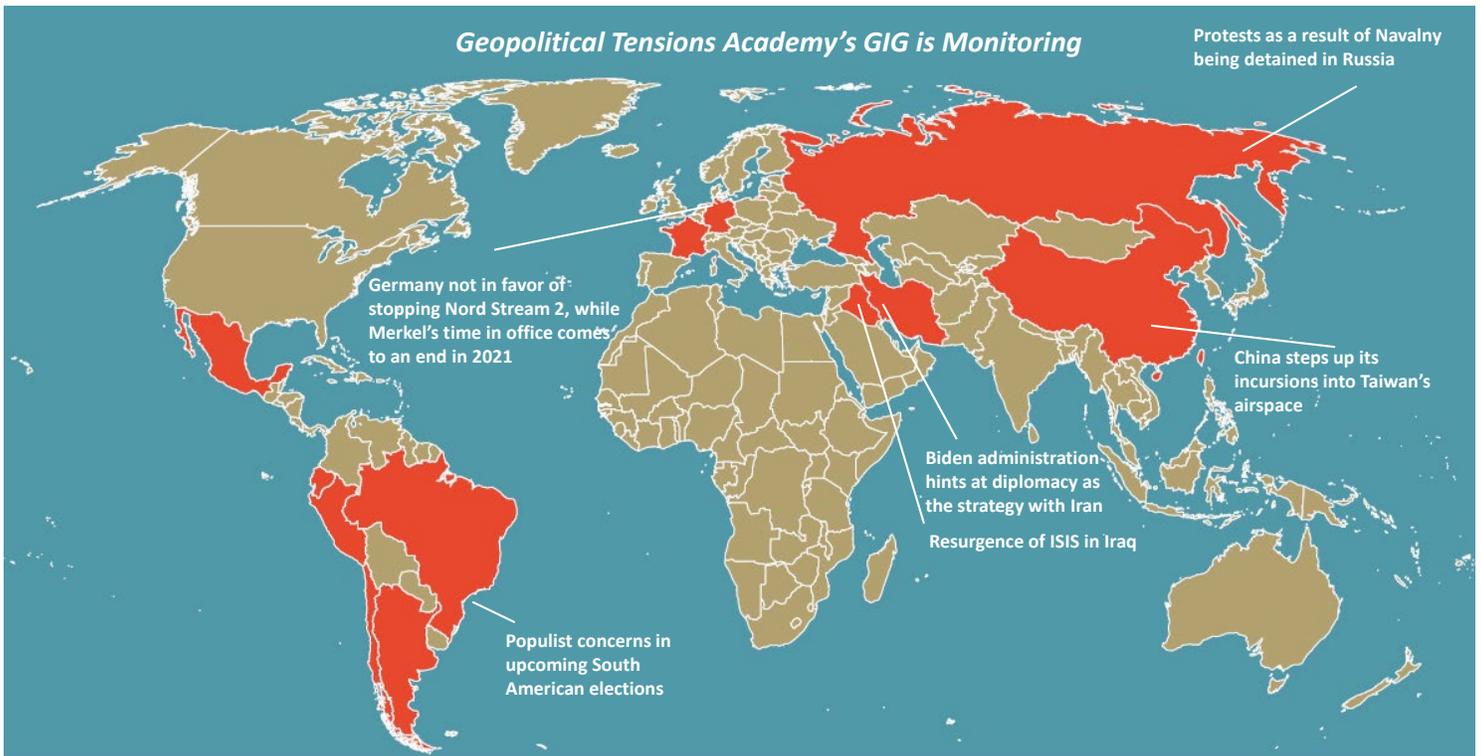


***Around the World with Academy Securities***



In this month's edition of Around the World with Academy Securities, our [Geopolitical Intelligence Group \(GIG\)](#) follows up on Academy's January 19<sup>th</sup> [Webinar](#) that focused on the potential Geostrategic and Cyber surprises in 2021 with an update on China and its recent (and more frequent) incursions into Taiwan's airspace. In the early days of the Biden administration, confirmation hearings for key cabinet positions have hinted that China policy will be similar to that of the Trump administration's, but with a different tone. With respect to engagement with Iran, it appears that diplomacy will be the path chosen to re-engage with the Iranian regime. However, the concern is that preconditions on both sides will prolong the process and potentially bring Iran closer to developing a nuclear weapon. In Russia, the recent detention of Alexei Navalny upon his return set off protests not seen in years across the country. The EU response was to call for the halting of the completion of the Nord Stream 2 pipeline. While Germany's position has not changed (and the project will likely be completed), the dynamics within the EU are set to change as Angela Merkel plans to step down in 2021. We then address the recent ISIS dual suicide bombings in Iraq, the largest since 2017. While ISIS has been rolled back, the organization has not been destroyed but rather splintered into other regions of the world, similar to what happened with Al Qaeda. Finally, South America, which has been hit very hard by the pandemic, has several legislative and presidential elections upcoming in 2021 and the fear is that populist candidates will gain momentum as calls for more spending to combat COVID and support the economies of these nations are heard. This could result in some of these leaders accepting Chinese offers of monetary support and infrastructure investment that would provide China with a larger foothold in the Western hemisphere.

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### Front and Center – China and Taiwan Update

As we discussed in our recent [Webinar](#), as well as in our last [ATW](#), the tensions between China and the U.S. with respect to Taiwan will continue under the new Biden administration, and possibly get even worse. While the tone of engagement may change, many of the underlying positions will remain the same. Antony Blinken, President Biden's recently confirmed Secretary of State, agrees with outgoing Secretary of State Pompeo's statement that China has committed genocide with respect to repression of the Uighurs. Blinken also said during his confirmation hearings that "there has been a strong and long bipartisan commitment to Taiwan" and part of this commitment "is making sure that Taiwan has the ability to defend itself against aggression." However, Blinken also said that he would be looking into the lifting of "self-imposed" restrictions on contact between U.S. and Taiwanese officials. In addition, when the incoming Secretary of Defense Austin was asked what the U.S. would do if China invaded Taiwan, he responded with "our efforts will be to ensure we