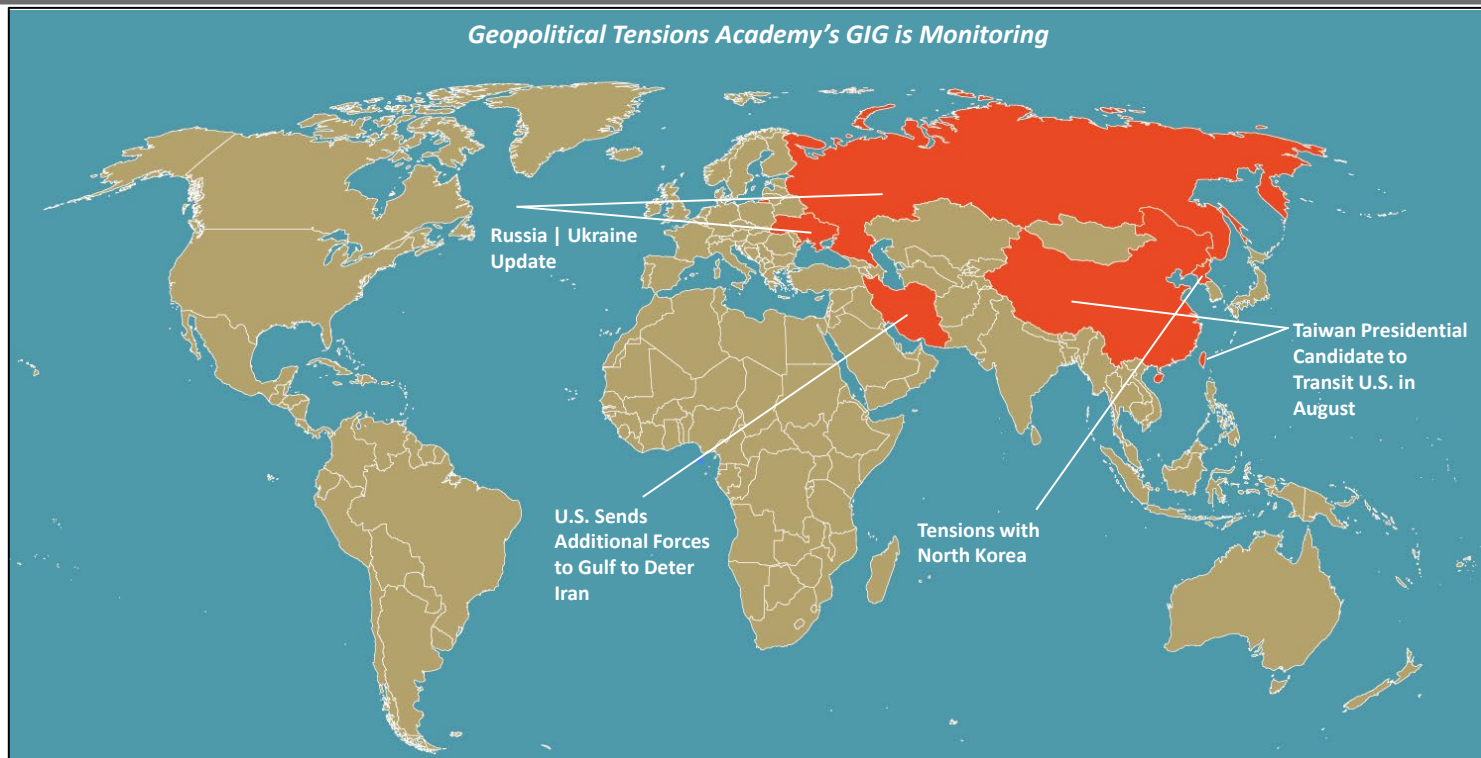


Around the World with Academy Securities

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. Taiwan Presidential Candidate to Transit U.S. in August
3. Tensions with North Korea
4. U.S. Sends Additional Forces to Gulf to Deter Iran

