



Metamorphoses – Talking Technology

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Russia-India ties in a changing world

Indian Prime Minister Modi meet President Putin.



China & the Iran nuclear deal

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IMF on Asian growth

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US may lose primacy as No: 1 currency

The US has the largest debt in world history and the dollar might lose its status as the No. 1 currency in the world.



UN backs Iran deal

United Nations Secretary-General Antonio Guterres urges US President Donald Trump to not nullify the Iran nuclear deal.



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Background

There is no denying that the world has quite embraced technology. From speedy access to the Internet on-the-go to the ability to instantly get in touch with anyone in the world, recent technological developments have become integral to our lifestyles. The digital world has an impressive foot print of 2.2 billion active users around the world, which in the last year alone has risen by 176 million.

Since 2017, there has been increased focus on how social media has influenced society's functioning especially with regards to electoral outcomes. The consensus among the intelligence agencies in the US is that Russia conducted an 'influence' campaign to harm Hillary Clinton's presidential bid. Experts have suggested that social media platforms such as Twitter, Facebook and Google were mobilized to flood the internet with disinformation.

Online platforms Google and Twitter have admitted to finding evidence of Russian interference. It has been reported that Russian operatives spent tens of thousands of dollars on ads on YouTube, Google Search products and Gmail especially related to the 2016 Presidential elections. Nearly \$4,700 was spent by accounts connected to the Russian government on 'search and display' ads in Google. Additionally, operatives from Russia reportedly spent \$53,000 on pointedly political ads.

Across the world governments have grappled with the rise of "fake news" and also on whether it has played a role in inciting violence or specific behaviors of the public. Since the start of 2018, Facebook has committed to making significant changes to their platform. In a post on his page on the social network early this month, creator and CEO Mark Zuckerberg said the website was making too many errors enforcing policies and preventing misuse of its tools. Zuckerberg has famously set himself challenges every year since 2009. This year the Facebook creator said his "Personal challenge" is to fix important issues with the platform to prevent misuse of the website.

Professor Benkler

Professor Yochai Benkler is the Berkman Professor of Entrepreneurial Legal Studies at Harvard Law School, and faculty co-director of the Berkman Klein Center for Internet and Society at Harvard University. His books include *The Wealth of Networks: How social production transforms markets and freedom* (Yale University Press 2006), which won academic awards from the American Political Science Association, the American Sociological Association, and the McGannon award for social and ethical relevance in communications.

Analysis

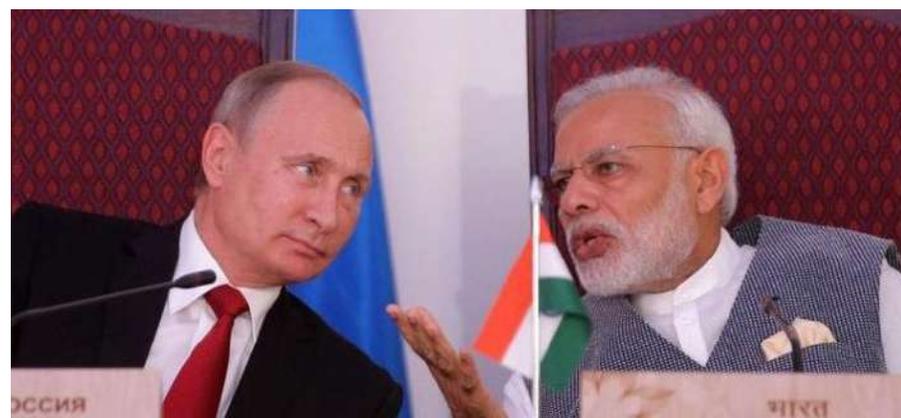
On May 3rd, 2018, Professor Yochai Benkler presented a talk at Synergia Foundation titled, "Metamorphoses – Talking Technology". The talk was attended by industry experts and thought leaders, who also presented their views on the subject.

The talk focused on the intersection of internet and social media on democratic societies and its impact on political communications, democratic governance and discourse. The subsequent discussion also included how automation and robotics could lead to significant destabilization of labor markets in many countries around the world with an emphasis on the growth patterns of the middle class.

He said, "I have spent many years thinking about the relationship between the internet and democracy." He specifically highlighted the controversy regarding the 2016 US Presidential elections. He noted that through the course of his research, his team was able to decipher that social media did not play a definitive role in the outcome of the elections. He said, "The most important thing we found is that we don't have polarization." He noted that in the US there is a very clear and tightly clustered right wing narrative pushed forth by media that profits from it.

Assessment

Our assessment is that concerns about so-called fake news have grown in tandem with the expansion of social media. The democratic functions of governments across the world are at stake presently as a result of this. Should social media giants such as Facebook be held accountable for the content and ideas that are amplified through their platforms?



