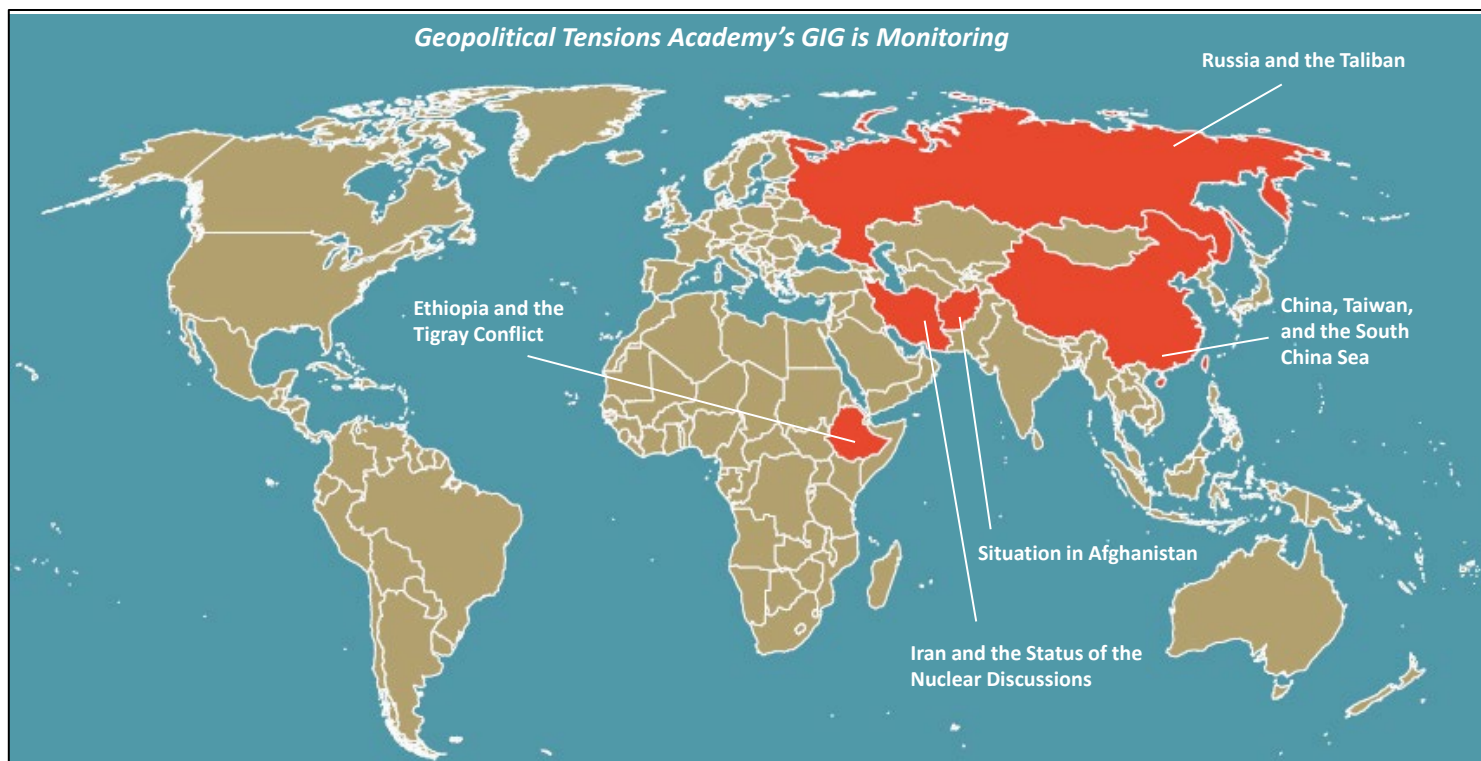


***Around the World with Academy Securities***



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. The Situation in Afghanistan
2. China, Taiwan, and the South China Sea
3. Russia and the Taliban
4. Iran and the Status of the Nuclear Discussions
5. Ethiopia and the Tigray Conflict

