

ENVIRONMENT SCAN: 01-15 JAN 2018

CHINA (Geo-Strat, Geo-Politics & Geo Economics)

Brig Rajeev Kumar Bhutani (Retd)

China: Economy. The World Bank in its China Economic Update - December 2017 had shown that supported by rising household incomes and improving external demand, economic growth in China remained strong at 6.9 percent in the first three quarters of 2017. GDP growth is expected to decelerate to 6.4 percent in 2018 and 6.3 percent in 2019 mainly because of domestic policy tightening. However, job creation had been relatively high, with almost 11 million net new jobs available in January-September 2017.

Close on the heels of this report, China's exports and imports growth has reportedly slowed down in December after surging in the previous month, adding to signs of ebbing economic momentum. There are concerns that the world's second-biggest economy faces domestic-demand pressure as authorities turn off cheap credit and restrict speculative financing. The economists have since long expected China's domestic demand and imports to slow in 2018 on gradually tighter monetary and financial policies and slower real estate activity momentum.

Despite the December slowdown, the overall picture for 2017 underscored strong global appetite for Chinese products ranging from electronics, household appliances and a vast array of consumer goods. Exports from PRC for the full year rose 7.9 percent, the fastest rate since 2013, while imports also gained a sizzling 15.9 percent - the best since 2011, thanks to insatiable Chinese demand for commodities. It has been reported that half of the growth rate in the value of imports last year was from higher prices. The weaker imports in December backs recent data showing a slowdown in economic growth is underway, with domestic demand hit by the government's intensified war on polluting factories and a crackdown on debt risks.

Customs data showed that the growth of China's imports of electronic and high-tech products year- on-year slowed to single digits from over 15 percent the previous month. The import slowdown caused China's December trade surplus to surge to \$54 billion, the highest since January 2016, compared to forecasts for a \$37 billion surplus in December from November's \$40.21 billion.

China's excess production capacity has emerged as a major trade irritant for the world's leading economic powers, prompting them to consider new steps to protect

domestic industries and jobs from a flood of Chinese imports. U.S. President Donald Trump's administration is also considering several unilateral tariff actions on steel, aluminum and China's intellectual property practices likely to draw disputes from WTO members.

OBOR Hits Political and Financial Hurdles. From Pakistan to Tanzania to Hungary, projects under President Xi Jinping's signature "**Belt and Road Initiative**" are being cancelled, renegotiated or delayed due to disputes about costs or complaints host countries get too little out of projects built by Chinese companies and financed by loans from Beijing that must be repaid. In some areas, Beijing is suffering a political backlash due to fears of domination by Asia's biggest economy:-

- A 14 billion \$ plan for the ***Diamer-Bhasha Dam*** was thrown into turmoil in November when the chairman of Pakistan's water authority said Beijing wanted an ownership stake in the hydropower project. He rejected that as against Pakistani interests. China issued a denial but the official withdrew the dam from among dozens of projects being jointly developed by the two countries.
- Pakistan, one of China's friendliest neighbors, has failed to agree on key projects. A visit by a Chinese assistant foreign minister in November produced no agreement on railway projects in the southern city of Karachi valued at \$10billion and a \$260 million airport for Gwadar.
- Authorities in Nepal canceled plans in November for Chinese companies to build a \$2.5 billion dam after they concluded contracts for the ***Budhi Gandaki Hydro Electric Project*** violated rules requiring multiple bidders.
- In Thailand, work on a \$15 billion high-speed railway was suspended in 2016 following complaints too little business went to Thai companies. A new plan announced in July gives local contractors a bigger role.

Military Build-up on Artificial Islands in the South China Sea. Images published by the Center for Strategic and International Studies (CSIS) in Washington last month showed China had been busy building new infrastructure in the contested region during 2017 – when much of the world was focused on North Korea. Fiery Cross Reef in Spratly island chain appeared to have witnessed the most construction, the think tank said, with work being carried out on buildings covering 27 acres, or about 110,000 square metres. Shortly before New Year, Chinese state broadcaster China Central Television (CCTV) aired footage of the reef which showed a group of soldiers patrolling, along with military helicopters and vessels. CCTV also screened aerial images of the new island which showed a 3,000-metre runway that observers have long believed is capable of allowing any of China's military aircraft to land.

