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ON THE COVER: Matrix.

Source: By Comfreak, <https://pixabay.com/en/matrix-code-computer-pc-data-356024/>, CC0.

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The Kremlin's Cryptocurrency Sanctions Bypass

OE Watch Commentary: According to the accompanying article, “the Kremlin is considering cryptocurrencies as a way of bypassing the international sanctions that are affecting the country’s defense capabilities.” Up until now, Russia’s defense industries have resorted to “import substitution” to ameliorate the affects of sanctions by either developing their own products or acquiring necessary components via other countries. However, sanctions recently imposed against major Russian defense firms may now restrict the Kremlin’s ability to sell weapon systems to foreign customers. The brief excerpt from an interview in the Russian online news outlet *Fontanka.ru* describes how the Kremlin “is considering cryptocurrencies as a way of bypassing the international sanctions that are affecting the country’s defense capabilities.”

While the excerpt does not provide a detailed explanation of how the Russian cryptocurrency system will work, it does claim that such a tool will allow “Russia’s trade partners... to remain unnoticed by the United States” and thus would ensure that they do “not fall under the sanctions.” The article points out that “such ideas have already been discussed at the level of the BRICS (Brazil, Russia, India, China, South Africa)” where they “discussed the possibility of creating a cryptocurrency for the organization.” Even before the crisis began between Russia and Ukraine, the Kremlin leadership was aggrieved that the US dollar served as the global reserve currency. They contend that this economic advantage translates into American military prowess. The Kremlin regards economic sanctions as a powerful tool in America’s hybrid warfare strategy, and Russia has been at the forefront in efforts to weaken American economic might.

The Kremlin remains determined to modernize its armed forces, and will search for means to bypass sanctions so that Russia can continue rebuilding its military. This article asserts that “the cryptoruble is an excellent countermeasure” to Western sanctions and that the Kremlin leadership is waiting for the just the right moment. **End OE Watch Commentary (Finch)**



Bitcoin logo on top of a United States Dollar.

Source: Wikimedia, https://commons.wikimedia.org/wiki/File:Bitcoin_Logo_With_US_Dollar.png, CC0 Universal Public Domain.

“The cryptoruble is an excellent countermeasure...”

Source: Nikolay Nelyubin interviews businessman Yevgeniy Lifshits, “Бутеринки спасут Россию и сделают Путина президентом (‘Buterinki’ Will Save Russia and Make Putin President),” *Fontanka.ru*, 25 September 2017. <http://www.fontanka.ru/2017/09/25/055/>

The Kremlin is considering cryptocurrencies as a way of bypassing the international sanctions that are affecting the country’s defense capabilities... Businessman Yevgeniy Lifshits thinks that the “cryptoruble” will come into being very soon: Right before the Russian Federation presidential election....

...[Nelyubin] At what level are these discussions taking place? Which ministries and sectors are worried?

[Lifshits] At the level of the VPK [military industrial complex] overseers and manufacturers. It is also being discussed at fairly high-level meetings in the Defense Ministry, Rostekh, and so on....

...[Nelyubin] Aside from observing reality, what do the powers-that-be need to understand?

[Lifshits] The [United] States introduces the sanctions via SWIFT (the largest international interbank system of transferring information and making payments -- ed.) and monitors them there too. But companies want to work, all this wrangling is of no benefit to them. How does this work? You see, you have a buyer, company X, in Europe. It does not want to give away the fact it is working with you, so that it does not fall under the sanctions. Then X buys “Rucoin,” it uses this to settle its accounts with you, and you then convert the profit into whatever currency you need, in China, for example. It is almost the same as the way Iran went back to commodity exchanges when it was subject to sanctions. It is just that today there is a new financial instrument. Drug dealers and so on were the first to use Bitcoin. And now for the state it is the way out of [a] difficult situation....

[Lifshits] ...And this will happen the instant that they clearly see a way of avoiding the sanctions using the cryptoruble....

...[Nelyubin] Give a prediction about the timescale. When can this “command” be expected?

[Lifshits] There are two predictions. If this is the “chief executive’s” trump card, then he will play it at the elections. Second is that the idea is undergoing evolutionary development under the pressure of the West’s sanctions. This means that if everything we described in our report is a cunning plan by the Kremlin controlled by the President, then it will be one of the “saving Russia” election narratives. This means the timeframe is the 2018 presidential election, when Vladimir Putin saves the country from sanctions.... The cryptoruble is an excellent countermeasure....

...[Nelyubin] When the Russian Federation is using cryptocurrency transactions, what proportion of the overall Russian economy will it account for?...

[Lifshits] Even today it is advantageous for Russia for foreign payments.... Of course if the state supports external payments. Such ideas have already been discussed at the level of the BRICS.... Russia’s trade partners want to remain unnoticed by the United States.

...[Nelyubin] But in general does the cryptoruble have a lot of supporters at the top?

[Lifshits] Yes, a lot. It is just that this is the “tsar’s” trump card, so it must not be played before the time is right. My theory is that this is the way out and the trump card of the “tsar.” To show the West that we are not Iran, and we can respond in a more technologically savvy way, and bypass the sanctions. The economic ones first and foremost....



Testing Crypto in Separatist Regions

OE Watch Commentary: The current Kremlin leadership remains intent on weakening the US dollar. They see a direct nexus between dominant US military power and the status of the dollar as the global reserve currency. According to the Kremlin's logic, unseating the dollar as the reserve currency will force Washington to live within its fiscal limits, which will, in turn, force the US to reduce defense spending. This reduced US global military presence will then allow other regional powers (like Russia) the opportunity to dominate what they maintain is their legitimate sphere of interest. The Kremlin is increasingly looking at cryptocurrencies as one of the tools to unseat the dollar as the global reserve currency.

The brief excerpt from the opposition news site *Meduza* explores attempts by three pro-Russian separatist regions (Abkhazia, Transnistria and the Donetsk Peoples Republic or DNR) to develop cryptocurrencies to both attract foreign investment and to bypass Western economic sanctions. Each of these Kremlin-sponsored regions came into existence with Russian political, economic and military support. Isolated from foreign investment, the economies of these regions remain on Russian life support, and as the Russian economy has weakened, Kremlin aid has proven insufficient. As the article points out, leaders in these regions hope “to use cryptocurrencies to make a great economic leap.”

While these regions have plenty of computer expertise to develop cryptocurrency accounts, the article describes their lack of reliable electricity (to run advanced computers) and the want of support from the local leadership who suspect that this new form of currency might negatively affect their extortion-fueled budgets. Moreover, the article stresses that wealthy entrepreneurs who have expressed an interest in investing in this project, have yet to secure guarantees from local leaders that their investments will not be stolen.

The article briefly describes a recent conference sponsored by the Russian Duma which has become involved in “drafting a bill about cryptocurrencies.” The author points out that “the composition of the conference participants was interesting: Almost one in five of them was either a general or a lieutenant general,” and that during the presentations, one speaker “proposed turning the Donbas into a special territory for experiments with a digital economy.” The article concludes on a positive note, asserting that this new currency “can make it possible to get around the financial blockade on both the DNR and Crimea, and also to attract hundreds of millions, if not billions, bypassing the United States and the EU,” and finally claiming that “the world will switch to cryptocurrency.” The Kremlin leadership may be testing the employment of cryptocurrency in these separatist regions before adopting wider employment. **End OE Watch Commentary (Finch)**

“I am sure the world will switch to cryptocurrency.”

Source: Ilya Zhegulev, “Блокчейн как инструмент развития ДНР (Blockchain as a Tool for Development of DNR),” *Meduza*, 17 October 2017. <https://meduza.io/feature/2017/10/17/blokcheyn-kak-instrument-razvitiya-dnr>

...Unsurprisingly, enthusiasts and even functionaries from Abkhazia, the DNR [Donetsk People's Republic], and Transnistria are beginning to talk about a possible cryptocurrency future for these territories....

...One of the first was a project from Abkhazia...Abkhazia plans in this way to overcome its 25-year oblivion and to attract foreign investment: Unlike ordinary money, so far there is no way of tracking the circulation of cryptocurrencies, and investors will not be affected by the current restrictions regarding the unrecognized republic...

... Abkhazia is not the only unrecognized state neighboring Russia that is dreaming of entering the technological future by means of blockchain. The entrepreneur Igor Chayka, son of the Russian Procurator General, is already declaring that he intends to build mining farms in Transnistria, and ministers from the local government attend conferences about blockchain in the Donetsk People's Republic -- but Abkhazia's plans are the most formalized and grandiose: The intention there is to use cryptocurrencies to make a great economic leap....

... Initially Morgunov's idea was to use blockchain as a simple and reliable means of controlling humanitarian aid coming into the DNR, ruling out the possibility of embezzlement. “There were situations in which money was assigned to provide help for the Donbas, but nothing at all reached the end consumer,” he protests.... He did not get the impression the person he was talking to understood anything, but in February 2016 he was summoned to the state security ministry itself for a chat with the ministry's technology specialist. He understood the situation far better and, according to Morgunov, told him directly: “We won't touch you, but as soon as you sell your first Bitcoin, we'll come to you right away. You can talk as much as you want, but don't do that.”

... in June 2016 salvation came from Moscow. Morgunov was summoned to the State Duma for a conference organized by Andrey Lugovoy -- the LDP deputy whom the British authorities accused of murdering Aleksandr Litvinenko and who was now drafting a bill about cryptocurrencies. “The composition of the conference participants was interesting: Almost one in five of them was either a general or a lieutenant general,” Morgunov recalls. As part of his presentation he proposed turning the Donbas into a special territory for experiments with a digital economy.

... No other major investors in blockchain technology have appeared in the DNR either. The republic government is not prepared to provide them with any guarantees... External investors need guarantees that the equipment will be intact....

...“This issue is not yet being dealt with at [the] state level,” Muratov says. “If they ask for help, I am prepared to provide that help. So far, no one has asked.” Be that as it may, one of the Donetsk Republic's leaders is sure blockchain is a tool that can make it possible to get around the financial blockade on both the DNR and Crimea, and also to attract “hundreds of millions, if not billions, bypassing the United States and the EU.” “This is a more transparent and open system than the one based on the US dollar,” Muratov claims. “I am sure the world will switch to cryptocurrency.”



The Cryptoruble: Not Exactly a Hard Currency, Not Exactly the Russian Bitcoin

OE Watch Commentary: After several months of publicly struggling with the undefined status of Bitcoin and other cryptocurrencies in use by the Russian public, the government announced that it has decided to issue its own cryptoruble in the near future. Despite this seemingly decisive move, the announcement leaves the market and the Russian public as unclear as ever: Bitcoin and other cryptocurrencies remain unregulated, and are officially neither legal nor illegal in Russia.

At least one popular media platform has expressed skepticism regarding any economically motivated need for a cryptoruble. According to the author, there are several factors driving the rush to issue a national cryptocurrency.

First, the Minister of Communication and Mass Media, Nikolay Nikiforov, has suggested Russia must get out in front of other Eurasian Economic Union countries, especially Kazakhstan, which has already announced plans to create a state-issued cryptocurrency. Several experts, across popular media sources, have characterized this move as a matter of national pride, rather than a purely economic decision.

Second, according to the author, once a national cryptocurrency is created, it will be easier for the government to both control that particular financial instrument, as well as outlaw or at least better control other cryptocurrencies.

The third factor the author mentions is Russia's long-held desire to unseat the dollar as the primary reference currency worldwide. The author suggests Russia's contribution of the cryptoruble could move it one step closer to creating a convertible (hard) currency, which could be adopted by other countries as a form of payment.

Fourth, the author suggests this move is considered to be part of the government's "Digital Economy" project much lauded in official circles and scheduled to be complete by the end of the next presidential term in 2024.

As the author emphasizes, the cryptoruble is in no way an independent hard currency, the way Bitcoin, Ethereum, and others are, because the emission and circulation will be government owned and controlled, and transactions will be taxed as personal income. Also unlike Bitcoin, there will likely be no mining, and if there is, it will be government regulated.

According to the article, the cryptoruble is postured as creating a safe option for Russian citizens. President Putin has suggested that unregulated "Western" cryptocurrencies provide an opportunity for money laundering, avoiding paying taxes, financing terrorism, and running scams on Russian citizens. The Head of the Central Bank, Elvira Nabiullina, has compared the circulation of cryptocurrencies with pyramid schemes. **End OE Watch Commentary (Hall)**



Cryptoruble –The Russian National Cryptocurrency.

Source: via Pixabay.com, <https://pixabay.com/en/ruble-money-russia-coin-russian-2152534/>, Public Domain.

Source: Anatoliy Alizar, "Путин распорядился выпустить российскую криптовалюту – крипторубль (Putin has ordered the issuing of a Russian cryptocurrency, the cryptoruble)," *Geek Times*, 15 October 2017. <https://geektimes.ru/post/294373>

President Putin has ordered that Russia issue its own cryptocurrency, the cryptoruble. The decision was announced by the Minister of Communications and Mass Media, Nikolay Nikiforov, at a closed-door meeting with members of the Moscow Capital Club. The details of the closed-door meeting were made known to journalists at Argumenty i Fakty.

"I am so certain we'll issue the cryptoruble for one simple reason: if we don't, our neighbors in the Eurasian Economic Union (EEU) will do so in two months," he said.

The unique thing about the cryptoruble will be the complete government control over its emission and circulation. A personal income tax of 13% is also being considered on purchases and sales [of cryptorubles], if the owner is not able to explain how they were obtained.

The Minister strongly emphasized that the creation of a cryptoruble in no way indicates the legalization of Bitcoin and other cryptocurrencies, insofar as they are based on Western cryptographic protocols, not on certified Russian cryptography.

It is likely there will be no independent mining of the cryptoruble at all...

[Mikhail Maschenko, an analyst for eToro, a social network for investors in Russia and the Commonwealth of Independent States:] "The creation of some type of cryptoruble may be helpful enough to solve the country's internal problems, like controlling the movement of money flows and rooting out corruption, nevertheless, this "upgrade" can't become a fully functioning instrument of trade on a global level."

"The creation of some type of cryptoruble may be helpful enough to solve the country's internal problems, like controlling the movement of money flows and rooting out corruption, nevertheless, this "upgrade" can't become a fully functioning instrument of trade on a global level."

- Mikhail Maschenko, an analyst for eToro, a social network for investors in Russia and the Commonwealth of Independent States.



The Cryptoruble: A Test-Tube Baby among Natural Cryptocurrencies, or Just an Electronic Ruble?

OE Watch Commentary: According to the Russian Minister of Communications and Mass Media, Nikolay Nikiforov, President Vladimir Putin has decided Russia will develop and start issuing its own cryptocurrency in the near future. This announcement follows a discussion of how to best handle Western cryptocurrencies as used in Russia, culminating just five days prior, in President Putin's directive to the Minister of Finance, Anton Siluanov, to start regulating the process of all cryptocurrency emission, mining, and circulation throughout the country.

On the heels of this announcement, a number of experts as well as citizens have expressed doubt regarding the advisability and feasibility of the announced quick launch of the cryptoruble. According to the two experts interviewed in the accompanying article, several factors have led to this growing skepticism.

The compressed timeline announced for the currency launch suggests the move is more politically motivated than economically, as far as the Russian domestic economy is concerned. The idea of a cryptocurrency is fashionable in the current economic climate, and Russian bureaucrats appear anxious to show the President that they can execute. This was evidenced as well in the development of the recent "Digital Economy" project earlier this year. The potential release of a cryptocurrency elsewhere in the post-Soviet space would bruise Russia's ego. Russia has also demonstrated concern over China's potential launch of a crypto-yuan that could potentially disrupt the hegemony of the dollar, given China's economic powerhouse status.

The name "cryptoruble" is misleading, because the government will control its emission and circulation, and there will be no mining. It will effectively be another form of electronic money and the exchange rate will likely be pegged to the regular ruble. It will have no inherent value because it is not independent of government control, the way real cryptocurrencies are, and it is not convertible, the way hard currencies are. Experts speculate the government may require government bodies be paid in cryptorubles, simply to generate demand.

The use of any cryptocurrency in Russia is cause for concern, as no bank in Russia currently processes such operations. Cryptocurrencies have heretofore been considered to occupy a grey zone, with authorities taking actions that tend towards criminalizing rather than legalizing them. **End OE Watch Commentary (Hall)**

"A cryptocurrency whose emission is regulated by the government is, forgive me, an oxymoron."

- Aleksey Rayevskiy, General Director of the company Zecurion

Source: Игорь Серебряный, "Зачем России крипторубль: эксперты в недоумении (Why does Russia need a cryptoruble? Experts are Stumped)," Rambler, 16 October 2017. <https://news.rambler.ru/markets/38165540-eksperty-obyasnili-neobhodimost-sozdaniya-kriptorublya/?updated>

Where and how this news was announced creates a strong sense that the launch of the cryptoruble was more a political decision than an economic one, suggests Aleksey Rayevskiy, General Director of the company Zecurion.

"When such projects are launched in a hurry, there's no hiding their effort to take advantage of the economic climate. The top boss was told about cryptocurrencies and, having caught 'digital economy fever', he demanded that we should have it at least as good as they do. In Nikiforov's initiative I see nothing more than a mindless attempt to report back to the leadership, so the leadership will be happy with how quickly its wishes are fulfilled," Rayevskiy told Ridus in his version of the apparent all-hands-on-deck effort.

...

The unique thing about cryptocurrencies (including Bitcoin) is that they forge together both technological and economic aspects. If you "melt it down", in place of bronze you'll get tin and copper. That's impossible in chemistry and it's impossible in the world of finance. It's either "crypto", or it's centralized emission, like in that old joke, "either take off your cross or put your knickers back on".

...

Economic factors are built into the very protocol of cryptocurrency. The parts of this system behave one way or another, not because someone programmed them to do so, but because one or another algorithm generates (mines) a greater reward. In the project as announced by Nikiforov, some emission center takes on the function of choosing the algorithms," suggests Rayevskiy.

...



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https://atn.army.mil/dsp_template.aspx?dpID=377



Questions Surrounding the Cryptoruble

OE Watch Commentary: Several cryptocurrencies are already traded and mined within Russia, without any official legal status. This raises various questions regarding the future of cryptocurrencies in general and the announced cryptoruble in particular. The accompanying passage discusses some of these questions. The passage is from a website titled *Kripto-ruble.ru*, and is written by the site's owner, who registered the website on 15 October 2017, the very day that President Putin announced plans to issue the cryptoruble.

According to the author, although the official opinion on cryptocurrencies and blockchain technology appears to have moved towards acceptance, there are still many unknowns. The author suggests that the government is attempting to harness a technology that has become popular precisely thanks to its chaotic, unregulated and decentralized nature. And while the cryptoruble has yet to be officially issued, it has already had a significant impact on the buzz in Russia surrounding the cryptomarket.

The author emphasizes the party line insistence that while some blockchain technology may be good, there is a difference between Russian technology and foreign technology. According to the Minister of Communications and Mass Media, Nikolay Nikiforov, mining of the cryptoruble may be allowed, but that mining cannot be based on foreign cryptography technologies, so Russia must create its own. In an update on developments, Nikiforov added that the technology part is almost worked out and, pending the approval of the Central Bank of the Russian Federation (CB RF) and the Ministry of Finance (MinFin), they would move on to phase two of the project. President Putin has ordered the government to come up with a legal framework by June 2018.

Article 75 of the Constitution of the Russian Federation states, "The monetary unit of the Russian Federation is the ruble. Monetary emission is carried out exclusively by the Central Bank of the Russian Federation. The introduction and emission of other monies within the Russian Federation is not allowed." In considering the juxtaposition between this and the pace at which the project appears to be progressing, the author concludes, as have many other cryptocurrency experts, that the cryptoruble will not be considered currency or cryptocurrency in the traditional sense of the word. To avoid having to change the Constitution, which would require a referendum, the government and the CB RF may decide to treat the cryptoruble as some other financial instrument, such as stocks.

Even if it is treated as money, as the author suggests, it is difficult to predict what the affect will be on average Russians. Considering that the emissions will be controlled by the government, according to the author, the exchange rate will be precisely what the CB RF sets it at. This national cryptocurrency may help large companies optimize their cash flow and its use may be limited, for all intents and purposes, to business. On the other hand, given the recent excitement in Russia over Bitcoin and other cryptocurrencies, there may be a run on the cryptoruble and, depending on how the CB RF handles it, its value could skyrocket. As Dmitriy Marinichev, Internet Ombudsman of the RF stated at the Open Innovations forum 16-18 October, it will take a while to work out the legislation, until a comprehensive solution can be found for all the potential problems surrounding the cryptoruble. As the author notes, Marinichev calls this a transitional period for the Russian cryptoeconomy. **End OE Watch Commentary (Hall)**

“While we’re developing the digital economy, we won’t get anywhere by prohibiting things.”

- Nikolay Nikiforov, Minister of Communications and Mass Media of the Russian Federation

Source: “Крипторубль: что это такое, можно ли купить, когда выпустят и как заработать? (The cryptoruble: What is it, can you buy it, when will they issue it, and how can you make money with it?),” *Kripto-ruble.ru*, first published on or around 17 October 2017, subsequently updated on or after October 24, 2017. <https://kripto-rubl.ru>

It is presumed that the Russian cryptoruble will be released as soon as possible, literally within several months after the plans for its development were confirmed. The problem is, it’s not exactly clear which direction they should work in. That’s why the process of development and infusion of this technology may drag on for a while. Experts presume the cryptoruble may take hold in Russia in ten years, however, what we don’t know right now is where, exactly, it will be used. Right now the Central Bank of Russia is only looking at a new kind of currency, so [any] government decision made regarding this issue might be contradictory [emphasis added]...

[Nikolay Nikiforov, Minister of Communications and Mass Media of the Russian Federation:] “While we’re developing the digital economy, we won’t get anywhere by prohibiting things.”



**ОТКРЫТЫЕ
ИННОВАЦИИ**
Форум и Шоу технологий

Open Innovations Forum and Technology Show Logo, 10 July 2015.

Source: By Пресс-центр форума “Открытые инновации” via Wikimedia Commons, https://commons.wikimedia.org/wiki/File%3AOpen_Innovations_Forum_and_Technology_Show_Logo.jpg, CC BY SA 4.0.



Cryptocurrency Mining: A Hot Topic in the Energy Sector

OE Watch Commentary: Even before the official announcement regarding the development of the cryptoruble, the enormous energy required for cryptocurrency mining had become a hot topic for those in the energy sector. According to the first article, as part of his presentation at the recent Energy of Possibilities Forum, the Governor of Leningrad Oblast, Aleksandr Drozdenko, addressed representatives of small and medium-sized businesses with an offer to move in next door to the new local power plant.

As miners near the finite number of Bitcoin available, the computing power needed to decrypt and mine Bitcoin has increased significantly. As a result, miners are looking for cheap sources of electricity and energy providers may be able to capitalize on the opportunity to attract new high-tech ventures to develop their local regions.

Aside from this resourcing issue creating further divisions of haves and have-nots, the question of energy production sustainability looms large on the horizon. According to the second article, Bitcoin mining currently makes up .13% of the world's energy consumption, a jump of 29.98% in the last month alone. The author points out that if the energy usage continues to grow at that rate, it will equal 100% of current energy consumption worldwide by 2020. **End OE Watch Commentary (Hall)**

“If Bitcoin miners around the world made up their own country, they would be in 61st place in the world in energy consumption, surpassing 159 other countries.”

Source: “Крипторубль – предполагаемое место рождения (Cryptoruble’s presumed birthplace),” *freedman.club*, 20 September 2017. <https://freedman.club/riptorubl-predpolagaemoe-mesto-rojdeniya>

As you know, the construction of Leningrad Nuclear Power Plant Number 2 (LAES-2) in Sosnovy Bor is nearing completion. As part of this, a large area where the first nuclear power plant was is now about to be freed up. We thought long and hard about how to use the space in the future, including for a modern technology park, but now we have the idea to offer up this space to be used for creating innovative high-energy requirement [production] plants. We haven’t ruled out that this space could be of interest to the developers of the Russian cryptocurrency.”

Source: “Майнеры биткойна занимают 61-е место в мире по расходам электроэнергии (Bitcoin miners are in 61st place in the world in energy usage),” *prizm24.ru*, 20 November 2017. <http://prizm24.ru/mayneri-bitkoyna-zanimayut-61-e-mesto-v-mire-po-rashodam-elektroenergii/#more-1603>

According to the new statistics, the electricity used for Bitcoin mining could power 2.4 million homes in the U.S. and 6.1 million in Great Britain...Analysts at Citigroup have calculated that, given this level of energy expenditure, mining cryptocurrency may no longer be profitable as soon as 2022. For the current market model of mining to be at least somewhat profitable, in five years the exchange rate for Bitcoin will have to be between \$300,000 and \$1.5 million...

“If Bitcoin miners around the world made up their own country, they would be in 61st place in the world in energy consumption, surpassing 159 other countries.”



A mining farm of Genesis Mining located in Iceland. The picture shows mainly Zeus script miners.

Source: By Пресс-центр форума "Открытые инновации" via Wikimedia Commons, https://commons.wikimedia.org/wiki/File:3AOpen_Innovations_Forum_and_Technology_Show_Logo.jpg, CC BY SA 4.0.



China Aims to be Global Leader in Blockchain Technology

OE Watch Commentary: China appears to be setting its sights on becoming a global leader in blockchain technology. According to the accompanying article, in October, the Chinese Ministry of Industry and Information Technology published an 82-page white paper, which stated that China wanted to be at the forefront globally in blockchain technology, encouraging businesses to strive to set global technical standards. This followed the Ministry's launch of a "trusted blockchain alliance" to "speed up study of the digital ledger" in September.

At the same time, the country is also trying to reign in cryptocurrencies. Chinese officials shut down dozens of Bitcoin exchanges and stopped at least one industry conference from taking place in Beijing. In addition, the People's Bank of China has been leading the effort to crack down on Bitcoin exchanges and Initial Coin Offerings (ICO), which *Investopedia* defines as "an unregulated means by which funds are raised for a new cryptocurrency venture." According to the article, the Bitcoin boom and the quick spread of ICOs "alerted the Chinese government that cryptocurrencies were becoming tools of speculation and even crime."

It is worth noting that China has banned Bitcoin and Ethereum, the most popular digital currencies, and it wants to issue its own digital currency, presumably backed by a basket of commodities or equities. It will be interesting to see where this leads as cryptocurrencies are underpinned by blockchain. We have yet to see how much influence and control China will have over this up-and-coming, yet still widely speculative technology. **End OE Watch Commentary (Hurst)**

Source: "Is China Still Keen to Develop a Sovereign Digital Currency After Ban on Bitcoin Trading?" *South China Morning Post*, 25 September 2017. <http://www.scmp.com/news/china/economy/article/2112578/china-still-keen-develop-sovereign-digital-currency-after-ban>

As dozens of Bitcoin exchanges in China were told to shut down and at least one industry conference was forced to flee Beijing for Hong Kong, the Ministry of Industry and Information Technology last week launched a "trusted blockchain alliance" to speed up study of the digital ledger.

The IT ministry in October published an 82-page white paper announcing its desire to be at the forefront globally in blockchain technology and encouraging Chinese businesses to become involved in setting global technical standards.

The central bank, meanwhile, has set up a special institute to study digital currency, and Zhou Xiaochuan, its governor, told a press conference in March that the central bank encouraged the development of technologies such as digital currency and blockchain.

The Bitcoin boom and the quick spread of initial coin offerings, however, alerted the Chinese government that cryptocurrencies were becoming tools of speculation and even crime.

It banned ICOs [Initial Coin Offerings] earlier this month, defining them as illegal fundraising, and told exchanges of Bitcoin and other digital currencies to shut down trading.

While the PBOC [People's Bank of China] is leading government agencies in a crackdown on ICOs and Bitcoin exchanges, the central bank is trying to separate ICOs from blockchain technology, even though many coin offerings are designed to fund blockchain-based projects.

However, the jury is still out on whether China can embrace blockchain by banning Bitcoin and ethereum, the most popular digital currencies.

"The IT ministry... published an 82-page white paper announcing its desire to be at the forefront globally in blockchain technology and encouraging Chinese businesses to become involved in setting global technical standards."



The People's Bank of China headquarters in Beijing, 2016.

Source: By Max12Max (Own work) via Wikimedia Commons, https://upload.wikimedia.org/wikipedia/commons/4/42/People%27s_Bank_of_China_Headquarter%2C_Beijing.jpg, CC BY-SA 4.0.



A Chinese Insider Analysis of Bitcoin in North Korea

OE Watch Commentary: On 30 November, a Chinese financial website featured the excerpted article about the benefits of Bitcoin's price surge to North Korea. According to the author, the downturn in international financial markets as a result of North Korea's ballistic missile launch in May 2017, coincided with a surge in the price of Bitcoin. In May 2017 Bitcoin was still valued below \$2,000, while in December 2017 the value exceeded \$15,000. The columnist argues that subsequent ballistic missile launches after May 2017 also saw surges in Bitcoin's value. If true, this would mean that North Korea could potentially influence Bitcoin's value by conducting more ballistic missile launches.

The author suggests that North Korea began investing substantially in Bitcoin prior to its May 2017 ballistic missile launch. Because almost no private citizens (and only senior commanders) can own computers, the author argues that it must be the North Korean government that has been mining Bitcoins through a government-owned company. According to the author, this may have become a national policy after North Korea faced stronger US economic sanctions, China's ban on the import of its coal, and a massive reduction of foreign exchange sources for the country. The article also points out that the anonymity of Bitcoin makes it a perfect tool for money laundering, which is why China has banned it while North Korea has become a full-fledged participant in it.

The author admits he is making an assumption but notes that the current market stock of Bitcoin is about 16.5 million, which means that there are 4.5 million remaining Bitcoins that are unmined. If North Korea can develop a large mining machine, it can dig out enough Bitcoins such that Bitcoin mining alone can exceed the country's total net exports and earn the country billions of dollars. As such, the article suggests that Bitcoin can help insulate North Korea from the effects of economic sanctions and other international legal regimes that constrain the country's behavior. **End OE Watch Commentary (Zenn)**

“I believe that Bitcoin also has the potential [to be used for] money laundering, which may be one of the reasons the Chinese government banned it, while North Korea has been attracted to it.”

Source: “杜坤维：比特币暴涨！朝鲜是最大赢家” (Bitcoin soared! North Korea is the biggest winner),” *jrj.com.cn*, 30 November 2017. <http://opinion.jrj.com.cn/2017/11/30090123717969.shtml>

As the situation in North Korea suddenly tightened, the financial markets reacted immediately. Bitcoin, which has been criticized for being a virtual bubble, has become a hedge against the world financial markets. Market analysts point out that Bitcoin has several features that make it an attractive investment in this economic turmoil.

It is precisely because of the above attributes of Bitcoin, I believe that Bitcoin also has the potential [to be used for] money laundering, which may be one of the reasons the Chinese government banned it, while North Korea has been attracted to it. North Korea launched a Bitcoin mining operation on May 17. Prior to this, North Korea's Bitcoin activity was minimal.

Starting May 17, there was exponential growth. Mining machines are unlikely to be privately owned. They are more likely to be owned by a government-backed company.

With the strengthening of U.S. economic sanctions, China's ban on the import of coal from North Korea and the massive reduction of the foreign exchange sources of North Korea, it is not impossible for North Korea to choose to be a country for mining. It hopes to use Bitcoin to respond to economic sanctions and escape the economic crisis.



China's cyber policy has become partly visible to foreign nations through observation, tracking, and inference. The policy appears to have three vectors. These three aspects—peace activist, espionage activist, and attack planner—dominate China's cyber policy. Some are always hidden from view while others are demonstrated daily. Three Faces of the Cyber Dragon is divided into sections that coincide with these vectors.

<https://community.apan.org/wg/tradoc-g2/fmso/m/fmso-books/195610/download>



North Korea Cyber Crime Shifts Gears

OE Watch Commentary: According to the Korea Internet and Security Agency (KISA), the number of attacks emanating from North Korea on virtual money targets in South Korea increased 3.7 times in the last year. In the past when one considered cyber attacks from North Korea, it was predominantly about disruption. Although inconclusive, it is believed that the 2014 malware attack against Sony Pictures had a North Korea connection and was a classic case of a cyber attack dedicated to disrupt a company and even an industry. Now, it appears that the Pyongyang regime has opened up another cyber warfare front, which is potentially more destabilizing globally. Now it is all about stealing cryptocurrencies and Bitcoin seems to be in North Korea's crosshairs.

Source: “북한 해커들 금융보안원 사칭해 비트코인 해킹” (North Korean Hackers Target Bitcoin as source of Financial Security for Regime),” *Coin News*, 10 November 2017, <https://blog.naver.com/eflora/221137312401>

“South Korea’s internet security authorities have pointed to a tremendous rise in malware attacks where North Korean hackers are looking for Bitcoin to fund the Kim Jong-un regime...”

According to the Korea Communications Agency, the number of malicious codes detected increased from 1,438 in 2016 to 5,366 during the same period January to September 2017.”

As the accompanying passage discusses, in 2016 there were 1,438 cases of computer crimes targeting coin-to-coin payments in South Korea, by North Korean hackers. From January to September 2017 there have been 5,366 cases of coin-to-coin malware targeting. Hundreds of millions of dollars of virtual currency has been stolen. The passage claims that this is being done to “fund the Kim Jong-un regime.”

North Korea has always struggled to finance its shaky regime. As a result it continues to extort the international community when possible. Meanwhile Pyongyang also engages in a variety of illicit activities including but not limited to the counterfeiting of US \$100 bills or “supernotes,” and drug production and smuggling across the Chinese border primarily along the Tumen River sector. All of these activities continue to be undertaken to beat the ill effects of international sanctions against the regime.

For years there has been some level of sanctions targeting North Korea for its human rights record and its constant drive to build a nuclear arsenal and the delivery systems capable of striking out against its enemies. Recent sanctions may be having an adverse effect on Pyongyang, and although China is still an ally, there hasn't been the usual unqualified support from Beijing that North Korea may have been accustomed too. As a result, economic instability is likely on the rise. Consider the wave of fishing boats washing up on Japanese shores over the last 12 months. Is this a signal of a deteriorating economic situation in North Korea?

North Korea appears as hard pressed as ever to fund its regime. Cryptocurrencies might well be considered the regime's way out. Pyongyang seems to have gone all in on stealing cryptocurrencies and South Korea seems to have borne the brunt of North Korea's attacks thus far. **End OE Watch Commentary (Billingsley)**

“According to the Korea Communications Agency, the number of malicious codes detected increased from 1,438 in 2016 to 5,366 during the same period January to September 2017.”



North Korea Flag on top of world map with code.

Source: Created by Dodge Billingsley with background from <https://pixabay.com/en/matrix-code-data-networking-1735640/>, CC0.



