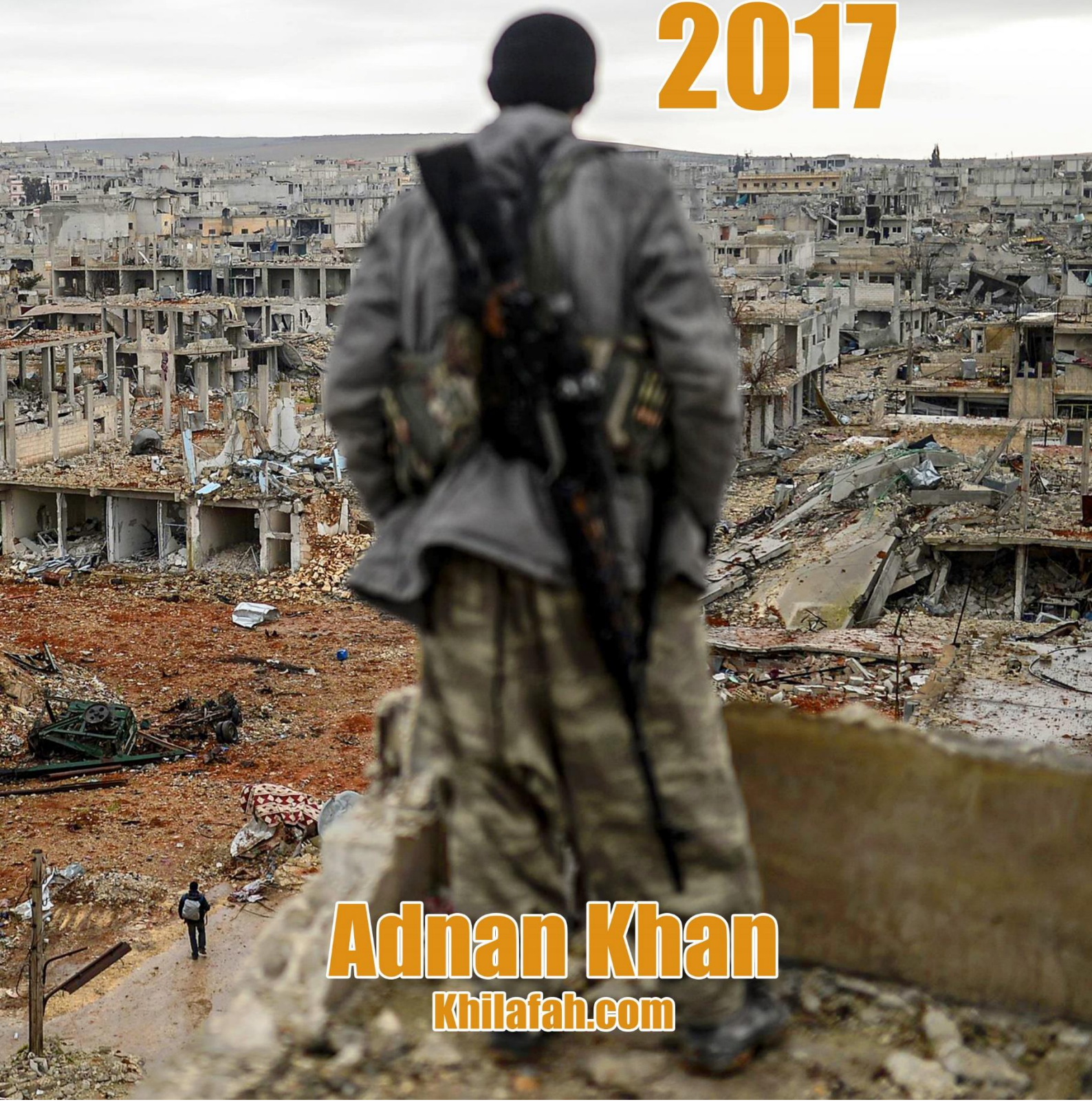


STRATEGIC ESTIMATE 2017



Adnan Khan
Khilafah.com



A meeting was held towards the end of March 2011 in the office of President Bashar al-Assad in Damascus. In that meeting, which was attended by a senior Hezbollah official in addition to Qasem Suleimani, the commander of the Iranian Revolutionary Guards Quds Force, the Iraqi minister of national security and the President's brother Maher al-Assad, Bashar al-Assad said:

"We taught them a lesson at Hama that silenced them for 40 years and I shall teach them a lesson that will silence them for 100 years."¹

Introduction

Strategic Estimate is Khilafah.com's annual assessment of the global balance of power. In our assessment of 2015, we concluded with the US remaining the world superpower and navigating the myriad of challenges it faced across the world.

The uprising in Syria past its fifth anniversary in 2016 and in early 2017 it will reach its sixth. No one could have predicted during the historic days when the Syrian masses took to the streets in 2011, that the conflict would have lasted so long. The fall of Aleppo in December 2016 struck a severe blow to the rebel groups of removing the Bashar al-Assad regime. In what is the regimes biggest success to date and the rebels biggest loss it looks as though the beginning of the end has started. The United States political plan for the country looks to be as elusive as ever after numerous conferences, negotiations and ceasefires. As Obama's term at the White House comes to an end, America's political plan for Syria struggled to come to fruition throughout 2016. In *Strategic Estimate 2017*, we assess where matters stand in Syria.

The US has persisted in shaping conflicts within Ukraine, Libya and in the South China Seas, albeit with mixed success; we assess what this means for America's position as the global hegemon. Particularly with a new president to take up his post in the White House in early 2017.

In 2016, a political bomb exploded in Europe as the United Kingdom narrowly voted to leave the European Union. The EU has been a divisive issue ever since Britain joined the European Economic Community (EEC) in 1973 and calls for renegotiating Britain's membership had been gaining ground ever since. The decision came at a critical moment for the UK, as it stands at a serious epoch in terms of its position within the world. *Strategic Estimate 2017* will analyse what this result means for Britain and its role in the world.

Russia's entry into Syria passed its first anniversary in September 2016 and has turned the tables in the favour of Bashar al-Assad but questions still remain unanswered - does Russia have any grand aims in shaping the country and the region or is it part of the US plan in ensuring real change does not take place within the country? The conflict in Ukraine continued to hurt the Russian economy, but a solution remained a distant prospect. Losing Ukraine in 2014 clearly obstructed Russia's attempts at reconstructing itself as 'mother Russia,' whilst the resulting sanctions and sharp decline in oil prices continued to hurt it domestically. The struggle for Ukraine has all but frozen, with neither Russia nor the West able to impose their will against the other. All of this took place with significant NATO movement in Eastern Europe. In *Strategic Estimate 2017* we assess where the struggle for Ukraine stands and what this means for Russia.

In 2016 the South China Sea was a regular feature in global headlines and with the international tribunal in the Hague ruling, which rejected China's claim to the rocks and islands within its vicinity, heightening the tension in the overall region. In *Strategic Estimate 2017* we assess what this means for China's geopolitical claims. China's attempts to continue with its colossal economic transformation is struggling as its economy slows and its debt continues to pile up quicker than the economy can generate wealth. China suffered from a severe economic slowdown in 2016, which has

once again shown the cracks in China's economic strategy. We assess the state of China's economy and the options available to it.

The effects of the global economic crisis continued to weigh on the European Union in 2016, but this was almost insignificant compared to the shock result of Britain voting to leave the EU. For years questions have remained on the long term viability of the Union, this bombshell by Britain has only confirmed the Union's long term challenges. In *Strategic Estimate 2017* we assess the impact of this decision, what it will mean for the wider EU and how the heavyweights (Germany and France) plan to preserve the union.

The global economic crisis that began back in 2007 will reach its 10th year in 2017 and despite some growth, much of this has been unsustainable and this uncertainty continues to weigh heavily on the global economy. In *Strategic Estimate 2017*, we assess the state of the global economy.

Successive *Strategic Estimates* have analysed emerging nations and their prospects of joining the league of elite nations that engage in political struggle. In *Strategic Estimate 2017* we assess and analyse Latin America, which regularly appears in global headlines, but formal global struggle over it doesn't appear to take place. As a result of this, it is one of the least known continents in the world and probably the most misunderstood. In *Strategic Estimate 2017* we review the history of the region and where it stands in terms of its position in the world.

What follows *in sha allah* are the author's opinion and assessment of 2016 and the trends for 2017 and beyond. Like any assessment, they are estimates and forecasts and re the opinions of the author.

Adnan Khan
29 Rabi' al-Awwal 1438 AH
28th December 2016 CE

The End Game in Syria

The battle for Syria passed half a decade in 2016 with neither the rebels or the al-Assad regime able to extract a price from the other or impose its will upon the other. Throughout 2016, the rebels were in the retreat. At the end of 2015 the rebels were challenging the regime in Damascus across the country and Bashar al-Assad lacked the resources to deal with this. America ensured none of the surrounding nations, be it Turkey, Saudi Arabia, Qatar or Jordan gave any of the rebel groups arms that would make a difference in the conflict. This is why surface-to-air missiles, which would have tilted the balance of power in Syria have been scarce. This severely handicapped the rebel groups.

By the summer of 2016, Russia's military intervention had paid off in saving the Bashar al-Assad regime. Al-Assad's army in the five years of war has seen its forces shrink from over 300,000 troops to below 130,000. Russia intervened by committing untold massacres through indiscriminate airstrikes on hospitals and civilians. Russia purposefully targeted civilians in order to spread fear and facilitate the takeover by al-Assad's troops. Russia conducted around 60 airstrikes daily, while the American-led coalition averaged seven.² By the time Putin ordered the withdrawal of the 'main part' of his forces in March 2016, Russia had conducted over 9,000 airstrikes over the course of five and a half months, while helping the Syrian army capture 400 towns and acquire 10,000 square kilometers of territory.³ Professor Fawaz A. Gerges of the London School of Economics opined the Russian military intervention had turned out to be a game-changer in the Syrian Civil War: *"Mr Putin's decision to intervene in Syria and shore up Mr Assad with new fighter jets, military advisers and advanced weapons stopped the bleeding of the Syrian army and allowed it to shift from defence to offence."*⁴ Russia also provided air cover to Iran's Revolutionary Guards (IRGC) and the Shi'a militia forces they led. These combined operations created a severe dent in the rebel ambition to overthrow the regime in Damascus.

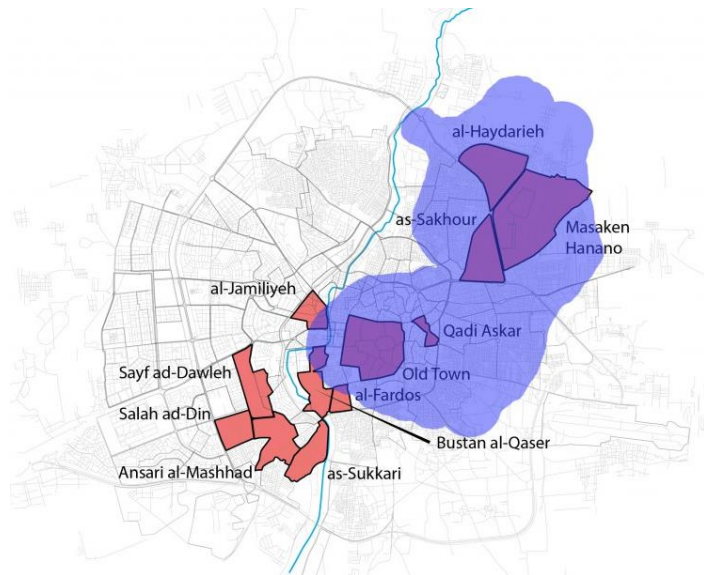
The Fall of Aleppo

By far the most important event in the half decade long war, which will have geopolitical ramifications is the fall of Aleppo. The loss of the city by the rebels was surprising considering that in the middle of 2015, according to IHS Jane's Information Group, Bashar al-Assad controlled an area only the size of Belgium, a mere 17% of Syrian territory, whilst the rebels had seized 83% of the country. With the help of both Russia and Iran, al-Assad was able to turn the tide with a brutal siege upon the residents of Aleppo. The capture of Aleppo marked the biggest victory for al-Assad since the uprising began and the heaviest blow the regime has dealt the rebel groups.

For centuries, Aleppo was the region's largest city and the Ottoman Caliphate's third-largest, after Constantinople and Cairo. Before the uprising began in 2011, Aleppo was the country's industrial and financial centre. The old city was a Unesco World Heritage site, and famous for its 13th Century citadel, 12th Century Great Mosque and huge covered markets. Aleppo was once Syria's largest city, with a population of over 2 million. When the uprising erupted in 2011, Aleppo did not see the large protests or the deadly violence that shook other towns and cities. But it suddenly became a battleground in July 2012. Rebel fighters launched an offensive to kick out government forces and gain

control over northern Syria. But the rebel assault was not decisive. Aleppo ended up divided roughly in half — the opposition ended up controlling the east, and the government the west.

The Al-Assad regime has once again made use of the medieval tactic of siege warfare where an area is sealed off, besieged and all food and supplies are cut in order for the population to starve or surrender. The inhabitants of Aleppo broke through the siege in August, but eventually capitulated to a brutal onslaught that included indiscriminate airstrikes. Al-Assad's scorched earth strategy of siege warfare,



Aleppo Rebel held territory 2012

with significant help from indiscriminate Russian airstrikes and Iranian revolutionary guards backed up with shi'a militia fighters, eventually paid off. The siege of East Aleppo resulted in the cutting off supplies, food, medicine, fuel and weapons. Russian airstrikes sent tens of thousands of civilians fleeing targeted areas and destroyed entire neighborhoods. The Pro-Assad forces indiscriminately used barrel bombs dropped from helicopters, even using chemical weapons on some occasions,⁵ killing thousands of people and purposefully targeting civilians, including hospitals and schools. In November 2016 all hospitals in eastern Aleppo were out of action as a result.

Bashar al-Assad did not achieve victory in Aleppo through the capability of his armed forces and security services. His forces were not armed with more advanced weaponry than the 250,000 civilians in East Aleppo or the 8,000 – 10,000 rebel fighters. The battle for Aleppo in reality was between Russia's air force and Iran's mercenaries filling the rank and file of the force that fought for Aleppo. The Syrian army was led by Iran's Islamic Revolutionary Guard Corps (IRGC) and supplemented with thousands of Shi'a militia from Iran, Iraq, Pakistan, Afghanistan and Lebanon and with air power provided by Russia. Despite all this power it took over half a decade to retake the city. It took over a year, with significant external support to even retake the city and then it was only taken through Stalingrad style tactics of razing the city to the ground. The concentration of so many troops and resources on Aleppo is what it took to defeat a few thousand rebels.

The complete indifference of the US left the people of Aleppo to fend for themselves under the onslaught of the regime. The most the US did was condemn what was taking place, call for talks but do nothing practically as the people of Aleppo were being slaughtered. This strategy has been a constant position of the US throughout the uprising – condemn, but do nothing. The call for talks every time the people of Syria are being bombed back to the stone age would indicate the US supports the actions as it would get the rebels to the negotiating table. The US has significant military assets in the region and could have dropped caches of weapons inside Syria; its forces regularly bomb ISIS territory to the East of Aleppo. However, the US does not see supporting the rebels in Aleppo as part of its strategic interests. The CNN highlighted: *"The US has assembled an international coalition to fight ISIS and other terror groups that have established safe havens in the chaos of the Syrian civil*

war. But it has not taken military action to boost the rebels, even as it has sided with the moderate opposition and called on Syrian President Bashar al-Assad, a close Russian ally, to step aside.”⁶ A US-vetted rebel commander highlighted: “we are very frustrated. The United States refuses to provide weapons we need, and yet it still thinks it can tell us what to do. They promise support and then watch us drown. America will have no influence if our comrades are forced [to retreat to] Idlib.”⁷ Embarrassed by this, US officials are now saying the Obama administration may lift a long-held ban by allowing Qatar and Saudi Arabia to arm rebels with man-portable missiles. “The US confirmed the green light to begin sending them to rebels through supply routes still open through Jordan and Turkey,” the Reuters news agency reported from an anonymous US official.⁸ All of this is too little, too late.

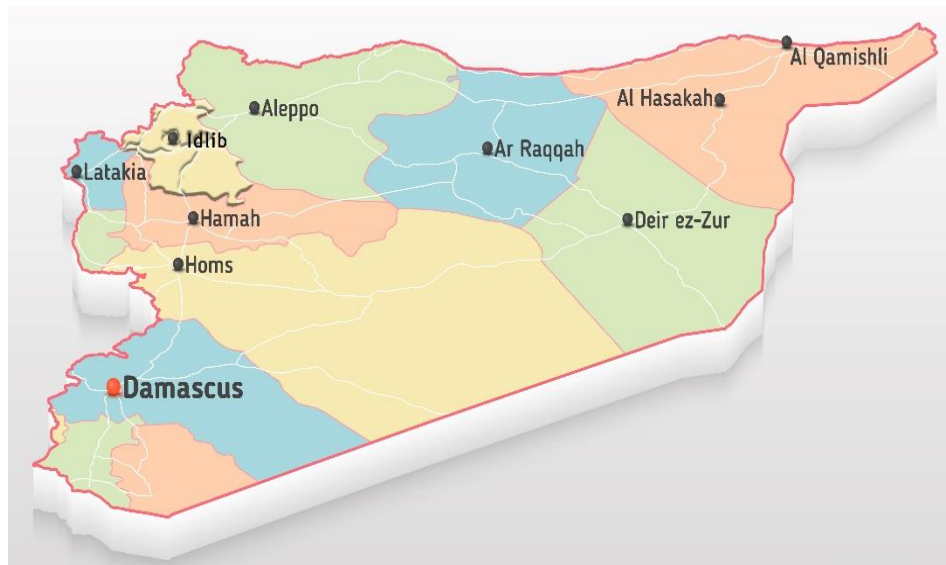
The regional nations who for long stated they supported the rebel groups against the regime in Damascus abandoned them at their most critical hour. For years, Turkey worked with and built up insurgent groups in Aleppo province. As Aleppo was encircled over several months, Turkey’s response was limited to shelling areas the YPG had captured from rebels. What weakened the rebel front in Aleppo immensely was Turkey’s military intervention — known as Operation Euphrates Shield. The operation saw Turkish military officials shift rebel groups from Aleppo to Afrin in North Syria. By mobilising Syrian rebels who originally fought in Aleppo, such as the Nouredine al-Zinki Brigade, this weakened the rebellion in Aleppo and thus facilitated the advance of the al-Assad forces. Saudi Arabia and Qatar are now only interested in UN efforts in Syria and refuse to arm rebel groups in Aleppo who they armed previously. In a telephone conversation with Asharq Al-Awsat from New York, a Saudi diplomat highlighted: “Representatives of Saudi Arabia, Qatar, the UAE and Turkey had clearly invited the UN to hold an urgent session on the situation in Syria and the latest developments there because we touched an insistent need to hold such a session.”⁹ Despite the regional nations possessing the capability to deal a fatal blow to al-Assad, the people of Aleppo were been abandoned by the regional nations.

