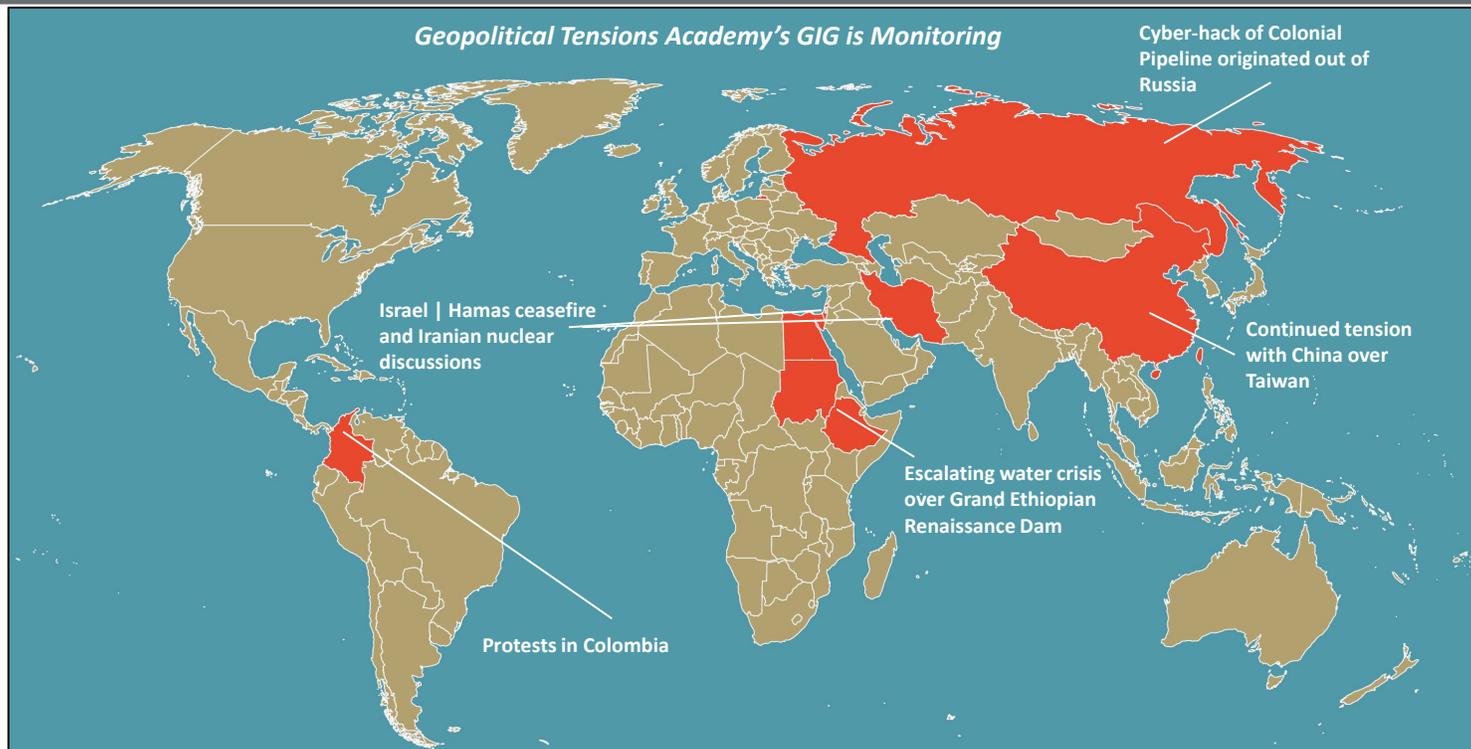


***Around the World with Academy Securities***



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 tensions that we are monitoring:

1. Israel | Hamas ceasefire and the Iranian nuclear discussions.
2. China and Taiwan tension.
3. Colonial Pipeline cyber-hack.
4. Egypt, Sudan, and the Grand Ethiopian Renaissance Dam.
5. Protests in Colombia.

