The following report highlights the predictions of Wikistrat’s analysts regarding trends and events that will shape the world in 2016. The report is based on an online, crowdsourced simulation that ran in December 2015 involving more than 100 analysts.
Already in 2015, labor unrest – the most reliable real benchmark of Russians’ dissatisfaction with their lives and government – became an increasing concern for the Kremlin. While Russians still registered broad support for President Putin himself and approved of his forward foreign policy, there was considerably less enthusiasm for the impact on their own quality of life as a result of the economic crisis caused by oil price falls, sanctions and official corruption. Of these three, the only issue on which the government can be expected to act is the last.

September 2016 will see the next elections to the State Duma, the lower chamber of the Russian legislature. While the Duma is relatively powerless, the elections are always treated as much as anything else as a vote of confidence in the Kremlin. As such, it will be crucial to the government to ensure a high turnout and strong support for its chosen candidates. There is no question that the regime will manage the elections to ensure that it wins – but the more blatant the rigging, the greater the chance of a repeat of the middle-class protests that followed the 2011 Duma and 2012 presidential elections. Were middle-class protests to coincide with disenchantment and active anger from the working class (increasingly Putin’s main support base), it could prove a serious embarrassment at best – and a major challenge at worst.

However, given that further foreign adventures are unlikely to have any positive impact or do anything for the economy, Putin’s ability to protect an embezzling elite while also inspiring the masses impoverished by that same embezzlement will be put to the test.

"Putin’s ability to protect an embezzling elite while also inspiring the masses impoverished by that same embezzlement will be put to the test."
The upcoming year poses two significant challenges for the Iranian regime: the implementation of the nuclear deal and the parliamentary elections due on February 26.

The implementation of the nuclear deal, which will be followed by the removal of economic sanctions on Iran, is expected to allow an influx of money into the country’s ailing economy and to cause a strengthening of regime stability – at least over the short term. This being said, the regime does consider the nuclear deal to be an opportunity for the West to increase its economic and cultural infiltration into the country.

The upcoming parliamentary elections pose an additional challenge to the regime, which is worried that moderate candidates supported by President Rouhani might regain their control over the legislature for the first time since the 2004 contest.

In light of its concerns regarding increased Western influence in Iran and a possible reformist/centrist backlash, the regime has already intensified its domestic repression. In recent weeks, Iranian authorities have arrested dozens of journalists, artists and social media activists – and have moreover increased the enforcement of the Islamic dress code in an attempt to weaken the moderates ahead of the elections and to restrain the President.

Considering Iranian hardliners’ determination to curb Rouhani’s power, stop the reformists from gaining ground and avoid any potential undermining implications of the nuclear deal (from their perspective), next year will see an increased political and civilian crackdown.
Afghanistan suffers from various traditional and enduring problems which will impact it in 2016. However, this coming year will be a significant test for the Taliban as much as for the country.

Perhaps for the first time since 2002, the Taliban’s position as the major insurgency force in Afghanistan will be under threat from three directions.

1. The internationally supported Afghan security forces will suffer many casualties and will struggle with morale and capability. But Kabul’s forces will remain in the field and in control of key cities and communication routes.

2. Internally, the Taliban will continue to experience leadership credibility issues; it is debatable whether Mullah Mansour will still be leader at the end of 2016 – or even if the Taliban will be recognizable as a single entity.

3. The emergence of ISIS will continue to complicate matters, as disgruntled local Taliban fighters weigh old loyalties against a new and better-resourced form of jihad. If the Taliban continue a process of fragmentation, it could produce a power vacuum for ISIS and local militias to fill and capitalize on. Even by the low benchmarks seen in Afghanistan, genuine progress on any form of peace dialogue appears to be unlikely in 2016.

This latter development might have a positive side effect. If the Taliban struggle to regain their former unity and find themselves squeezed by ISIS, it might help them find common ground and foster a hastening of peace talks with the government.

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In 2016, India will conclude the process of being formally accepted as a full member of the Shanghai Cooperation Organisation (SCO). With formal accession to the SCO, India has the opportunity to make up for its lost ground in Central Asia in the upcoming year.

India stands to reap dividends from consolidating its ties with oil- and uranium-rich Kazakhstan. In 2013, India’s state-owned hydrocarbon major ONGC lost a $5 billion bid for the offshore Kashagan oil field (in Kazakh Caspian waters) to a Chinese counterpart; this took place after Kazakhstan rejected New Delhi’s deal to buy it from ConocoPhillips. Nevertheless, India’s OVL and Kazakhstan’s KazMunaiGaz are presently engaged in joint exploratory drilling in the Satpayev oil field in the Caspian Sea. Kazakhstan has also inked a contract with India to supply it with 5,000 tons of uranium over the next four years.

