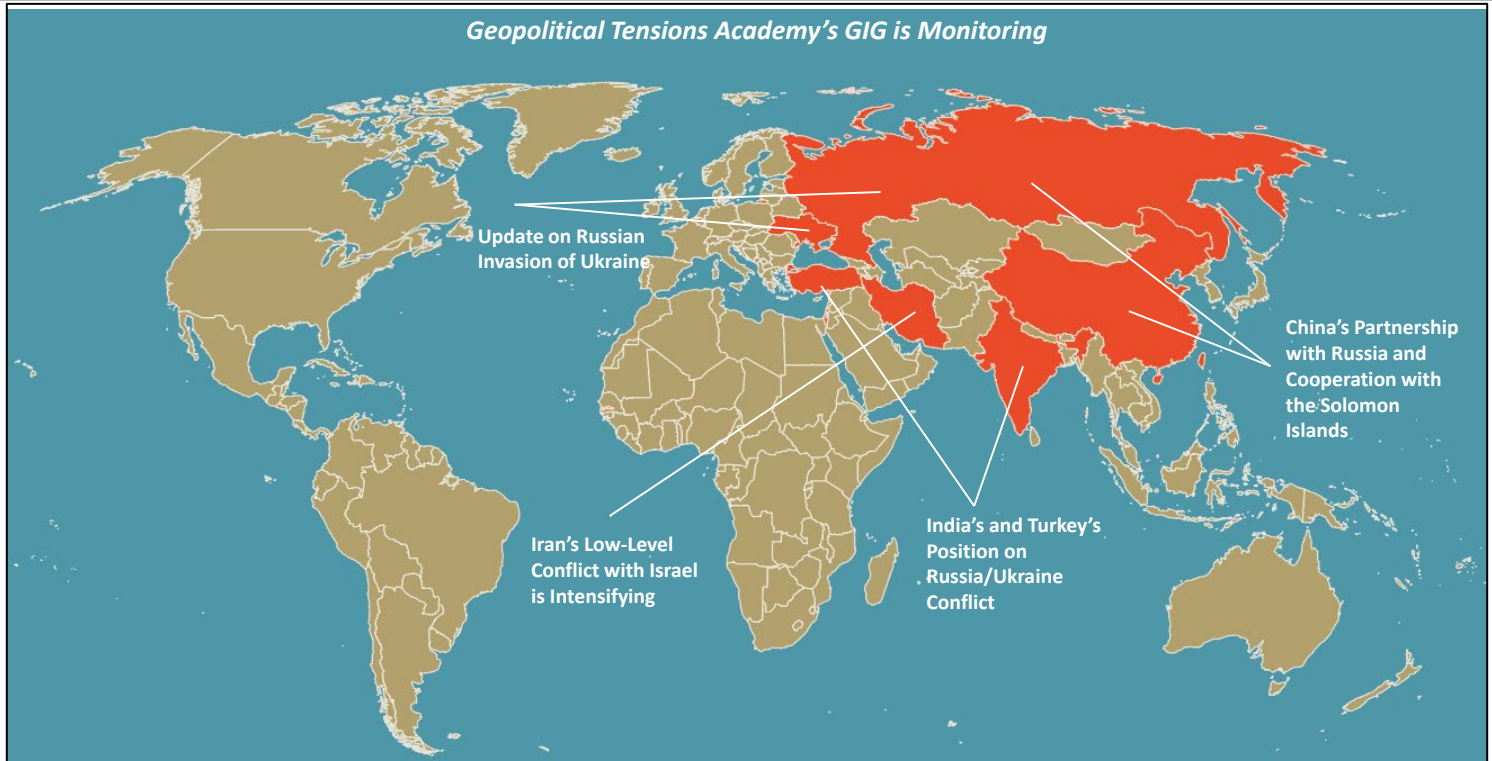


Around the World with Academy Securities

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. Update on Russian Invasion of Ukraine
2. China's Partnership with Russia and Cooperation with the Solomon Islands
3. Iran's Low-Level Conflict with Israel is Intensifying
4. India's and Turkey's Position on Russia/Ukraine Conflict

