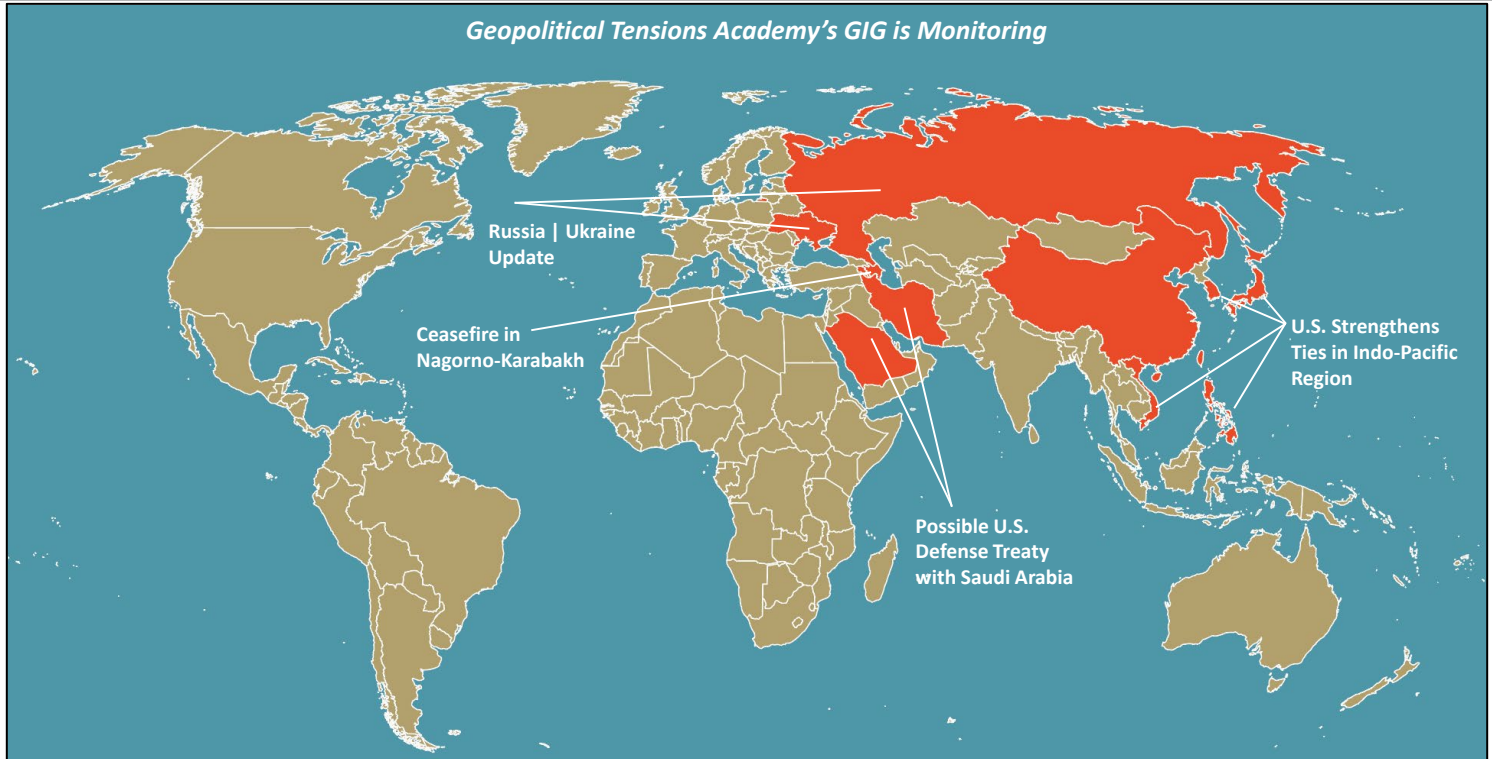


Around the World with Academy Securities

In this month's edition of *Around the World with Academy Securities*, our [Geopolitical Intelligence Group](#) (GIG) focuses on the following geopolitical tensions that we are monitoring:

1. Russia | Ukraine Update
2. U.S. Strengthens Ties in Indo-Pacific Region
3. Possible U.S. Defense Treaty with Saudi Arabia
4. Ceasefire in Nagorno-Karabakh

