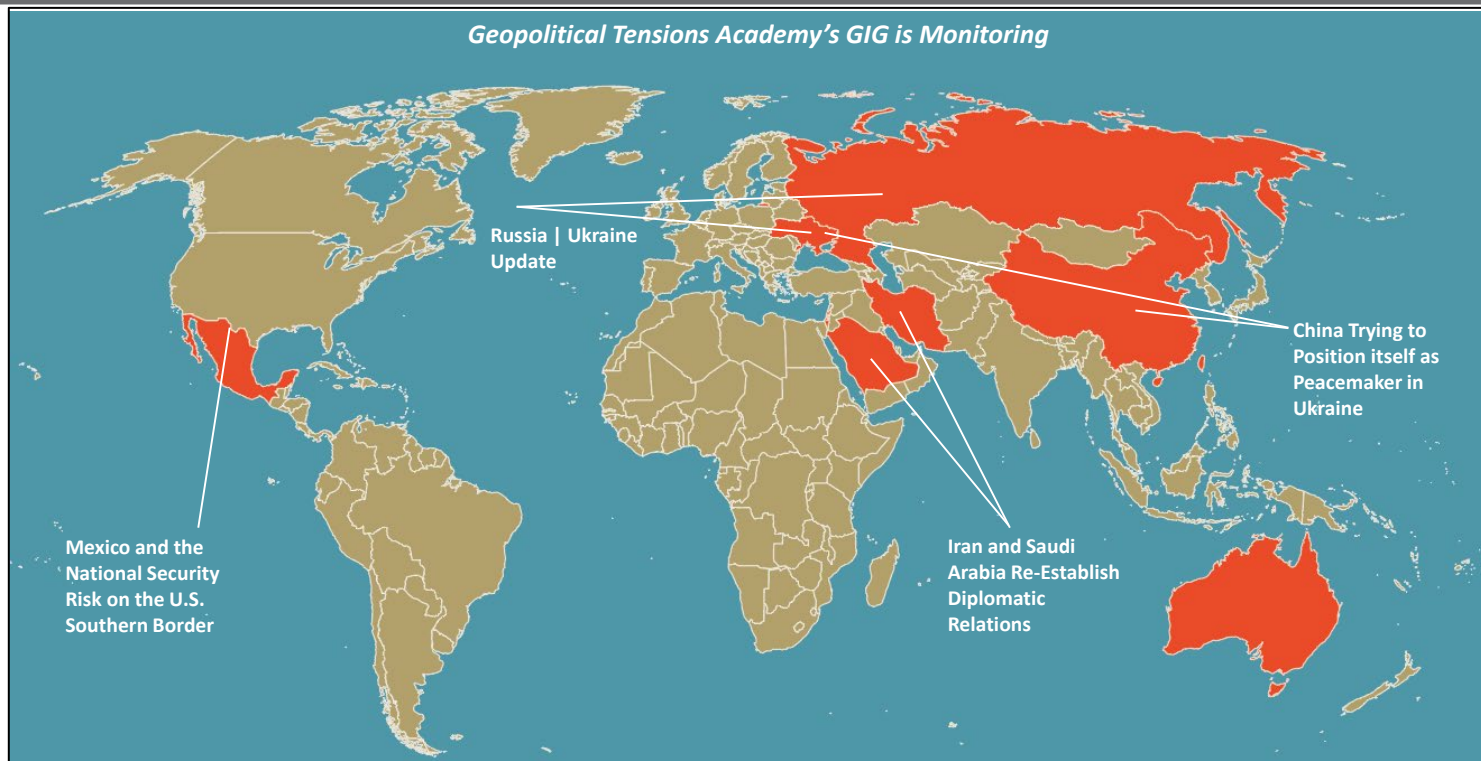


***Around the World with Academy Securities***

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. China Trying to Position itself as Peacemaker in Ukraine
3. Iran and Saudi Arabia Re-Establish Diplomatic Relations
4. Mexico and the National Security Risk on the U.S. Southern Border