We begin with an update on the war in Ukraine where the Ukrainian counteroffensive has made little progress to date. However, timing was always going to be an issue due to the fact that Ukraine is fighting against heavily fortified Russian defensive positions. In addition, while the NATO Summit this month yielded some results such as Turkey agreeing to drop its resistance to Sweden joining NATO and additional pledges of support for Ukraine from the West, time is not on Zelensky's side as the war enters its 18th month. Next, we discuss the ever-growing tensions between China and Taiwan. Taiwan's Vice President (and 2024 presidential contender) Lai Ching-Te is expected to transit the U.S. on the way to Paraguay next month and China has expressed its concerns over the visit. While we do not expect a reaction similar to Speaker Pelosi's visit to Taiwan last August, with a record number of ships in the vicinity of Taiwan earlier this month and repeated Chinese incursions into Taiwan's Air Defense Identification Zone, the tensions between China and Taiwan continue to remain high. We also revisit North Korea and its meeting with delegations from China and Russia in advance of the 70th anniversary of the end of the Korean War. As threats continue to come from the North in response to a visit by a U.S. ballistic missile submarine to South Korea last week, the concern is that the North could escalate the testing of its ballistic missile/nuclear capabilities or even provoke the U.S. or its allies in the region to try to gain negotiating leverage. Finally, we review the recent tension in the Persian Gulf related to Iran's harassment of commercial shipping. The U.S. has responded by sending additional forces to the region to deter Iranian aggression.

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

*Around the World with Academy Securities***Front and Center: Russia | Ukraine Update**

With the war in Ukraine entering its 18th month, the counteroffensive continues to move slower than hoped even though some progress has been made “in the north and south” of Ukraine according to National Security Advisor Jake Sullivan. However, U.S. and NATO members continue to re-affirm support for Ukraine. At the recent NATO Summit in Lithuania, while no guarantees or a timeline were given to Zelensky regarding possible NATO membership, a new \$2.4 billion aid package (totaling over \$70 billion since the war began) was announced by the U.S. and other NATO members agreed to continue helping Ukraine. However, as the war drags on, the question of whether or not the U.S. and its allies have enough of a stockpile of key military supplies such as artillery shells and anti-tank/anti-aircraft weapons has been getting more attention. While the U.S. does have a classified level of supplies pre-positioned around the globe, certain munitions will not be made available to Ukraine because they need to be held in reserve in the event that another global crisis occurs (i.e., in the Indo-Pacific region or in the Middle East). However, while a stalemate continues on the front, Ukraine continues to take action to disrupt Russian supply lines running from Crimea. Ukrainian naval drones hit the Kerch Bridge on July 17th inflicting damage (but not as much as the October 2022 attack). Meanwhile, the same day, Russia pulled out of the Black Sea grain deal intended to alleviate the global food crisis brought on by the war. Russia then launched missile and drone attacks on the port of Odessa shortly thereafter and has threatened commercial shipping in the Black Sea (see [SITREP](#)). With Turkey dropping its opposition to [Sweden joining NATO](#) (with many of Erdogan’s demands such as F-16s from the U.S. being met), the question is whether or not he will once again reprise his role of “mediator” to try to renew the grain deal or even accelerate the path to a ceasefire.



“This will only continue to get more complicated. EU and NATO resolve has strengthened (especially with budget and new membership votes). Putin has fewer nations in his corner now than before. China seems to be less vocal with its “Russia support”, almost seeming to have distanced itself over the past few weeks. India has too (but for different reasons). The summer drought season has exacerbated the need for grain to be shipped. The “world/NATO” will feel safer drawing a unifying line in the sand over starvation (instead of solely for Ukrainian freedom). Putin will continue to seek ways to flex his power without reaching a tipping point. Most of all, Russia’s “withdrawal” from the grain agreement will be viewed more as an economic/diplomatic decision than a warfare/kinetic act, thus Putin likely feels safer doing this in response to the developing events mentioned above. It will be interesting to see how aggressively NATO/U.S. naval assets can respond without pushing Putin deeper into a dangerous corner. Putin is seeking to use this as a point of leverage/influence. Like in a chess match, Putin has made a potentially aggressive move (though non-kinetic).” – General Mastin Robeson