We begin with an update on the war in Ukraine as the counteroffensive approaches the fall and winter months. While Ukraine has made some progress, the most notable accomplishments have been striking Russian naval assets and supply lines in Crimea. With the Biden administration agreeing to send the ATACMS missile system (with a range of 190 miles), this should enhance Ukraine's capability to strike supply as well as command and control positions deep behind Russian lines. Next, we focus on the U.S. strategy to solidify its relationships with countries in the Indo-Pacific region. In addition to the AUKUS submarine deal and the QUAD, this initiative also includes recent engagements such as the South Korea/Japan/U.S. trilateral summit, President Biden's visit to Vietnam, and the announcement this week of the U.S./Pacific Islands Partnership. We also address the discussions surrounding a possible U.S./Saudi Arabia defense pact that would be established in tandem with Saudi Arabia recognizing Israel diplomatically. While there are many details to be worked out before the parties involved can sign a potential agreement, if this comes to fruition, it will dramatically impact the geopolitical landscape in the Middle East. This would also put the U.S. back at the table as the preferred partner of Saudi Arabia at a time when China has tried to take a leading diplomatic position in the region. Finally, we revisit Nagorno-Karabakh following the Azerbaijani military reclaiming full control of the breakaway region. With Russia's attention focused on the war in Ukraine, its limited peacekeepers did not deter Azerbaijan's aggression and now the concern is that we could see a humanitarian crisis as thousands of Armenians attempt to flee the region.

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**

As the counteroffensive continues, Ukrainian forces are making some progress. Notably, some of the most significant developments have occurred in the Black Sea. Ukraine has increased its attacks on Russian naval forces and key assets in the region by employing the longer-range cruise missiles supplied by the UK (Storm Shadow) and naval drones. As we reported in our [SITREP](#) in August, Ukraine used naval drones to strike a Russian oil tanker south of the Kerch Strait. In addition, on September 14th, Ukraine confirmed that it had fired 10 cruise missiles into the Sevastopol shipyard and severely damaged the Russian landing ship Minsk and the Kilo-class submarine Rostov-on-Don. Finally, on September 22nd, Ukraine launched a missile attack that hit the headquarters of Russia's Black Sea Fleet in Crimea. These attacks have helped to ensure that several vessels (including a bulk carrier of grain) were able to leave the port of Odesa and transit the Black Sea safely. The hope is that these transits will continue because Ukraine's September grain exports were down 51% compared to last year according to the agriculture ministry.



With respect to new weapons entering the fight for Ukraine, the introduction of U.S. M1 tanks and the agreement by the Biden administration to send “a small number” of the long-range Army Tactical Missile Systems (ATACMS) to Ukraine will be critical in solidifying Ukrainian gains and continuing to threaten Russian supply lines, especially around Crimea. However, as the winter approaches and with only ~45 days left before the weather starts to become a factor, time is of the essence. Ukraine is not the only party reaching out to others for help. On September 13th, North Korean leader Kim Jong un visited Putin in Russia (see [SITREP](#)) and discussed the sale of badly needed artillery shells and rockets that would help replenish Russia's supplies. While these weapons will not be a game changer for Russia, it could allow Putin to continue to prolong the war through the winter and into next year.

“President Zelensky's visits to the UN and the White House came as the debate regarding support for Ukraine grows in the U.S. and Europe. The Biden administration has been steadfast in supplying weapons and now plans to send the long-requested ATACMS missile system. Ukraine's military has destroyed nearly half of Russia's military capability and regained a significant chunk of the land that the Russian military had previously occupied. Even with Ukraine's military successes, we are seeing cracks in the desire to support the war coming from elements in the U.S. and NATO. The Biden administration's slow delivery of key weapons has delayed Ukraine's battlefield gains due to the administration's fears that the use of these weapons could result in a direct war between NATO and Russia. In almost every case Ukraine has received the requested weapons, but it took far too long. This was the case with Patriot missiles, HIMARS missiles, tanks, and F-16s. America's perception that we are in an endless war is growing. This perception risks tipping the strategic calculation in Putin's favor. If Russia wins in Ukraine, then a war in Taiwan becomes a higher risk.” – General Robert Walsh

