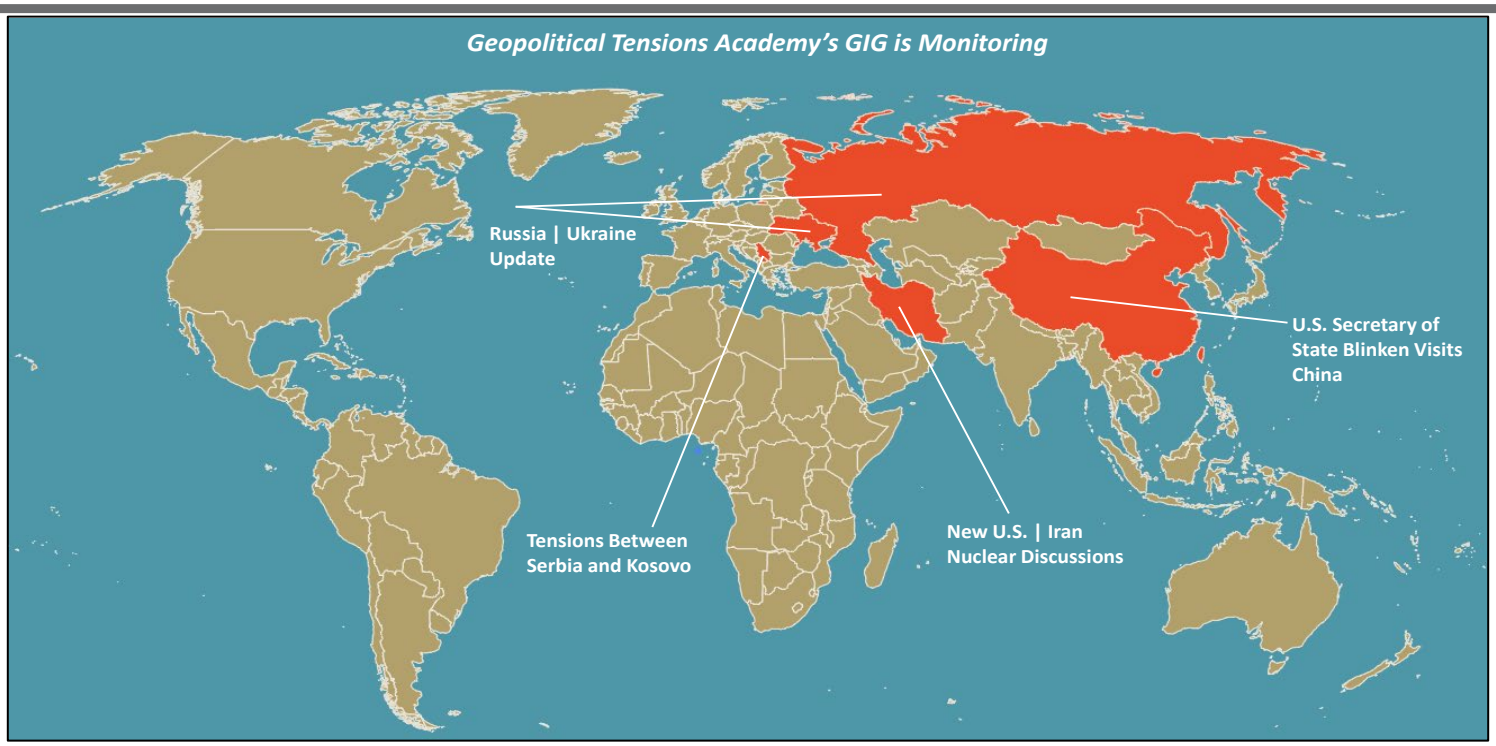
Around the World with Academy Securities



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. U.S. Secretary of State Blinken Visits China
3. New U.S. | Iran Nuclear Discussions
4. Tensions Between Serbia and Kosovo

