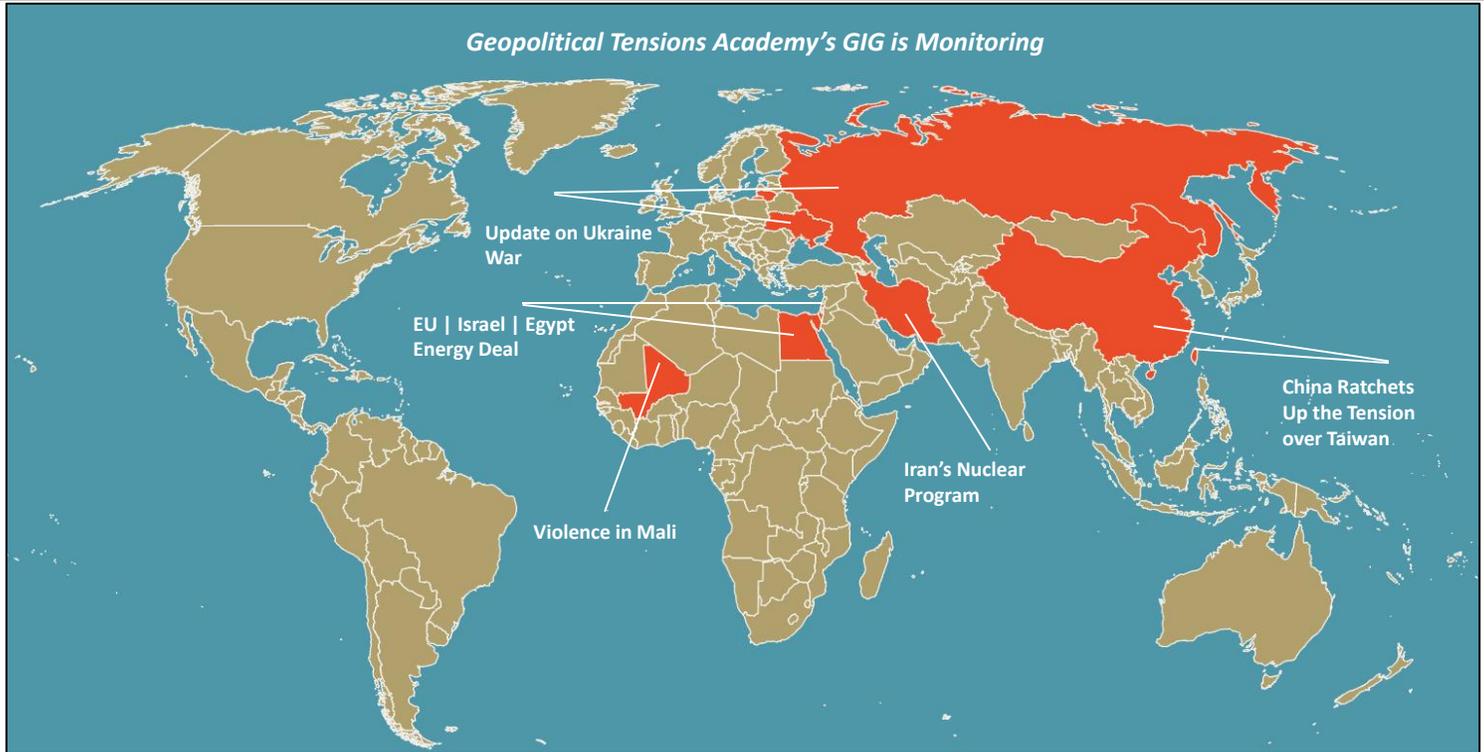


Around the World with Academy Securities

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 Ukraine War
2. China Ratchets Up the Tension over Taiwan
3. Iran's Nuclear Program
4. EU | Israel | Egypt Energy Deal
5. Violence in Mali

We begin this month's report with an update on the war in Ukraine and how Kaliningrad could become the next flashpoint in the conflict. We then revisit the tension between China and Taiwan that has increased following President Biden's visit to Asia last month. Following the visit, in addition to increased flights into Taiwan's ADIZ, President Xi of China declared that the Taiwan Strait is "not an international waterway" and authorized operations "other than war" outside of China's borders. Next, we address the re-starting of the Iranian nuclear negotiations and ways that the U.S. and its allies in the region can continue to apply pressure on Iran. We also cover the recent announcement of the EU | Israeli | Egypt energy deal as the EU tries to diversify away from Russian natural gas. Finally, we report on Mali and the recent extremist violence in the country. As France continues the drawdown of its counter-terrorism mission in the region, Russia is apparently filling the void with the military contractor Wagner Group in an effort to gain influence in this resource-rich region of Africa.