do everything to make sure that China does not make that decision." In this period of transition, China is watching closely for which U.S. policies toward China will change. In the meantime, China passed a law allowing its coast guard to fire on foreign vessels transiting its contested waters and is already making sure the world fully understands its position on Taiwan. Last weekend, China continued its incursions, sending nuclear capable bombers and fighters into Taiwanese airspace. Former Secretary of State Tillerson said, "I have a fear that we will come to military conflict with China within the decade and it will be when they make their move on Taiwan. They've been putting all of their pieces in place for a long time now to do that, and that is [Chinese President Xi Jinping's] legacy, to reunite China." Adding to the tension, on 1/28, Chinese defense ministry spokesman Wu Qian said "we are seriously telling those Taiwan independence forces: those who play with fire will burn themselves, and Taiwan independence means war." Academy's GIG will continue to monitor the situation.



*"Presidents Biden, Xi Jinping, and Tsai Ing-wen have all made new moves on the geo-strategic chess board since the U.S. presidential inauguration last week. Over the weekend, China flew an unprecedented number of fighter aircraft and bombers through Taiwanese airspace while the U.S. 7th Fleet sent the USS Roosevelt aircraft carrier group into the South China Sea amid rising Taiwan tensions. Last week, Taiwan's representative to the U.S. was invited to and attended the recent presidential inauguration (a first) while the new administration's senior nominees all provided tough talk during their Senate confirmation hearings. The Biden team's tough talk on China is an early indicator that Biden's policies will be similar to Trump's while we expect the tone to be lower and not "poke China in the eye" with Taiwan. Using the USS Roosevelt as an instrument of power surprised many who thought the new administration would focus on using diplomacy and alliances as the primary tools in dealing with China. Antony Blinken stated the diplomatic position when he said, "the U.S. will not be abandoning Taiwan anytime soon" during his confirmation hearing for Secretary of State." **General Robert Walsh***

*"China recognizes Taiwan as a part of the mainland and will not change its view nor has the United Nations. The long-standing relationship between the United States and Taiwan, long defined by "strategic ambiguity" under the Taiwan Relations Act of 1979, has (under the Trump administration), lost its ambiguity. Former Secretary of State Pompeo lifted restrictions on official contact between the U.S. and Taiwan. China understands that testing U.S. resolve in its relations with Taiwan is a fool's errand. It won't work and it's not what China wants. China's military will continue to operate in a gray zone militarily by threatening Taiwan's airspace, conducting navy patrols in the Taiwan Strait, and continuing military readiness exercises. There is no reason to believe China will "make a move" against Taiwan. The current tensions are about defining boundaries, not breaking them." **General Spider Marks***

