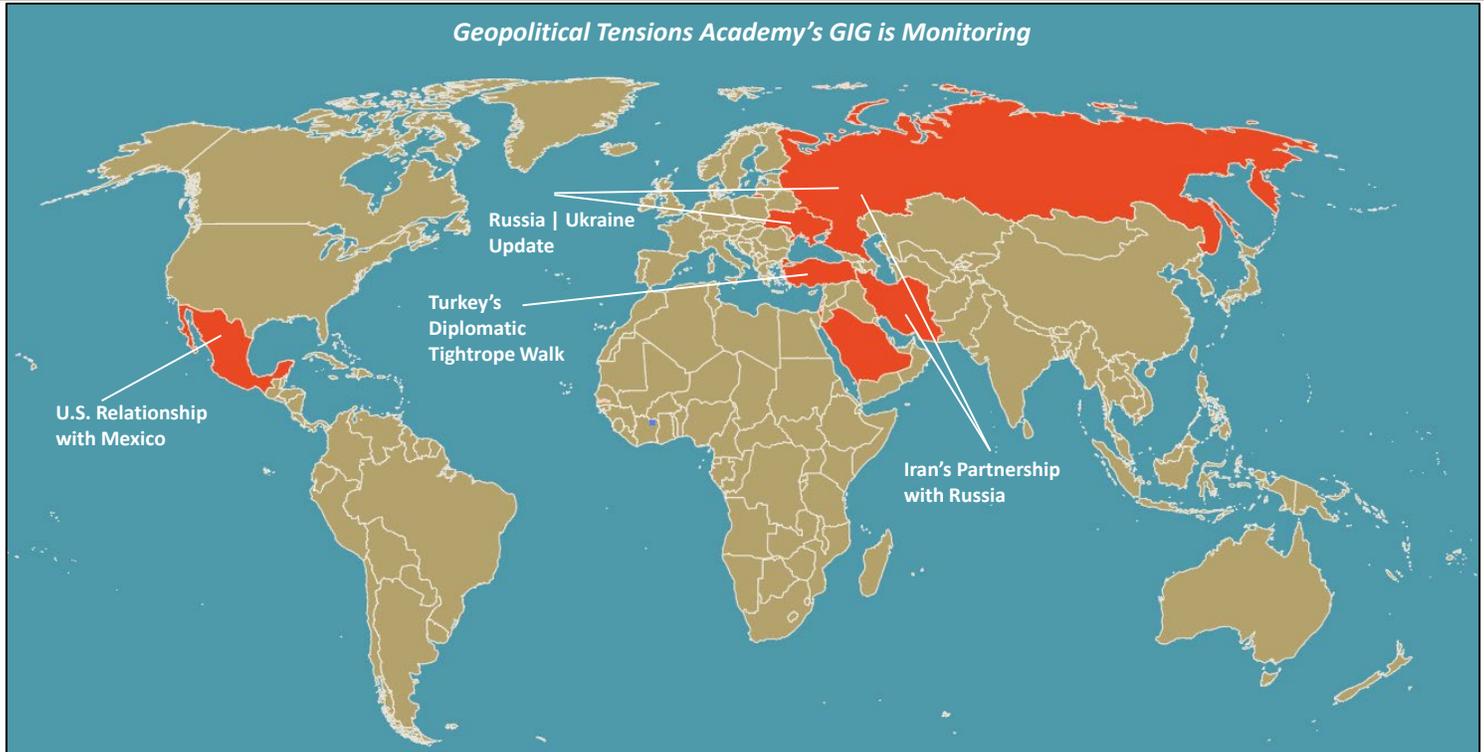


Around the World with Academy Securities

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. Turkey's Diplomatic Tightrope Walk
3. Iran's Partnership with Russia
4. U.S. Relationship with Mexico

