

Strategic Weekly Analysis

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From the Editor's Desk

Dear FDI supporters,

Welcome to this week's edition of the *Strategic Weekly Analysis*. This week, we analyse Egypt's new parliament and the escalating tensions between northern and southern Sudan.

We comment on the release of a report by the United Nations Panel on Global Sustainability, which seeks to encourage sustainable development across the globe, before moving to Sri Lanka to contemplate the expulsion of foreign Islamic clerics from the *Tablighi Jamaat* organisation.

We then move to Indonesia, where calls have been made for the government to do more to combat the growth of a new generation of radicals. We conclude with an analysis of the

wider implications of the recent failed mutiny in Papua New Guinea.

Strategic Analysis Papers to be released over the next month include feature profiles of the Ethiopian Army and the Lord's Resistance Army rebel movement, and examinations of the national involvement in the Indian Ocean region of Indonesia and South Korea. Staying with South Korea, the Global Food and Water Crises Research Programme will investigate the future water situation in that country.

Major General John Hartley AO (Retd)
Institute Director and CEO
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Egyptian Parliament Sworn In Amid Expectation and Uncertainty

Background

On 23 January 2012, Egypt's parliament was finally sworn in amid high expectations and lingering uncertainty. As the representatives, the first to be democratically elected in 60 years, take office, many challenges remain.

Comment

While many view Egypt's elections as a triumph, the creation of the country's parliament has brought with it a new set of problems. One year on from the revolution, Egypt is still experiencing anti-government demonstrations and its newly-elected parliament must decide what role, if any, the Supreme Council of the Armed Forces (SCAF) will continue to play in Egypt's future.

The current ruling party in Egypt is the Muslim Brotherhood. Previously banned under former president Hosni Mubarak, the Brotherhood won 38 per cent of parliamentary seats, the High Elections Committee reports. It is widely believed that the Brotherhood wants to see the military out of power sometime in the future. As Shadi Hamid, an Egypt expert at the Brookings Doha Centre said, 'the military wants to effectively stay in power behind the scenes. That certainly is not what the Brotherhood wants.'¹ The Brotherhood has not yet, however, demanded that the SCAF give up power. In some instances, it has supported the military in the hope of achieving further stability.

Meanwhile, many believe that the revolution, which began in January 2011, will not be complete until the military has relinquished control. Demonstrators are still calling for the end of military-backed rule. Until that happens, protests and violence will likely persist in Egypt.

In an attempt to bolster public support, the Egyptian military has announced that the three decade-old state of emergency – widely used by Mubarak to quash opposition – will be suspended, except in instances of "thuggery." Human rights advocates have called on Egypt's parliament to insist on a genuine roll-back of the repressive laws, claiming abuse of such laws by the military is still rife.

The military's move is likely to do little to appease the distrust between pro-democracy forces and the military and there are now growing fears that the Brotherhood may broker a deal with SCAF. Early parliamentary sessions saw messages of support to the SCAF, but there were speeches denouncing it, too. The divisions in parliament underline the precarious position that it finds itself in. If parliament aligns itself too closely with the military, direct confrontation with pro-democracy forces is likely to ensue and demonstrations will almost certainly continue. Conversely, support for the revolutionaries would arouse the ire of the SCAF, a prospect parliamentarians are desperate to avoid.

As the Brotherhood hopes to strike a balance between pro-democracy forces and the SCAF, Egypt's interim government, now barely a week old, must also address the alarming signs of a growing economic crisis, in which more than 40 per cent of people live on, or below, the poverty line.

How the newly-elected parliament will tackle Egypt's economic challenges, while appeasing both the SCAF and pro-democracy forces, remains to be seen. As Wael Gamal, an economic and managing editor of *al-Shorouk* newspaper lamented, 'none of the political parties in parliament have the ability to fulfil the demands of the revolution ... I have no doubt we will see another confrontation, another uprising, very soon.'²

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¹ Khorshid, S., *Guardian*, 21 January 2012, 'The Problem with Egypt's Brotherhood is not Sharia'.