The loss of Aleppo by the rebels is a strategic loss, but it frees up rebel groups from governing Syria’s largest city, allowing them to focus on guerrilla warfare and extracting a huge cost for al-Assad’s victory. Governing territory effectively by the rebel groups was always a challenge and led to competition between the rebel groups over resource rich areas. They were required to administer areas with little resources available as many areas had been severely bombed. Al-Assad will now have to muster a force to hold Aleppo which will require long supply lines from the centre and the South of Syria. These supply lines will also need to be protected which will require further manpower and resources, something al-Assad just doesn’t have. If the rebel groups resort to guerrilla warfare and in small units attack different parts of the supply line that maintain the occupation of Aleppo, this will bleed the al-Assad regime which is already struggling with its manpower, finance and economy in decline. Winning territory over your adversaries is one thing, holding it is completely different.

For the regime in Damascus the battle to endure has been very costly. Syria’s economy is in dire straits. Government-held territories have offered economic stability relative to most bombed-out rebel positions, which has been a powerful draw to Syrian citizens to support al-Assad. But as the

conflict has worn on, the economic conditions and living standards in these havens have deteriorated. The ISIS operation to retake Palmyra, for instance, led to the capture of most of the regimes remaining energy fields. The costs of financing military forces and repairing damage from the war will only increase al-Assad's dependence on foreign sponsors. How committed both Russia and Iran are to Syria remains to be seen when the battle has gone on for over half a decade and is consuming ever more resources. The potential weakening of this financial lifeline will continue to be an ever-present risk for al-Assad. Reinvigorated by the fall of Aleppo, the al-Assad regime will press on with the war, though a military victory remains a remote prospect. The people and rebels, too, are no more inclined to accept a peace deal that allows al-Assad to stay in power, regardless of the setback that Aleppo's loss represents. Although the capture of Aleppo will be a decisive moment in the battle for Syria, by no means will it be the tipping point that brings the conflict to a swift end.

The final stand, in all likelihood, will now take place in Idlib and preparations are already being made for this by the regime, Russia and Iran. All the truces that have taken place have led both civilians and the rebels to move to Idlib. The province has the most powerful concentration of rebels numbering somewhere between 30,000 — 50,000 fighters.



The governorate is almost entirely under control of the rebels, bar a small pocket outside Idlib city. It was from Idlib the original siege of Aleppo was broken in August 2016 and this will probably be the last bastion of the rebels. Rebel groups have begun to heavily fortify the governorate to ensure no weak points can be exploited by the regime loyalists.

There is a long way to go in this battle for Syria and despite the immense fire power the al-Assad regime is being provided with by both Russia and Iran it took an immense concentration of troops over a year to succeed in Aleppo. Despite their few numbers, the capable rebel groups were able to extract a huge price for al-Assad to gain Aleppo. The regime is now in the process of attempting to occupy it, which will leave it open to guerrilla attack. The loss of Aleppo is a major setback but there is some way to go for the rebels to be down and out, and for the moment the rebels are fighting to the end in their dream for real change.

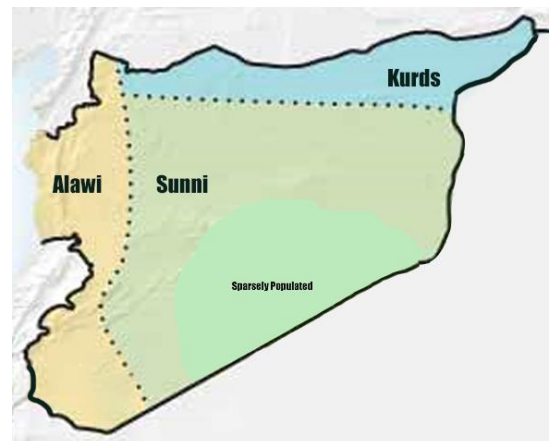
USA

2016 was Barack Obama's final year in office, as the US constitution restricts presidents to a maximum of two terms. Like his predecessors, Obama lost both Houses of Congress - the Senate and House of Representatives to the Republicans and spent most of his last year at the White House building his legacy. Obama will be handing over a portfolio of issues to his replacement which he struggled to solve. These range from Syria, Libya and China in the Far East.

Syria

America's political solution for Syria rests upon negotiations such as the Geneva 1 and Geneva 2 conferences, where the opposition would enter into negotiations with the regime and form some type of transitional government. But this opposition has been a complete failure, as it in reality consists of individuals with absolutely no influence over anyone or any piece of Syria. This coalition has trotted around the world meeting US, British, French and Turkish officials, but they have no support, following or any respect by those who are bracing it out against the forces of al-Assad.

2016 began with the US Secretary of State John Kerry highlighting to the Senate Foreign Relations Committee that he will move towards a plan B, that could involve a partition of Syria if a planned ceasefire did not materialise, or if a genuine shift to a transitional government did not take place. *"It may be too late to keep it as a whole Syria if we wait much longer,"* John Kerry said.¹⁰ *"There is a significant discussion taking place now about a Plan B in the event that we do not succeed at the [negotiating] table."*¹¹ The announcement by John Kerry of splitting Syria, came in the context of America's failure to force the rebel fighters to give up their demands for real change despite numerous conferences and summits to achieve this. As Syria reached its fifth anniversary in April 2016 no-one expected the people of Syria to still be in this battle.



Bashar was still unable to deal a fatal blow to the rebel groups and this is where Russia came into the equation. The US brought Russia into the conflict in Syria and they have cooperated ever since. General Andrei Kartapolov, the military official in the leadership of the Russian Army General Staff said on 31st October 2015: *"The areas that have been targeted by the Russian air force in Syria were introduced to Moscow as areas harboring terrorists only, by the US military command. The United States of America notified us via common connections that no one exists but the terrorists in these areas."* The Pentagon confirmed that the US and the Russians successfully tested a mechanism allowing their pilots who carry out operations in Syrian airspace to communicate directly to avoid any accidents. Pentagon spokesman Geoff Davis said that the American fighter jets *"conducted a communications test on, which was prepared with the Russian fighter jet"* in Syrian airspace, pointing out that the test lasted three minutes and *"achieved its objectives."* Russian news agencies also confirmed the Russian air forces were conducting joint training.¹² A US based geopolitical analyst highlighted: *"the real question*

*is why they (Russia) went in, the least of which was protecting Assad, who was disposable. They went in first to demonstrate they could, they took 70 aircraft and deployed them at a distance and that was impressive. The second thing is they got to do the US a favour, the US may oppose Assad, but it cannot afford for him to be overthrown as ISIS may move into the vacuum. At the same time, the US cannot say we will protect Assad for a while and then cut his throat and therefore Russia did a big favour for the United States. Maybe they didn't, but they took care of the problem of al-Assad without having the US fingerprints on it. And the final thing which the president and Putin spoke about yesterday was Ukraine, having cooperated with the US in Syria and with all the rhetoric said about it, they are now ready to have a real conversation about the real thing that matters to them, the future of Ukraine."*¹³

The truces between the different opposition and rebel groups with the regime came to haunt the uprising as they were used by the regime to prepare the ground for its assault on Aleppo. All of the truces from the very beginning of the uprising in Syria have led to the regime to use them to expand its influence elsewhere and then completely disregard the truce agreed. Al-Assad signed a number of truces since 2011 and eventually revoked them, such as the Kofi Annan truce in April 2012, the Lakhdar Brahimi's truce during Eid al-Adha in October 2012. The 2015 Zabadani truce required the signatories to leave for Idlib and the Al-Waar truce in December 2015 stipulated the exit of the opposition gunmen from the neighbourhood towards Idlib, thus clearing the fighting in Homs and giving the cradle of the uprising completely back to al-Assad.

In June 2016, Al-Assad's forces, with significant Russian air support and with Shi'a militia ground forces began the siege and encirclement of Aleppo. With many of the rebel groups in the North-East of Syria, including many holed up in Aleppo, Syria's commercial and economic hub became the centre of the Syrian conflict. The international powers, not to be outdone, committed massacres in order to bomb the rebellion into submission. US warplanes on July 18th committed a bloody massacre after targeting the city of Manbij, killing more than 20 civilians and injuring dozens of women and children.¹⁴ Just the day after French warplanes took revenge for the attacks in Nice in the Greater Toukhan village north of Manbij city, carrying out a massacre which led to the deaths of more than 200 civilians, mostly children, women and elderly, including entire families.¹⁵ On July 23rd Russia also conducted air strikes that left 70 people dead, including children, in raids on several areas around Aleppo.

For the rebels and those civilians holed up in Aleppo they were forced to hold out against the assault and survive the prolonged siege where food, water, medicine and morale was limited and severely tested. But the rebel groups, through their ability to be more mobile, were able to punch through being encircled and effectively lifted the siege by recapturing the neighbourhood of Ramouseh, south of Aleppo, thus delivering a blow to the Assad regime. Despite the use of militia forces by the al-Assad regime, they were used in a conventional way in order to impose an effective siege and completely seal off East Aleppo. This worked in the favor of the rebel groups and the inhabitants of East Aleppo as they targeted the weaker fronts in Assad's militias to punch through and break any encirclement. This required far fewer resources than it did to amass a large force to implement the encirclement.

By the end of September 2016, this rebel success infuriated the US and Russia, *"Bunker-busting bombs, more suited to destroying military installations, are now destroying homes, decimating bomb shelters, crippling, maiming, killing dozens, if not hundreds,"* Matthew Rycroft, Britain's ambassador to the

United Nations, told the Council session at an emergency meeting of the UN Security Council on the 25th September 2016.¹⁶ The suffocating siege from all accounts should have been accepted by those holed in Aleppo. But the complete opposite took place. Demonstrations, marches and the rejection of the ceasefire arranged by the US and Russia all took place under the siege, the blockade which caused the prevention of food and aid still drove many to take to the streets of Aleppo and reject the US-Russia truce. Even the rebel groups who received weapons from regional and international powers were forced to submit to the public opinion of the inhabitants of Aleppo.

Ever since the Russian intervention, the rebel groups have been on the retreat and the loss of Aleppo may very well be the final nail in the coffin. But there still remains significant opposition to America's political solution, despite the people of Syria being indiscriminately bombed. So long as major differences do not emerge amongst the regional and international powers, the trajectory of the Syrian uprising is heading in a direction completely opposite to the original aims of the people of Syria.

Libya

The US jumped at the chance to partake in the overthrow of Muammar Gaddafi, who had for decades been a thorn against US interests in the region. Sensing Britain and France would be unable to carry out the military operation themselves, the US deployed its resources to overthrow Gaddafi in order to have a role in a post-Gaddafi Libya. The US provided aerial refuelling capability with US Air Force KC-135 Stratotankers refuelling French and British fighter-bombers. They flew more than 200 missions, providing over 8 million pounds of fuel. The US military did all the heavy lifting to overthrow Gaddafi. But Britain was able to maintain its influence in the country by bringing former Gaddafi officials in a transitional government and then the permanent government. Because the US had no presence in Libya when Gaddafi was in power, through the CIA it began making contacts with militia groups and tribes to gain their loyalty and bring them to power. The hub of this activity was in the US consulate in Benghazi, but this was eventually burnt to the ground in September 2012, bringing to an end its role in furthering US interests in Libya. The US then turned to former Major General Khalifa Haftar who has spent the last 20 years in Virginia, USA, where he was trained in guerrilla warfare by the CIA. The Business Insider reported: *"The likelihood that Haftar was brought in to be some kind of asset is pretty high. Just as figures like Ahmed Chalabi were cultivated for a post-Saddam."*¹⁷

2016 in Libya began with the formation of a national Libyan government based on the Skhirat agreement. Prior to this, two governments existed in Libya, the General National Congress (GNC) who lost the elections in 2014, but refused to accept the results from Tripoli. Whilst the victors of the 2014 election, who were driven out of the capital and settled in the port city of Tobruk came to be known as the Tobruk government. The GNC consists largely of former Gaddafi era personalities and has been supported extensively by Britain and France, whilst the US has backed the Tobruk government. The fact that the international powers support different factions, meant the new government was destined to fail. Claudia Jezzini from the International Crisis Group highlighted at the time: *"On paper, this is fantastic news. But from a practical point of view, the level of awaited support to the expected agreement in Libya is uncertain, and the fact that the leadership of both the existing parliaments oppose it, and are very busy in the development of their own peace plan, and the fact that the new government will have little control over key parts of the country, all of this makes many people skeptical of its effectiveness."*¹⁸

Today there exist three governments in Libya, none of which have sufficient power to govern across the whole country. The Tobruk government and GNC still remain, whilst the new government the Government of National Accord (GNA) which consist of elements of both governments also exists. The US lacks the critical players and influence to completely capture Libya from Britain and France and as a result it has deliberately stood in the way of all agreements, including UN ones as they do not serve its agenda. The US will continue to use terrorism and ISIS to interfere in Libya in order to steal the nation from the Europeans.

Russia and Ukraine

Ukraine celebrated its 25 anniversary in 2016 as an independent nation after the Soviet Union was formally dissolved in 1991. The US jumped at the chance to overthrow the pro-Russian Viktor Yanukovich, when the Euromaidan protests began against his rule in late 2013. Yanukovich was eventually overthrown and a pro-West government replaced him. In return Russia annexed Crimea and moved its military into Eastern Ukraine and used ununiformed military personnel further inland in Ukraine to weaken the hold of the central government in Kiev. The US hit back with the US Secretary of State John Kerry visiting Jeddah to see King Abdullah. Straight after this meeting the Saudi's raised oil production and cut its crude price. The effect of this was oil prices plummeted in 2014 which led to an economic crisis in Russia as it needs an oil price of \$105 barrel to balance its budget.

In 2016 the US stood firm in backing the Ukraine government and pressuring Russia, despite several countries in the European Union calling for sanctions to end on Moscow. The solution to the Ukraine crisis is all incorporated into the Minsk agreement which is a political and security deal to end the conflict in Ukraine. The security aspect includes a ceasefire to all hostilities between separatists and Ukrainian forces and the pull-out of heavy weapons and restoration of the Ukrainian border. This is the position of the West. The political aspect of the deal is the granting of autonomy to the separatist territories and this being formalised into Ukraine's constitution. This is primarily the position of Russia. Throughout 2016 the US has used Russia's lack of adherence to its demands of the Minsk agreement to continue sanctions and political and economic support to the government in Kiev.

The US Treasury Department hit a new round of targets for evading its sanctions on Russia, including firms involved in the construction of a bridge from Russia to Crimea in September 2016. These designations demonstrated Washington's commitment to maintain its sanctions until Russia implements all of the demands under the Minsk agreement, including a ceasefire, the withdrawal of weapons and military and the restoration of Ukrainian control over its side of the border, the Treasury said. *"Russia continues to provoke instability in eastern Ukraine despite its Minsk commitments,"*¹⁹ said John Smith, acting director of Treasury's Office of Foreign Assets Control, in a statement. Similarly the EU's Council assessed the implementation of the Minsk agreement and decided to renew the sanctions for a further six months in July 2016, until 31 January 2017.

In June 2016, US and Polish officials formally launched the 10-day military exercise, involving 31,000 troops and thousands of vehicles from 24 countries. This represented the biggest movement of foreign allied troops in Poland in peacetime. For the first time since the Nazi invasion of Soviet-occupied Poland back in 1941, German tanks crossed the country from west to east. This massive buildup of forces on NATO's Eastern flank was a clear message to Russia that the US is practicing

scenarios with its NATO allies on a possible future war. This took place within weeks of the US switching on a powerful ballistic missile shield at Deveselu in Romania, as part of a "defence umbrella" that Washington said would stretch from Greenland to the Azores.

The US doesn't have sufficient influence to completely wrestle Ukraine away from Russia, so it has therefore ensured Russia cannot also not take all of Ukraine and this is why the conflict in Ukraine has turned into a frozen conflict.

Asia-Pacific

After decades of viewing China as a partner, it was the regime of George W Bush that designated China as a competitor rather than a partner. Under Obama's tenure, this was taken further in 2012. In June of that year the US Secretary of Defence, Leon Panetta, announced at a security conference in Singapore that, *"the United States will keep six aircraft carriers in the Asia-Pacific region and will shift 60% of its warships to the region, over the coming years until 2020."* He explained that the *"transfer of the US fleet comes in the context of the implementation of a new US strategy designed to raise the level of US military presence in the Asia-Pacific."*²⁰ The US under Obama continued to use North Korea's nuclear programme to escalate tensions in the region and justify its military presence. Obama reiterated: *"Washington has an obligation (to) defend the homeland (and) reassure South Korea and Japan that America's defence commitments remain firm."*²¹ Under Obama, the US worked to lead and direct new Asia-Pacific economic organisations in order to enshrine US strategic interests within such institutions. The US worked to shape multilateral regional institutions in the Asia-Pacific region, this was to unify some countries against China and to prevent a powerful regional coalition from taking shape that did not involve the US. Today the US maintains key roles in Asian multilateral organisations such as the Asia-Pacific Economic Cooperation (APEC) and the East Asia Summit (EAS). It also continued with its bilateral ties and strengthened them with allies such as Australia and Japan and emerging regional powers such as India and Indonesia.

In 2016 the US continued to challenge China's claim to the oceans of South East Asia. The US used *"Freedom of Navigation in the world's waters"* to challenge China's claim to the territory. A US navy destroyer sailed near islands claimed by China in the South China Sea on 21 October 2016, drawing a warning from Chinese warships to leave the area. This was fourth such incident of this nature in 2016. The US action was to counter what it sees as Beijing's efforts to limit freedom of navigation in the strategic waters.

The US Secretary of Defense, Ashton Carter, made clear the US position on China in Southeast Asia. At the Shangri-La Dialogue conference on 5 June 2016 he said: *"The United States will continue to protect freedom of navigation and flight routes - the principles that ensure security and prosperity in this region for decades. There should be no mistake: the United States will fly freely, and will put global laws, and operate anywhere permitted by international law, as US forces do worldwide. America, along with its allies and partners in the region, will not be discouraged from exercising these rights - the rights of all nations. The United States will remain the most powerful military and main underwriter of security in the region for decades to come - and there should be no doubt about that."* Carter highlighted the long list of military assets, which the Pentagon plans deploy in the Asia-Pacific region to support the offensive, the list included *"Last class submarines Virginia [nuclear], P-8 Poseidon surveillance aircraft from the Navy, modern stealth destroyer, the Zumwalt, new Zumwalt E-2D, the early warning aircraft carrier and the*

dominant Hook." The Pentagon is also seeking to add *"new unmanned systems to the air and the sea, a new long-range bomber, electromagnetic launchers, lasers, and the new systems of space and cyberspace, including a few surprises."*²²

America's pivot to Asia has not delivered the results US politicians were expecting. Much of this has to do with the aggressive claims China continues to make of its region. As China's military continues to strengthen the US will need to increase its military presence in the region and this makes the possibility of an incident all the more likely.

Conclusions

In 2016 the US continued navigating the myriad of challenges across the world. In Syria it has developed a plan in thwarting real change and constantly developed different styles and means to strengthen this plan. Across all regions of the world, despite a decade of war the US has maintained its influence and it faces no challenge to its global position by any other nation for the moment. Despite challenges from China, Russia and the Muslims in the Middle East, the US has navigated these challenges and kept them to their region, maintaining its global superpower status.

2017

New President - The electoral success of Donald Trump in the US presidential elections on 8th November 2016 has created much debate. As someone with no political background and no political experience Donald Trump, the American businessman and television personality, led a campaign which called for change in many of America's policies. As Trump had never held a political office his political positions were unknown before his campaign and as a result he ran a campaign, with very little on policy and more on criticising Hillary Clinton personally. Trump's political positions, and his descriptions of his beliefs, frequently changed and were vague and contradictory. According to NBC News, over the course of his campaign Trump made *"141 distinct shifts on 23 major issues."* As Trump is not from a political party and has no experience in politics he will have to stock his team with establishment figures, which will in all likelihood end his honeymoon period very quickly. Trump will have to gather around the very people he campaigned he would remove from government.