Malaysia Eyes New Era of Cryptocurrency and Terrorism Financing

OE Watch Commentary: The excerpted article discusses the decision of Malaysia's central bank – Bank Negeri Malaysia (BNM) – to require people who convert cryptocurrency, such as Bitcoin, into money to report such transactions. According to the BNM governor, this move is necessary so that intelligence agencies have greater access to this information. The rise of the Islamic State in Iraq and Syria (ISIS) has coincided with an increase in Suspicious Transaction Reports (STRs) and necessitated this move. According to the article, between January and June 2017, Malaysia's Financial Intelligent Unit (FIU) received 346 terrorism financing-related STRs compared with only 93 terrorism financing-related STRs in 2015.

Like Indonesia, Malaysia reports that most terrorists who have been engaged in terrorism financing in Malaysia have donated in small amounts ranging from \$20 to \$200. However, they do so in huge volumes. A 19-year old boy who was arrested in October for funding the bombing of a beer festival, for example, was part of what is called a “wolf pack.” This is a group of people operating independently and sending small amounts of money to the same terrorist group to facilitate an attack. This makes them hard to detect. The boy was among 20 Malaysians who have been arrested for terrorism financing in the last year.

The new regulations on cryptocurrencies are a response to what Malaysia considers to be a new era in the financial sector. The article states that the BNM governor wants to avoid being oblivious to these developments even if the long-term implications of cryptocurrencies and terrorism financing remain to be seen. **End OE Watch Commentary (Zenn)**

“The advent of digital currencies will mark the beginning of a new era in the financial sector. As authorities, we cannot be oblivious to these developments.”

Source: “Malaysia to enforce cryptocurrency regulation in 2018,” Channelnewsasia.com, 22 November 2017. <http://www.channelnewsasia.com/news/business/malaysia-to-enforce-cryptocurrency-regulation-in-2018-9428242>

Malaysia's central bank, Bank Negeri Malaysia (BNM), will designate persons converting cryptocurrencies into fiat money as reporting institutions under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 from 2018. BNM governor Muhammad Ibrahim said, “We need to prepare ourselves, as according to many pundits, digital currencies will become the new norm.... The advent of digital currencies will mark the beginning of a new era in the financial sector. As authorities, we cannot be oblivious to these developments.”

Muhammad said that greater access to intelligence information for financial institutions and rising threat from the Islamic State had resulted in the upward trend of reporting of Suspicious Transaction Reports (STRs). The increase in the number of small terrorist cells, and lone wolf actors radicalized remotely over the internet also makes detecting and halting terrorism financing even more challenging, the governor said.

Malaysia's head of counter terrorism said that 20 Malaysians have been arrested since last year for their involvement in terrorist financing. Most have been charged in court under terror offences. “The amount collected from each donor was usually small, ranging from US\$20 to US\$200, but the volume was huge,” he said.



The Central Bank of Malaysia (Bank Negara Malaysia) headquarters in Kuala Lumpur, Malaysia.

Source: By User:Two hundred percent, (Own work), https://upload.wikimedia.org/wikipedia/commons/4/42/Central_Bank_of_Malaysia_headquarters%2C_Kuala_Lumpur.jpg, CC BY-SA 3.0 (<https://creativecommons.org/licenses/by-sa/3.0/>), via Wikimedia Commons



Malaysia Seeks to Regulate Cryptocurrencies

OE Watch Commentary: Malaysian authorities are trying to establish control over digital currencies amid growing concern over the possibilities of money laundering and terrorism financing through the trading of cryptocurrencies. According to the accompanying passage from a Bangkok-based newspaper, in early 2018, Bank Negara (Malaysia's central bank) will designate individuals converting cryptocurrencies into fiat-money currencies (government-backed legal tender) as "reporting institutions under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001." According to Muhammad Ibrahim, governor of Bank Negara, this will prevent criminals from abusing the system and ensure the financial systems remains stable. Under the Act, all of Malaysia's reporting institutions will be required to take preventive measures to prevent their institutions from being used as a conduit for money laundering and terrorism financing activities. This is reportedly Malaysia's first attempt to try to regulate cryptocurrencies in the country. **End OE Watch Commentary (Hurst)**

Source: "Malaysia Seeks to Reign in Digital Currencies," *The Nation Online*, 23 November 2017. <http://www.nationmultimedia.com/detail/asean-plus/30332361>

In the first notable move to regulate the world of cryptocurrencies in Malaysia, the country's central bank says it will deem all parties acting as exchanges as "reporting institutions," requiring them to provide detailed information on buyers and sellers of such currencies.

"Beginning in 2018, Bank Negara [Malaysian Central Bank] will designate persons converting cryptocurrencies into fiat-money currencies as reporting institutions under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (Amla) 2001," [Governor of the Malaysian Central Bank, Bank Negara] Muhammad Ibrahim said.

"This is to prevent the abuse of the system for criminal and unlawful activities and ensuring the stability and integrity of the financial system," he noted at the Third Counter-Terrorism Financing Summit 2017 in Kuala Lumpur...

Under Amla, all reporting institutions will be required to undertake preventive measures to prevent their institutions from being used as a conduit for money laundering and terrorism financing activities.

"We need to prepare ourselves, as according to many pundits, digital currencies will become the new norm," said Ibrahim.

"We need to prepare ourselves, as according to many pundits, digital currencies will become the new norm."

- Governor of the Malaysian Central Bank, Muhammad Ibrahim

Vietnam Bans Bitcoin

OE Watch Commentary: The excerpted announcement from the State Bank of Vietnam, the central bank of Vietnam, shows that Vietnam has banned Bitcoin and other virtual currencies. According to the announcement, which references a new decree, the only non-cash payments the State Bank will permit include checks, payment orders, collection orders, bank cards and other payment instruments as prescribed by the State Bank. This means that Bitcoin and other cryptocurrencies, which are not mentioned, are banned. The announcement also makes clear that Bitcoin and other similar virtual currencies are not lawful means of payment in Vietnam.

As evidence of the seriousness of the State Bank's ban on Bitcoin, the decree imposes an approximately \$6,000 to \$7,000 fine for using Bitcoin and other cryptocurrencies. Those who use cryptocurrencies to buy or sell items can also be subject to prosecution and imprisonment. There is, however, not a ban on mining or exchanging virtual currencies. This means that not all activities related to Bitcoin are banned in the country.

Vietnam's ban on Bitcoin coincides with similar bans in China and Indonesia, along with India's ongoing discussions on banning it. However, this does not necessarily signal a broader regional trend in Asia, given that other countries, such as Japan, have not banned Bitcoin. There is no evidence that Vietnam's ban is related to terrorism financing, in contrast to Indonesia, where the concern is precisely that. **End OE Watch Commentary (Zenn)**

"In accordance with the provisions of law, Bitcoin and other similar virtual currencies are not a legal means of payment in Vietnam."

Source: "Thông tin liên quan đến việc sử dụng tiền ảo (Announcement related to the use of virtual currency?)," *www.sbv.gov.vn*, 30 October 2017. <https://goo.gl/8rZ3K8>

Over the past period, following the direction of the Prime Minister, the State Bank of Vietnam has developed and improved the legal framework relating to payment instruments. The provisions on payment instruments are as follows: Non-cash payment instruments used in payment transactions include checks, payment orders, payment orders, collection orders, bank cards and other payment instruments as prescribed by the State Bank. Payments are illegal by means other than those specified in Clause 6. The use of illegal means of payment (including Bitcoin and other similar virtual currency) will be subject to fines of between VND 150 million and 200 million. At the same time, as of January 1, 2018, the act of issuing, using, or using illegal means of payment (including Bitcoin and other similar virtual currency) may be subject to prosecution.



Concerns about Cryptocurrency and Terrorism Financing in Indonesia

OE Watch Commentary: On 8 November, the *South China Morning Post* featured an article discussing the threat of cryptocurrencies as a tool for terrorism in Indonesia. The article, which was based on a new joint study of Indonesia's National Counterterrorism Agency, State Intelligence Agency, and Financial Transaction Reports and Analysis Centre (PPATK) recalled that since 2015, online donations have been the most common way to finance terrorist attacks in Indonesia. According to the chairman of the PPATK, terrorists in Indonesia call for donations on WhatsApp and Twitter; and then use Bitcoin and PayPal to transfer money. Most of these donations are reportedly small, ranging from \$100 to \$1,000, which makes them hard to track. However, they are also continuous, which means they are able to have a large impact. In some cases, terrorists in prison have even received smuggled cell phones and used them to deliver sermons and solicit funds from supporters online.

There have also been cases of cryptocurrencies being used in terrorism cases unrelated to the Islamic State of Iraq and Syria (ISIS) or al-Qaeda. The article points out a case where a man demanded 100 Bitcoins in return for defusing a bomb at a mall in Jakarta, although the attack was thwarted. This is cited as one reason why the Indonesian central bank has ruled against the use of cryptocurrencies as means of payment in the country. The article also quotes the chief executive of the Bitcoin exchange platform Bitcoin Indonesia, who disagrees with that decision and argues that there have only been a few actual cases where terrorists tried using Bitcoin, claiming that all other transactions were traceable.

In July Indonesia's Communications Ministry also decided to temporarily block access to Telegram until the company's CEO pledged to help the Ministry close down radical chat forums. Indonesian officials have noted that Facebook, Twitter and YouTube have also cooperated in blocking the sending of terrorist images online. For the time being, therefore, it appears certain social media applications and cryptocurrencies, such as Bitcoin, will face an increased level of government scrutiny and possibly permanent restrictions on their use. **End OE Watch Commentary (Zenn)**

“Terror groups now call for donations through social media and messaging platforms, such as WhatsApp groups or Twitter.... Bitcoin and PayPal are also used to move their money..”

Source: “Support for Islamic State? In Indonesia, there’s an app for that,” *scmp.com*, 8 November 2017. <http://www.scmp.com/week-asia/politics/article/2118968/support-islamic-state-indonesia-theres-app>

Since 2015 online donations have been the avenue of choice for Islamic State-supporting groups hoping to finance attacks in Indonesia, the world’s most populous Muslim-majority nation. That is according to a new joint study by the country’s National Counterterrorism Agency, State Intelligence Agency, and Financial Transaction Reports and Analysis Centre (PPATK), which examined the banking transactions involved in terror cases between 2014 and August 2017. “Terror groups now call for donations through social media [and messaging platforms] such as WhatsApp groups or Twitter,” said Kiagus Ahmad Badarudin, chairman of the PPATK. “Bitcoin and PayPal are also used to move their money.”

Encrypted messaging platforms such as Telegram and WhatsApp are proving popular not only with active terror cells in Indonesia, but even with militants who are already behind bars. Authorities suspect the services are used by imprisoned terrorists, using mobile phones smuggled into their jails, to propagate their ideologies and even direct attacks from the comfort of their cells.

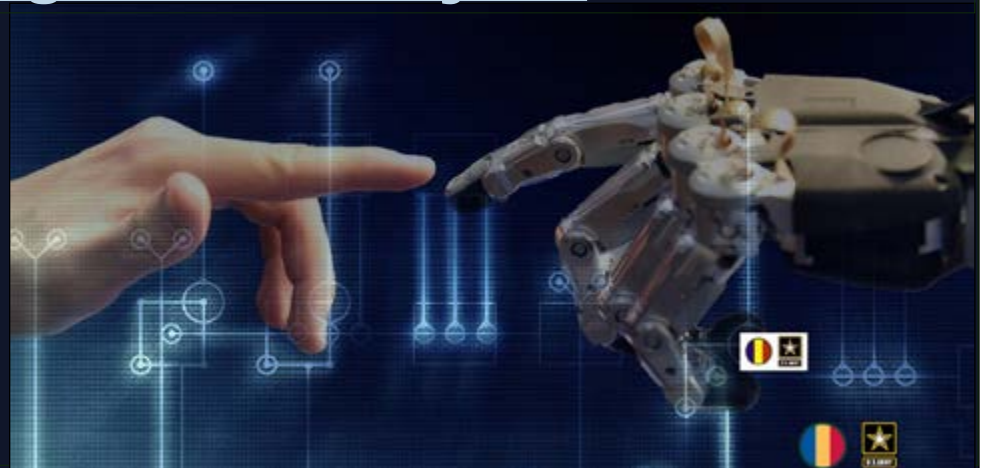
While the Indonesian central bank has ruled against the use of cryptocurrencies as means of payment, this hasn’t stopped tech-savvy users from exchanging virtual currencies such as Bitcoin through local platforms.

THE MAD SCIENTIST LABORATORY BLOG

<http://madsciblog.tradoc.army.mil>

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The Market for Bitcoins in India

OE Watch Commentary: As the value of Bitcoin dramatically increased over the past year, cryptocurrencies and the blockchain technology behind them have been more frequently looked at by media and more closely scrutinized by governments around the world. The accompanying excerpted articles discuss Bitcoin and the recent rise in value from an Indian perspective and show how the cryptocurrency has been impacting the economy.

The first article from *Livemint*, an Indian daily newspaper, looks at the recent rise of Bitcoin's value. It points out that the Reserve Bank of India (RBI) "issued its third warning about trading in virtual currencies," but that despite multiple warnings, "The number of new users is doubling every three-four months on Indian trading platforms." The author also notes that "in India, the rush for Bitcoins has outpaced supply by a wide margin," causing "a mark-up of around 15-20% to the international price." According to the article, the RBI's Foreign Exchange Management Act "doesn't talk about virtual currencies specifically" and that "In short, it's all grey."

The article from India's *Daily News and Analysis (DNA)*, an English language daily newspaper, discusses the impact Bitcoin has been having on the property market in India. The author discusses that DNA carried out an investigation into how Bitcoin is being used and that it "is fast replacing the cash — read black — component in real estate deals." The author notes that "many sellers are now opting for cryptocurrencies for property deals and this is especially true of non-resident Indians, who can, with a few keystrokes, move this money abroad." The author also points out how Bitcoin "is also being offered as an investment option" by former real estate brokers through a "multi-level marketing (MLM) process."

The article goes on to report that many former brokers "have given up the old trade" and "lure investors on the assurance of returns of over 300 per cent in months." This is in addition to sources involved in the trade who claimed that "cryptocurrency exchanges have been adding over 2,500 users a day." The Indian Supreme Court recently "asked the government and its agencies... how they planned to regulate the cryptocurrencies" and three Indian Supreme Court Justices stated that "crypto money, if unchecked and unregulated, is a threat to exchequer's money and financial sovereignty of the country." While Bitcoin mining becomes increasingly complicated and the impact it has on the Indian economy remains to be seen, it appears that the Indian government is starting to see the popular cryptocurrency as a potential threat.

End OE Watch Commentary (Stein)

"To make Bitcoins more acceptable, [real estate brokers]... push them through a multi-level marketing (MLM) process. The number of realty brokers, who are now part of this racket, is huge."



Coinsecure Bitcoin Exchange India.

Source: https://commons.wikimedia.org/wiki/File%3ACoinsecure_Logo_v1.png, CC BY-SA 4.0.

Source: Philipose, Mobis. "The risks and thrill of investing in Bitcoins in India," *Livemint*, 7 December 2017. <http://www.livemint.com/Money/cwSJNgkEMGeQWMmTxBAY2O/The-risks-and-thrill-of-investing-in-bitcoins-in-India.html>

On Tuesday, the Reserve Bank of India (RBI) issued its third warning about trading in virtual currencies such as Bitcoin. On Wednesday, the price of one Bitcoin hit a new high of \$12,000...Not that anyone expected RBI's warnings to cause a dent in appetite for Bitcoins...The irony is that the more Bitcoin rallies, the more people it draws into the rally...

For now, multiple hacks, thefts and scams haven't taken away anything from the charm of trading in Bitcoins. The number of new users is doubling every three-four months on Indian trading platforms. In fact, in India, the rush for Bitcoins has outpaced supply by a wide margin. As a result, there is a mark-up of around 15-20% to the international price; the price of one Bitcoin hovered around Rs9 lakh on the Coinsecure platform on Wednesday at the time of writing.

...The fact that regulation is not clear is another risk. Bitcoin purchases and sales in India are undertaken under the premise that they are allowed because they aren't explicitly disallowed. Do provisions of RBI's Foreign Exchange Management Act (FEMA) apply to Bitcoin bought overseas and later sold onshore?

Perhaps not, some lawyers argue, because FEMA doesn't talk about virtual currencies specifically. In short, it's all grey. If Indian policymakers worry, as China did, about the multiple Ponzi schemes that have spawned alongside the Bitcoin rally, and ban trading of Bitcoin platforms, traders could be in trouble...

(continued)



Continued: The Market for Bitcoins in India

Source: Rai, Dipu. “DNA Exclusive: Post demonetization, Bitcoins new ‘black’ in property market,” *DNA*, 23 November 2017. <http://www.dnaindia.com/business/report-dna-exclusive-post-demonetization-bitcoins-new-black-in-property-market-2561904>

...what many do not know is that the “illegal” currency is already gaining ground in the country. Post-demonetization, which made hoarding of vast amounts of cash difficult and tricky proposition, different types of cryptocurrencies have replaced the “black” portion in property deals...Investigation conducted by DNA, which included attending several meetings where cryptocurrency was being hard-sold, especially as an investment option, shows that cryptocurrency is fast replacing the cash — read black — component in real estate deals.

“Instead of the cash part, many sellers are now opting for crypto coins for property deals and this is especially true of NRIs, who can, with a few keystrokes, move this money abroad,” said a real estate dealer... Moreover, crypto currency it is also being offered as an investment option — with real estate brokers, who left the real estate market due to the ongoing slump, offering deals to gullible investors looking to make easy money in closed-door meetings. To make Bitcoins more acceptable, [real estate brokers]... push them through a multi-level marketing (MLM) process. The number of realty brokers, who are now part of this racket, is huge.

Almost 70 per cent of erstwhile agents have given up the old trade. They have joined the closed group offering cryptocurrencies. They lure investors on the assurance of returns of over 300 per cent in months...Sources involved in the trade told DNA that, in India, cryptocoin exchanges have been adding over 2,500 users a day and have now reached five lakh (hundred thousand) downloads...the Supreme Court on November 13 asked the government and its agencies, including SEBI, Income Tax Department, RBI and Enforcement Directorate (ED), on how they planned to regulate the cryptocurrencies. A Bench of Chief Justice of India Dipak Misra and Justices AM Khanwilkar and DY Chandrachud noted, “... Emerging trend of crypto money, if unchecked and unregulated, is a threat to exchequer’s money and financial sovereignty of the country.”



Reserve Bank of India, 2011.

Source: By Kolkatan (Own work) via Wikimedia Commons, https://upload.wikimedia.org/wikipedia/commons/8/87/Reserve_Bank_of_India_%28RBI%29_building%2C_September_2011.jpg, CC BY-SA 3.0.



Digital Currencies in the Middle East and North Africa

OE Watch Commentary: Governments in the Middle East and North Africa have responded to the growing popularity of Bitcoin and other digital currencies in various ways. Some regulators, most notably in Morocco, have issued decrees banning Bitcoin transactions; others, including those of the region's most populous country (Egypt) and its largest economy (Saudi Arabia), have warned against trading in such currencies but stopped short of seeking to regulate them directly. Some others, in particular the United Arab Emirates (specifically Dubai), have embraced the concept and introduced a slew of state-sanctioned virtual currencies. Yet underlying these varied responses, as the accompanying passages note, are traces of government concern. This has manifested as a behind-the-scenes crackdown in Egypt and a highlighting of Bitcoin's incompatibility with Islamic law in Gulf countries.

As the first accompanying excerpt from Egypt's semi-official *al-Ahram* newspaper details, the official position of Egypt's Central Bank is that Bitcoin "is not guaranteed by the banking sector ... and dealing with [Bitcoin] is the responsibility of its users." Despite this seemingly neutral position, the article also explains how Egypt's first Bitcoin exchange (Bitcoin Egypt), which was to be launched last summer to great media fanfare, suddenly faced delays and uncertainty. The website on which trading was to take place went offline in November 2017 and its founders can "no longer confirm a launch date." The article notes that Bitcoin is booming in Egypt, not just as a speculative investment but also as a business opportunity through "mining." This is especially lucrative in Egypt and other countries with low, subsidized electricity prices and cheap domestic currencies.

Dubai's embrace of virtual currencies is not surprising given its efforts over the past several decades to position itself as a regional financial center. Several state-sanctioned cryptocurrencies and an open-source blockchain-based virtual currency called "ArabianChain" are among Dubai's new offerings, which are being introduced in part as substitutes for open-source distributed platforms such as Bitcoin. As the second excerpted passage explains, one of these new entrants to the market, known as "OneGram," seeks to entice users by touting itself as "fully Sharia-compliant" due to the fact that it is backed by gold.

In early December, a popular Saudi cleric named Assim Alhakeem declared virtual currencies "Haram" (forbidden in Islam). As the third accompanying passage explains, this opinion follows a decree by the Turkish Directorate of Religious Affairs that also forbids the use of virtual currencies on the basis of their being open to speculation and potentially used for illicit activities.

Not surprisingly, these judgments stand in contrast to the assessment made back in 2014 by a supporter of the Islamic State of Iraq and Syria (ISIS), which are summarized as follows in the excerpted quote from the fourth accompanying passage: "No one can send a money transfer to a mujahid or suspected mujahid without the infidel governments who currently rule knowing... The proposed solution to this is what is known as Bitcoin... By setting up an anonymous donations system, you could send millions of dollars at once... and they would arrive directly in the mujahid's pocket." Although this assessment clearly overstates the ease of Bitcoin's convertibility to cash, it does highlight the promise of distributed ledger technology for clandestine terrorist organizations and the reasons why governments are likely concerned about its growing popularity. **End OE Watch Commentary (Winter)**

"...There was a time when I knew the whole tiny [Egyptian] Bitcoin community. Now it's all across the country as it booms worldwide ..."

Source: Sherif Tarek. "Egypt's Bitcoin scene seemingly growing despite looming uncertainties," *al-Ahram English*, 9 December 2017. <http://english.ahram.org.eg/NewsContent/3/12/282508/Business/Economy/Egypt-Bitcoin-scene-seemingly-growing-despite-loo.aspx>

In a widely reported announcement, the founders of Bitcoin Egypt said in August that their project would be launched later in the month, suggesting that the North African country might now be leaning toward a friendly approach to the world's leading cryptocurrency. However, the excitement over what was meant to be the first platform for buying and selling Bitcoin in Egypt soon subsided, with the Central Bank of Egypt (CBE) refuting such speculation and reiterating that it will not regulate digital currency dealings. "This virtual currency is not guaranteed by the banking sector [...] and dealing with it is the responsibility of its users," the statement said. A message on the Bitcoin Egypt website later read, "We are facing delays and no longer confirm a launch date"... Soon after, in November, the website went offline... There is no technical way to estimate the volume of Bitcoin trading in Egypt, or any other country, for that matter, "but for a year now there has definitely been a surge in Egypt," said the 30-year-old Egyptian, who, bearing in mind the unclear official stance on digital currencies, preferred to speak on condition of anonymity. "There was a time when I knew the whole tiny Bitcoin community. Now it's all across the country as it booms worldwide"...

In Egypt, the cost of mining electricity usually comprises around 25 percent of the profit. "Mining hardware that consumes 1,300 kw would cost a little less than \$100 and likely generate around \$350, \$380 worth of digital currency per month, for instance," the Bitcoin trader said. "The productivity and electricity consumption of miners vary, but that's the average." The mining cost will comprise a higher percentage when Egypt's electricity subsidies are completely abolished, as is planned in the coming years. "But today, given cryptocurrency price increases, as opposed to the costs in Egypt, it's fair to say that digital mining is a pretty good deal and that's why more and more people get into it," he said.

(continued)



Continued: Digital Currencies in the Middle East and North Africa

Source: Alice Haine. “A golden crypto currency you can invest in for as little as \$45,” *The National (UAE)*, 2 July 2017. <https://www.thenational.ae/business/money/a-golden-crypto-currency-you-can-invest-in-for-as-little-as-45-1.91373>

As the founder and chief executive of OneGram – the Dubai-based technology company behind the first digital currency completely backed by gold - Ibrahim Mohammed is confident his cryptocurrency will be a success, even as competition in the digital currency sphere heats up. He says with “100s of new coins releasing every day”, it is OneGram’s unique selling point - the fact that the currency is fully Sharia-compliant - that will set it apart... Because of the ruling that happened in November 2016 from the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) with regards to the gold standard. It was the first time gold was deemed to be a sharia-compliant product and it got us thinking. It evolved into digitisation of gold but then having bigger returns rather than just waiting for the market to go up - so we combined it with a digital currency.

Source: “Digital currency Bitcoin ‘forbidden in Islam’, rules Saudi cleric,” *al-Araby al-Jadid*, 6 December 2017. <https://www.alaraby.co.uk/english/blog/2017/12/6/digital-currency-bitcoin-forbidden-in-islam-rules-saudi-cleric>

A popular Saudi cleric has ruled that cryptocurrencies are prohibited under Islamic law because they are “ambiguous” and provide anonymity to criminals... “We know that Bitcoins remain anonymous when you deal with it... which means that it’s an open gate for money laundering, drug money and haram (forbidden) money,” Hakeem said. “There is a lot of ambiguity, if I have dollars and you have euros and we want to exchange this is permissible in Islam with the condition that it is hand-to-hand... in virtual currencies you don’t have this,” he added. The cleric’s ruling comes after Turkey’s top religious body also decreed that bitcoins were incompatible with Islam because their value is “open to speculation” and they can be used in “illegal activities”.

Source: البيتكوين ودورها في تمويل الحركات الإرهابية
Hassan Mohammed, “Bitcoin and its role in financing terrorist movements,” *King Faisal Center for Research and Islamic Studies*, August 2017. <http://kferis.com/pdf/98958dfe413d878f2567008efa9fb1d1598996789c9d1.pdf>

In an article titled “Bitcoin and the Charity of Jihad,” Taqi al-Din al-Mondhor, a man considered close to ISIS, laid down the legal conditions for the use of Bitcoin according to the group. He emphasized the need to use this virtual currency to fund jihad, noting that Bitcoin is a practical solution to overcoming the government financial systems which he describes as “infidel.” In his article he explains how to use the virtual currency and open financial accounts online, as well as transferring money without anyone noticing, when he explains “No one can send a money transfer to a mujahid or suspected mujahid without the infidel governments who currently rule knowing... The proposed solution to this is what is known as Bitcoin... By setting up an anonymous donations system, you could send millions of dollars at once... and they would arrive directly in the mujahid’s pocket”...



Front entrance of the Central Bank of the United Arab Emirates main building in Abu Dhabi, 2013.
Source: By Achilver via Wikimedia Commons, https://upload.wikimedia.org/wikipedia/commons/5/5d/Central_Bank_of_the_United_Arab_Emirates.jpg, CC BY-SA 3.0.



Turkey Grapples with Blockchains and Cryptocurrencies

OE Watch Commentary: Like many countries, Turkey has been grappling with the issue of blockchains and cryptocurrencies. As with many advances in the information age, written laws have not caught up with rapidly evolving technologies. While many businesses in Turkey accept payments in cryptocurrencies, there are no legal regulations on the issue. The accompanying passages from Turkish sources discuss Turkey's recent efforts to understand the issue, including calls for regulating and developing it in the country. These initiatives indicate that Turkey does not want to fall behind the rest of the world on this technology. Meanwhile, the Turkish Ministry of Religious Affairs recently declared that virtual currencies are contradictory to the values of Islam and thus not religiously permissible.

The first passage from the mass daily *Milliyet* discusses the first 'Blockchain Summit Istanbul 2017,' organized by the Eurasia Blockchain and Digital Money Research Association (BLASEA). The summit took place in November at a university in Istanbul with the participation of public and private institutions, along with interested students. It featured discussions on how the Blockchain system would spread, the steps that Turkey can take to develop this system and ideas regarding regulations to adapt current systems to future ones.

The second passage discusses a recent call by a member of parliament to start legal regulatory studies on the cryptocurrency system in Turkey so that the country "do[es] not fall behind the rest of the world." The member notes that as long as Turkey's regulations lack anything pertaining to cryptocurrencies, nothing done in this field can be considered a crime.

The Ministry of Religious Affairs (Diyanet) also chimed in to the discussion. In response to a question they received asking whether it was religiously permissible to use virtual currencies such as Bitcoin and Ethereum for investments, the Ministry declared that cryptocurrencies are not religiously appropriate "at this point." The answer highlighted that cryptocurrencies do not have a central authority and thus are not guaranteed by any state, in addition to pointing out that they are open to speculation and to being used for laundering money. However, the term "at this point" suggests that even they are aware that it may be too late to stop or reverse this exploding trend. **End OE Watch Commentary (Kaya)**

"Legal regulatory studies on the cryptocurrency system in Turkey should be started, so that we do not fall behind the rest of the world."

- Deputy Leader of the Nationalist Action Party

(MHP) Ahmet Kenan Tanrıkulu

Source: "Blockchain, İstanbul'da Masaya Yatırıldı (Blockchain Discussed in Detail in Istanbul)," *Milliyet.com.tr*, 24 November 2017. <http://www.milliyet.com.tr/blockchain-istanbul-da-masaya-yatirildi-istanbul-yerelhaber-2423765/>

'Blockchain Summit İstanbul 2017' took place at the Kadir Has University, with the participation of public institutions, private sector and interested students. During the summit, experts on the topic provided important information on Blockchain Technology and cryptocurrencies, and answered questions.

There was intense interest in the first 'Blockchain Summit Istanbul 2017', organized by the Eurasia Blockchain and Digital Money Research Association (BLASEA)... Topics discussed included how the Blockchain system would spread in the future, the steps that Turkey can take to develop this system and ideas regarding regulations to adapt current systems to future ones.

Source: "MHP'den Bitcoin hamlesi (The Nationalist Action Party's Bitcoin move)," *Cumhuriyet.com.tr*, 12 December 2017. http://www.cumhuriyet.com.tr/haber/ekonomi/884502/MHP_den_Bitcoin_hamlesi.html

The Deputy Leader of the Nationalist Action Party (MHP) Ahmet Kenan Tanrıkulu prepared a report on Bitcoin, the virtual currency that is breaking a new record every day. The report says that "Legal regulatory studies on the cryptocurrency system in Turkey should be started, so that we do not fall behind the rest of the world."

"Currently, many businesses in Turkey are accepting payments in cryptocurrencies, and the number of customers using cryptocurrencies like Bitcoin are increasing. As long as our regulations don't have any part that pertain to cryptocurrencies, and as long as illegal transactions such as tax evasion and money laundering are not done, people will be able to say that the use of cryptocurrencies are legal. Therefore, shopping with cryptocurrencies, investing by buying-selling [them] and producing cryptocurrencies by mining are not considered crimes in Turkey as of yet."

Source: "Din İşleri Yüksek Kurulu 'Dijital Kripto Paraların' Kullanımının Dini Hükümünü Açıkladı (The Religious Affairs High Council Declared the Religious Decision on the Use of 'Digital Cryptocurrencies')," *The Website of the Turkish Ministry of Religious Affairs*, 24 November 2017. <https://kurul.diyanet.gov.tr/Duyuru-Detay/Duyurular/596/din-isleri-yuksek-kurulu--dijital-kripto-paralarin--kullaniminin-dini-hukmunu-acikladi>

"Money is a paper or metal item that is printed by a government, used for exchanges within the country, and which have numeric values written on it. On the other hand, virtual money is a type of currency that lacks any central financial institution behind it, and that enables users to conduct trade while being encrypted for each user. For a currency to be recognized as money, it should either get its value from a government authority or have an internal value such as gold.

Even though virtual currencies are being used by some as a unit to conduct trade, they cannot be considered money because they lack the reputation value and power that a government (and a financial institution to back it up) provides, making it lack government protection. Furthermore, the fact that their value is open to speculation makes them easily usable for illegitimate transactions such as money laundering. This and the fact that they are not under the government's monitoring and auditing makes it religiously inappropriate to buy and sell virtual currencies at this point."



Blockchain's LATAM Anti-Corruption Promise

OE Watch Commentary: Latin America is taken up by the cryptocurrency wave. The fifth edition of the Latin American Bitcoin and Blockchain Conference was held in Bogotá in early December. Feeding the evident optimism is the promise of secure, transparent, corruption-proof transactions -- including a way to counter mega corruptions like the recent Odebrecht scandal that, even in corruption-prone Latin America, shocked all but the most jaded. The conference included more than just Latin American matters. For instance, one of the presentations was by an African start-up that intends to use the blockchain technology to facilitate the movement of remittances, especially from families in the United States. The second accompanying reference discusses the promise of blockchain technology for the real estate sector, where there is greater need for transparency in real estate transactions and property ownership records. (Much of the event, with most of it in English, can be viewed at: https://www.youtube.com/watch?v=QJJwkX_Y7bc) End OE Watch Commentary (Demarest)



Sixteenth-Century Spanish Gold Coin.

Source: Photo by Geoff Demarest at the Prado Museum, Madrid.

“Public interest in Latin-America about cryptocurrencies and blockchain is on the rise...”

Source: Diana Aguilar, “LaBitConf 2017 llevará sorpresas sobre Bitcoin y blockchain a Bogotá (LaBitConf 2017 will bring surprises about Bitcoin and blockchain to Bogotá),” *Criptonoticias*, 29 November 2017. <https://www.criptonoticias.com/eventos/labitconf-2017-llevara-sorpresas-sobre-bitcoin-blockchain-bogota/#axzz50POh52rw>

“Public interest in Latin-America about cryptocurrencies and blockchain is on the rise, perhaps especially in Colombia, where [word of] these financial tools is echoing from the news media to the government sector. It is within this promising landscape that Bogotá will host the laBITconf 2017 the 4th and 5th of December...among more than 35 discussion panels the public will be able to drench itself in new knowledge about mining, ICO, regulation, blockchain apps, management of blockchain files, the future of the Bitcoin ecosystem with the arrival of bifurcations, and much more...”

Source: Anthony Couse, “How disruptive technology could improve real estate transparency,” *World Economic Forum*, 16 August 2016. <https://www.weforum.org/agenda/2016/08/how-disruptive-technology-could-solve-real-estate-s-transparency-problem/>

“The revelations of the Panama Papers in early 2016 have led to an increasing demand for real estate transparency. The fight against corruption is decisively on the international political agenda and, quite rightly, organizations like Transparency International are now putting the real estate sector under greater scrutiny.”



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Venezuela's New Crypto-Oil Money

OE Watch Commentary: Venezuela's President Nicolás Maduro recently announced the creation of a new cryptocurrency called the "Petro." As the first accompanying passage notes, this new cryptocurrency is to be backed by oil and mineral reserves. It did not take long for threads of critical Internet commentary to grow. The responses to the announcement of the new currency were cynical. It appears that some Venezuelans think the Maduro regime is wanting to try out digital currency to escape international financial sanctions, launder money or work an exchange rate scheme.

