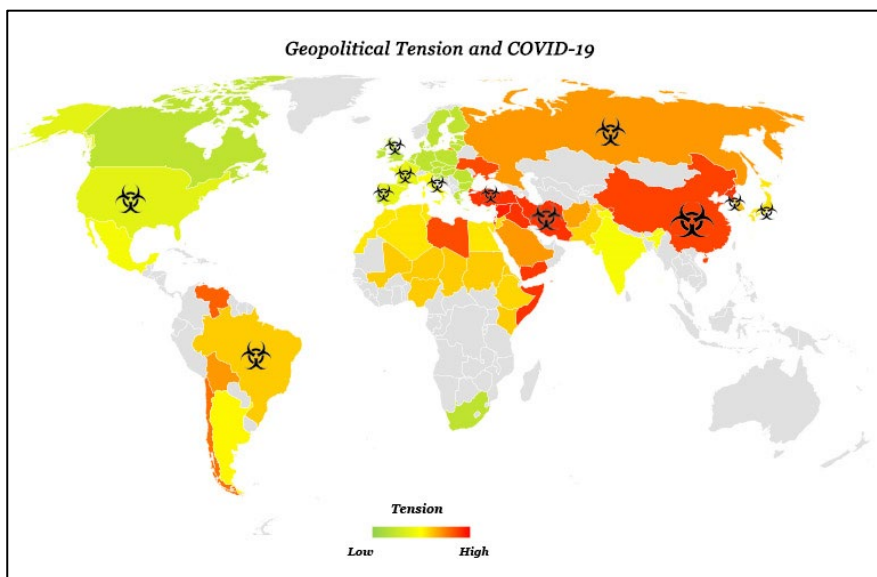


Around the World with Academy Securities

We have been making progress in the **War on the Virus**. The pace of new cases has slowed, even with more testing. Hospital usage by COVID-19 patients has declined and not only have deaths been slowing, but we have a lot more data about the virus than we did two months ago, which should help us chart a path to safely re-opening the economy over time. With awful data on the job and spending front, the **Battle for the Economy** takes on ever greater importance. We will be watching closely as several states start to re-open their economies this week and next. From the macro side, our strategist continues to see a strong case, based on the data and science, to re-open and expects the re-opening to be robust. Academy believes that there will be [winners and losers as the economy re-shapes itself](#), in an effort to balance economic needs (and the health and welfare issues surrounding a weak economy) with the ongoing threat of the virus. Academy Securities' [Geopolitical Intelligence Group](#) (the "GIG") highlights the spread of the virus in South America, even as the U.S. and Western Europe make progress.



As we all watch the progress of the re-opening, other events are starting to have a more noticeable impact on the market. In today's Around the World, we focus on **North Korea** where the possibility of a regime change looms large. We also follow up on **Russia, Libya, and Syria**. **Venezuela** remains an area of concern as well. **Iran** has not gone away and continues to destabilize the region.

We touch on **China** and the recent activity in the South China Sea. Expect our relationship with China to once again become a major topic on the economic and geopolitical front. The administration has made it clear that they hold China at least partially responsible for our COVID-19 problems, which China has not only denied, but has made some counterclaims. This is an area that we have been watching closely and expect the risk to intensify, though both the GIG and our macro strategist believe that dealing with the virus and re-opening the economy should remain our focus and that escalating tensions with China now is an extremely risky strategy. Though, longer term, we expect an intense effort to increase manufacturing capacity domestically as the administration encourages supply chain repatriation – which will be necessary to recover from the damage the virus has inflicted on the nation.

Academy's GIG Weighs in on COVID-19 – Impact on South America

We will highlight a few countries in South America in this report, but a common theme we are watching here is the impact of COVID-19, especially in countries with degraded healthcare systems due to years of financial distress. The instability that could result as this region of the world enters into its winter season could create other problems were American leadership could make a difference countering Russian and Chinese influence.

"As Latin America prepares for the coming winter (our summer), the COVID-19 propagation curves are accelerating, not flattening. The future for Brazil, Peru, Ecuador (where it is already bad), and Mexico (where it is just starting) is not looking good. Venezuela already has significant challenges. The region will look to the U.S. for leadership and support as they battle COVID-19. This is an opportunity to strengthen our relationships with our partner nations by supporting them with medical equipment that works and medicines that heal patients. Our partners expect us to be the first country to develop the vaccine against the virus. We must leverage this opportunity to counter China in the region and remain the partner of choice." **General K.K. Chinn**

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Front and Center – North Korea

In our most recent [SITREP](#), Academy GIG members General Marks, who spent a portion of his career as the senior intelligence officer on the Korean Peninsula, and General Stewart, who was the former Director of the Defense Intelligence Agency, weighed in on what a change of control in North Korea could mean for the region. The bottom line is that we believe Kim is likely in a distressed state, but we are unsure if he is improving or declining at this time. Succession is a real issue here, but the security of the nuclear weapons and control of the Army lie with the Korean Workers' Party. The KWP is loyal to the Kim family and it will remain so, even after a potential transition of power. Short of South Korea trying to unify the country, China is not likely going to play a major role in the transition, but will have to deal with the potential flow of refugees across its border. The U.S. would position additional forces in the region to reassure its allies that it is there to help maintain stability. Our GIG will continue to monitor this situation closely.