We begin with an update on the Russia/Ukraine conflict and comment on the peace talks in Turkey. While it appears that Russia might be consolidating around the south/east part of Ukraine to limit the scope of the military operations, there is a chance that this could be a ruse to regroup and continue with the broader campaign. Next, we revisit the Chinese/Russian partnership and the request for military assistance from Russia. Based on how the war is going so far and the pressure put on China by the U.S., it is unlikely China will come to Russia's aid militarily, but will instead try to "play all sides" for its own benefit. We also examine the low-level conflict that continues to simmer between Iran and Israel and how the designation of the IRGC as a terrorist organization is currently the gating item in the nuclear negotiations. Finally, we address India's and Turkey's position on the Russian invasion of Ukraine and the fine line that both are walking as the war drags on. The key here is that the U.S. needs to do more to engage with India to support them militarily in the region and must also capitalize on Turkey's influence in the peace negotiations to help end this war. India is a key partner in the QUAD agreement and Turkey is a NATO ally and important security partner in Europe, the Middle East, and North Africa.

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

Around the World with Academy Securities**Front and Center: Update on Russian Invasion of Ukraine**

In our last [ATW](#), March 15th [SITREP](#), and during General Robeson's appearance on [Bloomberg Radio](#) on March 29th, we addressed the Russian invasion of Ukraine and provided an update on the discussions regarding a potential 15-point peace plan that would be centered around Ukrainian neutrality. The war in Ukraine has entered its fifth week and the Ukrainian military has continued to bog down the Russian advance. Russia has made progress in its siege on Mariupol and the battle there has contributed to the humanitarian catastrophe in the country. However, the Russian military has not made any advancements into the capitol city of Kyiv and Ukraine's head of military intelligence suggested on March 27th that Russia was beginning to alter its strategy and focus on the southern/eastern parts of Ukraine, potentially to divide the country between occupied and unoccupied regions. Sergei Rudskoi, head of the Russian General Staff's Main Operational Directorate also reinforced this theory when he recently said that "the combat potential of the Armed Forces of Ukraine has been considerably reduced, which makes it possible to focus our core efforts on achieving the main goal, the liberation of Donbass."



Could Russia be telegraphing that it will begin to refocus the operation on more attainable goals? The prospect of a swift invasion that would take the capitol of Kyiv in days turned out to be a gross miscalculation on the part of Russia's military leadership while the level of resistance and support Ukraine has received from the U.S. and other NATO and non-NATO countries has enabled Ukraine to stop the Russians from taking any major cities in the country. With the help of U.S. and allied anti-tank missiles, the advance of Russia's armored units has been slowed dramatically. Russia has also failed to gain air superiority and Ukrainian fighter planes continue to attack Russian supply lines. However, the risk is that Putin, feeling cornered and facing what would be perceived as a loss at home, could still try to escalate the conflict by using WMDs to drive Ukraine to a peace negotiation on his terms. Ukraine still has some leverage and the fact that Ukraine is hinting at neutrality could lead to some progress. There is hope for this as the peace talks continue and Russia discusses moving forces back from Kyiv and Chernihiv. The question regarding what happens in the Donbass region is another matter because it is hard to fathom that Zelensky would agree to divide the country into two parts with an occupied territory on Ukraine's border. Even with security guarantees, Putin's forces could regroup and commence another attack. Biden's meeting with NATO/G-7 last week was intended to reinforce the alliance, but very frightening scenarios were discussed such as accidental Russian engagement of a NATO ally, potential WMD use by Russia, and cyber-attacks against NATO critical infrastructure. Our GIG will continue to monitor the situation following the peace talks in Turkey, but the only person who knows how this war will end at this stage is Putin.

"As Putin's efforts in Ukraine become increasingly bogged down, he will turn to other measures to achieve results. Those could include cyber (less likely are chem/bio and nuclear). He could do things like use proxies (cyber criminals) by providing intelligence to cause chaos for the U.S., EU, and its allies and disrupt elements of critical infrastructure (in the U.S. that is 16 sectors identified by the Department of Homeland Security) while maintaining plausible deniability that Russia was behind it, thus not an act of war and no grounds for retaliation against Russian critical infrastructure.

Speculation exists as to why Russia has not launched more aggressive attacks during this conflict than they have to date (most of which have been limited to Ukraine with some unintended spill over to Latvia and Lithuania and focused on lower-level attack vectors like Denial-of-Service attacks). Most experts believe that Russian cyber capabilities have not been overestimated or compromised in some way, but that they are weighing their options

Around the World with Academy Securities

and will only pull the “cyber-trigger” if they have run out of other options to achieve an operational or strategic effect. They cannot afford to have the conflict spiral out of control and the “mutually assured destruction” of critical infrastructure between the U.S. and Russia would cause them insurmountable problems, particularly in resupply and command and control of forces in Ukraine. We have also seen leadership deficiencies in their ground war and those could be extended to their cyber forces.