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*“In 2021, China will continue to compete in areas where they can make gains as they know that they cannot compete with U.S. military forces and win right now. They will continue to challenge all countries militarily to establish “new normals” as we have seen in the South/East China Sea, with recent examples of Taiwan air and sea incursions, and India border fights, etc. However, China will back off as they approach perceived red lines for those countries and their allies/partners. They will remain focused on competing in areas like economic, information, cyber, commercial, industrial, and political warfare. China is focused on transport, electrical, telecommunications, and financial infrastructure to corner markets and capture value across the globe.” **General K.K. Chinn***

*“The Arctic and Antarctica are two regions we can expect to hear more about in the coming months and years as China works to build infrastructure in both regions and sets conditions for potential opportunities as climate change increases access and economic potential. Both regions are currently considered areas where there is strategic cooperation versus competition, with international institutions/corporations/NGO’s in the lead. Both regions have the strong potential for oil and rare earth minerals that China will need in the future to fuel their growing economy, hence China’s current investments in Greenland. China is also looking to utilize the Northwest Passage with the potential retreat of the Arctic sea ice (global warming) which could potentially reshape global trade routes (China is increasing the number of ice breakers in their inventory). There is a strong likelihood in the coming years that both areas will become regions of great power competition between Russia, China, and the U.S.” **General K.K. Chinn***

### **Iran: Engagement with U.S. and Partners?**

The Biden administration has begun to lay out its strategy with respect to Iran. Press Secretary Psaki said last week that, “the president has made clear that he believes that through follow-on diplomacy, the United States seeks to lengthen and strengthen nuclear constraints on Iran and address other issues of concern. Iran must resume compliance with significant nuclear constraints under the deal in order for that to proceed.” With a focus on diplomacy, it appears the strategy will also include U.S. allies in the region. Psaki went on to say “we would expect that some of his (Biden’s) earlier conversations with foreign counterparts and foreign leaders will be with partners and allies and you would certainly anticipate that this would be part of the discussions.”



While Iran’s President Rouhani said that “the ball is in the U.S. court now and if Washington returns to Iran’s 2015 nuclear deal, we will also fully respect our commitments under the pact.” As we discussed in our previous [ATW](#), while a return to the JCPOA will be difficult (Iran has said its missile and regional activities will be off limits), the broader theme here is whether or not the Iranian regime can ever be trusted. Recently, a South Korean tanker was seized by the Iranian Revolutionary Guards Corps and an Iranian long-range ballistic missile test landed 100 miles away from the USS Nimitz operating in the Arabian Sea. The regime continues to threaten retaliation for the killing of Soleimani. It also continues to enrich uranium and is getting closer to a nuclear break out. Is the offer to engage in diplomacy just providing further cover for the development of a nuclear weapon? What will U.S. allies in the region do (Israel just revised its Iran war plan) if it appears that the production of a nuclear weapon by Iran is imminent? Time is of the essence and tough decisions need to be made or the situation will move into a phase where the U.S. and its allies will lose a significant amount of negotiating leverage, or worse, be forced into action.

*“The Iranians are intent on generating a nuclear crisis for the new Biden administration and creating a ticking nuclear time bomb by enriching uranium and setting a timeline to significantly reduce international inspectors while saying “the ball is in the U.S. court.” Their goal is to prevent the U.S. from taking advantage of the economic leverage created by Trump’s “maximum pressure” campaign. Biden seems to be moving towards a more realistic approach by both reaffirming the importance of the 2015 nuclear agreement while bolstering verification procedures,*

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*extending the duration, and broadening it to look at additional regional issues. The Trump sanctions decimated the Iranian economy and President Rouhani would like nothing better than to get Biden to agree to the old JCPOA plan and have the sanctions removed. Biden has limited time on his side with the June 2021 Iranian presidential elections around the corner where a hardliner is expected to win. The Abraham Accords add an interesting twist with the Gulf Arab states siding with Israel and against Iran. President Biden could throw a wrench into further Arab-Israeli agreements if he puts the Palestinian problem back on the table.” **General Robert Walsh***

*“The Biden strategy “to lengthen and strengthen” the components of the Iran nuke deal should not acknowledge demands by Iran to include UAE and Saudi Arabia in future discussions. In fact, the return of the U.S. to the JCPOA should be accepted without conditions. Iran should understand clearly that if it continues to grow their nuclear capability, there is one guaranteed outcome: Israel will insert itself into the solution and that’s the last thing Iran wants.” **General Spider Marks***