We begin with an update on the situation in Afghanistan and the crisis that continues to unfold as the U.S. tries to evacuate as many people as possible by the August 31 deadline. The threat of terrorism became a terrible reality on August 26 when a suicide bomber from ISIS-K targeted the entrance to the Kabul airport, killing 170+, including 13 U.S. service members. While the U.S. has responded with drone strikes against those suspected to have been involved, the threat level is still high. We also review how regional U.S. relationships will evolve (after the withdrawal from Afghanistan), especially with Pakistan and India. Next, we revisit China and the recent visit by VP Harris to Singapore and Vietnam to reinforce U.S. support of our friends in the Indo-Pacific region, especially as many of them are confronting China in the South China Sea. We also provide an update on Russia and their relationship with the Taliban, where regional security continues to be a major concern. Next, we review the status of the Iranian nuclear discussions, especially in light of the recent meeting between Israeli PM Bennett and President Biden. Finally, we report on the conflict in the Tigray region of Ethiopia and the concern that the fighting will continue to spill over into neighboring countries.

**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: Afghanistan

As a follow up to our August 17 [webinar](#) on the situation in Afghanistan where we discussed the Taliban's rapid takeover of major cities (including the capital of Kabul on August 15), we now focus on the evacuation of Americans, allies, and Afghan nationals who were helpful to the American mission in the country over the last 20 years. While the future of Afghanistan will continue to unfold in the coming weeks and months, the priority for the U.S. in the coming days will be to continue the evacuation safely. On August 24, President Biden discussed the status of the evacuation with leaders of the G-7 nations and while he indicated that the goal was the removal of the ~6,000 troops by the end of August, he did leave the door open for an extension if the evacuation was not complete. Adding to the sense of urgency is the fact that American forces are facing a high risk of terrorist attack (ISIS-K) and that threat grows exponentially (as highlighted by the bombing outside the Kabul airport on 8/26) if forces are extended past the end of the month. The U.S. responded with a drone strike this past Friday on high profile ISIS-K members thought to be involved in the planning of the August 26 bombing as well as a drone strike on an ISIS-K vehicle filled with explosives over the weekend. Today, there were also ~5 rockets fired at the airport in Kabul, which were engaged by the U.S. C-RAM defense system.



Moving forward, how will the U.S. relationship with other countries in the region change? As we discuss in the sections below on **China**, **Russia**, and **Iran**, all three see benefits to the U.S. leaving Afghanistan and some believe that this decision will improve stability in the region longer-term. It does not, however, improve the near-term security situation. With respect to **Pakistan**, the last thing their leadership wanted was a protracted civil war in Afghanistan. Pakistan has long favored the Afghan Taliban and never really trusted the Afghan government as they were thought to be aligned with India. While there could still be back-channel intelligence sharing with Pakistan as the CIA will lead the mission to monitor Afghanistan for extremist organizations, the relationship with Pakistan could take a step back as China steps in to provide infrastructure investments in the region to support the China/Pakistan Economic Corridor (and Chinese mining for rare earth minerals in Afghanistan). However, even if Pakistan (and their intelligence service the ISI) believe that they “won” in Afghanistan because of their support of the Taliban, time will determine the benefits they receive. The U.S. will continue to pull back on security funding/assistance and if the Taliban becomes a pariah like they did when they took power in 1996, Pakistan could end up in the same precarious position (as they did back then) by supporting the Taliban.

This trend could cause **India** to grow closer to the U.S. as Pakistan moves closer to China. This alignment makes sense on many fronts. The U.S. State Department has stated that “the United States and India have shared interests in promoting global security, stability, and economic prosperity through trade, investment, and connectivity.” Bilateral trade with India was close to \$150b in 2019 and while there were some bumps in the road regarding a larger free trade deal last year, the hope is that the U.S. and India will be open to compromise thereby easing trade restrictions on certain sectors. There could be heightened urgency for the U.S. and India to come to certain agreements as India is part of the “Quad” (U.S., Japan, Australia, India) security dialogue and critical to the foundation of nations that are trying to counter Chinese influence in the Indo-Pacific region.