We begin with the ceasefire between Israel and Hamas, which appears to be holding after the May 20 agreement ended the 11-day conflict. We then provide an update on the Iranian nuclear discussions and the concern that while Iran does not seem to have played a direct role in the recent Israel/Hamas violence, an agreement that does not address Iran's funding of regional terrorism (including Hamas and Hezbollah) would just reset the conditions for future conflict. With respect to China, while the tension with Taiwan continues to build, the international community (G7) is taking notice and recently made statements addressing both Taiwan and the treatment of Uyghurs in northwestern China. We also address the cyber-hack against the Colonial Pipeline and while Russia denies any involvement, the criminal group that perpetrated the attack is based there and the incident highlights the need for more protection of critical infrastructure (and potentially the need for some regulation of crypto currencies). Next, we address the Grand Ethiopian Renaissance Dam and the chances of a potential conflict between Egypt/Sudan and Ethiopia over access to the water of the Nile River. Finally, we cover the protests in Colombia, a country that has been hit hard economically by COVID.

**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: Ceasefire in Israel | Hamas Conflict and Update on the Iranian Nuclear Discussions**

As we reported in our recent [SITREP](#), our GIG closely monitored the fighting between Israel and Hamas and on May 20, both sides agreed to a bilateral ceasefire. The origin of the latest violence occurred over a month ago in the Sheikh Jarrah district in Jerusalem, where six Palestinian families had faced eviction. On May 7, fighting broke out at the Al-Aqsa Mosque compound. Hamas then demanded that Israel remove troops from both the Sheikh Jarrah district and the Al-Aqsa Mosque or face attacks. On May 10, the deadline passed and Hamas began firing rockets into Jerusalem, the largest attack in seven years. 11 days of back and forth strikes by both sides killed at least 230 Palestinians in Gaza and 12 Israelis. During the strikes, Israel took the opportunity to target both senior Hamas leadership as well as its weapons and tunnel facilities. In the seven years since the last significant conflict, Hamas built up its rocket arsenal and tunnel network. While the ceasefire is currently holding, top Hamas leaders will continue to be targeted in the future as Israel conducts its assessment of the damage inflicted on the militant group's infrastructure and capabilities. Of note, General Kearney's May 18 assessment (included in the [SITREP](#)) was very accurate as to the Israeli objectives and the timeline.



*"The Biden administration has a much bigger problem on their hands than they are articulating publicly. While the ceasefire is holding, the drivers that caused the recent conflict remain. In addition, the fundamental social unrest that fueled the conflict also remains, with social media acting as an ignitor of the flames. Internal politics on both sides are becoming more extreme. Both are claiming victory. The Israelis gained tactical wins through the massive damage caused by airstrikes on Hamas's command and control, rockets, and missile capabilities. This did not come without cost to Israel since the Palestinian problem is now back in the world news. Hamas and the Palestinians have moved their cause back onto the "strategic world stage" after the Trump administration was able to sideline it by bringing together the UAE, Bahrain, Morocco, and Sudan with Israel through the Abraham Accords. Arab countries are now discussing Israel and the Palestinians once again." **General Robert Walsh***

*"Both Israel and Hamas wanted the current fighting to stop but that does not change their desire to continue the strategic struggle, i.e., they both want the status quo. This cease fire meets both parties' long-term objectives which does not include a lasting peace. Each party is content with a 5 to 7-year hiatus in the fighting. The Palestinians cannot afford to be anything other than the aggrieved party with global sympathies. Peace with Israel would deny that advantage. Israel, on the other hand, is surrounded by enemies and needs to remind the world that those enemies are real. Peace with a Palestinian state denies Israel the "right to defend itself" with such regularity and unsurprising success. The Abraham Accords gave Israel legitimacy in the broader Arab world while decoupling that necessary step from the intractable, inevitable, and unchanging Palestine issue. They need each other." **General Spider Marks***

*"I concur with Spider, but with two subtleties. I think Israel sees this specific incident as a Hamas issue not a Palestinian issue. They were likely emboldened to take a larger step this time around given the Abraham Accords' success, the ability to separate Hamas from the Palestinians in this specific case, and the negative image Hamas has suffered within the Arab world over the past years in Syria, etc." **General Mastin Robeson***

Meanwhile, the Iranian nuclear discussions entered a final phase of talks this week. The key issues at play are determining the sanctions the U.S. is prepared to lift, the required nuclear "next steps" by Iran, and how to handle the nuclear "knowledge" and "capabilities" Iran has acquired over the years of non-compliance. While the U.S. has stated that it is open to removing some of the sanctions, it is unlikely that the Islamic Revolutionary Guards Corps (IRGC) sanctions would be lifted. Of note, General Stewart from our GIG believes that, "If we lift the two most

