



## Indian economy and beyond

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## Cybersecurity: The Intersection of Policy & Technology

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## Karnataka elections 2018

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## India-China to improve ties?

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The Synergia Foundation in collaboration with the Harvard Business School organized a round-table discussion on the topic ‘Budget & Beyond: What Next for Indian Economy?’ on March 16th 2018. The event was attended by luminaries who provided their expert insights on the subject. The objective was to bring together CEOs, businessmen, policymakers, economists and experts from various fields and get deeper insights on the Indian economy in the near future.

### Background

On February 1st 2018, Finance Minister Arun Jaitley presented India’s budget for the year 2018-2019. The focus of the budget this year was primarily agriculture, infrastructure and healthcare. The government has stated that it hopes to double farmer incomes by 2022 – the 75th year of India’s independence. In addition, it has also unveiled an ambitious new healthcare programme that aims to provide healthcare for around 500 million poor.

One of the key highlights of the budget was the new healthcare programme or “Modicare” as it has been dubbed. The government has stated that this will be the world’s largest state funded healthcare programme and that it will cover hospital expenses up to Rs. 5 lakh a year per family. The government will also establish 1.5 lakh Health and Wellness Centres under the Ayushman Bharat program.

India is a developing economy, the world’s seventh-largest economy by nominal Gross Domestic Product. It is also the third largest economy in terms of Purchasing Power Parity (PPP). However, it ranks at 141 in per capita GDP (nominal). In June 2017, it was revealed that India’s economic growth had slowed to 6.1% in the fourth quarter ending March 2017 as compared with 7.1% in the previous quarter.

### Analysis

Some of the speakers for the discussion were: Dr. Charan Singh, RBI Chair, Professor of Economics, IIM Bangalore; Dr. Govinda Rao, Former Economic Advisory Council to the PM of India and Dr. Rajat Kathuria, Director and Chief Executive, Indian Council for Research on International Economic Relations.

The discussion brought to the fore key issues concerning India’s economic growth and its prospects for the future. Even though the Indian economy has stabilised since the twin policy shocks of demonetisation and GST, concerns remain regarding broader economic management. The volatility of oil prices, agricultural growth, the stock market bubble and hyper globalization are all factors that could affect the Indian economy.

Dr. Rajat Kathuria spoke about the rapid and robust growth of the Indian economy. He said that even though there was some evidence of “bottoming out”, largely the economy is slated to continue expanding. However, he warned that the growth also presented challenges. He pointed out that the growth that has taken place in the past few years has happened without creating job opportunities for the labour force especially with regards to “productive jobs.” He also noted that the

rapid urbanization of India meant that many of its big cities were plagued by problems. People living in these cities have to deal with issues such as pollution and infrastructure as city management is lacking.

Dr. Govinda Rao sounded the alarm regarding Non-Performing Assets in India. He said NPAs have the power to paralyze the system of lending and borrowing, and yet the 2018 budget does little to address these problems. He also stated that there were concerns surrounding the funds allocated by the government for education and healthcare. He pointed out that healthcare is a state issue and wondered if the Union government discussed the healthcare rollout with state governments before presenting the budget. Ultimately, he argued that for India to develop, it will have to cater to its youth and focus on education and healthcare.

Dr. Charan Singh said that going “beyond the budget” meant that India has to come to terms with some of its vulnerabilities especially with relation to China. He hypothesized that India would have to develop foresight to map out an agenda for the future at least 20 years ahead. He also stated that while moving forward, India will have to consider four key questions: 1) What are we going to do about the growing labor force? 2) Where will we get resources to address problems like security. How can a nation like India compete with nations like China when it comes to areas like defense and economy? 3) What about technology? Defense technology will play a powerful role in days to come and we should be prepared for that. 4) What are we going to be with our neighbours? He noted that progress cannot happen in isolation and India’s ties with its neighbours will play a key role in its own development.

During the discussion, attendees also spoke about politics and wondered if politicians are more concerned about the elections rather than governance. Dr. Singh proposed three key solutions for some of the problems discussed. He wondered if the nation should do away with the Indian Institute of Management bodies and replace it with Indian Institute of Entrepreneurship. He also stated that agricultural universities should be replaced with micro enterprise universities with a high focus on research. He also noted that governing leaders should consider the kind of treaties signed by India and the role it would play in the nation’s development.

### Assessment

Our assessment is that the onus is on the government to ensure that the budgeted amount is spent so that the less fortunate are benefitted. We also believe that the government has to define a clear execution roadmap for the goals it has highlighted in the budget. It also has to be realistic about the resources at its disposal to kickstart some of the more ambitious projects.

With regards to the Indian economy, the nation must address urgent concerns like the NPAs and have the vision to plan ahead for the future.