We begin this month's report with an update on the war in Ukraine. As Western nations supply Ukraine with longer-range weaponry, we are seeing Ukraine gain the ability to strike deeper into Russian held territory and destroy supply lines and even try to take back territory. Next, we examine the diplomatic tightrope that Turkey is walking after the meeting with Russia and Iran in Tehran last week. We then dive deeper into the partnership between Iran and Russia to better understand that even while both nations compete in the foreign energy markets, they both are under heavy Western sanctions and are collaborating in several areas, including Iran possibly sending combat drones to Russia. We also examine the complicated U.S./Mexico relationship and the importance of "keeping allies close" in the Western Hemisphere in light of supply chain repatriation and foreign adversaries like China, Russia, and Iran conducting military exercises in Latin America next month. In addition, we wanted to highlight our [SITREP](#) released earlier this month addressing the economic and political crisis in Sri Lanka. On July 20th, Sri Lanka's parliament elected prime minister Ranil Wickremesinghe as president to replace Gotabaya Rajapaksa (who resigned and fled the country). This election was followed by a security crackdown against protesters. We will continue to keep an eye on the situation as it evolves. Finally, our GIG will be closely monitoring the potential for a visit to Taiwan by House Speaker Nancy Pelosi in August and the associated threats from China toward Taiwan (especially regarding the Taiwan Strait as discussed in our previous [ATW](#)) should the trip occur.

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

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Front and Center: Russia | Ukraine Update

In our previous [ATWs](#) and [SITREPs](#), we have closely monitored the developments in Russia's war with Ukraine. As the conflict enters its 6th month, neither side appears to be backing down and support from the West/NATO continues to flow into Ukraine enabling its military to not only reinforce its defensive positions, but strike back deep into Russian held territory. The U.S. has supplied Ukraine with new longer-range weaponry such as the High Mobility Artillery Rocket Systems (HIMARS) that has allowed Ukraine to strike Russian targets over 50 miles away. These systems are being used to target bridges and infrastructure critical to supplying Russian forces in the country (such as the Antonivsky bridge in Kherson).



As Russia begins to broaden its offensive in the south of the country, Western/NATO support of Ukraine becomes even more important (Russian cruise missiles struck the port of Odessa on Saturday, the day after an agreement was signed to allow for grain to be shipped out of the port). As the West/NATO starts to get more aggressive with their support for Ukraine, the news on July 21st that the U.S. is considering sending NATO fighter planes to Ukraine could dramatically turn the tide and pave the way for Ukraine to gain air supremacy (however, when this plan was considered back in March, it was deemed to be too escalatory and could bring NATO into direct conflict). Finally, with respect to Putin using energy as a weapon against Europe (as we commented on in last July's [ATW](#)), Russian gas company Gazprom announced it was cutting daily gas deliveries via the Nord Stream 1 pipeline to 20% of total capacity. While the slowdown is blamed on maintenance issues, this could be a major problem for Western Europe as we enter the fall/winter months.

The question is how much longer can Russia keep up the operational tempo that includes forces from ground troops to strategic bombers to submarines firing cruise missiles? Will Putin announce that he has annexed the Donbas region and then offer up a ceasefire to be dictated on his terms? As the meeting in Iran demonstrated, Putin is searching for support in this conflict from other countries and as we will discuss later in the report, Iran appears to be answering that call.

"The current level of weapons contribution is sufficient to support the current Ukrainian resistance efforts, but not sufficient to facilitate a Ukrainian counter-offensive. A near-term ceasefire is unlikely unless Ukraine more effectively gains the upper hand. Putin needs sufficient success to justify his invasion with his people. The Displaced Persons issue is not yet having its inevitable adverse impact on the EU and NATO. 25 million Displaced Persons is significant and presents a major economic threat to NATO and the EU." - General Mastin Robeson