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

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Front and Center: Update on Ukraine War

In our last [ATW](#) and our recent [SITREPS](#), we have closely covered the war in Ukraine and some of the key recent developments. With the Russian invasion entering its fourth month, Europe is continuing to adapt to the risk of further Russian aggression. As we reported last month, Finland and Sweden applied to join NATO. It was initially thought that this would be a smooth process that would take only a few months to complete. However, Turkey's objection on the grounds that both countries are not only sympathetic to the PKK (Kurdistan Workers' Party, which the U.S. and many other countries label a terrorist organization), but also harbor members



of the organization in their countries slowed down the beginning stages of the approval process. However, on June 28, Turkey agreed to lift its veto, paving the way for both nations to join the alliance. While there were real concerns from Turkey on the matter, much of the public outcry was political as Turkish President Erdogan has elections coming up next year and desired to extract as much value for Turkey as he could with his objection. NATO's Secretary-General, Jens Stoltenberg, made the official announcement and said, "Turkey, Finland, and Sweden have signed a memorandum that addresses Turkey's concerns, including around arms exports, and the fight against terrorism."

Another way Europe is adapting to the new security environment is the decision to grant Ukraine (and Moldova) EU candidate status, which the EU was reluctant to do before the conflict began due to the size of Ukraine's economy and its history of corruption. While the process will still take years to complete, it is yet another signal to Russia that the invasion has brought the EU (and NATO) even closer together. However, this war is far from over. Even with the \$1b in new weapons (including longer-range artillery) provided by the U.S., Russians continue to take control of new territory in southern/eastern Ukraine. We could see a situation where Putin declares that the Donbass region is under his control, and he could try to dictate the terms of a ceasefire/peace agreement. Putin's forces are spread thin, but his war machine has not been degraded to the point that he would not be able to rebuild and mount another incursion into Ukraine in a few years to take the capitol (as the G-7 meets in Germany, Russian forces utilized strategic bombers to fire missiles into Kyiv). Another potential flashpoint is in Kaliningrad (as discussed in our recent [SITREP](#)). With Lithuania restricting rail transit through the country to Kaliningrad, Putin has threatened retaliation. Our GIG will continue to monitor this situation as a potential flashpoint.

"Russia's continued blockade of Ukrainian ports and denying grain shipments is strategically aimed at causing a global food crisis that results in exhaustion by the West in its support for weapons shipments to Ukraine and the war itself. This is akin to the pressure being put on Europe through its own embargo of Russian oil and gas. Putin's plan is to diminish Western resolve through economic pressure and to demonstrate that U.S. and European sanctions are doing little to impact Russia's economy and in fact, his strategy is having a greater effect. There is little reason for Vladimir Putin to ease the blockade/mining. There is no military incentive for Ukraine or NATO to de-mine the shipping routes into Ukraine with the continued threat of Russian amphibious assaults. Russia's offer to open the shipping lanes if the West ceases arms shipments is a non-starter with Volodymyr Zelensky. There is little resolve in NATO to take on military de-mining and escort missions and risk a confrontation with the Russian fleet in its own back yard of the Black Sea.