On 17 March, in a meeting between President Putin and Turkish President Erdogan, Putin discussed his demands for peace with Ukraine: (1) Ukraine will not join NATO (Ukrainian President Volodymyr Zelensky has already conceded this point); (2) Ukraine must disarm so it is not a threat to Russia; (3) Protection of the Russian language in Ukraine; (4) “De-Nazification” (Russia has erroneously claimed that Nazi elements have taken over Ukraine and it is unclear what actions specifically would suffice); and (5) Putin requires face-to-face negotiations with Zelensky (another point Zelensky has already agreed to). It is suspected that at these negotiations Putin will also demand that Ukraine give up territory in Eastern Ukraine (like the Donbass and other “Russian-speaking” regions) and that Ukraine should formally accept the annexation of Crimea from 2014.

*If Putin got some or all these concessions, his misinformation/disinformation campaign could spin it as a victory to allow for a more graceful exit. There is, however, no guarantee that he would not try again under another false pretense or if he claimed Ukraine did not hold up their end of the bargain. As casualties mount for the Russian army, and there is increased desertion and information traveling back to loved ones from the front lines, it will be increasingly difficult to maintain the facade at home. Should his miscalculation cause unrest at home, he would have difficulty dealing with that in conjunction with a continued aggressive offensive and occupation of Ukraine.” – **Admiral Danelle Barrett***

“Putin’s invasion of Ukraine has realigned NATO to refocus on Russia as its sole strategic threat and the purpose of the alliance. Russia sees NATO’s refocusing as evidence of the West’s desire to expand to the East at Russia’s expense. The former NATO-Soviet Union Cold War no longer seems like distant history.

Putin does not want to negotiate anything at this point. He is determined to win at all costs even if it means revising his military objectives. As his momentum stagnates, he is continuing his campaign of death and destruction so that he can weaken the Ukrainians, negotiate from a position of strength, and maximize his options. A ceasefire will only occur when the balance of power between Russia and Ukraine stabilizes, and Putin sees himself no longer prevailing in meeting his larger objectives. He is not at that point.

*There is opportunity for NATO, but first President Biden and NATO must get on the same page as President Zelensky. Biden and NATO should use the war to illuminate the fallacy of Russian military power. The West needs to see this as its best chance to prevent any future Russian aggression in Europe. The Ukrainian Army is fighting the Red Army to a standstill, but they cannot continue without the military capabilities they need.” – **General Robert Walsh***

China’s Partnership with Russia and Cooperation with the Solomon Islands

As we discussed in our previous [ATW](#), Putin’s meeting with Xi at the start of the Winter Olympics in Beijing that included a 30-year energy deal (in Euros) and a joint statement that said they both opposed a “further enlargement of NATO” was a concerning development for the West. While Russian engagement with China was not new (started getting stronger after the 2014 invasion of Crimea), the potential for an “unlimited” friendship in the face of a “fractured” NATO alliance was terrifying. Putin had not yet commenced the invasion of Ukraine at that time, but it appeared that he had found a way to mitigate the impact of the sanctions that would be levied against Russia if an invasion did in fact occur. In addition, when Russian forces commenced their move into Ukraine, China not only blamed the West for the rationale supporting the invasion, but it abstained from the UN vote condemning it. However, NATO’s



Around the World with Academy Securities

united response and the fact that the war started to take longer than expected likely surprised Putin and he reached out to Xi for military support. This action resulted in a March 18th call between Biden and Xi that likely included threats of sanctions on China if it were to provide support to Russian forces. To best understand the rationale behind the Chinese/Russian partnership, one must look at the economic benefits both sides provide one another. Our Head of Macro Strategy Peter Tchir speaks frequently about this concept (see [Who Needs Who?](#)), but the reality is that Russia is still a major energy producer and China is a major consumer of energy. Russia is also a consumer of finished products coming from China and the economic relationship between the two countries will continue to be strong no matter what happens. China might not care about Ukraine, but they do care deeply about the fate of Taiwan and both countries see it as their right to exercise strength in their spheres of influence (without western interference).