"Russia reportedly fired missiles on the key port of Odessa from a submarine in the Black Sea shortly after Russia and Ukraine signed a deal to open grain shipments in the Black Sea that was brokered by the United Nations and Turkey. This is another misinformation operation by Russia to keep everyone off balance regarding their real intent. Russia is under pressure from the global community to let the grain shipments through and ease hunger and famine in places like Africa. Putin would prefer to choke off Ukraine from revenue to put more pressure on the Ukrainian people. His near-term objective is to take Southern Ukraine and strangle Ukraine from access to the Black Sea." - General Robert Walsh

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Turkey's Diplomatic Tightrope Walk

On July 19th, leaders from Russia (President Putin), Iran (Supreme Leader Ayatollah Ali Khamenei and President Raisi), and Turkey (President Erdogan) met in Tehran to discuss a variety of overlapping interests. As we discuss in this report, while the dialogue between Putin and Iran's leadership is of concern, it is also interesting to observe the fine line that Turkey is walking in these discussions as well. The war in Ukraine likely was the key topic of discussion, especially considering Turkey's support for Ukraine and its role in mediating an agreement to allow grain shipments to flow unobstructed from Black Sea ports to ease the global food crisis. However, Syria is another point of contention and Turkey is on the opposite side of Russia and Iran. While Russia and Iran are supporters of Assad and have been crucial to his keeping power during the civil war that continues to this day, Turkey is contemplating a military operation against the YPG in Syria (linked to the Kurdistan Workers' Party - PKK), which Turkey and other countries (including the U.S.) have designated a terrorist organization. Erdogan has requested help from both Russia and Iran in its counter-terrorism operations in Syria, but both Iran and Russia have opposed this (Turkey's airstrikes in Iraq against PKK targets on July 21st were a sign that Turkey will continue to push for operations into Syria). The PKK is a real issue for Erdogan, and he has even come out and said that he would "freeze" Finland's and Sweden's NATO applications if his demands over the support of the PKK by these nations are not met.



While Turkey has purchased the Russian S-400 and has been sanctioned by the U.S. for doing so, Turkey is still a key NATO ally (General Ashley from our GIG believes that "Putin sees his relationship with Erdogan as a means to create turmoil within NATO"). However, one must also recognize Turkey's geographic position in the region and its desire to appease all parties involved in these situations. One thing is clear, Erdogan has an immense amount of leverage and will use this power to drive the best terms for Turkey, especially in light of elections coming up next year. General Ashley believes that, "Erdogan sees his role as a leader within the Islamic community and leverages this role in a broader context in the current world order."

"The meetings last week between the leaders of Turkey, Iran, and Russia over Turkey's potential military operations into Syria could not come at a more dynamic time post the Turkey/Russia negotiations over Ukrainian Black Sea grain shipments and Turkey relenting on Sweden and Finland entering NATO. Turkey is supplying drones to Ukraine while Iran is reportedly ready to ship them to Russia. All three are involved in one way or another in Ukraine and in Syria with Turkey on the opposite side in both places. Turkey is expected to enter Syria again to drive Kurdish fighters away from its border. This will further strain relations with Iran." - General Robert Walsh

"Erdogan is specifically seeking to gain a more influential position/role in NATO, the EU, and the world order. As long as he is buying Russian military equipment and is not directly opposing Russia, he will have no trouble balancing his divergent positions. Russia likely wants to encourage stronger economic ties with Turkey and Iran similar to the BRICS nations (Brazil, Russia, India, China, and South Africa) especially during the on-going sanctions. Russia, Syria, and Iran have long been allied. I doubt this will impact the Ukraine fight, but the recent meeting likely included a discussion on how to economically circumvent Western sanctions. It also plausibly offers the inroad for Erdogan to claim some credit for influence if any negotiations/settlement talk evolves." - General Mastin Robeson

Around the World with Academy Securities**Iran's Partnership with Russia**

As Putin seeks support for his war in Ukraine, Iran's Supreme Leader Ayatollah Ali Khamenei appears to be standing by Putin and is reported to have said, "In the case of Ukraine, if you (Putin) had not taken the helm, the other side would have done so and initiated a war." It is not a surprise that Iran is siding with Putin in the conflict as both countries have suffered under Western sanctions. Russia is looking to Iran as an economic partner (i.e., collaborating in banking/finance and conducting trade in local currencies) as well as a military one and has requested combat drones from Tehran. Russia and Iran have met three times since January and it is clear that despite their competition in the global energy markets, they have a desire to form a coalition to function as a counterweight to the U.S. With both nations becoming more isolated (with even China keeping its distance regarding the war in Ukraine), we will have to see if these discussions result in longer-term cooperation.