New Delhi also plans to boost defense cooperation with Tajikistan, where India has already helped to build a military hospital. Rumors also point to an alleged Indian leasing of the Ayni airbase (along the lines of the Farkhor airbase). India’s strategic and economic interests in Afghanistan are expected to surge with SCO membership, especially in relation to cooperating with China in terms of resource exploration and infrastructure development.
As China faces the challenge of slower GDP growth in 2016, with the current official target set at 6.5 percent, it may resort to unexpected measures to boost the economy.

First, it may continue a selected but progressive economic opening by pursuing the conclusion of bilateral investment treaties (BITs) with the U.S. and EU, and additional bilateral trade agreements with countries such as Canada. While China has moved slowly on BITs, if it looks as if the U.S. Congress will move to ratify the TPP, such a move could put increased pressure on China to move toward eventual readiness to take on TPP-type obligations in future.

Agreement on a BIT with the U.S. (and the EU) would help prepare China to do so eventually and send a strong signal to Chinese domestic stakeholders that much-talked-about economic reforms leading to a more market-oriented economy will actually occur.

In terms of Chinese state-owned enterprise (SOE) reform, China will move toward actual restructuring and financial discipline – particularly with respect to SOEs operating abroad. The track record of Chinese overseas investment through SOEs has been less than stellar. Bad bets have been taken on a number of investments, ROI has been disappointing and corruption charges have been pursued against a number of senior SOE executives. China could do more of the same in terms of retrenchment/hunkering down and trying to clean up SOE management. Alternately, it can follow words with action and release the grip of the state on SOEs and allow them greater flexibility to operate more like private companies, making market-based risk assessments rather than being ultimately governed by political considerations.

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STATE-OWNED ENTERPRISES BY COUNTRY

China: 46.7%
Brazil: 17.0%
Russia: 8.0%
Malaysia: 8.0%
India: 4.3%
Indonesia: 3.8%
Taiwan: 3.7%
Thailand: 3.6%
Poland: 3.1%
South Africa: 3.0%

Source: Wisdom Tree, Standard and Poor's, as of 7/31/14; for illustration purposes, only the top 10 countries by ownership are displayed, therefore weights will not equal 100%; Subject to change.
Prime Minister David Cameron can expect to get most of the changes in Britain’s relations with the rest of the European Union he wants in 2016, but he will have to compromise on benefits for labor migrants.

A four-year ban on workers from other member states receiving social benefits in the United Kingdom and other wealthy EU nations, as proposed by Cameron, is fiercely resisted by Central and Eastern European governments. Several million of their nationals are employed in other EU states.

Cameron has some support on this: from the Danes and probably the Dutch. But France, Germany and Poland are wary. If they unite, Cameron will have to water down his demands or risk a failure — and a subsequent referendum vote against membership.

He can’t afford one. His priority is keeping Britain in an EU that focuses more on economic rather than political integration while opting out from “ever-closer union.” This is where the Germans, the bloc’s most powerful members, are the most sympathetic. They want to keep the free-trading British in the EU to balance against the protectionist instincts of countries like France and Italy, the second and third economies in the eurozone. The Germans also increasingly regard the need to reach consensus among 28 member states (rather than the 19 that share the euro) as an obstacle to the sort of fiscal union they think is needed to save the single currency and prevent further debt crises.

Hence more significant than restricting labor migrants’ access to national welfare systems – which is really Cameron’s only contentious proposal and one that will suck up a lot of media attention – is that the British-initiated reforms will end up splitting Europe in two: between a core of euro insiders and a periphery of non-euro outsiders.

Cameron calls this “flexibility.” For the Germans, it’s a way to deepen integration where it matters to them without losing the British from the EU altogether. Other non-euro states — Denmark, Poland, Sweden — will want to make sure in 2016 that they’re not losing out as a result.
Another year during which the breakup of the eurozone was widely predicted is coming to an end. Indeed, a “Grexit” came closer to realization in the midst of 2015 than ever before – an event which would signify not just the symbolic but also actual beginning of eurozone disintegration.

Despite individual signs of recovery (such as the fall of bond yields and the return to growth in member states strongly affected by the last financial crisis like Ireland, Portugal and Spain), Greece remains the weakest link of the eurozone. This weakness is for a series of reasons spanning from the non-viability of sovereign debt to the unsystematic implementation of reforms and the increasing tension between the newly elected Greek government and the troika (EC, ECB, IMF) during the first half of 2015. Meanwhile, negative predictions for formerly robust economies (e.g., of Finland) refuel the debate to the extent the eurozone is to blame for anemic growth and widespread pessimism.

Paradoxically, both the eurozone and the EU as a whole appear to be in need of crises in order to get out of what critics describe as a pervasive state of idleness. The agreement on a third Greek bailout arguably prevented a Grexit at the very last moment, while improved communication and cooperation between the Greek government and European institutions over the last few months may result in slight debt forgiveness in 2016 as an acknowledgment of the efforts being made so far.