However, China cannot be happy about the current state of the Russian invasion and does not want to be tied to a losing effort. At this phase, the likelihood of a total Russian victory in Ukraine is extremely low and China would be much better off not weighing in with any additional commentary at this stage. The line that China walks here is also reflective of the economic relationship it has with the West, and it is not able to jeopardize that now to support a losing Russian war effort in Ukraine (especially considering the potential economic/growth problems China faces stemming from the troubles in the property sector).

However, this current crisis has not stopped China from continuing to build up its alliances closer to home. Last weekend, it was leaked that China is going to enter into a “cooperation” agreement with the Solomon Islands. The Solomons are only 1,200 miles off the coast of Australia and both Australia and New Zealand have existing security agreements with the Solomon Islands. However, back in 2019, the Solomons Islands switched from recognizing Taiwan to supporting China. In addition, with the recent social unrest in the Solomons, China would likely be more than happy to step in and provide security assistance. There is also a very real threat of Chinese installations on the islands (a first for China in the Pacific) and the further militarization of the region by Chinese forces. While this draft agreement between China and the Solomon Islands is of concern to New Zealand and Australia, it should also be concerning to the U.S. as it looks to support U.S. allies in the region against Chinese expansion of influence. However, many of these nations list China as their largest trading partner and they must be careful not to upset their economies. The U.S. is not taking its eye off the region and continues to engage with not only the QUAD nations, but others such as the Philippines, Thailand, Vietnam, Malaysia, and Indonesia.

“China’s and Russia’s strategic alignment is challenging the world order. It is the most serious strategic challenge the West has faced since the fall of the Iron Curtain. The U.S. needs to drive a wedge between China and Russia after Putin’s inept military invasion of Ukraine. Putin is now a world outcast and Xi Jinping must realize he is next if his support for Putin in Ukraine remains. China denies any military support to Russia but must be closely watched. Russian banks have already taken China’s outstretched hand and issued credit cards through China’s UnionPay after Visa and Mastercard cut ties.

*Xi now faces new challenges and calculations over Taiwan after seeing what’s occurring in Ukraine. Xi will take China’s strategic interests into his calculations in his new relationship with Putin and how it will impact China globally and with Taiwan. Xi has said that reunification of Taiwan will occur on his watch. His rapid military expansion has China moving towards a military assimilation of Taiwan instead of a peaceful reunification. His calculus and methods may change after Putin’s miscalculation in Ukraine and the resulting unification of NATO and the West. However, his objective remains. The U.S., the West, and others in the region must see Ukraine as a wakeup call and plan to do more for Taiwan.” – **General Robert Walsh***

“China made the decision not to publicly condemn Russia’s invasion of Ukraine, however at the same time they were not completely supportive of Russia’s actions. China will continue to support Russia from behind the scenes, but it is in China’s interest to convince Putin to end the war. China wants to be on the global stage as a peace mediator

Around the World with Academy Securities

between Russia and Ukraine as it enhances their global prestige, and they are the #1 trade partner of both countries. China has publicly taken a position on Ukraine, "sovereignty, independence, and territorial integrity of any country should be respected and safeguarded - and Ukraine is no exception." Expect China to take on a humanitarian role in Ukraine.

*We need to build on how Ukraine, the EU, and the U.S. countered Russian disinformation. We need to do the same with countering Chinese disinformation in the Indo-Pacific region by speaking with a unified voice on Chinese military movements/actions and violations of international law in the South China Sea and East China Sea. ASEAN (not being "NATO like" with a collective security pact) is an advantage in the region as a consensus is not needed from all our bilateral treaty allies (Australia, South Korea, Japan, Thailand, Philippines) to start moving forward with positioning military capabilities. Those most vulnerable (Taiwan, Vietnam, and the Philippines) need to reassess what capabilities they need to resist future incursions by China and request the support now. China is not in a position to invade Taiwan this year and will continue to fortify islands they built within the nine-dash line in the South China Sea. Expect some confrontations with the Philippines, Vietnam, Indonesia, Malaysia, and Brunei and with Japan in the East China Sea this year." – **General KK Chinn***

Iran's Low-Level Conflict with Israel is Intensifying

While the chances of an Iranian nuclear deal being signed are still high, an old issue in the region seems to be reaching a slow but steady boiling point – the low intensity conflict between Israel and Iran. Last month, hundreds of Iranian UAV's were destroyed in an air raid in western Iran. Then, in response to this (and a potential gas deal that would allow Iraq to supply natural gas to Turkey/Europe with Israeli assistance) on March 13th, Iran launched a dozen ballistic missiles into Iraq at what Iran called "Israeli/U.S. targets." Shortly thereafter, two senior Iranian IRGC members were killed in an airstrike in Damascus. Likely in response to this, a cyber-attack took down several Israeli government websites. These back-and-forth attacks raise the level of engagement as well as the risk of a miscalculation that could result in a much more significant confrontation between Iran and Israel.