*“Unfortunately, I am not surprised at all (by the August 26 bombing). While ISIS-K is likely responsible, this is the surest way to reduce refugee departure, which the Taliban will certainly want to stop. It is not unlikely that the Taliban and Haqqanis would harm their own countryman to stop the exodus. As many are saying, the MANPADS (Man-Portable Air-Defense Systems) threat is unknown, but really that has been minimal for the last 20 years. Reconnaissance by ISIS-K points to them but clearly external airport operations have been patterned and are being*

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

*exploited. Internal operations should be able to continue with risk. Additionally, I think there will be more consideration to use helicopter assets to move people now who are at assembly locations. Ground movement will slow. I am not sure how many assets are present. Fuel for these air assets would also be an issue. But Special Operations assets can aerial refuel or take fuel from fixed wing with the right hoses. I think it would be a mistake to pack up and leave now that a known risk has occurred.”* **General Frank Kearney**

*“The August 31 withdrawal announcement regarding the U.S. presence in Afghanistan by the Biden administration gave the Taliban unexpected power and leverage. It also provided the impetus for the chaos that ensued. It’s now up to the Taliban to decide how and if the U.S. can evacuate U.S. citizens or Afghan nationals after August 31. Taliban leaders have now used this date to call it a “red line” and say anything after it is an unacceptable “occupation” that will “provoke a reaction.” The Taliban’s comments are intentionally threatening and ambiguous. The Taliban is in control of the situation, they know it, and are using it to solidify their power.*

*Any plans for an “over the horizon” counter-terrorism capability is unrealistic. First, the distance to conduct counter-terrorism operations in Afghanistan from the Gulf region makes it an impractical course of action. Second, the intelligence will be lacking as the U.S. no longer has any significant “boots on the ground” that are so vital to targeting terrorist networks. We don’t even have an embassy that can be used for spying and surveillance. The common linkage between the Taliban and Al Qaeda existed before 9/11 and Pakistan has provided support to both groups over the last twenty years. Al Qaeda sees the failure of the U.S. and its allies in Afghanistan as a recruiting tool and a magnet to attract jihadist radicals from across the Middle East and Central Asia. To solidify their relationship with the Taliban, they have pledged allegiance to them. Al Qaeda’s presence will only grow. The only option for the U.S. is to make ties with regional players that will support its counter-terrorism operations. That’s impossible with Iran, highly unlikely with Pakistan, and not in China’s strategic interests. India is a possibility with anti-India terrorist groups operating in Afghanistan, but India lacks a common border with Afghanistan from which the U.S. could operate. The entire situation is a mess that the U.S. has little control over.”* **General Robert Walsh**

*“We will not stop the withdrawal until we have extracted all Americans and as many Afghans as is practical, but once the Americans are out and the Aug 31 deadline has passed, we will wash our hands of it. The Taliban will allow us to complete extraction of Americans, even after Aug 31. There certainly will be an increase in ISIS, etc., resurgence, but this administration will resist re-engaging unless they strike the U.S. again. No impact on our relationship with Pakistan and India (we will resist any attempt to connect them with Afghanistan), though Pakistan will be glad to see us go.”* **General Mastin Robeson**

*“The Chinese attempted to begin extracting copper from Afghanistan following the U.S. Geological Survey’s country review to identify the minerals that could be extracted. However, when the Chinese refused to hire members of the local tribes to do the work of mining the copper, the Chinese miners and engineers were all slain. Clearly, the Chinese barriers to success in Afghanistan must include their unwillingness to hire local Afghans.”* **Admiral Mark Heinrich**

*“The U.S. will continue to focus on building the relationship with India for the foreseeable future as they are the largest democratic country in the world and have the 2nd largest military along with being nuclear capable. China is their main strategic competitor and has always been viewed as a land threat and now potentially a future sea threat with China’s 99-year lease of a port in Sri Lanka (India maintains a maritime advantage over China today). We want strong anchor points as it helps with time/distance challenges in a crisis. India and Japan are strong anchor points on different oceans, so it is advantageous for us to remain a key player in the QUAD (U.S., Japan, India, Australia). It will be an epic failure for China if China allows the U.S./India relationship to grow.*