## Cybersecurity: The Intersection of Policy & Technology

The Synergia Foundation brought together Israeli cyber law, regulation and policy expert Deborah Housen-Couriel and Mr. Gaurav Gupta, IAS – Principal Secretary for Information Technology, Biotechnology, and Science and Technology, Government of Karnataka, as well as policymakers, and senior executives from various fields to share their insights on the

topic of cybersecurity, policy, and technology. The discussions centered on further deepening collaborations between academia, the government, and business enterprises on how they should work together in coping up with the challenges arising from cyber attacks and cyber warfare. It also emphasized on how India and Israel should learn from one another and join forces in combating these rising cyber threats.

## Background

Cybersecurity or information technology security is the technique of protecting computers, networks, programs, and data from unauthorized access or attacks that are aimed for exploitation. Major areas covered in cyber security are Application Security, Information Security, Disaster recovery, and Network Security.

In January, seeking to upgrade their strategic partnership, India and Israel inked nine pacts in key areas, including cybersecurity and oil & gas sectors as a means to boost Indian Prime Minister Narendra Modi's Make in India initiative. Due to their strong relations, Modi and his Israeli counterpart Benjamin Netanyahu held extensive talks to strengthen ties in strategic areas of defense and counter- terrorism, especially surrounding cybersecurity.

## Analysis

The speakers of the talk included Deborah Housen-Couriel, Professor at the Kennedy School of Government, Gaurav Gupta - Principal Secretary for IT, BT, and S&T, Government of Karnataka, and Dana Kursh, Consul General of Israel to South India. The Consul General stated her interest in improving ties between Israel and India, especially regarding how the two nations can learn and guide one another to counter the existing cyber threats affecting the two nations. The Principal Secretary reiterated that India is expected to have a trillion dollar digital economy within the next 10 years, due to the influx of new age technologies, such as automation, artificial intelligence, and the internet of things.

Other participants included K.P.M. Das, Director of Cybersecurity and Trust at Cisco; Former Chief Secretary to the Government of Karnataka Subhash Chandra Khuntia; Naresh Shah, President, India Research & Development at Hewlett Packard Enterprise; M. Chandra Sekhar, Inspector General of Police; and Sunil Abraham, Executive Director of Centre for Internet and Society among others.

Naresh Shah from HP stated that it is crucial for enterprises to come up with a solution in order to safeguard their gear, such as servers and modems from hackers and issue patches for the vulnerabilities as soon as the product is released into the market. The Inspector General of Police from the Criminal Investigations Department said that there was an impending issue of most cyber attacks being an insider threat, which may in turn compromise the credibility of the country or organization.

Another industry expert was concerned about the lack of cybersecurity measures taken by the fintech industry and said that fixing liabilities using a legal framework should be enforced. A Director of Cybersecurity from another large corporation informed the gathering on how policy and technology are now diverging from one another due to technological advancements. He exclaimed that when it comes to cyberspace, there are no neighbors, and hence, threat intervals are difficult to attribute and pose the biggest challenge to cybersecurity. The Former Chief Secretary to the Government of Karnataka stated that in order to curb the impending dangers in cyberspace, cybersecurity training is extremely important from elementary school levels to that of skilled professionals. He added that although a hundred percent cybersecurity may be unattainable, the intersection of technology and policy can lead to techniques like preventing and containing the threat levels and enforcing good cybersecurity practices can be lucrative in the long run.

One of the main takeaways from the talk was that countries should follow Israel's policy of cyber regulation where cybersecurity is organized on a sectoral basis. Subsequently, with regard to Israel's financial sector, the Bank of Israel released a document to all banks to enforce the policies that were set forth.

The discussions concluded by the reaffirmation of three key issues. Firstly, infrastructure is seen as one of the biggest challenges to cybersecurity. A method of creatively and effectively using the existing infrastructure should be evaluated. The

best minds, policies, and cyber communication should be done through the right kind of infrastructure. Secondly, policy is another key element to cybersecurity. It is crucial to ensure that a nation's technology level and policy level are accelerating at the same pace. Thirdly, innovation and leadership was seen to be of equal importance. Cybersecurity is a national priority and adequate measures should be taken by enforcing policies around the existing threat.

## Assessment

Our assessment is that both India and Israel are known for innovation and have excellent records in terms of research & development, and these skills could be honed in order to develop strategies to overcome risks and challenges in cybersecurity. Extensive training and knowledge sharing is needed in order to make people aware of the implications of cybersecurity. This is critical to ensure that the right measures are taken today in order to come up with better solutions for the coming generations.



## Karnataka Legislative Assembly elections 2018

The Karnataka Legislative Assembly election will be held on May 12 in 224 constituencies to elect their respective members. The results will be declared on May 15, 2018.