Russia-India ties in a changing world

Indian Prime Minister Modi is scheduled to meet President Putin on May 21st in Sochi. This meeting comes weeks after Putin was sworn in for another 6-year term as President, and amidst shifting geopolitics across the world. Russia and India have a long strategic partnership. Moscow has supplied 62% of India's military hardware in the past five years.

Background

Russia is considered an important ally for India. The two countries have shared strategic, military, economic and diplomatic relations for years. The Indo-Russian intergovernmental commission is one of the largest comprehensive governmental mechanisms that India has had with any country internationally.

Moscow has supported India's application for the Nuclear Suppliers Group. In 2014, India abstained from voting in favor of Russia on the Ukraine issue to maintain its neutrality with Russia and the US. Last year, Russia pushed for New Delhi's membership in the Shanghai Cooperation Organization. A recent report on global arms trade that analyzed the past five years noted that Russia still remains India's top supplier of weapons. According to SIPRI, Russia's share of military hardware stands at 62 percent in the last five years compared to the 79 percent from 2008-2012. In 2016, India and Russia signed billions of dollars of defense and energy deals, and in 2017, trade grew by 22%.

Sanctions on Russia

In April 2018, India's defense minister visited Moscow to finalize a weapons deal worth \$5 billion. Russia is currently under a number of sanctions from the US. Under the Countering America's Adversaries through Sanctions Act or CAATSA, any country

trading with Russia's defense and intelligence sectors could also face sanctions. India has recently finalized a deal with Moscow worth \$5 billion. As part the deal, the Indian military wants to buy five S-400 long-range surface-to-air missile systems, leading to dears that India could face collateral damage from the sanctions against Russia.

Analysis

Indian Prime Minister Narendra Modi is scheduled to meet Russian President Vladimir Putin in the Black Sea resort town of Sochi on May 21st. The summit will reportedly be an informal, "agenda-less" meeting which will allow the leaders to exchange views on "international matters in a broad and long-term perspective with the objective of further strengthening our Special and Privileged Strategic Partnership."

There are a number of potential concerns that India may feel the need to address at the summit. The first of these could be the potential impact of CAATSA on India. New Delhi finalised the deal despite sanctions and is heavily reliant on Moscow for its defense supplies. Indian military forces feel that the S400 Triumph air defence missile systems are important to deter threats across both the border. "We are not going to allow our defense requirements to be dictated by any other country. Whatever is in India's interests in terms of procuring equipment for national security is what will determine how we act with various countries," an official source told The Hindu ahead of the talks.

One area of concern in Moscow could be that India has become too close strategically to the US. India sees its relationship with the US as a means to counter China and has increased its purchases of defense equipment from the US. In April this year, for example, India secured a deal with Boeing for 110 fighter jets. Moscow has also opposed the "Quad", the four-way strategic partnership of US, Japan, India, and Australia. It has said that "sustainable security architecture in the Asia Pacific region cannot be achieved through [a] bloc arrangement and is only possible through an open-ended collective basis."

Assessment

Our assessment is that amidst shifting geopolitical dynamics, India and Russia may both want to ensure that their time-tested relationships remain strong. New Delhi is heavily reliant on Moscow for defence capabilities, and US sanctions are likely to affect military supplies to India. The US's decision to pull out of the Iran nuclear deal may radically alter global power matrices, and Russia, China and India will be recalibrating bilateral relationships to adjust to such an eventuality. Modi's recent meeting with Xi Jinping in Wuhan may also have been a result of these changes. We believe that India's relationship with Russia serves as an important balance in its foreign policy. With this visit, India may want to ensure that it has a friend and strategic partner in the region.



China and the Iran nuclear deal

The Iranian ambassador to China, Ali Asghar Khaji has said that China has a "positive role" in upholding the Iran nuclear deal (JCPOA). Khaji also warned that Iran could consider "other options" if Iranian interests and rights from the deal aren't preserved. China is the largest importer of Iran's crude oil and has reiterated its commitment to the JCPOA.

Background

Historically, China has maintained trade ties with Iran and Persia for thousands of years. Iran was a crucial stop on China's historic Silk Road trade route and there is evidence of Chinese travellers in Persia. Diplomatic ties between Iran and China were first established in 1971. China maintained its relationship with Iran following the 1979 Iranian revolution and the ascent of Ayatollah Khomeini into power. Following the imposition of arms embargos by the West, China emerged as an important economic and military partner for Iran.

Today, China is one of Iran's main trade partners, accounting for approximately 22.3% of total trade. Trade between Iran and China has more than doubled since 2006 to \$28 billion in 2017. In 2017 alone, their two-way trade increased by 21 percent. According to some estimates, China imports around 10% of its oil from Iran. Iran, strategically located between Europe and Asia, is also an important part of China's Belt and Road Initiative, which it signed in 2016.