*The QUAD is four maritime democracies who all advocate for a Free and Open Indo-Pacific (FOIP). It is in India’s national interest to support FOIP as it provides economic opportunities for India’s future economic growth. The question you must ask is, have recent border clashes and the Chinese port in Sri Lanka given India the sense of being contained/surrounded and are they more open now to a stronger U.S. relationship fully understanding the potential effects of China being a major trading partner and resource consumer?”* **General KK Chinn**

## Around the World with Academy Securities

### China

In the wake of the situation in Afghanistan, on August 24, Vice President Harris visited Southeast Asia (Singapore and Vietnam) with the simple message: the U.S. stands with its friends and allies against Chinese economic coercion. The goal of the trip was to reinforce support for nations in the region, particularly those nations that are facing off with China in the South China Sea. VP Harris took the opportunity to try to counter the message coming out of Beijing that the U.S. is not a reliable partner. Both Singapore and Vietnam are key to the U.S. strategy to counter China in the region and VP Harris not only highlighted the strength of the relationship with both nations, but also acknowledged that “we know that Beijing continues to coerce, to intimidate, and to make claims to the vast majority of the South China Sea.”



Highlighting the strategic competition with China, VP Harris pledged to supply Vietnam with 1mm COVID vaccines. However, a delay in travel plans opened a window for China to send its envoy to Hanoi to pledge 2mm doses prior to her arrival. This political tightrope that certain nations in the region walk (including Vietnam) puts their largest trading partner (China) against the U.S. However, the U.S. has offered to help these nations stand up to Chinese economic “bullying”.

However, China is taking the opportunity with the situation in Afghanistan to try to sow the seeds of doubt (regarding U.S. reliability) in the minds of leaders in Southeast Asia. Chinese Foreign Ministry spokesman Wang Wenbin recently said that the U.S. “arbitrarily launched military intervention in Afghanistan, Iraq, and Syria, while claiming to defend the interests of smaller countries.” The focus has predictably also come back to Taiwan as China sent additional warships and fighters to participate in its naval exercises off the coast of Taiwan on August 24 as well. The U.S. stands with its partners in the region and will use engagements like the VP’s trip to Singapore and Vietnam to reinforce this strategy.

*“China is already using the U.S. withdrawal from Afghanistan to humiliate the U.S. and intimidate/coerce U.S. partners like Taiwan and Vietnam. This is a strategic gift for President Xi Jinping and the Chinese Communist Party in the strategic competition with the U.S. that has long-term implications. China will exploit the U.S. withdrawal and use it as an opportunity to fill a strategic geopolitical void left by the U.S. in its own backyard. China also sees the situation as an opportunity to extend its Belt and Road Initiative (BRI) and build an economic corridor into Afghanistan. As part of the BRI’s efforts, China will look to further increase the global monopoly they already have in rare earth minerals. They have tried to mine them in the past in Afghanistan without success due to a lack of security. They will now work to bargain with the Taliban (best interest of both sides) as they have across the globe with many corrupt governments. China knows that the Taliban can be bought. It shouldn’t surprise anyone that the same Taliban leader Abdul Ghani Baradar who recently met with CIA Director William Burns also met with Chinese leaders in China only four weeks ago.” **General Robert Walsh***