In addition to these attacks, on March 25th, Iranian backed Houthi rebels launched a rocket/drone attack against an oil depot in Jeddah resulting in Saudi Arabia announcing a military operation in Yemen to strike back at the Houthis. As tensions are rising in the Gulf, Israel held a summit with the U.S., the United Arab Emirates, Bahrain, Morocco, and Egypt. The group event was meant to demonstrate solidarity in the region, even as the Iran nuclear deal hangs in the balance. Israel, the UAE, and Saudi Arabia have several serious complaints about the strength of the Iran nuclear deal, especially related to Iran's sponsorship of regional terrorism (Hamas and Hezbollah are constantly targeting Israel and the Houthis continue to threaten the UAE and Saudi Arabia). Of note, 11 Israelis have been killed in attacks this month, raising tensions reminiscent of the 11-day conflict with Hamas (which is backed by Iran) last year. The main sticking point in the nuclear deal is whether to take the IRGC off the list of designated terrorist organizations. If a deal that many in the region (including Israel) don't support comes to fruition, the likelihood of this simmering low-level conflict between Israel and Iran becoming a larger conflict will grow.

"Both Israel and Iran have made significant investments in cyber capabilities and have shown in the past that they are not afraid to use them against each other often in ways where they can deny the activity as it is difficult to prove without divulging intelligence sources. The attacks have been ongoing for months and are affecting average citizens. For example, the attack by Israel on Iran's nationwide fuel distribution system caused over 4,300 fuel pumps to shut down and took 12 days to restore. Iran reciprocated with attacks on a major medical facility and on a popular dating site releasing personal information on the internet. The intent of these types of attacks against primarily civilian

Around the World with Academy Securities

targets is to create chaos and unrest. This is similar to attacks attributed to Iran against the U.S. on critical infrastructure like dams and health care. In March 2022, Israel was hit with a massive cyber-attack (mostly Denial-of-Service) that took down a communications provider and government and commercial web sites. That attack was attributed (by many experts) to Iran. As a diplomatic solution to the stalled nuclear agreement seems far off, these attacks will likely continue against Israel and other Western nations.” – Admiral Danelle Barrett

“We should not expect the continued military tactical strikes taking place between Iran and Israel to develop into a major war in the near-term. There is too much ongoing between the war in Ukraine and the Iran nuclear negotiations for the U.S. to become distracted with conflict in the Middle East. You can expect the U.S. State and Defense Departments to keep pressure on Israel to not allow the current tactical engagements to increase to the point of causing another strategic problem for the U.S. Meanwhile you can expect both countries to continue their covert campaigns against each other.” – General Robert Walsh

India’s and Turkey’s Position on Russia/Ukraine Conflict

The roles of India and Turkey in the Russia/Ukraine conflict continue to be of interest. India, which has not taken a side in the conflict, is walking a fine line because they are heavily reliant on Russia as a major trading partner. Russia is also a significant weapons supplier to India. India also abstained from the vote condemning the Russian invasion in the Security Council. However, India is a member of the QUAD, which is the informal alliance the U.S. assembled including India, Australia, and Japan to act as a counterweight to China in the Indo-Pacific region.



India has been the “shakiest” of the four partners in condemning Russia and its trade with Russia (as a hedge against China) could be the biggest reason. In the past two weeks, India has dramatically increased its oil shipments (six million barrels in March alone compared to 12 million in all of 2021) from Russia, clearly taking advantage of Russia’s deeply discounted crude oil. While India and Russia have a long history going back to the Cold War, the key will be to find a way to separate the two and bring India closer to the U.S. Initially, it was thought that China’s threat to India would be enough, but it looks like the U.S. will have to try even harder to wean India off Russian oil (harder to do in the near-term) and Russian weapons (could be easier to do longer-term).