“Discussions about Kim’s health can best be described as a cacophony of conjecture until an official North Korean announcement is made. Essentially, there are three things we should be watching: plans for the transition of power, whether it’s imminent or years down the road, accelerated nuclear development and changes in military activity, and Seoul’s official assessment of what’s occurring. Albeit counter-intuitive, the North Korean regime’s stability is key during any transition. The North Korean regime adheres to predictable patterns. Currently, those patterns are being broken. We should be curious regardless of Seoul’s “pay no attention to that man behind the curtain” and “everything’s fine” pronouncements. With its nukes, arsenal of missiles, large Army with thousands of rockets and artillery within range of Seoul, and a “distressed” (i.e., starving) population, stability is everything right now.”

General Spider Marks

“No change to the three prevailing possibilities – Kim is dead / incapacitated, he has COVID-19, or he doesn’t want to get COVID-19 and he is isolating so he can remain healthy. Assuming he is healthy or even with COVID-19, he must be enjoying the attention and focus on his whereabouts, as it keeps North Korea and Kim on the global stage and reinforces their significance as a regional player.” **General K.K. Chinn**

“The rumors and reporting continue that North Korean leader Kim Jong Un is incapacitated or dead from heart complications or he is isolating himself to avoid contracting COVID-19. The larger questions are who would be his successor and what does the current situation mean for the region? For the first time in the 72-year history of the Kim regime, there is no clear successor. The Kim regime has continued to isolate itself by seeking nuclear weapons as the sole means for protecting the regime. This approach has seen China, South Korea, and Japan grow in prosperity in the region while North Korea remains an isolated and poverty-stricken country. Their rabid and insane approach in developing nuclear weapons at the expense and isolation of their people continues to make them a threat that must be respected. While this could be as simple as Kim isolating himself on his yacht to avoid COVID-19, it could also result in unexpected change that is almost impossible to predict.” **General Robert Walsh**

Update on Russian Activity in Libya, Syria, and Venezuela – Will this Impact Putin’s Future?

As the oil price war and subsequent price collapse coupled with the growing impact of COVID-19 take its toll on Russia, we examine a few of Putin’s overseas interventions. With the vote on the constitutional referendum to allow him to run and serve as president through 2036 delayed due to COVID-19, some may be questioning if these foreign campaigns, in conjunction with issues at home, may threaten Putin’s political future. **General Marks does not think so and believes that the vote will take place and Putin will not be affected. General Walsh thinks that Putin miscalculated and showed some vulnerability while the oil market collapsed around him.**

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General Haftar Declares Himself Ruler of Libya

As we reported in the *Vying for Influence in Libya* [SITREP](#) and in the last edition of [ATW](#), our GIG has been focused on monitoring the civil war in Libya. Russia, UAE and Egypt have backed former Libyan General Haftar (LNA) in his fight against the UN recognized GNA (supported by Turkey). Recently, Haftar’s forces, with the support of Russia’s Wagner Group, have tried to make progress toward taking the capital of Tripoli. However, the GNA has pushed them back and taken several neighboring cities. In a desperate attempt, General Haftar recently declared himself ruler of Libya in disregard of the 2015 agreement that tried to bring an end to the conflict. Throughout the conflict, the GNA has received support from Turkey and its drone strikes have taken its toll on Haftar’s ability to continue to move towards the capital. Libya’s oil/gas reserves are of keen interest to Turkey, which will have a seat at the table to decide any political solution in Libya. The real question here is how far will Russia go to support Haftar. With the Russian Wagner Group accused of using chemical weapons against the GNA in support of Haftar last week, their frustration with the situation may be growing and they do not want to be left out of any discussions regarding the future of Libya.



Russian Support in Syria: Putin is Becoming Impatient with Assad

Since the peace in the Idlib region has held since we reported on it in our March 13th edition of [ATW](#), it is becoming clear that Putin is growing tired of his involvement in Syria. Putin is anxious to declare that Russia’s involvement helped bring peace to Syria and end the decade long civil war. However, Assad is not displaying any flexibility at all in the discussions around a political settlement to end the conflict. In an apparent pressure campaign, media outlets linked to Putin’s associates have published articles critical of the Assad regime. In addition, Putin’s frustration reflects the broader Russian economic opportunity that is being lost in Syria as the conflict continues. However, it is clear that no one can easily replace Assad and that he will be critical to ending the war.



