a means of diminishing U.S. regional influence and is a worrisome trend. Much of the BRI money comes with the caveat to break off ties and recognition of Taiwan.”

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*So far, many countries have lined up to take Beijing's money even though it means disagreeing with the U.S. on Taiwan. Money talks and Beijing is using it to its advantage throughout the region as many of the countries become more autocratic and less democratic, playing into Beijing's hands." - **General Robert Walsh***

"China has aggressively pursued its Belt and Road Initiative in South America, and it should be a big concern for the U.S., specifically in the energy, rare earth element (REE), and other mineral segments (some of these REEs are key to the IT/telecommunications industry). With respect to electricity, China controls 57% of electricity transmission in Chile (China's State Grid Corporation recently purchased Chile's Compañía General de Electricidad for \$3B). They have similar efforts currently underway in Ecuador, Bolivia, Argentina, Honduras, Peru, and Colombia, where corporations are building hydropower, wind, and solar power stations.

*On the REE front, China put \$180 million into Venezuelan nickel mining, and an additional \$580 million into more general mining services. China gets 55% of its copper from Chile and Peru. The Chinese state-owned company Chinalco also controls the Peruvian Toromocho and La Bambas copper mines and another Chinese-backed mine in Ecuador. China's Xinjiang TBEA bought a 49% stake in Bolivia's lithium industry (not a REE but used for electric vehicle batteries). Just like they have done in Africa, they are going after all countries in South America." - **Admiral Danelle Barrett***

"On December 19th, 2021, Chile elected leftist, Gabriel Boric, as their next president. This will be the first time that all of Chile's neighbors will be leftist populist states (Argentina, Peru, Bolivia). The turn in the region to the populist left provides increased opportunities for China economically and it will be critical for the U.S. to continue to engage in Chile emphasizing that they must continue to avoid China in strategically sensitive areas (telecommunications, surveillance, e-commerce, etc.) as a failure to do so would limit our ability to collaborate closely with them. Chile has been an institutionally strong and politically stable pro-Western government in the region in the past and with a divided Congress, the Boric administration will be challenged to gain consensus and will have to move forward slowly. We will need to see what the new government's positions are with respect to OAS, CELAC, ALBA, Venezuela, Cuba, and Nicaragua.

China is the biggest importer of Chile's copper, so they have always been economically linked, but because Chile has had good governance, strong institutions, and national laws, they have excluded China in the past from making investments in areas that Chile's previous governments have deemed sensitive and intrusive on the rights of their population. We will have to watch closely if the left-of-center Boric government is willing to make concessions to China in accepting loans, allowing for investments, and buying commodities due to the enabling impact of money.

*In the Central/South American region, we need to pay attention to the increasingly left oriented governments because this could lead to authoritarian regimes that are openly anti-U.S. (previously Venezuela, Argentina, Bolivia). We need to continue to ensure that the full story is told on China's economic coercion, global corruption, and infrastructure failures. The governments all have a choice, so we must emphasize the importance of full transparency, good governance, and collaboration with respected partners because this becomes increasingly difficult as leftist regimes turn to China for economic support and new laws and policies are put in place that hinder free and open markets. The reality of the situation is that we need to start paying attention to this part of the world now or we will be left wondering why democratic principles are not flourishing and the region is so dependent on China." - **General KK Chinn***

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North Korean Weapons Testing

As we reported in our September 2021 [ATW](#), North Korea has continued to test weapons systems (six tests this month alone) from cruise missiles to submarine launched ballistic missiles. On January 12th, North Korea announced the successful test of another hypersonic missile as well. None of these recent tests are a coincidence and are signs that additional tests are imminent, including the potential for another round of nuclear tests (not conducted since 2017). In response to these recent tests, the U.S. has placed additional sanctions on North Korea. The timing of these tests was telegraphed last year when the regime publicly stated that its goal was to develop improved short/medium range cruise missiles, submarine launched ballistic missiles, multiple warhead weapons, and hypersonic weapons.



With all the problems facing the U.S. from Russia/Ukraine, competition with China, Iran, etc., Kim likely believes that now is a good time to reopen the playbook of weapons testing to receive concessions or sanctions relief. He hinted at this when he announced at a January 20th Politburo meeting that North Korean officials should “reconsider in an overall scale the trust-building measures that we took on our own initiative...and to promptly examine the issue of restarting all temporarily suspended activities.” Since the meetings with President Trump in 2018, Kim had put North Korean nuclear and long-range ballistic missile tests on hold. Covid hit the country hard in 2020 and North Korea sealed its borders, which severely damaged the economy. While the borders are now open to trading with China, Kim is clearly trying to position North Korea for leverage in any potential discussions with the U.S., which has said it is ready to speak “anytime, anywhere” without any preconditions.