Earlier this month, Academy hosted its second annual Geopolitical Summit West in Del Mar, CA (see [summary](#)). Many of the key themes discussed at the event are included in this report. We begin with an update on the war in Ukraine and examine how the Russian forces are losing momentum (and suffering heavy casualties) in their siege of Bakhmut in the eastern region of Donetsk. With the expected Ukrainian counteroffensive beginning in the spring, Russian forces are likely going to try to reinforce defensive positions and hold their territory (as opposed to expanding their offensive). We also examine the recent meeting between President Putin and President Xi this week in Moscow which saw both sides blame the West for the prolonged conflict. However, it is clear that a ceasefire at the current time would just leave Russian forces in Ukraine and cede Ukrainian territory to Russia. As China has tried to highlight its desire to act as a peacemaker, its real agenda is to leverage its relationship with Russia (on China's terms) and to counter the U.S./NATO's perceived "containment" of China. As the U.S. strengthens its partnerships (i.e. with the AUKUS nuclear submarine deal) in the Indo-Pacific region, China is undoubtedly feeling the pressure. Next, we re-visit Iran and its announced plan to re-establish diplomatic ties with Saudi Arabia. In addition to how this re-engagement complicates the situation for Israel, what is most interesting to note is China's involvement in pushing this deal forward. Finally, we address the potential national security risks on the U.S. southern border. As an increasing number of individuals from the FBI's terrorist watchlist are apprehended crossing the border, these "ungoverned spaces" could become attractive for terrorists one day.

**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](#) and recent [SITREPs](#) we have continued to provide updates on the latest developments in the conflict in Ukraine. As the war passed its one-year anniversary last month, there remains more questions than answers regarding when the fighting might end. With President Xi meeting with President Putin this week in Russia, what is clear is that the current situation is very different compared to the one during their previous in person meeting at the Beijing Olympics last February (before the war began). Back then, the “no limits” partnership was highlighted, but since the war has not gone according to plan for Russia in the past 12 months,

China is growing weary and likely looking for a way to help end the war. However, a peace plan at this point would benefit Russia more than Ukraine as stated by John Kirby from the NSC: “A ceasefire called right now would basically just ratify Russia's conquest and give Mr. Putin more time to equip, retrain, and restart operations at a time and a place of his choosing.” No doubt Russia will continue to position itself as the aggrieved party, especially in light of the U.S. Reaper drone incident (see [SITREP](#)) on March 14. Meanwhile, Russia has become bogged down in the fighting in Bakhmut as casualties continue to mount. Russia may indeed win this battle at a high cost, but this could push Russian military leadership into assuming a more defensive posture in the coming months to try to hold territory and defend against the expected Ukrainian counteroffensive this spring (which will include additional weaponry such as Leopard tanks and MiGs). However, whether or not the move to send MiGs from Poland and Slovakia will spur NATO to send F-16s is another story. The MiGs can be put into operation immediately because the Ukrainians know how to fly them, but they would need training on the F-16s (in the event a decision is reached to send these aircraft). With the war entering the spring months, as both sides continue the fight, the likelihood of a broader stalemate or “frozen conflict” increases.



*“Russia’s offensive to take Bakhmut is stalling while the Russian military is having limited success along the entire 800-mile frontline stretching north to south. Ukraine is preparing its counteroffensive based on the new weapons NATO has provided that include tanks and armored vehicles. Russia is pushing its forces hard in the current offensive because Ukraine will soon receive the weapons and the tanks that could significantly alter Ukraine’s offensive capabilities. Ukraine is trying to inflict maximum casualties while they are in a defensive posture. They are very concerned that Russia has more troops to throw into the fight and the Russian style of attrition warfare is wearing down the smaller Ukrainian forces. Training is becoming a challenge for both sides as many of their experienced troops have either been killed or wounded. Finally, Ukraine cannot win with just precision weapons such as HIMARS and loitering munitions. They must exploit their precision fires with combined arms maneuvers. Both sides are struggling with ammunition stocks running low after a massive number of artillery rounds were fired during the months of stalemate.” – General Robert Walsh*