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effective sanctions (sale of oil and release of funds), Iran will have no incentive to negotiate further. That said, we have the greatest leverage and should return to the JCPOA agreement. Iran needs us more than we need them.” While a deal is still possible, there are many potential pitfalls, including Iran’s (hardline) Parliament, which once again stated that Iran would not be required to come back into compliance until ALL sanctions are removed. In addition, this week, as the agreement to grant access to IAEA inspectors was extended for another month, Secretary of State Blinken said, “Iran, I think, knows what it needs to do to come back into compliance on the nuclear side, and what we haven’t yet seen is whether Iran is ready and willing to make a decision to do what it has to do.” The upcoming elections in June, where a hardliner could likely be the next president, will not make any near-term decisions easier.

Make no mistake, Iran is a significant supporter of Hamas. However, while Iran agreed to increase its funding of Hamas to \$30 million per month and in return, Hamas agreed to supply intelligence back to Iran regarding Israeli missile capabilities, there is no evidence of “direct” Iranian involvement in the recent conflict with Israel (likely due to the ongoing nuclear discussions.) In the years since the 2014 conflict, as a result of Iranian support, Hamas has improved its rocket technology dramatically. This was evident in the over 4,000 rocket attacks during the most recent 11-day long conflict. This fact has made it abundantly clear that an Iranian nuclear deal that does not address Iran’s regional terrorist support (including Hamas and Hezbollah) will result in further conflicts like we have just witnessed.

*“If the U.S. does not stay “snapped in” with Sunni partners in the Middle East, Iran wins and terrorism wins. We are reminded of how unpleasant this may seem, but the U.S. must continue to exercise close relations and influence in the region with partners like the KSA, Jordan, Egypt, and Turkey. Of course, Israel will remain a steadfast partner and ally despite the expected criticism. The U.S. should get back into the nuclear deal with expanded leverage to include unannounced nuclear site inspections at Iranian military bases with guarantees that U.S. inspectors will be part of any international inspection protocol. The larger strategic issue is that there might be an opening. Opposition voices in Tehran’s leadership work to the advantage of both the U.S. and Israel. There could be, albeit with a low probability, some common ground. However, Israel cannot afford the patience that the U.S. may exercise to see how those struggles play out while uranium is being enriched in Iranian facilities. We saw that play out just last month in the attack against the Natanz nuclear facility. Israel acted while the U.S., unwitting to the attack, might have demurred.” **General Spider Marks***

*“The Biden administration entered the JCPOA compliance negotiations with Iran hoping they could compartmentalize them into a very narrow diplomatic construct. With the negotiations ongoing in Vienna, the Biden administration is now forced to acknowledge the true threat to U.S. interests throughout the Middle East that Iran presents outside of Iran gaining nuclear weapons. Iran supplied thousands of rockets and missiles to Hamas used in the conflict in Gaza. While Biden’s national security team restricted arms sales to Saudi Arabia in the conflict with Yemen, we saw a U.S. Navy warship intercept a ship filled with Iranian weapons bound for Iran’s Houthi proxy forces in Yemen. Removing economic sanctions on Iran allows them to funnel arms to U.S. enemies throughout the Middle East and threaten U.S. interests.” **General Robert Walsh***

## **China Update**

As we addressed in our previous [ATW](#), the tension continues between the U.S. and China with respect to Taiwan. Back in April, there were dozens of incursions into Taiwanese airspace by Chinese fighters/bombers. In addition, on May 16, China released a video of an exercise many believe is a simulated amphibious assault on Taiwan. While this demonstration could just be another example of China trying to show the U.S. (and the world) that they are capable of such an assault, the level of provocation seems to be growing by the day. While the U.S. is not backing down and continues freedom of navigation exercises in the Taiwan Strait, the hope is that the



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rest of the world starts to apply pressure as well. In fact, at the G7 (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States) meeting earlier in May, a joint statement was released saying, "We reiterate our strong opposition to any unilateral actions that could escalate tensions and undermine regional stability and the international rules-based order and express serious concerns about reports of militarization, coercion, and intimidation in the region."