## Background

The Government of Karnataka is a democratically elected body with the governor as the constitutional head. The governor is appointed for five years and appoints the chief minister and his council of ministers. The governor remains the head of the state, but the day-to-day functioning is undertaken by the chief minister and his council of ministers. For administrative purposes, Karnataka has been divided into four revenue divisions, 49 sub-divisions, 30 districts, 176 taluks, and 747 revenue circles and 5,628 gram panchayats. The state has 281 towns and 7 municipal corporations. Bangalore is the fifth largest urban city out of 23 metropolises in India. It is among the fastest growing cities in the world.

Karnataka took its present shape in 1956, after the states of Mysore and Coorg (Kodagu) merged with the Kannada-speaking districts of the former states of Bombay and Hyderabad, and Madras. Mysore state was made up of 10 districts: Bangalore, Kolar, Tumkur, Mandya, Mysore, Hassan, Chikmagalur (Kadur), Shimoga, and Chitradurga.

The politics of Karnataka is dominated by three major political parties, the Indian National Congress, the Janata Dal (Secular), and the Bharatiya Janata Party (BJP). The Indian National Congress has been in power in the state since May 2013. Siddaramaiah is the current chief minister.

The elections of 2004 led to extremely unusual results. No party had enough seats to form a government on its own. Out of a total of 224 seats, the BJP won 79, the Congress 65 and the JD (Secular) 58. The only possibility was a coalition government and the two largest parties were politically not inclined to form a coalition. During that time, JD(S) President and former Prime Minister Deve Gowda partnered with the Congress to form a government just to keep the BJP out of the government. However, before forming the government, the two parties had entered into an informal power sharing agreement where they would host the chief ministership for a period of 20 months each. This created a unique situation where a government was headed by three different political parties with no elections between them.



## Analysis

The official campaign of the Bharatiya Janata Party (BJP) began on November 2, 2017 with the launch of the Nava Karnataka Nirmana Parivarthana rally, which extended through 75 days across the entire state, led by the State President, Y.S. Yeddyurappa. The rally concluded on February 8, 2018, comprising all the constituents in Karnataka and ended with a note addressed by the Prime Minister Narendra Modi.

A fourteen-day “Protect Bengaluru” was carried out by BJP with an aim to revive and rebuild the city. The BJP and Janata Dal parties were campaigning against the Congress, pointing out the flaws and shortcomings under Siddaramaiah. This act bound Congress to highlight the achievements made to counter both the parties. The BJP has given indications that this time the election campaign will be Modi-centric and less focused on B.S. Yeddyurappa.

The Karnataka Pradesh Congress Committee (KPCC) set up a booth level committee at 54,261 locations. The committee will spread information on the various programs undertaken by the Indian National Congress. This was a widespread outreach program, which was held just before the elections. The Congress has taken aggressive steps to reach to grass root level to halt the impression created by the BJP. This micro-level reach by the Congress had created a positive impact on the people considering that Congress was on the losing end for the past few elections.

The Congress party exhibited its full strength in election-bound Karnataka’s coastal districts, a Sangh Parivar stronghold, as their party president Rahul Gandhi is visiting the region. The Congress currently holds seven of the eight seats in Dakshina Kannada district and three of the five in Udupi. BJP has only two out of thirteen, but these numbers are no indication of the parties’ ground strength. The Congress votebank turned out in full strength to see Rahul Gandhi.

The message that Rahul delivered was what they wanted to hear: “Saint Narayana Guru who lived among you people and (Lingayat religion patron saint) Basaveshwara spread the ideas of democracy and equality centuries ago in your land. Modiji does not practice what he preaches or keep his promises, unlike Siddaramaiah. His party creates divides between person to person, wherever they go.” He made no reference to the setting up of the Lingayat religion that the Karnataka cabinet cleared on Monday, which the BJP has called a “vicious” move to divide Hindus.

## Assessment

Our assessment is that the people of Karnataka have had enough of communalization and polarization. However, there are many who claim that Siddaramaiah is the best chief minister the state has seen. When an opinion poll was gathered, a sample revealed that Kumaraswami from Janata Dal was their first choice, followed by Yeddyurappa (BJP) and then Siddaramaiah (Indian National Congress). We believe that it will be a close fight on who has the upper hand in Karnataka this time. Despite all the emerging political issues, the entire nation and Karnataka state is eagerly waiting for the Karnataka Assembly Elections of 2018.

# India-China to improve ties?

Indian Prime Minister Narendra Modi and Chinese President Xi Jinping have agreed to improve the bilateral ties between the two nations. The Indian Prime Minister had called on his Chinese counterpart to congratulate him on his re-election.

## Background

India’s contemporary relationship with China began in 1950. Between 1960 and 1987, India and China have been involved in three major military conflicts. A bilateral relationship has since been established but both nations have often been pitted against one another as they are two of the fastest growing economies in the world. The two countries have never completely resolved their border problems and Chinese troops have reportedly infringed upon the Indian Territory over the years.