*“I see this being a stalemate for a while. I don’t believe that the 140 tanks promised to Ukraine will have a great impact unless they are used together with personnel carriers, artillery, and aviation assets in a combined effort to maneuver against the Russian forces. What is achievable in the summer/fall fighting season is to separate the Crimean Peninsula by land from Russia (and Russian occupied Ukraine). That will take a concentrated offensive effort and force the Russians to protect the land bridge and lines of communication. It would cause Russian forces to move and defend, thereby reducing their ability to concentrate their offensive efforts. It separates and isolates the Crimean Peninsula and creates the need for resupply operations to be conducted from the sea. The Ukrainian military can then “hold in the south” and concentrate on the Donbas. That will take the entirety of the 2023 fighting season to accomplish unless Ukraine is given significantly more resources by the West. The rate of ammunition burn is already*

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*difficult to maintain in their current defensive and local counteroffensive operations. If they can take back the Donbas, that puts them in a stronger position to negotiate if they choose. Taking Crimea back will require a second year - 2024. Again, only if the West continues to pour in armored vehicles, tanks, artillery, and ammunition is this even possible. I don't see air power with a few MiGs or a low number of F-16s having an impact currently, but they could be useful in the second-year fight for Crimea if pilots are trained and planes are provided in sufficient numbers.” – General Frank Kearney*

*“The Xi/Putin visit reaffirms China’s position of taking their own side versus the Russian side. This is a pragmatic and calculated approach as China seeks to enhance their global standing as a responsible international stakeholder and global deal maker. At this point, China wins no matter what. However, I don’t expect Xi to support Russia if they shoot themselves in the foot in Ukraine in the coming months.” – General K.K. Chinn*

*“As Russia becomes increasingly frustrated by the lack of progress with the ground offensive in Ukraine, many experts suspect that they will intensify their cyber-efforts, which to date have been largely ineffective due to the unsophisticated/harassing nature of the attacks and the dramatically improved Ukrainian cyber-defenses (bolstered by western governments, commercial companies, and private citizen groups). This assistance has focused primarily on the Ukrainian government’s digital footprint and protecting critical infrastructure (power, water, transportation, etc.). The pace and volume of the attacks have seriously increased since 2021 (i.e., there has been a 250% increase in targeting Ukrainian users and a 300% increase in the targeting of NATO users). The Ukrainian government remains under constant and unrelenting attack from the Russian government and its supporters, which even if not successful, puts a strain on Ukrainian cyber-forces. The Russians have also moved from disruptive to destructive attacks (where cyber/digital assets are destroyed). Additionally, Microsoft recently noted that a hacking group aligned with the Russian intelligence services (the GRU) was preparing for destructive cyber-attacks against Ukraine’s infrastructure.” – Admiral Danelle Barrett*