The second reference is an opinion from a former Venezuelan opposition legislator who makes a central point. He notes that Maduro has not explained exactly how the new currency could be exchanged by the public for something with more palpable value. (Even Bitcoin finds some of its viability in its potential convertibility to a hard currency, the US dollar.) The comment thread attached to the second article is also quite insightful, one participant noting the seemingly oxymoronic nature of the Venezuelan crypto-oil money launch. As he points out, a columnar idea of a cryptocurrency is that the specification of its value is not based on that of gold or any other tangible thing. It is made valuable as an exchange vehicle because of the difficulty of fraudulent manipulation of the transaction record, an immutability provided by complex computer computations and democratically distributed, time fixed packets of digital evidence.

Providentially perhaps, at almost the same time Maduro announced this hybrid concept of a cryptocurrency backed by oil and mineral reserves, he had to react to news that executives in the Venezuelan State oil company PVDSA had been caught in a huge embezzlement scheme. The third accompanying passage notes his reaction, expressing "disappointment" with those who "used their positions to commit crimes."

The fact that the Venezuelan cryptocurrency launch has some observers concerned is not surprising. We might consider the consequence and power of a blockchain-based currency by looking at three components: Who controls the machines (the computational computer equipment)?; who has access to the computation (in the effective sense of physical access to the machines plus knowledge of operation)?; and what were the original purposes of the currency's creation? As the fourth passage intimates, Russians and Chinese are well positioned to have set the purposes of the "Petro," provide and control the participating computers and effective access to them. These actors have considerable control over the Communist Party of Cuba and United Socialist Party of Venezuela, the two groups that control Venezuelan territory. That influence owes both to ideological compatibility and financial debt. Indeed, the responses suggest suspicion. Considering the geopolitical assertiveness in the fourth accompanying reference (in a Bolivarian sponsored outlet), could it be that the "Petro" will provide a medium for converting the value of natural resource solids into financial accounts within a closed non-dollar system of participation by anti-US parties?

There is also the issue of "mining." Mining, in the vocabulary of the hopeful cryptocurrency "ecosystem," refers to the contributions of computer-savvy participants who help to computationally validate transactions. Creating a broadly distributed, publicly transparent ledger provides an enhanced degree of immutability as to the occurrence of a given transaction, its timing and allocations. People with the necessary computer capacity and a modicum of computer savvy might "mine" after agreeing to the registration and computational protocols of a given blockchain community. Within some of these systems, the miner can receive a small fraction of a transferred amount as a transaction fee or commission -- as an incentive. This is mining. We will have to wait to see who is doing the Petro mining. **End OE Watch Commentary (Demarest)**

"...What is all this about a cryptocurrency using petroleum reserves as a guarantee if one cannot... [exchange] it?..."

Source: Editors, "Maduro anunció la creación de sistema de criptomonedas para Venezuela (Maduro announces the creation of a system of cryptocurrency for Venezuela)," *La Nacion*, 3 December 2017. http://www.el-nacional.com/noticias/gobierno/maduro-anuncio-creacion-sistema-criptomonedas-para-venezuela_213991

"He detailed that the value of this new digital money would, called 'el Petro', would be backed by reserves of gold oil, gas and diamonds...."

He affirmed that this system would allow citizens to carry out distinct transactions."

Source: Satya Toro, "José Guerra: 'Arranca mal la petromoneda' (José Guerra: 'Petromoneda gets off to a bad start)," *El Nacional*, 3 December 2017. http://www.el-nacional.com/noticias/economia/jose-guerra-arranca-mal-petromoneda_214013

"José Guerra, representative in the National Assembly (disbanded and delegitimized by the Maduro regime) questioned the decision of the president of the Republic, Nicolás Maduro in having initiated the development of a system of cryptocurrency using oil reserves as a guarantee. 'What is all this about a cryptocurrency using petroleum reserves as a guarantee if one cannot alienate [exchange] it?'..."

Jesus Rojas Bolivar [site commenter]: Virtual money or Bitcoin doesn't have its backing in petroleum or gold or in anything, it is for that reason virtual, depending on the confidence that the country has in it, its value calculated by gigantic computers and extremely complicated mathematical systems that translate into numbers and which are what sets for each virtual currency its value [but] only confidence gives it worth...."

Source: Editors, "Maduro se siente "traicionado por un grupo" que usó sus cargos para hacer "chanchullos" en Pdvsa (Maduro feels 'betrayed by a group' that used its government positions to run a scam in PDVSA [the government petroleum company])," *La Patilla*, 5 December 2017. <https://www.lapatilla.com/site/2017/12/05/maduro-se-siente-traicionado-por-un-grupo-que-uso-sus-cargos-para-hacer-chanchullos-en-pdvsa/>

"The President Nicolás Maduro:...I feel disappointed by a group of ex-companions who used their positions to commit crimes... Pain- the only cure is justice.'..."



Continued: Venezuela's New Crypto-Oil Money

Source: Editors, “¿Qué es ‘El Petro’, la nueva criptomoneda de Venezuela? (What is ‘The Petro’, the new Venezuelan cryptocurrency?),” *Misión Verdad*, 5 December 2017. <http://webcache.googleusercontent.com/search?q=cache:SmWgOIBddhAJ:misionverdad.com/la-guerra-en-venezuela/criptomonedas-venezolanas-geopolitica-y-sanciones-gringas-investigacion+&cd=4&hl=en&ct=clnk&gl=us>

“The year 2017 has been key in the transition toward an emerging financial system distanced from the dollar, where Russia and China have become protagonists in the construction of payments, investments and commercial interchange architecture at the regional level in national monies, novel factors that are not necessarily inconsistent with cryptocurrency. In the framework of that offensive, as regarding Latin America, Venezuela has the vanguard role in that geo-economic projection that defies the spinal column of US political power at the global level: dependence on the dollar.”

Gold Mining in Venezuela

OE Watch Commentary: In the previous article (“Venezuela’s New Crypto-Oil Money”) the word “mining” is used in the context of the new cryptocurrencies. Here mining is of the old kind, especially of gold. It is nevertheless connected to the digital currency in that Venezuelan President Nicolás Maduro claims the new virtual currency, the “Petro,” will be backed by the country’s oil and mineral reserves. Neatly contrasting with the virtual currency are the gold speckles and nuggets, taken directly from the ground, which ostensibly are to guarantee the incorporeal stuff. The accompanying report is quite a revelation of economic reality in Venezuela. In a country whose economy suffers from fixed prices and wages in a text book exercise of centralized socialist control, the goldfields are let loose and producing wild-west style. Potential earnings in the goldfields and their boomtowns are far higher than the official state wages. The author does not mention the specific mechanism connecting the Petro to mined gold, but he points out that many of the miners receive pay in the form of electronic transfers rather than cash. The ancient legend of El Dorado, of Sir Walter Raleigh’s desires, was supposed to exist almost exactly where the (mostly informal) mining claims now exist, even as a new El Dorado rises in virtual form. **End OE Watch Commentary (Demarest)**



Map of Lake Parime, Location of El Dorado (1625).

Source: By Hessel Gerritsz via Wikimedia, https://commons.wikimedia.org/wiki/File:Guaiana_ofte_de_Provincien_tusschen_Rio_de_las_Amazonas_ende_Rio_de_Yuapari_ofte_Orinoque.jpg, Public Domain.

Source: Luis Pico, “Minería en Venezuela, un submundo sin escasez y con millones en efectivo (Mining in Venezuela, an underworld without shortages and with millions in cash),” *El Nacional*, 5 December 2017. http://www.el-nacional.com/noticias/sociedad/mineria-venezuela-submundo-sin-escasez-con-millones-efectivo_214125

“Because of the difference between what miners get in comparison with salaried employees, Hurtado assures that thousands of people are living together who preferred to abandon the cities and offices in exchange for jungles and ravines in which adolescents up to adults even older than 60 have come together.”

“Because of the difference between what miners get in comparison with salaried employees... thousands of people... preferred to abandon the cities and offices in exchange for jungles and ravines.”



China in the “Post-American” Middle East

OE Watch Commentary: In October 2017, the Institute of West-Asian and African Studies at the Chinese Academy of Social Sciences published its “Yellow Book” report on developments in the Middle East and Africa. (The academy publishes “blue books” focused on the economy, “green books” on society and the environment, and “yellow books” on international issues.) A summary of the report, published in the Arabic-language website of the Chinese *People’s Daily Online* and excerpted here, was picked up by a handful of regional newspapers and news websites. The report focuses on three main trends: the US’s declining influence, Russia’s growing role, and the economic outlook for the region. Its authors believe the Middle East is entering a “post-American Era” in which Chinese and Russian influence are likely to grow. This perception of American retreat and Russian ascendance in the region is also shared by many local observers, including in Saudi Arabia (See: “Saudi Arabia’s Tilt Toward Russia,” *OE Watch*, November 2017).

There has been growing speculation about Beijing’s potential role in Syria’s post-war reconstruction. This is due to several reasons, including the reluctance of Western nations and Gulf monarchies to participate in any efforts that may solidify the Assad government’s hold on power; the fact that Iran and Russia will be unable to carry the economic burden of reconstruction alone; and Syria’s location as a potential key piece in China’s One Belt One Road Initiative (OBOR). The second excerpt, from the pro-Hizbullah news website *al-Ahd*, argues that Russian and Chinese interests and policies are in fact converging in Syria and beyond, and that the emerging Sino-Russian alliance will “in the long-term have numerous effects on the future of both the Middle East and the Far East.”

Although China’s Middle East policy remains primarily driven by economic considerations, the presence of thousands of Uyghur jihadists from the Turkistan Islamic Party (TIP) in Syria has added a military-security component to its dealings with the region. Chinese concerns with the TIP may become more acute if the group’s havens in Syria become compromised and its fighters seek new theaters to wage jihad closer to the Chinese mainland. In late November, the Arabic-language website of Russia’s news agency *Sputnik* carried a report claiming Chinese intentions to deploy special forces to Syria to fight the TIP. The report, based on unspecified “media sources,” was picked up by a large number of Arabic-language media on all sides of the conflict, with most reporting it as fact and speculating on the implications of this alleged decision. According to the excerpted passage from the Saudi daily *al-Sharq al-Awsat*, the rumor was confirmed by the official Facebook account of Russian forces in Syria, although it was also denied on Twitter by Xie Xiaoyan, China’s special envoy to Syria.

End OE Watch Commentary (Winter)

“... *Beijing is expected to collaborate and move closer to Russia and the Resistance Axis to resolve the Syrian crisis... This will strengthen the Moscow-Beijing position in the region while weakening the American position in West Asia...*”

Source: الكتاب الأصفر يستشرف مستقبل الشرق الأوسط ما بعد العصر الأمريكي
“Yellow Book Examines the Future of the Middle East in the ‘Post-American Era’,” *People’s Daily Online (Arabic)*, 27 October 2017. <http://arabic.people.com.cn/n3/2017/1027/c31660-9285925.html>

The study focused on three key issues: decline in American influence, the role of Russia, and the future of development in the Middle East... The declining American role in the Middle East has given Eastern powers, particularly Russia, a chance to strengthen their influence in this important region. At the same time, the region’s countries are increasingly confident in implementing their own development plans. The Chinese and Russian models are drawing greater attention from the countries of the region. The study also noted that the balance of power in the Middle East is moving from unipolarity to bipolarity, and from there to multipolarity. With the region’s countries turning eastward, Asian countries in turn are starting open toward the west and develop strategic partnerships with countries of the Middle East.

Source: الصين ستلعب بإستراتيجية جديدة لرسم مستقبل سوريا أبرز الأبعاد والمجالات
“New Chinese policy to draw Syria’s future... Key dimensions and issues,” *al-Ahd*, 30 November 2017. <https://goo.gl/XuQqlb>

In order for China to expand its influence in the region, it must follow the Russian model, which obtained positive results in Syria and which does not intervene in the internal affairs of states, respects their sovereignty, and supports them in order to achieve shared goals and results. Beijing is expected to collaborate and move closer to Russia and the Resistance Axis to resolve the Syrian crisis. China has provided much support to the Syrian government and also supports the Russian position toward this crisis. This will strengthen the Moscow-Beijing position in the region while weakening the American position in West Asia. This will in the long-term have numerous effects on the future of both the Middle East and the Far East.

Source: قوات صينية تتوجه إلى سوريا
“Chinese Forces Head to Syria,” *Sputnik (Arabic)*, 28 November 2017. <https://goo.gl/MqSS6W>

Media sources indicate that the Syrian president’s adviser spoke with Chinese military officials about Chinese special forces fighting terrorists from the “East Turkistan Islamic Movement,” which Syrian forces have found to be operating in rural Damascus. The Chinese Defense Ministry aims to deploy two units, known as the “Siberian Tigers” and the “Night Tigers” to Syria to fight the East Turkistan Islamic Movement.”

Source: الصين ترسل نمور الليل إلى ريف دمشق
“China sends ‘Night Tigers’ to Rural Damascus,” *al-Sharq al-Awsat*, 29 November 2017. <https://goo.gl/ferwmU>

Russia’s Hmeimim base, in western Syria, claimed... on its Facebook page... that sources in the Chinese Defense Ministry “confirmed its intention of sending two special forces units known as the ‘Siberian Tigers’ and the ‘Night Tigers’ to Syria”...



Russia's "Victory Lap" in the Middle East

OE Watch Commentary: On 11 December, Russian President Putin paid a surprise visit to Syrian President Bashar al-Assad at Russia's Air Base in Khmeimim; after which he flew to Egypt and then to Turkey, on the same day. The accompanying articles from Middle Eastern sources describe this as a 'diplomatic sprint' or a 'victory lap' for Russia. The passages focus on Russia's expanding military and economic ties with Egypt in particular, and point to this as the solidification of its presence in the Middle East and the Eastern Mediterranean.

The first passage by Soli Özel, a Middle East expert from Turkey, discusses Putin's triple visit and claims that "by visiting Syria, Egypt and Turkey on the same day, Putin sent the message to friends and foes alike that 'I'm in charge of these areas.'" Özel points out that Russia is one of the most important players in the political future of Syria, and that it is the only actor able to conduct dialogue with all the parties to the Syrian conflict. In addition to this presence and influence in Syria, he points out that Russia has also been showing an increasing interest in Libya, and now with the increasing ties to Egypt, he claims that Russia is "really firming up its presence in the region." Özel makes the claim that "a pro-Soviet alliance block that resembles the Cold War is emerging." However, he notes that in contrast to that period, Russia now also has good relations with Saudi Arabia and Israel.

As the second passage notes, during his visit to Egypt, Putin and Egyptian President Sisi signed a contract for Russia to start building Egypt's first nuclear power plant under a \$30 billion contract with Russia's Rosatom. The Russian government will provide a \$25 billion loan for the project and supply the fuel for the plant. The author calls the deal the latest deal in Russia's "nuclear diplomacy" project, which includes plants in Iran, Turkey, Sudan and Jordan. The passage also claims that on 28 November, Russian Prime Minister Dmitry Medvedev "approved an agreement with Egypt on use of the airspace and airport infrastructure of both countries, raising speculation that Russia plans to lease Egyptian air bases."

Russia's cooperation with Egypt has been expanding, particularly since Sisi was elected president in June 2014. In March 2015, Russia and Egypt held their first-ever joint naval exercises in the Mediterranean, which included the Black Sea fleet's flagship Moskva missile cruiser. In October 2016, the two countries held joint military drills involving airborne troops on Egyptian territory for the first time. In June 2017, the Egyptian Armed Forces received the first batch of missiles for the S-300VM Antey 2500 missile defense system (NATO code name: 'SA-23 Gladiator/Giant') as the culmination of a 2015 deal signed between Russia and Egypt.

Given Russia's presence in Syria and its deepening role in Libya, these relations with Egypt suggest further expansion of Russian influence in the Middle East and the Mediterranean. This is significant because it influences Russian access to the Suez Canal and signals Russia's intent to protect its future operations in the region. (Also see: "Egypt Starts Receiving Russian Air Defense Missiles," *OE Watch*, August 2017; "Syria, Egypt, Libya: A New Russia-Dominated Axis?" *OE Watch*, May 2017; and "Perspectives on Russian Motives in Libya," *OE Watch*, April 2017.) **End OE Watch Commentary (Kaya)**

"Russian President Putin... is continuing his visits, which could almost be described as a victory lap. By visiting Syria, Egypt and Turkey on the same day, Putin sent the message to friends and foes alike that 'I'm in charge of these areas.'"

Source: Soli Özel "Kudüs'ten Rusya-Türkiye ilişkisine (From Jerusalem to Russian-Turkish relations)," *Haberturk.com.tr*, 13 December 2017. <http://www.haberturk.com/yazarlar/soli-ozel/1752519-kudusten-rusya-turkiye-iliskisine>

Russian Federation President Vladimir Putin, who declared that he was going to run for president once again, is continuing his visits, which could almost be described as a victory lap. By visiting Syria, Egypt and Turkey on the same day, Putin sent the message to friends and foes alike that "I'm in charge of these areas." As he said before and then reneged, he declared that Russian troops would withdraw from Syria. By making this statement, he was basically declaring that he was one of the most important players in the political future of Syria, while celebrating his military's victory against "international terrorists..."

Currently, Russia is the only country who is in dialogue with every party in the Syrian conflict. The United States, who trained the YPG [People's Protection Forces]-heavy Syrian Democratic Forces, and who has 2000 troops [in Syria], along with having spent 14 billion dollars, has basically conceded that Bashar Assad will be in power until at least 2021. The second visit of Putin's tour was also noteworthy due to the balances in the Eastern Med and the US's general position in the Middle East.

In Egypt, where the US spends almost 1.5 billion dollars each year in military assistance, Putin ... [took] the first step in an agreement to build the country's first nuclear plant, and by providing the credit to do so. Thus, we can say that, following Syria in the Eastern Mediterranean, and in Libya where it has been showing an interest in the last few months, [Russia] has started to really firm up its presence in the region by getting closer to Egypt as well. In a way, a pro-Soviet alliance block that resembles the Cold War years is emerging. An important difference from that period is that Putin's Syria is improving its relations with Saudi Arabia while also having quite warm ties with Israel. Israel's Prime Minister Netanyahu can almost "drop by" in Russia, while not facing any resistance from Moscow when it bombs Hezbollah and Iranian targets inside Syria.

(continued)



Continued: Russia's "Victory Lap" in the Middle East

“Putin and Sisi... discussed... construction of Egypt’s first nuclear power plant, under a \$30 billion contract with Russia’s Rosatom.... This deal is the latest deal in Russia’s ‘nuclear diplomacy’ project, which includes plants in Iran, Turkey, Sudan and Jordan.”

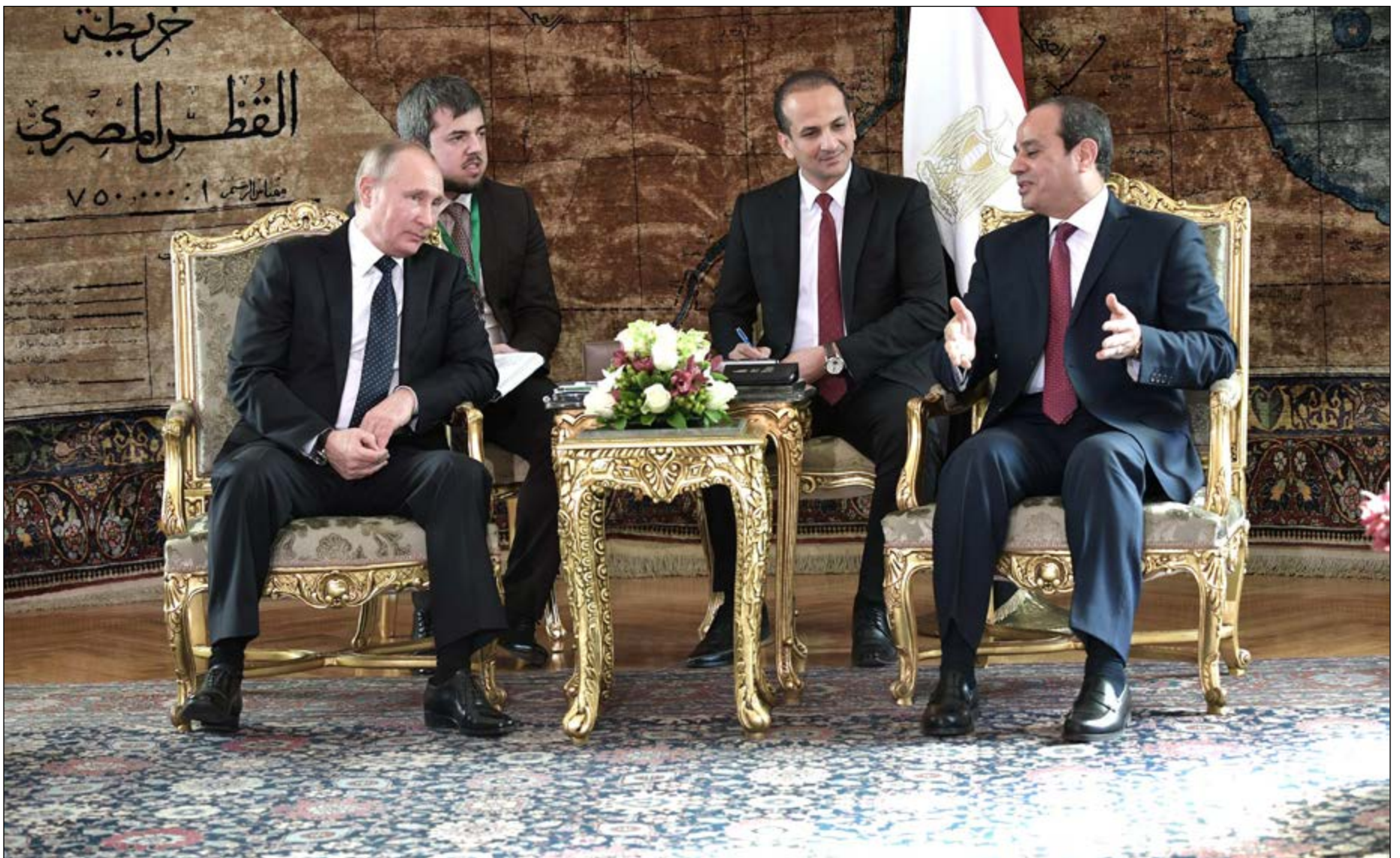
Source: Sergey Balmasov, “Putin’s visit to Egypt inspires hope for growth in Cairo,” *Al Monitor*, 12 December 2017. <https://www.al-monitor.com/pulse/originals/2017/12/russia-egypt-putin-visit-sisi-syria-turkey.html>

On December 11, Russian President Vladimir Putin completed a diplomatic sprint, touring Syria, Egypt and Turkey in just one day.

... On November 28, Russian Prime Minister Dmitry Medvedev had approved an agreement with Egypt on use of the airspace and airport infrastructure of both countries, raising speculation that Russia plans to lease Egyptian air bases.

...

The first order of business when Putin arrived in Cairo and sat down with Sisi was the Syria settlement... Bilateral trade and economy came up second in their discussion. The annual trade turnover between Russia and Egypt stands at \$4 billion and Cairo is very interested in attracting new Russian investments. Putin and Sisi even discussed creating an industrial zone in Egypt with “favorable conditions for the Russian businesses.” The jewel in the crown of that part of the talks was a two-part agreement: construction of Egypt’s first nuclear power plant, under a \$30 billion contract with Russia’s Rosatom. The Russian government has offered a \$25 billion loan for the project. The second part of the agreement holds that Russia will supply the fuel for the plant. This deal is the latest deal in Russia’s “nuclear diplomacy” project, which includes plants in Iran, Turkey, Sudan and Jordan.



Russian President Vladimir Putin with President of Egypt Abdel Fattah el-Sisi, 11 December 2017.

Source: President of Russia Website, <http://en.kremlin.ru/events/president/news/56354>, CC 4.0.



Will Russia Establish a Military Base in the Red Sea?

OE Watch Commentary: In late November, Sudanese President Omar al-Bashir visited Russia and met with Russian President Putin and Defense Minister Shoigu in Sochi. As the accompanying passages from Middle Eastern and African sources point out, a top item on the agenda during these meetings was the issue of Russia establishing a military base in Sudan, in the Red Sea. Russia's expansion into Sudan and the Red Sea would be an indication of Moscow's growing influence in Africa. While Russia has been expanding its presence in the Middle East and the Mediterranean via Syria, Egypt and Libya, it would now be moving further south along the Red Sea. This would give it access to the Bab-el-Mandeb strait, which connects the Red Sea to the Gulf of Aden.

As the first two passages discuss, the Sudanese President asked Russia to establish a base in Sudan as "protection from the aggressive acts of the United States." The first reaction from the Russian side was positive, with Frants Klintsevich, First Deputy Chairman of the Defense and Security Committee of Russia's Federation Council, saying that "there are no reasons for Russia to reject this" but adding that the ultimate decision would be up to the President. Bashir also said that Sudan would like to purchase Su-30 and Su-35 war planes; and S-300 air defense systems from Russia. As the passages note, Sudan still uses air defense systems from the Soviet era.

The third passage reports on Russian Prime Minister Dmitry Medvedev's comments that Russia regards Sudan as a major partner in Africa. As the fourth passage notes, despite the Sudanese President being charged by the International Criminal Court (ICC) for genocide, Russia has not taken a negative stance against him. On the contrary, Russia condemned the ICC decision and withdrew from the organization in 2016 (after the court released a report accusing Russia of war crimes when it seized Crimea from Ukraine in 2014). The passage discusses that Russia has pursued a balanced policy toward Sudan and South Sudan, and that it has common interests with the Sudans, on the issue of the Red Sea.

The author of the final excerpt looks at the issue from a broader geopolitical perspective. He points to China opening a military base in Djibouti in the Horn of Africa; France's activities in Mali; and "the US presence in various parts of the continent." Now, with Russia's potential initiatives in the Horn of Africa, he claims that the "global powers' war of influence which was being fought in the Middle East, is expanding to Africa," and suggests that this war of influence is about to get more intense. **End OE Watch Commentary (Kaya)**

"The global powers' war of influence, which is being fought in the Middle East, is taking place in Africa too. China opening a military base in Djibuti, the US's presence in various parts of the continent, Russia's new moves, and France's initiatives in African countries, particularly Mali, is a sign that this war will intensify."



Vladimir Putin and Omar al-Bashir (2017-11-23).
Source: Kremlin.ru via Wikimedia Commons, [https://commons.wikimedia.org/wiki/File:3AVladimir_Putin_and_Omar_al-Bashir_\(2017-11-23\)_02.jpg](https://commons.wikimedia.org/wiki/File:3AVladimir_Putin_and_Omar_al-Bashir_(2017-11-23)_02.jpg), CC BY SA 4.0.

Source: "Bashir Discusses with Russia Setting up Military Base on Red Sea," *Asharq al-Awsat*, 26 November 2017. <https://aawsat.com/english/home/article/1095236/bashir-discusses-russia-setting-military-base-red-sea>

During his talks with Putin on Thursday in Sochi, the Sudanese president... called on Putin to tackle the US intervention in the Red Sea from the standpoint of setting up a Russian military base in the region...

In a first reaction over the Sudanese-Russian talks on possibility of setting up a military base on the Red Sea, Frants Klintsevich, First Deputy Chairman of the Defense and Security Committee of Russia's Federation Council, said that there are no reasons for Russia to reject this.

Yet, he pointed that such decision is taken by the Russian president who is the Supreme Commander-in-Chief of the Armed Forces of the Russian Federation.

Source: "Sudan Devlet Başkanı: Putin'le Kızıldeniz'de askeri üs kurma konusunu ele aldık (Sudanese President: Putin and I discussed the issue of setting up a military base in the Red Sea)," *Tr.sputniknews.com*, 25 November 2017. <https://tr.sputniknews.com/rusya/201711251031145094-sudan-devlet-baskan-putin-kizildeniz/>

In his meeting with Putin, al-Bashir blamed the US for interfering in other countries' internal affairs, saying, "This is why there was a huge disaster in Syria. Sudan's division into two countries is also due to the US. Therefore we need protection against the aggressive acts of the United States. We want to cooperate with Russia in certain fields."

Bashir also talked about the defense cooperation between Russia and Sudan. Bashir, who said that Sudan still uses air defense systems produced in the Soviet era, said that they would like to purchase Su-30 and Su-35 war planes, along with S-300 air defense systems from Russia.

Source: "Africa: Dmitry Medvedev - Russia Regards Sudan As Major Partner in Africa," *AllAfrica.com*, 25 November 2017. <http://allafrica.com/stories/201711270360.html>

The Russian Prime Minister, Dmitry Medvedev, pointed out that Russia regards Sudan as a major partner in Africa.

(continued)



Continued: Will Russia Establish a Military Base in the Red Sea?

Source: Mustafa Erdemol, “Ortadoğu’da avantajlı hale geldikten sonra: Rusya, Afrika Boynuzu’na bir kez daha geri dönüyor (After getting in an advantageous position in the Middle East: Russia is once again returning to the Horn of Africa),” *Birgun.net*, 27 November 2017. <https://www.birgun.net/haber-detay/ortadogu-da-avantajli-hale-geldikten-sonra-rusya-afrika-boynuzu-na-bir-kez-daha-geri-donuyor-192719.html>

Sudanese President Omar al-Bashir was in Russia for a formal visit. Al-Bashir said that in his meetings with Russian President Vladimir Putin and Defense Minister Sergei Shoigu in Sochi, they had discussed setting up a military base in the Red Sea...

Russia’s policy of returning to the Horn of Africa started in 2015. Sudan split into two after Omar al-Bashir’s unforgivable mistakes and the US taking advantage of these mistakes. But Russia pursued a balanced policy toward each of the Sudans. It hosted the Foreign Ministers of both Sudan and South Sudan in Moscow and discussed “anti-terrorism policies” with them. Russia has common interests not only with the Sudans, but also with many other countries in the Horn of Africa when it comes to the Red Sea...

Thus Russia has not stood against Sudan’s President Al-Bashir. It condemned the International Criminal Court (ICC)’s... allegations of genocide, and then withdrew from the ICC...

The global powers’ war of influence, which is being fought in the Middle East, is continuing in Africa too. China opening a military base in Djibuti, the US’s presence in various parts of the continent, Russia’s new moves, and France’s initiatives in African countries, particularly Mali, is a sign that this war will get worse.

Thus there is nothing surprising about Russia establishing a military base in Sudan, in the Red Sea. If anything, one might ask what took them this long, and the answer is that Russia was busy in the Middle East with Syria. And with Ukraine of course.





What Next in the Renaissance Dam Conflict?

OE Watch Commentary: The construction and filling of the Grand Ethiopian Renaissance Dam (GERD) continues to be of concern to the Egyptian government, led by Abdel Fattah Sisi. The latest round of technical discussions between Ethiopia, Egypt and Sudan, held in Cairo in mid-November, may well be the last, given that Egypt believes Ethiopia is dragging out the technical discussions and using them as cover to continue work on the dam. As a result, the Egyptian government is expected to turn to politics and diplomacy, internationalizing the issue in an attempt to impose at least some of its terms on Ethiopia. The excerpted samples provide some insights into these important developments.

The heads of state of Egypt and Ethiopia are tentatively scheduled to meet in January to discuss the GERD. In addition, Egypt is expected to turn to international forums such as the International Court of Justice and the UN Security Council to make its case regarding the negative impacts that the GERD will have on its share of Nile River water flows. Yet as the first accompanying articles notes, Egypt's legal options are limited at this point "because there is no tangible harm done yet." Citing a professor at the University of Cairo, the article notes that Egypt's political tools are also limited and "any further efforts are likely to come too late." The second accompanying passage, from the Saudi daily *al-Hayat*, echoes this sentiment, noting that Egypt's diplomatic options are limited given its retreat from African politics and Ethiopia's growing influence. According to the article, "The Renaissance Dam crisis reflects... Egypt's loss of its previous ability to influence its African domain."

The third accompanying article, from the Qatari daily *al-Araby al-Jadid*, agrees that Egypt has lost political leverage vis-a-vis Ethiopia and adds that Cairo will seek to compensate by escalating its rhetoric through a deliberate media campaign "which promotes the idea of Egypt resorting to military action." Citing an Egyptian diplomatic source, the article excludes the potential for an Egyptian military strike on the dam given "Ethiopian relationships with Israel, the United States, China, and other influential countries that could put pressure on Egypt" as well as the investments that these and other countries have made in the dam. Instead, it notes that Egypt may seek to "agitate nationalist factions within Ethiopia" or "leverage Sisi's positive relations with the ruling regime in Eritrea" in order to "put pressure on Ethiopia without engaging in an armed conflict."

End OE Watch Commentary (Winter)

Source: Ayah Aman. "Egypt unable to find agreement in Renaissance Dam talks," *al-Monitor*, 22 November 2017. <https://www.al-monitor.com/pulse/originals/2017/11/egypt-fail-renaissance-dam-negotiations-studies.html>

"Legal action at this point might not give decisive results in Egypt's favor, because there is no tangible harm done yet. Besides, the political tools are weak amid the complex regional context. Gulf countries are preoccupied with their disputes and do not hold real cards to pressure Ethiopia. Eritrea is also fighting its own internal demons, and Sudan's stance is known and grows firmer by the day"... like most Egypt's moves in the matter, any further efforts are likely to come too late, as the Declaration of Principles recognizes Ethiopia's right and sovereignty in building and operating the dam without binding it to any written pledges to involve Egypt in the storage and operation processes.

Source: *سد النهضة في أثيوبيا مؤثر لتراجع دور مصر الأفريقي*
Aziza Abdelaziz Mounir. "Ethiopian Renaissance Dam Indication of Egypt's Declining Role in Africa," *al-Hayat*, 2 December 2017. <https://goo.gl/XfCrvC>

Egypt's absence from Africa has a clear negative impact on the positions and directives of some of the influential countries in the Nile River issue, in particular Sudan. Toward the end of President Mubarak's rule, Africa was ignored in favor of Palestine, Iraq and Lebanon, while in the meantime Ethiopia's political role increased... The Renaissance Dam crisis reflects the interactions of regional and international politics and Egypt's loss of its previous ability to influence its African domain. It also demonstrates misguided policy vis-a-vis the dam and the lack of a clear position toward it, something Ethiopia has exploited by inducing Egypt to negotiate, giving the dam construction legitimacy it did not previously have... it seems that turning to international law will be [Egypt's] most likely choice, whether turning to regional organizations such as the African Union or internationalizing the issue by turning it over to the International Court of Justice, the Security Council, or the UN General Assembly...