In June 2017, a skirmish broke out between Indian and Chinese troops at the Doklam plateau. Indian soldiers had intervened in the construction work being conducted by China in the region. The area is a disputed territory between Bhutan



(an Indian ally) and China. For nearly three months both nations were engaged in a military stand-off.

Another scuffle between Indian and Chinese troops broke out in August 2017. The two sides took to throwing stones at one another at Pangong Lake in Ladakh. Reportedly 15 Chinese soldiers had crossed into Indian territory and did not turn back despite repeated warnings.

By the end of August 2017, both sides announced that the stand-off had been called off. The Indian statement noted that both sides would withdraw troops but China had declared that its troops would continue to patrol the area. However, China has pulled back road construction equipment and bulldozers it had brought to the area.

In November 2017, China forcefully condemned Indian Defence Minister Nirmala Sitharaman’s visit to the Line of Actual Control in Arunachal Pradesh. China officially registered its concerns stating, “An Indian official going to a disputed region on the China- India border will perhaps make the issue even more complex and is not beneficial to efforts by both parties to maintain peace and tranquillity on the border.”

## Analysis

After months of tense ties between the two regions, Chinese President Xi Jinping and Indian Prime Minister Narendra Modi have agreed to improve relations. Indian authorities have confirmed that during a phone call, the two world leaders agreed to consult each other on regional and international issues.

“Prime Minister Narendra Modi made a telephone call today to Xi Jinping, President of the People’s Republic of China, to congratulate him on his re-election as the president,” a statement from the Indian foreign ministry said.

“The two leaders agreed that as two major powers growing rapidly, bilateral relations between India and China are vital for the realization of the 21st century as an ‘Asian Century,’” the statement said. “The two leaders also agreed to continue their close consultations on regional and international issues of mutual interest,” it added.

PM Modi has already indicated that he hopes to improve ties with China. In his message posted on his account on the Chinese social media platform Weibo, had said: “Dear President Xi Jinping, congratulations on getting re-elected as the President of the People’s Republic of China. I look forward to working with you for further development of our bilateral relations.”

China’s state news agency Xinhua has also revealed that the country is open to a better relationship with India. The newspaper, which is considered a mouthpiece for the Chinese government, has noted that Beijing was willing to maintain a better two way cooperation between the two countries.

In recent weeks, India has taken specific steps to not disturb its balance with China. Recently, the country cancelled a rally that was being hosted by Tibetans. The rally was being organized in part by the Dalai Lama.

## Assessment

Our assessment is that this was largely a customary call between two leaders of neighbouring nations. However, it seems unlikely that India and China will be able to drastically improve upon their ties in the near future. China has been aggressive in trying to increase its global footprint and has repeatedly warned India regarding its borders.



## McMaster out, Bolton in

US President Donald Trump has revealed that the country's current National Security Advisor, H.R. McMaster would be replaced by John Bolton.

Bolton is known for his hawkish rhetoric and has often advocated war against Iran and North Korea.

### Background

US President Donald Trump is a polarizing figure in world politics. His administration has also been criticized for being chaotic and controversial. Key members of the administration have left the administration since it came together in 2017. According to a study done by Kathryn Dunn Tenpas of the Brookings Institute the Trump White House has set the record for one of the highest attrition rates. The research notes that one in three staffers who were part of the White House left their positions within the first year. This is higher than the attrition rates in the five previous administrations. Some of the people who left or were dismissed include Steve Bannon, former Chief of Staff Reince Priebus, former National Security Adviser Michael Flynn, acting Attorney General Sally Yates, former Health and Human Services Secretary Tom Price, Anthony Scaramucci, former Press Secretary Sean Spicer and more.

In the month of February, a number of high profile resignations and firings took place in the White House. Chief among them was the dismissal of Rob Porter, a White House aide who had been accused of domestic violence. The White House initially published a statement of support to Rob Porter. However, the tide quickly turned and the current Chief of Staff John Kelly is reported to have fired him. In March, President Trump dismissed Secretary of State Rex Tillerson through a Tweet.

### Analysis

The Trump administration has confirmed that current National Security Advisor, H.R. McMaster has resigned. He will be replaced by John Bolton, the former US ambassador to the United Nations. President Trump announced the development through a tweet noting, "I pleased to announce that, effective 4/9/18, @AmbJohnBolton will be my new National Security Advisor. I am very thankful for the service of General H.R. McMaster who has done an outstanding job & will always remain my friend. There will be an official contact handover on 4/19."

"The two have been discussing this for some time. The timeline was expedited as they both felt it was important to have the new team in place, instead of constant speculation," a White House official said. "This was not related to any one moment or incident, rather it was the result of ongoing conversations between the two."