*“North Korea’s recent missile tests are a means of acting out to gain negotiating leverage as the U.S. shifts its priority in the region from the defense of South Korea towards countering China. Kim Jong Un knows his leverage for economic aid and removing sanctions has always occurred through North Korea’s threat to use nuclear weapons. He sees the U.S. shift in regional priorities towards China as a risk to his framework of using nuclear threats to gain economic aid. He is also smart enough to realize that the U.S. change in focus towards China brings U.S. weapons to the region that are a greater risk to his regime. He may also see the end to South Korean President Moon Jae-in’s presidency in March as a reason to move quickly. Moon has received tacit agreement from the U.S. and China to formally end the Korean War. This could end with the next elected president. Kim may also see his leverage of using nuclear weapons reduce over time and this may be the reason the North Korean military has focused more recently on developing advanced conventional weapons such as hypersonic missiles.” - **General Robert Walsh***

*“This is the third Kim that I have observed lead the North Korean regime and they all operate under a habitual cycle of behavior. The cycle is crisis action, diplomatic outreach, negotiations, recriminations, breakdown, and return to crisis. We have observed this cycle repeatedly, most recently with the Trump administration’s outreach. We are in the crisis action phase now with the increased missile testing and we can expect this to continue with a dramatic increase after the Olympics and leading up to the South Korean Presidential election in March. At some point, the Biden administration or the South Korean government will reach out diplomatically to North Korea to re-establish a dialogue on lifting sanctions/denuclearization.” - **General KK Chinn***

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Iran's Proxy Forces Strike UAE

In our previous [ATW](#) and our November 2021 [webinar](#), we discussed the likelihood of re-entering a nuclear deal with Iran. As the talks have continued, they are likely going to come to an end unless a deal is reached soon. On January 21st, after a meeting with Russian Foreign Minister Sergei Lavrov, Secretary Blinken said, "If a deal is not reached in the next few weeks, Iran's ongoing nuclear advances will make it impossible to return to the JCPOA. But right now, there's still a window, a brief one, to bring those talks to a successful conclusion and address the remaining concerns of all sides." The topic of the Iranian nuclear deal surfaced during the talks on Russia/Ukraine as an example of ways the U.S. could work constructively with Russia. However, if a deal is not reached, it will be the fault of the Iranians. Significant resources and time have been spent over the past few months after the talks were re-started to find a peaceful solution to the nuclear crisis with Iran. All the while, Iran has come to the table with conditions such as the removal of sanctions before anything can be agreed upon, a guarantee that the U.S. does not leave the arrangement again, and discussion around Iran's ballistic missile program/support of regional terrorism are off limits.



On January 17th, Houthi rebels in Yemen fired missiles and launched drones into the UAE targeting Abu Dhabi, killing three people and caused a fire at the international airport. In addition, on January 24th, two ballistic missiles that were heading to Abu Dhabi were intercepted by U.S./Emirati defenses. While these attacks may or may not have been coordinated with Iran, the weapons used were supplied by Iranian forces. Over the past few years, these types of attacks have been directed at Saudi Arabia, which has led the war against the Houthi rebels since 2015 after the rebels took power from the Saudi backed government in Yemen. Striking the UAE is a significant development and moves them deeper into the conflict. Iran's proxy forces continue to execute strikes throughout the region, including on U.S. forces in Syria and the U.S. embassy in Baghdad. These attacks are not having the desired effect, which is likely trying gain leverage over the international participants in the nuclear discussions. These incidents further isolate Iran from its Gulf neighbors. While Iran has other supporters such as China to turn to, time is running out to come to a new nuclear agreement.

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“The Iranian regime’s hardline negotiators remain stubborn in their unwillingness to agree to an interim deal that the U.S. has offered as a next step in the nuclear talks. The Iranians believe this would result in the loss of leverage in further negotiations. This signals a higher potential that the talks collapse again. Little has happened as the Iranians continue to dig in their heels and seek reduced limits on nuclear enrichment and the removal of all U.S. sanctions. This resulted in several hardline U.S. negotiators quitting the U.S. team and the U.S. threatening to increase trade sanctions. We can expect Iran’s nuclear enrichment to continue if the talks collapse thus increasing the potential for a regional conflict between Iran and Israel.” - General Robert Walsh

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