In addition, the group had strong words for China related to Xinjiang and the treatment of the Uyghurs noting that, "they strongly back independent and unfettered access to Xinjiang for the United Nations' High Commissioner for Human Rights." It is interesting to highlight that the tone of certain countries such as France and Germany towards China has changed in recent months. The primary reason for this is the halting of discussions over the ratification of the EU/China trade deal that would have leveled the playing field for European companies trading with China. These talks were postponed until China lifts sanctions on EU politicians put in place because of the western sanctions on China related to their detention of Uyghurs in northwestern China. These statements from the G7 (and more importantly action from the EU) will continue to put pressure on China to curb their aggressive behavior towards Taiwan and the Uyghurs. However, as General Chinn believes, "It is important that we listen critically to news reporting and observe how China utilizes state-owned and state-influenced media to control the narrative both internally to their population and externally to the international community. Having ownership of a large share of a media company can shape the coverage. China is a master at channels of communication to use information as power and influence behavior."

As the great power competition with China continues (please see our recent 21<sup>st</sup> Century Space Race [webinar](#) to see how that is playing out in space as well), our GIG will also be monitoring China's actions as U.S. forces leave Afghanistan. While China was a clear beneficiary of the U.S. involvement in Afghanistan and Iraq (it gave China the time to grow under the radar while the U.S. was focused on the Middle East), their feelings regarding the U.S. withdrawal could be mixed. On one hand, an easing of U.S. influence could open the door to an expanding Chinese economic agenda in the region, but on the other, the coming instability on the Chinese border is not ideal. Access to rare earths is also at play and our GIG will continue to monitor the situation.

*"China always wants its adversaries to negotiate with themselves based on Chinese provocations, "tough talk," and sleight of hand. They clearly would prefer not to fire a shot to achieve victory. It's the same with Taiwan. The Chinese military has immense capabilities, but an invasion of Taiwan would be a huge undertaking with a low probability of success. Such an invasion would be the largest amphibious operation since the June 1944 allied invasion of Normandy. The preparations for an invasion would be enormous and obviously decrease the likelihood of Chinese success. The U.S. has two dogs in this fight, the Taiwan Relations Act (TRA) and our foreign military sales (FMS) to Taiwan. First, the underlying strategic ambiguity of the TRA was eliminated by the Trump administration. There is no doubt that the U.S. would respond militarily to support Taiwan in any provocation from mainland China. Second, the U.S. should change what it sells through our various FMS programs to predominately defensive weapons systems (artillery, naval mines, barrier material) which enhance Taiwan's ability to defend itself from attack. The anti-access, area denial strategy should be adopted "to keep Taiwan in and China out." The U.S. has influence and we must alter how we use it." **General Spider Marks***

*"In addition to Spider's comments, the Taiwan Ministry of Defense put out a statement last week that is the first time they have publicly acknowledged their shift in how to defend the island. By dividing the island into regions and putting a separate commander over each region, defending in depth (vice mainly on the beach) with decentralized C2 and integrating the civil security architecture into the defense, they significantly complicate China's challenge given the restrictive and channelized terrain. What was not stated as part of the announcement, but is also being incorporated, is a much larger and more de-centralized Special Operations/civil security architecture dynamic. Taiwan will increasingly advertise these adaptations to the strategic layout in an effort to make China think twice about a costly and protracted war if they were to invade." **General Mastin Robeson***

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*“Over the last several months China’s military has ratcheted up its exercises to wear down and intimidate Taiwan’s military and coerce its people into believing that it is a fait accompli that Taiwan will inevitably become another Hong Kong under the CCP’s control. The military exercises have included massive air incursions into Taiwan’s airspace, aircraft carrier operations, and recent major amphibious landing demonstrations. It is also a warning to Taiwan to be careful in its relations with the U.S. How far can Taiwan push its U.S. relations with the PLA positioned to invade Taiwan only 100 miles away? This is all part of Xi Jinping’s grey zone operations that continue to slowly push towards his objectives without crossing red lines that lead to war. Another awakening for the U.S. in its strategic competition with China should be their rapid successes in space. Recently, China became only the second country behind the U.S. to land a rover on Mars. They also recently inked an agreement with the U.S.’s other strategic rival Russia to construct an international lunar research station. It should be clear that China’s competition with the U.S. goes well beyond the South China Sea and encompasses everything from influence operations to space exploration and everything in between.”* **General Robert Walsh**