Delfin Lorenzana, Philippine defence secretary, said that Beijing had agreed “some time ago” that it was “not going to militarise those reclaimed islands”. However, newly-broadcast images suggest that Beijing has intensified its construction of bunkers, aircraft hangers and barracks for troops in the contested region. “If it is true and we can prove that they have been putting soldiers and even weapons systems, that will be a violation of what they said,” added Mr Lorenzana. The defence secretary said the protest would be made through the foreign ministry.

China said the construction was intended to aid peace in the region, as well as maritime safety and disaster prevention and the relevant equipment was not directed at any particular country.

The spat erupted after relations between Beijing and Manila have improved in recent months, as President Rodrigo Duterte seeks to entice Chinese investment.

China's neighbours have grown increasingly concerned over the militarization. China lays claim to almost all of the South China Sea, through which more than \$5 trillion (£3.8 trillion) of trade passes every year.

CHINA (MARITIME)

Capt (IN) Ranjit Seth

Navy Looking to Acquire More P8Is. With more and more hostile submarines lurking in the Indian Ocean region, the Indian Navy is contemplating acquisition of more Boeing P-8I aircraft, which is a superior platform for surveillance and Anti-Submarine Warfare (ASW). The P-8I is often referred to as the “submarine killer”, and is one the most advanced system that the Navy has acquired in recent years.

Philippines and China to Hold Second Bilateral Consultation Mechanism. The Philippines and China are to meet for the second Bilateral Consultation Mechanism (BCM) in February 2018 — a mechanism to tackle issues on the South China Sea dispute. The first meeting of the Philippines-China BCM on the South China Sea was held in Guiyang, Guizhou Province in China last May 19, 2017.

Recently, the Philippines Defense Secretary had urged the Philippines foreign affairs department to file a diplomatic protest should they “see that the Chinese are militarizing the area very near our place.” This was in response to a report of state-run China Central Television (CCTV), which showed Fiery Cross Reef to have been “transformed into an airbase.” Fiery Cross Reef is very near Reed Bank, an area in the South China Sea situated within the Philippines’ exclusive economic zone.

A spokesman for the Philippines President said the ‘general thrust’ of the Philippines “is to rely on the principle of good faith”. The scope of this principle of good faith is in China’s commitment not to reclaim “new areas” or build “new artificial islands” in the strategic waters. So far, we believe there has not been any reason why we should doubt China’s good faith on the building, on its commitment to desist from making reclamation or from building new islands,” he said.

China Tests Hypersonic Missiles that Could Target Aircraft Carriers. In November, China tested what may become the world’s first operational hypersonic weapon. While Chinese progress in this area surprises no one, the first operational deployment of the weapon will add another weapon to China’s growing anti-access toolkit, posing a dilemma for US forces in the Pacific.

Over the past decade China has conducted several tests of potential hypersonic weapons. This new system, however, appears to be a prototype for a deployable capability. The first test of the DF-17 ballistic missile took place on November 1, 2017, and the second test on November 15. A hypersonic glide vehicle (HGV) detached from the missile during the re-entry phase and flew approximately 1,400 kilometres to a target. While hypersonic cruise missiles exist, the new Chinese HGV deploys from a ballistic missile, then glides to a target on a flight path much different (and much less predictable) than that of a traditional ballistic missile. The glide path is lower and slower than a normal ballistic-missile payload, although still generally higher and faster than a traditional cruise missile. The HGV may have manoeuvrable characteristics during its terminal phase, which would allow it to strike mobile targets such as aircraft carriers. In the initial launch phase, the HGV closely resembles a ballistic missile, which can complicate tense strategic situations in which the use of nuclear weapons may be in question.

HGVs travel at extremely high speeds, at relatively low altitudes and on difficult-to-predict trajectories. This makes it difficult for either antiballistic-missile defence

systems or traditional surface-to-air missile systems to defeat the weapons on approach. HGVs could also directly attack missile-defence systems, making the entire defensive network more vulnerable to attack.