China - Despite much fanfare on America's pivot towards Asia, aside from some economic deals such as the Trans Pacific Partnership (TPP) the US has failed to capitalise upon this and contain China's rise in the Pacific. Its occupation with affairs in the Middle East has once again taken the bulk of its time and resources. China has rapidly developed in the last decade from an economic and military perspective and dwarfs most of the countries in the region. Unless the US puts a halt to this it may find a challenge to its supremacy in this region, sooner rather than later.

Domestic Stability - Donald Trump's presidential campaign included the continuous slandering of minority groups including Mexicans, black people and Muslims. Trump's campaign confirms the racial problem the US has. When young, black teenage men are shot and killed by white police officers and trigger extraordinarily intense social commentary about racial tension in communities like Ferguson, Missouri, it means the US has not solved the equation yet. When a mentally unbalanced, young, white man sits quietly in a historic, black church during a Bible study for an

hour and then kills nine black parishioners in order to start a race war, it's more than just an isolated incident. When America's first black president feels compelled to use part of his State of the Union address midway through his second term in office to talk about the state of the dialogue between blacks and whites in America, it means the racial bias in the criminal justice system is endemic. Trump used the racial card to get to power and he will, on January 7th 2017, have to deal with the social unrest it will cause.

Russia

Ever since the collapse of the Soviet Union, in 2015, Russia for the first time participated in an international issue beyond its region – Syria. Headlines across the world in 2016 pointed towards Russia's return as a global power, but closer to home Russia has struggled in winning back Ukraine, whilst internally, trouble is brewing for Putin's regime.

Syria

In September 2016, Russia's intervention within Syria reached its first anniversary. Its main achievement has been the securing and maintaining of the regime of Bashar al-Assad, which was on the verge of collapse. As far as Bashar al-Assad was concerned, the intervention by Russia came in the nick of time as his army was struggling to maintain an area the size of Belgium. Al-Assad's forces were crumbling and the Russian intervention allowed them to receive more weapons, equipment and jets which gave al-Assad a new lease to continue the fight. Russia was able to break the advance of the rebel groups in Latakia and Idlib and through an indiscriminate bombing campaign, drove the rebel groups all the way back to Aleppo and eventually Aleppo fell. The Russian intervention and support has given the al-Assad regime a new lease of life and reversed the rebel's momentum. Bashar's forces, today have the advantage in the battle for Syria.

Russia used Syria to demonstrate and test its armed forces, new weaponry, tactics and strategy as it undergoes modernisation. Although Moscow's operation in Syria was relatively limited in scale, the Kremlin tested new weaponry and hardware. Russia's intervention involved aircraft never before tested in combat, including the Sukhoi Su-34 strike fighter, and a ship-based cruise missile fired more than 900 miles from the Caspian Sea, which surpassed the American equivalent in technological capability.²³ Putin highlighted in an interview broadcast on Russian state television: *"It is one thing for the experts to be aware that Russia supposedly has these weapons, and another thing for them to see for the first time that they do really exist, that our defense industry is making them, that they are of high quality and that we have well-trained people who can put them to effective use. They have seen, too, now that Russia is ready to use them if this is in the interests of our country and our people."*²⁴ Russia also tested out new doctrines on the rapid deployment of its forces far from home and the results of these were seen with the rapid buildup of forces in Syria and its ability to supply equipment, troops and re-supply these over months.

Politically, Russia gave the US-inspired political solution a new lease of life as the rebel groups were undermining it by facing-off against the al-Assad regime and completely undermining any negotiation. Russia's indiscriminate attacks led to the deaths of thousands of civilians and effectively forced the majority of factional leaders to sit at the negotiating table. Russia's attacks were indiscriminately targeted at rebel groups fighting al-Assad's forces and only token attacks took place against ISIS or other groups that Russia claimed were terrorists. The Russian attacks, to some degree, isolated Ahrar al-Sham and Jabhat al-Nusra, as Russia conducted huge bombing raids in civilian areas, claiming they were targeting these groups. All of this achieved the aims both the US and Russia, towards bringing the rebel groups to the negotiating table, a negotiation that in the long term includes a coalition government with Bashar al-Assad himself.

But despite these gains, Russia, for the moment, has failed to link its intervention in Syria to other issues, namely Ukraine, as well as European and US sanctions on Russia. Europe made matters very clear, Konrad Szymański, Poland's Europe minister, warned of a tendency in European politics to look for a pretext to not hold Russia to account over Ukraine. *"We're open to acknowledging Russia's useful role in any part of the world if [it's useful] from the European point of view, but we aren't going to link that to other situations in which we see that Russia's role is less constructive."*²⁵ The US, whether John Kerry or Obama and every other US official, have refused to entertain any talks on Ukraine due to Russia's role in Syria. In fact, the US has reminded Russia of the need to give up the east of Ukraine which Russian forces continued to occupy.

Ukraine

The uprising in Ukraine in late 2013 resulted in the overthrow of the pro-Russian President, who was replaced eventually by a pro-Western government in Kiev. Russia responded with the annexation of Crimea and a pro-Russia insurgency in eastern Ukraine. This kicked off a protracted struggle between the West and Russia, which continues until today.

There are several reasons why Ukraine is so crucial to Russia. Its location on the North European Plain and along the Black Sea makes it the traditional invasion route from the west. Ukraine is also the second-largest country in the former Soviet Union in terms of population. Furthermore, Ukraine has the third-largest economy in the former Soviet Union, and its industrial, agricultural and energy sectors are integrated with Russia's. Ethnic Russians make up 17% of Ukraine's population and 30% of Ukrainians speak Russian as a native language. Furthermore, Ukrainians come from the same East Slavic ethnic and language group as Russians (and Belarusians). Ukraine gets more than 60% of its natural gas from Russia and the country's pipeline infrastructure is what carries Russia's natural gas to Europe. Russia owns many assets in Ukraine's metals industry and supplies the industry with energy. This loss of Ukraine is an existential issue for Russia.

2015 ended with the struggle for Ukraine becoming a frozen conflict. In 2016 Russia announced and conducted new drills as well as military movements near the Ukrainian border. In Ukraine, the intensity of fighting rose and fell with daily shootouts and artillery duels. Whilst the western media painted a WW3 picture of such deployments, Russia continued to reorient its forces with drills and snap-readiness checks in order to surround and contain Ukraine and what appears to be for the foreseeable future.

Russia did not mass its troops for a possible invasion in the short-term. Instead, the shifting of forces suggests sustainable, long-term deployments at strategically important locations along the border. The medium-term objective of this is to secure the current status-quo. Russia, since the beginning of the Euromaidan protests, has been steadily organising the return of permanent bases to Ukraine's borders, creating new divisions and shifting brigades from other regions. New bases are springing up in what Russia calls the country's *"southwestern strategic direction,"* as units are repositioning from other parts of the country closer to Ukrainian borders. The Russian General Staff has been busily digging to create housing for new divisions and deploying modernised equipment to forces based in the region.

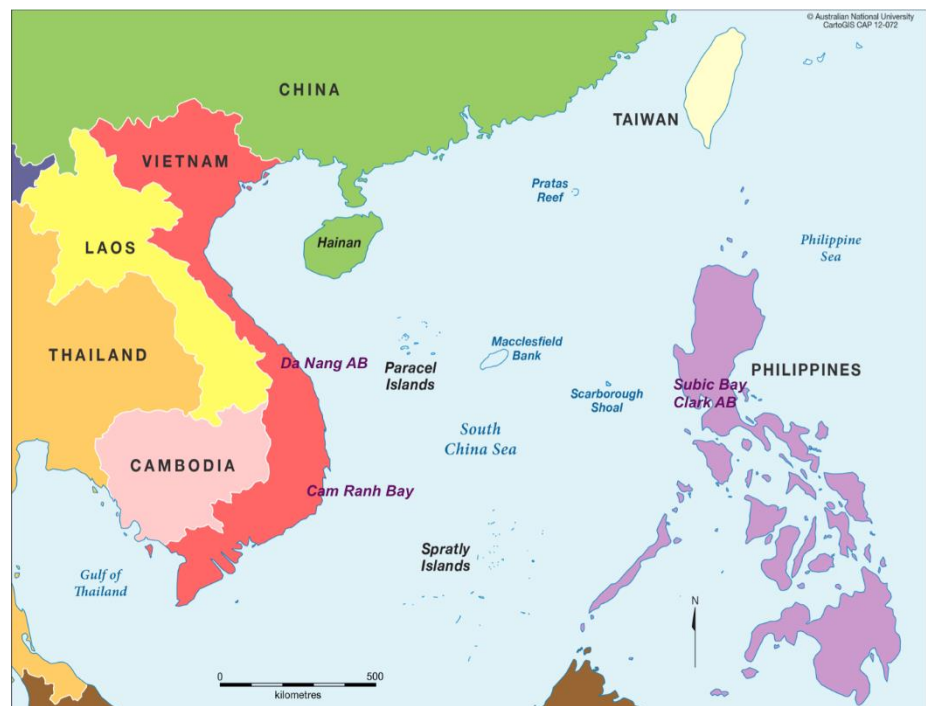
Russia will retain escalation dominance over Ukraine for the foreseeable future. By the end of 2017, its forces will be better positioned to conduct an incursion or threaten regime change in Kiev than they ever were in 2014. For the moment, neither the west or Russia can take the whole of Ukraine, but both are posturing and making moves to prepare for the day they can, which is why NATO has conducted unprecedented drills throughout 2016. As matters stand, the Ukraine struggle remains frozen and the regular drills, artillery bombardment and incursions are defining the battle.

Global Expansion

Russia's Deputy Defense Minister Nikolai Pankov, alluded in a speech at the State Duma in October 2016, that the Russian Defense Ministry was considering the question of renewing Russia's presence in bases in both Cuba and Vietnam, *"We are working on it. We see this problem,"*²⁶ said Pankov, responding to a parliamentarian's question about whether the ministry is working in this direction. The Foreign ministry also confirmed it was considering access to military facilities in Egypt and refurbish a former Soviet air base in the Mediterranean town of Sidi Barrani. All indications pointed towards a growing Russian military footprint. Scarce details were provided on what size and shape such growing military footprint would entail.

Basing arrangements are not created equal. A nation can take the route of Japan or South Korea, which host troops from various branches of the US military in large numbers, tilting an entire region's strategic balance in one direction. Alternatively, a state can host another country's ships at port a few times a year for repairs and refuelling, a relationship that does not necessarily imply big swings in force projection or alliances. But strategic military relationships can grow from even seemingly inconsequential arrangements.

Russia currently enjoys privileged access to Vietnam's Cam Ranh Bay, known as the best deep-water port in the Asia-Pacific region because of its long protective peninsula and deep harbors. Situated along the chokepoint between the Pacific and Indian oceans, Cam Ranh Bay occupies a vital sea lane in the South China Sea and serves as a critical component of Vietnam's maritime defence. But Vietnam allows multiple foreign navies to use the port and



in 2016 opened the port to Japan, Singapore and France. This strategy has allowed Vietnam to keep its options open and to position itself as a strategic partner in the region, counterbalancing China's

military ascent. Regardless of its designs on the port, Russia will continue to be just one of many countries with access to Cam Ranh Bay. Viktor Litovkin, a military observer at the TASS news agency highlighted: *"Russia doesn't have the necessary military-naval resources for a permanent presence outside its territorial waters. So the base in Cam Ranh will be used for the technical maintenance of Russia's air force and navy in the regions close to Russian borders, as well as for supporting combat preparation exercises."*²⁷

The Cold war showed Cuba is another strategic place to plant a foreign military base. It has taken Washington decades to normalize its relations with Havana as a long-term insurance strategy to keep the island out of adversarial foreign hands. Consequently, Russia's talk of reopening its old military facilities in Cuba may be a bit farfetched. With Venezuela's economy on the verge of collapse, Havana's quest to find a new source of energy shipments and economic patronage will become even more urgent. Cuba is still counting on the US to get it out of this rut by lifting the trade embargo, a prospect Havana will be reluctant to jeopardize, especially when Russia cannot be expected to subsidize it as it did during the Cold War.

Similarly, the Egyptian president's spokesperson denied the Russian report on a developing deal for Russia to refurbish its Mediterranean air base, saying the *"establishment"* of any foreign base defies Egypt's policies.

Beneath the headlines and announcements about Russia's basing activities, the reality remains: a base's effect on a region or alliance structure is a function of the size of its infrastructure, the number of forces allocated there, the amount of money a foreign military is willing to devote to it and the terms of the agreement.

The Russian navy is not as powerful as it used to be. The decay of the 1990's affected vast numbers of ships that suffered from lack of maintenance and upkeep. The Russian navy has not played any role in Russia's post-Soviet wars – Chechnya and Georgia. The shortage of finance in the 1990's led to shipbuilding to largely discontinue until early 2000's.

Russia currently maintains a sizable number of warships, but most of these are old Soviet platforms and now obsolescent designs. The Admiral Kuznetsov - Russia's sole aircraft carrier, all the cruisers and at least half of Russia's destroyers were first launched by the Soviet Union. The Russian conventional attack, nuclear attack and cruise missile submarine forces are in better shape than the surface fleet in terms of levels of modernisation. However, the Russians have encountered considerable problems in developing and building Lada and Yasen class submarines, which are supposed to replace older conventional attack and nuclear attack submarines.

The Russians have not built a large surface vessel for the military from scratch in more than 25 years. The refurbishment of India's INS Vikramaditya aircraft carrier, at the shipyard in the Russian city of Severodvinsk, was beset by constant delays and obstacles, highlighting Russia's declining ability to work on large military vessels. While Russia's navy regularly announces plans to construct new aircraft carriers, concrete plans have yet to materialise, the Russians are exceedingly unlikely to construct a fleet aircraft carrier within the next decade.

Russia's Global Power in Perspective

Russia has throughout 2016 projected itself as a global power that should be respected and treated as one. Russian banks have funded the campaigns of right wing groups in Europe, which include Marine Le Pen in order to create discontent.²⁸ Russia reproached Turkey and is normalising relations after decades of frosty ties. In Syria, Russia has gone to great lengths to show it is central to any progress in the battle for real change taking place. Russia has single handily kept Bashar al-Assad's regime intact and in place in Damascus. But compared with the Soviet era there is no ideological component in Russia's engagement with the world and competition with the US. In the Soviet Union, Moscow didn't just implement Communism domestically but saw its reason of existence to take it to the world. For this a huge military was constructed, movements were funded and supported and pro-Soviet leaders were showered with aid, money, industrial exports and military sales.

The Russia of today has no such ideological component and Vladimir Putin cares little about this. He has no aims to make Europe embrace the Russian orthodox church or bringing Russian values to Germany. As far as Putin is concerned, Russia has its kingdom and this should be respected and there should be no foreign meddling. International law is irrelevant when it comes to Russia's interests and there should be no support of foreign NGO's into anti-corruption campaigns or support of investigative journalists.

Russia's sphere of influence is about prestige, and that is it. Russia has numerous challenges and is no Soviet Union. Putin has played a very able role in keeping Russia in the game, despite what the country went through after the collapse of the Soviet Union. What we see is the able playing of a weak hand. Russia, despite being over six times the size of the UK and three times the size of Spain and possessing mineral wealth far in excess of these two nations, has an economy smaller than both. The context of Russia today and challenge any ruler would face ruling over Russia is the social, demographic, economic and technological tide is going away from it. So the best Russia can do it to just hold onto what it already has.

Russia's lack of power can be seen by looking at its conventional capabilities. Russia has around 750,000 men and women in arms. 350,000 of these are in the ground forces. Half of these are conscripts serving 12 month terms. This means by the time they have completed their basic training and returned to their units and undertaken unit training to ensure a minimal level of cohesion exists, after all of this, Russia only has 3 months of effective use of such individuals, which is not very helpful in Russia's ambitions. Russia really only has 150,000 troops who can be deployed at a moment's notice and who possess the training and capability to wage effective warfare. These troops need to be rotated to be effective, which means there is only really 60,000 - 70,000 useable troops. Currently 50,000 – 60,000 troops are deployed around Donbas and Crimea and a further 5000 in Syria. Therefore, Russia has deployed all of its operational troops. A closer look at Russia's military deployments shows whilst it may look very grand, it's military is extended and they are cutting their defence budget. Russia's military force can bully its neighbour states but it is not a global military force.

Russia has leveraged its capabilities by focusing its forces which makes them look effective. Crimea was a quick and sharp operation, but it faced no opposition. In Syria, Russia is conducting an air

campaign against an enemy that has no surface-to-air capability. So, Russia looks strong in theatres where it faces no challenges.

Domestic Stability

Vladimir Putin will soon have been in power for two decades. He and his country have come a long way since those dark years following the collapse of the Soviet Union. After the Soviet collapse, Russia lost direct control over its borderlands. The country devolved into chaos. Broken attempts to transition to a market economy through what was known as shock therapy only led to radical privatizations and the rise of oligarchs, who looted what remained of Russia and in turn caused a 40% decline in GDP and a deep financial crisis by 1998. The oligarchs, western leaning politicians and the secret service were all fighting for the country. The security services and military were degraded by President Boris Yeltsin who feared they may overthrow him. As a result a bureaucrat from St. Petersburg, Vladimir Putin was appointed by Yeltsin to head the KGB's successor, the Federal Security Bureau (FSB), in 1998. The intelligence agency was charged with containing the chaos. Rumblings of secession arose in many of Russia's regions, with a brutal war erupting between Moscow and its Northern Caucasus republics, particularly Chechnya.

By 1999 Putin was Prime Minister and his loyalists from St. Petersburg, which consisted mainly of former KGB agents took strong steps against the various problems facing Russia. Putin consolidated and rebuilt the security services and military. He issued ultimatums to the Russian regions to support the government financially and politically and to cease talk of secession. Putin's efficiency began to convince many Moscow elites to support him, and he eventually supplanted Yeltsin as president. Putin cracked down on the oligarchs, seizing strategic assets for the state. He streamlined the political process, bolstering a single party under his control. He reined in the Northern Caucasus, dividing the region's militant groups and creating a broadly loyal Chechen force to help end the Second Chechen War. Most importantly, he made a social pact with the Russian people to stabilise and boost the country.

By the mid-2000s with global energy prices rising Russia's treasury was flush with cash and Russia's GDP rose tenfold between 2000 and 2009. Russians' standard of living increased fourfold and real disposable income rose 160%. Unemployment and the poverty rate were reduced by half. With more income came more military spending and under Putin, spending on the military increased nearly fivefold. When Russia invaded Georgia in 2008, NATO stood on the sidelines - Russia's reversal was complete. The West painted Putin as a thug and Russia as an aggressor, but the Russian people praised the man who helped their country return to being a regional and potentially a global power.

But today, the global economic crisis from 2008 and the sanctions placed upon Russia for Ukraine is beginning to cause strains on Putin's rule and threaten social stability. The pro-Russian government in Kiev fell in 2014 and was replaced by a staunchly pro-Western government. Attempts to change this revealed the limits of Russian power. Now, Russia has only limited influence in a sliver of eastern Ukraine held by Russian-backed rebels.