### **Cyber-Hack on Colonial Pipeline Originated in Russia**

As we reported in our [SITREP](#), on May 7, a ransomware attack took down the 5,500-mile-long pipeline, which carries 45% of the east coast’s fuel supply. The attackers took control of the fuel pumping operations (and demanded a ransom) which forced Colonial to shut down the entire system. Citing the reliance on the supply of fuel to the east coast, the company paid the ransom of 75 bitcoin (~\$4.5mm). By May 12, Colonial restarted its operations and by the 15<sup>th</sup>, it had resumed normal operations. While the Russian government denied involvement, the criminal gang which conducted the attack (Darkside) is believed to be based in Russia. While it is hard to believe there wasn’t at least some knowledge of the attack within the Russian government, the bottom line is that this was the largest known cyber-attack against the energy sector in history. It also follows the disturbing trend of ransomware attacks that have affected solar power firms, federal and local government agencies, water treatment plants, and police departments. While the Biden administration did impose sanctions on Russia for the SolarWinds hack last year, there needs to be better measures put in place to protect our critical infrastructure. In addition, some form of regulation on crypto currencies is in motion as noted by our Head of Macro Strategy, Peter Tchir ([T-Report](#)).



Finally, as we have reported on in our previous [ATW](#), Russia is constantly looking for ways to appear strong in the eyes of the west. Of note, further protests are possible this summer in Russia and in Belarus, where reporter/opposition activist Roman Protasevich was arrested after his Greece to Lithuania flight was diverted to Minsk. Putin has reinforced his support for Lukashenko by coming to his defense after the Ryanair plane was intercepted in Belarus’ airspace. International pressure on Belarus for this outrageous act will likely drive Putin and Lukashenko closer, further solidifying Putin’s buffer to NATO on Russia’s western border.

*“The Colonial Pipeline ransomware attack was another wakeup call that demonstrates how vital cybersecurity has become to our national security. President Biden’s signed executive order takes a whole of government approach towards cybersecurity. The federal government has increased its cybersecurity protections and procedures over the years through the U.S. Cyber Command, the National Security Agency, and the Department of Homeland Security’s Cybersecurity and Infrastructure Security Agency (CISA). The challenge is that most of this development has been in the federal space while the Colonial Pipeline attack showed just how vulnerable private companies can be to our national security. CISA was created with the objective of heightening cybersecurity across the government as well as between the government and the private sector. We expect successful businesses to protect and secure their*

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*infrastructure in U.S. open markets. We learned through the Colonial Pipeline attack that there is regulatory oversight in public-private partnerships but not enough oversight where private companies impact national security. We are going to see more of these ransomware attacks if we don't focus on hardening critical cyber infrastructure."*

**General Robert Walsh**

*"Most of the U.S. government and civilian cyber enterprises are woefully out of date, and very likely compromised. There is plenty of new programs that ID and contain/isolate cyber-attacks, but it is inefficient and ineffective to put these programs into an already compromised and corrupt enterprise. This was the challenge with the Office of Personnel Management's (OPM) compromise. The solution was to build a new enterprise with all the new security bells and whistles, air gap the new/old enterprises, and one by one clean each application before including them into the new system. This is costly (\$60M-\$100M), time consuming (1-2 years), and most owners of critical infrastructure have not yet been willing to make the investment."* **General Mastin Robeson**

### Grand Ethiopian Renaissance Dam

In 2011, Ethiopia began construction on the Grand Ethiopian Renaissance Dam (GERD). The rationale was that it is Ethiopia's right to capitalize on the Nile River as a natural resource. The construction of the dam and hydroelectric power facility was financed by the Ethiopian government and Chinese banks. However, in the past few months, tensions have escalated between Egypt/Sudan and Ethiopia over access to the water of the Nile. This most recent standoff began when Ethiopia announced it would commence filling the GERD's reservoir, a move that was not supposed to happen until there was an agreement in place to address the allocation of the water. Ethiopia argues that the project will improve the lives of its people by providing affordable electric power and help regulate the Nile.