### **Russia and the EU**

As we reported in our September 11<sup>th</sup> 2020 [ATW](#), Putin critic Alexei Navalny was poisoned by a banned nerve agent last summer. He recovered in Germany and finally returned to Moscow on January 17<sup>th</sup> 2021 and was quickly arrested upon arrival. The protests that broke out all over Russia last weekend were the largest seen since 2017. Over 10,000 people were on the streets of Moscow and thousands were detained. As the protests continue, the EU has taken action to block the completion of the Nord Stream 2 pipeline. However, Germany’s position has not changed as Merkel is still in favor of its completion. It would more than double the existing capacity, but many fear it would further tighten Russia’s stranglehold on the supply of natural gas to Europe. While it appears the project will be completed, even in the face of opposition from the EU, how will the dynamic change after Merkel leaves office in 2021? Will Macron step up to be the new leader of the EU and how will his influence potentially change the tone of engagement with Russia? The change in leadership will also have other implications with respect to the EU’s engagement with Turkey and if Macron takes a harder line against Erdogan, there is a concern that Russia could further capitalize on this pressure and draw Turkey closer to Moscow and away from NATO.



*“The European Union stepped up and took on Russia’s human rights abuses and violations of the rule of law on its own citizens by using Alexie Navalny as the poster child of Putin’s repression. The EU Parliament’s vote was over 10 to 1 in favor of a resolution blocking the completion of the Nord Stream 2 pipeline. Navalny may be the straw that broke the Nord Stream 2’s back. It is now up to Germany’s Angela Merkel and the new Biden administration to decide its fate. Merkel has walked a fine line of being steadfast in her support for the pipeline while watching with concern over U.S. sanctions on those companies aiding in building the pipeline. She hopes that her views are closer to Biden’s than Trump’s hardline approach towards the pipeline and sanctions. However, the sanctions have bipartisan support in Congress and President Biden is expected to continue the hardline approach that Trump took with respect to Russia and Nord Stream 2, China, and 5G. Meanwhile, President Biden is waiting on intelligence assessments of the alleged Russian involvement in the SolarWinds cyberattack.” **General Robert Walsh***

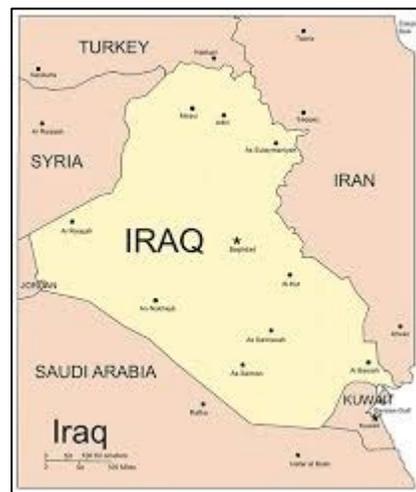
*“Russia wants to inject confusion and find fault lines among EU members. Putin is not going anywhere. Russia’s economy is cratering but its military remains capable. The assembly of democratic nations has precious few levers it can pull to influence Putin’s behavior. NATO’s and the EU’s strength rely on unity. The U.S. will relook and, no doubt, enhance its military posture in Germany and its newly established presence in eastern Europe. Putin will understand that message and everything else is irrelevant. Economically, Russia is in a permanent state of decline.*

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*However, informationally, they run circles around us, while diplomatically, they are deaf. Militarily, they can be influenced because they realize the cost of miscalculations.” **General Spider Marks***

#### **Terrorism and Resurgence of ISIS**

On January 21<sup>st</sup>, 2021 dual suicide bombings in Iraq killed 32 people - the worst attack since 2017. While U.S. and Iraqi forces have largely pushed ISIS from the country, the group seems to be making a comeback and was never fully destroyed. Iraq’s economy continues to suffer as a result of the COVID pandemic and low oil prices. With the upcoming elections delayed until October, the Iraqi people fear that the political infighting is making the country less safe and opens the door to further terrorist attacks and overwhelming influence from Iran.



ISIS continues to operate globally and has grown elsewhere in the Middle East, Asia, and North/East Africa. What makes combatting this threat even more challenging is the fact that each terrorist group needs to be addressed individually, including the rising threat from Al Qaeda (see [SITREP](#)) and other organizations. With the world’s focus on the pandemic, the proliferation of these entities will be a major global threat in 2021. How will the Biden administration deal with this in light of troop withdrawals in the Middle East and Africa?