## China Trying to Position itself as Peacemaker in Ukraine

On February 24<sup>th</sup>, China released a [12-point peace plan](#) designed to end the war in Ukraine. However, this plan was broadly criticized because it simply provided China diplomatic cover and a way to establish the conditions necessary for a successful Chinese invasion of Taiwan at a later date. While no final decision has been made regarding the sending of Chinese lethal aid (weapons) to Russia, many believe that would only happen if there were signs that a catastrophic Russian defeat was on the horizon that would threaten Putin’s survival. China has refused to condemn the war and that fact alone has damaged its reputation globally. The war has also strained China’s economy at a time when growth is desperately needed after the Covid pandemic. China also holds many loans globally and the war (and resulting inflation and economic slowdown) has increased the likelihood of defaults. All of these factors play a role in China’s desire to see an eventual end to the conflict (but under circumstances that are most favorable to them). China still needs Russian energy, which will continue to flow regardless, but it also appreciates the fact that this conflict is keeping the U.S./NATO occupied. This week, Xi visited Putin in Russia and continued to call for peace, but framed it in such a way that the U.S. is still the aggressor and “NATO like” security agreements are relics of the Cold War. However, make no mistake, China’s number one goal is to use the partnership with Russia to counter the United States and the perceived “containment of China.” China is definitely starting to feel the pressure in the Indo-Pacific region. Recent events like the AUKUS submarine deal as well as Japanese Prime Minister Fumio Kishida’s announcement of an expansive new plan for an “open and free Indo-Pacific” (supported by a \$75 billion pledge) will continue to elicit reactions from China. However, considering the upcoming visit of Taiwan’s President Tsai Ing-wen to the U.S. next week (and possible meeting with House Speaker



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Kevin McCarthy), our GIG will be monitoring the events around Taiwan closely for any signs of another set of military drills similar to the ones China conducted back in August when Speaker Pelosi visited Taiwan.

*“China’s President Xi Jinping must decide if he wants to limit the damage done to relations with the West over the war and its effect on his economic development objectives. He walked a dangerous line as he met with Putin to consider whether China should provide lethal aid to Russia. His meeting with Putin this week was meant to position himself as a world leader and peacemaker. Ukraine and NATO see through Xi’s call for a ceasefire along the current frontlines where Putin and Russia would gain territory. Xi is challenged to choose between national security and economic development. He wants Putin to win the war and knows that a failure by Russia will diminish his stature. He also knows that his economic ties to the West are critical to China’s continued growth and public stability. The U.S. must focus its national security strategy on Xi’s attempt to displace the U.S. as the world’s leader since the end of World War II.*

*The AUKUS deal is a huge step in the U.S. Indo-Pacific plan to deter and isolate China by building a regional military alliance. It provides Australia with a capability that only the U.S. and UK have had in the past. It also shows the importance of Australia as a partner. The submarines are part of a broader sharing of capabilities and intelligence between Australia, the UK, and the U.S. The agreement provides a collective undersea presence to deter China from its aggressive military behavior throughout the region and from an invasion of Taiwan. It is also part of building an alliance of like-minded partners that are challenging China’s regional and global leadership ambitions to change the democratic led world order. The broader alliance of cooperation includes Japan’s military funding increase and the easing of its primarily defensive strategy. The trip of Philippine President Marcos to Japan resulted in the two countries agreeing to boost security cooperation. The Philippines also agreed to increase training and provide basing opportunities for the U.S. military. China’s aggressive behavior is moving countries in the region closer to the U.S. The Biden administration must deter Beijing’s attempt to dominate the Indo-Pacific region (which includes more than half of the global economy) and undermine the U.S. economy, our freedom, and security.” – **General Robert Walsh***

*“There is no surprise in the timing of the announcement that Honduras will switch diplomatic recognition from Taiwan to China, which occurred just prior to President Tsai’s visit to Guatemala, Belize, and the U.S. next week. This switch will leave only 13 governments recognizing Taiwan (and the eighth country in the region to switch in the past seven years). We need to be concerned as Paraguay may be next in the region to switch after elections this year. It is hard for countries to protest a Chinese invasion/takeover of Taiwan if they don’t recognize Taiwan as a country and the “One China” policy states that Taiwan is part of China. We saw what happened when China took over Hong Kong: nothing.” – **General K.K. Chinn***

*“The defense pact (AUKUS) has been in discussion for some time and has been in the news previously. I suspect that China will continue the same line of rhetoric. However, the delivery of capabilities is still further down the road. This should go smoothly as we have been working with the UK very well on this for many years.” – **General Frank Kearney***