“The fighting continues to be tough, and it is unlikely that M1 tanks or ATACMS will result in any breakthrough opportunities. Russian forces continue to fight as fiercely as the Ukrainians. With luck (and a lot of ordnance) the best the Ukrainians can achieve is to get to Melitopol and cut the supply lines to Crimea. Attacking Crimean supply and transport hubs as well as the fleet (in port) is the best course of action. The Russian forces are counterattacking and also seeking a breakthrough to force the Ukrainians to refocus their main efforts. North Korean ammo will help but it will not be precise so collateral damage will increase. We should expect to see that the Russian focus on energy grids and cities will have an effect on the population. The fight will continue through the U.S. presidential election.” – General Frank Kearney

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“Rapid progress breaking through the “Surovikin line” is probably not in the cards for the winter. In fact, Russia’s plan to hunker down in their fortifications until the “will” of the West begins to falter is strategically and operationally sound. The application of tactical aviation (F-16s and attack helicopters) would change the game for engaging the well-entrenched Russians, but it is not a near-term prospect. It is interesting to note the uptick in activity in Crimea. Crimea may offer a flank that might allow for supply interdiction behind the Russian defenses. In the continuing artillery duel, both ATACMS and North Korean conventional munitions will feed the grinder. Through long-range fires (ATACMS+), Ukrainian units can avoid the massed conventional Russian artillery that is range limited. Doing more to liberate Crimea feels like progress, but it also creates risk. Not only does that eat-up military capability and readiness, but it also positions significant Ukrainian forces away from the Zaporizhian front. If the Ukrainians move too much combat power away from the front, it opens up large swathes of the country to counterattack by the Russians in the spring.” – General Michael Groen

“We’re seeing very modest gains by Ukraine, and I would expect to see more of the same at the onset of the rainy season and as winter creeps into Eastern Europe. However, I am seeing nothing that would shift the advantage substantially in Ukraine’s favor given the complexity of the Russian defensive belts. Clearly Ukraine is learning but it will soon have to think about the next offensive coming out of the winter. Meanwhile, Russia continues to improve their position (albeit with poorly trained troops). I am not sure how much ammunition Kim is going to provide. While not a game changer, it will help Russia sustain the fight. Kim will not put North Korea at risk so I would assess that Kim will limit what he can provide and focus on numbers that can appease Putin and give him an opportunity to get some advanced weapons/equipment from Russia. Russia is still not on a wartime footing for production, but they are increasing their numbers.” – General Robert Ashley

U.S. Strengthens Ties in Indo-Pacific Region

As we reported in our previous [ATW](#), China continues to fly aircraft and operate ships in the vicinity of Taiwan. On September 17th, China launched over 100 warplanes toward Taiwan with 40 crossing the median line separating mainland China and Taiwan. China also recently conducted a major naval exercise in the Yellow Sea. While China regularly conducts exercises, Taiwan closely watched the Chinese amphibious activities near Dacheng Bay in the southern province of Fujian (facing Taiwan). The concern is that the large number of planes and amphibious exercises are clearly intended to prepare China’s forces for a potential invasion of Taiwan if the order would ever be given (which we continue to believe is highly unlikely at this time). With the elections coming up in Taiwan in January, some of this could just be intimidation, but it was also likely in response to the U.S. conducting a series of military drills across the region in recent weeks with Japan, Australia, and the Philippines. These exercises also followed closely on the heels of President Biden’s trip to Vietnam, where the relationship between the nations was elevated to a “Comprehensive Strategic Partnership” to try to bring Vietnam closer to the U.S. and away from China. This meeting, combined with additional engagement with the Philippines (the president of the Philippines was hosted at the White House back in May) and the trilateral summit with Japan and South Korea, clearly indicates that the U.S. is trying to reinforce its relationships in the Indo-Pacific region to counterbalance Chinese influence. While China considers its next moves in light of increased U.S. engagement in the region, it is interesting to note that Xi did not attend the G20 in India (for unknown reasons). India is making strides to invest in its infrastructure and grow its economy to compete with China, and the U.S. is relying on them as an important member of the Quad (Australia, India, Japan, and the United States).