Source: *أزمة سد النهضة تنتظر قمة مفصلية بين السيسي وديسالين*
"Renaissance Dam Crisis Awaits Summit Between Sisi and Desalegn," *al-Araby al-Jadid*, 16 November 2017. <https://goo.gl/NrFyFA>

The source added that a meeting between Sisi and Desalegn, whenever it takes place, will not be like previous meetings. For one, it will be preceded by a media campaign launched by Cairo two days ago and which will presumably continue until the meeting is held, and which promotes the idea of Egypt resorting to military action. This is meant to scare Addis Ababa and force it to abide by previous promises... these threats, however, will not bear fruit according to the source, not only due to the developing Ethiopian relationships with Israel, the United States, China, and other influential countries that could put pressure on Egypt, but also because Egypt cannot ignore the direct investments of some of these countries and others like Italy, Saudi Arabia, and the UAE in Ethiopia generally and the dam in particular... The question on the minds of Egypt's intellectuals and observers is how the escalation may end, given the lack of trust in a military strike or the ability of establishing an economic embargo on Ethiopia given the growth of foreign investment there. According to the Egyptian diplomatic source there are several parallel measures Cairo is currently studying, the first being resorting to international organizations to resolve the conflict legally, whether through the Security Council or international arbitration... The second measure is to use its intelligence agencies to agitate nationalist factions within Ethiopia in order to reignite that country's internal crises, as happened two years ago with the Oromo rebellion, in which Addis Ababa accused Cairo of involvement or at least of providing media support for Oromo leaders opposed to the central government. Egypt could also leverage Sisi's positive relations with the ruling regime in Eritrea to reignite border skirmishes between the two adversary countries. All of this would seek to put pressure on Ethiopia without engaging in an armed conflict.



Algeria Rejects Joining Saudi-Led Terrorism Coalition

OE Watch Commentary: In late November, 40 countries involved in a Saudi-led counter-terrorism coalition formed in 2015 met in Riyadh to discuss terrorism. The coalition includes all Arab League countries except Algeria. The excerpted French-language article from *algeriepart.com* discusses Algeria's decision not to join. According to the Algerian Ministry of Foreign Affairs, the country will not become involved in conflicts that do not directly affect Algeria. This includes the Arab League's efforts to threaten Iran or Hizbollah in Lebanon.

Algeria said that it has its own fight against terrorism within the country and that it does not have an interest in fighting terrorism elsewhere. According to the article, a Saudi soldier who was interviewed by *France24* said that Saudi Arabia respects Algeria's decision because Algeria is a great power and should be treated as such. The article also states that Algeria's position became evident as early as 2015 when Saudi Arabia began its war in Yemen. At that time Algeria said that its soldiers would never die for a cause that does not concern Algeria. The article also attributes Algeria's policy to its view that Iranian presidents Khatami and Rouhani are modernists and that Hizbollah is a defense group against Israel.

The excerpted article shows that Algeria is maintaining neutrality in the ongoing crisis between Saudi Arabia and Iran. In addition, Algeria's position reflects the domestic focus of Algeria's foreign policy. Algeria's position may also have implications elsewhere in Africa. South of Algeria's borders in Mali, al-Qaeda affiliates continue to wage an insurgency. It is therefore unclear, even doubtful, if Algeria would intervene if the crisis in Mali continues to escalate and if part of the country again falls under the control of al-Qaeda and its allies. **End OE Watch Commentary (Zenn)**

“Algiers refused to join the [Saudi-led] international coalition to fight terrorism. 40 countries met last Sunday in Riyadh. But without Algeria.”

Source: “Conflicts régionaux: L’Algérie dit non à l’Arabie Saoudite (Regional conflicts: Algeria says no to Saudi Arabia),” *algeriepart.com*, 29 November 2017. <https://algeriepart.com/2017/11/29/conflicts-regionaux-lalgerie-dit-non-a-larabie-saoudite/>

Attacking Iran and isolating Lebanese Hizbollah has been Saudi Arabia's idea for some time. All the countries in the region have responded except one: Algeria categorically refuses to be dragged into these expeditions.

While all the Arab League countries rushed to a meeting of Foreign Ministers to discuss “the situation in Lebanon” [Algeria's] absence could be explained by Algeria's desire not to interfere in conflicts that “do not affect it”. Algiers has excellent relations with Tehran since the arrival in power of the modernist presidents, Khatami and Rouhani, who has just started a second term as the head of his country.

These rejections add to the opposition of Algeria when Saudi Arabia decided, in 2015, to declare war on Yemen.

“Algiers refused to join the [Saudi-led] international coalition to fight terrorism. 40 countries met last Sunday in Riyadh. But without Algeria.”





Iran: Khamenei Speaks on Views toward America

OE Watch Commentary: Supreme Leader Ali Khamenei remains the ultimate authority in Iran, serving as both the commander-in-chief of the Iranian armed forces and above all political bodies. Therefore, what he says sets the tone for the policy of the Islamic Republic. It is in this context that the excerpted speech is important: Khamenei's antagonism toward the United States suggests that he places America in the same category as Israel, that is, an entity with which rapprochement is not possible. He suggests that any Muslim state that cooperates with the United States is acting against Islam and is a participant in an American-led plot to undermine Iran and the entire Muslim world. By extension, any American allies—Egypt, Bahrain, Saudi Arabia, Morocco, and Jordan, for example—are rightful targets of Iranian opprobrium.

While Khamenei describes the notion of resistance differently, in official Iranian rhetoric, the term 'resistance' which Khamenei employs repeatedly, is often synonymous with support for US-designated terrorist groups. Political resistance might therefore entail influence operations and support for pro-Tehran political and civil society proxies across the broader Middle East and Islamic world.

Finally, Khamenei's rhetoric reflects Iran's internal ambition to be a leader of the Islamic world rather than simply the protector of the Shi'ites. From Khamenei's perspective, the Shi'ites are the righteous Muslims while the Sunnis are those whose exegesis erred. **End OE Watch Commentary (Rubin)**

Source: "Didar-e Mosi'valan-e Nizam va Mahamanan Konfarans Vahdat-e Islami ba Rahbar-e Enghalab (Meeting between Officials of the Regime and Guests of the Islamic Unity Conference with the Leader of the Revolution)," *Khamenei.ir*, 6 December 2017. <http://farsi.khamenei.ir/news-content?id=38415>

Resistance in the arena of military war, in the arena of political war and in the arena of the war of the wills are different from each other. Nonetheless, resistance is necessary in all these arenas. If nations and outstanding personalities do not forget about resistance, victory will definitely be achieved. Of course, today, they have deployed their forces against the Islamic Ummah: America, global arrogance and their cohorts including Zionism – the Zionist regime – reactionaries, global money worshippers, and lustful individuals among Muslims who follow those powers who have deployed their forces against Islam and against the path of the Holy Prophet: "You have indeed bestowed on Pharaoh and his chiefs splendor and wealth in the life of the present." Today, the Pharaohs are these people. Today, the Pharaoh is America. Today, the Pharaoh is the Zionist regime. Today, the Pharaohs are their cohorts in the region who want to gradually pit Muslims against each other and to wage war in the region. Today, this is America's plan.

Everyone should pay attention to this. Everyone should know this. American politicians themselves have acknowledged in their analyses – whether knowingly or unknowingly – that they should wage war and create discord in West Asia and pit Muslims against each other so that the Zionist regime can have security and live a comfortable life. They are doing this in order to prevent Muslims from making progress. They want the body of the Islamic Ummah to lose so much blood in a way that it becomes weak and unconscious and loses its power of resistance. What should we do in the face of this? "So stand straight, and follow not the path of those who know not." We should not follow the path of the ignorant.

Today, there are unfortunately some rulers and some elite personalities in the region who dance to America's tune and do what they want. They work for them against the Islamic Ummah and against Islam. These things are to the disadvantage of Islam. We do not have any motivation to be in disagreement with Muslim governments. We believe in unity. We are interested in unity.



Military officers listening to Supreme Leader Ali Khamenei.
Source: Khamenei.ir, <http://english.khamenei.ir/d/2017/12/06/4/10268.jpg>, CC BY-SA 4.0



Iran: New Military Budget Proposed

OE Watch Commentary: On 10 December 2017, President Hassan Rouhani submitted a draft budget to the Majlis (parliament) for the Iranian fiscal year which runs from 21 March 2018 to 20 March 2019. While the draft budget is not final—the Majlis must first pass the draft budget and then Guardian Council, an unelected clerical body, must also approve it before it can become law—it does shed light on Iranian military priorities and illustrate the opacity under which the Islamic Republic’s military operates.

First, with an exchange rate of about 35,000 rials to the dollar, the excerpted story suggests that the Iranian military budget will be \$11.4 billion. This does not appear much when considering Iran’s broader GDP. Utilizing publicly available figures, the Stockholm International Peace Research Institute estimated that, in 2016, Iran’s military budget was just three percent of its gross domestic product. If the figures in the draft budget provided by the *Iranian Students News Agency* are accurate, it suggests that Iran’s military budget as a share of GDP has actually shrunk.

This is not realistic, especially given the broad decline in oil prices and Iran’s very public shopping spree and indigenous military production in the wake of the 2015 Joint Comprehensive Plan of Action, the so-called nuclear deal. Rather, it appears that much of Iran’s military budget remains off-line. For example, there is no accounting in the figures provided for Iran’s ballistic missile work nor the direct deployment of Iranian personnel into the Syrian civil war. To take Iranian military figures at face value, therefore, would be a mistake. This is important because often Iranian diplomats and those seeking to downplay Iran’s military ambitions compare Iran’s military spending by GDP to those of regional countries like Saudi Arabia and Israel which have far greater levels. However, such comparisons may have little analytical value if Iranian statistics are not truthful. That said, the relative proportion of spending—with the IRGC receiving nearly triple the amount of money that the Iranian army receives—does provide some insight into the continued priorities of the ruling regime. **End OE Watch Commentary (Rubin)**

“The share of military organizations in the 2018 budget is more than 400 trillion rials [\$11.4 billion].”

Source: “Sehom Bish az 400 Trilyon Riali Nehadha-ye Nizami az Budgeh 97 (Share of Military in 2018 Budget More than 400 Trillion Rials),” *Iranian Student News Agency*, 10 December 2017. <https://goo.gl/5fNMtU>

With the presentation by the president of the Republic of the 2018 budget bill to the Majlis, the figures for military institutions, including the army, the Islamic Revolutionary Guard Corps, the Ministry of Defense, and the Basij Organization, were determined... Accordingly, the Ministry of Defense and Armed Forces, Army, Revolutionary Guard Corps and Basij funds are as follows:

- *Ministry of Defense and Armed Force Logistics: 44,971,355,000,000 rials*
 - *Joint Staff of the Islamic Republic of Iran Army: 97,080,866,000,000 rials*
 - *Joint Staff of the Islamic Revolutionary Guard Corps: 267,366,971,000,000 rials*
 - *Basij Organization: 11,804,843,000,000 rials*
- Of the total budget of the Ministry of Defense, 19,659,138,000,000 rials are to strengthen the defense and defensive capabilities of the country. Accordingly, the share of military organizations in the 2018 budget is more than 400 trillion rials.*



Iranian cruise missiles on display.
Source: Ministry of Defense of Iran, goo.gl/GDthMp, Public Domain.



Iran's Amphibious Aircraft from Russia

OE Watch Commentary: The Islamic Revolutionary Guard Corps (IRGC) has announced that it has taken possession of four fixed-wing amphibious aircraft, which have been added to the Iranian base in the Persian Gulf province of Hormozgan. IRGC head Mohammad Ali Jafari told Iranian press assembled to witness the unveiling of the aircraft that “Adding the amphibious aircraft... [demonstrates] a constant state of improvement.” According to *Tasnim News*, a web portal affiliated with the IRGC, the amphibious planes will be stationed at the IRGC-Navy base in Bandar Abbas. IRGC-Navy chief Ali Fadavi said the planes are LA-8s. LA-8s are eight-seat amphibious aircraft designed by AeroVolga, a Russian company. They can be used in both fresh and salt water—although, in Iran’s case, they would likely be limited to the latter given the lack of any large body of fresh water near Bandar Abbas. They can operate with wave heights of approximately two feet which, while small, should not be a problem in the relatively placid waters of the Persian Gulf, although it may limit their utility in the Gulf of Oman on the other side of the Strait of Hormuz (alongside which Hormozgan stretches). On land, the LA-8 does not need a tarmac runway, making it be useful in the desert and scrubland which characterizes southwestern Iran. `

Iran’s apparent purchase of amphibious aircraft from Russia demonstrates growing military ties between the two countries. Iran’s claims that the aircraft are for purely peaceful purposes enables Tehran to bypass sanctions. Nevertheless, Iran’s possession of amphibious aircraft will have some military utility, both in terms of surveillance and with regard to the possibility of inserting and recovering IRGC units both on land and at sea. **End OE Watch Commentary (Rubin)**

“Today, there are four fixed wing amphibious aircraft that have augmented the IRGC Navy’s capabilities.”

Source: “Alhaq-e Havapaymahaye Abnashin be Niruye Daryaye Sepah dar Bandar Abbas (The Addition of Amphibious Aircraft to the Islamic Revolutionary Guard Corps Navy in Bandar Abbas),” *Tasnim News*, 13 December 2017. <https://goo.gl/5BcsnH>

Admiral Ali Fadavi, commander of the IRGC Navy, this afternoon while visiting the fixed wing, amphibious aircraft of the naval forces at Bandar Abbas, stated, “Today, there are four fixed wing amphibious aircraft that have augmented the IRGC Navy’s capabilities in Bandar Abbas.” He continued: “These aircraft, including the LA-8 series dual-engine aircraft, has a variety of capabilities and can be used for surveillance, support, rescue, and maritime transport.” The Commander of the IRGC Navy reiterated, “The ability to land on water, the ability to [enable] floating radar, and carry out all flight operations at various levels are among the benefits of this aircraft.”



Iran's New Amphibious Aircraft.
Source: Tasnim News, goo.gl/7GZfuh, CC BY-SA 4.0.



Drivers of African Instability

OE Watch Commentary: The accompanying article from a South African source discusses some factors that drive instability in Africa, in addition to how armed conflict is changing in the continent. It claims that Africa will remain turbulent not just because it has so many young people and such extensive poverty, but also because development is disruptive. It points out that there are many more non-state actors than there were in the past. Thus, conflicts are no longer between a government and one specific armed group but rather between the government and multiple armed groups. Additionally, many of these groups fight amongst themselves, greatly complicating any nationwide peacemaking attempts.

One factor that provides fertile soil for conflict is terrorism, which has been increasing in Africa. While it has been around for a long time, now the continent is also struggling with violent political extremism that originated in the Middle East. Indeed the accompanying article asks if al-Qaeda and the Islamic State of Iraq and Syria (ISIS) will move their activities to Africa, as they see their positions weakened in parts of the Middle East.

In addition to terrorism, poverty and demographics are also discussed as factors that drive conflict. Poverty is a large one, especially since it is frequently exacerbated by income inequality. Related to that is demographics and the youth bulge: The median age of the population is only 19, and when young people lack jobs, instability often follows.

The article claims that for Africa to significantly reduce its poverty, it would have to grow by approximately 7% per year. However, long term forecasts for most of the continent are way below that. Thus, while there is development-- and indeed in some sectors such as telecom it is quite robust-- the rate of job growth is not sufficient for the growing population. Complicating matters is, as mentioned earlier, that sometimes development itself can be quite disruptive.

The democracy deficit is another factor that is noted. African governments which should be providing solutions to these problems are instead sometimes the sources of additional instability. Full democracies or full autocracies tend to be the most stable forms of government, but many African regimes are a mixture of both, often superficially appearing democratic but lacking the constitutional liberties that enable democracies to successfully function. This democracy deficit is especially apparent around election time when tensions often build up and ultimately explode in violence.

There are exceptions. While poor African countries remain dependent on foreign aid, middle income ones are actually attracting foreign investment. Still, for many countries violence will continue into the foreseeable future. Thus, as the accompanying article relates, the African Union's Agenda 2063 which expects the continent can "silence the guns by 2020" remains unrealistically optimistic. **End OE Watch Commentary (Feldman)**



Drivers of conflict, such as those that led to the Rwandan genocide, persist in parts of Africa.
Source: Tiggy Ridley/Flickr, <https://goo.gl/cnt5us>, CC BY-NC-ND 2.0.

“Violence will remain a characteristic of a number of African countries for many years to come and Africa should plan accordingly.”

Source: Jakkie Cilliers, “What drives instability in Africa and what can be done about it,” *The Conversation (South Africa)*, 28 November 2017. <https://theconversation.com/what-drives-instability-in-africa-and-what-can-be-done-about-it-87626>

These seven related factors indicate that the notion that Africa can somehow “silence the guns by 2020”, as advocated by the African Union as part of its Agenda 2063 is unrealistic. Violence will remain a characteristic of a number of African countries for many years to come and Africa should plan accordingly.

Internal armed conflict is much more prevalent in poor countries than in rich ones. This is not because poor people are violent but because poor states lack the ability to ensure law and order. The impact of poverty is exacerbated by inequality, such as in South Africa.

A history of violence is generally the best predictor of future violence... This is very difficult to break. It requires a huge effort and is very expensive, often requiring a large, multi-dimensional peace mission that only the UN can provide. But, scaling peacekeeping back rather than scaling it up is the order of the day at the UN.



Somalia: Who Will Fill the Security Void after AMISOM?

OE Watch Commentary: The African Union Mission to Somalia (AMISOM) is preparing to withdraw from the war-torn country despite strong concerns that the Somali army is not ready to protect the nation from al-Shabaab. If the timetable for withdrawal is not revised, all AMISOM forces will be gone by December 2020. AMISOM has routinely stated that its withdrawal would be conditions-based, meaning that they would not leave until they ensured that Somali troops were able to maintain security. However, the accompanying article relates that AMISOM's withdrawal does not appear to be conditions-based at all, given that it is planning to withdraw despite numerous recent attacks by al-Shabaab, including the mid-October truck bombing in Mogadishu that left over 350 dead.

The author claims that such a withdrawal will have “dire impacts” on the US mission there, which is “dual focused on training Somali forces but also counterterrorism and targeting of high value Al Shabaab and... recently, Islamic State of Iraq and Syria ISIS targets.” There has been progress on both fronts, and while Somali forces are more capable than they previously were, thanks in part to well over \$1 billion spent on their training and equipment, it is widely believed that they will continue to require outside support for some time in their struggle against al-Shabaab. With AMISOM withdrawing, it is uncertain which countries will provide that support and to what degree.

The army has had some successes, including holding onto land cleared of al-Shabaab. However, the terrorist group still controls approximately 20% of the country, mostly in the south. Additionally, parts of Somalia, such as the self-declared state of Somaliland, are also not under control of the Somali national government. Thus, the total area of Somalia in which the national government exerts its authority is less than 50%. With AMISOM leaving, there is concern that some places where the army has a rather tenuous hold could fall, making that an even smaller percentage.

The article's title, “AMISOM withdrawal tests US mission,” shows the interest Somalia has in American operations in that country, a fact reinforced by its use of AFRICOM statements throughout the article. This may suggest that, with AMISOM withdrawing, Somalia is wondering what role, if any, the United States will play in filling the void created by the departing troops. **End OE Watch Commentary (Feldman)**

“The drawdown of AMISOM forces from the region could have dire impacts on the U.S. mission there, where just over 500 U.S. troops are currently serving.”



Ongoing withdrawal of AMISOM soldiers, such as the ones pictured here, has raised concerns that the Somali National Army might not be fully ready to maintain stability when AMISOM fully withdraws.

Source: AMISOM, <https://goo.gl/e6aDG9>, Public Domain.

Source: “Somalia: AMISOM Withdrawal Tests U.S. Mission,” *Shabelle Media Network (Somalia)*, 10 November 2017. <http://radioshabelle.com/amisom-withdrawal-tests-u-s-mission-somalia/>

The drawdown of AMISOM forces from the region could have dire impacts on the U.S. mission there, where just over 500 U.S. troops are currently serving.

Troops under the African Union Mission in Somalia, or AMISOM, have begun a steady withdrawal of forces from the region, amid increasing violence and threats from resurgent Al Shabab militants.

However, AMISOM's withdrawal from the region appears anything but conditions based as the country has been plagued with a spate of vehicle bombings and killings over the last several months.

Moreover, the withdrawal, especially anything beyond the UN cap, is likely to impact the U.S. mission in Somalia which is dual focused on training Somali forces but also counterterrorism and targeting of high valued Al Shabaab and just recent ISIS targets... According to AFRICOM's 2017 posture statement presented before lawmakers earlier this year by Marine Gen. Thomas Waldhauser, AFRICOM has supported efforts to push AMISOM's mission into 2019.



Women in al-Shabaab: Why They Join, What They Do

OE Watch Commentary: The academic field of terrorism studies which examines terrorists and their motivations, concentrated most of its early research on men, and paid little attention to women. Fortunately that glaring omission is changing, with new studies such as the accompanying one, which focuses on Kenyan women in the Somali based al-Shabaab terrorist group. The study provides rich insights in areas such as the hierarchical structure of terrorist organizations, the day-to-day operations of terrorist camps, why people join them, and most important, what can be done to dissuade individuals from joining them.

The study was based on interviews with government officials, donors, civil society organizations and women who identified as being returnees from al-Shabaab. Although the research project had planned to interview 15 returnees, only three actually participated, due to fears that they could become victims of retaliation if they participate in such studies.

According to the report, Somali women often find themselves with little economic alternative but to join al-Shabaab when they live in areas controlled by the group. There they are often forbidden from pursuing the type of employment men are allowed to pursue. This impoverishment combined with extremely high illiteracy makes them vulnerable to recruitment. The report also discusses other reasons women join the group, including relationships (following their husband), extremist ideologies, and revenge for the treatment their loved ones underwent at the hands of various security agencies. Their roles include fundraising, cooking, radicalizing the terrorists' children, gathering intelligence, providing medical care for fighters, and most notoriously, suicide bombing; that last one becoming particularly prevalent in several terrorist organizations across Africa. There is another role they play, unwillingly and repeatedly...that of sex slave. As one returnee described, if she refused to have sex the men would threaten to kill her. Like many females associated with al-Shabaab, she became HIV positive.

As noted in the article, Kenya, which has suffered a number of terrorist attacks from al-Shabaab, has emphasized counterterrorism efforts such as hardened security responses to terrorists on its soil. This is in contrast to instituting measures to dissuade its own people - especially impoverished, marginalized Muslim women - from travelling to Somalia and joining the group. Thus, the research report recommends Kenya adopt more policies that will result in economic development to help break the cycle of poverty and to also reduce the heavy-handed tactics used by security forces in Muslim communities. Interestingly there is anecdotal evidence that Kenyan women have started mobilizing on their own to address radicalization and prevent violent extremism, a positive grassroots action that could help lead the way for additional government initiatives. **End OE Watch Commentary (Feldman)**

“As actors, women commit, support, facilitate, prevent and counter violent extremist acts. The findings of this study show that the roles women play are intricately connected to their broader socio-economic, individual, cultural and political contexts, but at the same time these roles are deeply nuanced and cannot be generalized across the board.”



Suicide bomb attacks in Somalia, such as the one pictured above, are often carried out by female members of al-Shabaab.
Source: AMISOM, <https://goo.gl/EhTRak>, Public Domain.

Source: Irene Ndung'u, Romi Sigsworth, and Uyo Salifu, "Violent Extremism in Kenya: Why Women are a Priority," *Institute for Security Studies (South Africa)*, November 2017. <https://issafrica.s3.amazonaws.com/site/uploads/mono197.pdf>

The development context within which violent extremism is playing out in Kenya is crucial to this discussion. The interplay of development deficits and insecurity compounds and heightens the dynamics of violent extremism and its impact. The combined challenges of youth unemployment, poverty, inequality and poor governance (among other things) continue to interact in complex ways with the insecurity that results from violent extremism.

Women from Majengo and Mombasa blame the poverty and unemployment in their communities for the radicalization of their children and the inducement to join al-Shabaab. They noted that al-Shabaab was taking advantage of this poverty by promising young people jobs, money and 'free stuff.'

As actors, women commit, support, facilitate, prevent and counter violent extremist acts. The findings of this study show that the roles women play are intricately connected to their broader socio-economic, individual, cultural and political contexts, but at the same time these roles are deeply nuanced and cannot be generalized across the board. However, the motivation and the extent of this phenomenon requires further interrogation.



Gunsmithing: A Lucrative Business in West Africa

OE Watch Commentary: Discussions of ways to control the flow of small arms in Africa often center on factory manufactured weapons, especially those made outside the continent and then imported legally or illegally. However, a large number of arms – estimated to be upwards of 200,000 – that enter circulation are often overlooked. These are the artisanal weapons, homemade by informal, widespread, numerous, and often clandestine workshops. The accompanying article discusses this phenomenon in West Africa.

The article refers to the people who craft these weapons as “blacksmiths,” perhaps because they are frequently involved in other activities such as fashioning kitchen utensils and farming implements. Thus, gunsmithing for many is only a part of what they do, often hiding this activity from the authorities behind their blacksmithing operations. In turn these manufactured out-of-sight arms are relatively easy to traffic, fueling banditry, organized crime, and clan and political rivalries more than the imports do. Examples include Ghana, where 90% of weapons used in armed robberies are manufactured locally, and Mali where the number is 80%.

The article, which focuses exclusively on West Africa, describes the weapons as often fairly crude copies of existing ones, including pistols, single and double-barrel shotguns, sub-machine guns, and even, at least in appearance, the AKM, a modernized version of the AK-47. Depending on several factors including the type of weapon, prices generally range from around \$15 to \$120, making them relatively inexpensive. This low cost encourages their distribution not just locally but also regionally. Indeed their transborder sales are frequently linked with other illicit activities including trafficking of drugs and precious minerals.

Attempts to combat the local manufacturing of weapons has resulted in mixed, leaning towards poor, results. One problem is the industry keeps evolving, so it is difficult for governments to get a handle on it. Some countries have initiated dialogues with the manufacturers not so much to ban them from producing weapons but to have better control of it; however these are individuals who frequently work in the shadows, and they are wary of government oversight.

Eradication or even just suppressing the local manufacturing of weapons is proving difficult. Given the lucrative nature of the business, this is unsurprising. However, it is just one more reason why, as the article states, it is unlikely Africa will reach its goal of “silencing the guns by 2020.” **End OE Watch Commentary (Feldman)**

“Locally produced arms are less controlled and therefore more easily trafficked. This further encourages illicit circulation throughout West Africa, especially in border areas.”

Source: William Assanvo, “Are West Africa’s Gunsmiths Making Violence Cheap?” *Institute for Security Studies (South Africa)*, 27 November 2017. <https://issafrica.org/iss-today/are-west-africas-gunsmiths-making-violence-cheap>

The trafficking and illicit circulation of small arms and light weapons are often discussed in the context of fuelling instability and insecurity in West Africa. Rarely, however, is the issue of locally manufactured weapons given appropriate attention in these conversations.

The weapons are not sophisticated, but they are dangerous, and are used in serious crimes. When the police arrested a group in the northern state of Kaduna, Nigeria, in August in connection with kidnapping for ransom, they reportedly recovered weapons including three AK-47s and 10 locally made sub-machine guns. Over the past few months, kidnapping has taken on a dangerous dimension in several parts of Nigeria.

Locally produced arms are less controlled and therefore more easily trafficked. This further encourages illicit circulation throughout West Africa, especially in border areas. Along borders, it appears that there are implicit links between the local manufacture of firearms and other criminal or illegal activities, such as drug trafficking and illicit exploitation of precious minerals. These links need to be further explored.



Parts of Africa, such as Somalia, are awash with weapons, including some that are locally manufactured or modified.

Source: AMISOM, <https://goo.gl/yoJ1sX>, Public Domain.



Eritrea: Cracks in “Africa’s North Korea”

OE Watch Commentary: Eritrea hears very little from the outside world, and the outside world hears very little from Eritrea, and only from Eritrean refugees. That is by design: The government of Isaias Afwerki, who has been in power for over two decades, severely restricts media and internet access. It also severely restricts the rights of its citizens, brutally suppressing any sort of opposition against the regime. This is why, as the accompanying article describes, a protest that recently occurred in the capital city of Asmara is rather surprising. Not surprising is that the event was harshly put down by the special forces. Nevertheless, it is noteworthy that the teenagers who took to the streets that day (to oppose the nationalization of an Islamic school) probably knew they would be met with violence. According to the article, this suggests that young people are “saying enough is enough.” This could signal a new willingness of at least some citizens to stand up against a government whose cruel oppression of its own citizens coupled with its deliberate isolation from the outside world has earned it the sobriquet of “Africa’s North Korea.”

The report discusses that it is perhaps the youth of Eritrea who are particularly unhappy with the government. They face long military conscriptions and a marked lack of jobs in the civilian sector. Many flee only to be stranded in neighboring countries, while others attempt a risky journey to cross the Mediterranean. It is not just the poor who flee. Sons and daughters of the country’s ruling elite also search for a better life elsewhere. Even President Afwerki’s youngest son, Berhane, tried to get out, making an attempt in 2015, but was intercepted by border patrols. As the article states, these children would rather cut ties with their parents and risk living destitute than stay in Eritrea.

If leaving is difficult, it is also not easy to stay behind and protest the conditions. Previous acts of resistance to the government have been dealt with severely. The article discusses one instance where 12,000 students were forced to travel on foot for over three weeks – two died crossing a river, two from snake bites, and then 34 more when they arrived at their destination and were not properly sheltered.

So far incidents against the regime appear isolated, with no coordination around a large collective movement. However, even if totally spontaneous, the fact that a protest occurred in Asmara is quite notable. Also notable is that the police sent to disperse them instead told the young people that they shared their grievances, and did not open fire. Unfortunately the country’s special forces did not share the same sentiment as the police, for when the students got near the Presidential palace, they opened fire. Because it happened in “Africa’s North Korea,” it is unknown if there were casualties, and if so, how many. **End OE Watch Commentary (Feldman)**

“But in the face of clear threats and repression by the regime, and in the absence of an organized opposition, groups of youth may be beginning to take matters into their own hands.”



Isaias Afwerki, President of Eritrea.

Source: Freedom4E/Wikimedia, https://commons.wikimedia.org/wiki/File:President_Isaias_Afewerk.jpg, CC BY-SA 4.0

Source: Abraham Zere, “Fight not flight: Eritrea’s youth taking matters into their own hands,” *African Arguments*, 29 November 2017. <http://africanarguments.org/2017/11/29/eritrea-youth-are-taking-matters-into-their-own-hands/>

On the 31 October, Eritrea experienced a rare protest as hundreds of people took the streets in opposition against the nationalisation of an Islamic school. Government forces reacted in characteristically brutal fashion and dispersed protesters with gun-shots in the capital Asmara.

For over 16 years, there has been virtually no space to challenge the government of Eritrea. There is no independent press or right to free association and movement. Internet penetration is almost non-existent. And extreme militarization and surveillance pervade society.

These acts of insubordination suggest that many young people are now saying enough is enough. There does not seem to be coordination around a collective movement. But in the face of clear threats and repression by the regime, and in the absence of an organized opposition, groups of youth may be beginning to take matters into their own hands. Knowing no-one will instigate change for them, frustrated young people may be feeling a greater sense of ownership over their own affairs and future.



Boko Haram's Soft Targets: Refugees and IDPs

OE Watch Commentary: It was 2009 when Boko Haram launched its reign of terror; it was also 2009 when its founder and leader, Mohammed Yusuf, was killed. For the next several years, despite some civilian casualties, the group mostly directed its violence against the country's security forces. As a result, civilians were generally not afraid of Boko Haram. In fact, since the government was so disliked because of its brutal retaliations, in some regions the terrorist group was even able to garner sympathy. However, as the accompanying article relates, eventually Boko Haram expanded its list of targets to include people they felt were not truly Muslim for not practicing the terrorists' version of Islamic law. The situation became worse in 2016 when Boko Haram split into two factions with one, led by Abu-Musab al-Barnawi, mainly targeting security forces and the other, led by Abubakar Shekau, preferring a more indiscriminate approach. It is Shekau's faction that has been responsible for brutal attacks on the populace, including setting fire to buildings where civilians are locked inside.

It is also Shekau's faction that has been attacking two particularly soft targets: refugees and internally displaced people (IDPs). The majority of these attacks are carried out by female suicide bombers who attract less suspicion than men, and are thus better able to enter camps. Besides Nigeria, attacks have occurred in Niger, Cameroon, and Chad. As a result the United Nations Office for the Coordination of Humanitarian Affairs has called for additional security for displacement areas.

The article advances three theories as to why Boko Haram is targeting refugees and IDPs. The first theory is that "Boko Haram could be strategically generating migration to overwhelm governments in an attempt to force them to submit to its demands. It may be trying to make the cost of mass migration higher than its demands or future demands." Additionally, since Boko Haram controls the flow of these people to a large extent, targeting them increases the terrorist organization's bargaining position with those governments. The second theory is that these attacks turn communities against the refugees and IDPs, making it difficult for anyone - including those who want to leave Boko Haram - to return home. Finally, these soft targets, especially women and children, boost Boko Haram's visibility. Reports that the terrorist organization has been neutralized quickly dissipate when the television screen is filled with mangled bodies.

Having suffered heavy losses against the military, Boko Haram is finding attacking refugees and IDPs to be significantly less costly. As for the refugees and IDPs, they are finding Boko Haram's relatively new strategy to be quite costly. Without additional protection, these attacks are likely to continue or even increase. **End OE Watch Commentary (Feldman)**

“While violence against civilians and refugees was previously avoided, ‘legitimacy’ as a target has since been extended to people who reject Boko Haram’s interpretation and application of Sharia law.”



Refugees such as these are being targeted by Boko Haram.

Source: European Commission DGEcho/Flickr, <https://goo.gl/K3uV2y>, CC BY-NC-ND 2.0.

Source: Aimée-Noël Mbiyozo, “How Boko Haram specifically targets displaced people,” *Institute for Security Studies (South Africa)*, 6 December 2017. <https://issafrica.org/research/policy-brief/how-boko-haram-specifically-targets-displaced-people>

Boko Haram’s surge in attacks on soft targets, including displaced people, in 2017 is clear. While violence against civilians and refugees was previously avoided, ‘legitimacy’ as a target has since been extended to people who reject Boko Haram’s interpretation and application of Sharia law. By this standard, those who have fled its control are ‘infidels’ for leaving the purity of Sharia, especially when fleeing to government land or protection, and are considered both the enemy and illegitimate.

Most recently, in late 2017, Boko Haram activity has surged across the region. Between May and August 2017, seven times more civilians were killed than in the preceding four months.

Boko Haram militants have reportedly been infiltrating refugee flows and camps... Additional reports have emerged of militants, attackers and would-be attackers disguising themselves as refugees so they can travel into towns to purchase supplies.

...

Boko Haram could be strategically generating migration to overwhelm governments in an attempt to force them to submit to its demands. It may be trying to make the cost of mass migration higher than its demands or future demands.



Inside the Mind of Mali's Mausoleum Destroyer

OE Watch Commentary: The excerpted French-language article from *Jeune Afrique*, a popular weekly pan-African magazine, reports on the trial of a member of the Mali-based jihadist group Ansar al-Din at the International Criminal Court (ICC). Ansar al-Din was aligned with al-Qaeda in the Islamic Maghreb (AQIM) when they occupied most of northern Mali in 2012. The report details the biography of the member, Ahmad al-Faqi al-Mahdi, including how he joined the group and became an international war criminal for destroying historical Sufi shrines and mausoleums in Mali in June and July 2012.