As Russia relies on energy exports for its national budget, the combination of low oil prices and conflict with the West caused foreign investment into Russia to plummet by 50% in 2014. By 2015,

foreign investment fell to nearly zero. The Russian rouble fell by 40% in 2014 and remained volatile in 2015 and capital flew from the country, \$160 billion in 2014 and another \$85 billion in 2015.

The Russian people are bearing the brunt of the economic pain. With the decline in the currency, 25% of Russians have had their salaries cut and 15% have lost their jobs altogether. The average monthly wage has dropped to below \$450 a month, less than in Romania and Serbia. Russia went into recession in 2015 which is very different to the 2008 economic crisis. The current recession is coupled with foreign policy shortcomings in Ukraine and in its standoff with the West. Russia is now isolated on the international stage. The Kremlin has sporadically rallied national support over the past two years with its annexation of Crimea and with its intervention in Syria against the wishes of the West, but such acts have only momentarily increased patriotism. Approval ratings for the government have fallen from 66% to 26%, and Putin's personal approval rating has fallen from 88% to 74% over the past two years. In the September 2016 parliamentary elections voter turnout was the lowest in post-Soviet history, revealing the lack of faith in the process and government.

As cash flows diminish, the political, security and business elite that make up the current Russian government are grasping for assets and power. Previously, Putin has been able to manage such power-grabs, but over the past two years the elite have pushed back. Putin replaced his chief of staff, Sergei Ivanov in August 2016, demoting him to a menial position in what could arguably be called the fall of one of the most powerful men in Russia. Among the Kremlin elite, there are only a handful of Russians who can be considered influential, or who can claim to be a part of Putin's true inner circle, and Ivanov has long been one of them. Increasingly concerned that those fallen leaders will band against him, Putin is surrounding himself with loyalists who have no power of their own.

The federal budget for 2017 was quietly made public in late October 2016 and included a 30% cut in defence spending. Even with that Russia is spending \$45 billion on defence, which is 3.3% of a shrinking GDP. Until this year, Russia continued to maintain high military spending by making cuts elsewhere. That was causing long-term problems because it meant the elimination of a lot of needed infrastructure repairs and new construction. For much of 2016 the Kremlin managed to maintain high approval ratings by successfully blaming all its problems on a NATO plot to destroy or weaken Russia.

Increasingly uncertain of the loyalty of the Russian military and security services, Putin ordered the creation of a Russian national guard. Officially, the new national guard will combat terrorism and organized crime and will take over riot and SWAT duties from the Interior Ministry's troops. But more than law enforcement or security concerns, the surprise announcement signals that the Putin administration is worried about instability in Russia as well as the Kremlin itself. The National Guard, made up of 400,000 troops, are directly accountable to him.

The sudden decision to create a national guard indicates that the Kremlin is bracing for instability to come. The force's stated function rings hollow since the internal troops and police forces already exist to combat terrorism and organised crime. Although details concerning the guard's structure, size and deployment have yet to be announced, the timing is indicative of the potential problems ahead.

Putin has been able to rule Russia with an iron grip for 16 years because of his government's popularity, but this is now slipping.

Conclusions

Russia in 2016 has continued to highlight it is participating in multiple issues around the world. Whilst Russia and the US are on the same page regarding thwarting real change in Syria, Putin has used the opportunity to undermine the US whilst it is struggling to bring loyal groups to power. Russia has successfully turned Ukraine into a frozen conflict and has proven that the country does matter more to it than it does for the West. Whilst Russia has made moves externally, internally it faces uncertainty as oil prices are so low, which has precipitated an economic crisis. This will impact its ability to conduct its foreign policy in 2017.

2017

Military – Whilst Russian presence in Syria is small overall, the military is extended to capacity as Western Ukraine and Syria have required a large Russia presence to maintain its position. The fall of Aleppo will need further troops to secure it and consolidate the position of the Syrian regime. As Bashar's army is being filled with foreign mercenaries Russia could potentially be forced to commit more troops in 2017 which will overstretch it. This will leave it vulnerable to NATO's interjection into Eastern Europe.

Economic Crisis - The Russian economy will continue to be a major issue for Moscow in 2017. The Kremlin has taken steps to insulate it from the effects of the Western sanctions, including seeking investment from Russia's neighbours to the east, using Russian banks for financing and postponing large projects that require either foreign investment or technology restricted under the current sanctions. But Russia is jeopardizing the country's financial stability and ability to maintain current levels of energy production, due to oil prices being so low. Russia will need to flex some muscle in 2017 to deter the western front against it, which is causing the economic crisis.

Ukraine – One of the chief reasons Russia entered the Syrian conflict was to get a grand bargain on Ukraine. This has not materialised yet and looks as elusive as ever. This is taking an economic effect on Russia due to the sanctions and Russian domestic environment declining. In 2017 Moscow will need to make a move on Ukraine that would alleviate this as another year of recession will almost certainly lead to mass unrest in Russia

China

In 2016 China continued in its attempts to transition away from its low wage, aggressive export economic model to internal consumption. But the economic problems that began in 2015 have continued into 2016 and many questions remain of China's economic viability and whether it's living on borrowed time. China in 2016 continued with its strategy of laying claim to the South China Seas through occupying reefs and atolls and building artificial islands.

Economic Crisis

Throughout 2016 much of the world watched the Chinese economy as all the signs pointed towards serious problems. The stock market crash in 2015 saw the government intervene with unprecedented cash for corporations to soften their ordeal. As the central government has always been heavily involved in the economy its involvement now may very well be the problem rather than the solution.

Since the 1979 open era, China pursued a low wages and aggressive exports strategy to create wealth, create employment and develop the nation. To achieve this China used the following tools:

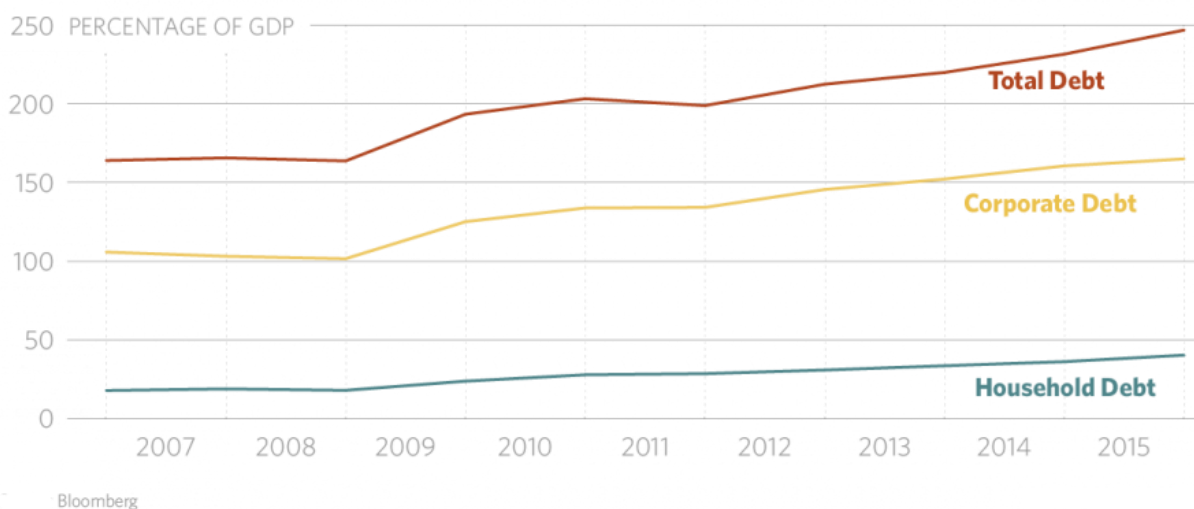
- China created Special Economic Zones (SEZ) in the coastal provinces that were designed to attract foreign investment in low-end manufacturing by offering cheap land, labour and a variety of tax and other incentives. This in turn gave China access to foreign currency and tax revenues to develop the interior of the country.
- China kept the value of its currency artificially low, which made it cheaper to purchase consumer goods – far cheaper for the world than anyone else. By China undercutting the world, aside from keeping Chinese factories open, this also meant most Chinese citizens had a job. When Chinese citizens have jobs, this deals with domestic social unrest which has long plagued China.
- The Chinese government used the national banking system to serve the Communist party's objectives. The nation's large savings were funnelled through banks to firms through subsidised rates. In order to qualify for such loans firms were required to maintain high employment in order to maintain social cohesion.
- 159 large State-Owned Enterprises (SOEs), provided the key inputs from utilities, heavy industries and energy resources that facilitated the private sector. The aggressive outward investment strategy, driven by SOEs and state banks with massive pools of cash allowed China to spread across the world looking to expand markets, employ services and buy up resources.

The global financial crisis in 2008 severely impacted China's export sector. The crisis brought to an abrupt end three decades long export boom that the Chinese government micromanaged through years of systematic wage repression and huge subsidies. As a result of the crisis, the portion of China's GDP tied to exports collapsed, from nearly 40% in 2007 to below 24% today. To avoid

economic collapse (a regular feature in China's 4000-year history) Beijing kept the economy on life support through massive expansion of state-led investment into housing and infrastructure construction.

China's economy has always depended heavily on investment into fixed assets such as roads, railways and apartment complexes. But over the past decade, as the cheap exports share of the economy collapsed and as household consumption has continued to slide, this investment has become one of the primary drivers of economic growth and employment in China — and, by extension, a cornerstone of its stability. The funds for such ample investment had to come from somewhere, and over the years China used many different means. From slashing interest rates and bank reserve requirements to boosting domestic equity markets and direct spending, the Chinese government has paid for its purchases in several ways. The vast majority of Beijing's investment has been financed by debt, whether in the form of loans, bonds or other types of formal and informal lending. Most has come from state-owned banks: In 2015, outstanding bank loans equalled 141% of GDP, while outstanding bonds totalled 63% of GDP. China used its control over the banking sector to shape the cost of capital and determine where and how fast it flows. Unsurprisingly, the lion's share of the money has been funnelled into China's immense state-owned enterprises, which explains why they hold an outsize share of the country's corporate debt. This explains why China's central government has an unusually low level of debt, only 22% of GDP.

China's Outstanding Debt to GDP



All of this debt, especially the money that found its way into the country's housing sector, created a housing bubble which has now created deeper debt problems. The government pumped credit into the country's real estate to mitigate the drop in exports. This has created the phenomena of ghost towns. China's official news agency Xinhua highlighted that urban planning in China is out of control, as each of the country's provincial capitals is planning to build an average of 4.6 new urban districts and regional cities look to build an average of 1.5 new districts. These new urban areas will provide housing for 3.4 billion people – entirely out of line with actual demand from China's population of less than 1.4 billion.²⁹

What China has done to stave off an economic crisis after the global economic crisis in 2008 is produce and build well in excess of what it needs in steel, cement and housing. In the process, it has amassed the largest build up of bad debt in history. Researchers at a Chinese state planning agency said in 2016 that China has “wasted” \$6.8 trillion in investment. Overcapacity is so significant in many sectors that it will take years for it to be absorbed by organic demand. Sound loans, by definition, result in commensurate GDP growth. So when private-loan growth outstrips GDP growth, much of that excess will be problem loans. Based on this formula, China today is likely to have an estimated \$1.75 trillion to \$3.5 trillion in problem loans—a figure well in excess of the \$1.5 trillion of total capital in China's banking system.

On September 8, 2016, the Wenzhou Credit Trust, one of the many trust companies in China, went into default. The firm discontinued all new lending and suspended redemption and interest payments on its trust certificates, the equivalent of deposits made by its customers. Within a week, another trust company went into default, and the following week, so did seven more. Angry trust-certificate holders protested in Wenzhou and Chongqing but were quelled by police. Within a month, more than 50 trust companies defaulted. The protests escalated and spread throughout the country. In the panic, new real-estate lending plummeted, putting more downward pressure on real-estate prices and hurting local economies. The Shanghai and Shenzhen stock markets plunged. The prices of iron, steel, coal, copper, aluminum, and other commodities—including oil—accelerated their downward spiral. The government of China, which in recent years had tolerated these failures as part of its attempt to introduce more risk into the system, dramatically reversed course and intervened, injecting funds into these lenders and assuring customers that it would stand behind these institutions. This calmed equity markets, but commodity prices continued to sag and the renminbi fell, bringing the specter of devaluation. By winter, the impact had shattered markets and companies throughout Asia and Australia, and markets were in retreat in Europe and the United States. The Bank for International Settlements warned in September 2016 China's debt load is far too heavy and, worse still, it is growing at an eye-watering pace.³⁰

China's economy faces significant challenges and is a direct result of moving away from the growth model it relied upon for three decades to another model of growth that can sustain the growth needed to maintain social cohesion.

Laying Claim to South-East Asia

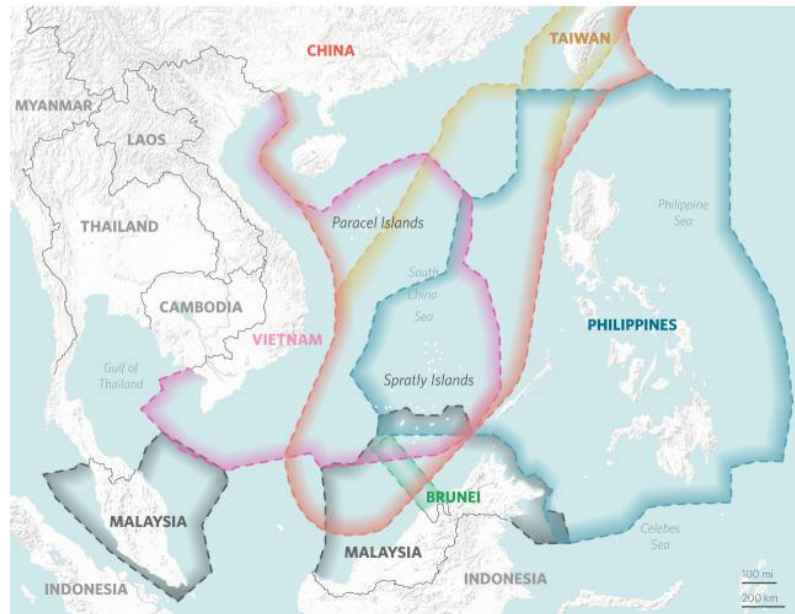
The long-awaited decision by the Permanent Court of Arbitration on the dispute between the Philippines and China in the South China Sea was released in July 2016. The court nullified China's nine-dash line claim as a legal basis for maritime entitlements under the United Nations Convention on the Law of the Sea (UNCLOS).

The ruling, backed by the UN Permanent Court of Arbitration rejected China's historical claims to the South China Sea. The decision



had a major effect on China and other claimant countries in the South China Sea. Whilst many in the media reported the announcement as a way to resolve such long-standing disputes, the court had a very little jurisdiction on what it could rule on as it couldn't officially rule on issues of sovereignty. The ruling was on whether pieces of territory in the South China Sea currently occupied by China are officially islands, rocks or low tide elevations. Which all have different meanings to the rules set out by the UN's Convention on the Law of the Sea (UNCLOS) for defining what type of territory they give.

Territorial Claims in the South China Sea



The ruling therefore did not give China – the occupier a 200 nautical mile zone Exclusive Economic Zone (EEZ). Because they are so close to the Philippines and so far from China, removing China's right to claim EEZ from these, allowed Philippines to claim the oceans for themselves. The ruling therefore didn't give China who has occupied much of the rocks and reefs the right to the resources around them.

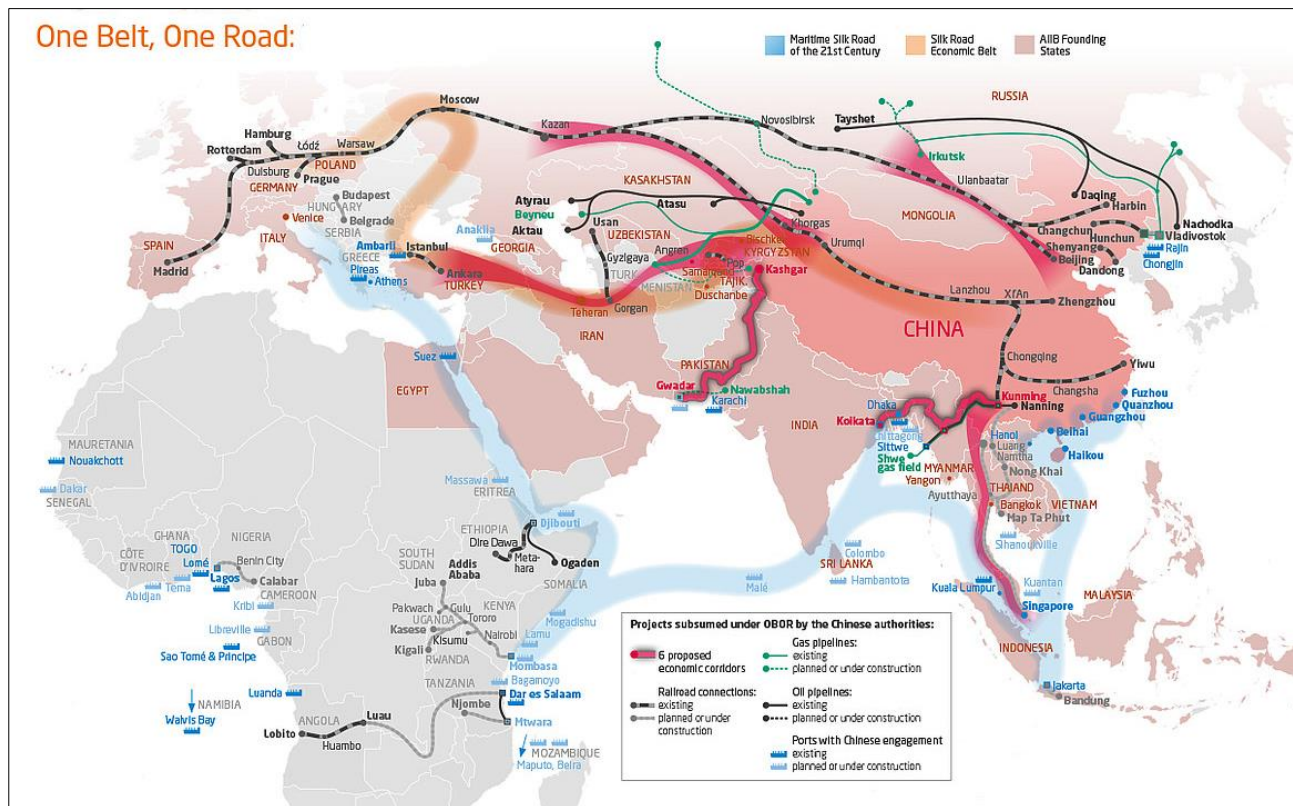
China had known the ruling was going to go against them and therefore did not participate in the trial. They chose not to take a role as they refused to accept this arbitration process, despite being signed up to the UN. China interpreted the ruling very selectively as it claimed the court had exceeded its jurisdiction, so the ruling shouldn't be recognised. As the arbitration process has no means of enforcement China will continue to build artificial islands and will not leave them. All of this emphasise its role there.

Economic Corridors

The Chinese economy depends on the sea routes for its exports and it also relies upon them for its own colossal energy and mineral needs. This growing dependency means any disruption will affect its economy and society and having a military that can protect these routes is essential. But China does not possess a military capability of global scale and will not do so for the foreseeable future. Finding alternative routes to the sea chokepoints has been something china's officials long realised and gave rise to its "*One Belt, One Road*" initiative of reviving the ancient silk road route.