Iran nuclear deal

The Iran nuclear deal, also known as the JCPOA (Joint Comprehensive Plan of Action), was signed by Iran and major powers UK, China, France, Germany, Russia, and the US (the P5+1) in 2015. The deal was a result of almost a decade of sanctions due to Iran's non-compliance with the Nuclear Non-Proliferation Treaty. Between 2006 and 2015, Iran lost an estimated \$100 billion in oil revenue alone. According to the JCPOA, Iran would limit its nuclear ambitions in return for relief from a number of sanctions. It was declared that Iran had complied with the terms of the provisional agreement and sanctions were lifted in 2016. On May 8th, 2018, President Trump announced that the US would be withdrawing from the "decaying and rotten" nuclear deal. This move was taken against the advice of allies such as France and Germany, whose leaders lobbied for the Trump administration to preserve the deal. Iran has warned that it would not "remain in a deal that has no benefit" and threatened to resume its uranium enrichment projects.

Analysis

"Our Chinese friends again reaffirmed their stance against unilateral sanctions and actually pictured the framework of the future cooperation between the two countries on how to expand the relations," Iran's ambassador to China, Ali Asghar Khaji said in a recent interview. Khaji noted that China was one of Iran's most important trading partners, as well as a major investor and the largest importer of Iran's crude oil. Last year alone, China provided Tehran a \$10 billion credit line, and signed a \$700 million deal for a train line between Bayannur, in China's Inner Mongolian Autonomous Region, and Iran.

Earlier this month, Iranian Foreign Minister Mohammad Javad Zarif met with his Chinese counterpart Wang Yi in Beijing. Wang Yi reiterated Beijing's support for the deal, according to state media Xinhua. "China will take an objective, fair and responsible attitude, keep communication and cooperation with all parties concerned, and continue to work to maintain the deal," Wang said, adding the agreement was "hard-earned."

Diplomats from Europe, China, and Russia are reportedly in the process of discussing a new accord to offer Iran financial aid in exchange for moderating its military activity in the region and curbing its ballistic missile program. Observers have also noted that China would be a primary beneficiary from US's withdrawal from the JCPOA as it could allow China to demand oil imports priced in yuan.

Counterpoint

While western withdrawal could increase opportunities for Chinese businesses, political uncertainty, and possible sanctions could deter investment. The United States is China's second largest trading partner. Iran accounts for less than 1% of China's total foreign trade (\$4.28 trillion). Furthermore, China is not immune to the threat of sanctions. The recent US ban on ZTE for doing business in Iran adversely affected the company's business prospects. Beijing is already caught up in a potential trade war with the US. Hu Xingdou, economist from the Beijing Institute of Technology stressed that political instability was a deterrent. "China needs to learn from the past: it invested heavily in Libya and Venezuela and lost a lot," Hu noted.

Assessment

Our assessment is that Beijing is likely to continue supporting the JCPOA as long as other signatories stand by the agreement. As a major importer of Iranian oil,

it is in China's interests to ensure relative stability in the Middle East. As stated previously, with fewer ties to the US financial system, Chinese corporations could see an opportunity in US's withdrawal from Iran. We believe that China will not do business with Tehran if it believes that its trade ties with Washington are genuinely at stake. However, China has circumvented western sanctions in the past and may do so again. Thus, China will ensure its interests are also met as a result of this development.



Trump cancels North Korea summit

US President Donald Trump has cancelled what would have been a historic summit with North Korean President Kim Jong-Un. The summit was scheduled to take place on June 12th in Singapore. North Korean officials have stated that they are open to continue talks.

Background

The history of North Korea began in 1945, when colonial Japan withdrew from the peninsula and Korea was divided into two halves along the 38th parallel. The relationship between the US and North Korea has always been fractious. During the war between North and South Korea in 1950, US forces successfully intervened on behalf of South Korea. 28,500 American soldiers are stationed in South Korea as part of United States Forces Korea (USFK). Read more on the history of the peninsula [here](#).

The North Korean nuclear program has been a source of concern for the US and the international community for decades. Talks to curb the programme in exchange for relief from sanctions have failed repeatedly. One example is the 1994 US-North Korean Agreed Framework, in which North Korea agreed to halt its nuclear program in return for proliferation-resistant nuclear power. The agreement collapsed in 2002. In March 2012, North Korea agreed to halt nuclear tests, long-range missile launches and enrichment activities, in return for food aid from the US. However, only a month later, the Pyongyang violated the missile test moratorium agreement and the plan was scrapped.