We begin with an update on the crisis in Russia this past weekend that started with a march on Moscow by Prigozhin's Wagner Group forces and ended with a deal that was mediated by Lukashenko in Belarus. The real concerns from here are how has Putin been weakened, how will this affect the war in Ukraine, and what does this all mean for the Russia/China relationship. We also provide an update on the Ukrainian counteroffensive. Next, we report on Secretary Blinken's trip to Beijing where he met with his counterpart as well as President Xi. Tensions have been rising between the U.S. and China over the past few months in particular and a major goal of the trip was to ease those tensions and try to open up the lines of military-to-military communication (but China refused). Of note, right after Blinken's trip to China ended, Prime Minister Modi of India was hosted for a state visit by President Biden where the U.S. intent was clearly to increase the partnership with India in order for the country to act as a counterweight to China in the region. Next, we revisit Iran and address the new nuclear discussions between the U.S./EU and Iran. The new interim "agreement" could result in the release of billions of dollars in frozen funds from Iraq and South Korea to Iran in exchange for Iran capping uranium enrichment at 60% and ceasing the attacks on U.S. personnel in Iraq and Syria (among other conditions). Finally, we review the tension between Kosovo and Serbia which boiled over late last month. With the EU involved in trying to mediate a solution and the U.S. applying pressure on both sides as well to avoid more violence, the hope is that a broader conflict can be avoided.

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

Front and Center: Russia | Ukraine Update

With respect to the crisis in Russia this past weekend (see SITREPs), while Prigozhin stopped his march on Moscow after Lukashenko brokered a deal, the medium/long-term effects are still in question. However, as we discussed during our recent webinar, while this situation has weakened Putin, he still maintains control. We will continue to learn more as additional details become public (including the possibility that Prigozhin was trying to capture senior Russian military leaders and was relying on Russian forces to join the rebellion). With respect to the war in Ukraine, the focus now is on the Ukrainian counteroffensive that has made little progress. While Zelensky admitted that things are moving along "slower than desired," the Russian forces clearly hold the early advantage due to the fact that they are fighting from heavily defended positions. Ukraine continues to receive security assistance packages, but more critical weapons systems such as F-16s will likely not be delivered until later this year. However, as this counteroffensive continues, the West will start to expect results sooner rather than later. While strikes into Crimea will disrupt Russian supply lines (i.e., the Chonhar bridge), time is not on Ukraine's side. Russia is prepared to lose thousands of troops defending occupied territory and Ukraine needs to take back some of this land and leverage the success to drive the best possible terms prior to any ceasefire or armistice agreement that could end hostilities down the road. Meanwhile, the U.S. continues to put pressure on outside parties (including South Africa) helping Russia avoid sanctions in order to acquire much needed ammunition to continue the war effort. In addition, as we will discuss in the section on China below, the state visit for Prime Minister Modi of India was designed to accelerate the process of making the U.S. a more prominent defense supplier to India and moving the largest democracy in the world closer to the U.S. and away from Russia (India imports 20% of its oil from Russia and is the largest buyer of Russian weapons). Finally, Lukashenko has confirmed the receipt of tactical nuclear weapons from Russia. This development has been in the works for months and will not change NATO's nuclear posture. While our GIG will continue to monitor this, it is just another example of the reliance Lukashenko has on Putin and the fact that Belarus has become a "vassal" state of Russia.

> *"If morale in Russia was problematic before, it's only going to plummet further. What all dictators fear the most is a popular uprising by the general public. However, that's not about to happen. Putin will crack down more and as we've heard repeatedly, the war is not impacting the average Russian in Moscow. This is not a crack in the regime. Not a single prominent regime figure has sided with Prigozhin (that we know of). There was no sign of popular support for him. He is now headed for (or is already in) Belarus where he may actually be at greater risk of "falling in the shower on a bar of soap" and dying. Prigozhin is a creature of Putin and has overplayed his hand. While much is being written that Putin is weakened, Putin's hold on power was probably never in doubt. Such moves in Russia are inherently opaque but no telling what the intel community knows. Reports allude to having collection that such a move was known back in early to mid-June. We should also be monitoring how this will impact the broader global Wagner operations in places like Africa. This is a potential opportunity for the U.S. to counter some of Wagner's global operations." – **General Robert Ashley***

> *"The clear "crack" is in military effectiveness. If Wagner was being wielded efficiently before, is it now degraded? If the Russian Army had a cool relationship with Wagner before, is it better or worse now? In either case, the net combat effectiveness against Ukraine's counteroffensive is reduced." – **General Michael Groen***