Whilst British and US power rested on their control of the oceans, China is looking to revive the old Silk Road to end the dominance of ocean powers. At 4,000 miles long, the Silk Road passed through a chain of empires and civilisations and connected China to Europe. Today, China is planning to revive the Silk Road with modern transit corridors. This includes high-speed rail lines, modern highways, fiber-optic cables, energy pipelines, seaports, and airports. They will link the Atlantic

shores of Europe with the Pacific shores of Asia. If all goes according to plan, it will be a reality by 2025. A train from Beijing would reach London in only two days. The New Silk Road is history's largest infrastructure project. It aims to completely redraw the world economic map. And, if completed, it has the potential to be the biggest geopolitical game-changer in hundreds of years.



In April 2016, China announced the land route aspect of this initiative connecting its Muslim-majority northwestern province of Xinjiang to the Arabian Sea via Gwadar, a nascent port city in Pakistan's Baluchistan province. China confirmed it had committed itself to \$46 billion in large-scale spending in Pakistan infrastructure and energy projects. The first phase of this initiative was finalized in the form of 51 different energy and infrastructure agreements, collectively valued at \$28 billion. To signify the importance of this program to China, China's president, Xi Jinping, visited Pakistan on an official state visit to oversee the finalization of each program.

A primary driver behind China's "One Belt, One Road" initiative is to instil stability across the regional strip comprising of Afghanistan, Pakistan and Xinjiang. To China, the mounting security concerns stemming from Afghanistan and Pakistan present a direct threat to its capacity to maintain a firm hold over Xinjiang, a geographically large Muslim-majority province that forms China's northwest bridge to Central Asia and West Asia. In the face of its own transgressions against the people of Xinjiang, Beijing has a strong incentive of mitigating the external risks that could fuel an armed uprising in that province. Those risks emanate from Afghanistan and Pakistan in the form of foreign fighters and armed groups. In the case of Afghanistan, the Chinese offered to play a role in facilitating peace talks between the Taliban and Afghan government.

China's investments in Pakistan will serve to better connect China to Afghanistan, and in the process, Central and West Asia. With Pakistan as its conduit, the "*One Belt, One Road*" program will allow Chinese manufacturers, exporters and investors to yield largely untapped economic opportunities in vast and mostly underdeveloped regions. This economic dimension is dependent on stability within Afghanistan, which in turn means the strengthening of the Afghan government and state, at least in regards to the threat posed by the Taliban and other armed groups.

Given the reality of Pakistan's economic constraints and the willingness of its political and military leadership to align Islamabad's policies with those of Washington, it is unlikely that any of these modernization programs will reach the threshold of decisively altering the balance of military power in South Asia. Ultimately, China's "*One Road, One Belt*" initiative is driven by immediate security and economic interests within its regional sphere, particularly in regards to Xinjiang. Moreover, it is apparent that this initiative intersects with numerous key American interests in regards to Pakistan, namely Islamabad's continued focus on "*internal threats*" and neutralization of armed groups within Afghanistan and Pakistan, which – in China's hopes – would dampen armed dissent in Xinjiang.

The Mighty Dragon

In November 2016, two sleek Chinese stealth fighters flew across the skies of Zhuhai, marking the official debut of China's new J-20 Mighty Dragon jet. One of the only fifth-generation stealth fighters ever built, the aircraft's unveiling is a symbol of the impressive progress China's air force has made over the past two decades.

The Chinese military has always been a large land force having more soldiers than the enemy has bullets. As a result the Chinese navy and air force played a relatively minor role in China's military posture. But the Chinese military is now expanding from this very low capacity, from a military designed largely for internal security and one characterized by the predominance of the ground forces over the air and naval forces. Building a bigger and better military is paramount to Beijing's ambitions abroad. Aware that it must adapt its own military structure accordingly, China has worked to develop and invest in its navy and air force.

Just 20 years ago, the bulk of the Chinese air force consisted of vintage aircraft from the 1950s and 1960s. Now, China is on track to become the second country in the world to field a fifth-generation stealth fighter, a remarkable feat. As it is currently designed, the J-20 is a large fighter jet that boasts a considerable payload and fuel capacity, making it well-suited



for operations requiring long distance missions. The aircraft is equipped with cutting-edge stealth technology, KLJ-5 Active Electronically Scanned Array radar and infrared search and tracking systems.

But the Mighty Dragon is not without its flaws. Chief among them is the fact that it is underpowered: Chinese engineers expect the jet to someday run on the powerful WS-15 engine, but since it is still in development, initial batches of J-20 aircraft will likely be forced to make do with a modified version of the weaker Russian AL-31F engine. Because these engines cannot adequately support a heavy fighter like the J-20, they will reduce its ability to maneuver in combat. Furthermore, the Mighty Dragon is not as clandestine as other fifth-generation stealth fighters, such as the American F-22. (The latter is what is known as an all-aspect stealth fighter, boasting low detectability from all angles, while the J-20 has low detectability only from the front.)

The Mighty Dragon's strengths and weaknesses are emblematic of the Chinese air force's modernization at large. On one hand, Beijing has much to be proud of when it comes to its air capabilities. China is putting ever more capable fighter jets into production, including significantly upgraded versions of older models. Meanwhile, it is also overhauling its bomber force, and new aircraft such as the H-6K are already being mass-produced. China is in the process of expanding its air-launched missile stockpile as well and is increasing its strategic and tactical transport capabilities.

But despite all this progress, China's air force still has a long way to go in a number of areas. Delays in engine development are slowing the evolution of transport and bomber aircraft as well as fighter jets. China is also well behind other major powers, such as the US and Russia in building a comprehensive aerial refuelling force. Currently, it has too few aerial refuelling tankers to service its large fleet. Moreover, Beijing continues to rely on imports of foreign warplanes as it hashes out the final details of its own domestically made machines. It bought 24 Su-35 fighter aircraft from Russia just in 2015 to fill the gaps.

An air force is only as good as its pilots and as part of its modernisation process China has completely overhauled its personnel training programs. Two decades ago, Chinese pilots logged an average of less than 100 flight hours per year, and the vast majority of those hours occurred during optimal weather and flight conditions. Today, that figure is closer to between 150 and 200 hours, which according to The Wall Street Journal is at least 30 hours more than the average flown by US Air Force pilots in 2013. (That year, the U.S. government's sequestration cut into the Air Force's training budget.) An exhaustive RAND study also reported that Chinese pilots are now routinely flying in adverse weather conditions and at night. Their training increasingly includes minimally scripted and realistic scenarios that encourage aircrews to show initiative and rely less on ground control for directions as well. Exercises against opponents using different aircraft and tactics are becoming more and more common, too.

Elevating the skills of air and ground crews will take time and effort, and China still has many deep-seated structural issues to resolve. Historically, flight squadrons and ground-based anti-aircraft units in China have trained separately. It has been only within the past few years that the air force has started to incorporate large, multiservice air exercises into its curriculum. Meanwhile, the Chinese air force continues to depend on conscripts for a sizable share of its ground crew, including maintenance, munitions, fuel-handling and logistics personnel. Since conscripts typically serve for only two years, frequent turnover has led to unevenness in China's combat readiness.

The Mighty Dragon showcases China's profound transition from a force dependent on outdated aircraft and mediocre pilots to a far better-equipped and better-trained air service. Even so, the Chinese air force is still a work in progress with a difficult legacy to overcome.

Conclusions

China has quite successfully dealt with America's pivot to Asia. It has been much more aggressive in its efforts laying claim to the islands and reefs in the South China seas. China was countering America's Trans Pacific Partnership (TPP) economic bloc by establishing its own regional economic bloc that doesn't include the US. But China's main challenge remains internal and as long as the economy takes time to transition the problems will remain and impact other parts of the economy.

2017

Japan – Japan remains a concern for Beijing who continues to expand economic and maritime security cooperation with key South China Sea claimants. Japan works closely with the US in the South China Sea and the East China Sea. In addition to expanded involvement in the South and East China seas, the Abe administration in Japan is likely to ramp up Japan's diplomatic and economic outreach in Southeast Asia. Abe is already pursuing a peace treaty with Russia over longstanding territorial disputes. In 2017 China will need to counter US-Japanese cooperation. The more Japan is involved in the region, the more China will have to balance, with different degrees of success, its relationships and its interests with members of the Association of Southeast Asian Nations (ASEAN).

Donald Trump – China will have to deal with a new president in the White House in 2017 and already new challenges have sprung up. Trump has shown a willingness to expire Washington's "one-China" policy, a holdover from the Cold War that dodged the question of Taiwan's statehood to drive a wedge between the Soviets and Communist China. The loss of American Jobs to China was a mainstay of Trump's election campaign and whilst it remains to be seen if Trump will follow through with these positions, he has already shown that he the norms of the past are not a factor for him.

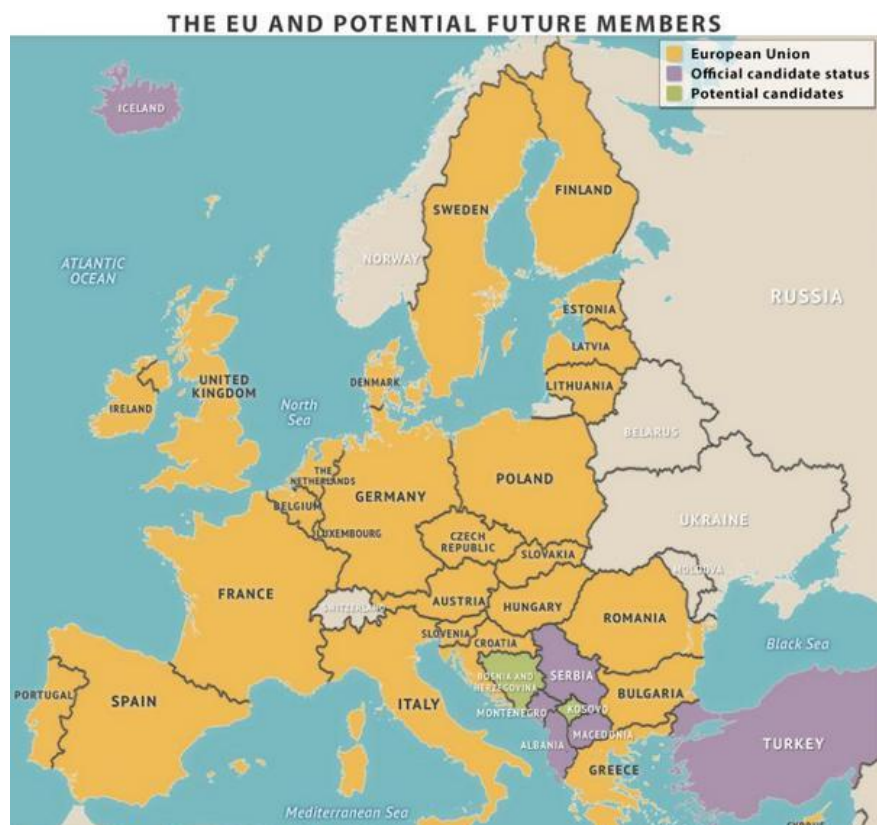
European Union

We concluded at the end of 2015 that the EU was created to remove the boundaries between member states in order that there emerge a cohesive supranational reality. But at every juncture the national differences dominated every crisis and agreement. In 2015, the flow of refugees has added to the already explosive debate on immigration and migration into Europe. In 2016, the referendum in the UK and subsequent victory of the *leave* campaign has brought into sharp focus the future of the EU.

Nationalism

The EU attempted to overcome centuries of hostile history through a political and economic union. The EU emerged with the goal of creating a system of interdependency in which war in Europe was impossible. Given European history, this was an extraordinarily ambitious project, as war and Europe have gone hand in hand. The idea was that with Germany intimately linked to France, the possibility of significant European conflict could be managed. Underpinning this idea was the concept that the problem of Europe was the problem of nationalism. Unless Europe's nationalisms were tamed, war would break out. The European Union tried to solve the problem by retaining both national identity and national regimes. Simultaneously, a broader European identity was conceived based on a set of principles, and above all, on the idea of a single European economy binding together disparate nations. The reasoning was that if the European Union provided the foundation for European prosperity, then the continued existence of nations in Europe would not challenge the European Union.

The Sovereign debt crisis challenged every aspect of the European Union and has brought the spectre of nationalism back to the surface. The UK vote in June 2016 was primarily based around differences over sovereignty and nationalism. Joining the EU meant many powers were transferred to EU institutions. This included many laws being made in Brussels rather than the UK Parliament. This goes against what it means to be a nation, for secular states making your own laws and policies is a sign of independence. As the EU has integrated, more and more powers were lost by the UK



and this caused many divisions amongst the political class as well as the British public. The EU is also a transnational organisation that goes across national borders and this has challenged British identity and Britain's history of being an independent state.

Britain will now be the first country to undertake the path to leave the EU. For the UK to leave the EU it has to invoke an agreement called Article 50 of the Lisbon Treaty which gives the two sides two years to agree the terms of the split. Once negotiations officially begin, we will start to get a clear idea of what kind of deal the UK will seek from the EU, on trade and immigration. In effect the divorce requires an agreement not just how to separate but as Britain is on the edge of Europe it will have to negotiate what relations it will have with the EU with its new independent status.



The UK referendum vote outcome shows Europe never really solved nationalism, which has been its curse. Merely creating an economic bloc does not do away with centuries of differences. The EU in fact just institutionalised nationalism and tried to make it more manageable, so whilst Europe has not been in a large-scale conflict since WW2, nationalism is everywhere within the EU. The European Union has today expanded well beyond its original founder states. Consensus on how far enlargement should go and how deep integration should be continues to plague the union. Member states are reluctant to relinquish their sovereignty to bureaucrats in Brussels as nationalism between member states is rife within the union.

It remains to be seen who will next follow Britain out of the EU.

EU Defence Force

In his annual state of the union address, Jean-Claude Juncker, president of the European Commission, highlighted *"The European Union needs a military headquarters to work towards a common military force, the lack of a permanent structure resulted in money being wasted on missions."* Article 42 of the Treaty on European Union provides for substantial military integration within the institutional framework of the union. Complete integration is an option that requires unanimity in the European Council of heads of state or government, which has never taken place.

A number of treaties were signed after the end of WW2, between the European nations, but they were all subsumed into NATO in the early 1950's. The Cold War ensured NATO dominated all security arrangements and locked Europe into its posture. The collapse of the Soviet Union and subsequent 'peace dividend' saw some Europeans call for the end of NATO and Europe managing its own security.

But the war in the Balkans, especially the Kosovo conflict highlighted the US superiority and control of NATO, much to the dismay of many Europeans. Since at least 1998, the European Union began discussions of its own defence force, the European Security and Defense Policy (ESDP) and the accompanying 60,000 strong European Rapid Reaction Force, which would not be a part of NATO.

But differences between France, Germany and Britain on integrating security, finance and domestic budget constraints has kept the idea on the drawing board. Many of the new entrants into the EU in 2004, who were also former Soviet Republics didn't just have bilateral military relations with the US but some became sites for US ballistic missile defence shield. The US has been the biggest obstacle in a EU defence force. A leaked version of the Pentagon's 1994-1999 Defense Planning Guidance report advises that the United States *"must seek to prevent the emergence of European-only security arrangements which would undermine NATO ... Therefore, it is of fundamental importance to preserve NATO as the primary instrument of Western defense and security, as well as the channel for US influence and participation in European security affairs."*³¹

Conclusions

The EU faces significant challenges and hurdles maintaining the union of 28 member states. Political parties within member states face significant hurdles in supporting EU aims and many are being thrown out of government for not supporting calls for independence. Britain's Brexit has confirmed the challenges ahead and it will remain with France and Germany to maintain the EU for the foreseeable future. As matters stand the EU is struggling to provide a coherent argument of why members states should remain part of it.

2017

Scepticism – In 2017, the EU will need to deal with the scepticism that continues to grow in size and scope. Euroscepticism or Anti-EUism is the body of criticism of the European Union and opposition to the process of political European integration that not only exists but is growing throughout the political spectrum. In 2014, the highest levels of EU officialdom were rattled by victories and major gains for Eurosceptic and populist parties in countries that included Britain, France, Spain, Italy, and Greece. National governments work with the EU but then undermine it in order appease domestic public opinion and it is this that has allowed far right groups and anti-EU groups electoral success. These parties act like a virus from the inside and constantly undermine the EU as it tries to function in the worst economic crisis for decades.

Rise of the right - Donald Trump's victory in the US has given new fuel to Europe's nationalist, anti-establishment and Eurosceptic groups. In many European countries, outsider parties have seen a surge in support for their populist, often controversial campaigns. But there are underlying issues. Dissatisfaction, cynicism and outright rejection of traditional political parties (as well as business and banking elites), many of which have been in power in Western Europe in one way or another since the end of the World War Two. This, is arguably driving voters to stage ballot-box protests or to seek alternative political homes - to the delight of Europe's populist parties. In Austria, for the first time since World War Two neither of Austria's two main centrist parties made it to the presidential run-off in 2016. Denmark's government relies on the support of the nationalist Danish People's Party and has the toughest immigration rules in Europe. The leader of the nationalist Finns

Party is foreign minister of Finland, after it joined a coalition government in 2015. In France, the far-right National Front won 6.8 million votes in regional elections in 2015 - its largest ever score and will poll well in the presidential elections in 2017. The far-right Jobbik party - polling third in Hungary - organises patrols by an unarmed but uniformed "*Hungarian Guard*" in Roma (Gypsy) neighbourhoods. With elections taking place across the continent in 2017 the right-wing groups are expected to take a large share of the votes. In the long term, the success of these groups confirms the problems many see with the EU.

Global Economy

Eight years ago, a bank collapsed, Wall Street went into meltdown and the world economy plunged into crisis. Trillions were lost in output (\$22 trillion in the US, within just five years), millions of workers were made redundant and thousands of promises were made by politicians and policymakers – everyone from Barack Obama and Gordon Brown to David Cameron and Christine Lagarde – that things would change. Yet, nearly a decade later, what is most striking is how little has changed.

The world's major economies continue to struggle to achieve sustainable growth, despite years of monetary and fiscal stimulus. Many of the world's premier economies also face long-term structural challenges, including rising debt, aging populations, and inadequate or aging infrastructure. Success or failure in resolving these structural challenges will determine the speed of long-term growth in these economies.

Much of the cheap money created by the US Federal Reserve, the Bank of England and the European Central Bank (ECB) has been pushed by financial speculators into the higher-yielding markets of South Africa, Brazil and India, among others. Economists at the Bank for International Settlements, the central banks' central bank, believe \$9.8 trillion was pumped out in foreign bank loans and bonds in the first half-decade after the Lehman Brothers collapse.³² Around \$7 trillion of that was pushed through to emerging markets.

With all these glaring problems a number of economic issues hit the headlines in 2016 which will impact the global economy going forward.

The War on Cash

Since the financial crisis in 2008 a range of emergency measures were adopted to not only save the western economies but to save the banking system. There was a very real risk of a widespread banking collapse and a 1930's style depression was also forecast. The bank bailouts included up to \$21 trillion of money and a range of further "*unusual*" central bank policies followed. All were designed to save the system, save the banks and generate growth in western economies. Despite these measures which included Quantitative easing (money printing) and the lowering of interest rates to virtually zero, the economic recovery in the West has been painfully slow. Central banks in 2016 seemed close to changing direction. Has the zero rate policy run its course?