Furthermore, the ongoing refugee crisis and concerns over global terrorism have reinforced the argument that tight fiscal targets in eurozone states such as Germany and France should be postponed in light of urgent demand for infrastructure for refugees and stepped-up security measures.

Overall, 2016 is expected to be another year during which critics will bet on the eurozone’s breakup; however, the adjustability of the EU as a whole in light of new challenges will probably prove them wrong.
In 2016, ISIS (also known as Daesh) will fully implement the strategy recommended by Abu Musab Al-Suri (who was released from a Syrian prison in 2011 and is believed by Western intelligence to be hiding somewhere in Syria). This strategy calls for the next phase of jihad to be fought by small, hard-to-detect, self-generating autonomous cells combined with multiplying open fronts where “mujahedeen” openly challenge and combat despised, “illegitimate” regimes.

ISIS will intensify its terrorism campaign outside of the caliphate with increasingly complex and deadly attacks against soft targets (e.g., civilians). The attacks will be designed on the one hand to “invigorate” the Ummah, and on the other hand to discredit and intimidate targeted regimes into submission. Large attacks will be directed and planned by ISIS, while other smaller plots will be self-generated by autonomous cells and individuals inspired by its ideology. In the West, a wave of attacks will be designed to tear apart the social fabric of societies and polarize inter-community relations (i.e., Muslims vs. non-Muslims) up to the point of fomenting civil war.

In conjunction, ISIS will reinforce and initiate new “open fronts,” including but not limited to Libya, Afghanistan, Bangladesh and the Caucasus. The ratcheted up Western aerial campaign against ISIS in Syria will only accelerate this process as the group’s leadership sends its most capable cadres (and their families) to friendlier, less-monitored and less-patrolled territories in Libya, Afghanistan, the Caucasus and so forth to develop new operational and logistical bases from which it is easier to plan and execute attacks. Here, the foreign fighters who have flocked to ISIS-held territory over the past year and a half will become highly efficient emissaries.

By the end of 2016, ISIS will remain a force to be reckoned with. Its physical space in Iraq and Syria will be somewhat diminished but not eliminated. It will have significantly expanded in Libya and Chechnya. Its virtual space will continue to grow. In Western Europe, North America and Australia, inter-community relations will be at a nadir. Governments will have requested and received exceptional legal powers. Western Muslims will feel increasingly alienated. New open battlefields will have matured in Libya, Afghanistan and the Caucasus. Learning to live with terrorism will become a new normal in an increasing number of countries. As the West’s military response grows, the view that ISIS is the de facto and rightful leader of an aggrieved Ummah will have grown significantly.
Oil prices will continue to remain fairly low due to overproduction and lower demand. They will rise slightly only towards the end of 2016 when demand rises again – but likely not surpassing $60 per barrel in any consistent sense. However, the trend towards higher prices in 2017 will continue. With OPEC (less and less prone to cohesion) unwilling to cut production collectively, no one will want to lose market share. Low prices will reduce production only marginally, and Saudi Arabia will for the first time cut funding for energy subsidies in order to cope with an unsustainable deficit. Shale oil projects in the U.S., many of which have $40-or-less breakeven prices, will face a slight decrease in production due to a sort of “natural selection,” but production will remain comparable to current levels.

Iranian oil will enter the market, but not as massively as some suspected. First of all, sanctions will persist for several months in 2016, secondarily because the new contract model recently presented is a risk-service contract, not the production-sharing one international oil companies (IOCs) hoped for. This is better than the previous buy-back model, but companies will ask for clarification on exact terms; it could be a case-by-case (both company-by-company and field-by-field) negotiation. Expect Royal Dutch to back off or apply for only a few fields. Overall, delays will mean Iranian production won’t surge more than 500,000 barrels per day before the end of 2016.

In the Mediterranean, expect more findings in the Levant Basin, especially off the coast of Egypt. It is impossible to determine if a Zohr-like discovery will be made again, but it can’t be dismissed. Also, Egypt will start to formalize agreements for an Eastern Mediterranean gas hub that will collect gas from the area (including from off the coasts of Israel and Cyprus). However, this still will not affect prices.

Gas production will continue to rise slightly, but lower demand will impact markets: As big producers like Russia and Qatar fail to secure larger long-term contracts as in the past, surplus will burden the spot market, causing drops in prices. This will impact higher-cost projects; Arctic projects will mostly be shelved (many already have been). Also, while most actors (Australia, the U.S.) are working on new liquefied natural gas projects, the offer is becoming so strong as to not justify higher prices.
In 2016, the public will become increasingly aware of progress in the development of self-driving automobiles. The continued advancement of the capabilities of artificial intelligence through the convergence of big data, powerful computers and domain-agnostic machine learning has previously been largely invisible to most people – though nearly everyone understands the cognitive skills required to drive an automobile in traffic.