Al-Mahdi says he was a member of the Tuareg ethnic group, and grew up in Tuareg refugee camps in Mauritania and Algeria. He was a teacher by profession and later enrolled in the Libyan army. After the fall of Muammar Qaddafi's government in 2011, he joined the Tuareg nationalist militant group that was opposed to the Malian state. However, when the AQIM-allied Islamist group, Ansar al-Din, also led by a Tuareg, Iyad Ag Ghaly, ousted the Tuareg nationalist group, al-Mahdi joined Ansar al-Din. He says that he always exerts himself in whatever does, so that when he received orders to destroy Sufi shrines because they were contrary to Islam, that is exactly what he did.

He also admits, however, that from an ideological perspective, he also believed that the shrines were impious. He said he was already familiar with the Wahabbi beliefs of Ansar al-Din that encouraged the destruction of Sufi shrines from his exposure to Saudi charities in Mali and neighboring countries. Nonetheless, there was also a financial incentive behind his actions. While Ansar al-Din did not provide him a salary, it cared for his family, and this care would have ceased if he did not follow orders to destroy the shrines.

The article stresses that al-Mahdi's case shows the complex realities of jihadism in Africa and the ways that local and national sentiments have interacted with the broader international and regional political agendas of groups like AQIM and Ansar al-Din. Al-Mahdi has expressed remorse for his actions since his sentencing to nine years in prison. Despite this, Ansar al-Din and AQIM both continue to launch attacks and spread their ideology in Mali. **End OE Watch Commentary (Zenn)**

“It was his duty, as part of his job, to combat practices considered contrary to the precepts of Islam.”

Source: “Destruction des mausolées de Tombouctou : « Il était de mon devoir de combattre les pratiques contraires à l’islam (Destruction of the mausoleums of Timbuktu: “It was my duty to combat practices contrary to Islam”),” *jeuneafrique.com*, 20 November 2017. <http://www.jeuneafrique.com/493653/societe/destruction-des-mausolees-de-tombouctou-il-etait-de-mon-devoir-de-combattre-les-pratiques-contraires-a-lislam>

Ahmad al-Faqi al-Mahdi has been convicted by the International Criminal Court (ICC) of war crimes for leading the destruction of ten monuments in Timbuktu in June and July 2012. This is the first time that the ICC has been faced with a complaint about the destruction of cultural monuments, which it describes as war crimes. How did a man educated and educated in the precepts of Sufi Islam come to commit such a crime against this school of African Islam?

Al-Mahdi was head of the Hisba, one of the four administrative structures of the group Ansar al-Din, which is associated with al-Qaeda in the Islamic Maghreb (AQIM) and occupied northern Mali in 2012 and had set up its headquarters in Timbuktu in April 2012 after ejecting fighters from the National Movement for the Liberation of Azawad (MNL). In this Hisba, his mission was to promote virtue and prevent vice and to combat all acts that contravene the precepts of Islam. The mausoleums of Timbuktu were considered as the incarnation of acts that were impious for the faithful. It was his duty, as part of his job, to combat practices considered contrary to the precepts of Islam.



Desolate street in Timbuktu, 2001.

Source: By upyernoz from Haverford, USA (Timbuktu Street) via Wikimedia Commons, https://upload.wikimedia.org/wikipedia/commons/1/12/Empty_street_in_Timbuktu.jpg, CC BY 2.0.



Argentinean Submariners Lost at Sea

OE Watch Commentary: Argentina mourned the passing of 44 of her submariners in the loss of the boat ARA San Juan. The rescue mission was called off after two weeks of search efforts, despite which, the wreck was not located. Thus, hope was gone, but blame was still lingering. The loss of a ship at sea, of its crew, but especially perhaps the loss of a submarine crew is generally a subject of universal empathy and was in this case. The second accompanying reference, however, gave one reasonable and timely strategic analysis of why Argentina even had a submarine crew to loose, the news apparently coming as a bit of a surprise to some of the Argentinean citizenry. Rosendo Fraga is a well-respected Argentinean political analyst. He makes a broad-ranging commentary, to include argument of why the protection of Argentinean sovereignty depends in part on naval power, pointing out that “Argentina is 50% territory, 25% sea and 25% Antarctica.” **End OE Watch Commentary (Demarest)**

“...Argentina is 50% territory, 25% sea and 25% Antarctica...”

“...The submarine was in perfect condition...”

Source: “ARA San Juan: suspenden a un alto oficial en la Armada (ARA San Juan: A senior Naval officer is suspended),” *Diario Panorama*, 12 December 2017. <https://www.diariopanorama.com/noticia/275615/ara-san-juan-suspenden-alto-oficial-armada>

“To confirm this fact [that inspection protocols were followed and the boat was in good condition] Aguad [Minister of Defense Oscar Aguad] spoke personally with petty officer Humberto René Vilte, who got off in Ushuaia to return to Jujuy due to the grave sickness of his mother. Aguad talked with ‘crew member 45’ [44 crew members were lost on the boat] who assured him that ‘he participated in the first twenty-four hours of the inspection and there was nothing reportable, except small gigs. There was nothing in reference to the snorkel. The submarine was in perfect condition.’ These and other indicators brought the Ministry of Defense to subscribe to the theory of ‘sudden and uncontrollable crisis.’”

Source: Rosendo Fraga, “¿Por qué la Argentina necesita un submarino? (Why does Argentina need a submarine),” *La Nacion*, 27 November 2017. <http://www.lanacion.com.ar/2086293-por-que-la-argentina-necesita-un-submarino>

“The complete map of Argentina is 50% territory, 25% sea and 25% Antarctica. The question of the sea is a constantly increasing issue in the world and today it is more important due to the subsurface and for fishing. In the Malvinas they are extracting oil and gas (...) States are constantly further advancing their sovereignty by way of the sea, at the depths of the sea, he illustrated.”



ARA San Juan Submarine, May 2017.

Source: By Juan Kulichevsky from Argentina (Submarino ARA San Juan), https://upload.wikimedia.org/wikipedia/commons/b/bb/Submarino_ARA_San_Juan_%2833866567363%29.jpg, CC BY-SA 2.0.



Debating the Impeachment of Former Argentinean President

OE Watch Commentary: An Argentinean federal judge is ready to have former president Cristina Fernández de Kirchner (at times referred to in regional press either as Fernández or as Kirchner) arrested for crimes allegedly committed during her term in office. The judge delayed, however, until the former president was sworn in as a senator, an office she won in the last elections. Senators enjoy absolute immunity while in office, so the delay shifted some of the political burden to the Senate, which would have to impeach Fernández by a two-thirds vote in order to strip her of immunity and allow a prosecution to proceed. The charges are serious. They relate to a deal she is alleged to have made with the government of Iran to provide impunity to Iranian officials in the bombing of a Jewish center in Buenos Aires in 1994. The alleged cover-up may also have involved the murder of a federal investigator who was looking at the events. The party that nominated current Argentinean President Mauricio Macri (relatively conservative, anti-progressive) is pushing Kirchner's impeachment, but does not have the votes to do so without votes from other parties. Meanwhile, a recent poll sponsored by the coalition of political parties aligned with the progressive former president indicates that many (but not a majority) of Argentines think that she might actually end up in jail. **End OE Watch Commentary (Demarest)**



Then President Cristina Fernández at the CINAR naval complex, 2011. Behind her is the Republic of Argentina Navy Submarine ARA San Juan.
Source: Casa Rosada (Argentina Presidency of the Nation) via Wikimedia, https://commons.wikimedia.org/wiki/File:Submarino_ARA_San_Juan.jpg, CC BY-SA 2.0.

“An Argentinean judge asked for the preventive imprisonment of ex-president of Argentina, Cristina Fernández accused of ‘treason against the country’... Federal magistrate Claudio Bonadio also asked for her impeachment in order to arrest her, given that Fernández is a senator and has parliamentary immunity.”

Source: Editors, “Traición a la patria: La acusación contra Cristina Fernández (Treason against the country: The accusation against Cristina Fernández),” *El Comercio (Lima)* and *AFP*, 7 December 2017. <https://elcomercio.pe/mundo/latinoamerica/traicion-patria-denuncia-cristina-fernandez-noticia-479815>

“An Argentinean judge asked for the preventive imprisonment of ex-president of Argentina, Cristina Fernández accused of ‘treason against the country’ for orchestrating a plan to cover up for Iranians implicated in the 1994 attack against a Jewish center that left 85 dead. Federal magistrate Claudio Bonadio also asked for her impeachment in order to arrest her, given that Fernández is a senator and has parliamentary immunity.”

Source: Editors, “¿Cuántas causas judiciales tiene abiertas Cristina Fernández de Kirchner? (How many open legal actions does Cristina Fernández de Kirchner have [against her]?),” *ALD antilavadodenedinero* and *Clarín*, 12 December 2017. <http://www.antilavadodenedinero.com/antilavadodenedinero-noticias-articulo.php?id=20676&title=cuantas-causas-judiciales-tiene-abiertas-cristina-fernandez-de-kirchner>

“...directors of Unidad Ciudadana [pro Kirchner coalition, several parties of which belong to the Forum of Sao Paulo] contracted an opinion poll to measure the impact of the news. They did so with the consulting firm that surveyed for that entity during the last elections, Analogías. The work, that is much to do with the ex-executive, includes a disconcerting question, ‘Do people think she might end up in jail?’ ...with exactly 50% who think ‘no’, 27.6% think ‘yes’ and 22.4% don’t know.”

Source: Editors, “Cambiamos apura el debate por el desafuero de Cristina Kirchner (Cambiamos hurries the debate over the impeachment of Cristina Kirchner),” *Perfil*, 12 December 2017. <http://www.perfil.com/politica/cambiamos-apura-el-debate-por-el-desafuero-de-cristina-fernandez.phtml>

“The Senate has a period of 180 days to analyze the argument of Judge Bonadio in favor of the withdrawal of immunity and, finally, vote in chamber for or against the requested measure....The impeachment of a senator requires the approval of a two-thirds majority of those present in chamber, a number that Cambiamos cannot reach by itself.”



Who Is the President of Honduras?

OE Watch Commentary: On 26 November, Honduras had its general election, which included presidential elections. Following the election, both presidential candidates claimed victory. As the first accompanying passage reports, the Honduran Supreme Electoral Tribunal eventually declared the incumbent, Juan Orlando Hernández as the winner, after a recount of the votes. As reflected in the second of the attached references, the early announcements after the election had leftist Salvador Nasralla as the winner, a result that came as a great surprise to almost everyone. The fact that incumbent President was a candidate was itself controversial, the national constitution having been amended (or reinterpreted) so that he could run. Nine years ago, then President Mel Zelaya, a pro Chávez Bolivarian Marxist, was deposed (in part) for trying to set himself up for reelection. **End OE Watch Commentary (Demarest)**



Source: Jacobo García, “El recuento de votos confirma la victoria de Juan Orlando en Honduras (The recount of votes confirms the victory of Juan Orlando in Honduras),” *El País*, 12 December 2017. https://elpais.com/internacional/2017/12/10/america/1512936486_999113.html

“The President of the Supreme Electoral Tribunal (TSE) David Matamoros, announced Sunday morning the end of the special vote-by-vote scrutiny of the 4,753 voting tables, whose results were not transmitted this past 26 November. The count finished at 2:48 in the morning and gave 424,363 votes to Juan Orlando Hernández and 267,109 votes to Salvador Nasralla....For its part, the opposition of ex-president Manuel Zelaya, ally of Nasralla, considered the recount ‘spurious’...”

Source: Ricardo Angoso, “Inesperado giro a la izquierda en Honduras (Unexpected turn to the left in Honduras),” *Periodismo Sin Fronteras*, 29 November 2017. <http://www.periodismosinfronteras.org/inesperado-giro-a-la-izquierda-en-honduras.html>

“Nasralla’s partisans, it is worth remembering, are political ‘children’ of ex-president Manuel Zelaya, who was deposed eight years ago after... an endless stream of monumental mistakes. As you will remember, the coup d’Etat or institutional change, according to the description that one wishes to apply to the events of 2009, in which Zelaya was replaced in the presidency by Roberto Micheletti -- then president of the Honduran parliament -- had its origin, among other things, in the matter of reelection of the incumbent president.”

New Old Chilean President Not Socialist

OE Watch Commentary: On 17 December, Chile elected a President, Sebastián Piñera, a conservative and former president. Piñera promised to bring Chilean economic policies back to the free-market model that Chile had followed for years, but that had been somewhat abandoned by outgoing President Michelle Bachelet, a progressive and pro-Bolivarian. As the accompanying article notes, Piñera’s sympathizers shouted, “We do not want communism, we do not want socialism” before a speech, in which he promised Chile would return to “the pathway of progress and development.” As with the recent election in Honduras, the result seems to indicate that the hemisphere’s ideological pendulum is not quite moving to the left again, even while the left in Chile did enjoy more support than some might have expected. **End OE Watch Commentary (Demarest)**

Source: Federico Grünwald, “Chile gira a la derecha: Piñera vuelve al poder tras una amplia victoria (Chile veers to the right: Piñera returns to power with an ample victory),” *La Nación*, Buenos Aires, 18 December 2017. http://www.lanacion.com.ar/2092405-chile-gira-a-la-derecha-pinera-vuelve-al-poder-tras-una-amplia-victoria?utm_source=n_tis_notal&utm_medium=titularS&utm_campaign=NLExt

“Piñera sympathizers shouted, ‘We do not want communism, we do not want socialism’ before his speech, in which he promised Chile would return to ‘the pathway of progress and development’. In spite of surveys that anticipated a close finale, the ex president got more than 54% of the votes against Guillier. After a very polarized campaign and passing aggressive moments, he promised to respect differences and seek unity.”



“Chile would return to the pathway of progress and development...”



Electric Substation Event in Venezuela

OE Watch Commentary: The political crisis in Venezuela may have settled, but the accompanying reports highlight that the humanitarian and economic crises have not. In late November, a major electric substation experienced an explosion, leading to another widespread blackout. The cause of the explosion is not yet publicly clarified, but the Electric Energy Minister Motta Dominguez quickly blamed it on sabotage. If it was sabotage, then the Minister's claim opens the specter that the political crisis may not be over. The Minister was not optimistic about stopping the saboteurs, either. There does not seem, however, to be much corroborating evidence of such. As likely, the Minister was giving the standard excuse, a likelihood that should be no more comforting in terms of Venezuelan prospects. Gathering from comments like those following the second accompanying reference, many Venezuelans did not receive his explanation as credible. The power grid in Venezuela is not so redundant that it can long withstand continuing deterioration in maintenance investment, sabotage or not. The explosion should remind that Venezuela's basic services infrastructures are precarious and monitoring them may be one key to anticipating accelerations in material suffering in that country. **End OE Watch Commentary (Demarest)**

“...it is not known where Machiavellian minds are going to attack...”

“It is certain that it was an act of sabotage.”

Source: Editors. “Explosión en subestación Guaparo deja a oscuras a Carabobo (Explosion at the Guaparo substation left Carabobo in the dark),” *El Interés*, 30 November 2017. <http://elestimulo.com/elinteres/explosion-en-subestacion-guaparo-deja-sin-luz-a-varios-sectores-de-carabobo/>

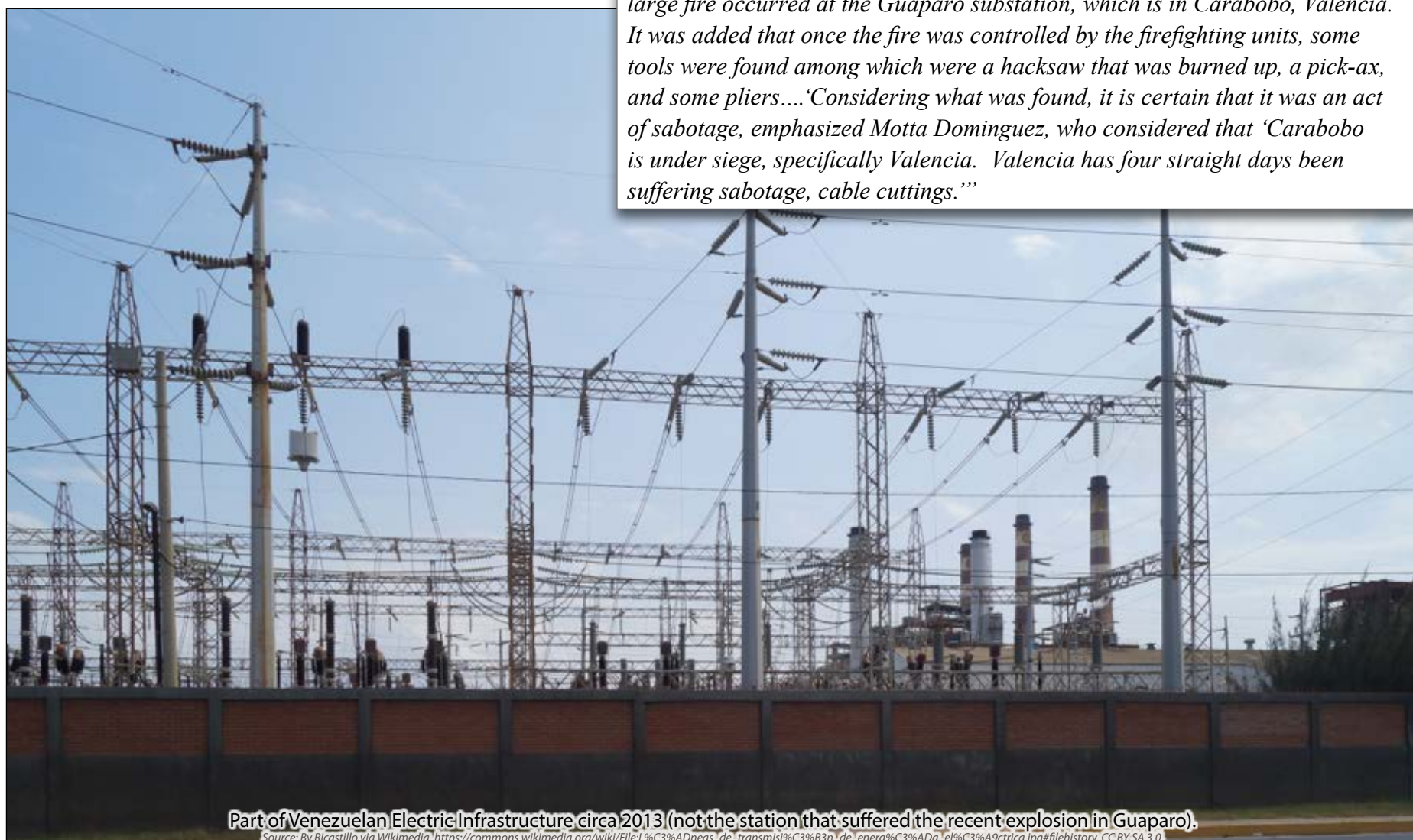
“An explosion in the Guaparo substation, in the Mañongo urban area in the state of Carabobo (center) at about 10:00 PM Wednesday leaving six counties of Carabobo without power, as well as at least two states of the country. The Minister of Electric Energy, Motta Domínguez, blamed the opposition for this incident which he classified as ‘sabotage’ and said that 90% of the electric service in Valencia had been reestablished....

He said that the SEBIN political police arrived there and ‘found at the site tools that were completely burned, the cables they cut, the place where they got in, the fence that they broke into.’...

“For Motta Dominguez, the ‘sabotage’ that the electric system of the country is suffering, in the care of the State, ‘cannot be eliminated because it is not known where Machiavellian minds are going to attack. The electric system is 140,000 kilometers of cable lines and there are hundreds and hundreds of towers and we don’t know.’”

Source: Editors, “¿Y la Custodia Militar? Motta Domínguez, sobre explosión en subestación Guáparo: Seguro que fue sabotaje (And the Military safekeeping? Motta Dominguez, regarding the explosion at the Guáparo substation: I am sure it was sabotage),” *DolarToday* and *Noticioerp Digital*, 30 November 2017, <https://dolartoday.com/y-la-custodia-militar-motta-dominguez-sobre-explosion-en-subestacion-guaparo-seguro-que-fue-sabotaje/>; <http://www.noticierodigital.com/forum/viewtopic.php?t=88197>

“Yesterday at about 9:23 PM an explosion followed by the development of a large fire occurred at the Guáparo substation, which is in Carabobo, Valencia. It was added that once the fire was controlled by the firefighting units, some tools were found among which were a hacksaw that was burned up, a pick-ax, and some pliers.... ‘Considering what was found, it is certain that it was an act of sabotage, emphasized Motta Dominguez, who considered that ‘Carabobo is under siege, specifically Valencia. Valencia has four straight days been suffering sabotage, cable cuttings.’”



Part of Venezuelan Electric Infrastructure circa 2013 (not the station that suffered the recent explosion in Guaparo).

Source: By Rjcastillo via Wikimedia, https://commons.wikimedia.org/wiki/File:L%C3%ADneas_de_transmisi%C3%B3n_de_energ%C3%ADa_el%C3%A9ctrica.jpg#filehistory, CC BY-SA 3.0.



The FARC's Political Aspirations

OE Watch Commentary: Hundreds of former members of the Revolutionary Armed Forces of Colombia (FARC, per its Spanish acronym) are trying to earn a legal living after the rebel movement disarmed under a November 2016 peace deal with the Colombian government. As part of the agreement, ex-guerrilla fighters have turned in more than 8,000 weapons and are helping dismantle hundreds of weapon caches. However, peace has not come easily to the country, where for decades the FARC controlled key coca leaf and cocaine production regions. Furthermore, the peace process is facing other issues such as problems with the reinsertion process. As the first article discusses, ex-combatants still face temptation to join dissident rebels, keep their weapons, and traffic drugs instead of looking to earn a legal living. Reinsertion is also difficult because demobilization zones are located in rural areas which make it hard to teach ex-combatants new skills, but some open source channels claim the locations were chosen based on FARC's political aspirations, as discussed in the second excerpt.

The process to support more than 10,000 combatants in their transition to civilian livelihoods has been marred by confusion and delays. The Colombian government has to transition ex-combatants into urban settings where former guerrilla fighters are taught new skill sets to help them successfully reintegrate into society. However, the new reintegration process is occurring largely in rural areas as the FARC seeks to keep their members together and away from government influence. As the second excerpt discusses, this is due to the group's political aspirations, which requires them to maintain a political base as well as effective control over its members. The FARC claims that the rural model is important because it ensures a sense of belonging and deters recruitment by other armed groups or criminal organizations, given that many of the former combatants were recruited at young ages as peasants and possess few skills beyond firing Kalashnikovs and patching up the wounded.

At this point there are no guarantees that reintegration will work in rural areas, but what is clear is that FARC leaders are looking beyond bombs and kidnappings to something much more powerful: political power. Prior to the signing of the Peace Accords, FARC members could not run for public office, but they now have the right and have wasted no time in exercising it. As the third passage discusses, Rodrigo Londoño Echeverri (a key FARC leader) announced on 1 November that he would run for the 2018 Presidential elections. It remains to be seen if the FARC really wants to help its people succeed and reintegrate into society or if they want to gain political clout. **End OE Watch Commentary (Fiegel)**

Source: “Como reinsertar a la sociedad los niños de la FARC (How to Reintegrate Former FARC members into Society),” *Notimerica*, 27 February 2017. <http://www.notimerica.com/politica/noticia-25como-reinsertar-sociedad-ninos-farc-20170225090124.html>

President Juan Manuel Santos hopes to incorporate thousands of FARC ex-combatants back into society, but this may not be as easy as it seems. Some like one young combatant named Jessica has been traumatized by war. Others have spent most of their lives fighting in the jungle and have few other skills, and Colombian society might struggle to accept them. If the reinsertion policy fails, there could be additional suffering for Colombia after 51 years of conflict as former fighters struggle to find jobs and a new life. It could also crimp growth in Latin America's fourth-largest largest economy. Crime gangs are already recruiting at safe houses, says Jonathan Lucumi, 19, a former insurgent who has been approached to sell drugs for good money. Others are enlisting, he says. “They're keen, they love their guns.”

Source: “¿Qué quieren las Farc con los Terrepaz? (What do the FARC Want in Terrepaz?),” *El Espectador*, 15 September 2016. <http://www.semana.com/nacion/articulo/las-farc-los-territorios-de-paz/452371-3>

The FARC has selected their demobilization zones in rural areas; likely because FARC leaders are looking to maintain their power and influence in regions with little to no government presence. This same move will help the group further their political aspirations as they can continue to exert fear and intimidation amongst its people.

Source: “Colombia: las FARC confirman que su ex máximo comandante, Rodrigo Londoño “Timochenko”, será candidato a la presidencia (Colombia: FARC Confirms that Their Highest Ranking Leader Rodrigo Londoño “Timochenko” Will Run for President),” *BBC Mundo*, 1 November 2017. <http://www.bbc.com/mundo/noticias-america-latina-41836125>

On Wednesday, November 1, the Revolutionary Common Alternative Force (formerly known as the FARC) announced that Rodrigo Londoño would run for president in the 2018 elections. This announcement was made just 24 hours after the National Electoral Council allowed it to become a political party.

“...the FARC [has] announced that Rodrigo Londoño [a key FARC leader] would run for president in the 2018 elections. This announcement was made just 24 hours after the National Electoral Council allowed it to become a political party.”



Colombia to Train 20,000 Police Officers in Central America

OE Watch Commentary: In recent years, the Colombian Armed Forces have trained police and military personnel in over 60 countries. They have been asked to do so because they have earned significant respect for their effectiveness in battling drug cartels and paramilitary organizations. Colombia has considerable experience in this, given that paramilitary groups such as the Revolutionary Armed Forces of Colombia (FARC) have been operational in the country for over 51 years, while drug cartels have wreaked havoc on society since the early 1980s. Thus, as the first passage points out, criminal organizations have forced the Colombian military and police to become experts in counterterrorism operations, intelligence gathering, anti-kidnapping tactics, and demobilization campaigns.

Although Colombia dealt with extreme instability for decades, the experience they gained from it is extremely valuable; especially in a region where drug cartels are expanding so rapidly that police and military forces cannot adequately address the new challenges they are facing because they have never received any type of training for it. In an effort to begin knowledge sharing, Colombia created pilot programs in 2012 to address training deficiencies, and since that time, more than 17,000 Central American police officers have received courses on conducting effective criminal investigations, combating drug trafficking, and attacking rampant extortion and corruption. These initial efforts have improved the quality of police forces in the region, but there is still a need to train more police. This is why, as the second excerpt discusses, Colombia is now committing itself to training over 20,000 police officers in Central America by 2020. **End OE Watch Commentary (Fiegel)**

“In 2018, we plan on continuing this cooperation and hope that by 2020, we will have trained more than 20,000 police officers in Central America.”

Source: “Fuerzas Armadas colombianas entrenan a sus pares de todo el mundo (Colombian Military Trains Armed Forces throughout the World),” *Dialogo*, 15 July 2017. <https://dialogo-americas.com/en/articles/colombian-military-trains-armed-forces-throughout-world>

The Colombian Military has the depth of experience and knowledge to help security forces throughout the world thanks to cooperation agreements they themselves have sustained with partner nations to obtain expertise in counter terrorism operations, intelligence gathering, anti-kidnapping tactics, and demobilization campaigns.

Source: “Colombia sube hasta 20,000 la cifra de policías que entrena en Centroamérica (Colombia to Train 20,000 Police Officers in Central America),” *El Nuevo Diario*, 17 July 2017. <http://www.elnuevodiario.com.ni/internacionales/centroamerica/431137-colombia-sube-20-000-cifra-policias-que-entrena-ce/>

We (Colombia) have made the decision to increase at least 90 different activities related to training and security cooperation in 2017. In 2018, we plan on continuing this cooperation and hope that by 2020, we will have trained more than 20,000 police officers in Central America.



Colombian National Police Vehicle, 2011.

Source: By National Police of Colombia via Wikimedia Commons, https://upload.wikimedia.org/wikipedia/commons/4/44/Veh%C3%ADculo_Polic%C3%ADa_Nacional_de_Colombia_%285558617915%29.jpg, CC BY-SA 2.0,



Military Cooperation in South America

OE Watch Commentary: Brazil is a military leader in South America, and over the past few years, has begun reaching out to neighboring countries to promote military cooperation. As the first excerpt discusses, in 2012, Brazil and Argentina started working together to develop a common military doctrine -- an unprecedented initiative in the region. Then in 2016, Brazil reached out to Colombia to share common experiences regarding the operation and deployment of mechanized and armored equipment. As the second passage discusses, during that exercise, Brazilian General Joares Alves Pereira provided insight to the Colombians regarding how Brazil conducts the same type of activities.

Finally, in 2017, Chilean and Brazilian military leaders conducted a formal visit in Brazil to share experiences and lessons learned in the creation and implementation of military doctrine. During the visit, military leaders from both countries discussed internal processes and how to improve operational doctrine. As the third excerpt notes, they also discussed the organization of units and the implementation of new policies regarding classroom and field training with the end goal of strengthening the capacities of both militaries. It appears that military cooperation is a growing trend in South America and has the potential to promote stability and security throughout the region. **End OE Watch Commentary (Fiegel)**

Source: “Brazil y Argentina definen reglas para la elaboracion de una doctrina militar comun (Brazil and Argentina Define Rules for the Creation of Common Military Doctrine),” *Infodefensa*, 14 November 2012. <http://www.infodefensa.com/latam/2012/11/14/noticia-brasil-y-argentina-definen-reglas-para-la-elaboracion-de-una-doctrina-militar-comun.html>

Relations between Brazil and Argentina continue to grow in multiple sectors to include defense as both countries work together to create common military doctrine. This is of interest as it represents the first instance in which an initiative of this nature has been promoted by Brazil.

Source: “Los ejércitos de Colombia and Brazil intercambian experiencias sobre formacion (Colombian and Brazilian Militaries Exchange Experiences Regarding Operations and Processes),” *Infodefensa*, 07 July 2017. <http://www.infodefensa.com/latam/2016/07/07/noticia-colombiabrazil-ejercito-colombia-brasil-estrechan-lazos-cooperacion.html>

Colombian and Brazilian military leaders are working together to expand military and defense cooperation between the two countries. As part of the cooperation, both countries’ are sharing common experiences regarding the operation and deployment of mechanized and armored equipment. The end goal of this cooperation is to combat cross-border crime, especially along the Amazonian border, through the creation of an integrated system for regional information exchange.

Source: “Los ejércitos de Brazil y Chile intercambian experiencias en procesos de generacion y actualizacion de doctrina (Brazilian and Chilean Militaries Exchange Experiences Regarding Generational Processes and the Creation of Military Doctrine),” *Infodefensa*, 11 November 2017. <http://www.infodefensa.com/latam/2017/08/11/noticia-ejercitos-brasil-chile-intercambian-experiencias-procesos-generacion-actualizacion-doctrina.html>

Chilean and Brazilian military leaders are working together to gain a better understanding of the respective capabilities of both nations’ militaries. They are also looking to improve operational military doctrine and share lessons learned with the end goal of improving the capabilities of each nation’s military, and furthermore, to share training opportunities and to strengthen ties which will ultimately lead to enhanced regional security.



Brazilian Army soldiers during the 2003 Independence Day Parade in Brasília, Brazil.

Source: By Victor Soares/ABr (Agência Brasil [1]) via Wikimedia Commons, https://commons.wikimedia.org/wiki/File:3ABrazilian_Army_Parade.jpeg, CC BY 3.0.

“Chilean and Brazilian military leaders are working together to... improve operational military doctrine and share lessons learned with the end goal of improving the capabilities of each nation’s military, and... share training opportunities and to strengthen ties which will ultimately lead to enhanced regional security.”



Brazil Hosts First Ever Humanitarian-Logistics Exercise in South America

OE Watch Commentary: Military cooperation in South America is a growing trend with Brazil leading the way as it continues to reach out to neighboring countries to exchange ideas and enhance collaboration. A recent activity that demonstrates this is AMAZONLOG 2017; the first ever interagency humanitarian-logistics exercise in South America, hosted by Brazil. As the first accompanying passage notes, the exercise took place along the shared borders of Brazil, Colombia, and Peru in the Amazonian town of Tabatinga (Amazonas State) in early November.

AMAZONLOG 2017 was conducted by the Brazilian Army's Logistics Command, and interagency troops from Peru and Colombia. Observers from 20 other nations also attended. In total, as the second passage discusses, approximately 2,000 soldiers and many other entities also participated in this exercise. The goal of the Brazilian based exercise was to implement planning measures and create guidelines to follow in the case of a disaster in the tri-border region between Brazil, Peru, and Colombia. As part of the exercise, live simulations were conducted to assist "victims" of forest fires, earthquakes, droughts, floods and mass human displacement. In this scenario, the mass displacement victims focused specifically on refugees from Haiti and Venezuela. To best replicate challenges associated with responding to a humanitarian crisis in an area of remote access, Brazil chose challenging and hostile terrain in the Amazon rainforest where the Brazilian Armed Forces built an international logistics base which housed the Integrated Multinational Logistics Unit. Troops in this location were trained by civilians and military personnel.

Logistically, this location also forced participants to overcome challenges, given that large and cumbersome equipment needed to be transported 750 miles from the state capital of Manaus to the remote region of Tabatinga. According to the third excerpt, Brazilian Army Logistics Commander, General Oliveira said, "We all know how precarious infrastructure in the Amazon is and that there is a lack of government presence in that region. Activities like this necessitate solutions to overcome challenges and provide assistance to populations affected by disasters." The activity suggests that Latin American countries may be willing to take on enhanced roles in improving their own regional responses to humanitarian disasters. **End OE Watch Commentary (Fiegel)**

"The AMAZONLOG military exercise was sponsored by the Brazilian Army and brought together 2,000 foreign and domestic military personnel..."

Source: "Sobre o AMAZONLOG 2017 (About AMAZONLOG 2017)," *Brazilian Army Public Affairs Office*, 21 September 2017. <http://amazonlog.net/sobre-o-amazonlog-2017.html>

The Multinational Logistics Exercise will be held from November 6th to 13th, 2017, in Tabatinga, Amazonas State, in the tri-border area between Brazil, Colombia, and Peru. Throughout the region, joint actions will be developed by multinational and interagency troops from Brazil, Colombia, and Peru. The exercise will allow the participation of military personnel from partner nations and civilian personnel from related organizations.

Source: "AMAZONLOG reúne 500 militares estrangeiros em Tabatinga (AMAZONLOG Gathered 500 Foreign Countries Military Personnel in Tabatinga)," *Defesa e Segurança*, 6 November 2017. <http://defesaeseguranca.com.br/amazonlog-reune-500-militares-estrangeiros-em-tabatinga/>

The Amazonlog military exercise was sponsored by the Brazilian Army and brought together 2,000 foreign and domestic military personnel in Tabatinga (AM) and other remote areas of the country. Additionally, observers from more than 20 countries to include to Germany, Argentina, Chile, Ecuador, Mexico, France, United Kingdom, Spain, Russia, and Venezuela attended. Other entities that participated were reported as federal and state agencies such as the Brazilian Airport Infrastructure Company (Infraero, per its Portuguese acronym), the National Indian Foundation (Funai, per its Portuguese acronym), the Federal Police, and the Internal Revenue Service, amongst others.