Turkey (which borders both Russia and Ukraine) hosted diplomatic talks between the two nations this week. However, it has refused to support sanctions on Russia (also a weapons supplier), but it did close the Bosphorus and Dardanelles Straits and did not allow Russian vessels to pass. Turkey also called Russia’s invasion a violation of international law and voiced support for Ukraine’s territorial integrity (and Turkey voted with the UN to condemn the Russian invasion). Turkish President Erdogan, who was personally involved in the ceasefire talks this week, would like to keep both Russia and Ukraine as allies, but the question is as a NATO member, how will the U.S. react to this ambiguity? The U.S. has sanctioned Turkey for its purchase of the S-400 Russian missile system in the past and kicked Turkey out of the F-35 program. However, the goal will be to use Turkey as a mediator while keeping them in NATO (and on the side of the U.S. in conflicts in Syria and Libya).

“The other three Quad countries are sympathetic to India and are giving it space for the position India is in with Russia. They view the war in Ukraine as an opportunity to grow relations with India and counter Chinese influence in the region. India is challenged to remain neutral on the war in Ukraine while maintaining its decades old defense procurement ties with Russia. India has abstained from voting three times on UN resolutions related to Ukraine as it tries to sit on the fence. India has always needed Russian military hardware to deter Pakistan and needs it even more now as tensions have grown with China. As the war in Ukraine drags on, India will feel more pressure to adopt a tougher stance on Russia and its invasion of Ukraine. This presents an opportunity for the U.S. to fill India’s weapons needs and use it to build closer relations with Prime Minister Modi and the Indian government to the

Around the World with Academy Securities

detriment of both Russia and China. This delicate situation must be managed quietly and behind the scenes to not drive the independent-leaning Indian government into an unneeded public position.

*Turkey is walking a fine line as a NATO member while also having strong economic and defense ties with Russia. Prime Minister Erdogan has continued to call for Putin and Zelensky to work towards a ceasefire. Turkey will try to resist any efforts to call out Putin and is unlikely to change this position.” – **General Robert Walsh***

*“India is part of the QUAD and considers China their #1 threat. In the past, the USSR was India's largest trading partner until its collapse and as a result, the majority of India's military hardware is Russian. However, with each passing year they are slowly migrating away from Russian equipment. Today, they still need Russian military equipment to defend themselves from China, hence part of the quandary India is in. The U.S. has acted in its own self-interests since the fall of the USSR to the detriment of India (pushing India closer to Russia). We need to remember that India has not forgotten this and will always act in their own vital interests. However, we are building a stronger military relationship with India, and they need the U.S. economically to help counter Chinese influence in the region. Their vital interest is to counter China and Pakistan, and the U.S. will be there to help.” – **General KK Chinn***

Disclaimer

This document and its contents are confidential to the person(s) to whom it is delivered and should not be copied or distributed, in whole or in part, or its contents disclosed by such person(s) to any other person. Any party receiving and/or reviewing this material, in consideration therefore, agrees not to circumvent the business proposals explicitly or implicitly contained herein in any manner, directly or indirectly. Further, any recipient hereof agrees to maintain all information received in the strictest confidence and shall not disclose to any third parties any information material to the opportunity contained herein and, upon review hereof, agrees that any unauthorized disclosure by any party will result in irreparable damage for which monetary damages would be difficult or impossible to accurately determine. Recipients recognize, and hereby agree, that the proprietary information disclosed herein represents confidential and valuable proprietary information and, therefore, will not, without express prior written consent, disclose such information to any person, company, entity or other third party, unless so doing would contravene governing law or regulations.

This document is an outline of matters for discussion only. This document does not constitute and should not be interpreted as advice, including legal, tax or accounting advice. This presentation includes statements that represent opinions, estimates and forecasts, which may not be realized. We believe the information provided herein is reliable, as of the date hereof, but do not warrant accuracy or completeness. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

Nothing in this document contains a commitment from Academy to underwrite, subscribe or agent any securities or transaction; to invest in any way in any transaction or to advise related thereto or as described herein. Nothing herein imposes any obligation on Academy.

Academy is a member of FINRA, SIPC and MSRB. Academy is a Certified Disabled Veteran Business Enterprise and Minority Business Enterprise, and is a Service Disabled Veteran Owned Small Business as per the U.S. SBA. Investment Banking transactions may be executed through affiliates or other broker dealers, either under industry standard agreements or by the registration of certain principals.