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Rachel Washburn | rwashburn@academysecurities.com 646-940-9995
Major General Spider Marks | Spider@academysecurities.com

Academy Securities Geopolitical Podcast

Geopolitical Flashpoints: The Macroeconomic Impact of the Geostrategic Landscape

Rising Tensions in the South China Sea

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Key Points:

- The U.S. recently announced that it rejects China's territorial claims in the South China Sea (SCS)
- The "great power competition" we are seeing in the SCS is potentially moving the U.S. towards a Cold War with China, but neither country wants a conflict
- China's claim to the SCS is based on the fact that it is not a signatory to the WWII Peace Treaty
- The U.S., along with its network of allies and partners in the region, must act as a counterweight to China
- China is using an Anti-Access Area Denial (A2/AD) strategy in the SCS and has militarized several islands with aircraft, missiles, and jamming technology
- There remains a risk of miscalculation with two U.S. aircraft carrier strike groups operating in the SCS
- Undersea cables, critical for the use of the internet and messaging, may be at risk given China's expansion in the region
- While tensions will continue to rise, China will remain a key global trading partner
- However, countries will be more careful regarding tech (5G) and supply chain (PPE)
- The developments in Hong Kong may not be crucial to the global economy, but it may be a precursor to a change in Chinese strategy regarding Taiwan
- It is becoming harder to separate the economic and diplomatic issues after the U.S. ended the preferential treatment Hong Kong once received and China is now cracking down on U.S. companies doing business with Taiwan
- The international community is starting to recognize the technological competition with China

Major General Clarence K.K. Chinn is an Academy Securities' Advisory Board Member. Major General Chinn brings decades of experience to Academy's Advisory Board, having served in the U.S. Army for over 36 years. He most recently served as Commander, U.S. Army South, where he was responsible for the conduct and support of multinational operations and security operations in the U.S. Southern Command area of responsibility (31 countries and 15 areas of special sovereignty in Central/South America and the Caribbean) in order to counter transregional transnational threat networks and strengthen regional security in defense of the homeland. Prior to this assignment, Major General Chinn served as the Deputy Commander for United States Army Special Operations Command, as the Senior Commander at Fort Bragg, a \$32 billion dollar industry for North Carolina annually, and Commanding General at Fort Polk, LA. Major General Chinn is a 1981 graduate of the United States Military Academy and holds a master's degree in strategic studies from the U.S. Army War College. He has served as an Infantry officer, commanding at every level, with extensive time serving with Airborne / Ranger units. Currently residing in Aiea, Hawaii, Major General Chinn has been assisting United States Army Pacific with their Regional Leader Development Program – Pacific.

Lieutenant General (Ret.) Robert S. Walsh is an Academy Securities' Advisory Board Member. Lieutenant General Walsh served in the Marine Corps for over 35 years, completing his career as the Commanding General of the Marine Corps Combat Development Command and the Deputy Commandant for Combat Development & Integration. In his last assignment, he was responsible for strategic planning and executing the reorganization of the Marine Corps to meet the new National Defense Strategy roles and missions. His responsibilities included integrating multiple warfighting functions and domains across all military services and the Department of Defense.

Peter Tchir is head of Macro Strategy at Academy Securities. He has 25 years in the industry focusing on fixed income. He has traded and structured products ranging from complex transactions, junk bonds, liquid CDS indices, and ETFs. This background helps bring a unique frame of reference to his market strategies and analysis. It helps him focus on what is relevant for the here and now for investors and issuers. He has worked closely with a wide range of investors and portfolio managers since he established TF Market Advisors as an independent firm in 2010. He is regularly quoted in the media for his views on the macro outlook and fixed income strategies. His expertise provides insight into risk, identifying opportunities on a global macro basis, with an emphasis on fixed income. As the Head of Macro Strategy, Peter communicates these opportunities and approaches effectively to customers. Peter received a B.S. in mathematics and computer sciences from the University of Waterloo and an MBA with distinction from Vanderbilt University, where he also won the Matt Wiggington Leadership Award for outstanding performance in finance.

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