The dialogue between Iran, Russia, and Turkey fell on the heels of President Biden's trip to the Middle East this month where one of Biden's main goals was to reinforce support for the Iran nuclear deal. With Iran just weeks away from attaining enough highly enriched uranium sufficient for a nuclear weapon, Israel and Saudi Arabia are understandably very concerned. General Ashley believes that, "Israel will continue to press the U.S. for tangible actions beyond sanctions. Key is Iran maturing the weapon design and actually building a bomb with a viable delivery system." With respect to energy and the meeting with Saudi Arabia, General Robeson from our GIG believes that, "the U.S. will have to compromise to achieve any improvement as Saudi Arabia has nothing to gain by lowering their concerns with respect to Iran." During his visit to Israel, President Biden and Israeli Prime Minister Yair Lapid signed a joint declaration pledging to never allow Iran to develop a nuclear weapon. President Biden also ruled out removing Iran's Islamic Revolutionary Guard Corps (IRGC) from the U.S. list of designated foreign terrorist organizations and said that he would use force against Iran as "a last resort" if Iran was imminently close to attaining a nuclear weapon. Biden also pushed for the normalization of relations between Israel and Saudi Arabia and progress was made as Saudi Arabia announced that it would open its airspace to Israeli flights for the first time. Saudi and Israeli support is critical for the U.S. as the discussions around a return to the nuclear deal continue.

"Vladimir Putin's visit to Iran shows just how isolated Russia has become after invading Ukraine. Both countries are united in their hostility towards the U.S., face tough sanctions, and see benefit in working together. This is not something the Biden administration wants as it tries to halt Russia in Ukraine while bringing Iran back to the nuclear negotiations table. Russia and Iran want to put additional pressure on the U.S. while meeting their own interests. Iran is reportedly preparing to supply drones to Russia for use against Ukraine which runs counter to an honest attempt to get back to the nuclear negotiations with the U.S. Both countries are willing to work to counter any U.S. diplomatic efforts. This is a part of a larger effort by Russia to evade the impact of sanctions and reach out to anyone willing to deal with them including China and India as well as Arab, African, and South/Central American countries. Iran is experienced in working around sanctions and can help Russia. Russia also aims to put pressure on Israel to reduce support to Ukraine by partnering with Israel's archenemy, Iran.

President Biden may be forced to take on a more military focused approach to Iran's continued path to attaining nuclear weapons. Last week's diplomatic attempts in Doha, Qatar with Iran may compel a more realistic approach by the Biden team. The U.S. hoped to gain support from the Arab countries for the U.S. approach to the nuclear

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negotiations. Meanwhile, Iran is using the diplomatic negotiations to stall any agreement as they continue down their path to a weapon. The Biden administration's desire to solve the problem through the JCPOA negotiations has resulted in a more hardline approach by the Arab Gulf states to include building closer relations with Israel as a counter to their mutual enemy Iran." – General Robert Walsh

U.S. Relationship with Mexico

On July 12th, President Biden hosted President Andrés Manuel López Obrador of Mexico at the White House in an effort to reinforce the U.S. relationship with Mexico and focus on immigration and economic issues. The ties between the U.S. and Mexico have been strained of late as President López Obrador recently refused to attend the Summit of the Americas last month because the U.S. did not invite Cuba, Venezuela, and Nicaragua. During the meeting, Mexico agreed to buy 20,000 tons of milk powder from the United States as well as 1,000,000 tons of U.S. fertilizer and will also invest in border security infrastructure (along with the U.S.) to stem the flow of illegal border crossings as well as illicit drugs such as fentanyl. However, one point of contention is over energy policies that seem to give Mexican energy companies (Federal Electricity Commission or CFE and Pemex) an unfair advantage and makes it harder for U.S. energy companies to do business in Mexico. The U.S. claims that these policies are in violation of the United States-Mexico-Canada Agreement (free-trade deal) and could result in tariffs on Mexico if these issues are not resolved.