In 2006, after North Korea conducted its first nuclear test, the UN Security Council passed harsh economic sanctions on the region. In 2017, it conducted over 20 missile test launches, conducted its sixth nuclear test, and test launched at least 2 intercontinental ballistic missiles. US President Trump has taken an aggressive stance while countering North Korea. Both Kim Jong-Un and Donald Trump were locked in an extended war of words in 2017. However, since the beginning of 2018, Pyongyang has indicated that it is willing to re-establish diplomatic ties with the outside world.

Analysis

"Based on the tremendous anger and open hostility displayed in your most recent statement, I feel it is inappropriate, at this time, to have this long-planned meeting," Trump wrote in a letter addressed to "His Excellency" Kim Jong-un. In the letter, in which he cancelled the much-anticipated summit, Trump appeared to revert to his earlier rhetoric of "fire and the fury." "You talk about your nuclear capabilities, but ours are so massive and powerful that I pray to God they will never have to be used,"

he wrote.

In recent weeks, North Korea has reverted to a more aggressive stance. In May, North Korea cancelled a meeting with South Korean officials after joint military drills between Seoul and Washington. North Korean vice foreign minister Kim Kye-Gwan reacted to comments by US National Security Advisor John Bolton, who had said that the United States is looking at a 2004 "Libya model" to denuclearise North Korea. Kim Kye-Gwan said that Pyongyang would "no longer be interested" in dialogue if the US was trying to push for "unilateral nuclear abandonment." At the time, President Trump was quick to assure Kim Jong-Un that he would have ample "protections" if he made the deal.

In response to Trump's letter, Pyongyang said that it is still willing to talk "at any time in any form". Kim Kye-gwan said Mr Trump's decision was "extremely regrettable." Hours before the announcement, Pyongyang reported that it had destroyed the tunnels at its Punggye-ri nuclear test site. The blast was also seen by foreign reporters.

The sudden change in attitude from Kim Jong-un may have been a major cause for Trump's decision. Analysts have previously noted that rushing into this summit could be a mistake, given that both countries may currently have very different ideas of what "denuclearisation" means. Pyongyang, this could mean mutual denuclearisation of the peninsula. The US, on the other hand, is pushing for North Korea's "comprehensive, verifiable and irreversible" nuclear disarmament.

Assessment

Our assessment is that this summit may still take place at a later date. As stated previously, we feel that both leaders have vested interests in a meeting. However, Trump's decision was not entirely unexpected. We believe that the move may have been a play to gain the upper hand. President Trump's strategy is to be unpredictable. He may use this opportunity to go into future talks with more preparation and extract more demands from Pyongyang. On the other hand, the President may also have escalated the risk of conflict in the region. We believe that South Korea will continue to push for talks to reach an agreement. China will also continue to play a role in the geopolitics of the Korean Peninsula.



IMF on Asian growth

The IMF's Regional Economic Outlook for the Asian and Pacific has forecast a 5.6% growth for the region for 2018 and 2019. India and China alone account for a third of this growth; India's growth could increase to 7.8% in 2019.

Background

The International Monetary Fund (IMF) is an international organization headquartered in Washington, D.C. It is comprised of 189 countries that aim to "foster global monetary cooperation, secure financial stability, facilitate international trade, and promote high employment and sustainable economic growth". It was formed in 1945 at the Bretton Woods Conference. Its initial goal was the reconstruction of the international payment system. However, its role has now changed to managing balance of payments difficulties and international financial crises.

In 2018, there have been increasing fears of a trade war between the United States

and China, two of the largest economies in the world. Critics fear that such a war between the two nations could disrupt global trade systems. These fears solidified in March, when US President Donald Trump announced global import tariffs of 25% on steel, and China promised retaliation. Since then, tensions have escalated. The US has imposed tariffs worth over \$150 billion; Beijing responded with \$50 billion worth of tariffs.

The IMF has forecast that 2018 will be the strongest year for global growth since 2011. According to the International Monetary Fund's latest forecast, the global economy is on course to grow 3.9% this year, the fastest pace since 2011. Every major economy is expected to experience a balanced growth for the second year in a row. Despite ongoing disputes, the IMF predicts trade volumes to grow. Overall world trade volumes grew 4.9% in 2017, up from 2.3% in 2016. For 2018, the forecasts call for trade to increase by 5.1%.

Analysis

"Asia continues to be the main engine of the world's economy, accounting for more than 60 percent of global growth," the International Monetary Fund noted in a recent report, which forecast a 5.6% growth for the region. India had the highest growth rate, and is expected to continue to grow at 7.4%. This could accelerate to 7.8% in 2019 as the country recovers from the impacts of the Goods and Services Tax and demonetization. China's growth is expected to average 6.6% due to fiscal tightening measures. Japan and ASEAN are both expected to remain constant at 1.2% and 5.3% respectively.