*“The United States and the United Kingdom have entered into an agreement under a broader defense cooperation commitment with Australia to build up to 8 nuclear submarines. This will give the Australian government a fleet of submarines that are stealthy and difficult to detect, possess greater speed and longer range, and have the ability to launch nuclear weapons (though the deal does not include nuclear weapons). All of these things pose new threats to China right in their back yard at a time when they are trying to limit U.S. and allied maritime access in the region (particularly in the South China Sea). It also further solidifies the Indo-Pacific alignment and commitment shared by three of the world’s most powerful maritime nations to improve intelligence sharing, diplomacy, and security by deterring Chinese hegemony in the region.*

*While it will take years for the Australian submarine force to be operational, the near-term implications are for increased information sharing (particularly in artificial intelligence, quantum computing, and cyber capabilities). These are three capabilities that are in direct competition with the “Digital China” strategy where they seek to become the world leader (militarily and economically) in these areas. The combined intellectual firepower of the*

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*U.S., UK, and Australia threaten China's strategic objective for supremacy in these critical technology areas.” – Admiral Danelle Barrett*

**Iran and Saudi Arabia Re-Establish Diplomatic Relations**

In our [February ATW](#), we addressed the growing partnership between China and Iran. President Raisi met with President Xi last month and while Xi expressed more support for Tehran, Raisi made it clear that more is needed to be done. On March 10<sup>th</sup>, in talks sponsored by China, Iran and Saudi Arabia agreed to re-establish diplomatic relations within the next two months. The Joint Trilateral Statement was executed by the Saudi national security adviser, Musaad bin Mohammed Al Aiban, the secretary of the Iranian Supreme National Security Council, Ali Shamkhani, and the director of the Foreign Affairs Commission of the Chinese Communist Party's Central Committee, Wang Yi.



Iran and Saudi Arabia have long been adversaries and are wary of each other's intentions. In addition, Saudi Arabia has been involved in fighting the Iran-backed Houthi rebels in Yemen for years and back in 2019, an attack on Saudi oil infrastructure was attributed to Iran. However, at a time when Iran is potentially getting closer to building a nuclear weapon, Saudi Arabia could be trying to come to terms with the fact that they could become a likely target for Iran should hostilities break out in the region. While this deal will reduce the tension between Iran and Saudi Arabia and end Iranian support for the Houthis in Yemen (in exchange for Saudi Arabia scaling back their support for Iranian opposition groups), China's role in these discussions cannot be discounted. China and Russia recently conducted naval exercises with Iran in the Gulf of Oman and it is clear that China's intent is to create a counterbalance to U.S. influence in the region. What impact this will have on the U.S./Israeli strategy to pressure Iran is yet to be seen. The nuclear deal is currently off the table due to Iran's support for Russia and its treatment of protesters over the past several months (among other factors). However, Iran continues to invest in its nuclear and long-range missile programs and as these become more advanced, there will come a time when the U.S./Israel will have to act. In fact, last evening, the U.S. military conducted airstrikes in eastern Syria against facilities being used by Iran's Islamic Revolutionary Guards Corps (IRGC). These strikes were in response to an Iranian drone attack on a U.S. facility in Syria that killed a U.S. contractor and wounded five U.S. service members.

*“China's brokered deal between Iran and Saudi Arabia marks a new level of regional influence by Xi and the CCP in the Middle East. The deal's location in Beijing adds even more salt to the wound. The U.S. focus on Russia/Ukraine and the Indo-Pacific is leaving a void in the Middle East. Xi was treated far better during his visit to Riyadh than was President Biden. It is now playing out in the influence Xi had in this deal. The Abraham Accords are now a distant memory with Israel left wondering how they were sidelined from a plan that would deepen Iran's relations with the Saudis. The deal is another step in Beijing's Belt and Road moves into the Middle East. This is a diplomatic win for Xi Jinping and China as they are now attempting to do the same in Ukraine. Their plan is to sideline the U.S. since the U.S. does not have diplomatic relations with Iran and chose to back Ukraine against Russia. The question now is where Beijing goes next in brokering more deals in the Middle East and North Africa (China is the biggest consumer of oil and gas in the region).” – General Robert Walsh*