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“U.S. military influence in the Indo-Pacific region is growing through a new regional force posture resulting from China’s aggressive military behavior. China’s actions are driving partners into U.S. hands to prevent China’s hegemony. The Biden administration’s approach is to build a defense alliance through a coalition of partners to encourage “better behavior” from China. The PLA’s aggressive military actions in the South and East China Seas are resulting in U.S. military-to-military relations with countries that had been far more indifferent to the U.S. in the past like the Philippines, Vietnam, Indonesia, Brunei, Malaysia, Thailand, and New Zealand. The U.S. initiatives include both the QUAD and AUKUS agreements as well as bilateral basing agreements with the Philippines and Papua New Guinea. The U.S. must now grow its military presence in the Indian Ocean to counter China’s increased presence there. A new agreement with India to provide the U.S. Navy with port access for ship maintenance and support is a big step. China’s “two oceans” strategy to stretch its military influence through the Strait of Malacca and into the Indian Ocean is part of its “Maritime Silk Road” plan. It presents an increased challenge to the U.S. in areas where it has less of an influence. U.S. economic influence lags China’s throughout the region. The U.S. cannot solely rely on its military might to gain influence and must increase trade agreements while strengthening supply chains.” –
General Robert Walsh

“China-U.S. tension continues to grow. Often autocracies with problems at home focus on external enemies. I doubt that in an economic downturn Xi would want global and regional sanctions that would surely follow a military takeover of Taiwan. The regional bilateral meetings are all designed to act as a hedge against China’s actions. I think that the meeting between China’s Foreign Minister and our National Security Advisor was just to keep all the communication channels open to prevent a misread or accidental escalation. China from my experience focuses internally, then regionally, then globally. While they have increasing air and naval capability, their force projection capability beyond the region remains limited.” –
General Frank Kearney

“It is interesting to note that the U.S. sanctioned Li Shangfu (the former Chinese Defense Minister) in 2018. With his removal, he is no longer an inhibitor to military communications/cooperation between the U.S. and China. At the upcoming November APEC summit in San Francisco, we will have to see if Xi attends and meets with President Biden. If there is a meeting, it will be interesting to see what formal announcements are made. China is looking to set conditions for the upcoming Taiwan elections in January, so military activity is to be expected to remind the Taiwanese that they have a choice to make in the presidential elections. China will continue to pursue the establishment of a “new normal,” but will back off from crossing any redlines with Taiwan between now and the elections.

In 2022, at the U.S.-ASEAN Summit, the U.S. signed a Comprehensive Strategic Partnership with ASEAN which appears to have given Vietnam the cover that it needed to sign a Comprehensive Strategic Partnership with the U.S. during President Biden’s visit. This completes Vietnam’s goal (set 10 years ago) of establishing strategic partnerships with all the permanent members of the U.N. Security Council. We were the last of the Permanent 5 to establish this relationship. Vietnam is China’s largest trading partner in ASEAN (and Vietnam has been economically dependent on China), so Hanoi has been quietly and persistently building a relationship with the U.S. The U.S. has transferred 2 U.S. Coast Guard cutters to Vietnam, has had 2 aircraft carrier visits to Vietnam, and assisted Vietnam in establishing a U.N. peacekeeping training center. All of this was calculated to be below what Vietnam viewed as a redline with China. Vietnam signed the agreement because it offers opportunities as businesses exit the Chinese markets and the partnership is also in their own self-interest. They have been a strong supporter of the QUAD and I expect to see some sort of QUAD+ arrangement including Vietnam, Indonesia, and other non-aligned actors in the region in the coming months.” –
General K.K. Chinn

“While the PRC has been manipulating the ASEAN nations for years, the tone is different now. While these nations were very non-committal in the past, there is a notable uptick in the friendships being made. This is a “win” for U.S. diplomacy, but we cannot overplay our hand. For the CCP, the dilemma continues. The more they threaten, the more fear pushes their enemies closer to each other. This is a balance that the U.S. and its allies can sustain (unless we are not careful in economic policy and trade). It certainly seems that the CCP is struggling internally in defining their approach. This might project confusion and weakness as the CCP tries to right-the-ship on the economy. However,