“Hopefully, the “logistics” tail does not wag the “strategic” dog in Ukraine. Certainly, NATO’s arsenal of support is drawing down but that should not be the incentive to find an off ramp to the war. Strategy must drive tactical and operational execution. Is President Zelensky’s maximalist objective to push all Russians off of Ukrainian soil achievable? The answer is “not likely.” The Ukrainian offensive is proceeding as expected (cautiously and not surprisingly at a desultory pace). The Russians are dug in. Their defensive positions have been improved over the previous 5-6 months with mine fields, barriers, registered targets, and kill sacks. The defender owns the advantage of “three to one” as Clausewitz has taught us. This will take time. However, time is running out for Ukraine and Russia. Here’s the contest: Russia’s political capacity to continue in this war of attrition (with a globally, and for the first time, domestically weakened Putin) versus Ukraine’s capacity to resist based on NATO largess. Although the Western partners have committed to support Ukraine “for as long as it takes,” Zelensky does not have “as long as it takes.”

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He needs to consider a negotiated settlement. The strategic balance has shifted toward Kyiv.” – General Spider Marks

“NATO continued to press its overarching message during the summit that Putin’s attack on Ukraine is a strategic failure. Putin is getting the opposite of what he wanted with Sweden and Finland soon to join the alliance. Erdogan’s decision to step aside in holding back Sweden was a big win. President Zelensky was looking for a decision to admit Ukraine into NATO, but most NATO members agree that Ukraine cannot join NATO with the ongoing war. Most acknowledged that Russia’s occupation of some portions of Ukraine will endure. Many are looking for options to end the war along the current military lines and provide Ukraine with NATO security guarantees that are stronger than what was provided prior to the invasion. These could include third party forces introduced after a cease-fire. Finally, the presence of leaders from Australia, Japan, South Korea, and New Zealand sent a strong signal to Xi Jinping that the NATO alliance is concerned about China’s aggressive behavior. A NATO communique said that China is posing “systematic challenges” to “Euro-Atlantic security” with their actions and their pact with Russia.” – General Robert Walsh

“Ukraine has a much steeper hill to climb now compared to 8 months ago. Ukraine’s success will be dependent on finding seams in the lines, disrupting communication, and hitting the Russian rear-echelon/supply lines. A frontal attack across entrenched and mined/defended terrain without sufficient air support will be very difficult. Cluster bombs will slow lateral responses across Russian defenses, but this is unlikely to be enough to generate attack lanes for a Ukrainian offensive. Breaching mine fields is a challenging operation that requires the ability to detonate multiple lanes simultaneously while suppressing enemy artillery/air support that is within range of the breached lanes for the duration of the crossing. The “threat” of nuclear use is Putin’s best tool. However, once he uses them it will be game over, so it is doubtful that he will employ them unless sovereign Russian territory is threatened. Time is on Russia’s side, and Putin can always decide that his limited “special operation” is successful and declare “victory” (defined as saving tens of thousands of Russians living in the eastern provinces from “Nazification”). The upcoming U.S. election campaign season will likely create problems for Ukraine as many candidates will be coy about how aggressively they would support the war effort. The first sign of this is President Biden’s recent softening of his language about Ukraine’s entry into NATO. The complex defensive lines that Russia has supposedly constructed allow them to conserve ammo while putting the burden of “offensive ammo expenditure” on Ukraine.” – General Mastin Robeson

“Regarding Turkey allowing Sweden to join NATO, looks like Erdogan got what he wanted - a promise of F-16s. Of course, F-35s are still off limits as long as Turkey has the S-400 Russian missile system. It is a little disappointing that the spirit of brinkmanship by Turkey (angling to get as much out of the negotiation as possible) perhaps comes at the expense of being seen as a “selfishly-committed member of team Europe”. That may have repercussions when EU membership voting comes around. Besides the economic fiascos and monetary policy, will Europe hold a grudge when EU entry for Turkey is discussed?” – General Michael Groen