Venezuela – Pressure Increases: A Peaceful Transition of Power?

As we discussed in our previous edition of [ATW](#), the increased U.S. Navy and Coast Guard presence in the Caribbean and the indictment of President Maduro on narco-trafficking charges have both helped ramp up pressure on the regime. While Russia is likely not abandoning its ally, its state-controlled Rosneft Oil Company did cease operations in Venezuela and sold its assets to a subsidiary of the Russian government. This move is meant to help protect Rosneft from U.S. sanctions and also reflects the reality of the oil price collapse. However, with the U.S. goal of Maduro stepping aside, other options have been presented including having Juan Guido step aside as well and establishing a transitional government, which would provide the stability necessary to hold free and fair elections. With the economic picture continuing to deteriorate and COVID-19 inflicting further damage on an already strained healthcare system, change may come sooner rather than later in Venezuela.



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*“Unprecedented pressure by the U.S. on Venezuelan leadership – Maduro is slowly losing control of interior regions of the country due to the lack of gas and the loss of both licit and illicit revenue with the closure of the borders by neighboring nations due to COVID-19 and our counterdrug operations with 22 partner nations in the Caribbean and Pacific. It has become very hard for them to move products and contraband due to the falloff of extortion opportunities and is putting a lot of revenue pressure on all of the criminal organizations, meaning less control and questions as to whether they need to listen to Maduro and the elites in Caracas. Expect more ungoverned space in Venezuela.” **General K.K. Chinn***

Iran’s Satellite Launch and Continued Rhetoric

Last week, Iran launched a satellite into space and stepped up its harassment campaign of U.S. Naval forces in the area. President Trump directed ship commanders in the region to destroy any Iranian vessel that threatens their ships. While the surface engagement threat is high, this is nothing new. What is of interest is the fact that the rocket that carried the satellite into space successfully demonstrated a three-stage missile. This is significant as it shows that the Iranian long-range ballistic missile program is still making progress. While sanctions and COVID-19 have taken a toll on the country, Iranian priorities are clear. The U.S. needs to keep its forces safe in the region and pressure must be maintained on Iran so they cannot further develop their ballistic missile or nuclear capability. Iran will continue to act out and seek opportunities elsewhere, including in Venezuela, where the U.S. has recently asked allies to help stop Mahan Air flights carrying cargo, including gold, in and out of the country.



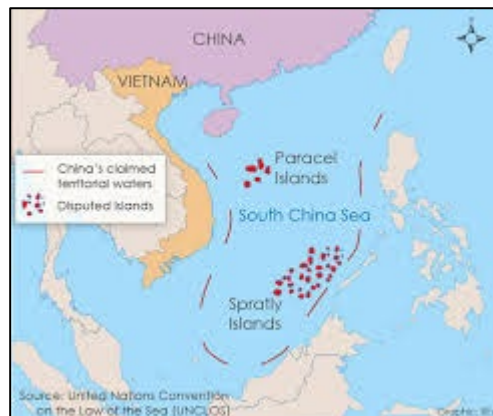
*“Iranian gunboat “drive by” activity in the Persian Gulf is standard. There is nothing new here irrespective of the world’s focus on fighting the virus. Iran views itself as a revolutionary state, not a member of the community of nations. Accordingly, we, and the rest of the world, have been giving Iran a pass since their 1979 revolution. They get away with stuff that most nations renounce...not Iran. The U.S. “maximum pressure” campaign is working and Iran is acting out. Despite these provocations and more, our broader objective remains the priority...Iran must not be allowed to develop nukes and the missiles to deliver them.” **General Spider Marks***

*“Iran’s announcement this week that they successfully launched their first military satellite is just one more step in the rising tensions between Iran and the U.S. The U.S. has always said that any type of satellite launch by Iran is a continuation of its pursuit of ballistic missile capabilities. Secretary of State Pompeo said that the launch is part of “Iran’s malign behavior.” He followed up with discussions about continuing the current United Nations’ arms embargo due to expire this fall. The satellite launch, along with last week’s harassment of U.S. Navy ships in the Persian Gulf, are continuing efforts by Iran to divide the United States from its European allies. Iran’s goals remain to end the crippling sanctions and reduce the U.S. presence in the Middle East. The recent Iranian incidents demonstrate that they are willing to raise tensions with the U.S. and take advantage of the global attention on the COVID-19 pandemic. While the U.S. is doubling down on its policy of maximum pressure on Iran, other countries are working around the sanctions by providing humanitarian assistance to Iran during the pandemic.” **General Robert Walsh***

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Increased Chinese Naval Activity in the South China Sea

As discussed in the previous [ATW](#), the U.S. Indo-Pacific Command has requested additional funding to counter the rising Chinese military threat. While COVID-19 has ravaged the globe, China has not slowed down its operations in the South China Sea (or in Hong Kong, where China has been secretly arresting pro-democracy leaders). However, the U.S. is not slowing down either and has increased its freedom of navigation exercises. In response, China has taken a more aggressive stance and recently rammed and sank a Vietnamese fishing boat. The Chinese agenda is clear and with 1/3 of global shipping transiting these disputed waters, the U.S. Navy will continue to demonstrate its presence. The U.S. will also continue to support its partners in the region, including Australia, which China has tried to pressure economically.