A nationalist and a conservative, Bolton served as the United States Ambassador to the United Nations from August 2005 until December 2006 as a recess appointee by President George W. Bush. With Bolton, Trump has found an aide who enthusiastically advocates a hawkish approach. He has signaled his support for initiating a war against North Korea and Iran.

Experts have warned that this could result in more violence. "A close look shows he's genuinely one of the most extreme, irresponsible, and dangerous voices in the country," said Adam Mount, a senior fellow and nuclear weapons policy expert at the Federation of American Scientists.

McMaster was not the only high-profile departure in the span of a few days. According

to a report, Trump's lead lawyer John Dowd for the special counsel investigation into Russia interference in the 2016 election has also resigned. He was among those who had advocated Trump to not fire special counsel Robert Mueller. With his departure, Trump could possibly work towards ending the ongoing investigation.

### Assessment

Our assessment is that the US President Donald Trump is now creating a cabinet with people who mostly agree with him on domestic and international affairs. He has hired highly conservative people who will advocate for a more aggressive approach to foreign policy. A war against Iran or North Korea would have devastating effect. The departure of John Dowd also threatens the future of the special counsel investigation into Russian interference.



## Putin wins another six years

On March 18, Russian President Vladimir Putin won a landslide re-election victory. This will ensure his continued rule over Russia for another six years, despite his strained relations with the West being on a hostile trajectory.

### Background

Vladimir Putin is a Russian politician serving as President of the Russian Federation since May 2012. He previously held the position from 2000 until 2008. He was Prime Minister of Russia from 1999 until 2000, and again from 2008 until 2012. During his second term as Prime Minister, he was the Chairman of the ruling United Russia party.

For 16 years, Putin was a KGB foreign intelligence officer. He was ranked Lieutenant Colonel in 1991 before entering politics in Saint Petersburg. He moved to Moscow in 1996 and joined President Boris Yeltsin's administration. After Yeltsin's resignation, Putin became Acting President in December 1999. During the 2000 presidential elections, Putin won by a 53% to 30% margin, defeating Communist Party of the Russian Federation opponent, Gennady Zyuganov. He was reelected President in 2004 with 72% of the vote.

During his first term as President, the Russian economy grew for eight straight years, and GDP measured in purchasing power increased by 72%. The growth resulted from the commodities boom of the 2000s, increasing oil prices, and favourable economic and fiscal policies. Due to constitutionally mandated term limits, Putin was not eligible to run for a third consecutive presidential term in 2008. However, Dmitry Medvedev won the 2008 elections and appointed Putin as Prime Minister. In September 2011, presidential terms were revised from four to six years, and hence Putin announced he would obtain a third term as president.

In March 2012, he won the presidential election with 64% of the vote. In 2015, Russia's GDP was seen shrinking by 3.7% resulting from declining oil prices and the imposing of international sanctions. Nevertheless, the Russian economy rebounded in 2016 with 0.3% GDP growth and is officially out of recession.

### Analysis

The most recent victory will take Putin's political dominance of Russia to nearly 25 years, until 2024, second only to Soviet dictator Josef Stalin. His agenda for the

new term aims to strengthen Russia's defences against the West and to raise the domestic standard of living.

The outcome of the election was a greatly expected one. Having counted just over 70% of the votes, the Central Election Commission announced that Putin, who has dominated the political landscape for the last 18 years, had won 75.9% of the vote. Putin's closest challenge was Communist Party candidate Pavel Grudinin, who received around 13%, while nationalist Vladimir Zhirinovskiy secured around 6%. Opposition leader Navalny is expected to call for anti-Putin protests challenging the victory. A senior opposition politician warned that protesters may take to the streets if prompted.

Putin's aggressive language increased before the election, in a speech addressing the nation, where he revealed that new nuclear weapons could hit almost any point in the world and evade a US-built missile shield.

Allies praised Putin's victory, but western sanctions on Russia introduced over Crimea and Moscow's backing of a pro-Russian separatist unrest in eastern Ukraine remain in place. These have damaged the Russian economy, which only rebounded last year after a prolonged downturn. Britain and Russia are also involved in a diplomatic dispute over the spy poisoning incident, and the US is seeking new sanctions on Moscow over allegations that it interfered in the 2016 US presidential election.

## Assessment

Our assessment is that Putin's victory in the elections depicts a vote of confidence that Russian people have in him and all that he has achieved to bring the country out of tough conditions during his multiple terms as President. Although Russia's Central Election Commission recognized that there were some irregularities in the elections, the commission dismissed wider criticism and declared the overall result as legitimate.

We feel that the United States and Britain cannot influence national elections and that the result was a vindication of Putin's tough stance taken last week toward the West. Although there is little agreement surrounding top policymakers and economic strategy for his new term, how long Putin wants to stay in power is currently uncertain.