If close to zero interest rates have failed to stimulate growth and only led to more indebtedness. What else can be done? With rates close to zero (UK at 0.5% and the US even lower). Rates have been at these "*emergency*" levels for 8 years and are part of an overall 30 year trend down. Negative interest rates, the preserve of economic textbook case studies may become a reality.

At the Annual World Economic Forum meeting in Davos, Switzerland from January 20th -23rd 2016, World leaders decided to dramatically escalate the War on Cash making it easier for them to impose negative interest rates.

Negative interest rates mean the lender pays the borrower for the privilege of lending him money. Negative rates could not exist in a free market, Central Banks must impose it. Think of it as "*punishment interest*." That's a common term in Germany for negative interest rates.

Punishing savers is exactly what central bankers are planning. They think that hitting savers with negative interest rates will encourage them to spend now. It is effectively a tax on saving money. They want the public to spend money. Even if they have to go into debt to do it. Consumption based on fear of negative interest rates is somehow supposed to "*stimulate*" the economy.

However, their scheme is not working. Switzerland, Denmark and Sweden all had negative interest rates in 2016 but consumer spending is not being "*stimulated*" in these countries. It's totally (and predictably) backfiring on the central planners.

Negative interest rates make it harder to save. Put £1,000 in your bank account at the beginning of the year, and it becomes £950 by the end of the year. And that's not even accounting for inflation.

This scenario scares people. It doesn't induce them to spend. Prudent saving and thriftiness are supposed to be good things. However, negative interest rates destroy the incentive to save. That's just one of the reasons it's such a toxic concept.

But If you don't like the sting of negative interest, you can withdraw your money from the bank and stash the cash under your mattress. The more it costs to store money at the bank, the less inclined people are to do it. Of course, this is not the outcome central economic planners want. It puts a natural limit on how far down they can drive interest rates.

Their solution to this "*problem*" in 2016 was to push the world closer to a cashless society.

Central Banks in 2016 started this process by phasing out larger denominations of currency notes, which makes large cash transactions impractical. Some countries outright prohibited cash transactions over a certain amount. In August France made cash transactions over €1,000 illegal, down from the previous limit of €3,000.³³ This forces people to use electronic payment methods more and more, which is what the US government has always wanted. Former US senator Ron Paul highlighted: "*The cashless society is the IRS's dream: total knowledge of, and control over, the finances of every single American.*"³⁴

There was a flurry of related activity during and immediately after Davos:

- **January 20:** Deutsche Bank CEO John Cryan predicted cash won't exist in 10 years.
- **January 22:** Norway's biggest bank, DNB, called for the country to stop using cash.
- **January 29:** The editorial board of Bloomberg published an article titled "*Bring On the Cashless Future.*" It called for the elimination of physical cash.
- **February 8:** Peter Sands, president emeritus of Harvard, issued a paper titled "*Making it Harder for the Bad Guys: The Case for Eliminating High Denomination Notes*". It advocates removing large bills from circulation to help fight the various made-up wars...the war on crime, the war on drugs, the war on terror...

- **February 15:** Mario Draghi, head of the European Central Bank (ECB), announced that he has essentially decided to phase out the €500 note. These notes represent around 30% of the physical euro notes in circulation. With the use of physical cash curtailed, J.P. Morgan estimates the ECB could ultimately bring interest rates to as low as negative 4.5%.
- **February 16:** Larry Summers, a Harvard professor and former Treasury secretary, wrote an article in The Washington Post titled *"It's time to kill the \$100 bill."* Summers became the latest high-profile *"economist"* to call for the abolition of cash. Removing the \$100 bill from circulation would eliminate the value of 78% of all US currency in circulation.
- **February 16:** Hasbro, maker of the Monopoly board game, announced that, the famous game will no longer feature cash. The company is replacing in-game cash with special bank cards players scan on handheld *"banking units"* to make purchases.
- **February 22:** The editorial board of The New York Times published an article titled *"Getting Rid of Big Currency Notes Could Help Fight Crime."* It called for getting rid of high denomination notes.

All of this means the strategies used to halt the effects of the global economic crisis have not solved the fundamental problem of ending the crisis and creating new growth and wealth. The writing's on the wall. The War on Cash is accelerating. And it's setting the table for negative interest rates in the US and elsewhere.

Panama Leaks

One of the most significant events in recent economic history was the leak of 11.5 million documents covering the daily business of the Mossack Fonseca law firm which advised the world's largest corporations, dictators, monarchs as well as democratically elected leaders on how to hide their money and avoid tax.

Whilst the leaks were made public in April 2016, the German newspaper *Süddeutsche Zeitung* received the data a year earlier. The German newspaper alongside the International Consortium of Investigative Journalists (ICIJ) collaborated with 370 journalists from around the world in analysing the information. The leak revealed the private financial dealings of hundreds of wealthy individuals, with records dating back 40 years in some cases. The leaked sparked a global uproar.

China's leadership censored the internet to prevent the Chinese from learning about the corruption of their leaders. Pakistani Prime Minister Nawaz Sharif was forced to appear on national television to defend allegations of corruption that ensnared his family. Iceland's Prime Minister resigned over his wife's tax avoidance measures. British Prime Minister David Cameron faced awkward questions about his father's efforts to hide wealth from the UK tax authorities. While, the Kremlin came out defending Putin and has alleged that Panama papers are a malicious plot concocted by the US government and George Soros to malign Putin.

This incident revealed once again and with a treasure trove of evidence that whilst many in the world have been forced with austerity the rich and powerful pay little taxes through the use of offshore accounts. Ownership of offshore accounts is not illegal in itself. Offshore bank accounts traditionally provide a venue for dubious dealings, but they also offer low-tax environments where

the super rich keep their wealth away from prying eyes. The leaks embarrassed world leaders as the world came to know just how much untaxed money they have squirreled away, and where.

The biggest implications of the leak will come from the light these revelations shed upon the banking and financial system itself. It is not a secret that vast riches are stored in offshore havens estimates include the total sum of hidden assets at 8% of global financial wealth.³⁵ But never before have we had access to the details. And the phenomenon of offshore wealth is a symptom of a more malignant condition. The disparity between rich and poor has been growing for decades, and these giant offshore sums are reflection of that trend.

Offshore funds are a problem for governments. Economies around the world have been flagging, saddled with high debt and lacking conventional ways to overcome their stagnation. While the debt limits spending, raising taxes would further stifle economic growth. To these governments, the 8% of global wealth that may currently reside in non taxable offshore havens presents an opportunity. Wealth that should be taxed, whose tax revenue could bolster government coffers, ready to be spent on infrastructure projects that might stimulate the next round of sustainable growth, is instead sitting idle in the Cayman Islands.

Global Debt

It is no surprise that nearly a decade of stimulus and Quantitative Easing (QE) has led to a large increase in global debt. In 2016 The International Monetary Fund (IMF) raised concerns over ballooning global debt that has reached 225% of the world's gross domestic product (GDP), or \$152 trillion, which could lead to financial crises. *"At 225 percent of world GDP, the global debt ...is currently at an all-time high. Two-thirds, amounting to about \$100 trillion, consists of liabilities of the private sector which can carry great risks when they reach excessive levels,"* the IMF said. In 2002, global debt stood at 200 percent of the global GDP.

According to the IMF, even though much of the borrowings came before the 2008 crisis, low interest rates have resulted in a surge in corporate debt in emerging markets. Levels of private debt are now high in both developed economies and a few large emerging markets such as China and Brazil, which are systemically important to global financial stability. *"On average, private debt ratios in advanced economies reached a turning point in 2012, with the largest reductions since then registered in those countries that entered the crisis with high debt levels. In some cases, however, private debt has continued to accumulate at a fast pace-notably, Australia, Canada, and Singapore,"* the IMF said.

There's no unanimity on what levels of debt-to-GDP should be considered as a threat to the global financial stability. At the same time, financial crises are associated with excessive private debt in both advanced and emerging economies. The IMF also concluded that high debt leads to weaker growth in the end even without a crisis.

2017

Replacing China - China is slowly but surely moving its economy up the value chain to produce and assemble many of the inputs it once imported, with the intent of increasingly selling to itself. All these forces combined will have a dramatic and enduring impact on the global economy and

ultimately on the shape of the international system for decades to come. But who will replace China remains to be seen. In 2017 this should become clearer.

Little Britain

The vote to leave the EU sent shockwaves across the world and not just Europe when the result of Britain's referendum was announced on June 23rd 2016. Britain has been on a downward trajectory ever since World War 2. Membership of the EU gave Britain a say at the leadership table on the continent. Considering its global political decline this decision to leave the EU may be the end of Britain as an aspiring power. On the current trajectory, it looks like the sun really is setting on the Britain's global standing.

Britain was the first nation in the world to industrialise in the 18th century. In the 14th and 15th century Britain was a backward nation and until the 17th century imported most of its technology from continental Europe. England in the 16th century was a poor country, lacking the wealth of Portugal and Spain and so unlike the Spaniards and Portuguese, the English were neither missionaries nor colonialists. The English were predominantly farmers and engaged in fishing. Due to the small nature of the English isles England was forced to make alliances and partnerships.

The basis of the British superiority was founded in the age of mercantilism; Britain went out in search of colonies, so they could provide the raw materials and markets for manufactured products. These colonial markets helped stimulate the textile and iron industries, which were probably the two most important industries during the Industrial Revolution. The British Empire first took shape in the early 17th century, with the English settlement of the eastern colonies of North America, which would later become the original United States of America. Later, India and parts of the Far East were added to the Empire, making Britain the world's superpower. (MAP)

Despite the loss of 13 of Britain's North American colonies, the final defeat in Europe of Napoleonic France in 1815 left Britain the most successful international power. While the Industrial Revolution at home gave her an unrivalled economic leadership, the Royal Navy dominated the seas. The distraction of rival powers by European matters enabled Britain to pursue a phase of expansion of her economic and political influence through trade and strategic pre-eminence. With the use of industrial promotion strategies, Britain, when it reached its pinnacle in 1800, was navigating the seas in search of riches around the globe. This programme of aggressive colonisation entrenched Britain's position in the world and changed battles from being fought for territories to offshore markets. It was this colonial war machine that drove a large chunk of Britain's scientific research, innovation, new ways of organising labour and military strategy. The liberal values which are trumpeted as the source of Britain's development arrived after achieving global domination.

World War

World War Two consumed Britain to such an extent that it brought an end to the British Empire and its international standing. This was because Britain was virtually bankrupt from WW1. Its army was overstretched and Britain was not in a position to enter another war. This is why in the post war era, British global aims have been restricted by its economic reality. For this reason, Britain worked and continues to have a role in the world by partaking in global issues, however it is unable to completely shift the global balance of power. Fareed Zakaria, the Newsweek international columnist in his book

'The Post American World,' encapsulated British policy: *"The photographs of Roosevelt, Stalin and Churchill at the Yalta Conference in February 1945 are somewhat misleading. There was no 'big three' at Yalta. There was a 'big two' plus one brilliant political entrepreneur who was able to keep himself and his country in the game, so that Britain maintained many elements of great powerdom well into the late 20th century."*³⁶

Economic Decline

An analysis of British economic, military and political capability shows it has done well to stay in the game, but its days are numbered.

Whilst Britain has a £1.9 trillion economy, the 6th largest in the world, Britain lacks the industrial base to pose any challenge to the global powers. Britain has global aims and has mastered the art of political manoeuvring; however it punches above its weight.

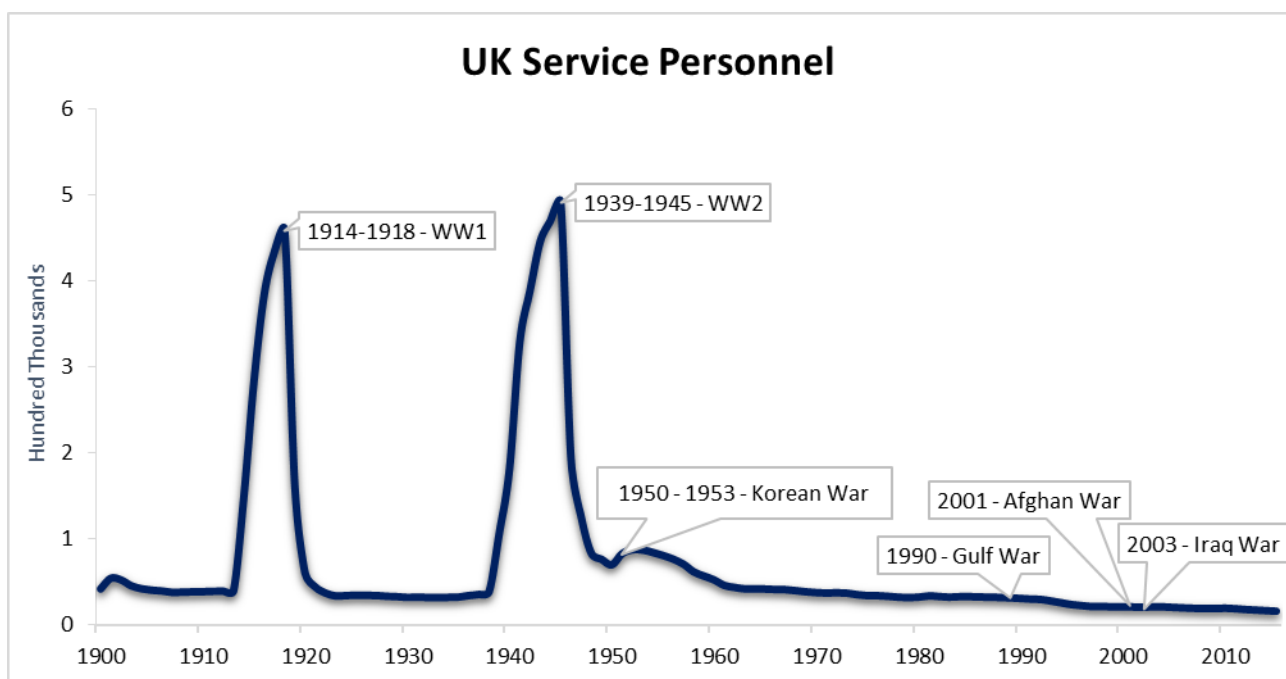
After WW2 Britain saw its colonies slip away one by one. Britain like much of Europe was dependent on US food and economic aid. A starving, indebted Britain, took cold comfort in the welfare state promises made by the government, but without assured raw-materials sources and protected markets, (especially India), British exports nosedived. The British economy collapsed in the next few decades. British Coal, Railways, Steel, automobile industry and ship-building went into a terminal decline – never to recover. Throughout the 1960's and 1970's Britain fell behind emerging nations such as West Germany and Japan and just couldn't compete with their industrial ascent. During the 1980's what little remained of Britain's industry was privatised and this sealed the fate of British industry. Under Margaret Thatcher, during the 1980's, the economic base of the country shifted to services, to be eventually dominated by finance.

Britain is today dominated by London, which currently generates 22% of the UK's economic wealth with just 13% of the population. In the services trade, financial and business services make up 55%. The UK's goods trade is so depleted, the entire country now relies on the sector as its source of foreign capital. Britain's economy is weak from an international standpoint. Today British industry has around 3 million people with food processing the largest industry. Britain's economy sums up the nation's challenge. Its economy is unable to support the aims the UK has for global domination, and as a result London has played a weakening hand in international affairs.

Military Decline

Whilst Britain's military played a central role in propelling the Empire around the world, Britain's economic and political decline after WW2 was a reflection of the military's declining global role. Its protracted decline was dramatically epitomised by its political defeat during the Suez Canal crisis in 1956. Unable to fund the empire and politically no longer able to influence the global situation conscription was abolished and the size of the Armed Forces was reduced from 690,000 at the end of WW2 to less than 150,000 today. Britain looked for a military posture that would be an inexpensive alternative to maintaining a large conventional military. Every defence review of the British military since WW2 called for personnel cuts as the UK economy could not fund the military.

On paper, the UK armed forces are too small to project power globally on its own. Britain has a total of 143,580 full time active duty personnel spread out, over 81,940 in the army, 29,890 in the Navy and 31,760 in the air force. Only 20% of ground forces physically wage war, with the remainder doing logistics, maintenance and repair and reconnaissance. In reality Britain's ground forces, the key to waging war, is anywhere between 15,000-20,000 troops! Today, even Iran's militia and unconventional forces are larger than Britain's conventional forces. The Royal Navy that ruled the oceans for so long, did so with over 200 ships. Over time this has been reduced to a feeble 19 warships, with a new aircraft carrier under construction, if it is ever completed. Britain today has more admirals – 40, than it has warships.³⁷ Britain's military industry is dominated by BAE Systems, who manufactures civil and defence aerospace, land and marine equipment, which include the Type 45 destroyer, aircraft carriers, the Eurofighter Typhoon and maintains Tornado and Harrier jets. Only the Type 45 destroyer is built entirely by British engineers; all other heavy military equipment is either imported from overseas or developed with partners. Very few military systems are indigenously produced by Britain today.



Political Decline

Britain's economic and military decline has impacted its political influence around the world. British foreign policy today is built upon having a role in Europe and influencing the US. British policy makers have accepted the nation's weakness after WW2 and developed a policy of preservation rather than outright competition with the US. Britain has managed to achieve its interests through a policy of preserving its global ambitions by working with the US and the EU, whilst at the same time working to divert, alter, complicate and limit the aims of both. Due to the economic reality of Britain, it has no propensity to achieve anything more. Britain can complicate the plans of other world powers to the extent that it is taken seriously in the world. Britain's influence remains in North Africa and the Gulf, but all of this is due to historical links rather than economic or political strength.

Britain is purely looking to maintain rather than expand its place in the world, a far cry from the days when the sun never set on the empire.

The Curse of the EU

The formation of the European Union has its origins after WW2 in 1945, in the desire to unite Europe so there would be no more wars on the continent. The European continent has a long history of war. Winston Churchill, the UK prime minister at the time supported this idea, proposing for Europe *"a structure under which it can dwell in peace, in safety and in freedom... a kind of United States of Europe."* At the time after the devastation of WW2 Britain did not take this idea of a union of Europe seriously and didn't consider it even possible.

But when the European Coal and Steel Community was established in 1951 and the Treaty of Rome signed in 1957, Britain did not join and took a wait-and-see approach to see if the union would survive. A united Europe could threaten British power and with Britain not joining this undermined the union from the very beginning as a major power in Europe was not part of the union. One of the architects of the original union, the Frenchman Jean Monnet, said: *"I never understood why the British did not join. I came to the conclusion that it must have been because it was the price of victory - the illusion that you could maintain what you had, without change."*

By 1960 the EU had survived and British politicians realised being outside the EU meant it had no influence over it. Britain's politicians realised they needed to be at the leadership table of Europe in order to influence it and to ensure it did not unify to the point that made Britain weak and irrelevant. So in 1961 it applied to join the union, only for entry to be refused - twice - by French President Charles de Gaulle. He endeavoured to distance Britain from Europe, because he understood Britain's strategy was to prevent the unification of Europe. He accused Britain of a *"deep-seated hostility"* towards European construction. But De Gaulle resigned as French president in 1969, and died one year later. His successor George Pompidou met with British Prime Minister Edward Heath in 1971 and after long negotiations, gave Britain membership for the EU.