> *"Wagner's dissolution will weaken Russian capability in Ukraine. As a private company, redeployment to other global influence opportunities may occur. Not sure if we will see the global operations incorporate the Ukrainian*

"contingent" or watch Wagner fade away completely. Mercenaries for hire can have an impact if they are seeking other employers. If they fold globally, it is an opportunity for U.S. military partner training. I concur with the suggestion that Prigozhin likely will meet a suspicious end if he remains in Belarus. But I am not sure if he will as he ought to know that he will be a target regardless of the agreement. Also, not sure if Wagner has a succession plan that would work." – ***General Frank Kearney***

"Russian military effectiveness is demonstratively poor. Wagner will not integrate smoothly or be welcomed into the conventional force. Prigozhin is a dead man. He should be wary of the "free upgrade to the penthouse suite." Putin is weakened, but not at risk. I wonder who maintains nuke command authority. What's Xi thinking/doing? Our administration is silent not because we do not want to advocate, but because we simply are unaware of the motivations and desired outcomes. This is a riddle wrapped in a mystery inside an enigma." – ***General Spider Marks***

"From a cyber perspective we can anticipate seeing Russian cyber teams now being distracted from Ukraine as they will conduct more surveillance on Wagner Group forces due to the lack of trust and concern over another mutiny. Also, the Russian disinformation campaign used to secure support from Russians for the war in Ukraine will continue to erode as skepticism of the official Russian narrative meets the reality of mounting casualties and actions by the Wagner Group. Russians are also increasingly finding ways to circumvent official Russian messaging and internet control by the Roskomnadzor (which controls internal Russian media and communications). Should Wagner re-engage the Kremlin, it is likely that Russian cyber units and other government forces will work to limit Wagner's traditional internet access or jam satellite-based communications systems. These forces could also go as far as to disrupt their own access to critical infrastructure to squeeze out Wagner's ability to operate effectively on Russian territory." – ***Admiral Danelle Barrett***

"Ukraine's counteroffensive has been ongoing for several weeks and has produced limited gains. The high expectations are producing minimal results in comparison to last year's counteroffensives in the Kherson and Kharkiv regions. Both sides are learning the brutal fact that defensive operations are easier to conduct than offensive operations. It appears that Ukraine's military objective is to drive to the Sea of Azov and cut off Russia's land bridge supply route to Crimea. The Ukrainian military waited for months to receive the much-needed weapons to conduct the counteroffensive while Russia's military is well dug in and used the time to bring in anti-armor capabilities along with developing "kill sacks" (made up of mines, artillery, missiles, air dominant jet fighters, and attack helicopters). Ukraine continues to request jet fighters as critically needed assets in this phase of operations. Ukraine's military is slowly probing the front lines to find weak penetration points and avoid casualties. The slowness in their attacks is pointing more and more to a long and brutal slog. Zelensky remains intent on taking back all occupied territory while this slow attrition way of war favors Putin over long-term NATO support for Zelensky." – ***General Robert Walsh***

U.S. Secretary of State Blinken Visits China

On June 19th, Secretary of State Blinken met with President Xi in Beijing in an effort to help reduce tensions and stabilize relations between the U.S. and China. Tensions have remained high and engagement between the two nations has been limited over the past year since Speaker Pelosi's visit to Taiwan last August, the shootdown of the Chinese spy balloon in February, and Taiwan's president Tsai Ing-wen's visit to the U.S. in April. However, both sides appear to believe that "progress" was made. Key items discussed were the war in Ukraine, Taiwan, North Korea's nuclear program, China's military footprint, economic policies, Chinese detention of U.S. citizens, and human rights issues. However, of concern, there have been a number of close calls between U.S. and Chinese military ships and aircraft in the past few weeks. As both sides seem to talk past one another, it has become clear that the chances for an accident/miscalculation to occur have risen substantially. Unfortunately, the offer to