*“The Biden administration has correctly renewed President Trump’s focus on great power competition with a revisionist China and a resurgent Russia even though the threat of Islamic terrorism is not dead. It is finding footholds in ungoverned places and where people live with ethnic and religious division. However, the ISIS Islamic Caliphate no longer exists in Iraq and Syria and the Taliban in Afghanistan is a different kind of problem. We are seeing an expansion of ISIS and Al Qaeda affiliates in Africa, the Middle East, and Central Asia along with groups like Boko Haram in Nigeria or al-Shabaab in Somalia. There will always be lone wolves and small groups of extremists across the globe and especially in Europe where ethnic and religious divisions remain among disaffected Muslims. Expect the Biden administration to provide intelligence and small numbers of special operations forces where needed across the globe whose primary mission is on advising and assisting host nation counterterrorism forces.” **General Robert Walsh***

#### **South America - Economic/Political Impact of COVID**

As we have discussed in our prior [ATW’s](#), the pandemic has taken its toll on South America. The economic and social situation in the months leading up to 2020 put the region on poor footing, with many countries being completely unprepared to deal with COVID. Calls for the impeachment of Bolsonaro for his handling of the pandemic in Brazil are getting louder. The fact that there are upcoming legislative elections in Mexico and Argentina and presidential elections in Chile, Ecuador, and Peru will result in significant uncertainty. With the push to contain the resurgence of the virus and to support their economies, many leaders will be forced to spend more money to reduce the threat of a populist candidate. Upcoming legislative elections in Argentina could reduce the power of President Alberto Fernandez. In Mexico, while President Andrés Manuel López Obrador enjoys a high approval rating, 2021 will be a test for his administration. Mexico is 3<sup>rd</sup> globally in COVID deaths, its economy likely contracted 9% in 2020, and security is a big problem. In Ecuador, conservative Guillermo Lasso will have a tough time beating his far-left opponent Andrés Arauz. In Peru, internal unrest could open the door to a more populist candidate. In Chile, which endured significant unrest leading up to the COVID pandemic, the country could end up with a more populist minded president as well. The common theme here is that if a surge



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in populism takes hold, many nations will continue borrowing to fund the recovery and could look to China for that support, which will give China an opportunity to inject further influence into the region.

*“The socioeconomic fallout from the enormous social, economic, and fiscal stress put on the 650 million Latin Americans due to the COVID-19 pandemic is positioning Chinese state-owned enterprises and firms to increase their ownership of companies and assets across the region. China already had growing regional influence through their Belt and Road Initiative debt projects that were prevalent throughout the region before the pandemic. What potentially becomes an even greater risk is the perceived “short-term deal benefits” of desperate Latin American sellers with opportunistic state backed Chinese opportunists. The Chinese economy is recovering faster from the COVID-19 pandemic than the rest of the world and is presenting the PRC and CCP opportunities to accelerate their ever-increasing influence in the region.”* **General Robert Walsh**

*“In Latin America in 2020, the leftist countries continued to survive (i.e., Maduro in Venezuela) and made advances in Bolivia and Argentina. The left is also looking to make more advances potentially with upcoming elections in Ecuador (FEB) and Peru (APR). We need to watch and see if there is a call from the leftist countries to also reenergize their multilateral forums that are supported by Russia/China and exclude the U.S. - like the Bolivarian Alliance for the Peoples of Our America (ALBA), Community of Latin American and Caribbean States (CELAC), and Union of South American Nations (UNASUR). These organizations are detrimental to and counter the Organization of American States (OAS) and the Lima Group. Expect China to offer pandemic, economic, and infrastructure support to all countries in the region struggling with limited resources, capacity to borrow, and poor institutional effectiveness. This allows for less U.S. friendly leaders to rise to power as the Chinese control the markets, economies, and elites.*

*China will also continue to work on the five remaining countries in Latin America that have diplomatic ties with Taiwan (Belize, Guatemala, Honduras, Nicaragua, & Paraguay) and those in the Caribbean (Haiti, Saint Kitts & Nevis, St Lucia, St Vincent, & the Grenadines). China’s policy is that they will not recognize or do business with countries that have formal relations with Taiwan. Between 2018-2019, China was able to flip El Salvador, Panama, and the Dominican Republic with infrastructure investments. Expect increased pressures on the governments (due to the pandemic) to seriously consider switching their support from Taiwan to China in return for loans and investments.”* **General K.K. Chinn**

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