# Angela Merkel to serve fourth term

Germany's parliament has confirmed Angela Merkel as the German Chancellor for her fourth term. Merkel will govern in coalition with the Social Democrats. However, she won by a narrow margin of 9 votes.



## Background

Angela Merkel is a German politician who has been serving as Chancellor of Germany since 2005 and is leader of the center-right Christian Democratic Union (CDU) since 2000. Merkel is known to the world as the de facto leader of the European Union, the most powerful woman in the world, and the leader of the Free World.

Post Germany's reunification in 1990, Merkel was elected to the Bundestag, the German federal parliament, for the state of Mecklenburg-Vorpommern, and has been reelected since. Merkel was chosen as the Federal Minister for Women and Youth in Chancellor Helmut Kohl's government in 1991, and became the Federal Minister for the Environment, Nature Conservation and Nuclear Safety in 1994. After losing the federal elections in 1998, Merkel was elected Secretary-General of the CDU before being appointed as the party's first female leader.

After the federal elections of 2005, she was appointed Germany's first female Chancellor. The CDU received the highest number of votes in the 2009 federal election, allowing Merkel to form a coalition government with the Free Democratic Party (FDP). In 2013, CDU won a massive victory with 41.5% of the vote and formed a second grand coalition with the Social Democratic Party. The CDU won once again in the 2017 federal election and Merkel was reelected to her fourth term on March 14, 2018.

## Analysis

Merkel was elected by Germany's lower house of parliament, the Bundestag, comprising of deputies from her own conservative CDU-CSU and her junior coalition partners, the Social Democratic Party (SPD).

Overall, 364 members of the Bundestag voted for Merkel, while 315 voted against her. After the vote, Merkel was sworn in by German President Frank-Walter Steinmeier. Merkel's conservatives won the election held in September 2017, obtaining 33% of the vote, ahead of the SPD with 20.5%. However, both of those figures fell sharply compared to 2013, partly due to the rise of the far-right populist Alternative for Germany (AfD) party, which won 12.6% of the vote. After the recent appointment, Merkel said one of her new government's goals is to win back voters lost to the far-right Alternative for Germany (AfD).

The Chancellor has dominated Germany's political landscape and directed the European Union through economic crisis. However, her authority was negatively affected by her decision to introduce Germany to an open-door policy on refugees in 2015, resulting in an influx of more than one million people leading to divisions within the EU over migration.

The German economy has seen great progress, as Angela Merkel formally began her term as Chancellor. German unemployment is almost non-existent, stock prices are at record highs, and there is almost no inflation. However, industry experts believe that this boom is set to end, critiquing that her reappointment would damage entrepreneurship and growth in the country. Nevertheless, Germany remains by far the Eurozone's biggest economy.

## Assessment

Our assessment is that Merkel's re-election for the fourth term reaffirms that her contributions to Germany are valued by its people. Her primary focus remains on prioritizing the strengthening of transatlantic economic relations. She held an important role in managing the financial crisis at the European and international level. During her Chancellorship so far, the major issues she has encountered are the German domestic policy, healthcare reforms, problems concerning future energy development, and the ongoing migrant crisis. Merkel will now begin her fourth term as German chancellor and her third as the leader of a grand coalition.

# Ethiopia's next Prime Minister

Abiyi Ahimad Alii has been elected by the ruling coalition as the Prime Minister delegate for Ethiopia. The region has witnessed many violent protests in recent years with the public expressing anger towards the governance

## Background

Ethiopia is a landlocked nation in eastern Africa, with a population of over 100 million: the second highest in Africa. Over 70% of the population is dependent on agriculture for livelihood and 80% of the population lives in rural areas. Ethiopia avoided colonial rule until the 20th century, when it was invaded by fascist Italy in 1935. The occupation lasted 6 years. A revolt returned the former Emperor Selassie





to power only to be overthrown by Soviet-backed dissidents in 1974. The Marxist Derg and its leader Colonel Mariam, who was responsible for the “red terror”, ruled for almost two decades, during which time the country saw severe droughts and famines.

In 1991, the Ethiopian People’s Revolutionary Democratic Front (EPRDF) captured the capital from the Derg. The Federal Democratic Republic of Ethiopia was formed. The EPRDF is Ethiopia’s current ruling coalition comprising of four parties: The Oromo Peoples’ Democratic Organization (OPDO), the Amhara National Democratic Movement (ANDM), the Southern Ethiopian People’s Democratic Movement (SEPDM), and the Tigrayan People’s Liberation Front (TPLF).

Ethiopia has been home to growing unrest since 2014, when peaceful protests against a development project in Oromo were met with violence from the state. These protests grew into a call for political and economic reform, largely from the regions of Oromo and Amhara, whose people claimed a lack of representation. Hundreds of people were killed during these protests, and over 10 thousand arrested. A 10-month state of emergency was instituted in October 2016. A year later, protests erupted again, with a continued demand for political change and the release of political prisoners.