Lithuania (backed by the European Union) imposed sanctions on Russian passengers and goods travelling through Lithuania to the Russian enclave of Kaliningrad. 30-50% of Russian goods to Kaliningrad pass through this land

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*route. Russia can bypass this route by using its ports in the Baltic Sea or by violating Lithuanian airspace. This could risk a confrontation with a NATO member and a NATO Article 5 response. The move is an escalatory response by the EU to put more economic pressure on Russia through EU sanctions. All eyes are on the response from Russia. We can expect Vladimir Putin to work around the move by using Baltic Sea transport considering Russia's plate is full in Ukraine and he does not want a distraction from his main effort. Russia's military response could be escorted military flights into Kaliningrad via Lithuanian airspace or a blockade of Lithuanian ports via its Baltic Sea fleet. Neither are expected at this point after Putin recently pronounced the failure of EU and U.S. sanctions on the Russian economy. The U.S. State Department came out and supported the EU/Lithuanian move." - **General Robert Walsh***

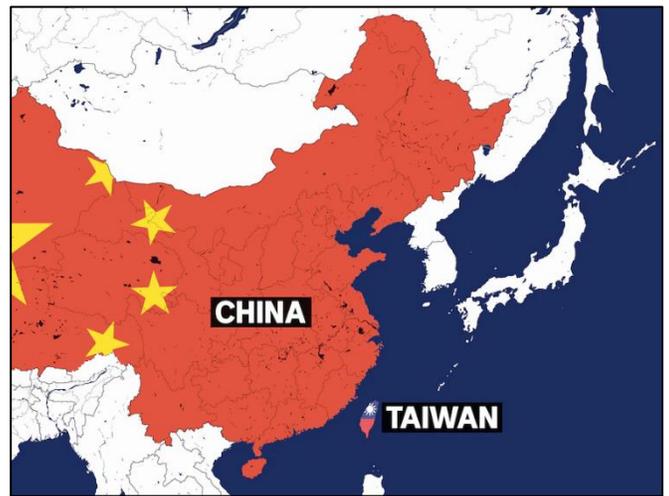
"From a cyber perspective, Russia has been put on the defensive to protect their critical infrastructure and lines of communications (including transportation supporting the effort in Ukraine) due to persistent and ongoing cyber-attacks from various sources including the IT Army of Ukraine and hackers sympathetic to the Ukrainian cause. For example, a cyber-attack on the Russian Federal Air Transport Agency's (Rosaviatsia) infrastructure in Spring 2022 was said to have eliminated 65 terabytes of data including one and a half years' worth of emails, files, documents, aircraft registration data, etc. from Russian servers. There were purportedly no backups to restore the system causing major disruption. Additionally, the IT Army of Ukraine and other sympathetic hacking groups have targeted attacks against Russian critical infrastructure to disrupt operations supporting the resupply of Russian military forces in Ukraine.

*In June 2022, Russia warned the U.S. that cyber-attacks against their critical infrastructure could result in direct military confrontation. Russia has pointed to the U.S., Ukraine, and other allies of Ukraine as being behind cyber-attacks on Russia's critical infrastructure and state institutions. Their head of the Ministry of International Information Security said the U.S. was "deliberately lowering the threshold for the combat use" of IT. This situation is likely going to escalate as more actors become involved, many of which are not state sponsored, and as Putin continues to be pressured by the heavy losses of traditional forces in Ukraine." - **Admiral Danelle Barrett***

*"Ukraine is demonstrating the will to fight right now but they need the resources to continue to resist/win the battles to hold terrain (the key being lethal ammunition and equipment to deny Russia from advancing). We are at a critical juncture now and need to continue to provide lethal aid/support, but this is becoming challenging for Western nations when balanced against the economic costs of war. Without the required resources to deny Russia territorial gains, Ukraine may be forced into a strategic negotiation." - **General KK Chinn***

China Ratchets Up the Tension over Taiwan

Once again, tension is rising between China and Taiwan. On the heels of President Biden's recent visit to Asia, China has gone out of its way to continue to make the point that Taiwan belongs to China and flew 29 military aircraft into Taiwan's Air Defense Identification Zone last week. With the new Indo-Pacific Economic Framework (major economic deal including the U.S., Australia, Japan, and South Korea, which excludes China) coupled with the comments on the defense of Taiwan, China recently declared that the Taiwan Strait is Chinese territorial waters and Xi signed a legal order authorizing Chinese "operations other than war" outside China's borders. While this could just be referring to peacekeeping operations, the language includes the use of troops to "prevent spillover effects of regional instabilities from affecting China, secure vital transport routes for strategic materials like oil, or safeguard China's overseas investments, projects and personnel." With the launch of China's third aircraft carrier