Britain then immediately began calling for a re-negotiation of the terms. The conservative party led Britain into the union and the Labour party leadership who came to government in 1974, then used the renegotiation to threaten the EU leaders as the terms of negotiation were to be put to the public for a public referendum. The West German leader Helmut Schmidt and British Prime Minister Harold Wilson made a deal where Britain would stay in the EU and Schmidt would give some concessions to show the British government had achieved its goal of a re-negotiation. In reality no negotiation took place. All three of the main parties in Britain fully campaigned on Britain staying in the EU and after the referendum in 1975, 67% of people voted to stay in the union, which at the time was a free trade area.

Deeper Union

By the 1980's the union's leaders were focusing on further integrating the union and steering towards a more federal Europe and a single currency. The EU was moving towards political union and a single market which would make Britain just another state integrated into Europe like Belgium. It would also mean Britain would have to give up some of its sovereignty and power and

parliamentary laws to the European parliament in Brussels. Despite being pro-European initially, Margaret Thatcher in 1988 in a speech in Bruges, Belgium, made the British position clear. She rejected *"a European super-state exercising a new dominance from Brussels."* This led to a split in the conservative party, which remained up to today and was one of the driving factors that forced a Brexit vote. These differences eventually led to her downfall. Britain failed in keeping the EU divided and eventually signed the Maastricht Treaty in 1992. This resulted in huge transfers of power to the new European Union, but Britain secured opt-outs from the single currency.

It was under the Margaret Thatcher's government from 1979–1990 that differences amongst the conservative party politicians and political class became much more profound. Several ministers resigned, including Geoffrey Howe, the Deputy Prime Minister. Whilst there was no opposition to the EU in 1971, opposition grew from some politicians who saw Britain giving up too much power to Europe. Professor Bogdanor, an expert in British history at Kings College highlighted *"Europe has been a toxic issue in British politics, not just because it caused division between parties, but also deep divisions within the parties. Some might argue that the fundamental conflict in post-war British politics is not so much between left and right as between those who believe that Britain's future lies with Europe and those who believe it does not."*

Sovereignty and Nationalism

There were two issues that divided politicians and much of the British public - one of sovereignty and one of nationalism. Joining the EU meant many powers were transferred to EU institutions. This included many laws being made in Brussels rather than the UK Parliament. This goes against what it means to be a nation, for secular states making your own laws and policies is a sign of independence. As the EU has integrated, more and more powers were lost by the UK and this has caused many divisions amongst the political class. The EU is also a transnational organisation that goes across national borders and this has challenged British identity and Britain's history of being a separate state.

These issues caused major splits and have been a big problem for successive governments in using the EU for its own interests. The establishment of the UK Independence Party (UKIP) on the issue of being anti-Europe led it to gain much support from the British public, which caused further divisions within the conservative party and led to much anti-EU public opinion. This party took seats in the European parliament and used its position to challenge it and undermine it. Their popularity was confirmed in the 2015 general election when it came third in the national election vote. The British electoral system of being first-past-the-post kept them out of power in the end.

But since the financial crisis began in 2008, Britain has clashed with the EU over numerous issues. British Prime Minister David Cameron clashed with Europe over plans to introduce a levy on banks and restrict London's financial sector. In March 2015 the UK won a court case against the European Central Bank at the European Court of Justice. The ECB had been attempting to move the clearing function for eurozone transactions within the union. The move would have excluded London and made Paris and Frankfurt more attractive as financial centres, which would have weakened Britain's economic position.

Britain's relationship with the EU due to viewing it as a means to achieve its own interests caused it to clash with the EU over many issues. Domestically both the public and politicians were divided on whether it was in Britain's interests to remain with the EU. The politics amongst the politicians severely divided them on the issue of the EU. The conservative party has been ravaged by this for decades and was instrumental in the vote even taking place. The Conservative Party ravaged by an overwhelming sentiment for the dislike of Brussels forced David Cameron's hand. But the unexpected result failed to heal the deep rifts amongst the Tories and put Britain in a strategic conundrum. This strategic future of Britain is now at stake. Theresa May, who became British Prime Minister in July 2016 is hoping to repair the rifts and correct Britain's strategic course.

For Britain, a unified EU is a threat to its power and keeping it divided has always been its aim. Britain, on the one hand, wants to keep the EU divided on the other hand it wants to use it for its own benefit in international issues.

Britain at every opportunity undermined the EU, from joining the union and then immediately calling for negotiations, which then led to a referendum. It called for a single market in the EU and then stood against it and criticised a European super state, as it undermined its sovereignty. Britain called for unity in Europe and then opted out of joining the Euro. At every opportunity Britain worked to disunite the EU and keep it weak. It joined the EU in order to achieve this after it saw it could not achieve this from outside the EU. De Gaulle understood this and kept Britain out of the union, but eventually Britain was allowed to join. Britain realised from the early days of the EU that it needs to be within the EU in order to influence it, so politically Britain always needed to stay within the EU. Britain also benefits economically from the EU, and this benefits its companies and rich elite. Britain's economy is dominated by services and Britain's major service is finance. Britain exports very little goods and relies on financial services for income, capital and foreign currency. The EU's single market means Britain can export, with no trade restrictions to the whole of Europe, which benefits the large companies and rich elite. Leaving the EU would damage this position.

There is still a long way to go for Britain's divorce with the EU. Another referendum is possible on the new terms Britain is offered, whatever these may be. But the underlying trend for Britain, inside or outside the EU looks to be heading in one direction with the sun finally setting on the British Empire.

Latin America

Strategic Estimate analyses the global balance of power and the many variables that can affect it. Whilst the Middle East and Africa gain significant media coverage, Latin America also regularly makes headlines with its politics and general instability. The continent was the first region that experienced colonialism and has been fought for by various powers. The emergence of the United States somewhat restricted European interference in the continent and with this backdrop *Strategic Estimate* 2017 assesses the position of Latin America in the world and its place in global competition.

Geopolitics

For most of human history the West of the European continent was considered impassable. If you ventured out too far you would fall off the edge of the earth. Whilst the earth was considered round by most people, it hadn't been physically proven until Christopher Columbus in 1492 made the journey West of Spain to find an alternative route to China and India that circumvented the Muslim world. Rather than going around the African continent as the Portuguese had achieved he believed he could travel west of Europe and get to the East via the Pacific. What he found was the Caribbean and subsequently the rest of north and South America. So convinced he had reached India he called the indigenous people Red Indians believing he had reached India.

Latin America begins at Mexico's northern border with the US and stretches 7,000 miles through central and South America ending at Tierra del Fuego on Cape Horn where the Pacific and the Atlantic oceans meet. At its widest from Brazil to Peru, it is 3,200 miles. Whilst Latin America is a huge island and consists of 33 nations it is not a single entity but it is made up of smaller islands, divided not by the ocean, but by impassable jungles and mountains. The Amazon and the Andes creates three islands. The eastern island consists of parts of Brazil, Argentina and Bolivia, as well as Paraguay and Uruguay. The second island is Venezuela and Colombia. The third is a long, thin island in the west, running from Ecuador through Peru and Chile. This is why South America was never formed into a single entity like North America, or into transcontinental countries. South America only looks like a single landmass, but it is deeply divided by these barely passable barriers.



As a result, when the colonialists came from Europe they stayed away from Latin America's interior which consisted of mosquitos, disease and dense jungles and swamps. They remained on the coasts and over time these became the biggest cities and thereafter the capitals. All the roads from the interior were developed to reach the coastal capitals rather than each other.

This disconnected geographic landscape created dozens of economies of wildly varying sizes often more linked by trade with partners outside the region than with each other. With few unbroken expanses of arable land and high transport costs across the forests and mountains, Latin America was not in a position to create capital on the scale of the United States or Western Europe. Consequently, even major Latin American states such as Brazil or Mexico remain highly reliant on inflows of cash from abroad to keep their economies afloat and rely on exports to China or the United States for a significant part of their foreign trade.

Three hundred years of Spanish and Portuguese colonial rule laid the foundations for many of the Hispanic and Portuguese Latin America's current problems — some of the world's most extreme social and economic imbalances between rich and poor, class and ethnic divisions, weak judicial and political institutions, along with endemic corruption and distrust of private enterprise and commerce take place in Latin America. The region's chronic national indebtedness and low internal savings rates can be traced back to colonial times, as can the region's tendency to accumulate presidential power at the expense of other branches of government and assert incremental bureaucratic control over economic activities.

Conquistadors

In 1492, Spain's monarchs signed an edict which required Muslims to convert to Christianity and forced the Jews out of the country; the Muslims were also eventually expelled. From a geopolitical perspective, Spain was now united under Spain's monarchs and became a more powerful land force than Portugal. As Portugal was smaller than Spain, it focused on becoming a sea power, whilst Spain the larger country that dominated the Iberian Peninsula needed to become a naval power. This competition between both countries kicked off the *Age of Discovery*. The Muslims controlling the region between Europe and Asia and the sea and land routes was a key factor that drove both the Spanish and the Portuguese in the Age of Discovery. Both nations needed to find ways to circumvent Muslim sea and land routes. Portugal started the process in 1434 and focused on going south around the southern tip Africa. The problem the Portuguese faced was if they sailed too close to the African shore, their boats would be captured by the Muslims. To probe south they would need to navigate further away from the coast, out of the reach of Muslims. In doing so the Portuguese discovered and seized Azores in the Atlantic – 900 miles off the coast of Portugal. The southern route paid off for the Portuguese when Vasco de Gama reached India in 1498. Once the new route to India was established by by-passing the Muslims and the Ottomans, the stage was set for centuries of European domination of India.

Christopher Columbus provided the Spanish with another option to bypass the Ottomans, which didn't require challenging the Portuguese route around the hump of Africa. Columbus argued India and China could be reached by going west. At the time people did not know how long it would take to reach the other side of the world and even if it was possible. Columbus originally proposed this to the Portuguese who rejected it but what the Spanish found was about to completely change the

world order, as it was known at the time. Despite the disappointment with his first voyage, the Spanish court funded others and what they discovered was far more than spices or sea routes – but the other half of the world. And when they encountered this new world it was filled with gold and silver. The Portuguese found a new route to somewhere that was already known, Columbus stumbled upon an unknown portion of humanity. Discovering this new humanity revolutionised European thinking. The Spanish encountered something for which there was no reference point.

Explores such as Columbus and Vasco de Gama gave way to the next wave of European men – colonialists. Spanish Conquistadors conquered the Incas in Peru, Balboa found Panama and became the first European to lead an expedition to have reached the Pacific from the New World. De Soto went north and discovered Mississippi and Hernán Cortes conquered Mexico and the Aztecs. After the Spanish, the Portuguese, the French, English and Dutch all arrived in the New World.

By the 18th century Spain had colonized the lion's share of the new world; the Spanish Empire controlled everything West of modern day Brazil (Portugal controlled most of what is today Brazil). All of Central America was in Spanish hands as well as the territory that became the modern US states of Texas Arizona, California and New Mexico. The French colonized most of the Mississippi Basin and Quebec in Canada. The British Empire controlled America's Eastern coast as well as some parts of Canada, whilst Russia possessed Alaska.

United States of America

In 1607, a band of Englishmen built the first permanent settlement in what was to become the United States. The settlement, Jamestown, was located in the present day Virginia. By 1770, the North American colonies were economically and politically prospering to the detriment of the largely agrarian South and South-west America. Disputes developed with England over taxation as settlers hoped for a modification of English taxes and regulations that would satisfy their demand for more self-government. This mounting quarrel with the English government led to all-out war and eventual independence for the colonies in 1776. Over the next century, the US expanded westward to the Pacific through war, conquest, cessation from European powers and the outright annihilation of indigenous peoples. US politicians had concluded very early that they would never be independent with the north and South continent colonised by Europe. Once the US government controlled the North American continent from the Atlantic to the Pacific, they set on removing the European colonialists from the Caribbean and South America, culminating in the Monroe Doctrine.

Beginning in 1823 the Monroe Doctrine stated that further efforts by European nations to take control of any independent state in North or South America would be seen as an act of war with the US. The Doctrine was issued in at a time when nearly all Latin American colonies of Spain and Portugal had achieved or were at the point of gaining independence from the Portuguese and Spanish Empires. From this point onwards the US neutralized Latin America from international competition and struggle by preventing the European Colonialists from interfering in the American continent and from threatening the vital interests of the USA in that continent. Whilst there is conflict on the continent between the various nations, no country in the world competes with the US over the continent. The US has banned and threatened any nation that attempts to compete with it over the continent.

Independence

All of the countries in what is today Latin America won their independence in the 19th century. Between 1815 and 1822, Jose de San Martin led Argentina to independence, while Bernardo O'Higgins in Chile and Simon Bolivar in Venezuela guided their countries out of colonialism. Bolivar also freed from Spanish domination the colonial possessions that today are Colombia, Ecuador and Peru. These new republics sought — and expected — recognition by the United States, and many Americans endorsed that idea. Once the United States and Spain ratified the treaty under which the United States purchased Florida, US President James Monroe's administration began extending recognition to the new Latin American republics.

However, independence and the creation of republics instead of crown colonies did not change the underlying political institutions and core laws that organized society in Latin America. New "*criollo*" leaders — Spaniards born in the colonies — wrote new constitutions and laws, but in practice they ruled as badly and corruptly as the Spanish Crown had ruled the colonies.

Immigrants from countries such as Italy, Portugal, Spain, Germany, France, Holland, Poland and England in the 19th and early 20th centuries brought Latin America capital, industrialisation and a new work ethic that formed the core of contemporary Latin American economies and the foundations of endogenous private enterprise. Immigrants gave Latin America a middle class, and some became wealthy and influential in their new countries. These immigrants rarely mixed or intermarried with the older "*criollo*" elites that traced their blood lineage back to Spain and the Conquistadores and as a rule they also did not mix with the poor classes consisting of the free descendants of African slaves, poor mestizo peasants or indigenous people.

Nationalism, militarism, revolution and the creation of the first modern political parties were the dominant political drivers in Latin America during the first four decades of the 20th century. In some countries such as Venezuela, the first organised political parties were socialist or communist. In Argentina, Col. Juan Domingo Peron melded blue collar workers, militarism and nationalism with fascist undertones into a populist political movement that came to be known as Peronism.

Cold War

With the US growing richer and with its neighbours suffering from poverty due to a variety of factors such as unequal trade agreements with the US, a ruling elite in many Latin American countries who spent more time in the USA than their own countries. Resentment was breeding after WW2 against the US. Many of the region's leaders turned to more autocratic and dictatorial means to remain in power. Some revolutionaries saw communist ideals as an alternative to their situation. The leaders that affected US economic interests were removed through numerous coups and counter coups under the guise of communist expansion, in fact the numerous coups the US undertook allowed them to perfect regime change which became so common across the world.

The CIA supported coup in Cuba in 1961 was repelled by the forces of Fidel Castro and ever since the US military and CIA were looking to overthrow the regime in Cuba. The US government on the other hand stood by as Castro worked with the Communist bloc and asked for Russian help in procuring arms. When Russia installed nuclear missiles in Cuba, the US government was aware of

this but remained silent. This was because both Moscow and Washington knew Russia lacked the capability to sustain any presence so far from the Eurasian continent. US silence at Russia's missiles would suggest the US was trying pull Russia into the New World and expand her capabilities in order to overstretch her.

The US military pushed for war as it became public knowledge of a Soviet military presence and wanted to get at Cuba after its humiliation at the Bay of Pigs a few years earlier. John F. Kennedy, was under pressure from military generals for an invasion, whilst Nikita Khrushchev would undermine his Eastern bloc if he withdrew the missiles from Cuba. Through contacts both Kennedy and Khrushchev were able to save face by Russia withdrawing in return for the US removing its missiles in Turkey. This incident at the time was reported to have brought the world to the brink of war, but in reality this was never the case and both Kennedy and Khrushchev worked to de escalate the conflict despite domestic challenges.

Populism

The trend toward populism has dominated the region politically since Hugo Chavez became president of Venezuela in 1998. With the exception of Chilean President Ricardo Lagos, every Latin American president elected since 1998 won by campaigning on two themes: against ruling parties and candidates that embraced 'neoliberalism,' and against corrupt traditional political elites. Vicente Fox in Mexico, Alvaro Uribe Velez in Colombia, Lucio Gutiérrez in Ecuador, Alejandro Toledo in Peru, Luiz Inacio "*Lula*" da Silva in Brazil, and Tabare Vazquez in Uruguay all won elections by campaigning as outsiders against the traditional political elites, who had lost their credibility with voters.

The political tides have now turned in Latin America. Over the past few years, countries that had elected left-wing populists now find themselves led by administrations at the center, and in some cases to the right, of the political spectrum. But the change of fortune may be short lived. The region has a historical predilection to populism, and given the economic inequality that still mars many of its countries, populist rhetoric will always appeal to impoverished voters.

Aspiring populist leaders face many daunting challenges. Slowed growth in China, which bought en masse the commodities on which so many Latin American countries depend, has reduced the growth that supported the political patronage that characterized many populist governments. And just as important, when leftist leaders do return to power, they will probably have less money — which was once so critical to their dynastic success — at their disposal.

Recent examples of this political reorientation abound. In November 2015, Argentina elected conservative Mauricio Macri as president, ending 12 years of Peronist rule. In August 2016, Brazil impeached President Dilma Rousseff, ending 13 years of Workers' Party rule. And in December 2014, Cuba began to normalize relations with the United States, transforming, albeit more slowly, the communist policies of the past half-century. Meanwhile, Venezuela, a populist bastion that was once the energy benefactor of several nearby states, is beset by economic crisis and political unrest. Upcoming elections elsewhere threaten to remove governments that were more tacitly bound by left-wing principles.

Leftist populism will probably never fully leave Latin America. It resonates too strongly with poorer voters. But the current economic environment in the region differs markedly from the one that ushered in the original turn to the left. Governments that rise to power in the next few years, whether from the left or right, will have fewer resources at their disposal to cement their political gains. And these economic circumstances may deprive them of the opportunity to recreate their past political dynasties.

Economics

Since approximately 1950, Latin America and the Caribbean have experienced recurring cycles of sustained economic growth followed by prolonged economic decline. The intensity and duration of these cycles varies from country to country, but generally each economic cycle lasts an average of 10 years.

Latin American economic policies have shifted from 'import substitution industrialisation' policies in the 1950s and 1960s, to policies in the 1970s that emphasised large-scale international sovereign borrowing by regional governments. The Latin American debt crisis that erupted in Mexico in 1982 and quickly engulfed the entire region resulted in a 'lost decade' in terms of economic stagnation, increasing poverty and falling income. However, this crisis ushered in new economic proposals from US-trained economists and technocrats, which led to free market friendly economic policies that opened up Latin America to international trade and investment.

US-centric 'neoliberalism' and the 'Washington Consensus' were embraced during the 1990s by reformist governments that slashed trade barriers and privatized state-owned enterprises faster than any other developing region in the world. The North American Free Trade Agreement (NAFTA) among the United States, Canada and Mexico was negotiated in 1992 and implemented in 1994. By the end of the 1990s, however, regional economic growth slowed again. Geopolitically, the Cold War shaped the last 50 years of Latin America's evolution. From the 1960s until the end of the 1980s, Latin America was battlefield for the red scare. Security was always the top US strategic priority in the region. When the Cold War ended, the US sought to engage the region more broadly by calling for a hemispheric free trade zone. However, trade expansion was derailed when Mexico's peso collapsed in 1995, and three years later — starting in Venezuela — Latin Americans started showing more support for left-leaning leaders who blamed the region's social and economic difficulties on US-imposed neoliberalism.