PAKISTAN

Brig Deepak Malhotra

US Stops Aid to Pakistan. President Donald Trump [froze payments from the "Coalition Support Fund"](#) for Pakistan, worth \$900 million, saying Pakistan is not doing enough to target Afghan Taliban and Haqqani group bases. Also in question is almost \$1 billion of US military equipment that has allowed Pakistan access to advanced military technology. The United States has conveyed to Pakistan specific and concrete steps that it could take. Despite the tension, however, US and Pakistani officials remain in contact with each other and the Pentagon was maintaining its communication with the Pakistani military establishment even after the suspension of military assistance. The United States has told Pakistan what it must do if it wants Washington to [resume paying out hundreds of millions of dollars](#) in security aid.

Comments. In the New Year, Washington has increased pressure on Islamabad to "do more" in the fight against terrorism. Pakistan provides a number of facilities to the US counterterrorism forces in exchange for the aid and the US. Pentagon officials are watching to see if Pakistan is going to retaliate against the US by cutting supply lines to US troops from its port at Karachi into Afghanistan. In Pakistan, the move has been seen as the first step to implementing Trump's pledge to tighten economic restrictions on Islamabad.

Palestine Authority Recalls Ambassador from Pakistan. The Palestinian Authority has recalled its ambassador to [Pakistan](#) after he attended a rally in support of Palestine's position on Jerusalem hosted by Hafiz Muhammad Saeed, who carries a \$10m US bounty on his head for allegedly masterminding the 2008 Mumbai attacks. Ambassador Walid Abu Ali was summoned back to Ramallah on Saturday, with the Palestinian foreign ministry saying his participation in the rally was "[an unintentional mistake](#), but not justified". Thousands of Pakistanis attended the [mass protest rally](#) organised by Saeed in the northern city of Rawalpindi on Friday, rejecting US President Donald Trump's decision to recognise Jerusalem as the capital of Israel earlier this month.

Comments. Saeed, the founder of the Lashkar-e-Taiba armed group, has long been accused by the United States and India of masterminding the 2008 Mumbai attacks, which saw gunmen kill 166 people as they stormed hotels and other targets in the Indian financial hub. The PA's decision appears to have come after India protested the ambassador's presence at the rally, [terming it "unacceptable"](#).

Suicide bomb blast causes multiple deaths in Quetta. At least six people have been killed, including four police officers, after a suicide bomber struck a security forces bus in the southwestern Pakistani city of Quetta. The attack, claimed by the Tehreek-e-Taliban (also known as the Pakistan Taliban) on Tuesday, took place on Zarghoon

Road, a busy street in a high-security zone some 300 metres from the assembly of Balochistan province, of which Quetta is the capital

Comments. The attacker, who was on foot, aimed to attack the parliament building, however, he detonated his explosives near the vehicle due to the roads being blocked. Quetta has been at the centre of recent violence in Pakistan. The city has come under attack both from armed groups allied with the Tehreek-e-Taliban and separatist fighters.

AFGHANISTAN

Brig Deepak Malhotra

Deadly Suicide Blast Hits Afghan Capital. At least 11 people have been killed and 25 wounded in a suicide bombing targeting security forces in the Afghan capital Kabul. Police officers and civilians were among the victims. The blast happened as police reportedly were carrying out an operation searching for people who were suspected of selling alcohol illegally. The Islamic State of Iraq and the Levant ([ISIL](#)) group issued a statement via its Amaq propaganda site saying it was responsible for the blast.

Comments. The attack is the latest in a wave of violence that killed hundreds of civilians in Afghanistan in 2017. Both ISIL and the Taliban have carried out attacks in Afghanistan.

IRAN

Brig Deepak Malhotra_

Protests in Iran. About 3,700 people were arrested across cities in Iran as a rare wave of anti-government protests and unrest gripped the country, according to a parliament member. Violence broke out at several rallies, leaving at least 22 people dead. The protests started in Iran's second-largest city of Mashhad on December 28 before spreading to other cities and spread to more than 80 cities and rural towns late last month. The government restricted access to Instagram and Telegram social media apps as a security measure. On January 3, General Mohammad Ali Jafari, head of Iran's Islamic Revolutionary Guards Corps (IRGC), declared "the end of the sedition". Tens of thousands also took part in pro-government rallies to show support for the Iranian leadership.