² Shenker, J., *Guardian*, 25 January 2012, 'Egyptian Parliament Sworn in under heavy weight of expectation'.

South Sudan: Army on Alert, Oil Flows Stopped

Background

Relations between Sudan and South Sudan have reached a new low. The South has cut the flow of oil through northern pipelines and placed its army on high alert, as the war of words between the two intensifies. Rebel groups within South Sudan, opposed to the government of President Salva Kiir, complicate matters further by warning oil companies to stay away from production zones and not to undertake the building of a pipeline to Kenya.

Comment

The South Sudanese Government ordered the shutdown of the fledgling country's oil industry on 29 January, in protest over Sudan holding two ships carrying South Sudanese oil at the Red Sea terminal of Port Sudan.

At the heart of the dispute lie the transit fees charged by Khartoum for the passage of southern oil through the north's infrastructure. At the time of the separation of the two Sudans, transit fees had not been agreed on, and the south now accuses the north of stealing its oil. Both countries are dependent on oil exports, but southern leaders now say they would rather see the oil remain underground in Southern Sudan than pay the transit fees demanded by the north. Khartoum is asking for a fee of \$32 per barrel, while Juba is offering a rate of US\$1 per barrel, a figure it claims is among the highest in the world.



Source: BBC News Africa

On 25 January, South Sudan announced it had reached agreement with Kenya for the long-expected construction of new pipeline to the Indian Ocean port of Lamu. With an estimated cost of US\$1.5 billion, the pipeline could transport up to 450,000 barrels per day (bbl/d), almost equal to the 470,000 bbl/d produced in 2010. China is a leading contender to build the pipeline. Khartoum detained two vessels carrying pre-loaded South Sudanese oil at Port Sudan in retaliation, but they have since been released.

According to the south, northern Sudan has appropriated some US\$815 billion worth of its oil, while Khartoum is demanding US\$1 billion in unpaid transit fees. South Sudan has placed its army on alert following a reported northern air raid on a refugee camp in Upper Nile state, adjacent to the north-south border.

The situation is complicated by two South Sudanese rebel groups – the South Sudan Liberation Movement and the South Sudan Democratic Army – which have jointly warned oil companies not to undertake construction of the Lamu pipeline. The two groups oppose the project on the grounds that the decision was made ‘without adherence to democratic principles’. They refer to the shutdown as ‘economic suicide’ and maintain that the Port Sudan pipeline should continue to be used. United Nations Secretary General Ban Ki-Moon has spoken of fears of an outbreak of conflict and an associated humanitarian crisis.

The South Sudanese government is reportedly also in talks with Ethiopia and Djibouti for the construction of an additional pipeline to allow it to bypass the north. As with the Lamu pipeline, a new northbound route would cost a great deal and take some time to build. Given its near total dependence on oil exports, South Sudan may need to enter discussions with Khartoum sooner rather than later and, indeed, has said it is willing to do so. The lack of income may lead to a shorter than expected shutdown. That would come as relief to China, the largest purchaser of Sudanese oil, particularly if Iran were to attempt to close the Strait of Hormuz. According to the United States Energy Information Agency, the main customers for Sudanese oil are China (which buys 65 per cent of total exports), Malaysia (12 per cent), Japan (11 per cent) and India (six per cent).

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UN Report Calls For New Ways to Tackle Food and Water Security

Background

The report ‘Resilient People, Resilient Planet: A Future worth Choosing’, has been released by the high-level United Nations Panel on Global Sustainability. It contains 56 recommendations, which seek to put into practice sustainable development around the world.

Comment

The recommendations indicate a real desire by those on the panel to make necessary global changes to eradicate poverty, reduce inequality, make growth inclusive, and to ensure that production and consumption are more sustainable. The panel believes that the current global development model is unsustainable. ‘If we fail to resolve the sustainable development dilemma, we run the risk of condemning up to three billion members of our human family to a life of endemic poverty,’ the report says.³

Central to the recommendations is a desire that people from different areas of speciality start working more collaboratively. It is a common desire, also expressed at the Food and Water Security Roundtables, held regularly across Australia by Future Directions International. The report says that there is a need for a so-called ‘new political economy’ for sustainable development to improve the interface between

³ Policy Vision 8 of the report.

environmental science and policy. The new political economy would recognise that sometimes there is a market failure that requires both regulation and the pricing of environmental externalities. 'For too long, economists, social activists and environmental scientists have simply talked past each other – almost speaking different languages, or at least different dialects,' the report says.