Conclusions

The US secured its position on its continent by expelling and preventing the European colonialists from ever returning. But the descendants of the departing colonialists and US interference has made the continent poverty stricken and forced the people to turn to populist leaders. One after the other, such leaders failed the masses and those who were successful caused more economic problems once they left office.

For the most part, the English and French colonialists in the US and Canada came to live, while the Spanish conquistadors came to Latin America looking for resources to send back to Spain. It's an

ironic truth that resource-rich countries are some of the economically poorest on Earth, while on average resource-poor countries (like England or Japan) have been more successful.

Conclusions

At the end of 2016 the US remains the world superpower and maintains a balance around the world which protects America's array of strategic interests. In 2017 and beyond the US faces significant challenges in places such as Syria, Iraq, Ukraine and Afghanistan, as these areas are far from stable. The US has successfully used ISIS in both Iraq and Syria to push the rebel groups into a corner which has given the regime of Bashar al-Assad more time to deal with the uprising. In 2017 a new president will move into the White House and this usually leads to some changes and reviews of policy. President elect Donald Trump lacks experience from political office and has already gathered around him individuals from Wall Street and a number of retired Generals, something he said he would clean up.

America's main competitors – China and Russia faced significant issues and challenges domestically in 2016. Whilst Russia was able to freeze the conflict in Ukraine this has cost it dearly from an economic perspective and unless it can overcome this, Russia's position at the end of 2017 may be very different to where it is now. China continues to work on transforming its economy – a colossal task but its political vision remains largely regional and economic. The two nations that compete with the US in 2016 were unable to pose a significant challenge on US global prowess in 2016.

The fall of Aleppo in Syria may very well be the beginning of the end of the last remaining country of the Arab Spring. In 2017, what remains of the uprising will reach its 6th year anniversary, something no one expected. But the political solution remains allusive. The fall of Aleppo will be used to kick start the political solutions, which involves the rebel groups effectively ending their uprising.

The global economic crisis – now in its eighth year continues to hurt many nations. In Europe, this has led to the rise of the far right as austerity hurt the most vulnerable. Germany continues to hold the whole of Europe to ransom in order to maintain its position as the continent's premier nation. In the US economic growth is patchy at best and President elect Donald Trump will now have to put into action his campaign promises of making America great again.

At the end of 2016, the US remains the world's superpower. It has managed to navigate the myriad of challenges to maintain this dominant position. Whilst challenges remain in places such as Syria, the US continues to develop strategies and plans and adjusts them based on their success or failure.

Key Trends of 2017

French Elections - The presidential elections are due to take place on 23rd April 2017. Should no candidate win an outright majority, a runoff between the top two candidates will be held on 7th May 2017. The incumbent president usually goes unchallenged for upcoming elections as a matter of respect and courtesy in France. But François Hollande's unpopularity led his Socialist Party to organise a primary, which is to take place in January 2017. According to the polls, whoever stands against him will almost certainly defeat the sitting president. If Hollande was to win his party's primary he is almost certain to lose in the first round of the presidential election. The French Republican party in a stunning upset, voted for former Prime Minister, Francois Fillon in November 2016, eliminating former president Nicolas Sarkozy. The polls all show Marine Le Pen, leader of the far-right National Front, making it to the knockout round, bringing her as close to the presidency as her father Jean-Marie Le Pen in 2002. Her political agenda is clear: halting immigration, leaving the euro and the European Union as well as introducing protectionism. With the economy struggling and security a great concern alongside the future of the EU, France is at a crucial juncture and the consequences of this election as whoever wins will have to tackle the French decline in the world.

German Elections - Germany will head to the polls at some point in 2017 to elect a new parliament. Currently Germany is led by a grand coalition composed of the Christian Democratic Union (CDU) and the Christian Social Union (CSU, the CDU's Bavarian sister party). They formed a government with the Social Democrats (SPD). The current government maintains high approval ratings which has led Chancellor Angela Merkel to stand again, for a fourth term. She is considered a stable choice and is considered reliable and consistent. Germans call her Mutti, the mother of the nation; she has even been labelled in the international media as the new "*leader of the free world.*" The December 2016 Christmas Market Terror attacks has allowed the Far-Right to attack her pro-immigration policies and present her as a weak candidate to face the terror threats Germany faces. It will remain to be seen the effect this will have on Merkals prospects.

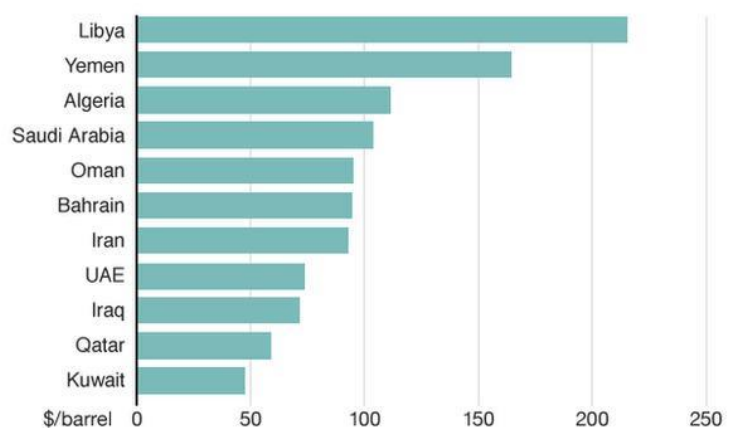
Venezuela Crisis - The country with the largest oil reserves in the world is on the verge of collapse as its economic and political crisis has deteriorated to the point that many government offices are open for only two days a week to save electricity. Food shortages are causing lengthy ques for basic necessities, the healthcare system has collapsed and inflation is now officially at 720%.

At the centre of the crisis is Venezuela's long-term dependence on one resource commodity, oil. In times of oil booms, Venezuelan governments went on spending sprees that didn't include investment in industry or infrastructure. This made the country dependent on imports. While oil money was flowing, this model works fine, but when oil money stopped, especially now as oil prices are so low, problems begin. This is the pattern in Venezuela for the past few decades and was the case again in the decade under Chavez. Then, oil prices were high, but there was little investment in the domestic infrastructure and very high dependency on revenues to buy imported goods. Venezuela is struggling to pay its debts and pay for imports and 2017 may see the country collapse.

Saudi Economic Crisis – The Saudi Monarchy is officially in crisis. The collapse in oil prices has exposed the economic model the monarchy has long relied upon. The "*cash-for-loyalty*" model was

always completely dependent upon oil revenues flowing into the Kingdom's treasury. Saudi's dependency on oil means it needs oil prices to remain above \$100 a barrel to balance its budget. As oil revenues collapsed, Saudi Arabia lost \$390 billion in anticipated oil profits, in 2015 alone. As revenues fell, its budget went from a surplus to a deficit of \$100 billion—much higher than it has been in living memory. The cash-for-loyalty model was in jeopardy as it relies on revenues from oil sales to fund

Breakeven oil prices



Source: IMF 2015

BBC

public sector employees and the lavish subsidies the monarchy provided for its citizens to maintain social harmony. For the first time in decades Saudi Arabia turned to the world of private finance to raise \$10 billion for a five-year loan. That this country, with a vast sovereign wealth fund, needs to borrow money to cover its bills is an indication of how fragile it has become.

Egypt in Crisis – The Egyptian economy is in dire straits. Abdel Fattah el-Sisi is fast running out of options as he runs the economy into the ground and 2017 may very well be his final year in office. Sisi like his predecessors continues with 60% of state income being spent on debt repayments which leaves very little for public services. Sisi attempted to conceal this with a number of high profile project announcements. Previously, the regime relied on the provision of subsidies to maintain living standards and social cohesion but it is clear that the financial situation no longer allows this. All this demonstrates that the combination of "*super projects*" and other policies thus far have only looked for short term gain at the expense of real, long term problems such as poverty. Under Sisi there has also been a rise in forced disappearances. Egyptian Coordination for Rights and Freedoms reported 2,811 cases of forced disappearance between July 2013 when Sisi seized power and June 2016. Political dissent and organised protests are just some of the reasons why someone can be imprisoned, tortured and sent back again. We may not have to wait long to see the Egyptian people take to the streets again.

North Korea Nuclear Capability - In 2016, multiple reports revealed North Korea was at the last stages of producing a feasible nuclear weapon. This is both in terms of having a functional nuclear warhead and mounting it upon a delivery system to reach its intended target. For decades North Korea used its nuclear programme as a bargaining chip to gain concessions and aid from the US and the wider international community. The US used the unpredictable behaviour of North Korea to interfere in the region and maintain a large military presence in the region in order to deal with the rise of China. Barring pre-emptive military action, a political crisis in North Korea, or a major accident that convinces Pyongyang that the risks of a nuclear program are not worth the reward, a nuclear-armed North Korea looks more and more inevitable, possibly in 2017

Ukraine - Russia, since the beginning of the Euromaidan protests, has been steadily organising the return of permanent bases to Ukraine's borders, creating new divisions and shifting brigades from

other regions. New bases are springing up in what Russia calls the country's "*southwestern strategic direction*," as units are repositioning from other parts of the country closer to Ukrainian borders. At some point in 2017 Russia's forces will be better positioned to conduct an incursion or threaten regime change in Kiev than they have ever been. This is why NATO has conducted unprecedented drills throughout 2016.

Iran Presidential Elections - Iran's presidential elections are due in May 2017. President Hassan Rouhani staked his entire political future on the economic benefits that would come to the people from getting the nuclear deal through, but this has been destroyed by the refusal of the international banking regime to have anything to do with Iran, and by the imminent arrival of Donald Trump in the White House, who said that he would abandon the deal. Rouhani was expected to be riding high on the flood of an economic upturn, but he is facing a resurgent conservative opposition. The flood of companies anxious to do business in Iran's oil industry hasn't materialised. Also the sanctions that were lifted were only those imposed over Iran's controversial nuclear programme. What remained in place were other and much older sanctions, some of which go back to the first days of the revolution when the Iranians held the US embassy staff hostage for 444 days in 1979 to 1980. These and others linked to Iran's sponsoring of terrorist groups have remained in place. Rouhani promised much for compromising Iran's nuclear programme and has the advantage that the anti-reformist bloc have no representatives, but this will likely change when the election gets close.

The Endgame in Syria – After 5 years and what little remains of the country the final stand-off by the people of Syria will probably play out in Idlib. Barring a miracle in early 2017, on the current trajectory, the rebel forces will be outgunned and it will take anywhere between weeks to months for Bashar's forces to completely secure North Syria. This is since Bashar's army is severely depleted and currently foreign elements are what is allowing him to stay in the battle. Bashar will in all likelihood find in 2017 that victory was one thing, securing the country will be an entirely different matter.

Afghanistan - 2016 marked the 15th anniversary of the US invasion of Afghanistan. This makes it the nation's longest war. It now appears, based on evidence gathered by a federal inspector general, that the whole undertaking was, and remains, an incredibly expensive disaster that has actually made Afghanistan more corrupt than it was before the US invasion back in 2001. In one of his most stunning disclosures yet, the Special Inspector General for Afghanistan Reconstruction (SIGAR) revealed that, while the US Forces-Afghanistan reported that there were 319,000 Afghan soldiers, the actual number may only be 120,000.³⁸ The Taliban still control most of the country, the Afghan Central Government remains incompetent and corrupt. Negotiations with the Taliban remains stuck in first gear. To deal with this, the US left 13,000 troops in the country under a new two-year mission named Resolute Support, which began on January 1st 2015. It remains to be seen if the US constructed political architecture remains standing in 2015.

Notes

-
- ¹ Syria: What will happen if the revolution is defeated, Middle East Eye, 23 December 2016, <http://www.middleeasteye.net/columns/what-will-happen-if-revolution-syria-defeated-81859889>
- ² Russia Is Launching Twice as Many Airstrikes as the U.S. in Syria, Daily Beast, February 2016, <http://www.thedailybeast.com/articles/2016/02/23/russia-is-launching-twice-as-many-airstrikes-as-the-u-s-in-syria.html>
- ³ Putin the 'Peacemaker' Ends Operations in Syria, Eurasia Daily Monitor Volume: 13 Issue:15, Jamestown Foundation, March 2016, http://www.jamestown.org/single/?tx_ttnews%5bttnews%5d=45204&no_cache=1#.V7y_yYWcFKV
- ⁴ Assad Strikes Back, foreignpolicy.com, May 2016, <http://foreignpolicy.com/2015/05/27/assads-foreign-fighters-dont-come-cheap-iran-hezbollah-shiite-fighters/>
- ⁵ See, <http://www.abc.net.au/news/2016-11-21/syria-unrest-aleppos-children-slaughtered-on-both-sides/8041258>
- ⁶ Aleppo teeters but no sign of US action, CNN, September 28 2016 <http://edition.cnn.com/2016/09/28/politics/us-aleppo-russia-syria-options/>
- ⁷ Fearing abandonment by Trump, CIA-backed rebels in Syria mull alternatives, Washington Times, 3 December 2016, https://www.washingtonpost.com/world/national-security/fearing-abandonment-by-trump-cia-backed-rebels-in-syria-mull-alternatives/2016/12/03/50419594-b8c1-11e6-a677-b608fbb3aaf6_story.html?utm_term=.217fc253f905
- ⁸ 'Aleppo must not fall': US allies to flood city with anti-aircraft missiles, Middle East Eye, 28 September 2016, <http://www.middleeasteye.net/news/aleppo-must-not-fall-us-preparing-flood-city-anti-air-missiles-154690394>
- ⁹ Saudi Arabia Leads an International Effort to Save Aleppo, Ashraq al Aswat, December 5 2016, <http://english.aawsat.com/2016/12/article55363335/saudi-arabia-leads-international-effort-save-aleppo>
- ¹⁰ John Kerry says partition of Syria could be part of 'plan B' if peace talks fail, Guardian, February 2016, <https://www.theguardian.com/world/2016/feb/23/john-kerry-partition-syria-peace-talks>
- ¹¹ Does Kerry's 'Plan B' on Syria Originate From 2008 Secret US-Saudi Plan? Sputnik news, February 2016, <https://sputniknews.com/politics/201602251035293806-kerry-plan/>
- ¹² Russia and US planes 'test safety protocols' in Syria, BBC Online, November 2015, <http://www.bbc.co.uk/news/world-middle-east-34709167>
- ¹³ George Friedman: Putin's Syria Retreat Was a Favor to the U.S. (Video), Geopolitical Futures, 16 March 2016, <https://geopoliticalfutures.com/this-week-in-geopolitics-week-of-mar-14-2016/>
- ¹⁴ Syria war: Dozens killed in 'US-led strikes' on Manbij, Al Jazeera, July 2016, <http://www.aljazeera.com/news/2016/07/led-air-strikes-kill-21-civilians-syria-160719045329897.html>
- ¹⁵ See, <https://aladinsmiraclelamp.wordpress.com/2016/07/20/nice-france-avenges-nice-massacre-massacres-120-syrian-civilians/>
- ¹⁶ Unrelenting Assault on Aleppo Is Called Worst Yet in Syria's Civil War, New York Times, 26 September 2016, <http://www.nytimes.com/2016/09/27/world/middleeast/aleppo-syria.html?>
- ¹⁷ See, <http://www.businessinsider.com/the-cias-man-in-libya-2011-4>
- ¹⁸ Claudia Gazzini, What Could Possibly Go Wrong in Libya? 18 December 2015, International Crisis Group, <http://blog.crisisgroup.org/middle-east-north-africa/2015/12/18/what-could-possibly-go-wrong-in-libya/>

-
- ¹⁹ U.S. Targets Russia Sanctions Evasion, Wall Street Journal, 1 September 2016, <http://blogs.wsj.com/riskandcompliance/2016/09/01/u-s-targets-russia-sanctions-evasion-crimea-bridge-construction/>
- ²⁰ Leon Panetta, Secretary of Defense, United States, 'The US Rebalance Towards the Asia-Pacific,' The 11th IISS Asia Security Summit, The Shangri-La Dialogue, Singapore, Saturday 02 June 2012, First Plenary Session, retrieved 23 September 2012, <http://www.iiss.org/conferences/the-shangri-la-dialogue/shangri-la-dialogue-2012/speeches/first-plenary-session/leon-panetta/>
- ²¹ Its North Korea again, NYT, April 2013, http://www.nytimes.com/2013/04/04/opinion/its-north-korea-again.html?_r=0
- ²² Secretary of Defense Ash Carter, Remarks by Secretary Carter and Q&A at the Shangri-La Dialogue, Singapore June 5, 2016, <http://www.defense.gov/News/Transcripts/Transcript-View/Article/791472/remarks-by-secretary-carter-and-qa-at-the-shangri-la-dialogue-singapore>
- ²³ Russia is using Syria as a training ground for its revamped military and shiny new toys, Foreign Policy, December 2015, <http://foreignpolicy.com/2015/12/09/russia-is-using-syria-as-a-training-ground-for-its-revamped-military-and-shiny-new-toys/>
- ²⁴ Russian Forces Show Might in Syria, and West Takes Notice, NDTV, October 2016, <http://www.ndtv.com/world-news/russian-forces-show-might-in-syria-and-west-takes-notice-1232551>
- ²⁵ Putin wants to turn page from Ukraine to Syria, Politico.eu, November 2015, <http://www.politico.eu/article/russia-syria-putin-assad-terror-isil-minsk/>
- ²⁶ Why does Russia need bases in Cuba and Vietnam again? Russia Beyond the headlines, October 2016, http://rbth.com/defence/2016/10/13/why-does-russia-need-bases-in-cuba-and-vietnam-again_638391
- ²⁷ Ibid
- ²⁸ We should beware Russia's links with Europe's right, Guardian, December 2014, <https://www.theguardian.com/commentisfree/2014/dec/08/russia-europe-right-putin-front-national-eu>
- ²⁹ China Is Still Building Ghost Cities, The Diplomat, 19 October 2015, <http://thediplomat.com/2015/10/china-is-still-building-ghost-cities/>
- ³⁰ China warned to rein in growing mountain of debt or risk triggering another global financial crisis, abcnet.au, 27 September 2016, <http://www.abc.net.au/news/2016-09-26/china-warned-to-rein-in-debt/7878426?section=businoess>
- ³¹ Forgotten Coverage of Rambouillet Negotiations, Fairness and Accuracy in Reporting, May 14, 1999
- ³² See, <http://www.bis.org/publ/work483.htm>
- ³³ Cash Payments Limited to €1000, Franch-Property.com, August 2016, https://www.french-property.com/news/money_france/cash_payments_limits
- ³⁴ See, <http://www.ronpaullibertyreport.com/archives/the-worlds-first-cashless-society-is-here-a-totalitarians-dream-come-true>
- ³⁵ Gabriel Zucman, The Hidden Wealth of Nations, the scourge of tax havens, University of Chicago press, September 2015
- ³⁶ Fareed Zakaria, *The Post-American World, And the rise of the rest*, Penguin books, 2009, pg 179
- ³⁷ Royal Navy's 260 captains for just 19 warships, Daily mail, October 2013, <http://www.dailymail.co.uk/news/article-2465608/Royal-Navys-260-captains-just-19-warships-Defence-cuts-15-times-commanding-officers-vessels.html>
- ³⁸ See, <https://www.sigar.mil/pdf/special%20projects/SIGAR-16-50-SP.pdf>