Comments. Thousands of young and working-class Iranians voiced anger at corruption, unemployment, and a deepening gap between rich and poor, in the biggest anti-government demonstrations since 2009. Grievances also seemed to revolve around Iran's foreign policy and its spending on groups in Syria, Lebanon and Gaza. Iranian authorities have accused the United States, Israel and Saudi Arabia of involvement and orchestrating the anti-government demonstrations. Tens of thousands also took part in pro-government rallies to show support for the Iranian leadership.

Iran Nuclear Deal. US President Donald Trump will continue sanctions relief for Iran, keeping the 2015 landmark nuclear deal in place for the time being. The White House said that Trump will waive the sanctions against Iran for the "last time", unless an agreement can be reached between the US and Europe within the next 120 days that would strengthen the nuclear deal. The announcement came as the US Treasury imposed sanctions on 14 Iranian individuals and companies, including the head of Iran's judiciary, over alleged human rights abuses. Trump said four "critical components" must now be worked into the agreement: immediate inspections at all sites requested by international inspectors, measures to ensure Iran "never even comes close to possessing a nuclear weapon", no policy "expiration date", and no distinction between the Islamic Republic's long-range missile and nuclear weapons programmes regarding the imposition of sanctions.

Comments. The 2015 Iran nuclear deal was struck between the US, under the administration of former President Barack Obama, Iran and five other countries. It prevents Iran from developing nuclear weapons while offering sanctions relief to allow the Islamic Republic to participate in international commerce and banking. In October of last year, Trump refused to recertify that Iran nuclear deal despite the UN having certified Iran's compliance with the deal eight times. In November, the body again said Iran was in compliance. Prior to making the announcement, Trump had faced pressure from European leaders who urged "all parties to continue to fully implement this agreement".

WEST ASIA

Col Sumit Rana

IRAQ

Baghdad (IraqiNews.com) Differences are hampering an electoral alliance between Iraqi Prime Minister Haider al-Abadi and the figures affiliated with the Paramilitary forces that fought Islamic State on his side, a newspaper has reported.

Lebanese newspaper al-Akhbar said Saturday that disagreements are stonewalling efforts by Abadi's nascent al-Nasr (victory), an alliance of independent figures, to unite with al-Fatah (conquer), an alliance formed by the former commanders of member groups of the Popular Mobilization Forces.

According to the paper, the differences are centered around Abadi's ranking in the sought alliance and the possibility of him maintaining the post of prime minister, which al-Fatah wants for Hadi al-Ameri, one of the PMF most senior commanders.

Al-Akhbar said prospects for the alliance have become weak despite a rumoured Iranian desire for it. It said, however, that Abadi's efforts to unite with PMF represent a retraction of his past rejection of the forces running the elections.

Iraqi parliament and local elections are slated for May 12th. Though the election commission had set last Thursday for closing the door for the registration of electoral alliances, it did not announce the closure officially.

Earlier, news reports told of Abadi's breakaway from Daawa Party, a member of the State of the Law alliance led by Iraqi Vice President Nouri al-Maliki.

ISIS

A New American Leader Rises in ISIS. A two-year investigation identifies one of the very few Americans in the Islamic State's upper ranks—and sheds light on the dynamics of radicalization.

SYRIA

Russia Says it Killed Rebels behind Swarm Drone Attack in Syria, but Experts See more Such Strikes Ahead. Moscow said it conducted a military operation to "eliminate" militants behind a coordinated drone attack on its Syrian military bases at Hmeymim, located in western Syria near the city of Latakia as well as a navy supply base in Tartus.

Russia said more than a dozen drones were used in attacks.

Experts say more swarm-like drone attacks can be expected in the future, from terrorists and others.

Experts said swarm-like attacks using weaponized drones is a growing threat and likely to only get worse. They also said the possibility exists of terrorists using these drones in urban areas against civilians.

"We're likely to see more attacks of larger scale going forward, potentially even larger than this and in a variety of things — air, land and sea," said Paul Scharre, director of the Technology and National Security program at the Center for a New American Security, a Washington think tank.

Ghouta: 'Nearly 180 Killed' in Two Weeks. The number of people killed in the Damascus suburb of Eastern Ghouta has reached 179 after a little over two weeks of government and Russian bombardment, according to the UK-based Syrian Observatory for Human Rights (SOHR).