Not only has the public become aware that Google’s autonomous vehicles have accumulated many miles on public highways (with their few accidents in fact caused by other drivers), but major car makers have also announced their own efforts to build self-driving cars. Some have even demonstrated their prototypes.

Although fully autonomous cars will not be offered to the public until more experience is gained, by late 2015 some manufacturers were boasting that their new models are incorporating some of the underlying technologies, including collision-avoidance and lane-keeping capabilities. These trends will have an important impact on the public perception of autonomous vehicles. One of the main issues is the fear they will make the decisions instead of the driver – and not always the “right one.”

The introduction of collision-avoidance capabilities and other lifesaving technologies will increase their value and image of AI with the consumer public in 2016, pushing companies to invest more in it.
The next twelve months will bring a technical depth to information security unlike anything we have seen before. The deep linking of data will be accompanied by more mature malware, including using Internet of Things devices and mobile platforms to host entire virtual machines, then using those to reach deeper into compromised data than seen before.

As attackers become more sophisticated, watch for deep linking of data to become the norm while seeking more lucrative targets. While hacktivism and digital vandalism will still be extant, the bite of organized crime will become deeper and stronger. Data correlation will play a big role in this as attackers link together details from various breaches to create more complete identities. Complete identities command a greater price on the black market, and Internet users without sufficient protections in place will find themselves the primary target for criminals.

In 2009, a security company conducted a project they reported on at Defcon 17 linking together social networking accounts of various targets using common data to create more complete social profiles. This new effort will be like that – called Social Butterfly – but more subtle. It will start as correlation of passwords (something that is already occurring at a small scale) and move on to the analysis of public data and competitor information to estimate/guess/infer intellectual property. These more complete profiles will become the currency of a certain segment of the criminal underworld. Basic identity theft will be replaced with blackmail like Cryptolocker to generate actual cash from identities rather than bulk sales.
In the cyber sphere, 2015 was the year of ransomware, which is arguably the most effective and rapidly growing digital criminal activity today. Attackers infect a victim’s system and encrypt its hard drive; the keys to unlock the encrypted files are available for a few hundred dollars in ransom. The power of ransomware is that – unless you have current backup files – no amount of forensics or technical activity will recover your files. Most people have a moral or ethical inhibition to paying a ransom, but if you want your data back you have no choice. This begs the question: What happens to the field of cybersecurity if dealing with criminals is cheaper, easier and more effective than calling for help?

Digital defenders like to promote the idea of raising attacker costs, but the genius of ransomware is that it reduces the expense of the intended response. Ransoms are a few hundred dollars and payable in a few minutes; a digital forensic examination (which will be fruitless) costs thousands of dollars and takes days to complete. Digital criminals are making a large portion of the multi-billion-dollar cybersecurity market redundant. Ransomware is only the beginning. We are already starting to see variants like exposé-ware (pay me or I’ll publish your data online for everyone to see). True innovation in cybersecurity is occurring on the wrong side of the law.

Thus, 2016 will be the year in which cyber experts will understand that the best way to address the issue of ransomware is not by trying to prevent it, but rather by responding to it. In an era when remedying computer security failures is cheaper than calling in computer security experts, watch those who want to survive adopt several changes. It will be difficult for the investigative sub-set of the industry to accept, but the future is more about restoration than conviction. Methodologies designed to produce admissible “evidence” will be replaced by tactics, techniques and procedures for getting organizations back to work.

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As a result of the upcoming 2016 U.S. presidential elections, next year will have significant consequences for the use of big data and predictive analytics for human behavior. During the 2012 campaign, President Obama operated a large team of data scientists who analyzed citizens according to dozens of parameters in order to identify the “easily persuadable” voters who could be turned to his side.

Democrats will use the knowledge and tools left over from the 2012 elections in the 2016 campaign; Republicans will almost certainly do the same. These tools will gain in strength because of the exponential growth in computing elements and artificial intelligence over the last four years, but also because of recent rulings allowing larger contributions to be made to political candidates. These funds will be used in part to support big data and predictive analysis ventures in the upcoming elections.

In a way, this is a new “Space Race” being conducted between the two parties. The original Space Race between the U.S. and the Soviet Union led to major leaps forward in space technology due to the need to establish supremacy in the field. The current “Data Race” is forcing both parties to gallop forward and find novel and innovative ways to use big data to secure their political futures.

The consequences of this Data Race are yet to be seen. Society-wise, there are important ethical issues to be considered. Industry-wise, it is likely that the insights and methodologies gained from the Data Race will serve many industries in the years to come, and will allow better targeting of advertisement and product sales.
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PREDICTIONS FOR 2016

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