Source: "Una brigada de operaciones humanitarias para actuar en catástrofes" (A Humanitarian Operations Brigade to Act During Public Emergencies)," *Diálogo*, 16 October 2017. <https://dialogo-americas.com/es/articles/humanitarian-operations-brigade-act-during-public-emergencies>

Brazilian Army General Guilherme Cals Theophilo Gaspar de Oliveira talked about AMAZONLOG, an interagency humanitarian-logistics exercise held in the tri-border area between Brazil (Tabatinga), Colombia (Leticia), and Peru (Santa Rosa). As part of this discussion, he stressed the difficulty of precarious infrastructure and lack of law enforcement in the region. General Guilherme Cals Theophilo Gaspar de Oliveira further indicated that the exercise was directed by the Brazilian Army's Logistics Command—currently led by Gen. Theophilo—and had observers from 20 partner nations with experience in humanitarian operations, including Germany, Canada, and the United Kingdom.



ASEAN Leaders Discuss Security Challenges

OE Watch Commentary: The leaders of the Association of Southeast Asian Nations (ASEAN) gathered for a series of meetings in Manila in November, to discuss some of the top threats and challenges facing the ten member nations. Common concerns around terrorism, maritime issues, the North Korean nuclear and missile tests, and the Rohingya crisis are bringing the ten nations closer in an effort to counter the various threats.

According to the accompanying article, terrorism is a “serious, acute, and continuing threat for the region.” Examples of terrorism include the Marawi siege, which left over 1,000 people dead and displaced another 400,000 in the Philippines. The siege has since been brought under control. However, there is concern that Southeast Asia will soon see an increased flow of returning fighters from the Islamic State of Iraq and Syria (ISIS), with the terror group having lost ground in the Middle East. As the article mentions, the group is “calling on supporters to conduct lone-wolf attacks.”

Maritime related issues brought up include piracy and drug trafficking. According to Philippine President Rodrigo Duterte, these maritime issues “put a dent in our growth and disrupt the stability of both regional and global commerce” and “continue to endanger the very fabric of our society.”

Members of ASEAN are also concerned about the North Korean nuclear and missile tests conducted in the South China Sea and the crisis in which over 600,000 Rohingya have fled Myanmar’s Rakhine state for Bangladesh. The leaders of the ASEAN nations agreed on the need to stay united on key issues affecting the region. **End OE Watch Commentary (Hurst)**

“Piracy and armed robbery in the seas put a dent in our growth and disrupt the stability of both regional and global commerce.”

- Philippine President Rodrigo Duterte

Source: Raul Dancel, “ASEAN Seeks Greater Resolve to Tackle Security Challenges,” *The Straits Online*, 14 November 2017.
<http://www.straitstimes.com/asia/asean-seeks-greater-resolve-to-tackle-security-challenges>

Fellow leaders, including Singapore Prime Minister Lee Hsien Loong, called for greater collaboration to counter terrorism, saying it “remains a serious, acute and continuing threat for the region.”

As ISIS loses ground in the Middle East, it is calling on supporters to conduct lone-wolf attacks, and South-east Asia will soon see an increased flow of returning fighters.

The Philippines, Indonesia and Malaysia are already holding joint maritime and air patrols in the Sulu Sea, but experts have said more needs to be done to stem the flow of militants and terror funding by sharing intelligence and resources.

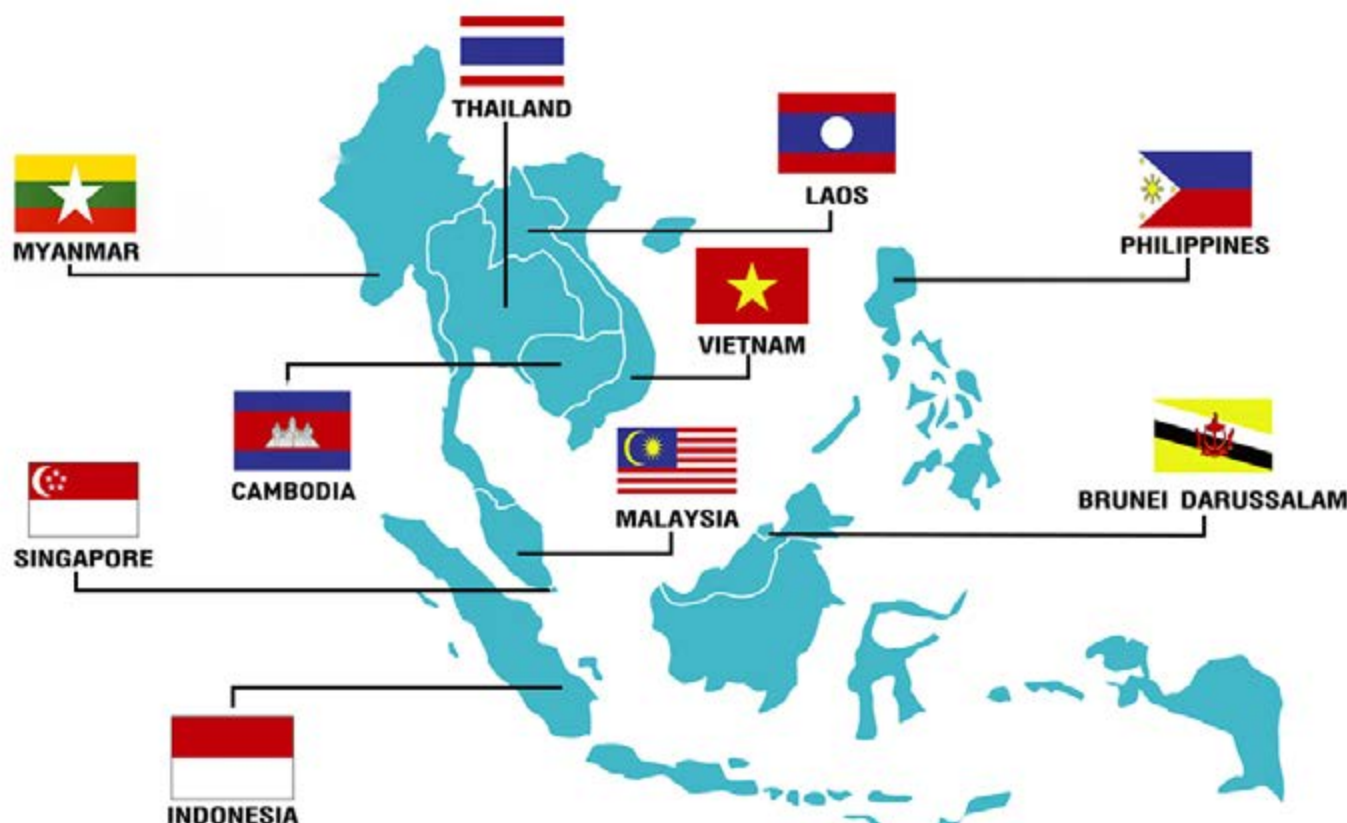
[Philippine President Rodrigo] Duterte also cited the problems of piracy and drug trafficking, saying, “Piracy and armed robbery in the seas put a dent in our growth and disrupt the stability of both regional and global commerce.”

Touching on the “menace of the illegal drugs trade,” he said it “continues to endanger the very fabric of our society.”

Leaders of Asean and China announced the start of talks on a code of conduct in the South China Sea, calling for its early conclusion.

The issue of North Korea’s recent nuclear and missile tests was also raised, with PM Lee reiterating the need to continue to call on Pyongyang to abide by international obligations and commitments...

Also raised was the ongoing crisis in which over 600,000 Rohingya have fled Myanmar’s Rakhine state for Bangladesh. Mr Duterte’s spokesman Harry Roque said two Asean members raised the issue, and Myanmar welcomed offers of humanitarian aid for the displaced.



Map showing ASEAN member states.

Source: By Sidney KH (Own work) via Wikimedia Commons, <https://upload.wikimedia.org/wikipedia/commons/6/6d/Khmerall.jpg>, CC BY-SA 4.0.



China Unveils World's Fastest Amphibious Assault Vehicle

OE Watch Commentary: China claims to have built the world's fastest amphibious assault vehicle. The accompanying article discusses a television video report during which the vehicle-- the VN18-- was revealed, showing it sailing at sea. The article notes that the VN18 was produced by China's weapons maker, the Norinco Group, and claims that it can reach speeds up to 30 kilometers per hour (19 mph). It reportedly can reach a maximum ground speed of 65 kilometers per hour (40 mph), carrying a cannon, a machine gun, and 14 people onboard. It is made using light-weight aluminum alloys and has an engine that produces 1,600 horsepower.

China has made indigenous innovation a top priority and national policy. The country's innovation tempo has clearly picked up over the past decade. As the article states, "the VN18 is another example of China's innovative power." **End OE Watch Commentary (Hurst)**

Source: "Chinese Firm Builds 'Fastest' Amphibious Assault Vehicle," *China Global Television Network (CGTN)*, 20 November 2017. http://english.chinamil.com.cn/view/2017-11/20/content_7833563.htm

China's weapons maker, Norinco Group, said its VN18 is the world fastest amphibious assault vehicle...The report showed videos of the VN18 sailing at sea, saying that it can sail at a speed up to 30 km/h, which is the fastest of its kind in the world.

"On the waters, it's like a car running at 120 km/h on a highway," said Tan Yongyao, manager of R&D at Norinco.

The vehicle's maximum ground speed is 65 km/h, with a cannon, a machine gun and 14 people on board, according to the report.

Aluminum alloys are employed to build the vehicle body. The metal is lightweight compared to steel.

...Commentators said in the report that the VN18 is another example of China's innovative power.

"China's weapons maker, Norinco Group, said its VN18 is the world's fastest amphibious assault vehicle..."



Chinese ZBD-05, a precursor to the VN-18, during Naval landing operation held within the Russian-Chinese exercise Naval Interaction-2015.

Source: Ministry of Defence of the Russian Federation, <http://eng.mil.ru/en/multimedia/photo/gallery.htm?id=24299@cmsPhotoGallery>, CC 4.0.



Rohingya Crisis: Will China's Mediation Succeed?

by Sudha Ramachandran

Republished in collaboration with the Jamestown Foundation, China Brief, Vol. 17, Issue 15, dated 22 November 2017, Edited for OE Watch. For the full article, see: <https://jamestown.org/program/rohingya-crisis-will-chinas-mediation-succeed/>

OE Watch Commentary: During his visits to Dhaka, Bangladesh and Naypyitaw, Myanmar on 18 and 19 November, China's Foreign Minister Wang Yi put forward a three-phase plan to resolve the Rohingya crisis. China's plan has reportedly found acceptance in Naypyitaw and Dhaka, and marks the start of a new phase in Beijing's involvement in the Rohingya conflict. China's role has hitherto been limited to providing humanitarian aid to the Rohingya refugees and protecting Myanmar from international censure. Why is China now adopting a mediatory role in the conflict? And can it bringing peace to a restive region?

As the accompanying passage discusses, China's plan entails a ceasefire in Myanmar's Rakhine state, which is at the center of the crisis. Aimed at restoring order and stability in the Rakhine state, the ceasefire is expected to halt the flow of Rohingya refugees to Bangladesh. China envisages that this will pave the way for the second stage: negotiations between Myanmar and Bangladesh to address the refugee problem. The third and final stage will involve the economic development of the Rakhine state to address the underlying causes of the violence.

China's interest in the Rakhine state stems from its strategic location and rich resources. The Rakhine state plays a significant role in China's Belt and Road Initiative (BRI). The state is located on the Bay of Bengal, which opens into the Indian Ocean. Like Pakistan's Gwadar port, which enables Beijing to transport West Asian oil, gas and other commodities through a shorter route via Pakistan to underdeveloped western China, the long Rakhine coastline provides southern China with access to the sea and eastern China with a shorter route to the Indian Ocean. Ports and pipelines in Rakhine significantly free China's trade with Africa and West Asia, especially its oil imports, from dependence on the congested Straits of Malacca. As a result, the stability of Rakhine is regarded as important to the success of the BRI.

Additionally, Rakhine is rich in natural resources. Large gas reserves were discovered in the waters off its coast in 2004. Beginning in 2008, China has bought gas from the area and transported it from Kyaukphyu on Rakhine's coast to China's Yunnan Province through the Myanmar-China Gas Pipeline since 2013. This gas meets the needs of China's Yunnan, Guizhou and Guangxi provinces as well as that of other counties and cities. Since April this year, oil from Rakhine is being transported to China through a pipeline running parallel to the gas pipeline.

In the past, China avoided playing mediator in conflicts beyond its borders, arguing that this went against its principle of non-interference in the internal affairs of sovereign countries. However, in recent years it has shown increasing willingness to mediate an end to conflicts. It has, for instance, been involved in efforts to bring the Afghan government and the Taliban to the negotiation table; and undertook shuttle diplomacy between Afghanistan and Pakistan to arrest spiraling tensions between the two neighbors. China appears to be taking on a mediatory role in regions where it has strong economic and other interests, and this appears to be the primary motivation behind Beijing's mediation in the Rohingya crisis as well.

However, China's promotion of a military-economic development approach to the Rohingya crisis can be expected to worsen the conflict. Development of a violent region by external actors rarely benefits locals, as seen in Pakistan's Baluchistan province. China's development of Gwadar port in the region prompted militants to target outsiders. Projects in Rakhine are likely to benefit foreign investors, Rakhine Buddhists and the Barmar majority, not the marginalized Rohingya. Development that does not result in economic inclusion of the Rohingya will deepen existing grievances and generate new conflicts.

China may have significant political and economic influence in Bangladesh and Myanmar but it lacks other qualities that a mediator would need to succeed in settling the Rohingya conflict. Notably, Bangladesh believes that China is biased towards Myanmar, and Beijing's substantial economic and other interests in Rakhine can be expected to fuel Myanmar's suspicions of China's intentions and actions. Thus, Chinese mediation is unlikely to resolve the Rohingya conflict. At best, its intervention could keep a lid on the violence being unleashed by the Myanmar military in the Rakhine state. This could usher in a measure of stability but not peace in Rakhine. In the future, China can be expected to offer to mediate in conflicts within and between countries where it has significant interests, especially involving countries that are part of BRI. **End OE Watch Commentary (Ramachandran)**

“China proposed a three-phase solution to help settle the issue in Myanmar's Rakhine state.”

Source: “China proposes three-phase solution to Rakhine issue in Myanmar: FM,” *Global Times (China)*, 20 November 2017. <http://www.globaltimes.cn/content/1076114.shtml>

Chinese Foreign Minister Wang Yi said on Sunday that China proposed a three-phase solution to help settle the issue in Myanmar's Rakhine state.

...

The first phase is to achieve a ceasefire so that local residents can no longer be displaced. Through joint efforts, the ceasefire has been in place, Wang said.

Second, the international community should encourage Myanmar and Bangladesh to keep communication in a bid to find a feasible solution to the issue, he said. The two countries have reached an initial agreement on repatriation of refugees fleeing to Bangladesh from Myanmar.

The third phase is to find a long-term solution. Stressing that poverty is the root cause of turbulence and conflict, the Chinese foreign minister called on the international community to support poverty alleviation efforts in Rakhine state.



China's Relationship with Chile

by R. Evan Ellis

Republished in collaboration with the Jamestown Foundation, China Brief, Vol. 17, Issue 15, dated 22 November 2017, Edited for OE Watch. For the full article, see: <https://jamestown.org/program/chinas-relationship-chile-struggle-future-regime-pacific/>

OE Watch Commentary: During the Asia Pacific Economic Cooperation forum (APEC) leaders summit in November, China upgraded a free-trade agreement with Chile, building on a free-trade deal first signed in 2005. The first accompanying passage from the *China Daily* discusses the significance of this agreement, pointing out the strength of the economic and political relationship that China has built with Chile, and the influential position Chile currently occupies in shaping Chinese engagement with Latin America. China's relationship with Chile has multiple elements that distinguish it from its relationship with others in Latin America. As the passage notes, Chile is the first Latin American country to sign a free trade agreement with China, making it a key indicator of Chinese advancement into South America and the new version of the Trans-Pacific Partnership, denoted as "TPP 2."

Chile has been one of the most successful countries in the region in establishing a national brand in China and positioning its products in the non-commodity goods segment of the Chinese market. Chile last year replaced Vietnam as the principal supplier of fresh fruit imported by China. It successfully positioned its cherries, table grapes, blueberries as luxury goods in China. Chilean wines have achieved similar recognition in China, as consumption by the Chinese middle class grows.

Despite such success, and Chile's reputation for efficiency, security, and rule of law, investment by Chinese companies in the country ranks among the lowest in the region. The Chilean government has taken note of the contrast between its successes in exporting its products to China, with its inability to attract significant Chinese investment. Ironically, the lack of Chinese direct investment in the country partially reflects Chile's relatively good governance and strong institutions; Chinese companies often prefer to invest where they can secure state-to-state deals on preferential terms. Chile, with its good access to capital markets has not felt compelled to adapt its laws and regulations, such as those governing public procurement, to attract Chinese loans or investors.

Chile's stable and developed financial system and access to international capital markets has limited the need for loans from Chinese policy banks such as China Development Bank and China Export-Import bank, often tied to the use of Chinese companies and laborers in the projects financed. Yet the same strength and sophistication of Chile's financial system has also allowed the country to become the regional hub for clearing transactions conducted in Chinese renminbi (RMB). As the second accompanying passage discusses, the two countries have invested \$189 million to establish a clearing bank in Chile, tied to China Construction Bank, as well a \$3.5 billion currency swap agreement between the central bank of Chile and the People's Bank of China. Chile was one of the first Latin American companies to join the PRC-sponsored Asia Infrastructure Investment Bank (AIIB), in May 2017.

Chinese activities in Chile's defense sector have been minimal. Nonetheless, in June 2015, Chile's Minister of Defense Jose Antonio Gomez traveled to the PRC to meet with his Chinese counterpart, Chang Wanquan to boost defense cooperation. A modest number of Chilean officers regularly travel to China for professional military education programs, and Chinese arms companies also had a significant presence at the Exponaval trade show in Santiago.

Ultimately, Chile's relationship with China will be critical in shaping the dynamics of China's relationship with Latin America in general. As noted, Chile's success in placing products in the PRC has made its practices an important reference for the rest of the region. Reciprocally, its insistence on not bending Chilean laws and contracting procedures to accommodate Chinese companies, as occurred in many other countries across the region, provides an important indication of whether it is possible to attract Chinese investment and maintain a healthy business relationship within the framework of a nation's existing laws and regulations.

Chile's orientation toward China will also be important at the regional level. In the wake of the US withdrawal from the TPP, the support of Chile will be instrumental in taking forward the TPP 2, which would make an important contribution in defining a Trans-Pacific commercial regime which addresses non-tariff barriers to trade, and which protects the intellectual property of the participating nations far more than the alternative "Free Trade Area of the Asia-Pacific" currently being promoted by China. **End OE Watch Commentary (Ellis)**

Source: "Xi, Bachelet witness upgrade of China-Chile FTA," *China Daily*, 13 November 2017. http://www.chinadaily.com.cn/business/2017-11/13/content_34477605.htm

Chinese President Xi Jinping and his Chilean counterpart, Michelle Bachelet, on Saturday [11 November] witnessed the signing of a bilateral deal on upgrading the Free Trade Agreement (FTA) between the two countries.

Xi underlined that this is China's first FTA upgrade completed with a Latin American country.

The upgraded agreement will unleash new impetus for the practical cooperation between China and Chile and set a new benchmark for China's cooperation with other Latin American countries as well as a new role model to the world, he said.

Bachelet congratulated Xi on the success of the 19th National Congress of the Communist Party of China and wished that greater achievements would be made in the implementation of the Belt and Road Initiative.

The Chile-China relationship has made many firsts in the course of developing relations between Latin America and China, said Bachelet, adding that her country will carry forward the pioneering spirit and advance the practical cooperation between the two sides.

Chile is the first Latin American country to sign a free trade agreement with China.

Source: "Spotlight: China opens first RMB clearing bank in South America," *Xinhuanet.com*, 22 June 2016. http://news.xinhuanet.com/english/2016-06/22/c_135457108.htm

"China Construction Bank (CCB) has opened the first clearing bank for transactions in renminbi (RMB) in South America in Chile's capital Santiago, the CCB said on Tuesday.

...The South American branch of the CCB, one of the world's top 10 banks, will not only help boost economic and trade exchanges and financial collaboration between China and Chile, but also help the bank expand its services in Latin America, said Guo [Guo You, president of the CCB's Supervisory Council]."



China Considers “Defensive Mobilization” for Potential War on Korean Peninsula

OE Watch Commentary: The 2018 Global Times Annual Conference was held in Beijing, China on 16 December. One of the panel discussion topics was, “Will the condition in the [Korean] peninsula bring about severe military conflict?” As the first accompanying passage from a Chinese newspaper points out, YinHong Shi, international relations professor from Renmin University, stated that “current conditions on the Korean peninsula now make for the biggest risk of a war in many years.” As the passage discusses, a common perception among the conference guest speakers was “a peninsula war was imminent and could break out at any moment.” As the second passage notes, a former deputy commander of the Nanjing Military Region predicted it could happen at any time before next March. As a result, he claimed that China, especially the Northeast region that borders the peninsula, should mobilize “for defensive purposes” and be prepared for war. As the second passage also notes, another military expert said that “military defense will be activated in the border area, deploying anti-missile weapons, while humanitarian aid should be prepared for potential North Korean war refugees.” **End OE Watch Commentary (Chen)**

“...current conditions on the Korean peninsula now make for the biggest risk of a war in many years.”

Source: Changyin Lu, “时殷弘：目前是多年来半岛爆发战争可能性最大的时候 (Yinhong Shi: The peninsula now faces the biggest risk of a war in years),” *Global Times*, 16 December 2017. <http://world.huanqiu.com/exclusive/2017-12/11454121.html>

During the 2018 Global Times Annual Conference, YinHong Shi, international relations professor from Renmin University, stated that current conditions on the Korean peninsula now make for the biggest risk of a war in many years.

Shi pointed out that historically the majority of the wars derived from interaction among the involving parties. Inspired by the progress it made in nuclear technology, Pyongyang strives to make a last shot in possessing nuclear weapons. The threats of military strikes from President Trump and US allies further convinced Pyongyang that its only option to ward off such military strikes is to seize the time in developing nuclear weapons.

On the other hand, Shi portrayed Trump’s strategy toward Pyongyang as “two knives” One is unprecedented intensive threat of using military force against the state, while the other is to frighten it economically by pressuring China and other U.N. members to cut their trade ties with Pyongyang. Such strategy will inevitably cause Kim to expedite the nuclear program, which in turn compels Trump to use his two knives more frequently.

Very complicated and imminent factors are at play right now as both parties wrestle against one another. As a result, the risk of a peninsula war is at the highest in many years because of Trump and Kim. However, both Trump and Kim are concerned about the massive danger and cost from the war. It will be an unprecedented disaster to the bordering countries should war break out.

Source: Deng Xiaoci, “China should prepare to defend against war in Korean Peninsula: expert,” *Global Times (China)*, 17 December 2017. <http://www.globaltimes.cn/content/1080722.shtml>

China should prepare for war defensively and be mentally prepared for it anytime on the Korean Peninsula, a former senior military official said on Saturday.

Lieutenant General Wang Hongguang, former deputy commander of the Nanjing Military Area Command, made the statement at an annual Global Times forum on Saturday.

“The war on the Korean Peninsula might break out anytime between now and March next year,” Wang said, stressing that “China should be psychologically prepared for a potential Korean war, and the Northeast China regions should be mobilized for that.”

“Such mobilization is not to launch a war, but for defensive purposes,” he added.

“Defensive mobilization” focuses mainly on the military, a passive coping mechanism in the country’s bordering regions which could be affected by nearby battles, Song Zhongping, a military expert and a TV commentator, told the Global Times on Sunday.

The military defense will be activated in the border area, deploying anti-missile weapons, while humanitarian aid should be prepared for potential North Korean war refugees, Song added.

“China should be psychologically prepared for a potential Korean war, and the Northeast China regions should be mobilized for that.”



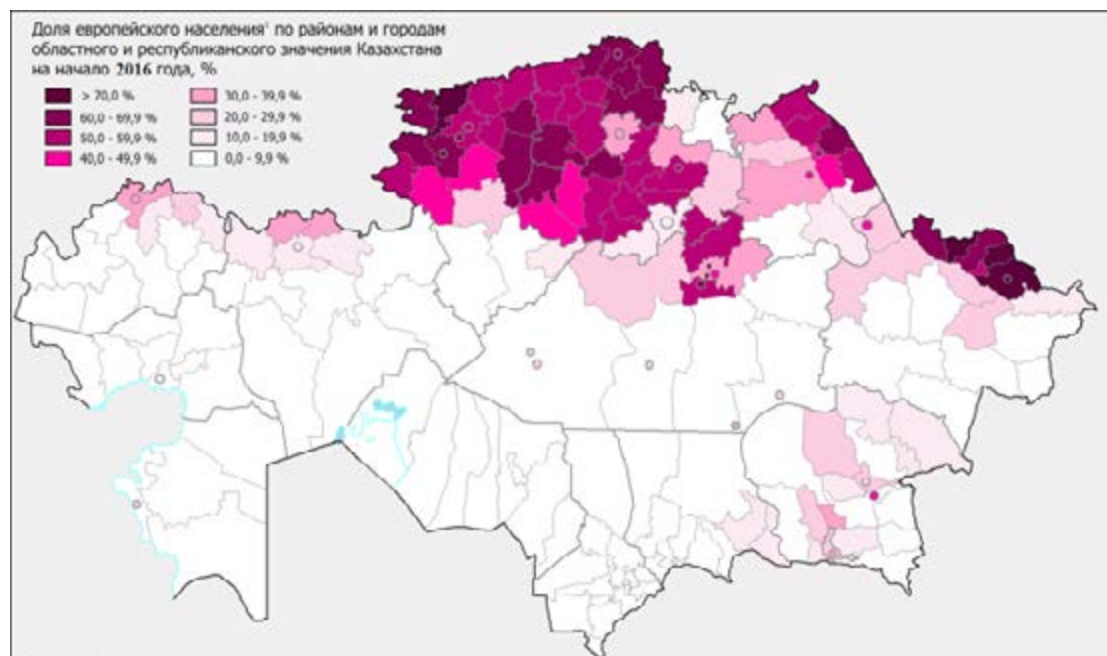
Kazakhstan's New Military Doctrine

OE Watch Commentary: Kazakhstan's Ministry of Defense (MoD) recently published its new military doctrine. While it is similar to the previous version from 2011, the new doctrine has an important addition: the threat of hybrid war. The accompanying passage by Dosym Satpayev, a well known political-security analyst, discusses this addition in an article in *Ratel*, a Russian-language news website in Kazakhstan.

The article looks at the addition of hybrid war and describes one of its main goals as “undermin[ing] the legitimacy and authority of the existing regime, which can then be replaced.” He also points out that the updated Russian military doctrine also incorporated a new kind of threat defined as “a change of power or the emergence of a hostile regime in a neighboring state” and that “the Kremlin very successfully applied various methods of hybrid war during and after the annexation of Crimea.” Satpayev questions “if [Kazakhstan] is ready for hybrid conflicts, especially in conditions when a part of the population is under the influence of other states and non-state actors, including extremist groups.”

As Russia became involved in Ukraine, there was concern in Kazakhstan about the ethnic Russian population in northern Kazakhstan (bordering Russia); namely that the situation would be a repeat of what happened in eastern Ukraine. The Kazakh government has been concerned with the threat of the northern regions of Kazakhstan breaking off from the country since before the conflict in Ukraine; but this is the first time that it has incorporated it into the national military doctrine. Satpayev notes that the new doctrine “is defensive in character” and how the 2011 doctrine stated that “defense spending in Kazakhstan must be no less than one percent of the country's GDP.” The new doctrine does not explicitly state that defense spending must be one percent of the GDP, but it does state that the military-industrial complex of Kazakhstan will continue to be developed.

Satpayev mentions that increased defense spending “is happening at the expense of other spheres” and states: “The main guarantee of our security, in addition to immunity from hybrid wars, is not our armed forces or even multiple international agreements, but long-term political stability and real socio-economic development.” While a number of other sources in Kazakhstan have made similar statements, the government believes that the country's military-industrial complex is becoming an important sector of the economy and will likely continue to grow. The article demonstrates that the Kazakh Armed Forces is looking more closely at hybrid threats, but how it works to combat them is an ongoing debate. **End OE Watch Commentary (Stein)**



The percentage of Russians, Ukrainians, Germans, Poles by the regions and cities of Oblast level and republican subordination of Kazakhstan at the start of 2016.

Source: Sibom via Wikimedia, https://commons.wikimedia.org/wiki/File:3AKazakhstan_European_2016_Rus.png, CC BY-SA 4.0.

“...it is unknown if the country is ready for hybrid conflicts, especially in conditions when a part of the population is under the influence of other states and non-state actors, including extremist groups.”

Source: Satpayev, Dosym. “Готов ли Казахстан к гибридной войне? (Is Kazakhstan prepared for a hybrid war?),” *Ratel*, 10 October 2017. http://www.ratel.kz/outlook/gotov_li_kazahstan_k_gibridnoj_vojne

Four military doctrines have been written in Kazakhstan during its period of independence, in 1993, 2000, 2007 and 2011...the world has undergone major changes over the past six years...One of the main goals of hybrid attacks is to undermine the legitimacy and authority of the existing regime, which can then be replaced. In the updated Russian military doctrine, a change of power in a neighboring state or the emergence of hostile regime was named as a new kind of threat... As the Ukrainian conflict showed, the Kremlin very successfully applied various methods of hybrid war during and after the annexation of Crimea...

...it is unclear how the Ukrainian events influenced the upgrade of the military doctrine of Kazakhstan, with an emphasis on hybrid threats. Already in March 2015, during a meeting within the Ministry of Defense of Kazakhstan, a statement was made that military training in Kazakhstan would be carried out with consideration of modern military conflicts. However, it is unknown if the country is ready for hybrid conflicts, especially in conditions when a part of the population is under the influence of other states and non-state actors, including extremist groups...

All of Kazakhstan's military doctrines have a strictly defensive character. This time as well stressed that the “military doctrine is defensive in character and reflects Kazakhstan's commitment for defending national interests”...the military doctrine of 2011 clearly states that the goal of defense spending in Kazakhstan must be no less than one percent of the country's GDP. There have been suggestions to increase it to 1.5 percent and this has apparently begun. According to the Stockholm Peace Research Institute (SIPRI), in 2015, Kazakhstan had \$1.9 billion, or 1.2 percent of GDP in military spending...

...the growth of defense spending in Kazakhstan also brings up questions, such as if this is happening at the expense of other spheres...except for healthcare, other social area areas – like education – expenditures are falling, while defense is growing...The main guarantee of our security, in addition to immunity from hybrid wars, is not our armed forces or even multiple international agreements, but long-term political stability and real socio-economic development...In the end, if local authorities do not “fight” with their own people, any external threats are not as awful.



India's Reaction to Russian Security Cooperation with Pakistan

OE Watch Commentary: India has maintained a good relationship with Russia for a number of years, particularly through security cooperation. The accompanying excerpted articles show how Indian-Russian security cooperation may change over the next several years, particularly given Russian security cooperation with India's rival, Pakistan.

The first article from the *Times of India*, an English language newspaper, discusses Russia's recent improvement of relations with Pakistan and how the Russian government is working to assuage India that it will not affect its relationship with it. The article includes statements from Nikolay Kudashev, the Russian Ambassador to India, that Russia's recent "joint exercises with Pakistan were focused only on antiterror operations." This statement came "after the first tri-Service "Indra" military exercise between the Indian and Russian armed forces." The "Indra" military exercise has taken place annually since 2003 with the Navies of Russia and India and this year expanded to include ground forces and aircraft.

The second article from *Newsline*, a Pakistani English language magazine, looks at the improvement of ties between Pakistan and Russia and notes that they "have been warming up since 2014, when Russia formally lifted an arms embargo against Pakistan, in place since the Afghan war." As the article also notes, the warming up of relations has resulted in not only "a deal to for Pakistan to purchase four Russian made MI 35M attack helicopters," but also the recent "joint military exercise between the two nations." While some in Pakistan think that this signifies "the emergence of a new regional bloc," the author believes that "there cannot be a regional alliance in South Asia sans India." Other sources in Pakistan note that the relationship is still in an early stage.

The article from *Business Standard*, an English language Indian daily newspaper, does not mention Russian-Pakistani relations, but reports on India's plans to procure new tanks and infantry combat vehicles and this is one area where the Indian government could move away from security cooperation with Russia. The article mentions how the Indian Armed Forces are looking to manufacture what it calls "Future Ready Combat Vehicles" to "replace the ageing T-72 fleet." According to Lieutenant General M J S Kahlon, the Indian Army planning chief, the "process involves identifying a mature, in-service tank in the world, which can be tweaked to meet our requirements." While General Kahlon states that "this would be the first time indigenous production would take care of our armoured requirements," the article mentions that India will "upgrade the existing T-72 tank fleet to remain battle-worthy till the new platforms are inducted." The article also says that the "FRCV is intended to carry out roles other than that of a tank." India could turn to Russia to upgrade its inventory of T-72s and Russia is in a position to bid for the FRCV with its Armata platform, which could fulfill the multiple roles that India is looking to get out of the FRCV. Whether India opts for this option might depend on how far Russia pursues security cooperation with Pakistan. **End OE Watch Commentary (Stein)**

"Since the FRCV [Future Ready Combat Vehicles] and FICV [Future Infantry Combat Vehicles] projects are time-consuming projects, the army will simultaneously upgrade the existing T-72 tank fleet to remain battle-worthy till the new platforms are inducted..."

Source: "Russia allays India's fears, plays down drill with Pakistan," *The Times of India*, 2 November 2017. <https://timesofindia.indiatimes.com/india/russia-allays-indias-fears-plays-down-drill-with-pakistan/articleshow/61428230.cms>

Russia said on Wednesday that its relations with India were second to none in the world to downplay its recent joint military exercise with Pakistan, even as it stressed the need for "an open security architecture with space for all"... "Our relations with India are a privileged strategic partnership, second to no other country, while we have a normal inter-state relationship with Pakistan," said Russian ambassador Nikolay Kudashev.

Talking to journalists after the first tri-Service "Indra" military exercise between the Indian and Russian armed forces concluded in Vladivostok on Sunday, Kudashev said his country's joint exercises with Pakistan were focused only on antiterror operations. Russia has begun to hold the "Druzba" (friendship) military exercises with Pakistan since last year...