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last week, China's goal of being able to project power further into the Pacific is clearly on track. However, as Chinese capabilities improve and tensions rise, the risk of an accidental engagement or mishap increases as well. Earlier in June, Chinese fighters intercepted Australian and Canadian reconnaissance aircraft in international airspace and exhibited reckless behavior by flying too close and even fired flares in the general vicinity. While the risk of China launching a military operation against Taiwan in the near-term is low, all it would take is an international incident or accident to result in an unintended conflict. China's military is much stronger than it was in 2001 during the last air-to-air incident involving a U.S. aircraft and will be closer to conventional/cyber parity with U.S. in the next five years.

"China took a significant diplomatic step last week by announcing that the Taiwan Strait is not an international waterway. The PRC's Foreign Ministry stated China "has sovereignty, sovereignty rights, and jurisdiction over the Taiwan Strait." This was followed by large scale PLA coercive and aggressive military aircraft incursions into Taiwan's Air Defense Identification Zone after both Taiwan and the U.S. rejected China's provocative message. China's aggressive claim follows a similar path over many years across the South China Sea by making maritime sovereignty claims and then backing them up with military actions. China's impressive military expansion along with its "Wolf Warrior Diplomacy" is challenging Taiwan and its supporters to back down on increased attempts to support Taiwan. These diplomatic and military actions follow Russia's invasion of Ukraine and the U.S. failure in Afghanistan. China's wait and see approach regarding Taiwan and its regional ambitions post the Ukraine invasion is now starting to again show its true colors. We can expect the U.S. Navy and its allies to continue their freedom of navigation operations through the Strait while increasing the friction with China to another level. The U.S. focus on Ukraine is now revealing an emboldened Xi Jinping and Chinese Communist Party.

The recent reporting of President Xi Jinping signing an order that operationalized PLA military operations outside its borders is yet another sign of China's growing military strength and aggressiveness. While the order takes a typically "soft language" approach such as using the terms "escort and peacekeeping" missions, it reflects the continued coercive and aggressive actions by the PLA both regionally and globally. It comes at a time when China is closely watching the West's actions surrounding Ukraine and after it signed a security pact with the Solomon Islands. It sets China up for follow-on "military operations" as military tensions rise throughout the region with China's continued military modernization, growth, and operations. The move contradicts the PRC's claims that Taiwan and the U.S. are the aggressors." - General Robert Walsh

"On the cyber front with China, if Xi is preparing for conflict he would also use cyber forces. The U.S. is responding to increasing aggressive cyber activity by Chinese state sponsored Advanced Persistent Threat actors. The FBI, Cybersecurity and Infrastructure Security Agency (CISA is the cyber arm of the Department of Homeland Security), and the National Security Agency issued a warning in mid-June 2022 that state-sponsored threat actors backed by the People's Republic of China are targeting telecom and network service providers and were attacking small office/home office (SOHO) routers and network attached storage (NAS) devices to use as midpoints for network intrusions. Their intent is to exploit publicly known vulnerabilities to establish a broad network of compromised infrastructure across public and private sector organizations.

U.S. lawmakers, led by Senators Bob Casey (D-PA) and John Cornyn (R-Texas), and the U.S. Department of the Treasury proposed legislation to require U.S. entities to notify the federal government of planned foreign investments in China forty-five days prior to the investment and of any activity in sectors that are designated as crucial to supply chains or that involve critical and emerging technologies. In turn, China has accused the U.S. (particularly the National Security Agency's Tailored Access Operations (TAO) branch) of scooping up data from internet users across the globe and tapping into undersea fiber-optic cables. They stated that the U.S. is sharing TAO tools with Five Eyes partners (UK, CAN, AUS, and NZ). They also accuse the UK government of cyber-theft against

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the EU headquarters through infiltration into its telecommunications provider and targeting Chinese equipment like Huawei network devices.