“We continue to learn important lessons regarding the use and impact of cyber operations in warfare from the Russia-Ukraine conflict. When the war started, we anticipated a much more sophisticated, integrated, and aggressive use of Russia’s significant cyber capabilities. To our surprise, that has not materialized and Russia has largely focused its efforts on kinetic attacks and rudimentary brute force cyber and information operations. Russia used traditional methods, while many of their cyber operations were focused on defensive actions. The defensive posture they took was in response to a collective, unified, and unprecedented collaboration worldwide that included government, military, academic, commercial entities, and “everyman” hacker support of Ukraine. This calls into question how cyber capabilities are likely to be used in future conflicts. While a conflict with China may see a more aggressive use of cyber and space capabilities offensively (particularly against critical infrastructure supporting the mobilization of military assets), if the current conflict is any indication, cyber will remain in a largely supporting roll.” – Admiral Danelle Barrett

*Around the World with Academy Securities***Taiwan Presidential Candidate to Transit U.S. in August**

While news of a record number of Chinese naval vessels circling Taiwan in mid-July was not widely reported, the Chinese military continues to rehearse for the execution of a blockade around Taiwan. These exercises further reinforce the heightened tensions between China and the U.S. even considering Secretary Blinken's and Secretary Yellen's visits to China in recent weeks. In addition to Taiwan, other areas of tension center around rare earth minerals and technology export controls (see [SITREP](#)). However, tensions could potentially get even higher in August when Taiwan's Vice President (and 2024 presidential contender) Lai Ching-Te is expected to transit the U.S. on the way to Paraguay. While the Biden administration has proactively announced that a White House visit is not on the calendar during the stopover, Chinese foreign ministry spokeswoman Mao Ning recently said that, "China firmly opposes any form of official exchanges between the United States and Taiwan, resolutely opposes sneaky visits by Taiwan independence separatists in any name or for any reason, and resolutely opposes any form of connivance by the United States to support Taiwan independence separatists." While the reaction by the PLA is not expected to reach the level that it did following Speaker Pelosi's visit to Taiwan last August (i.e., a massive Chinese air and sea exercise/blockade around Taiwan), an event like this coming at a time when diplomatic relations continue to be at a low between China and the U.S. is concerning, especially in light of the fact that military to military communications are still non-existent.



*"The U.S., EU, and G7 all made recent economic security announcements concerning trade alternatives to China. China's recent actions to restrict the supply of rare earth minerals to the U.S. brought into question the needed levels of "de-risking" the tech trade with China. Dual-use military related technologies and national security concerns are justifying the Biden administration's actions to put restrictions (particularly regarding semi-conductors and AI) on U.S. tech companies doing business in China. The Biden administration is working hard to build an economic alliance to pressure China into fair trade while at the same time de-risking the tech sector. In the near-term Biden feels that he has the upper hand in the ongoing tech war due to the U.S. position in semi-conductors and AI, but he realizes that China intends to catch up. The U.S. sees partnering with others that have similar concerns as the long-term winning strategy. China's plan is for self-reliance and world dominance. Chinese leaders are conducting an information campaign to split the U.S. from its allies, are investing billions of dollars to protect China's technology supply chains, and are stepping up their espionage efforts to steal trade secrets and replace foreign competitors. U.S. tech firms are trying to walk a fine line between the two governments while the tit-for-tat tech war heats up. The downward spiral in U.S.-China relations was highlighted last week in comments by U.S. Navy Admiral John Aquilino (the U.S. Indo-Pacific Commander) while he spoke at the Aspen Institute regarding China's military buildup and aggressive behavior." – **General Robert Walsh***

*"The U.S. military posture in the vicinity of Taiwan is critical. Specifically, because China remains militarily aggressive near Taiwan, the U.S. military must "hide in plain sight" and make it operationally imperative for the People's Liberation Army (PLA) to avoid an incident (or what the Chinese would call an "American provocation"). China has no incentive to attack Taiwan now. It is not ready. Also, China is leveraging a whole of government (party) strategy to nudge Taiwan into a politically more favorable place in terms of its relationship with Beijing. Unlike the clumsy, feckless, and impetuous Russians, China exercises its economy and "Wolf Warrior" diplomacy to create change. China's strategy is to threaten war while pushing Taiwan toward unification. It's the Hong Kong vice Ukraine model." – **General Spider Marks***