The IMF noted that the outlook is positive in the short term as strong consumer and business confidence continues. The effects of US expansive fiscal policy and the recovery of the Euro could have positive effects in Asia. However, the agency warned that there are several risks ahead. One major problem is inflation, which has remained below target in a number of economies. Analysts have noted that the Indian Rupee has been on a downward trend since the beginning of 2018, falling 5.15%. This week, the currency hit its lowest in 15 months at 67.13 rupees against a dollar.

This may be primarily due to the rise in oil prices, which has coincided with increased government spending. Protectionism may be another major concern. IMF also cited geopolitical risks, natural disasters, and cyber-attacks as other medium-term threats. In the Asian context, the IMF noted that some key structural reforms that would promote durable growth included narrowing gender gaps, addressing climate change, skilling the labour force to "adapt to the shifts in technology and trade", and managing demographic transitions.

Assessment

Our assessment is that the current confrontation between the US and China poses a clear and present danger to global economy. As stated previously, we feel that tensions between the two nations could increase the volatility in the financial market. In Asian countries, shifting geopolitics in the Korean Peninsula and in the Middle East could also pose a significant threat. We believe that in such a global political scenario, governments could focus on policies that lower risks to the financial system.

US may lose primacy as No: 1 currency

The US has the largest debt in world history and the dollar might lose its status as the No: 1 currency in the world. This was an opinion articulated by Jim Rogers at the St Petersburg International Forum (SPIEF).

Jim Rogers is an American businessman, investor, traveller, financial commentator, and author based in Singapore. He is the co-founder of the Quantum Fund and creator of Rogers International Commodities Index (RICI).



Background

The United States is the largest economy in the world in terms of nominal GDP. The US GDP was estimated to be \$18.46 trillion in 2016. The US dollar is the currency most used in international transactions and is the world's foremost reserve currency.

The IMF has raised the US growth forecast from 2.3 percent to 2.7 percent in 2018, and from 1.9 percent to 2.5 percent in 2019. The US administration headed by President Donald Trump has maintained that the growth rate for the economy will be 3% in 2018. US hopes to give a boost to its economy through expected tax cuts and federal spending. The IMF had ruled that US's projection was unlikely as the labor market is already at a level consistent with full employment. It also critiqued the US administration's ever evolving policy plans as a source for uncertainty.

The US stock market has enjoyed a bull market since 2009. For the first time since 2007, the market closed above 14,000 in February 2013. The market has been rising since the US presidential elections in 2016. In August 2017, for the first time in its 121-year history, Dow Jones Industrial Average broke the 22,000 barrier. While the economy has continued to recover from the 2008 economic crisis, experts have also begun sounding the alarm that a number of factors including rising global debt could ultimately threaten world economy. According to the Institute of International Finance (IIF), global debt hit an all-time high of \$233 trillion (£169 trillion) in the third quarter of 2017.

The United States has the largest sovereign debt in the world. The debt is greater than what America produces in a whole year. In March 2018, US debt exceeded \$21 trillion. Two thirds of this is debt held by the public, which is debt that that government owes to individuals, companies, and foreign governments, while the remaining third is intragovernmental debt.

Analysis

The US dollar is becoming less appealing for investors as American debt continues to soar and the greenback is printed to cover it, investor Jim Rogers said at the St. Petersburg International Economic Forum (SPIEF). American currency will lose the status of main reserve currency much sooner than 2030, Rogers said at the Valdai Club's discussion session, held as part of SPIEF.

On March 15, 2018, the US national debt exceeded \$21 trillion. This is more than America's annual economic output as measured by its gross domestic product. The last time the debt-to-GDP ratio was more than 100 percent was in 1946, when the nation had to pay for World War II.

A true debt crisis occurs when a country is in danger of not meeting its debt obligations. The first sign is when the country finds it cannot get a low interest rate from lenders. Why? Investors become concerned that the country cannot afford to pay the bonds and will default on its debt. That happened to Iceland in 2008. It threw the country into bankruptcy.

The federal budget deficit of 5% of GDP this year is almost unprecedented at a time of full employment, and the Congressional Budget Office recently forecast that similar deficits will, on unchanged policies, remain in place for the whole of the next decade.

Earlier this year, China, the world's biggest crude importer, rolled out a yuan-denominated oil contract that attracted nearly 27 billion yuan (\$4 billion) during the first trading session. The contract saw interest from both domestic and foreign investors. The European Union is considering switching payments from the US

dollar to the euro after Washington threatened to target European firms working in Iran, according to reports.

The measure may help the EU to retain one of the world's largest markets, which was opened for trade after the historic nuclear deal signed by Tehran and the P5+1 powers (China, France, Russia, UK, US, plus Germany) in June 2015.

Assessment

Our assessment is that US interest payments will quadruple, topping \$1 trillion per year in as little as a decade. The mammoth deficit is because of the tax cuts and increased expenditure by the government. We feel that the fragility in US relationship with its allies and trade sanction could also prompt some countries to look at alternate currencies to trade.