*Wang Wenbin, the Deputy Director of the Foreign Ministry Information Department of China stated, "It shows once again that the U.S. has become the primary threat to cybersecurity for not only China, but also the world at large." China's National Computer Virus Emergency Response Center also released a report accusing the U.S. of installing backdoors on international internet backbone hardware and software provided by U.S. companies. He urged the U.S. to "immediately stop malicious cyber activities around the world and be responsible in cyberspace." All of the rhetoric increases tensions and the likelihood of pre-emptive cyber-attacks against the U.S. if China is provoked." - **Admiral Danelle Barrett***

"All Chinese major newsworthy incursions into the Taiwan Air Defense Identification Zone (ADIZ) are tied to a political or economic pro-Taiwan show of support event on the international stage. China uses the incursions to punish/message Taiwan and demonstrate increased operational capability to the region and to the international community. Incursions into the Taiwan ADIZ are occurring all the time now on a smaller scale and it is no longer getting a response from Taiwan because the costs are too high to intercept every incursion. However, the incursions are being tracked by surface-to-air missiles and warnings are sent to the aircraft. The challenge is conditioning Taiwan for the potential real attack as China creates a new normal.

*China is doing this now because they can (previously only Taiwan had this capability). Everything is flipped with China's increased military capabilities. We should leverage this opportunity to learn about the Chinese Air Force's operational capability, where they are flying from, locations of aircraft (fighters, bombers, refuelers), link up locations, maintenance, etc. For deterrence to work, China has to believe the fight is not with just Taiwan but also with the U.S., Japan, and other partner nations. However, I don't believe that China is prepared to invade Taiwan in the near future." - **General KK Chinn***

Iran's Nuclear Program

Even though the Iran nuclear negotiations are expected to begin again this week, the prospect of a new Iranian nuclear deal still remains low. The bottom line is the fact that Iran is getting closer to acquiring enough highly enriched uranium necessary for a nuclear weapon (as discussed in our recent nuclear [podcast](#)). While Iran is suffering economically (high inflation and high food prices causing civil unrest) and would benefit from re-engaging in a nuclear deal, its leadership continues to act in ways that undermine its credibility. On June 9, Iran started to dismantle UN observation cameras monitoring its nuclear activity. In addition, an IRGC gunboat came close to two U.S. Navy ships in the Persian Gulf on June 21. While a major sticking point to a nuclear deal continues to be the U.S. taking the IRGC off its list of terrorist organizations, Iran's President Raisi has driven a much harder line than his predecessor regarding the negotiations and the talks have not continued since



February/March of this year. Iran has been successful at buying more time and is currently only weeks away from being able to enrich uranium to 90% and has also begun installing advanced centrifuges at its nuclear facilities which are deep underground. If a deal is not reached to bring Iran back into compliance with the previous JCPOA (which would also release sanctions and begin the flow of Iranian oil onto the global market), what does a plan B look like? Israel is likely executing part of plan B currently as two more Iranian nuclear scientists were killed (by poison) in late May. However, all parties must now face the fact that unless a deal is reached soon, Iran will continue

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to get closer to attaining the requisite materials and technology to become a nuclear state.

“An ancient proverb goes, “the enemy of my enemy is my friend” and suggests that two parties can work together against a common enemy. The Trump administration used this approach to isolate Iran and built significant Gulf Region cooperation with Israel through its Abraham Accords. The Biden administration and the U.S. Congress now seem set on using a regional integrated air defense system that includes Israel to counter Iran’s continued JCPOA defiance and their threat to regional stability while at the same time building closer relations with those countries threatened by Iran’s regional aggression. The U.S. led effort proposed by a bi-partisan group of legislators includes the U.S., Israel, Egypt, Jordan, Iraq, Saudi Arabia, the UAE, Bahrain, Qatar, Kuwait, and Oman. This is a responsible U.S. initiative that acknowledges the failure in getting Iran to the JCPOA table while it continues threatening and attacking regional countries. It also comes at a time when the U.S. has seen diminished influence in the Middle East. It is a sound strategy to put the U.S. in a Middle East leadership role ahead of China and Russia.” – General Robert Walsh