reinstate a crisis line between the two militaries was rebuffed by China. While larger issues are potentially brewing in the Chinese economy, China is still focused on military expansion globally and is in discussions with Cuba to place a joint-military training facility on the island. Chinese officials believe that the U.S. and its regional allies are focused on a strategy of containment and partnerships/engagements with Cuba, Pakistan, and other nations in Africa and the Middle East are designed to demonstrate that China will continue to expand its influence and operations globally. As the U.S. has continued to highlight its QUAD partnership with India, Australia, and Japan, Prime Minster Modi of India visited the U.S. last week. The visit included a formal state dinner, and an agreement was reached to sell U.S. SeaGuardian drones to India (a first). Also, a major U.S. chip maker will open a $2.75 billion production facility in India and fighter jet engines will be jointly manufactured by the two nations. These moves are intended to send a signal to China that the U.S. is leaning more heavily on India to act as a counterweight in the region.

"De-risking vs. decoupling is the new question being discussed by U.S. CEOs and government officials as bilateral relations between the two countries worsen. China is now open for business post-COVID and U.S. CEOs have been on the march to visit China (but they are doing it in a much quieter manner than in past visits). Xi is welcoming them with open arms. Meanwhile China recently passed laws that add risk to foreign investments and doing business in China. The Counterespionage, Anti-Monopoly, and the National Intelligence laws all allow China to acquire intellectual property from foreign businesses. Additionally, Chinese crackdowns on consultancy and due diligence firms are sending the message that Chinese ideological and national security objectives are taking priority over their growing economy. We are starting to see companies relocate their business activities or wall off their IT infrastructure outside of China to protect their IP. The CEOs are balancing rebuilding relations and investments in China, assessing the risk from the new laws, and staying under the U.S. government's radar considering its hardening national security stance. Economic decoupling on a selective basis remains the potential path for both the U.S. and China.

*Secretary of State Blinken's trip to Beijing was an attempt to reduce tensions that escalated under the Trump administration and in many ways continued (at least via tariffs) under the Biden administration. Trump was the main driver of the tensions and the tariff war. Biden's challenge is that now Xi is driving the hard line. China is dictating the engagements and not the U.S. While Xi welcomes U.S. CEOs, he denies visits or communications with U.S. military leaders. Blinken focused the discussions on cooperating on climate change and macroeconomic stability. High-end technology limitations that could be used for military applications were apparently off the table. Talks need to continue, but this was a very small step in any significant reduction in the increasing competition and the risk for military conflict." – **General Robert Walsh***

"The main goal was to set conditions for a potential Biden and Xi meeting at the Group of 20 in India in September and at the Asia-Pacific Economic Cooperation leaders meeting in San Francisco in November. Future communications need to be more diplomatic behind the scenes with less media drama regarding senior leadership comments if there is to be progress. The reality is that our allies and partners don't want a direct confrontation with their largest trading partner (China). However, they are agreeable to trying to influence China via bilateral partnerships and formalized structures/agreements since we don't have a NATO-like alliance in the region.

*For India and PM Modi, this visit puts them on the global stage to potentially assist with a negotiated settlement in Ukraine. They are the world's largest buyer of Russian weapons to protect themselves from Pakistan and China. They are now looking to buy U.S. weapons/technology as a member of the QUAD. They have absolutely no trust in China due to border conflicts and concerns with China's growing Navy in the Indian Ocean along with China's dual-use port lease in Sri Lanka. We are both acting in our own national interest, and it doesn't hurt to be good friends with the most populous country in the world." – **General K.K. Chinn***

New U.S. | Iran Nuclear Discussions

As we have addressed in previous ATWs, tensions with Iran have been rising in the region. Not only is Iran marching toward the creation of a nuclear device, but they are also continuing to utilize proxy forces to target Americans in Syria/Iraq and cause trouble for Israel via their support of Hamas, Hezbollah, and Islamic Jihad. However, news has been reported recently that the U.S. (and the EU) have been holding direct/indirect talks with Iranian officials regarding a new nuclear "agreement." The key points include Iran agreeing not to enrich uranium beyond its current production level of 60%, stopping the attacks on Americans in Syria/Iraq by its proxies, expanding its cooperation with international nuclear inspectors, and refraining from selling ballistic missiles to Russia. In return, the U.S. would free up billions of dollars ($2.76 billion in Iraq and $7 billion in South Korea) in sanctioned/frozen funds that are owed to Iran. These funds would be reserved for humanitarian purposes only and would be held in a bank in Qatar. The bottom line is that the U.S. appears to be giving Iran one more chance to roll back (but not dismantle) its nuclear program. While the threat of military force is always an option, the conflict in Ukraine is clearly the priority for the U.S./EU for the time being and the U.S. is trying to avoid another military confrontation in the Middle East (if possible).