Government forces backed by warplanes began a campaign to take the rebel-held district on December 29, relying mainly on artillery barrages and air attacks. SOHR, which gathers details of casualties from a network of sources inside the country, said on Friday that those killed in the latest escalation in violence include 51 children and 38 women.

Eastern Ghouta, which has been under siege by pro-government forces since 2013, is home to close to 400,000 people. The four-year siege has led to a major humanitarian crisis, with severe food and medicine shortages.

Idlib Exodus. The violence in Eastern Ghouta coincides with a government offensive in the northern province of Idlib where some estimates put the number of those who have fled fighting at 280,000.

UN Concerned as Government Attacks Intensify. Like in eastern Damascus, the Syrian government is trying to dislodge an array of rebel groups, but Idlib holds special significance for the opposition as one of its last remaining strongholds. The region is located within one of the so-called de-escalation zones demarcated by Russia, Iran, and Turkey, where fighting was expected to cease.

Ankara has summoned Russian and Iranian diplomats over the fighting. However, buoyed by victories elsewhere in the country and with momentum on its side, the Syrian government has pushed to reclaim the area.

Syria's Civil War has raged on since 2011, claiming close to half a million lives and sending millions to neighbouring countries and Europe as refugees.

Syrian Opposition Walks Out Of The Peace Talks. In a major blow to the prospect of peace in Syria, the country's main opposition group has said it will not attend talks in Geneva unless the UN retracts its invitation to Iran.

Yet while Mr Ban said President Bashar al-Assad's key regional ally "needs to be part of the solution to the Syrian crisis", the move seems to have put this week's conference in jeopardy after more than a year of planning.

Ahmad Ramadan, a senior member of the western-backed Syrian Opposition Coalition (SOC), accused Iran of "invading" Syria by coming along to a meeting ahead of the so-called "Geneva II" talks, and said the rebel group would be "suspending" its own participation as a result.

Mr Ramadan said the SOC will not be going to the conference "if the situation does not change".

Geneva II was set to be the first face-to-face meeting of the two warring factions at the heart of the Syrian conflict.

TURKEY

Turkish President Recep Tayyip Erdogan said on Saturday that Turkey would conduct military operations in Syria's Afrin if Kurdish Peoples' Protection Units (YPG) militants do not withdraw in a week.

The President added that Turkey will act alone to protect its security against YPG militants even if the US continues its partnership with the group.

Ankara considers the YPG as a terror group and an extension of the outlawed Kurdistan Workers' Party (PKK) in its own border.

During his speech, Erdogan stressed that Turkish forces "are destroying the western wing of this corridor with the Idlib operation," referring to the artillery operation launched on the same day.

MISC

Saudi Arabia, Bahrain, Egypt, Yemen and the United Arab Emirates announced on Monday that they were severing diplomatic ties with Qatar, marking fresh escalation of tensions between the Gulf partners over Doha's alleged support for Islamist militant groups.

Indians make up the largest expatriate group in Qatar, a gas-rich nation that will host the 2022 FIFA World Cup.

RUSSIA

Col Harpreet Singh

Russia cements position as China's largest oil supplier. Since the new Russia-China oil supply agreement took effect at the start of the year, Petro China's largest refinery has almost doubled the amount of Russian pipeline crude oil that it is processing. The 410,000-bpd Petro China refinery in the northeast port city Dalian will process 260,000 bpd of Russian pipeline crude oil in 2018, up by 85-90 percent compared to 2017. The higher volumes of Russian pipeline crude will replace seaborne Russian shipments of the ESPO blend from the Kozmino port in the Russian Far East and crude oil shipments from the Middle East.

An extension of the East Siberia-Pacific Ocean oil pipeline between Russia and China started operating on January 1, doubling the export volumes from 15 to 30 million tons annually, or almost 220 million barrels. Russia's oil giant Rosneft is the supplier of the crude via the ESPO pipeline, and Petro China is the buyer.