“Regarding cyber and the Iran-Israel tensions, both sides continue to conduct non-kinetic cyber-attacks to disrupt operations or services and steal data. Israel could use cyber-attacks on their own in a non-attributable manner to deter Iranian nuclear ambitions (remember STUXNET years ago - which Iran declared a joint U.S.-Israeli effort in 2011), Iranian activity against Israel lately appears intent on causing damage or creating panic and negative media coverage. Just this week, Israel’s Home Front Command reported that sirens sounded (which alert Israelis to incoming rocket attacks) in Eilat and other parts of Jerusalem due to a cyber-attack on the local public address systems suspected to have been conducted by Iran. In May 2022, Iran tried to use fake accounts on Facebook and WhatsApp to collect data on Israelis. Additionally in June 2022, Microsoft identified and disabled an Iran-linked Lebanese hacking group that targeted more than 20 Israeli organizations and one intergovernmental organization. The previously undocumented group known as Polonium, based in Lebanon, targeted multiple manufacturing companies that also serve Israel’s defense industry. In June 2022, Iran accused Israel of a cyber-attack impacting traffic cameras and other electronic services in Tehran, but an Iranian official said it did not compromise any critical data.” – Admiral Danelle Barrett

EU | Israel | Egypt Energy Deal

In mid-June, Israel, Egypt, and the EU signed a memorandum of understanding designed to increase gas shipments to the EU to help diversify Europe’s supply of natural gas. In 2021, the EU imported roughly 45% (155 billion cubic meters) of its gas from Russia. As Russia has reduced the shipment of natural gas to Europe and sanctions have also limited the supply, the EU has looked to other sources to make up for the shortfall. The gas will come from Israel’s gas fields via a pipeline to Egypt where it will be liquefied and transported on tankers to Europe. While Israel possesses significant untapped reserves, it produces roughly 12 billion cubic meters of natural gas a year. While this deal will only replace a fraction of the volume lost from Russia, it is a way to start increasing the supply. Egypt’s facilities on the Mediterranean have been largely unused since the 2011 uprising and the additional revenue associated with this deal will help offset some of the economic impact from the war in Ukraine which has resulted in inflation and food shortages in Egypt. The EU will soon be providing Egypt (the largest importer of wheat in the world) with \$100mm in support. Longer-term, Egypt will use this energy deal as a foundation to build a regional energy hub. Israel will also capitalize on this opportunity to become a larger



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player in the international energy market.

“The recently signed energy deal between the EU, Egypt, and Israel that ships liquified natural gas to the EU is aimed at reducing EU reliance on Russian energy. Israel had already sent gas to Egypt for further refining. Now the two countries will increase LNG shipments to EU countries. Just as important in this deal is the strategic implication of increased normalization of relations by Middle East Arab countries with Israel after the Trump administration led the Abraham Accords. The Accords (which include Israel) provided a uniting framework to isolate Iran while diminishing the influence and effects of the Palestinian cause on relations with Israel with the Arab states.” – General Robert Walsh

Violence in Mali

On June 20, it was reported that over 100 civilians had been killed in Mali by an affiliate of Al Qaeda. Al Qaeda affiliates and ISIS have been gaining strength in the country where France led a counter-terrorism operation that began in 2013. However, France announced in February 2022 that it would withdraw its forces. The primary reason for this was the fact that President Macron did not see “eye to eye” with the Junta leadership in Mali, which came to power after the 2020 coup. However, as France begins to withdraw, Russia seems ready to fill the void with mercenary forces (the Wagner Group) and a growing relationship with the military leadership in the country (including the sale of weapons to Mali). However, as Wagner Group contractors (who are also present in Libya, Sudan, Mozambique, Madagascar, and the Central African Republic) join the fight against the insurgency, their brutal tactics could result in further backlash and contribute to the unrest. As extremist forces have gained strength and spread to Niger and Burkina Faso, Russia sees an opportunity to step in and begin to exert influence in this resource rich region of Africa. This engagement with Mali could also open up another fault line with the West as Mali was one of the 35 countries that abstained at the UN General Assembly vote to condemn the war in Ukraine.



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