“China’s actions in the South China Sea (SCS) remain a huge concern in the region but continue to remain below the radar internationally (island building, ship ramming, etc.). China has no allies which is a critical and significant disadvantage against a coalition. So, we will continue to see China enforcing their “nine-dash line” (historical territorial waters), which they have no legal basis to claim. China has a consistent pattern of pushing the envelope up to the red line (short of conflict) and then backing off a little, but over time, a new normal pattern is established. We will continue to see U.S. + Allies + Partners in the region working together against China as they continue to establish a new normal. What we are seeing is the new reality in the region, it has been going on for many years and now we are seeing more reporting and also increased activity by the U.S, Australia, Japan, South Korea, NZ, UK, etc. in executing freedom of navigation patrols in conjunction with those countries where China is claiming EEZ rights - Vietnam, Philippines, Brunei, Malaysia, Indonesia, and Taiwan. Expect normal / increased activity to support our partners and allies.” **General K.K. Chinn**

“China has three strategic priorities right now: change the subject away from the viral novel coronavirus pandemic that they ignited; execute a global charm offensive to appear magnanimous, selfless, engaged, and leading the fight against the virus; and obfuscate the truth. Trying to change the subject is exactly what is happening in the South China Sea especially near Taiwan. Look, the Chinese military leadership is more hawkish and anti-U.S. than the CCP’s leaders. Left to their own initiative, the Chinese military, especially its naval and cyber forces, would conduct “unrestricted warfare” against the United States across all domains of war. They openly declared such in 1999 and have been on course to realize that goal over the past two decades. They are poised to strike kinetically and conduct penetrations into our cyber capabilities as a matter of routine every day. What we are experiencing in the SCS is simply a part of a grand strategy. The Chinese “hide in plain sight.” They say what they intend to do and then do it. Nothing new.” **General Spider Marks**

“U.S. credibility to defend our allies and partners is at stake during this pandemic crisis and is playing out in the South China Sea. Earlier this week, USS Bunker Hill and USS Barry conducted freedom of navigation operations through the Spratly and Paracel Island chains in the South China Sea. At the same time, China sailed the Liaoning aircraft carrier strike group between Japanese islands in the East China Sea. There is no question the competition between the U.S. and China is playing out as military competition. The Trump administration has been very clear that China is an economic competitor that imposes unfair advantages on the competition. The administration has also been very clear that China’s growing military capabilities threaten the Pacific region. The coronavirus pandemic has provided China an opportunity to take advantage of the global focus elsewhere and increase its military operations in the South China Sea and by its continued fortifications of their artificially developed island outposts. Allies in the region are becoming uncomfortable with China’s recent operations and are looking to the U.S. for leadership. Malaysia, Vietnam, and the Philippines are being increasingly pressured by China’s aggressive military actions. Meanwhile, China is on an information campaign throughout the region to explain how the U.S. has been

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incompetent in handling the coronavirus with the USS Roosevelt remaining sidelined in Guam and China's military reporting not a single Chinese military member infected with the virus. There is no end in sight to the diplomatic, information, military, and economic competition taking place between China and U.S." **General Robert Walsh**

Brazil, COVID-19, and a President Under Investigation

This week, the supreme court in Brazil allowed a corruption investigation into President Bolsonaro to proceed. With the economic conditions deteriorating, banks potentially requiring billions in additional capital to offset loan losses, a healthcare system damaged by austerity measures after the 2015-2016 recession, and a growing COVID-19 problem, we may be seeing the conditions for a major crisis in Brazil, which is home to over 200 million people.

"Too early to tell if Bolsonaro will be impeached but Brazil will be politically paralyzed (along with the rest of the region) as they enter the winter season with the potential for widespread COVID-19 challenges. The loss of justice minister Moro takes away a big part of the "anti-corruption center" section of Bolsonaro's coalition and forces him to play pork barrel politics over COVID-19 aid with their fractured Congress to head off impeachment. They have a significant public health challenge with COVID-19 – can the federal government solve the hospital bed problem outside of the big cities, distribute testing, and provide medical equipment in a timely manner? Situation is getting bad in the Amazon (Manaus), Rio de Janeiro, and Brasilia." **General K.K. Chinn**

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