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it also increases the risk of “rash” action if a redline is crossed. The fact that CCP leadership is quiet may mean that dangerous pressure is increasing. For the U.S. and its allies, demonstrating strength without provocation is key.” – General Michael Groen

“China is still focused on all the elements of national power so we cannot take our eye off the ball on what they are doing in the information space, diplomatically, and economically. This is all geared toward competition (and if necessary, conflict). They are going through some interesting times regarding how Xi is thinking about a reset on their economy. The real estate and construction industries have created an inordinate amount of debt. I would look at how they can diversify their exports and emphasize not only “made in China,” but also “made by China” for their export. The Vietnam question is interesting. Each Pacific nation has to balance their relationship with China economically and their geographic proximity dictates some cooperation. While it may not be acceptable or affordable, it will be interesting to see if Vietnam (and other nations) look to diversify their military portfolios. Given the sanctions and their own need for equipment, Russia is moving down the ladder as a leading nation to export weapons. This may open the market for other nations like the U.S. and France.” – General Robert Ashley

Possible U.S. Defense Treaty with Saudi Arabia

On September 19th, it was reported that the U.S. and Saudi Arabia were discussing a mutual defense treaty that is similar to the one that the U.S. has in place with Japan and South Korea. The agreement would also include U.S. assistance for Saudi Arabia to develop its own civilian nuclear program. While the talks are progressing, a deal is still uncertain due to Israel's ongoing conflict with the Palestinians. The agreement could result in the Palestinians being granted an undetermined amount of land in the West Bank. The main goal of this initiative would be to help Saudi Arabia normalize relations with Israel (which would be a major development in the region), but it is also meant to address the Iranian threat to the Kingdom. As we addressed in our [SITREP](#), the U.S. prisoner exchange with Iran in return for \$6 billion in sanctioned funds (and five Iranians) went according to plan, but there is little expectation that relations between the U.S. and Iran will thaw any time soon. While the U.S. has similar defense treaties with Australia, New Zealand, and the Philippines, a discussion such as this with Saudi Arabia at a time when the U.S. is pivoting away from the Middle East and toward the Indo-Pacific could raise concerns, as the treaty must be approved by the Senate. However, another factor that could be driving these security discussions was made clear last week when Saudi Arabian Crown Prince Mohammed bin Salman said that if Iran acquired a nuclear weapon, his country would do the same. An arms race in the Persian Gulf is clearly something that the U.S. wants to avoid at all costs.



“President Biden needs a foreign policy win, and the U.S.-Saudi Arabia relationship needs a reset. He is at a critical time in his presidency and must take a different tact if he wants the U.S. to remain a leader in the Middle East. He previously called Saudi Arabia a pariah and watched as they did not support his strategy of keeping oil prices lower to weaken Putin’s war machine. More importantly, China is expanding its influence in the Middle East and has already brokered a détente deal between Saudi Arabia and Iran. The U.S. needs to elevate its relationship with Saudi Arabia and a defense treaty would help. Key is Saudi Arabia reciprocating with a deal to formally recognize Israel. There is much to be worked out such as West Bank land for the Palestinians, Saudi Arabia limiting its relations with China, and U.S. Senate support. If President Biden cannot come to some type of security deal with Saudi Arabia, he risks them moving closer into China’s growing sphere of influence and complicating U.S. influence in the Middle East.” – General Robert Walsh

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"I am not sure of the scope of the potential bilateral security agreement with Saudi Arabia. It hedges Saudi Arabia's relationship with Iran and could put the U.S. back into a position of influence regarding oil production and may influence Saudi Arabia's potential relationship with Israel. The Houthi conflict has been an Iranian proxy fight, but I don't see that as part of the bilateral security relationship. I assume that the U.S. and KSA both want room to pursue their own interests without drawing each other into smaller crises." – **General Frank Kearney**