Source: Aasim Zafar Khan "The Moscow Tilt," *Newsline*, 23 November 2017. <http://newslinemagazine.com/magazine/the-moscow-tilt/>

Foreign policy experts in Pakistan are a dime a dozen, especially when it comes to the big four: Washington, New Delhi, Beijing and Kabul. Every evening on prime time television, and every morning on the op-ed pages of our newspapers, these experts help us commoners navigate the delicate intricacies of our foreign policy. However, of late, they're a little stumped, because of the entry of a new kid on the block: Mother Russia.

Outreach efforts between the two countries have been warming up since 2014, when Russia formally lifted an arms embargo against Pakistan, in place since the Afghan war. In 2016, during then Chief of Army Staff (COAS) General (retd.) Raheel Sharif's visit to Moscow, a deal to purchase four Russian made MI 35M attack helicopters was inked, and the machines were received two months ago.

Most recently, the current COAS, General Bajwa, also visited Russia, to witness a joint military exercise between the two nations...local analysts/strategists, who are professionally disposed against the workings of chance, went into overdrive, hailing the emergence of a new regional bloc...there is much talk about the new bloc in the region: Islamabad, Beijing and Moscow. Or, if one looks at it in a certain light, a minus India bloc...There cannot be a regional alliance in South Asia sans India...

(continued)

Continued: India's Reaction to Russian Security Cooperation with Pakistan

Source: Shukla, Ajai "Army sets ball rolling for biggest-ever arms deal," *Business Standard*, 16 November 2017.

http://www.business-standard.com/article/economy-policy/army-sets-ball-rolling-for-biggest-ever-arms-deal-117111600075_1.html

Army Chief General Bipin Rawat and a battery of senior generals on Wednesday explained the details of India's biggest-ever weapons acquisition — the ongoing procurement of futuristic tanks and infantry combat vehicles (ICVs)...The generals told a defence industry gathering that the mechanised forces would be boosted on three parallel tracks. The first is the manufacture of 1,770 advanced, 50-tonne tanks — termed Future Ready Combat Vehicles (FRCVs) — under the "strategic partner" policy to replace the ageing T-72 fleet..."This process involves identifying a mature, in-service tank in the world, which can be tweaked to meet our requirements," said Lieutenant General M J S Kahlon, the army's planning chief...While the FRCV will be a derivative of an in-service tank, the "future infantry combat vehicle" (FICV) will be a brand-new, futuristic system...

Kahlon pointed out that this would be the first time indigenous production would take care of our armoured requirements. "So far, we bought all our armour on a government-to-government basis — from the west till late 1960s and from the Soviet Union and Russia since then." That dependence forced the army to adapt its warfighting doctrines to platforms that had never been designed with India's tactical needs, geography and manpower in mind. "We bought what was available and adapted our doctrines onto that," rued Kahlon. Since the FRCV and FICV projects are time-consuming projects, the army will simultaneously upgrade the existing T-72 tank fleet to remain battle-worthy till the new platforms are inducted. Shivane said T-72s would get more powerful engines, day- and night-vision thermal sights, and improved guns and ammunition.

The FRCV is intended to carry out roles other than that of a tank. The RFI states it will be the base platform for a range of additional armoured vehicles, including self-propelled artillery and air defence guns, mine trawls, bridge-layer tanks (BLTS), armoured engineering vehicles, etc...



T-72 Ajeya.

Source: Vikramaadityasumbria via Wikimedia, https://commons.wikimedia.org/wiki/File%3AIndian_Army_T-72_Ajeya.JPG, CC BY-SA 3.0.



Georgia: A Counterterrorism Operation Raises Questions

OE Watch Commentary: When Georgian security forces conducted an intense, 20-hour long special counterterrorism operation in Tbilisi on 21-22 November, it generated a lot of attention in the Georgian and international media, particularly since this kind of incident rarely happens in Tbilisi. The accompanying excerpted articles report on the operation, which resulted in the death of a high-profile member of the Islamic State of Iraq and Syria (ISIS). As the excerpts demonstrate, the operation has also raised important questions about security in Georgia.

The first article from *Civil Georgia*, an English language independent online news agency, reports that the Georgian government confirmed the identity of one of the people killed in the operation as Ahmed Chatayev. The article briefly recounts the operation and notes that “one of the main questions – how the group managed to enter Georgia undetected – remains unanswered.” The article also notes how “Chatayev was wounded and arrested by the Georgian police following the Lopota gorge clash in late August 2012” and that later “Georgian prosecutors dropped the case against him in January 2013, citing absence of evidence.”

While Georgians might immediately associate Chatayev with the Lopota incident in 2012, the article from *Novaya Gazeta*, an independent Russian newspaper, recounts Chatayev’s involvement in a number of conflicts, providing some insight into the clash with Georgian security forces in Tbilisi. The article reports that Chatayev “took part in the second Chechen War,” later “fled to Europe with his family” and “convinced Austria to grant him political asylum.” The article also notes that “Over the past ten years (Chatayev) was arrested five times: in Russia, Ukraine, Bulgaria, Sweden and Georgia” and “released (every time) for lack of evidence.” The article states that “there were always influential politicians or international organizations that advocated for him – a political refugee pursued by Russian authorities.” After Georgian authorities dropped charges against Chatayev for his involvement in the Lopota Gorge incident, the article notes that “he went to Syria” and “led the “Yarmuk” battalion – a unit of Chechens in ISIS [the Islamic State of Iraq and Syria].” Most notably, Chatayev “was believed to be the organizer” of the 28 June 2016 attack on the Istanbul airport and he reportedly threatened Georgian authorities from Syria. Chatayev ultimately failed to carry out a terrorist attack, if that was in fact his goal, but many in Georgia still question how someone with such a high-profile (Chatayev was also well-known for having lost his left leg and right hand in various conflicts) and ties to terrorist groups could have made it into the country. **End OE Watch Commentary (Stein)**

“As a result of the 20-hour special operation, two members of the criminal group were killed, while one person remaining in the apartment – Ahmed Chatayev – detonated himself.”

Source: “Chatayev among Killed Suspects, Security Service Confirms,” *Civil Georgia*, 1 December 2017. <http://www.civil.ge/eng/article.php?id=30690>

Georgian State Security Service issued a statement on December 1, confirming that one of the three terrorism suspects killed during the anti-terrorist operation in Tbilisi on November 21-22 was an ISIS member Ahmed Chatayev. The SSS [State Security Service of Georgia] said Chatayev’s identity has been confirmed “through investigative activities and examinations... including DNA and finger prints analysis.”

...at the beginning of the operation, “for several hours the SSS Counterterrorist Department was conducting negotiations [with the suspects] regarding their surrender.” The suspects, says the SSS, refused to do so, opening fire and throwing hand grenades at the security forces members. “As a result of the 20-hour special operation, two members of the criminal group were killed, while one person remaining in the apartment – Ahmed Chatayev – detonated himself...”

...One of the main questions – how the group managed to enter Georgia undetected – remains unanswered...The operation claimed the life of one security forces serviceman, with another four wounded...Chatayev was wounded and arrested by the Georgian police following the Lopota gorge clash in late August 2012, but was soon released from jail on bail. Georgian prosecutors dropped the case against him in January 2013, citing absence of evidence.”

Source: Gordienko, Irina. “Ловушка (A Trap),” *Novaya Gazeta*, 23 November 2017. <https://www.novayagazeta.ru/articles/2017/11/23/74650-nomer-odin>

...This kind of fighting has not been seen in usually quiet Tbilisi for some time... On November 23, Georgian media, citing a number of sources in the Security Council, reported that among those killed was Ahmed Chatayev, a close associate of the leader of the Caucasus Emirate (an organization banned in Russia) Doku Umarov, and an associate of the head of the Islamic State, al-Baghdadi...

...Chatayev was born in the Chechen village of Vedeno in 1980 and took part in the second Chechen War, during which he lost his right hand...In the early 2000s he fled to Europe with his family. Russia declared Chatayev wanted through Interpol, but in 2003 he convinced Austria to grant him political asylum...Over the past ten years, he was arrested five times: in Russia, Ukraine, Bulgaria, Sweden and Georgia...He was released (every time) “for lack of evidence” and there were always influential politicians or international organizations that advocated for him – a political refugee pursued by Russian authorities.

In August 2012 Chatayev was connected to the scandalous anti-terrorist operation in the Georgian village of Lapankuri on the border with Dagestan. According to the official version, a group of 20 well-armed men infiltrated Georgia from Dagestan...As a result of a special operation, 11 men were eliminated, all of them Kists who came from the Pankisi Gorge of Georgia... During the operation, Chatayev was wounded and surrendered a few days later. The newly elected government of Bidzina Ivanishvili freed Chataev because of a new “Amnesty” law...Chatayev moved to Turkey after the amnesty and in February 2015 it became known that he went to Syria, where he swore allegiance to the head of ISIS...

Chatayev led the “Yarmuk” battalion – a unit of Chechens in ISIS. However, he could not take part in the fighting: after the loss of his right hand, he lost his left leg during the counter-terrorist operation in Georgia... In June 2016 a major terrorist attack took place at the Istanbul International Airport, killing 43 people and injuring 240...Chatayev was believed to be the organizer...In 2016 Chatayev sent the Georgian authorities a threat from Syria. He demanded the release of the former imam of a village in Pankisi, Ayub Borchashvili (serving a 14 year sentence). If the demand was not met, Chatayev threatened terrorist attacks in Georgia...



The Wagner Private Military Company

OE Watch Commentary: Since the collapse of the Soviet Union, the Russian Federation has developed a burgeoning private security sector, employing between 800,000-1,200,000 personnel, plus an estimated 200,000 people working in the industry without proper documentation. (Russia's gas conglomerate Gazprom's security service alone employs 20,000.) Private security services cover a wide swath of activities including personal protection, intelligence, counterintelligence, and facility protection. Although private security forces are common in today's Russia, they have only been used for domestic purposes or for safeguarding Russian industrial interests abroad. Where Russian private security forces have traditionally not been found, is on the battlefield. In the Russian system, the idea of contractors on the battlefield is a foreign concept, and contractors have rarely been used as stand-ins for military personnel or state employees. When private contractors are encountered in the Russian military, they are usually found in technical support roles and hired by a state controlled company.

The accompanying article from *Novaya Gazeta* discusses how Russian military contractors are now being used on the battlefield. Unlike in the West where Private Military Companies (PMCs) usually provide personnel that fill combat support and combat service support positions, the Russian PMC Wagner provides complete motorized rifle, tank, and artillery units. The Wagner PMC is the informal name of the private military company led by Dmitriy Utkin, a retired lieutenant colonel and former commander of a unit in the 2nd GRU (Main Intelligence Directorate) Spetsnaz Brigade. The Wagner PMC first became widely known in 2014, during the height of fighting in the Donbas, where it was actively engaged in fighting with the separatists against the Ukrainian government. Reports of Wagner being involved in the Syria campaign started to surface in October 2015. Since then, Wagner has been involved in the liberation of Palmyra and Aleppo from the Islamic State of Iraq and Syria (ISIS). Today, Wagner employs an estimated 6,000 personnel, with approximately 2,500 of them currently working in Syria.

The Wagner PMC forces in Syria are organized into four reconnaissance and assault brigades, with each brigade having three companies, and each company having up to 100 personnel. In addition, there is an artillery battalion (three batteries, each with approximately 100 personnel); a tank company (50 personnel in three platoons, each with four tanks); a sabotage and reconnaissance company (about 150 personnel); a signal company (about 100 personnel); staff and support (about 200 personnel). Although there is no official relationship between the Russian government and the Wagner PMC, it is obvious that Wagner is at least supported, and likely partially funded by the Russian government. Wagner reportedly trains its personnel at the 10th Spetsnaz Brigade's military training ranges and other facilities. The personnel are equipped from government depots, and transported to Syria on Russian Navy vessels and military aircraft.

Although the Russian government appears to be a fan of PMCs, legislation fully legalizing their activities has not been forthcoming. Apparently, various interest groups in the security services have different ideas about the long-term security issues of legalizing military forces that are not directly controlled by the state. In general, intelligence organs such as the Main Intelligence Directorate of the General Staff (GRU) have championed the legalization of PMCs, while counterintelligence interests, such as the Federal Security Service (FSB), have opposed such legalization. Russia has already loosened some restrictions on privatized security forces. In 2005, Russia passed the federal law 154-FZ "On State Service of the Russian Cossacks," to clarify the Cossacks' legal status and allow them to form paramilitary units to fulfill limited law enforcement duties. But the sensitive nature of PMCs and desire of the Russian government to maintain a modicum of plausible deniability about their activities may keep the legal status of PMCs in limbo for the foreseeable future. **End OE Watch Commentary (Bartles)**

"... the Defense Ministry has no formal responsibility for the 'Wagnerites'..."

Source: Irek Murtazin, "Сирийская кампания загадочной «ЧВК Вагнера»: численный состав и вооружение, ключевые операции и конфликт в верхушке Минобороны (Syrian Campaign of Mysterious 'Wagner Private Military Company': Numerical Strength and Weaponry and Key Operations and Conflict in Defense Ministry Top Echelons)," *Novaya Gazeta Online*, 9 October 2017. <https://www.novayagazeta.ru/articles/2017/10/09/74125-ih-prosto-net>

Twelve "cargo 200" units -- dead employees of the Wagner private military company -- have been delivered to Rostov-on-the-Don. And this is not the gravest news from Syria, where hundreds of Russian citizens may or may not be fighting...Radio Liberty has spoken of the 12 Russians to have died in Syria and who are presumed to have been Wagner private military company combatants, citing a woman acquainted with Roman Zabolotnyy, who had been taken prisoner by ISIS. There is no official confirmation of this information. But the specialists we questioned, including Defense Ministry officers who had returned from a tour of duty in Syria and "Wagnerites" who took part in the first liberation of Palmyra and later of Aleppo, were not even slightly surprised by the 12 "cargo 200" units.

Colonel General Sergey Surovikin, commander of the Russian Armed Forces Group of Troops in Syria, reported that in three months, from May through August 2017, enemy losses "were over 8,000 militants and 1,500 weapons and military and other vehicles, and that number is increasing with every day. "If the militants lost 8,000 men killed in three months and their losses continued to increase in September, then how many men killed and wounded did al-Assad's army and the Wagner private military company lose? However, the Defense Ministry has no formal responsibility for the "Wagnerites" and so to all appearances is not dissembling over the absence of major losses in its own ranks. And that means just one thing: We are scarcely likely to find out the precise figure for the number of Russians who have died (even over the past month). But it was obviously not the 12 men whose bodies were flown to Rostov.

Another interlocutor of mine -- a "Wagnerite" who took part in the first liberation of Palmyra -- said that two air assault companies, an armored company, and an artillery division took part in the fighting to liberate the ancient city: "The armored company was commanded by a guy with a leg missing, aged about 50. He had been in Syria since 2015. After a mine explosion his leg was amputated, but he received treatment and returned. With an artificial leg. They said he was a retired lieutenant colonel and that before being discharged from the army he had commanded an armored battalion. The armored company personnel -- even the drivers and navigators -- consisted only of former armor officers...



Russia Ponders the Creation of a Russian STRATCOM

OE Watch Commentary: The Russian Federation regularly exercises the command and control of strategic weapons platforms (mobile and silo missile launchers, strategic bombers, and submarines), to include operational dispersal and the launch operations, (obviously with dummy warheads) before scheduled US strategic exercises. Russia has long been concerned with the US's Prompt Global Strike (PGS) concept, which the Russians believe is a US program to use advanced strike systems equipped with non-nuclear warheads to destroy an adversary's nuclear launch capabilities. (During the Cold War, the Soviets believed this feat would only be possible with the use of nuclear weapons, now, due to the advent of new and more accurate conventional munitions and delivery systems, the Russians believe this could eventually be accomplished by the US without crossing the nuclear threshold.) President Putin told the Federal Assembly in 2013: "We are carefully following the so-called 'Disarming Prompt Global Strike concept which can have negative consequences. No one should have illusions about capabilities to achieve military superiority over Russia. We will never allow this."

In order to prevent the US from acquiring a capability to deprive Russia of her strategic nuclear deterrence capabilities (without the use of nuclear weapons), the Russian Federation may be considering a reorganization of its nuclear command and control system. The accompanying excerpted article from *Moskovsky Komsomolets* claims that the Russian leadership has plans to create "a single strategic forces deterrence command" in the "very near future." This would entail the creation of a unified command for the command and control of strategic nuclear assets, similar to the United States Strategic Command (USSTRATCOM). The article explains that the Russian exercise preceding the STRATCOM Global Thunder exercise involved well-coordinated launch exercises executed by all three legs of Russia's nuclear triad (Strategic Missile Troops (RVSN), nuclear submarines of the Northern and Pacific Fleets, and the Long-Range Aviation of the Aerospace Forces). The author proffers the idea that the command and control of these forces may be improved by placing them under a single unified command, thereby decreasing the likelihood of a successful 'Prompt Global Strike' attack, and mentions how the idea has previously been considered.

At present time it is difficult to ascertain the likelihood of the Russian Federation executing such a reform to counter the PGS. It seems unlikely, given that Russia just recently cancelled plans to field the Barguzin rail-based ICBM missile system, as described in the accompanying excerpted article from *Interfax*. (The Barguzin system was reportedly intended to increase the resiliency of Russia's strategic nuclear deterrent, thereby preventing a US PGS attack.) On the other hand, the Barguzin cancellation could be due solely to financial reasons, or a belief that organizational restructuring alone is sufficient to deter the PGS threat. **End OE Watch Commentary (Bartles)**

"...although the American exercise [Global Thunder] was aimed at rehearsing the "Prompt Global Strike" concept, our exercise was aimed at improving the system of counteractions. According to Moskovskiy Komsomolets sources, this relates to the creation of a single strategic forces deterrence command in the Armed Forces"



Soviet RT-23 ICBM rail-based missile.

Source: Panther - Own work via Wikimedia, <https://commons.wikimedia.org/w/index.php?curid=1403242>, CC BY-SA 2.5.

(continued)



Continued: Russia Ponders the Creation of a Russian STRATCOM

Source: Oleg Bozhov, “В США начались ядерные учения: чем ответит Россия: В нашей армии может быть создано новое единое стратегическое командование (The US Begins Nuclear Exercise: How Will Russia Respond? A New Single Strategic Command May Be Created),” *Moskovsky Komsomolets Online*, 30 October 2017. <http://www.mk.ru/politics/2017/10/30/v-ssha-nachalis-yadernye-ucheniya-chem-otvetit-rossiya.html>

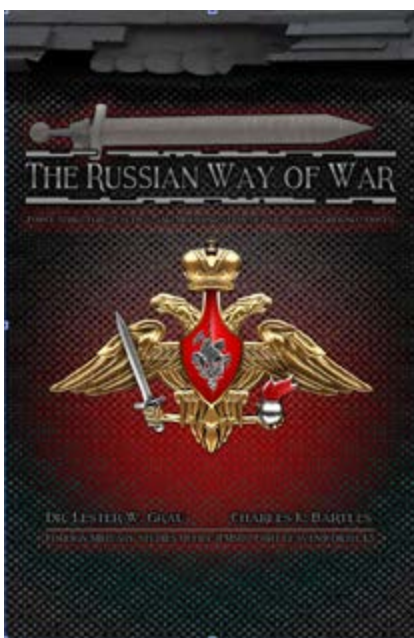
On Monday [October 30, 2017] the United States began conducting Exercise Global Thunder, a large strategic nuclear forces exercise. Washington officially notified Moscow about the exercise. Last week a similar training exercise of the nuclear triad, in which Supreme Commander in Chief Vladimir Putin participated, was held in Russia. Russia also notified the United States about this exercise. And although the American exercise [Global Thunder] was aimed at rehearsing the “Prompt Global Strike” concept, our exercise was aimed at improving the system of counteractions. According to Moskovskiy Komsomolets sources, this relates to the creation of a single strategic forces deterrence command in the Armed Forces.

...we recall that the United States has been working on the “Prompt Global Strike” concept for a long time. Under this concept advanced strike systems equipped with non-nuclear warheads are able to resolve the same missions which today are assigned to the strategic nuclear forces of the United States. Simultaneously, ballistic missile defense systems are developed and created which are yet another Prompt Global Strike factor capable of destroying the currently existing balance of forces, and thereby ensuring the global strategic dominance of the United States...

In this respect it is altogether reasonable to view Russia’s recent nuclear triad exercise as a step in this direction. We recall that during the maneuvers, interactions were practiced between the Strategic Missile Troops (RVSN), nuclear submarines of the Northern and Pacific Fleets, and the Long-Range Aviation of the Aerospace Forces. And the Supreme Commander in Chief conducted a launch of four ballistic missiles...However, one must assume that the main aspect here was not the launch of the missiles, but the rehearsal of the interaction of all of the nuclear forces. As confirmed by a number of military specialists, the plans of the Russian leadership include the creation in the very near future of a single strategic forces deterrence command. This unified command and control organization must coordinate all three elements of Russia’s strategic nuclear forces: the RVSN, the submarine ballistic missiles, and the Long-Range Aviation aircraft carrying nuclear weapons. In addition, this same structure must integrate assets of Russia’s ballistic missile defense, space defense, and missile attack warning systems...The idea of such a command was formed as early as the time of Minister of Defense Marshal Sergeyev, a veteran of the RVSN. But at that time it was not actually implemented due to political turmoil of every description and disagreements in the defense establishment (the generals seemed to be having a hard time coming to an agreement on who would ultimately head this single structure). Now the situation has changed. Now there is the political will, strong institutional leadership, and the military necessity to implement this idea.

Source: “Russia Needs ‘Nuclear Trains’ – Klintsevich,” *Interfax*, 6 December 2017.

“The topic is closed, at least in the short term. The design and experimental work on the Barguzin has been conducted. An experiment with a pop-up launch was successful. If there is an urgent need, our missile train will be on the tracks promptly. But for now, let’s forget about it,” the newspaper said, citing an informed source in the defense industry...“We need rail-based missile systems. This is one of the most serious elements of deterrence. The existence of such a system is seriously balancing. It’s impossible to determine where it is located. The Americans are unable to monitor it,” he said...



THE RUSSIAN WAY OF WAR by LESTER W. GRAU and CHARLES K. BARTLES

At any given time, assessments of the Russian Armed Forces vary between the idea of an incompetent and corrupt conscript army manning decrepit Soviet equipment and relying solely on brute force, to the idea of an elite military filled with Special Operations Forces (SOF) who were the “polite people” or “little green men” seen on the streets in Crimea. This book will attempt to split the difference between these radically different ideas by shedding some light on what the Russian Ground Forces consist of, how they are structured, how they fight, and how they are modernizing.

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New Artillery Rounds Will Extend Russian Artillery Range

OE Watch Commentary: The first accompanying excerpted article from *Rossiyskaya Gazeta* discusses Russia’s development of a new technology that will extend the reach of Russia’s 152mm Msta howitzers to over 70 km. As the second passage from the same newspaper reports, Russia is not only extending the ranges of artillery pieces, but also developing the associated C4ISR capabilities to accurately lay these fires at extended ranges. If these developments prove successful and become widespread throughout the Russian armed forces, the Russian Federation will greatly enhance its capabilities at not only fighting insurgencies, but also peer-level adversaries in high-intensity conflict situations. **End OE Watch Commentary (Bartles)**

Source: Aleksey Moiseyev, “Российский снаряд с реактивным двигателем поразит противника за 70 км (Russian Round with Rocket Engine Will Strike Enemy at Over 70 Kilometers),” *Rossiyskaya Gazeta Online*, 14 November 2017. <https://rg.ru/2017/11/14/rossijskij-snariad-s-raketnym-dvigatелеm-porazit-protivnika-za-70-km.html>

The latest Russian artillery round will exceed the firing range of domestic self-propelled and towed artillery by more than two times... When it is accepted into the inventory it will significantly surpass munitions used at the present time, and its characteristics will be at the level of the very best foreign advanced developments. It is expected that the product will appear in two versions, one of which will have a caliber of 152 millimeters. In the opinion of military experts this will allow it to be used both in the advanced 2S35 Koalitsiya-SV howitzers, as well as in the Msta-S self-propelled and Msta-B towed guns used at the present time...According to various data there are also plans to create a 203-millimeter version of the round for the Pion and Malka self-propelled cannons.

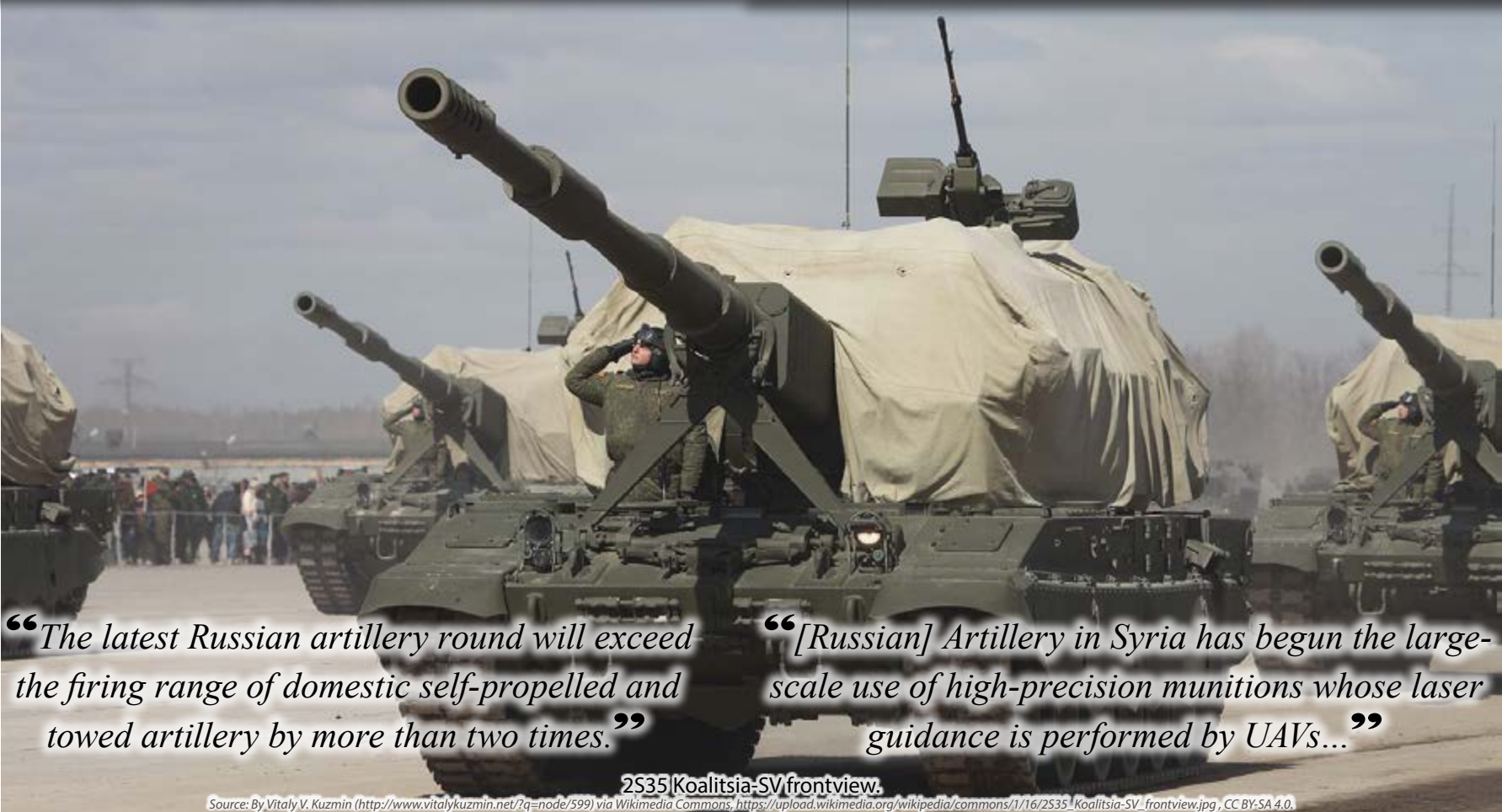
The record firing range of 70 kilometers and beyond is achieved by virtue of adding a ramjet rocket engine to the construction of the munition, placed either in the forward section or at the base of the round. The engine is turned on shortly after firing, after the fired round has already stabilized its rotations and it is gaining speed on its trajectory...Military experts are proposing to equip these rounds with special satellite guidance modules to increase their accuracy characteristics. This advanced development was demonstrated during the Armiya-2017 Military Technical Forum.

Source: Aleksey Moiseyev, “Видео: Новый российский дрон наводит артудары по террористам в Сирии (Video: New Russian Drone Guides Artillery Strikes Against Terrorists in Syria),” *Rossiyskaya Gazeta Online*, 19 November 2017. <https://rg.ru/2017/11/19/video-novyj-rossijskij-dron-navodit-artudary-po-terroristam-v-sirii.html>

Artillery in Syria has begun the large-scale use of high-precision munitions whose laser guidance is performed by UAVs. This can be judged after watching a video posted on the Web on 18 November. The action takes place in the Albu Kamal area and its environs. The very effective operation against various targets is delightful. Terrorists’ vehicles, river-crossing equipment, fire points, and munition dumps are destroyed...

Pinpoint targeting in an urban setting is worthy of the highest assessments. Targets are knocked out with minimal damage to surrounding buildings. That is the advantage of guided mines and shells. For example, the mass of explosives in Krasnopol-type munitions ranges between 6.5 and 11 kg, depending on the modification...Aircraft employ correctable bombs weighing 250-1,500 kg. Understandably, artillery strikes are pinpoint and more sparing.

What is noteworthy is that captions appear in the upper left corner of the video recording: “Podsvet LTsD [laser target designator-range finder],” “illumination,” and “cooling.” This attests that the drone is equipped with a laser target designator. We do not yet know which model of UAV we are talking about...This video is known to have already caused great concern among servicemen of countries that are not amicably inclined toward Russia...



“The latest Russian artillery round will exceed the firing range of domestic self-propelled and towed artillery by more than two times.”

“[Russian] Artillery in Syria has begun the large-scale use of high-precision munitions whose laser guidance is performed by UAVs...”

2S35 Koalitsiya-SV frontview. Source: By Vitaly V. Kuzmin (<http://www.vitalykuzmin.net/?q=node/599>) via Wikimedia Commons, https://upload.wikimedia.org/wikipedia/commons/1/16/2S35_Koalitsiya-SV_frontview.jpg, CC BY-SA 4.0.



Schemes to Skirt Sanctions

OE Watch Commentary: Ever since Russia's armed aggression against Ukraine and the subsequent imposition of Western sanctions, the Kremlin-directed media has proclaimed that these foreign sanctions were actually strengthening the Russian economy. They argued that besides helping to consolidate Russian society, being cut off from Western goods and financing encouraged Russian domestic companies to fill this void or to find new business partners not liable to the sanction regime. While there is some truth to these assertions, overall, the Russian economy has suffered from being partially cut off from Western goods and financing. With the prospect of additional penalties on the near-horizon, the Kremlin continues to search for ways to bypass these sanctions.

The first excerpt from the business daily, *Vedomosti*, describes a recent governmental change which would release Russian "state-owned companies from the obligation to disclose suppliers and contractors receiving contracts." This provision would make it next to impossible to track the details regarding the customers of these state-owned companies, what was ordered, and under what conditions (e.g. price). The article goes on to claim that this change will protect those companies and contractors under sanctions "so as not to disclose schemes that allow these sanctions to be bypassed."

While this bookkeeping maneuver might appear to be designed to permit those sanctioned Russian businesses to operate and expand, the second excerpt from the liberal weekly, *Novoye Vremya*, posits that this freedom from reporting contractual data will only result in greater corruption. With defense and security spending remaining robust, the author points out that this change will give "a dozen ministries and departments (the Ministry of Defense, Rosgvardia, the FSB, the Ministry of Internal Affairs, the Ministry for Emergency Situations and others) the opportunity to secretly select participants in procurement contests, conduct them on secret terms, and secretly designate their winners." This lack of public oversight might help to avoid sanctions, but could also result in massive corruption, or as the title of the article suggests, an "indulgence for thieves."

Prior to Russia's armed aggression against Ukraine, "corruption" was often cited as the country's most pressing national security threat. While concerns over "Western hostility" are now prominent, domestic corruption remains a serious problem and could grow worse under this change in reporting requirements. **End OE Watch Commentary (Finch)**

"... The resolution allows state-owned companies to classify all data from suppliers and contractors receiving contracts through the law enforcement agencies and the defense industry - this is done to protect schemes for circumvention of international sanctions imposed on Russian companies..."

Source: Oleg Adamchuk, Elizabeth Bazanova, "Медведев разрешил госкомпаниям засекретить данные поставщиков; Уход в тень субподрядчиков должен защитить схемы обхода санкций (Medvedev allowed state-owned companies to classify their suppliers; Departing into the shadows should protect the schemes of subcontractors to circumvent sanctions)," *Vedomosti*, 30 November 2017. <https://www.vedomosti.ru/economics/articles/2017/11/30/743604-goskompaniyam-zasekretit-postavschikov>

Prime Minister Dmitry Medvedev, released state-owned companies from the obligation to disclose suppliers and contractors receiving contracts. The resolution signed on Monday allows state-owned companies to limit themselves to publishing in the procurement register impersonal information about the results, the method, the purchase price - without the data on the winner. Contracts with subcontractors will go even further into the shadows - the search for information about them is being closed. The measure is in effect until 1 July 2018....

...State companies are worried about the prospect of revealing information about intra-group and financial transactions... and information about contractors which deal with sanctioned companies must be protected, so as not to disclose schemes that allow these sanctions to be bypassed.

Source: Alexander Goltz, "Индulгенция для воров (Indulgence for Thieves)," *Novoye Vremya*, 1 December 2017. <https://newtimes.ru/articles/detail/131924>

... And on 30 November, Prime Minister Medvedev signed a government decree allowing all contests for state purchases of the Defense Ministry, the FSB and the SVR to be completed by 1 July 2018, in a closed regime. In addition, the resolution allows state-owned companies to classify all data from suppliers and contractors receiving contracts through the law enforcement agencies and the defense industry - this is done to protect schemes for circumvention of international sanctions imposed on Russian companies....

... So, our government proposes to change Russian laws - in such a way as to close "electronic procurement procedures ... for federal executive bodies engaged in the formulation, implementation of state defense policy and public administration of measures to ensure the country's security." Consequently, a dozen ministries and departments (the Ministry of Defense, Rosgvardia, the FSB, the Ministry of Internal Affairs, the Ministry for Emergency Situations and others) have the opportunity to secretly select participants in procurement contests, conduct them on secret terms again and secretly designate their winners....

Can Russia Mobilize Military Medical Care?