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

**Russia**

Russia’s reaction to the rise of the Taliban was not a surprise to many in the region, including the U.S. It was clear that they saw the swift victories potentially culminating in a complete takeover, so for many years, Russia engaged directly with the Taliban and even met with them in Moscow. While Russia still views the Taliban as a terrorist organization, stability in the region is of the utmost concern. Russian U.N. Ambassador Vassily Nebenzia said at an emergency meeting on August 16 after the Taliban seized Kabul that, “there is no point in panicking” and “we remain interested in a swift, peaceful settlement and a subsequent stabilization in Afghanistan and its post-conflict recovery.” However, this can also be interpreted as “there is no point in Russia panicking, unless there is a mass exodus of Islamist extremists to Central Asia.” To drive home this point, Russia recently conducted joint military exercises with Tajikistan and Uzbekistan as a show of regional force. Putin knows that with the Taliban in charge, Russia has limited near-term options to ensure stability and security and if they would like access to the rare earth minerals in Afghanistan, like China, they will have to go through the Taliban. Also, similar to how China views the withdrawal as a propaganda victory against the U.S., Putin will no doubt use this situation to try to convince Ukraine (and the opposition in Venezuela) that the U.S. is not a reliable partner.



*“Russia will support any effort that weakens the cohesion of Western-led alliances and curbs the expansion eastward of NATO. They value their relationship with China as a strategic partner to help dilute U.S. global power in the region and will continue to engage indirectly with a focus on future military arms/equipment sales.” **General KK Chinn***

**Iran**

Shortly after our latest [ATW](#) where we focused on the tension with Iran as President Raisi was about to take office, on July 31, an armed Iranian drone struck an oil tanker owned by an Israeli businessman killing two crew members. This event further reinforced Israeli opposition to the Iranian nuclear discussions, which have been on hold since the last round of talks ended in June (which was the last time IAEA personnel were able to conduct their inspections of Iran’s nuclear facilities). President Raisi ran on a platform of economic recovery and the removal of sanctions (associated with the JCPOA) would be a path to saving the Iranian economy. However, it remains to be seen if Iran is interested in an agreement that would curtail their nuclear program and address regional terrorism/its long-range missile capability. Israeli Prime Minister Bennett visited President Biden on August 27 and likely voiced his opposition to the nuclear deal, primarily on the grounds that Iran can not be trusted to abide by any kind of agreement. Prior to the visit, PM Bennett told his cabinet that, “it is time to stop the Iranians – to stop this thing – not to give them a lifeline in the form of re-entering into an expired nuclear deal. It is no longer relevant, even by the standards of those who once thought that it was.” As the relationship between President Biden and the new PM of Israel develops, it will be interesting to see how the relationship between the intelligence services (of both nations) will evolve as well. With the relatively more limited U.S. intelligence network in Iran, Israel has provided much needed “on the ground” intelligence regarding Iran’s nuclear program and support of regional terrorism. Israel has also conducted multiple covert operations against the Iranian nuclear program designed to slow the progress. Israel has made it clear that it will continue to do what is necessary to contain the nuclear as well as regional terrorist threat from Iran.



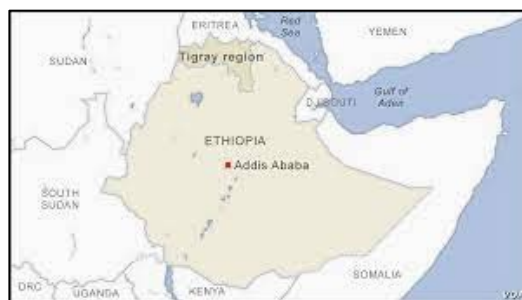
***Around the World with Academy Securities***

The nuclear discussions were postponed until after Raisi’s inauguration and the 7<sup>th</sup> round of talks may continue in September, but time is running out. Iran has now increased its stockpile of 60% enriched Uranium and considering the drone attack on the tanker, Iran has done nothing to show the original JCPOA signatories that it is serious about rejoining any kind of agreement. Raisi will continue to use whatever leverage he can (including the significant progress of their nuclear program) to his advantage. However, the U.S. has already explored “back up” options such as sanctioning Iranian oil sales (via shipping networks) to China to further pressure the regime to return to the table.