## Analysis

Since January this year, the country has released over 6,000 political prisoners, including opposition leaders, protesters, and journalists, in an attempt to reduce dissent. However, protests have continued. Ethiopian Prime Minister Hailemariam Desalegn resigned on the 15th of February this year amongst growing political turmoil.

The region devolved into more chaos due to the resignation of Hailemariam and protests continued. The resignation also resulted in the government declaring a state of emergency in the region for a period of six months. In March 2018, the local media in Ethiopia confirmed that Abiyi Ahimad Alii has been elected by the ruling coalition as the Prime Minister delegate. He is the chairman of the Ethiopian People’s Revolutionary Democratic Front (EPRDF) and the current Chairman of OPDO (Oromo Peoples’ Democratic Organization). He comes from the Oromo ethnic group.

Abiyi Ahimad Alii is considered a reformer. During a recent meeting in the Oromia region he is believed to have said, “A fair justice system works only when human rights are respected.” In a 2016 interview with the AP, he spoke about the decline in good governance in the country that had prompted the protests. He said, “That (poor governance) is the main reason why people are protesting. This is really a positive sign. I have recently apologized in front of the parliament for our mismanagement and lack of responsibility that have generated these dissents. We are now taking measures to address those grievances.”

Yonas Alemayehu, an activist in the restive region, told The Associated Press, “I believe that Dr. Abiyi Ahmed is the answer to Ethiopia’s youths’ questions.” However, not everyone is convinced that he will be able to usher in stability to the embattled region. Yilikal Getnet, a prominent opposition figure said, “This change in leadership is an indication of how unstable the government is. It has got nothing to do with opening up for democratization or a peaceful transfer of power. It’s time for the ruling party to admit that solving Ethiopia’s current woes are beyond its capacity.”

## Assessment

Our assessment is that Abiyi Ahimad Ali will have to address the present crisis in the country while also holding together the coalition. These protests are rooted in ethnic differences, and it will be imperative to ensure that they do not spiral into ethnic conflict and violence.



## Facebook under investigation

The Federal Trade Commission has confirmed that Facebook is under investigation for violation of consumer privacy. The social media giant was caught in a scandal earlier this month, when it was revealed that political consulting firm Cambridge Analytica had accessed the personal information of over 50 million users.

### Background

Facebook is one of the largest social media sites in the world. It was launched by Mark Zuckerberg in 2004. As of June 2017, Facebook had two billion monthly users.

Facebook and other social media have come under fire a number of times in the past year, for hate and terrorist propaganda, the presence of bots, and the proliferation of “fake news” ahead of elections. In 2017, it was reported that Facebook was a key influencer in the outcome of the 2016 US Presidential election and the Brexit vote. Last September, Facebook admitted to finding approximately \$100,000 worth of ads connected to Russia. Russia allegedly played a role in flooding social media platforms like Facebook and Twitter with fake news stories depicting Hillary Clinton negatively.

### Cambridge Analytica

Cambridge Analytica is a private political consulting company founded in 2013. It uses data mining and data analysis “to change audience behaviour”. The company uses personal data acquired from a number of sources, including Facebook, to create micro-targeting advertisements designed to influence opinions. In an exposé by UK’s Channel News 4, CEO Alexander Nix was caught on tape claiming that the company does “a lot more” than just investigation, alluding to entrapment and bribery. The company has been involved in a number of political campaigns across the world.

Earlier this month, the company was accused of a Facebook data breach. Cambridge University professor Aleksandr Kogan reportedly sold the company personal user information of 50 million Facebook users, which may have been used in political influence campaigns. One of the executives of the company told undercover reporters that the organization had been responsible for popularizing the “Crooked Hillary” phrase.

### Analysis

According to media reports, Facebook has known about Aleksandr Kogan’s data breach since 2015. However, it failed to take action against Kogan and Cambridge Analytica, and to inform users of a breach. The FTC has now confirmed that it is undertaking a probe to find out whether the corporation failed to protect customer privacy.

“The FTC is firmly and fully committed to using all of its tools to protect the privacy of consumers. Foremost among these tools is enforcement action against companies that fail to honour their privacy promises,” the agency said in a statement, confirming an open non-public investigation into Facebook.

In 2011, Facebook signed an agreement with the FTC on data protection. The company updated its privacy guidelines to include a consent decree that stated that user permission had to be obtained before sharing data. Former director of

the FTC Bureau of Consumer Protection David Vladeck, told the Washington Post that for each confirmed violation of the agreement, the company would be fined \$40,000. Facebook has reportedly failed to protect the data of 50 million users.