As companies move supply chains closer to home, U.S. relationships in its sphere of influence (Mexico, Central, South America) become more important. As we reported in our January 28th 2022 [ATW](#), China is laser focused on Latin America and celebrated its 50th anniversary of diplomatic relations with Mexico earlier this year. China is Mexico's second-largest trading partner (trade totals reached \$100 billion in 2021) and the third-largest destination for Mexican exports (after the U.S. and Canada). China is also participating with Iran and Russia in war games (hosted by Venezuela) in Latin America next month, which should alarm everyone that adversarial nations are teaming up in the Western Hemisphere as a show of force to demonstrate to U.S. allies in the region that there are alternatives to U.S. support and influence.

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"President Andrés Manuel López Obrador's (AMLO) visit to the U.S. was all show for the Mexican president as no new news came out of the White House visit. The Biden administration had to demonstrate U.S./Mexico cooperation and unity, so the expected dialogue occurred with respect to drugs and border coordination. We continue to agree to disagree on Mexico's position on the Ukraine/Russia war and opposition to U.S. sanctions on Russia. At the time, we did not push Mexico hard enough on cooperation on the drug crisis in Mexico, the treatment of U.S. companies operating in Mexico (giving business to state run versus private run companies), and the lack of support for U.S. policy. We appeared to reward AMLO for not attending the Summit of the Americas a month ago that also led to the presidents of El Salvador, Honduras, and Guatemala not attending. The U.S. can't effectively address migration when the key Central American countries don't attend the Summit. AMLO continued to poke us in the eye with his comments and reaffirmed to the region that he is the regional leader. This could encourage more bad behavior by Mexico and hurt the U.S. regionally.

U.S. influence in Latin America has been on a slow and steady decline due to China's increasing engagement in the region, leftist popularity, and the COVID-19 pandemic. The leftist populists came to power through elections as the people were dissatisfied with corruption, insecurity, and poor governance. The Chinese enabled the leftist populists

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by providing resources to the populist regimes to help them consolidate power as COVID-19 limited Western companies from engaging in the region. I expect to see an economic move from the private sector to state controlled businesses and believe that the region will evolve to become less democratic and more anti-U.S. This will make it difficult for our security cooperation efforts with respect to migrant flows, terrorists, and transnational criminal organizations.

We need to start thinking of Latin America as our front yard versus our backyard. With mid-term elections upcoming, it is unlikely Congress will provide the funding needed and there are few partners in the region willing to take U.S. funding and reinforce cooperation with the U.S. while curtailing bad behavior. The reality is that we have a politically unfriendly hemisphere, and we need to address these challenges now while the region remains democratically friendly and where our economic and cultural footprint outweighs our rivals. It is possible by the end of the year that the only center-right governments in the region will be Paraguay, Uruguay, and Ecuador. The ship is not sinking yet, but it is taking on water." - General KK Chinn

"The recent meeting at the White House between President Biden and Mexico's President Lopez Obrador was a good step after Lopez Obrador shunned attending the Summit of the Americas last month in Los Angeles. The two agreed to fund border infrastructure development. The two have been at odds with President Biden focused on nearshoring, drugs, human rights, and renewable energy, some of which run counter to Obrador's domestic issues. President Biden needs to build closer ties to Lopez Obrador to counter China's growing influence in Mexico. China's positions in areas such as state-owned enterprises, human rights, and renewable energy run closer to Mexico's than the Biden administration's positions." - General Robert Walsh

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