*“Iran’s new President Raisi is a hardliner that will use the situation in Afghanistan as leverage in any nuclear negotiations. Iran will use Afghanistan as an opportunity to stall the JCPOA talks and extract more concessions from the U.S. while being emboldened to increase their terrorism across its arc of influence. This could include more attacks on Israeli ships, support to the Houthis in Yemen, support to Hamas and Hezbollah in Gaza and Lebanon, and to Bashar al-Assad in Syria. Any near-term hope for the U.S. to make the nuclear deal “longer and stronger” is now out the window after the debacle in Afghanistan.”* **General Robert Walsh**

**Ethiopia**

As the situation in the Tigray region continues to deteriorate, the risk is increasing that the conflict could spread to neighboring countries. Over the last nine months, thousands of people have been killed and over two million have been displaced. The conflict began in November of last year when Prime Minister Abiy ordered Ethiopian troops into the Tigray region to engage the Tigray People’s Liberation Front, a rebel group which led Ethiopia prior to PM Abiy taking office in 2018. The situation got worse as neighboring Eritrea joined the fight (on the side of Ethiopia) and the Tigray rebels recorded a few victories and captured Mekelle. Further escalating the conflict, PM Abiy has now appealed to the people of Ethiopia to recruit new troops to fight the Tigray forces. Tigray leadership has begun to make demands including the removal of PM Abiy, further inflaming the situation. According to the State Department, on a July 6, 2021 call with PM Abiy, Secretary Blinken “urged Prime Minister Abiy to commit to the steps outlined by the United Nations Security Council on July 2, including the complete withdrawal of Eritrean and Amhara forces from Tigray; full, safe, and unhindered humanitarian access to populations in need; the establishment of a transparent process to hold accountable those responsible for human rights abuses and atrocities; and an affirmation that neither the internal nor external borders of Ethiopia will be changed by force or in contravention of the constitution.” However, tensions continue to rise. In response, the U.S. has employed sanctions against Eritrea and ordered them to remove all forces (many suspected of conducting the worst atrocities towards Tigray civilians) from Ethiopia’s Tigray region. Ethiopia is a major partner of the U.S. in Africa, but U.S. patience is wearing thin and millions of dollars in security/aid assistance has been withheld until the situation is resolved.



*“As long as Susan Rice is in the Biden administration, the U.S. will take a harsher stance against the Eritrean role and actions than against the Ethiopian actions. Recent sanctions against Eritrea are one example, and this reflects an 18-year long position and will continue. Meanwhile we will encourage the Ethiopians to be more measured, but we will resist any sanctions or harsh action against them.”* **General Mastin Robeson**

---

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

---

**Disclaimer**

This document and its contents are confidential to the person(s) to whom it is delivered and should not be copied or distributed, in whole or in part, or its contents disclosed by such person(s) to any other person. Any party receiving and/or reviewing this material, in consideration therefore, agrees not to circumvent the business proposals explicitly or implicitly contained herein in any manner, directly or indirectly. Further, any recipient hereof agrees to maintain all information received in the strictest confidence and shall not disclose to any third parties any information material to the opportunity contained herein and, upon review hereof, agrees that any unauthorized disclosure by any party will result in irreparable damage for which monetary damages would be difficult or impossible to accurately determine. Recipients recognize, and hereby agree, that the proprietary information disclosed herein represents confidential and valuable proprietary information and, therefore, will not, without express prior written consent, disclose such information to any person, company, entity or other third party, unless so doing would contravene governing law or regulations.

This document is an outline of matters for discussion only. This document does not constitute and should not be interpreted as advice, including legal, tax or accounting advice. This presentation includes statements that represent opinions, estimates and forecasts, which may not be realized. We believe the information provided herein is reliable, as of the date hereof, but do not warrant accuracy or completeness. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

Nothing in this document contains a commitment from Academy to underwrite, subscribe or agent any securities or transaction; to invest in any way in any transaction or to advise related thereto or as described herein. Nothing herein imposes any obligation on Academy.

Academy is a member of FINRA, SIPC and MSRB. Academy is a Certified Disabled Veteran Business Enterprise and Minority Business Enterprise, and is a Service Disabled Veteran Owned Small Business as per the U.S. SBA. Investment Banking transactions may be executed through affiliates or other broker dealers, either under industry standard agreements or by the registration of certain principals.