UN backs Iran deal

United Nations Secretary-General Antonio Guterres has urged US President Donald Trump to not nullify the Iran nuclear deal. He is among other world leaders who have voiced support for the JCPOA.

Background

Iran's nuclear program was first launched in the 1950s, with help from the United States. Iran signed the Nuclear Non-Proliferation Treaty in 1970. Support from the West continued until the Iranian Revolution and the ascent of Ayatollah Khomeini into power. Iran's nuclear program has been a source of concern for the international community since then.

During the International Atomic Energy Agency's (IAEA) investigations in the country, it was revealed that Iran had not declared a number of its nuclear activities and was not in compliance with the Non-Proliferation Treaty. In 2006, the country also refused to suspend its uranium enrichment program. The United Nations consequently imposed a number of sanctions on the nation.

By 2015, Iran had lost billions of dollars due to these sanctions; an estimated \$100 billion in oil revenue alone. It had also lost out on Foreign Direct Investment. In July 2015, Iran agreed to sign a nuclear agreement (the Joint Comprehensive Plan of Action or JCPOA) with major powers Britain, China, France, Germany, Russia, and the United States.

Analysis

US President Trump refused to certify Iran's compliance with the deal in October last year. He also noted that the US would walk away from the treaty if the other parties had not "fixed" the agreement by May 2018. As the deadline approaches, European allies have begun urging the US President to not walk away from the deal.

United Nations Secretary-General Antonio Guterres has spoken in favor of the JCPOA. He noted that unless a satisfactory replacement is found, the US should not nullify the present agreement. "If one day there is a better agreement to replace it it's fine, but we should not scrap it unless we have a good alternative," Guterres said in an interview with BBC Radio 4. "I believe the JCPOA (the Iran nuclear deal) was an important diplomatic victory and I think it will be important to preserve it but I also believe there are areas in which it will be very important to have a meaningful

dialogue because I see the region in a very dangerous position. I understand the concerns of some countries in relation to the Iranian influence in other countries of the region. So I think we should separate things."

Hamid Baeidinejad, Iran's ambassador for the UK has bluntly put forth the nation's next course of action if the deal were to fall apart. He said that Iran would immediately re-start its uranium enrichment programme. Recently, French President Macron met with Trump to try and dissuade him from pulling US from the treaty. German Chancellor Angela Merkel is also set to meet with the US leader to do the same. It comes just days after Israel revealed "secret nuclear files" accusing Iran of having covertly pursued nuclear weapons.

Assessment

Our assessment is that barring Washington, the nuclear deal has international support especially from the European Union and the UN. There are concerns that if Iran backs away from the nuclear deal, it will be difficult to regulate its nuclear program. Thus, it would make the Middle East more vulnerable. We believe that it will be necessary for Washington and its allies to come to a decision that ensures that the JCPOA remains



Japan shrinks

Japan's longest growth streak since 1989 has come to an end. Its economy has contracted by an annualised 0.6 per cent during the first quarter of 2018. This is the first time the economy has shrunk in two years, thus dealing a fresh blow to Prime Minister Shinzo Abe.

Background

Japan is the third largest economy in the world by nominal GDP after America and China. It has the fourth largest purchasing power parity. It is also considered the world's second largest developed economy. After the devastation of the World War II, it achieved a steady and significant growth in the second half of 20th century. Much of its expansion was due to its highly successful automotive and consumer electronic industries.

In 2017, it was revealed that Japan has blown past industry and market expectations with its growth. According to the official numbers, its GDP expanded at an annualized rate of 4% in the April-to-June period. Industry had forecast a rise of just 2.5%. This was the sixth straight quarter of growth for the country. The robust growth in the economy was attributed to a rise in exports especially smartphones. The economy has also been boosted due to the investments made to the Tokyo 2020 Olympics.

Japan's economy grew at an annualized pace of 1.4 per cent in the third quarter of 2017. At the time, it was the longest run of growth the country had recorded since 2001. In February 2018, it was reported that Japan had recorded growth for the eight-consecutive quarter. This was the longest expansion the nation has enjoyed since the 1980s. However, at that time, it was highlighted that the growth had significantly slowed down and the nation had missed its growth targets.

Analysis

For the first time in two years, Japan's economy has slid into reverse. It is largely due to sluggish consumption and a winter cold snap. Analysts had predicted that the economy would shrink by 0.2%. However, according to the latest data, the economy contracted at an annualised rate of 0.6%.

The economy was also affected due to higher vegetable prices owing bad weather, according to Takeshi Minami, chief economist at Norinchukin. He said, "There were one-off special factors in the January-March period, ranging from stock market sell-offs to higher vegetable prices due to bad weather."