However, Egypt and Sudan depend on the Nile and are concerned that the project could significantly restrict their access, especially in times of drought. This is a very complicated issue and while the U.S. has threatened to cut off aid to Ethiopia unless a compromise can be reached, all parties involved are still very far away from a solution. It is critical to keep in mind that both Egypt and Ethiopia are partners of the U.S. in the region, with Egypt helping to mediate the recent Israeli/Hamas conflict and Ethiopia providing counter-terrorism troops to the African Union.



*"Egypt wants the U.S., Russia, or somebody to step in and mediate a peaceful resolution to the GERD issue. Absent that, there is an increased probability that they will stumble into a military incident that none of them really want or need. However, the U.S. leaned hard on Egypt to play a constructive role in stopping the current Israeli-Palestinian violence. You can bet that Sisi will want, among other things, support for Egypt on the GERD as a quid pro quo. While this issue is important to Ethiopia and Sudan, Egypt's cultural identity is so intertwined with the Nile that Sisi will look weak if he does not take any decisive action to address this intensely nationalistic issue."* **General Vincent Stewart**

*"I am probably less positive about Ethiopia's "helpful" contributions towards the counter-terrorism fight, or their "quality" contribution of African Union troops. Food control/flooding and drought/famine have long been their biggest issues. The U.S. has encouraged dams to address both issues (as well as electricity). I am empathetic with Egypt and Sudan, though it is unlikely that the Blue Nile's Grand Renaissance dam will significantly and adversely impact the Nile flow in either Sudan or Egypt. Many non-profits have assessed that the Ethiopian dam will likely have a positive influence on Sudan as it will help contain flooding there as well as in Ethiopia. The White Nile comes out of Lake Victoria and is not impacted by Ethiopia's dam project, thus the Nile north of Khartoum (i.e., north of the White/Blue Nile confluence in Khartoum) is less likely to be adversely impacted."* **General Mastin Robeson**

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**Protests in Colombia**

On April 28, protesters took to the streets in Colombia to display their anger regarding a proposed tax increase. Thousands have now taken part to not only demonstrate against the tax, but also the broader inequality and poverty level in the country (as well as police violence). Protesters are also calling for healthcare reform and a guaranteed minimum income. While the tax reform measure was withdrawn by Colombia's President, Iván Duque, he has ordered the maximum deployment of the country's military and police to ensure roads are clear. 40 people (mostly protesters) have been killed and the crisis is getting worse. The poverty level rose from 37.5% to 42% during the pandemic as COVID hit the country very hard. Other issues that the people are angry about include the fact that the government has not completed the programs it had promised to do when the peace deal was reached with the Revolutionary Armed Forces of Colombia (FARC) in 2016. These programs were supposed to help some rural parts of the county but did not materialize. The concern is that these protests are starting to look like the Chilean protests back in 2019 (that started with a small metro fare increase) and the risk is that they could spread across Latin America, especially as COVID has exacerbated many of the pre-existing economic issues in the region.



*“It is a tough environment for all in the region with inadequate governmental health systems to handle the challenges of COVID leading to economic impacts, social unrest, and now governance issues. China’s engagement with political leaders in the region, utilizing COVID diplomacy to improve their image along with providing loans and infrastructure support on unfavorable terms, will have long-term implications for the United States. We need to provide COVID vaccines to the region as it will help stabilize their economies, reduce the risk of mutations coming to the U.S., and help us with strategic messaging against the false narrative that China is providing vaccines free of charge. The bulk of the vaccines China is providing are paid for by the local governments and China is leveraging the minimal free vaccines they are providing for a photo op. The challenge for all countries in the region is that the social pressure will give rise to populist solutions which will provide the Chinese with additional engagement opportunities.*

*Colombia will weather the current unrest in the country because their institutions are strong and they are a very resilient nation. Much like Chile in 2019, we will not see a governmental breakdown in Colombia. There are lots of stresses that led to the current situation including COVID, the economy, the peace process, FARC/ELN mobilizing protesters, Venezuela situation/refugees, narcotraffickers, fiscal constraints, etc. What we need to watch out for is further loss of governability and increased hatred towards the police and security forces in general as that could lead to a very volatile situation.*

*We need to continue to see how resilient the five (Belize, Guatemala, Honduras, Nicaragua, Paraguay) remaining countries in Latin America that have diplomatic ties with Taiwan are as their governments face increased pressures to consider switching their support from Taiwan to China in return for access to the COVID vaccine, loans, and investments.” **General KK Chinn***

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