*“Actually, the Iran/Saudi normalization of relations would be a good stabilization event between Middle Eastern Islamic sect rivals. However, I am not sure if it will stand the test of time. If relationships expand to other Sunni GCC members, this could affect the Abraham Accords and would create increased friction between Iran (and surrogate Hezbollah) and Israel. Many relationships in the Middle East are transactional - the enemy of my enemy is my friend, until my enemy is no longer my enemy. The relationship between the Saudis and Russia has been transactional over time. Remember, during the Arab/Israeli conflicts, many of our now Arab friends were using Soviet equipment and routinely buying arms from the Russians (and now that could extend to China). History tells us that in the Middle East, relationships fracture, rebuild, and then change over time. If Iran continues to move toward a nuclear breakout*

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*timeline (which would provoke the Israelis), it could create the conditions for an Israeli preemptive strike. As long as Iran remains on a potential nuclear path, the Gulf Sunni states will still look to the U.S. for support. Regardless of the potential pact, it will take time for any trust to exist between Iran and the Sunni Gulf states.” – General Frank Kearney*

### Mexico and the National Security Risk on the U.S. Southern Border

It was recently reported that sixteen people arrested by Border Patrol in February 2023 for attempting to enter the United States illegally from Mexico were found to be listed on the FBI's terrorist watchlist. In total, 98 individuals on the watchlist were caught crossing the border in 2022, which is up from 0 in 2019. It is important to note that in the data from the Department of Homeland Security, 25 of the 27 known (or suspected) terrorists arrested by Border Patrol in early 2022 were citizens of Colombia (i.e., not from a country where terrorist groups such as Al Qaeda, the Islamic State, and others are based). That being said, in August 2022, FBI Director Christopher Wray testified before the Senate and said that although there was no "imminent threat from a foreign terrorist organization on the border at the moment," terrorists were looking for any vulnerabilities to "exploit." As a result, there is some reason for concern. As the volume of people attempting to enter the U.S. (from the watchlist) increases, individuals from active terrorist organizations (Al Qaeda, ISIS, etc.) that are a direct threat to the national security of the United States could take advantage of this opportunity and attempt to enter the U.S. via the southern border with Mexico. Former Secretary of State Mike Pompeo is very worried that ungoverned spaces have the tendency to attract foreign terrorist organizations. In his opinion, in the next 10 years, this could develop into a threat on the U.S. southern border.



*“The new data indicates that there was a significant increase in the number of individuals detained crossing the U.S. border with Mexico that were on the terrorism watchlist. This development could gain the bi-partisan support needed to attain operational control of the border. It is evident that the Mexican government is having little impact on the Mexican drug cartels that control the Mexican side of the border. Very few Mexican security forces are willing to take on the cartels no matter what the desire is by the U.S. The cartels in many places have become the governments, economies, and security in the areas that they control akin to what U.S. forces saw with the Taliban in Afghanistan and Al Qaeda and ISIS in Iraq. A real concern by both Mexico and many U.S. leaders is the risk of the U.S. being involved in an actual drug war in Mexico that could destabilize the country in ways similar to what we saw in Afghanistan and Iraq. The objective in naming the cartels as Foreign Terrorist Organizations would provide both the federal and state law enforcement agencies with increased power and result in tougher punishments for the cartels and those providing support to them.” – General Robert Walsh*

*“The Mexican cartels are enabled by law enforcement and judicial systems that are partially compromised at all levels. This is complemented by competing elites seeking to exploit the corruption in the system and allegations of political power being tied to different cartels. So, it was no surprise that after the recent murder/abduction of the Americans who crossed the border, the involved cartel turned over their own because the last thing a cartel wants is increased scrutiny of their business or further exposure of the corrupt system.” – General K.K. Chinn*

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