Japanese companies have been under fire in the recent years and some have admitted to falsifying data. Some experts have also blamed the ongoing trade dispute between China and the US as having an effect on expenditure by Japanese conglomerates. "The biggest worry that we have is the capital expenditure slow down [in Japan] as corporations are backing off not only because of the strong yen, but particularly because of the possible protectionism that is emerging from the United States to the rest of the world," the University of Shizuoka's economics professor Seiji Takeshita told the BBC.

Assessment

Our assessment is that even though this may not be the start of Japan's recession, there are red flags that the government has to address. Currently, the rate of inflation is flat and employers remain reluctant in raising the base wages. In addition, the nation's ageing and shrinking population will be a cause of concern as well. However, there are some positive indicators that should provide reprieve to Abe's government. Japan's labour market remains strong and the current unemployment rate is just 2.5 per cent.



I An EU alternate to OBOR?

The European Union has created a preliminary draft for a Europe-Asia Connectivity plan, which some have compared to China's Belt and Road initiative. The Belt and Road initiative is a central feature of Chinese foreign policy. It underlines China's goal to assume a larger role in international affairs, with Beijing as the centre of a global trade network.

Background

China's One Belt One Road Initiative (OBOR) was announced in 2013. Hailed as a "21st Century Silk Road", the initiative seeks to revive trade routes across Eurasia. OBOR has been publicised as a development strategy that involves huge amounts of physical infrastructure, including railroads, highways, ports, and pipelines. China also claims that it will enhance financial linkages and increase cooperation across the landmass. According to the World Bank, OBOR has the potential to include "65 countries, 4.4 billion people, and about 40% of the global GDP".

The proposed economic corridor is divided into the land-based Silk Road Economic Belt (SREB) and the 21st Century Maritime Silk Road (MSR). The land route is intended to stretch from central China through Central Asia and Russia, into Western Europe. The oceanic "road" includes ports and littoral infrastructure across South and South East Asia, the Gulf, and ends in East Africa and the Mediterranean. The European route would link China (14% of world GDP) to the EU (21% of world GDP).

India is one of the few South Asian countries that has not signed the deal. India remains highly sceptical of increasing Chinese influence in its neighbourhood. One of India's main issues with OBOR is the China Pakistan Economic Corridor (CPEC). CPEC not only gives China access to the Gwadar port in the Arabian Sea, but also runs partly through Pakistan occupied Kashmir. China has not yet addressed India's concerns on this issue.

Analysis

China's keystone project has received substantial criticism. India, Japan, and the US have expressed concerns over OBOR. In February 2018, Britain expressed doubts about whether or not it would meet global standards. A source from the German foreign ministry told media that the initiative would have to be in line with labour and environment standards. Most recently, a US defence official accused Beijing of "predatory economic activities" in the Indian Ocean region, due to its investments in the Hambantota port in Sri Lanka and Gwadar in Pakistan.

In April 2018, it was revealed by a German newspaper that a number of EU ambassadors to China had signed a report criticizing the Belt and Road Initiative. The report accused China of trying to shape globalization to suit its own personal interests. However, China denied the validity of this report. Read more on this report [here](#).

In February, the European Commission released a document on a "Europe-Asia Connectivity plan", which is expected to be presented at the 12th Asia-Europe (ASEM) Summit in Brussels. The document stresses on connectivity, including "all modes of transport links (land, sea and air) as well as digital and energy links in the Euro-Asian area." European construction and trade associations have praised the idea of an alternate connectivity plan.

Counterpoint

There has been no unified EU policy towards OBOR yet. Some EU countries, including Austria, Spain, and Netherlands, have welcomed Chinese investments. Fourteen EU countries are members of the China-led Asia Infrastructure Investment Bank (AIIB). Proponents of OBOR have noted that different global initiatives could work in tandem with the Belt and Road Initiative. Bernt Berger from the German Council on Foreign Relations said that OBOR could be a point of collaboration. China has argued in favour of this initiative, noting that this could potentially revive and boost the economies of multiple countries across the world including Pakistan. It has responded to criticisms that OBOR lacks transparency by emphasising that there are "no back-room deals" when it comes to OBOR.

Assessment

Our assessment is that countries may be growing increasingly wary of debt traps and dependency on China and may be pre-emptively diversifying their trade networks. A major challenge for OBOR in Europe could be to adapt to EU standards of labour and environment. However, as stated previously, we believe that some of the more powerful nations in Europe could see OBOR as a threat to their own power and influence in the world. This could pose a threat to Beijing's ambitious project.



I Iran reaches out to Russia

Iranian Foreign Minister Mohammad Javad Zarif has arrived in Moscow to conduct high level meetings regarding the Iranian nuclear deal with his Russian counterpart. According to him, Foreign Minister Sergei Lavrov has assured Moscow's full cooperation to save the sanctity of the deal even after US President Donald Trump withdrew from the agreement.