"China wants to be viewed as a global peacemaker by the international community (i.e., in Yemen, Iran, & Saudi Arabia) and continues to externally message that they are actively promoting peace talks in Ukraine. Domestically, the Chinese media is messaging that the U.S. is warmongering and providing weapons to one side to prolong the

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war. Different messages for different audiences. Only China can privately chastise Putin into withdrawing from the occupied territories and making meaningful concessions at this point (which China desires) as their reputation/influence in Europe is deteriorating because of their partnership with Russia. Once the Ukraine counteroffensive is over, China will become more aggressive as a peace mediator with a narrative that American power is in retreat and China is a force for peace.” – General K.K. Chinn

Tensions with North Korea

As we have addressed in previous [ATWs](#), tensions with North Korea have continued to build. At the end of last year, many believed that a nuclear test could be imminent. It is unclear why Kim has not conducted the anticipated 7th nuclear test, but it could still occur this year. With no lines of communication open to North Korea, the risk is that a situation escalates and there is no way to try to de-escalate it (i.e., Kim has threatened to shoot down U.S. reconnaissance planes entering its airspace). In addition, a few events such as the USS Kentucky, an Ohio class ballistic missile submarine, making a port call in South Korea for the first time since the 1980s is not being ignored by Kim. Of note, nuclear response discussions were also being held at the time between the South and the United States. Finally, the North recently apprehended a U.S. military service member at the border. At a time when the U.S. may not be able to rely on China to step in to help regulate the tension between the U.S. and North Korea, the concern is that Kim might do something more drastic that provokes the U.S. or its allies in the region. Finally, on July 25th, military delegations from China/Russia and North Korea met in advance of the celebration to mark the 70th anniversary of the end of the Korean War. At the meeting, the Russian defense minister stated that the trip will help strengthen military ties between the two countries. Russia and China certainly have a role to play in bringing Kim back to the negotiating table (if they want to).



“Last week’s meeting between senior officials from the U.S., Japan, and South Korea was aimed at deterring further North Korean ICBM launches and nuclear weapons development by demonstrating unity. The U.S. Navy’s nuclear submarine USS Kentucky also made a port visit in South Korea last week. It signals U.S. strength and intent to deter North Korea while discouraging South Korea from potentially building their own nuclear weapons. North Korea’s actions are driving the relationship between the three countries closer just as NATO was strengthened by the Russian aggression in Ukraine. The more aggressive the behavior by North Korea, the tighter the alliance becomes. As with Putin, China is conspicuously absent in any attempt to deter Kim Jong Un. However, Russia and China did flex their muscles last week near South Korea and Japan in joint naval exercises in the Sea of Japan.” – General Robert Walsh

“It’s questionable how much influence China has to moderate North Korean behavior. It is increasingly clear that the strategies for addressing the most nettlesome, impactful, and highest risk issues facing Washington (North Korea, Iran, KSA, Russia, India, and Cuba) must include Beijing. There is little doubt that Pax Americana is in decline. China has stepped up and brokered deals where the U.S. simply has not been able to insert itself. Autocracies are on the rise but their appeal is transitory and track records show spotty progress/less favorable results. The strong relationship between Seoul and Washington is an example of transparency and results. Look at the economic miracle of the ROK (unbelievable). North Korea knows it. Pyongyang will not change unless it feels increasing and unrelenting pain while simultaneously shaping a specific and narrowly defined off ramp. Part of that strategy is the unblinking eye of the U.S.-ROK economic partnership and military alliance that openly discusses nuclear deterrent.” – General Spider Marks