"We remain strongly committed to protecting people's information. We appreciate the opportunity to answer questions the FTC may have," Facebook deputy Chief Privacy Officer Rob Sherman told CNBC.

The Attorneys General of 37 US States have written to Facebook demanding that the company provide Facebook users with an explanation for the breach. "As the chief law enforcement officers of our respective states, we place a priority on protecting user privacy, which has been repeatedly placed at risk because of businesses' failure to properly ensure those protections," the letter read. Republican Senator Chuck Grassley has called on the CEOs of Facebook, Google, and Twitter for a congressional data privacy hearing.

After the announcement of the FTC probe, Facebook shares immediately dropped by up to 6%. Shares have dropped by a total of 13.5% since the scandal broke on March 16th. Companies including Mozilla, Space X and Tesla, have paused advertisement campaigns on Facebook.

While the media has questioned whether this will be a death knell for the social media giant, some analysts have stated their belief that this incident is merely a bump in the road. "The FTC case we ultimately believe given previous cases will end with a fine in the tens of millions and is more noise than an impact to the company's operations over the coming years," Daniel Ivers of GBH Insights told Financial Times

## Assessment

Our assessment is that holding Facebook accountable for privacy violations will send a strong message to competitors. We have previously stated our belief that it is becoming increasingly essential for governments to implement data protection legislation. CEO Zuckerberg has admitted that it may be necessary to regulate social media. However, Facebook's future remains uncertain. Polls have shown that customer trust in Facebook is at an all-time low; in order to earn back this trust, the company must increase transparency.

# Kim Jong Un in China?

Multiple media houses are reporting that North Korean leader Kim Jong Un has made a secret visit to China. The visit comes just weeks after it was announced that US President Donald Trump has agreed to meet with the North Korean leader.

Multiple media houses are reporting that North Korean leader Kim Jong Un has made a secret visit to China. The visit comes just weeks after it was announced that US President Donald Trump has agreed to meet with the North Korean leader.

## Background

China is considered the most powerful ally for North Korea. It is North Korea's largest trade partner. Trade with China represents 57% of North Korea's imports and 42% of its exports. The country has tried to maintain a diplomatic stance between US and North Korea. It has urged the US not to conduct military exercises with South Korea and has implored North Korea to stop testing missiles. It has also approved of the UN sanctions against North Korea that have been repeatedly imposed this year. In February 2017, China announced that it will be suspending all imports of



coal from North Korea until the end of 2017. Coal is North Korea's most vital export commodity.

The North Korean nuclear program has been a source of concern for the US and the international community for decades. Its nuclear program has especially been a concern for the international community. In 2017, North Korea has launched 23 missiles in the span of 16 tests. In March 2018, a South Korean delegation headed to North Korea to partake in historic talks to ease the tensions that have built up in the Korean peninsula. These talks eventually resulted in US President Donald Trump agreeing to meet with Kim Jong Un. South Korea's President Moon Jae-in said the news "came like a miracle". "If President Trump and Chairman Kim meet following an inter-Korean summit, complete denuclearisation of the Korean peninsula will be put on the right track in earnest," he said.

## Analysis

In the meantime, ties between North Korea and China have been tense in the recent years. China has supported many of the harsh sanctions imposed by the UN in response to North Korea's nuclear activities. China shares a border with North Korea. There are growing fears within China that North Korea could turn on the nation and become hostile. This would present a clear threat to its security and would destabilize the region further. "The Chinese side is very worried that if North Korea gets word it might turn them into a hostile neighbor," said Frank Aum, a former Pentagon adviser on North Korea.

According to multiple corroborative media reports, North Korean leader Kim Jong Un is presently in Beijing to conduct a secretive official visit. This is the first trip to Beijing undertaken by Kim Jong Un since he came into power in 2011. A report from CNN noted, "Rumors about the arrival of a high-level North Korean official began swirling late Monday, when images of what appears to be a train that belongs to North Korea's ruling Kim family surfaced online. A large security presence outside the Diaoyutai State Guesthouse, where North Korean leaders have previously stayed, reinforced the speculation that a member of the Kim family had traveled to China." The SCMP has since confirmed although both China and North Korea have neither confirmed nor denied the speculation. "We cannot confirm those reports. We do not know if they were necessarily true," White House spokesman Raj Shah told a press briefing.

## Assessment

Our assessment is that the unconfirmed visit signals that the levers of peace in the Korean peninsula still lie in China. China continues to be wary regarding the US military presence in South Korea. As we had reported earlier, the Chinese would want the US out of the region as quid pro quo for any phased denuclearization of North Korea. We also feel that there could be an arbitrage between the imposition of sanctions by the US and the peace talks with Kim Jong Un. China has a mutual defense treaty with North Korea and it is likely that Kim Jong Un is seeking some assurance as he heads towards the anticipated meeting with Trump.

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