China said at the end of December that Russia held onto its number one spot as the biggest crude oil supplier for a ninth month running, with Saudi Arabia second. China's crude oil imports from Russia rose by 11 percent on the year in November, to 1.26 million bpd, while second-placed Saudi Arabia saw its crude oil sales down 7.8 percent annually to 1.056 million bpd. Russia was also the biggest oil supplier to China between January and November, with sales rising 15.5 percent on the year to 1.2 million bpd, and overtaking Saudi Arabia by 159,000 bpd.

Comments. The pipeline crude will also increase Russia's market share in China. Last year Russia displaced Saudi Arabia as the top crude oil supplier to the world's biggest importer, while Saudi shipments have taken a hit as the Kingdom cuts oil supply as leader of the OPEC pact to restrict production. This is another example of Russia-China bonhomie on the economic front.

Russia Proposes First Multinational Cryptocurrency for BRICS and EEU. Recently the Russian President Vladimir Putin [proposed](#) a cyber-initiative after [consulting](#) with Ethereum co-founder Blockchain expert [Vitalik Buterin](#) and experts from fifteen other countries- including the US, India, Israel, Armenia and Turkey- about their Blockchain and cryptocurrency initiatives. Russia's central bank and

finance ministry jointly prepared a [bill for the regulation of crypto-currencies](#) and ICOs which was submitted to the Duma for approval on Dec. 28, 2017. The bill is expected to be adopted in March and finalized by July 1, 2018.

The bill characterizes cryptocurrency, including ICO tokens not as legal tender but as “other property.” Presently mining and trading of cryptocurrencies is not regulated under Russian laws. The bill defines cryptocurrency, mining and trading as a taxable activity. Individual entrepreneurs and legal entities could engage in cryptocurrency mining and trading activities, subject to tax by analogy with the taxation of business activities. Cryptocurrency trading would not be subject to a value-added tax (VAT).

The bill allows for ICOs but establishes restrictions on them. Those who are not qualified investors will be able to purchase tokens of a certain type for an amount not exceeding 50 thousand Rubles (\$869). The ministry also suggests limiting the maximum amount of funds raised by an ICO to one bln Rubles (\$17.4 mln).

Comments. Putin’s first of its kind cyber-initiative proposes to connect some of the most promising emerging market economies stretching across Asia, Eastern Europe, Africa and South America, via Block chain and smart contract technology by using a new multinational cryptocurrency to be collectively adopted by the BRICS and the Eurasian Economic Union (EEU) countries (Member States).

If adopted and implemented, the first multinational cryptocurrency could be used by more than 41 percent of the world’s population. It could potentially improve trade efficiency among the Member States by replacing other fiat currencies used in trade settlements. And it could create a technologically resourceful trade block that could reshape global trade via Block chain and smart contract technology. However, for this initiative to succeed, among other things, Member State transnational legislation concerning cryptocurrencies would need to be updated in a synchronized fashion as currently there are substantial differences between Member State legislation concerning cryptocurrencies. The major issue being that the bill does not address cross-border tax rules that could apply to transnational cryptocurrency transactions among Member States in the event the new multinational cryptocurrency is adopted. Indian Government and RBI have already warned the public not to trade in crypto currencies. However trading in crypto currencies is still legal in India. It will be interesting to see how the government approaches this initiative by Russia, as and when they pass the bill in Duma.

UNITED STATES OF AMERICA

Gp Capt GD Sharma, VSM (Retd)

Possible Implications of United States Withdrawal from the Iran Nuclear Deal.

President Trump stated that it is last time he will issue waiver to U.S. congress on the nuclear deal with Iran unless it is improved in next 120 days. In that, he seeks Iran to open all nuclear sites to the international inspectors (military sites are not subjected to IAEA inspections) and an assurance from Tehran that it will never develop a nuclear weapon. The new Iran deal must cover Iran's ballistic missiles as well and limit its nuclear breakout period indefinitely. The president also wants U.S.

Congress to modify the existing law that reviews U.S. participation in the nuclear deal to include “trigger points” that, if violated, would lead to the United States re-imposing its sanctions.

It is a common belief that, United States will not ever withdraw from the deal if it considers possible repercussions. First, Iran could return to its past levels of uranium enrichment, or even to a greater level as threatened by Iran. In fact, after being freed from UN sanctions in 2015, Iran now has sufficient funds to pursue this objective as frozen funds are available to Iran after concluding the nuclear deal. North Korean example is vivid in the mind of the world community. It could adopt the North Korean strategy. Notwithstanding the public protests in Iran due to economic reasons, it still could adopt a similar adamant role as during Mahmoud Ahmadinejad presidency (2005-2013).