Background

In the 2000s, reports began emerging on Iran running a uranium enrichment

program in secret. An investigation by the IAEA revealed that Iran had not declared a number of its nuclear activities to the group. Thus, the nation was subjected to multiple harsh sanctions from the international community. This has cost the nation billions of dollars (estimated \$100 billion in oil revenues alone till 2015). It has also lost out on foreign direct investment.

On 2 April 2015, the P5+1 and Iran reached a provisional agreement that sought to lift most of the sanctions in exchange for limits on Iran's nuclear programs extending for at least ten years. When the International Atomic Energy Agency (IAEA) certified that Iran had restricted its sensitive nuclear activities, the UN sanctions were lifted on January 16, 2016.

The United States and Iran do not have any formal diplomatic relations or ties. The two nations share an acrimonious relationship. In 2002, US President George W Bush referred to Iran as being part of the "axis of evil." US President Trump refused to certify Iran's compliance with the deal in October last year. He directed his administration to "address the deal's many flaws so that the Iranian regime can never threaten the world with nuclear weapons."

Analysis

Even though the agreement has support of the international community including the European Union, in May 2018, President Trump withdrew the US from the deal. His actions came just weeks after French President Macron and German Chancellor Angela Merkel met with Trump to discourage him from nullifying the deal.

Meanwhile, Iran has begun working towards supporting the other signatories to ensure the deal remains in place even without US support. Iranian Foreign Minister Mohammad Javad Zarif has already met with authorities in Beijing. He met with Chinese Foreign Minister Wang Yi who reiterated Beijing's support for the deal, according to state media Xinhua.

He also met with his counterpart in Russia, Foreign Minister Sergei Lavrov. Zarif has been quoted by the RIA news agency as stating that the meeting was favourable. He said that during the meeting, Russia had confirmed its readiness to respect the Iran nuclear deal.

He also stated that Russia has vowed to do everything in its power to save the sanctity of the deal. In the recent years, Russia has taken a large role in the politics of Middle East.

UK Prime Minister Theresa May has also spoken to Iranian President Hassan Rouhani to assure her support. "She said it is in both the UK and Iran's national security interests to maintain the deal and welcomed President Rouhani's public commitment to abide by its terms, adding that it is essential that Iran continues to meet its obligations," a UK government spokesperson said in a statement. Germany and France have also voiced their support for salvaging the deal.

Assessment

Our assessment is that US President Donald Trump's actions put him at direct odds with most of the international community including US allies. It is possible that the US withdrawal from this agreement would undermine Washington's credibility in future negotiations -- particularly with North Korea. It would also result in Russia gaining more influence in Middle East. There are also heightened concerns that this further destabilizes the highly volatile region and could result in an all-out war, especially between Iran and Israel.

I Fake news

When Marcus Tullius Cicero ran for the office of consul in Rome in 64BC, he brought in his brother Quintus as his adviser. Quintus apparently offered wise counsel and was not above dirty politics. It's unlikely that Quintus was the first political consultant in history, but his approach has survived the ages: do anything and everything to win.

Case 1: Kremlin critic and journalist Arkady Babchenko

Fake news is a type of propaganda that consists of misinformation spread via mainstream media, broadcast, or social platform.

The recent controversy surrounding the prominent Kremlin critic and journalist Arkady Babchenko staging his death with help from Ukrainian authorities to thwart an alleged Russian assassination plot received widespread criticism for propagating a false narrative and potentially trivialising violence against journalists.

In the past, we have seen governments involved in deception as a strategy, disseminating news that was aligned to its national interest. In the months leading up to the invasion of Normandy during World War II, the Allies conducted a substantial military deception – Operation Fortitude - aimed at misleading the Germans with respect to the date and location of the invasion.

Babchenko has been criticised by several international organisations for staging his death. Some have compared it to the alleged disinformation campaigns carried out by Russian intelligence. This incident has eroded the credibility of the Ukrainian government in the eyes of the public.

Would such a communique released by the Ukrainian government be termed as fake news?

Our assessment is that this is a clear instance of fake news being propagated by a government.

Case 2: Indian editor arrested for fake news

On March 29th 2018 Mahesh Vikram Hegde, Editor of Postcard News, was arrested in southern Karnataka state on charges of spreading fake reports that Muslims had attacked a monk from the Jain faith.

Our assessment is that the intent of the author is mala fide and hence will qualify as fake news. Such stories have an underlying message to the public to react in a pre-designed manner. A similar incident had happened on August 2012; thousands of panic-stricken people of the northeast living in Bangalore boarded trains following rumours appearing on social media of violence targeting them.

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