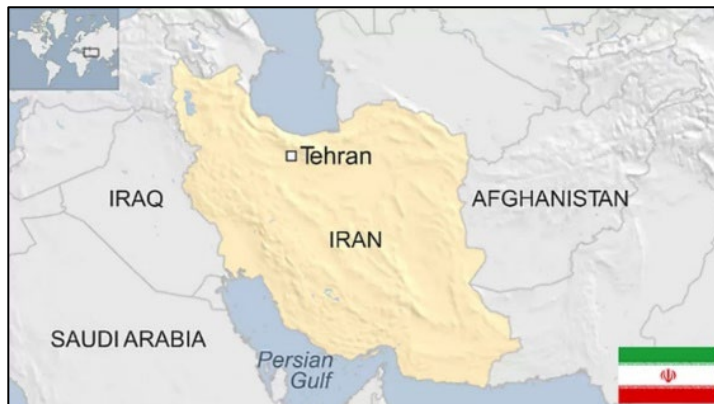
“Kim learned from the Russian invasion of Ukraine that nuclear weapons are the only way to stay in power. He observed that relinquishing nuclear weapons for security guarantees doesn’t work due to what happened in Libya and Iraq (and now with Ukraine) and that attacks could come from both friends and foes. We need to understand

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that North Korea will never denuclearize and work on a way ahead considering these lessons learned. Both China and Russia sent a delegation to North Korea to mark the 70th anniversary of their self-declared Victory Day on 27 July (the first visits since COVID). I still believe that Kim will test some sort of nuclear device this year to bring everyone to the negotiation table. This will once again start the cycle of crisis action, diplomatic outreach, negotiations, recriminations, breakdown, and return to crisis.” – General K.K. Chinn

U.S. Sends Additional Forces to Gulf to Deter Iran

Earlier this month, Iran’s Navy tried to seize two merchant vessels in the Strait of Hormuz and the Gulf of Oman. While the U.S. Navy intervened in both of these incidents, an Iranian vessel fired upon one of the oil tankers (Richmond Voyager). As these incidents have become more common, the U.S. began to patrol the Strait of Hormuz with A-10s. However, considering the Iranian actions over the past few weeks, the U.S. is now deploying F-35 fighters, more F-16s, an Amphibious Ready Group, and an additional Navy destroyer to the Middle East to send a message to Iran to stop interdicting merchant vessels in the Persian Gulf. With additional U.S. assets in the region, Iran’s actions could result in a confrontation with U.S. forces. These aggressive actions also force us to question why Iran is doing this at a time when they are pushing for an interim nuclear agreement that would cap its uranium enrichment in exchange for sanctioned funds being released to them by Iraq and South Korea. The presence of the F-35s when they arrive will also be designed to encourage Russia to stop harassing U.S. drone aircraft over Syria. Similar to the incident in the Black Sea earlier this year, Russian fighter aircraft have recently intercepted and damaged Reaper drones in the region (twice this week, and a total of six times in July). However, the U.S. was ultimately successful using these drones to kill Usamah al-Muhajir, an Islamic State leader in Syria earlier this month. It is clear that even though Russia and Iran would prefer that the U.S. leave the region, the U.S. will not be intimidated and will use all resources at its disposal to protect its interests.



“Talk about recidivist behavior and the definition of idiocy. Iran’s most recent military actions are predictable. Iran acts badly and then offers to stop acting badly if the U.S. agrees to release sanctioned funds. Heard that before. Not going to happen. U.S. military diligence remains the best prevention of escalation in the Gulf.” – General Spider Marks

“It’s difficult to understand how the Iranians think when it comes to their military actions in the Persian Gulf, the Strait of Hormuz, and the Gulf of Oman. Earlier this month Iran tried to seize two oil tankers and fired on one of them. This brings the total attempts to over 20 during the last three years. This escalation takes place while the U.S. is reportedly negotiating a new nuclear deal with Iran. Iran needs cash to continue their nefarious actions in the Middle East and a deal would provide it. The Iranian naval actions caused the U.S. to rapidly move a quick reaction force of A-10s and F-16s into the region to provide overwatch for international shipping. More importantly, the U.S. is deploying the Bataan Amphibious Ready Group to the CENTCOM area of responsibility to beef up the three U.S. destroyers already there. It would be the first time that the U.S. has a capital warship in the Persian Gulf in well over a year after its shift in focus from Iran and the Middle East to China and the Pacific. The deployment highlights the challenge that the U.S. military has with China, Russia, North Korea, and Iran working together to put pressure on the U.S. military across the world.” – General Robert Walsh

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