Second, the withdrawal would deepen U. S. differences within the NATO alliance. Creating fissures in the alliance is Russia’s number one strategic priority; infighting amongst them about Iran would weaken them against resurgent Russia. It would also reinforce Merkel’s view that Europe now must go it alone than remain in alliance with U.S.

Third, if the United States attempted to impose secondary sanctions on foreign businesses trading with Iran, even Europeans would oppose this order. The consequent disarray would encourage other nations which are contemplating to develop nuclear weapons.

Fourth, it could permanently undermine the fight against nuclear proliferation. Very likely, the Security Council would be irreparably split on the issue, with vetoes preventing any progress on this issue.

Fifth, it would make impossible a coordinated and effective response to the inevitable challenge from Iran when the deal ends. One of the deep flaws in the accord is that the central provisions will begin to fade away in less than nine years. The United States will then need to devise a strategy to prevent Iran toshun nuclear path once for all which it has temporarily abandoned now. To do so, the United States will need cooperation from Britain, China, France, Germany, and Russia. Hence, in view of this, it is not foreseen that United States will with draw from Iran nuclear deal.

Proliferation Security Initiative (PSI). On 12 Jan 2018, a Joint Statement was released by the United States along with 16 other members of the Proliferation Security initiative, an initiative which was led by United States and 10 other nations to control illegal transfer and transportation of weapon of mass destruction. The Statement now is essentially aimed at North Korean nuclear pro-activeness which in past has transported dangerous cargo and now maintains a belligerent stance with its neighbours. The statement also cautions those nations which continue to provide tacit support/ignore North Korean activities. The initiative now has support of 105 nations but, it is still not UN mandated. The intention is noble but, is contrary to the provisions of UNCLOS which assures free right of navigation in seas without any interference by any state. Free navigation has become an issue in South China Sea which is claimed by the Chinese. India however, still does not support the PSI for this reason and the fact that it is not UN mandated.

CAR

Air Cmde T Chand (Retd)

Important Policy Events in and Around Central Asian Republics (CARs) During 2018. During 2018, Central Asian Republics especially Kazakhstan and Kyrgyzstan are likely to be moving fast towards their digitalization as relevant programmes were announced to enhance their footprints in the region during this year. The region is steadily likely to grow at a rate of 2.7 to 3 percent. Depending on specific dimensions of internal and external factors, the average growth rate per country will vary. A projected modest increase in oil prices and US Federal Reserve decisions are among the external factors which could affect the projected growth rate. Interstate communication among Central Asian leaders has significantly improved during 2017. This is likely to result in the first high level meeting of Central Asian leaders since 2005. Among the five CARs water security and awareness has been the major concern for the last many years. 20th anniversary of the establishment of the International Fund for Saving the Aral Sea will be marked during 2018. A keen desire to sign the agreement on the status of the Caspian Sea is expected to be fulfilled this year. The return of Central Asian militants from Syria increases the terrorist threat in the region. Approximately 5,000 fighters from Central Asia have fought in Syria and Iraq, with about 500 having already returned to the region. This trend will intensify as the situation in Syria and Iraq continues to change. The involvement of Central Asian citizens in terrorist activities abroad will have serious security implications in Central Asia.

Externally, given the strategic relationships between Russia and the Central Asian Republics in security, politics and economy, Russian presidential election outcome may affect their approach towards this region. Also, the policy outcomes of the Shanghai Cooperation Organisation (SCO) leaders' summit in China are likely to affect the CARs. Last year the political and military situation in Afghanistan has worsened. The Taliban de facto controls large part of the country's territory, claiming its authority over even larger areas. The developments in Syria reportedly have led to the activation of ISIS in Afghanistan, which has already claimed to be the perpetrator of terrorist attacks committed last month in Kabul and other Afghan locations. In light of such events, there may be a new US strategy in Afghanistan which will affect the situation in the Central Asian Region as well. On the whole, the CARs region is expected to remain stable during 2018 as well.