OE Watch Commentary: Military modernization was a key platform when Vladimir Putin was re-elected as the Russian leader in 2012. Considerable progress has been made in improving the overall combat capabilities of Russia's armed forces, and military readiness remains a central focus in the current effort to retain Putin as the top Russian leader. The first brief excerpt from the Russian official news source *TASS* points out that this military preparedness is not just confined to those in uniform; all aspects of Russian society should be prepared for future conflict. The *TASS* report quotes President Putin, who stated that "the economy's ability to promptly increase the output of defense products and services in wartime is one of the key conditions for ensuring the military security of the state. All strategic and large enterprises regardless of the forms of business and ownership must be prepared for this."

However, the ability of Russian business to transfer to wartime production is only one aspect of military mobilization. A more important factor may be the country's ability to handle the increased medical demands which would stem from any large-scale conflict. The second excerpt from the military weekly *Военно-промышленный курьер* (VPK-Military Industrial Courier) discusses Russia's current military medical system. The article begins by examining medical data from the Great Patriotic War (World War II), pointing out that "more than 22 million people, soldiers and officers of the Red Army, were hospitalized with wounds and illnesses" and "of this huge amount, 17 million returned to service, [and] continued to fight on the fronts." The article stresses that "not only the military medical service, but also civilian health care institutions throughout the country" worked to help injured soldiers return to battle.

The article then proceeds to take an unsparing look at the current Russian medical system, specifically at those medical facilities which would be activated in a possible conflict. While the Kremlin continues to strengthen its raw military power "along the western border of Russia," with "three new motorized rifle divisions... and a tank army," there has been no corresponding increase in military medical facilities.

The authors also examine and diagnose the poor medical care for military retirees and the general population. Not only are there shortages of trained personnel, equipment and medication, but wait times to see a doctor can be very long. They describe incidents where a patient died because of lack of medical attention and/or necessary medicine. They point out that the situation is even worse outside of major Russian cities, where medical facilities and personnel remain in short supply. Even within Crimea, the situation is critical, with "deficiencies in all medical areas." The article concludes with the observation that "a healthy nation is a strong state, and healthcare is a component of defense." While the current Kremlin leadership has improved military readiness and has raised defense awareness among the wider population, it has yet to develop and fund a healthcare system to handle the rigors of war or peace. **End OE Watch Commentary (Finch)**



Source: "Putin calls for enhancing mobilization readiness after Zapad-2017 exercise," *TASS*, 22 November 2017.
<http://tass.com/defense/976879>

Russian President Vladimir Putin has called for scrutinizing the shortfalls exposed in the course of the Zapad-2017 exercise and taking extra measures for enhancing mobilization readiness....

"The economy's ability to promptly increase the output of defense products and services in wartime is one of the key conditions for ensuring the military security of the state. All strategic and large enterprises regardless of the forms of business and ownership must be prepared for this," Putin said.

"There are deficiencies in all medical areas..."

Source: Oleg Falichev, Yuri Brygin, "Остаться в полуживых; Нынешняя отечественная медицина не в состоянии помочь большинству раненых (Remaining half-alive; Current domestic medicine is not able to help most of the wounded)," *Военно-промышленный курьер* (VPK-Military Industrial Courier), 27 November 2017. <https://vpk-news.ru/articles/40126>

The war against Russia is being conducted by economic, informational, diplomatic means, but the armed phase can begin at any moment. The army and the navy are actively rearming in the new military-industrial complex, and are conducting exercises. The Supreme Commander-in-Chief personally supervised the training of SNF [strategic nuclear forces] with the launch of ballistic missiles. But are military medicine and civil healthcare ready for mass acceptance of the wounded and sick?

During the Great Patriotic War, more than 22 million people, soldiers and officers of the Red Army, were hospitalized with wounds and illness. Of this huge amount, 17 million returned to service, and continued to fight on the fronts. In the treatment of the wounded and sick, not only the military medical service, but also civilian health care institutions throughout the country worked to help injured soldiers return to battle....

Today, along the western border of Russia, three new motorized rifle divisions have been deployed... and a tank army has been formed... But there have not been reports of new military medical units and civilian medical institutions.... Each of us knows about the sores of our healthcare, personally colliding with the system. On hearing many glaring cases of rendering poor-quality (to put it mildly) help, or the lack of qualified doctors.... Moreover, in many clinics there has been a reduction in medical staff, and there is an acute shortage of qualified personnel... On 14 August, in the famous Botkin Hospital, a Muscovite died in the waiting room after four hours of waiting for help....

...In Crimea, polyclinics and hospitals number only nine hundred specialists of different profiles - for a peninsula with a population of 2.3 million people, and this figure is inadequate. There is an urgent need for therapists, pediatricians, neurologists, cardiologists, oncologists, diagnosticians, infectious disease specialists, gastroenterologists. There are deficiencies in all medical areas.... Our government and each of its representatives at every level must realize the simple truth: a healthy nation is a strong state, and healthcare is a component of defense.



Strengthening Military and Historical Claims to Crimea

OE Watch Commentary: The Kremlin continues to consolidate its control over the Crimean Peninsula. Besides the continued construction of a rail/road bridge from mainland Russia to Crimea and other infrastructure projects (power stations, housing, roads), the Kremlin has also significantly strengthened its military presence on the peninsula. For instance, as the first excerpt from the official news agency TASS points out, Russia has recently deployed the advanced S-400 air defense system to Crimea which will soon be operational. Some Russians now refer to Crimea as their “permanent Black Sea aircraft carrier.”

The Kremlin is also strengthening its historical claim to Crimea. The second excerpt from the official Kremlin website describes a recent ceremony where President Putin unveiled a new statue in Crimea dedicated to Tsar Alexander III. Just as Crimea belonged to Russia under the Tsarist regime (indeed, Alexander III passed away while living in Crimea), so today, according to the Kremlin’s logic, the peninsula has returned to its rightful (Russian) ownership. In his remarks at the ceremony, President Putin made clear that Russia enjoys solid historical claims to Crimea, adding that “Alexander III loved Russia and believed in it, and by unveiling this monument today we pay tribute to his deeds, achievements and merits, we show our respect for the continuous history of our country, for the people of all ranks and social classes who earnestly served the Fatherland.” From the Kremlin perspective (which is shared by a large majority of the population of the Russian Federation), Crimea belongs to Russia.

Perhaps drawing a comparison to his own reign, President Putin described many of the achievements attributed to Tsar Alexander III. Like this distant tsar who “ensured the growth of Russia’s influence and authority in the world,” so today’s Kremlin-sponsored media continually portray Putin as the leader who has restored Russian greatness after the humiliations of the 1990s. Regaining control of Crimea has been the top achievement of Putin’s latest term as president. And just as military modernization was a major focus under Alexander III, so today, under President Putin, the Russian military continues to strengthen its combat capabilities.

The West imposed various economic sanctions upon Russia after its annexation of Crimea and armed aggression against Ukraine, hoping that financial burdens would induce the Kremlin leadership to renounce their claims to Ukrainian territory. While the Kremlin might be willing to negotiate on their support for the rebel republics in southwest Ukraine (though doubtful), there has been zero indication that the Russian leadership will give up its claim to Crimea. **End OE Watch Commentary (Finch)**

“...Alexander III loved Russia and believed in it, and by unveiling this monument today we pay tribute to his deeds, achievements and merits, we show our respect for the continuous history of our country, for the people of all ranks and social classes who earnestly served the Fatherland.”

- Russian President Vladimir Putin at the unveiling ceremony for the Alexander III monument in Crimea.

Source: “Под Астраханью успешно прошли первые стрельбы систем С-400 для Крыма (The first launch of the S-400 designed to provide air defense for Crimea, was successfully conducted in the Astrakhan region),” TASS, 30 November 2017. <http://tass.ru/armiya-i-opk/4770833>

The first firing of the S-400 “Triumph” anti-aircraft missile system (SIR), designed to provide air defense of the Crimea, was successfully conducted in the Astrakhan region. The head of the press service of the Southern Military District Vadim Astafyev told TASS.... In the near future, the S-400 will take up combat duty in the Crimea, Astafiev added.... Earlier it was reported that the first S-400 systems were on alert duty on the peninsula in January 2017.

Source: “Unveiling of monument to Alexander III,” Russian Presidential Website, 18 November 2017. <http://en.kremlin.ru/events/president/news/56125>

Vladimir Putin took part in the unveiling ceremony for the monument to the Peacemaker tsar Alexander III. The monument has been erected in the Livadia Palace park, Crimea.

Vladimir Putin: Friends,

Today here in Crimea, at the famous Livadia Palace, we are unveiling a monument to Alexander III, an outstanding statesman and patriot, a man of stamina, courage and unwavering will.

He always felt a tremendous personal responsibility for the country’s destiny: he fought for Russia in battlefields, and after he became the ruler, he did everything possible for the progress and strengthening of the nation, to protect it from turmoil, internal and external threats.

Contemporaries called him the Peacemaker tsar. However, according to Sergei Vitte, he gave Russia 13 years of peace not by yielding but by a fair and unwavering firmness. Alexander III stood up for the country’s interests directly and openly, and that policy ensured the growth of Russia’s influence and authority in the world....

...Alexander III also began a major program for the army’s modernization. Large-scale shipbuilding projects were implemented, including those for the Black Sea Fleet.

He believed that a strong, sovereign and independent state should rely not only on its economic and military power but also on traditions; that it is crucial for a great nation to preserve its identity whereas any movement forward is impossible without respect for one’s own history, culture and spiritual values....

...Alexander III loved Russia and believed in it, and by unveiling this monument today we pay tribute to his deeds, achievements and merits, we show our respect for the continuous history of our country, for the people of all ranks and social classes who earnestly served the Fatherland.



Permanent Iskanders in Kaliningrad

OE Watch Commentary: There are doubts that Russia and the US will commemorate the 30th anniversary of the Intermediate-Range Nuclear Forces (INF) Treaty, in June 2018. The sense of mutual trust which undergirded the original agreement has deteriorated over the past several years, and both sides have accused the other of not only violating the treaty, but of exacerbating mutual tensions. A symptom of this growing distrust is reflected in the Kremlin's decision to permanently deploy the Iskander-M missile complex to Kaliningrad. The accompanying excerpt from the moderate Russian source, *Kommersant* discusses this decision, which some have claimed could violate the INF Treaty.

The article points out that “the Russian authorities have been promising to do this since 2007, but to date, have deployed the system “to this region only on an interim basis.” Quoting a Russian military source, the *Kommersant* article claims that the decision to permanently deploy this system to Kaliningrad was regarded by “the military-political leadership ... as an ace up its sleeve in the event of a dramatic deterioration of relations.” This “occurred after the events of 2014,” when Russia employed armed force against Ukraine and “the US and its allies” levied sanctions and began to reinforce their “military infrastructure on the border with the Russian Federation.” Prior to this, the Kremlin had threatened to move missiles into Kaliningrad “as a counterweight to the deployment of elements of the American Missile Defense System in Europe.” According to the article, Moscow was “outraged” after the US deployed “to Poland and the Baltic Region... additional contingents and weapons.”

The article describes how the infrastructure where the unit is deployed (Chernyakhovsk, Kaliningrad Oblast) has been developed over the past two years to accommodate “the acceptance of a brigade set of the Iskander complex.” It also provides specific reference about the unit designation and major equipment: “152nd Guards Missile Brigade... 12 launchers, 12-transporter-loader vehicles, 11 command staff vehicles, 14 life support vehicles, one information compilation facility...” Unit crews will first complete training “at the 60th Missile Troops Combat Employment Training Center (Znamensk, Astrakhan Oblast)” and once their proficiency is tested, “will be sent via rail to the permanent deployment location.”

Regardless of whether the Iskander missile system violates the INF Treaty, Russia's permanent deployment of this weapon system into the Kaliningrad enclave alters the balance of power in this region. **End OE Watch Commentary (Finch)**

“Iskander-M operational-tactical missile complexes (OTRK) will be deployed in Kaliningrad Oblast on a permanent basis in the very near future.”

Source: Ivan Safronov, Yelena Chernenko, and Galina Dudina, “Искандеры тихо едут, но быстро заряжают: Под Калининградом развернут ракетные комплексы земля-земля (The Iskanders Quietly Move, But Rapidly Load: Surface-to-Surface Missile Complexes Have Been Deployed Near Kaliningrad),” *Kommersant Online*, 2 December 2017. <https://www.kommersant.ru/doc/3486110>

Iskander-M operational-tactical missile complexes (OTRK) will be deployed in Kaliningrad Oblast on a permanent basis in the very near future. The Russian authorities have been promising to do this since 2007, however, the latest operational-tactical missile complexes have been deployed to this region only on an interim basis until now....

...A Kommersant source, who is close to the RF Armed Forces General Staff, confirmed the fact of the brigade's rearming from old Tochka-U tactical missile complexes to the new Iskander OTRK, having clarified that they will be placed on alert at the beginning of 2018. Prior to this, the 152nd Missile Brigade's crews will train to drive the OTRK at 60th Missile Troops Combat Employment Training Center (Znamensk, Astrakhan Oblast) and then will conduct a tactical exercise with actual missile launches, and already after that the formation's personnel will be sent via rail to the permanent deployment location.

Conversations about the permanent deployment of the Iskanders in Kaliningrad Oblast have been conducted since July 2007: Having assumed the post of First Deputy Prime Minister at that time, Sergey Ivanov stated that this step is necessary as a counterweight to the deployment of elements of the American Missile Defense System in Europe.

In November 2008, then RF President Dmitriy Medvedev also repeated this thesis, having explained the step by the deployment of the US Missile Defense System in Poland. However, the promised deployment didn't occur for nearly 10 years, although the American intelligence services repeatedly announced the deployment of precisely the Iskanders to Chernyakhovsk....

...In the words of a Kommersant military source, the temporary deployment of the latest OTRKs to Chernyakhovsk was previously employed as a “demonstrative response to the US's unfriendly steps, in particular, and of NATO as a whole.” The permanent deployment of the Iskanders was delayed for political reasons, Kommersant's interlocutor says: the military-political leadership kept this step “as an ace up its sleeve in the event of a dramatic deterioration of relations”.

It occurred after the events of 2014: the US and its allies reacted to the inclusion of the Crimea into Russia's composition and Moscow's support of the self-proclaimed republics of the Donbass through the introduction of sanctions and the reinforcement of the military infrastructure on the border with the RF. Last fall, the sides repeatedly pursued claims against each other in the escalation of the situation in the region. NATO saw a threat in the large-scale Russo-Belarusian Zapad-2017 exercises. And the deployment to Poland and the Baltic Region of additional contingents and weapons from the US outraged Moscow.

“As a result of the situation that is being exacerbated in the region, a decision was made in 2016 to begin the erection in Chernyakhovsk of mobile tent shelters for the accommodation of the OTRK on a permanent basis – that storage system will permit the reduction of equipment wear,” Kommersant's interlocutor continues. In his words, right now this work is practically completed and the infrastructure has been prepared for the acceptance of a brigade set of the Iskander complex.

In the words of Design Bureau of Machine building Chief Designer Vasiliy Kashin, one such set consists of 12 launchers, 12-transporter-loader vehicles, 11 command staff vehicles, 14 life support vehicles, one information compilation facility, one routine maintenance vehicle...



Deciphering Russian Weapon Developments

OE Watch Commentary: Despite economic challenges, the current Kremlin leadership remains intent on military modernization and rearmament. While genuine progress has been made in improving the military's combat capability, not every proclamation describing the latest Russian wonder weapon should be taken at face value. "Maskirovka" or deception operations may be deployed within the information sphere by Russian journalists, weapon manufacturers and uniformed officials. The accompanying passages from Russian sources demonstrate the challenge in deciphering Russian weapon developments.

The first excerpt from Russia's official news agency *TASS* includes comments from Viktor Bondarev, a senior Russian official who suggested that "Skif missiles hiding at the ocean bottom are part of the arsenal of the Russian Armed Forces." This weapon system gained notoriety in November 2015 when its image was deliberately leaked on Russian TV. The Status-6 underwater, nuclear-capable drone could purportedly be secretly deployed and positioned along the enemy's coast and then launched on command. In explaining the characteristics of this system, the *TASS* report refers to the system as "the Skif experimental design work," which appears to contradict Bondarev's assertion that the system had already been deployed.

The second excerpt from the centrist daily, *Nezavisimaya Gazeta*, describes the characteristics of Russia's future Advanced Airborne Early Warning and Control Aircraft, claiming that this "Russian AWACS will track all stealth aircraft." The details of the article, however, point out that only a prototype of this aircraft has been tested, and that the new aircraft equipped with "breakthrough technologies and the latest components," won't "begin to be serially delivered to the field" until 2020. Describing future weapon capabilities as though they are already part of the current arsenal is a common occurrence among Russian weapon manufacturers and pundits.

The third excerpt from the government daily *Rossiyskaya Gazeta* demonstrates another type of deception. It announces that "the development of the new generation combat rail complexes (BZhRK)" which had caused so much concern in the West over the past two years "has been cancelled." The article hints that this decision may not be final, positing that "the case is closed, in any event, for the foreseeable future," but that since so much successful testing has already occurred, "if it will be urgently required, our missile train will rapidly get on the rails." Given their penchant for secrecy and deception, separating fact from fiction in Russian weapon developments remains a challenge. **End OE Watch Commentary (Finch)**

Source: "Hypersonic and bottom-based missiles make part of Russian troops' arsenal," *TASS*, 21 November 2017. <http://tass.com/defense/976672>

Tsirkon hypersonic missiles and Skif missiles hiding at the ocean bottom are part of the arsenal of the Russian Armed Forces, ex-Chief of the Aerospace Force and Head of the Federation Council Defense and Security Committee Viktor Bondarev said on Tuesday.

"As of today, we have in our arsenal unique strategic bombers (Tu-160 aircraft), tactical missile systems with powerful ballistic and cruise missiles (the Iskander family of missile systems), Sarmat heavy missile complexes, air defense missile systems (S-400s), intercontinental ballistic missiles, nuclear-powered missile cruisers with powerful anti-ship missiles (the Tsirkon hypersonic missile) and Skif bottom missiles," he said....

...According to public data, the Skif experimental design work envisages developing a transport and launching container for ballistic missiles, which will make it possible to launch them from a great depth.

Source: Vladimir Shcherbakov, "Русский АВАКС поставит все «самолеты-невидимки» на учет (Russian AWACS Will Track All Stealth Aircraft)," *Nezavisimaya Gazeta Online*, 20 November 2017. http://www.ng.ru/armies/2017-11-20/100_a100.html

...The A-100 prototype which made its debut flight on 18 November this year is a new-generation radar patrol and guidance aircraft. It is based on an ungraded Il-76MD-90A military transport aircraft which is equipped with fuel-efficient PS-90A-76 engines and the latest avionics, including a modern piloting and navigation system, automatic control system, and communication system. The A-100's main "weapon" is the radio system, the design of which used breakthrough technologies and the latest components and materials.... in 2020 the new aviation long-range radar detection and control system will begin to be serially delivered to the field.

Source: Sergey Ptichkin, "Разработка боевых железнодорожных комплексов нового поколения прекращена (The Development of the New Generation Combat Railroad Complexes Has Been Cancelled)," *Rossiyskaya Gazeta*, 2 December 2017. <https://rg.ru/2017/12/02/razrabotka-boevykh-zheleznodorozhnyh-kompleksov-novogo-pokoleniia-prekrashchena.html>

The development of the new generation combat rail complexes (BZhRK) has been cancelled. The case is closed, in any event, for the foreseeable future. A well-informed Russian military industrial complex representative has reported this....

...The experimental design work on the Barguzin has been conducted. The experiment with the pop-up launch occurred successfully. If it will be urgently required, our missile train will rapidly get on the rails. But we will forget about it for the time being.

"The development of the new generation combat rail complexes (BZhRK) has been cancelled."



In the Rucksacks of the Sofrino Brigade: Snickers and Pork Fat

OE Watch Commentary: Located 30 miles north of Moscow, Sofrino is home to the Sofrino National Guard Brigade- a military unit that reports directly to President Putin and the National Security Council. The Sofrino Brigade is a former Internal Affairs unit that has subsumed many of the functions and units of the Ministry of Internal Affairs. It saw combat in Chechnya and is considered one of the better trained and easily deployable units close to Moscow.

The accompanying article discusses some of the tactical field training of the reconnaissance troops of the Sofrino Brigade. The scouts are considered an elite military force and experience rugged training, as provided in interesting details in the accompanying article. What Western readers might find interesting is that “practically everyone carries.... Snickers and сало [salo] in their haversack.” The reference to сало (cured pork fat) notes that “hunger and cold constantly plague scouts on their reconnaissance missions,” so high-caloric foods are essential for winter combat. Сало is not lard since it is not rendered and it has too little meat to qualify as bacon. It is sliced and cured fatback which often has the skin attached. It is popularly held that other uses for сало include waterproofing leather boots and baiting mousetraps.

The village of Sofrino is on a main rail line. Sofrino is also known for being home to the factory that produces about 95% of the ecclesiastical vestments, icons, candles, candelabra, vessels and accessories for the Russian Orthodox Church. The Moscow Patriarch owns the factory. **End OE Watch Commentary (Grau)**

Source: Grigoriy Milenin, “Pork Fat is a Must: How Russian National Guard Troops train to destroy Terrorists”, *Московский комсомолец* (Moscow Komsomolets), 6 November 2017. <http://mk.ru>

Four shadows glide silently between the trees. A forward patrol approaches a hidden “terrorist” base in a forest outside Moscow. The remaining members of the reconnaissance group stealthily follow behind. The point man shows a hand signal and the team freezes. There is a booby trap on the path. The point man cuts the trip wire to a mine.

The patrol begins to move again when fire erupts from a dugout position....The scouts scatter to encircle the dugout. The bulk of the team pins down the “bandits” with fire, while two scouts approach the dugout from behind. They can see a covered entry behind the dugout, hidden under dead leaves and needles. One scout throws a grappling hook onto the hatch cover and pulls it to one side, while the other throws a couple of grenades into the ... opening. The “terrorist base” is destroyed.

“Our main mission is to approach the enemy without being seen, to check how many people they have, what they are armed with, how their camp is equipped, etc. They used to say: ‘As soon as shooting starts, the reconnaissance mission ends.’ But these days everything is different. Reconnaissance groups often have to destroy the bandits. This was especially the case in the North Caucasus. This is why we constantly rehearse such situations.”...

Before they find a terrorist base in the mountains, reconnaissance groups spend more than one day on a search mission. They often have to sleep in the open. Carrying a tent is a luxury and scouts have to think hard about every extra gram of cargo that they carry. However, if they can, scouts will build a hide, in which they can rest in relative warmth, even in freezing temperatures.

The guardsmen from the Sofrino Brigade showed journalists one such “dwelling.” When you pass it, all you see is a fallen tree, but there is a small shelter behind it, which can accommodate three scouts. The floor is covered with branches of coniferous trees over which lay special one-centimeter-thick mats. These are denser and hold warmth better than the foam mats used by campers. A smokeless campfire radiates heat nearby, its flames hidden in a hole in the ground.

“We build a campfire very rarely,” Captain Igor says. “It can betray us. We only build one if the conditions are right: if there is a mist or if we are near an inhabited village. But if we are on wild mountainous terrain, with no settlements around for tens of kilometers, a campfire is out of the question.” ...For the same reason... scouts cannot always warm up their food or boil their tea using camping gas burners... The smell of hot stew or tea can alert some starving “outlaw,” even if he is far away.

Counting Calories

Hunger and cold constantly plague scouts on their reconnaissance missions. In addition to not being able to eat properly, the scouts constantly have to fight hypothermia. “One of the most dangerous situations is when you sweat in freezing temperatures. If you are drenched to the bone, there is only one thing to do: take off all your wet clothes... and change into dry clothes. As a rule, we take with us two sets of clothes, sometimes we are able to dry the damp clothes by a campfire. But we do not often manage to do that.”

Scouts from the Russian National Guard use chemical heating pads. Their uniforms even have special pockets for them. Medics carry a supply of alcohol, which they use, if they have to, for rubbing down their colleagues. Scouts’ food is also rich in calories. Some use sports snacks -- dry protein mixtures and bars. And practically everyone carries a supply of Snickers and pork fat in their haversack. “Pork fat is a must,” Captain Igor says with a smile. “We never go on a mission without this source of calories.”

Nevertheless, it is scouts’ stamina and their endurance capacity that help them withstand low temperatures better than anything else. “Just like military [Ministry of Defense] scouts, the focus in our fitness training is on raising our endurance capacity. For example, I forbid my fighters to do body-building. Only running, CrossFit, and boxing.”

(continued)



Continued: In the Rucksacks of the Sofrino Brigade: Snickers and Pork Fat

“Our main mission is to approach the enemy without being seen, to check how many people they have, what they are armed with, how their camp is equipped, etc. They used to say: ‘As soon as shooting starts, the reconnaissance mission ends.’ But these days everything is different. Reconnaissance groups often have to destroy the bandits. This was especially the case in the North Caucasus. This is why we constantly rehearse such situations.”

*-Russian National Guard Captain Igor [National Guard scouts do not give their full names], Sofrino
National Guard Brigade*

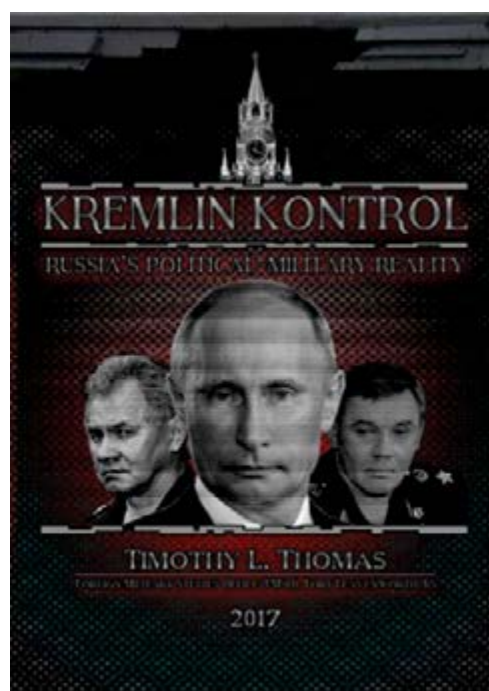
Russian NBC Arctic Training in 2017

OE Watch Commentary: Russian Nuclear-Biological-Chemical (NBC) troops conduct decontamination of areas, vehicles and personnel. They are also in charge of flamethrowers and smoke screens. The Russian Army uses a lot of smoke screens with particulate smoke which defeats visual and sensor detection. Smoke is particularly important- and often difficult to lay- when conducting amphibious landings and riverine operations. The accompanying article describes mounting the TDA-3 smoke generator unit on a 61st Naval Infantry Brigade vessel to lay a smoke screen to cover landings. The TDA-3 is a newer system that provides quicker and larger coverage than earlier systems. It uses an aircraft engine to disperse an aerosol fog in a horizontal or vertical pattern. The experimental combination of smoke generator and fast boat for laying smoke screens may become a regular feature of Arctic amphibious landings.

The article also describes Northern Fleet NBC exercises to mask garrison cities. It is unclear whether the smoke screens over the cities were actually conducted. However, in September 2016, the closed port city of Severomorsk was actually concealed under smoke for three days. **End OE Watch Commentary (Grau)**

“The year 2017 marked a turning point in re-equipping the NBC Protection Troops’ units and subunits with modern equipment -- the latest RKhM-6 NBC reconnaissance vehicles built on the of the BTR-80 armored personnel carrier, TDA-3 smoke vehicles mounted on the KamAZ truck chassis, and ARS-14KM mobile decontamination stations, which can also be used for laying down smoke screens. The new equipment significantly boosted the combat capabilities of the Northern Fleet’s NBC protection subunits...”

- Captain First Class Sergey Mihaylyuk, the head of the Northern Fleet’s NBC protection service



KREMLIN KONTROL by TIMOTHY L. THOMAS

In 2016 Russian President Vladimir Putin and Chief of the General Staff Valery Gerasimov instituted sweeping changes that have reorganized the country’s security forces and reestablished the nation’s military prowess. This study, Kremlin Kontrol, aims to describe how control over the security services and the military have hastened those changes.

<https://community.apan.org/wg/tradoc-g2/fmso/m/fmso-books/197266/download>

(continued)



Continued: Russian NBC Arctic Training in 2017

Source: “The Northern Fleet’s NBC Protection Specialists Have Won Prizes at Different All-Army Competitions”, *Northern Fleet Press Service*, 13 November 2017. <http://www.mil.ru>

The main training efforts focused on increasing the level of professional skills of the personnel of NBC protection units and subunits in order to perform designated missions and on improving special tactical training for subunits.

The Northern Fleet conducted a selection for the field training competition for NBC protection subunits. Безопасная Среда-2017 [Safe Environment-2017], was held during the winter training period. It involved 29 NBC protection crews (NBC reconnaissance, operators of engine exhaust smoke systems) from the fleet’s formations and separate units.

A combined team was formed during the selection process. It consisted of servicemen from the Northern Fleet’s separate NBC protection company and NBC protection specialists from the fleet’s motorized rifle brigades. The team performed well at the all-army competition....

A crew from the fleet’s separate NBC protection company came in third in the category “The best aerosol countermeasures crew” among teams from military districts, branches and arms of service, and MOD-subordinated units.

At the International Arctic Forum, which was held in Arkhangelsk in March 2017, the fleet’s NBC protection specialists demonstrated a high level of professional skills and cohesion in their actions while ensuring the safety of the forum’s participants. The Northern Fleet’s NBC protection specialists provided continuous monitoring of the NBC environment. An NBC reconnaissance crew from the fleet’s separate NBC protection company performed particularly well. This crew had been tasked with monitoring the NBC situation at secured sites. To reach those sites, the crew travelled more than 3,500 kilometers over a winter road in an UAZ-469RKh (year of manufacture: 1978) without a single serious breakdown. This year, modern NBC reconnaissance vehicles based on the BTR-80 arrived in the company to replace UAZ-469RKh vehicles.

Between 14 July and 10 August, the fleet’s NBC protection specialists held a training muster in a field camp outside Alakurtti military base. The command and staff acquired the experience of commanding and controlling an NBC protection task force, which can be created in peacetime to contain and manage the consequences of technogenic [nuclear leaks and toxic spills] accidents.

At the end of August 2017, the separate NBC protection company and NBC protection subunits from the Northern Fleet’s formations took part in a special exercise for NBC protection troops, conducted under the leadership of the head of the NBC Protection Troops of the Russian Armed Forces.

During the preparation stage of the exercise, a concept was devised to carry out an unconventional tactical maneuver which would involve the joint use of the fleet’s technical capabilities and those of the NBC Protection Troops. The concept was to adapt a powerboat to lay smoke screens. A landing craft provided by the Kola Flotilla’s assault ship formation was used as the vessel and the newest model TDA-3 smoke generator, normally mounted on a KAMAZ-truck chassis, belonging to the naval infantry brigade, was used for smoke generation.

The TDA-3 was chosen because this smoke generator can place a raised smoke screen without covering the speedboat itself, which allows the boat to maneuver safely. This combination was tested for the first time in the Gryznaya Guba on 15 August 2017. It showed an exceptional efficiency in laying a smoke screen to the shore.

During the exercises conducted by the Northern Fleet’s forces in September, they rehearsed missions for the aerosol concealment of the main base at Severomorsk, as well as the garrisons of Polyarnyy, Gadzhiyevo, Zaozersk, and Vidyayevo. A large number of training exercises depicted a notional deterioration in the NBC situation in the fleet’s area of responsibility. Specialists from the NBC Protection Troops practiced decontamination of terrain, weapons, and military equipment.

Captain First Class Sergey Mihaylyuk, the head of the Northern Fleet’s NBC protection service, summarized this year’s performance. “The year 2017 marked a turning point in re-equipping the NBC Protection Troops’ units and subunits with modern equipment -- the latest RKhM-6 NBC reconnaissance vehicles built on the of the BTR-80 armored personnel carrier, TDA-3 smoke vehicles mounted on the KamAZ truck chassis, and ARS-14KM mobile decontamination stations, which can also be used for laying down smoke screens. The new equipment significantly boosted the combat capabilities of the Northern Fleet’s NBC protection subunits...”

When a River Runs Through It: Riverine Operations in Contemporary Conflict

By LTC (R) Lester Grau, LTC (R) Leroy Denniston

Waterways and population centers will be factors in future war. Frequently they will be collocated and will become operational key terrain. Riverine operations will be a part of future military actions and will be an Army problem. The best way to prepare for a future problem is through study, training, and equipment design and development.

<https://community.apan.org/wg/tradoc-g2/fmso/m/fmso-monographs/195094>

Russian Military Vehicle Winterization Challenge

OE Watch Commentary: It is not news that it is very cold in the Arctic. As the accompanying article notes, temperatures where the Northern Fleet's ground and coastal defense troops are stationed on the Arctic islands run routinely between minus 20 and minus 40 degrees Celsius. In fact, this year's record on Kotelnny Island was minus 47 degrees Celsius. As the article notes, among the latest vehicles entering service in this severe environment is the new DT-10 PM: two-section transport trucks that can operate in temperatures "as low as minus 50 degrees Celsius." To counter such equipment operating challenges, the Russians note that they are building garage structures equipped with heating and high wind-resistance **End OE Watch Commentary (Grau)**

“This year the lowest temperature recorded on Kotelnny Island was minus 47 degrees Celsius [-52.6 degrees Fahrenheit].”

Source: “Russian troops in Arctic region prepare equipment for extreme frosts,” *Interfax*, 29 November 2017. <http://www.interfax.com>

The Northern Fleet's ground and coastal defense troops stationed on the Arctic islands and in the Far North have checked their equipment's operability in super low temperatures.

According to a spokesperson of the Northern Fleet “The average temperatures during the winter months on the Arctic islands range between minus 20 and minus 40 degrees Celsius [-4 to -40 degrees Fahrenheit], depending on how far warm sea currents extend. This year the lowest temperature recorded on Kotelnny Island was minus 47 degrees Celsius [-52.6 degrees Fahrenheit].

Special attention was given to caterpillar-track off-road vehicles which entered service in 2017, in particular the new DT-10 PM two-section articulated transport trucks with a ten-ton capacity, which can operate anywhere off-road in temperatures as low as minus 50 degrees Celsius [-58 degrees Fahrenheit].

These machines, deployed with the Northern Fleet's motor rifle brigades and naval infantry units, are also serving as part of a tactical group on the Kotelnny Island of the New Siberian Islands archipelago in the Laptev Sea.

On the Arctic islands of Kotelnny and Alexandra Land, where two modern administrative and living compounds, Northern Clover and Arctic Trefoil, will be built, stationary hermetic box structures, equipped with heating and high wind-resistance, have been erected to store equipment for use in super low temperatures.



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DT-10PM tracked vehicle, Military-technical forum ARMY-2017.

Source: Vitaly Kuzmin Military Blog, <http://www.vitalykuzmin.net/Military/ARMY-2017-Demonstration-p2/i-xbRsqXS/A>, CC 4.0.