"The Abraham Accords and a rapprochement between Saudi Arabia and Israel are significant developments in their own right. For the Saudis, it is likely a plank on the platform of a new Middle East with Saudi Arabia at its core. Social reform, work transformation, national modernization, and many other "internal" goals are enabled by a quiet relationship with the Israelis (and the blessings of the U.S.) It projects new Saudi strength, but the U.S. partnership is not "close." The probability of rapid progress for Saudi Arabia and UAE (especially) in modernization is a realistic vision. The Saudis will watch the next U.S. election closely. The Iranians remain unrepentant and self-isolated. While they survived their domestic troubles last spring, they have now begun to transform themselves into a military arms (drone) manufacturer/exporter. They also now have a lever (uranium enrichment) to move up and down as the political environment shifts." – **General Michael Groen**

"The U.S. is KSA's preferred strategic partner. However, they criticize the U.S. for the transactional nature of our relationship and the "values judgments" that we impose on the partnership. The reality of losing KSA to a broader coalition that includes China is a wakeup call and the U.S. is going to have to tone down the "values judgements" that come with our military and security relationship. Our values matter but we have to be realistic in examining our national interests." – **General Robert Ashley**

Ceasefire in Nagorno-Karabakh

Back in [2020](#) and [2022](#), we covered the previous times that hostilities erupted in the Nagorno-Karabakh region. In 2020, Russia stepped in and put 2,000 peacekeepers on the ground to try to ensure that the ceasefire held. However, in 2022 and again this month, armed conflict once again broke out and due to Russia's war in Ukraine, it was not in a position to do much of anything about it. Russia clearly no longer retains the ability to maintain the status quo or provide the same level of support to Armenia, its long-time ally. Seeing yet another



opportunity after enforcing a blockade of the region since late last year, Azerbaijan launched "anti-terrorist" operations in the Armenian-controlled Nagorno-Karabakh region and threatened to carry on "until the end." On September 20th, a ceasefire was agreed upon and the Armenian self-defense force in the region agreed to disarm/disband, but only after security guarantees were provided. Now, talks are being held to "reintegrate Nagorno-Karabakh" into Azerbaijan (which is backed by Turkey). 200 people were killed and over 400 were wounded in the Azerbaijani bombardment of the pro-Armenian forces and at least 68 people were killed in an explosion at a fuel depot on September 26th, further adding to the loss of life. The concern is that this will become a humanitarian crisis as over 120,000 Armenians live in this region. Reportedly, over 13,000 ethnic Armenians have returned to Armenia since Azerbaijan took control. Armenia's prime minister has also said that "ethnic cleansing" is under way. However, what is clear is that Russian influence has been diminished. The U.S. recently conducted exercises with the Armenian military and will likely take advantage of the void left by Russia to ensure that there is peace moving forward between the two nations. While Russia will not be pulling its troops out of Armenia any time soon, one interesting angle here for Russia is the fact that Azerbaijan offers a bigger market for Russian goods (particularly weapons) and is located near key roads and railway lines that

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are critical for Russia's trade with Iran and Turkey. Azerbaijan is also a major energy producer and there are many oil and gas pipelines in the region.

"The sands are shifting in Central Asia and the South Caucasus as the war in Ukraine diminishes Russian influence. Azerbaijan's capture of Nagorno-Karabakh and Armenia's acknowledged capitulation is a blow to Putin's influence. While Azerbaijan's victory was taking place, the U.S. was conducting a joint military exercise in Armenia (while Russia expressed concerns). Earlier in the year Armenia refused to host a Russian-led exercise of Central Asian and South Caucasus countries. There is growing Armenian acknowledgement that Russia's influence is diminishing and so should their relations with the Kremlin. This is another piece in the puzzle as the U.S. tries to exert influence over Russia and China." – General Robert Walsh

"While these political/historical "frozen conflicts" remain a flashpoint, Azerbaijan retains a significant combat advantage. Without the Russians to meaningfully assist, the Armenians are (sadly) right to evacuate into an Armenian state that is poorly equipped to support an influx of refugees. The potential for this to escalate is low, but it will continuously simmer. The opportunity for third party forces to act as a buffer (UN, etc.) is also unlikely to cool tempers that have been burning for a century." – General Michael Groen

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