> *"The Biden administration has been determined since the beginning to come to a nuclear deal with Iran at almost any cost. The JCPOA became unattainable when Russia invaded Ukraine and Iran became a key supplier of Russian drones. However, the administration is now back to negotiating with Iran. Congress is again signaling that any deal must receive Congressional approval. Reports signal that the U.S. is willing to ease sanctions in exchange for Iran stopping enrichment at 60%. This potential interim agreement is a change from Iran's previous position of not striking an interim deal. It signals Iran's need for cash from oil exports and potentially demonstrates to the Saudis and others in the region that they are moderating their behavior. The Israelis said that a small agreement could be acceptable if there is real supervision of the enrichment process. An Israeli-Iran military clash remains a high-risk scenario for the U.S. and all players in the region. Key is holding Iran accountable for no further enrichment while also ensuring that the money from its oil sales do not support their continued nefarious activities in the region. This new Iranian initiative follows their previous "escalate, deal, and then fail to comply" strategy." – **General Robert Walsh***

> *"Right now, Israel is under sustained assault by Iran in the north (Iran sponsored Hezbollah in Lebanon), in the east (Iran sponsored PIJ in the West Bank), and the south (Iran sponsored Hamas in Gaza). An Iran nuclear deal that rewards unverifiable nuclear enrichment limitations and leaves the active military campaigns against Israel untouched would reward Iran for their disruptive behavior across the Middle East. That further pressures Israel's ability to defend itself and an emboldened Iran potentially creates the risk of U.S. intervention in a ground campaign." – **General Michael Groen***

Tensions Between Serbia and Kosovo

Late last month, ~30 UN Peacekeepers were injured in northern Kosovo when they clashed with ethnic Serbs. Leading up to this, Kosovo's ethnic Albanian leadership deployed security forces to take control of certain municipal buildings after recent elections. The Kosovan government then tried to install the ethnic Albanian mayors who had won these local elections. However, the turnout of Serbs in the elections was very low due to a boycott (the majority of the population in these areas is Serbian). Tensions have been building since the election and Secretary Blinken had warned Kosovo about the movement of security forces into the region to help install these newly elected mayors (and the U.S. removed Kosovo from NATO exercises as a result of the violence). In an escalatory move, Serbia put its troops on the border on the highest state of alert due to the clashes between Kosovo Serbs and Kosovo police/NATO-led peacekeepers. In addition, in mid-June, Serbia arrested three Kosovan police officers (and just recently released them). Kosovo responded to the arrest by closing its border with Serbia. Violence between the two sides is not new unfortunately and the 1998-1999 conflict left 10,000 dead (mostly Kosovo Albanians) and involved U.S./NATO airpower to end the conflict. In addition, Serbia has refused to recognize Kosovo's 2008 declaration of independence. Last week, the EU got involved to try to mediate a truce between the two sides, which both want to gain entry into the EU. However, Serbia and Kosovo made no breakthroughs in the emergency talks. While both sides did appear to agree on the need for early elections, the hope is that all parties involved want to avoid a broader conflict. The U.S. has been a historic ally of Kosovo and Russia is a supporter of Serbia so the goal here is to not allow this conflict to open up another front in the current war in Ukraine.

> *"The situation in northern Kosovo resulted from the Serbian ethnic majority boycotting recent elections and the government installing newly elected ethnic Albanian mayors. This has escalated tensions and violence in the region. Kosovo needs EU funds and continued progress towards their potential EU membership. Serbia also wants EU membership. The U.S., Britain, France, and Germany are calling for Kosovo to de-escalate the situation by reinstalling ethnic Serbian officials. The U.S. is Kosovo's main supporter since it declared independence in 2008. It's highly unlikely that the violence will result in a new military confrontation because of the pressure being put on both sides by the U.S. and EU." – **General Robert Walsh***

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