The panel desires the development of a common language in a sustainable way and its introduction in mainstream economics. The report also speaks about the need to embrace a new nexus between food, water and energy, rather than treating them in different silos. With this approach it would be possible to have a second green revolution that doubles yields, but is based on sustainable principles.

The co-chair of the panel, President Halonen and panel members Gro Harlem Brundtland, Connie Hedegaard and Jairam Ramesh, will launch the report tomorrow (2 February 2012) at the 12th Delhi Sustainable Development Summit. The report will also be released to the international community on 6 February in Geneva, Switzerland. The guest speaker will be Micheline Calmy-Rey, former president of Switzerland and a member of the panel.

The report addresses the very concerns that have been expressed by Future Directions International. It echoes the desires of many of FDI's Associates, expressed at various FDI roundtables.

With food security firmly on the international agenda, it may just be possible that some tangible reforms could reach fruition, thereby ensuring food security for the world's vulnerable people.

For a copy of the report, click [HERE](#).

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Sri Lanka: Colombo Orders Islamist Clerics to Leave

Background

The move by the Sri Lankan Government to order a group of 161 foreign Islamic clerics to leave the country by 31 January highlights the role of a global Islamic group that is challenging the more moderate indigenous form of Sufi Islam in Sri Lanka.

Comment

According to the Controller of Immigration and Emigration, Chulananda Perera, the clerics belonged to the *Tablighi Jamaat* group. They had entered the country on tourism visas in small batches, without officially applying for permission to preach. The clandestine nature of their arrival brings to light the activities of the largest Muslim proselytising organisation in the world. It is estimated to have between 80-150 million followers.

While the *Tablighi Jamaat* has not been directly linked to terrorism and is still allowed to practice in a number of countries, including the United States and the United Kingdom, it does promote a stricter,

more orthodox, view of Islam. The group has, however, avoided being subject to restrictions in most countries by having rules prohibiting involvement in politics and the promotion of violence.

Its apolitical nature does not, however, necessarily indicate moderate values. The group calls for the compulsory use of the *hijab* for all female followers. It heavily promotes the full face-covering *niqab*, as well as rules to enforce seclusion and segregation between the sexes. These values are in sharp contrast with the original Sufi traditions indigenous to Sri Lankan Muslims, which are mixed with Tamil and South Indian customs.

More troubling, however, has been the group's role as a gateway between orthodox Islam and the most extreme forms of Islam, including Wahhabist movements and al-Qaida. It is as an orthodox alignment of values providing a recruitment path to more extremist groups that represents the main danger surrounding the movement. A recent example of this can be seen in the case of a *Tablighi Jamaat* imam, Mohamed Hammam, who will face a French deportation committee on 3 February for giving anti-Semitic sermons and advocating the killing of adulterous women.

While *Tablighi Jamaat* remains largely apolitical, it represents an interesting dilemma for policy makers. A 2009 article in *The Guardian*, 'What is the Tablighi Jamaat?', by Dr Jenny Taylor, implied that the organisation could be viewed as a safety valve giving young people with strong Islamic views the ability to express themselves and have a sense of community, without feeling the need to join more extremist groups. Yet the article also pointed out that extremist movements are currently actively recruiting from within its ranks. Richard Reed, the UK shoe bomber, as well as the US home-grown jihadist, John Walker Lindh, had been involved with the group prior to their recruitment into al-Qaida.

Sri Lanka's move against the group was carefully nuanced, as it was also reported on 23 January that 'both Secretary Gotabaya Rakapaksa and Minister Basil Rajapaksa agreed that the foreign *Tablighi Jamaat* members could re-apply for a religious visa to enter Sri Lanka'. Taking a balanced approach is important, as an outright ban on *Tablighi Jamaat* could be counterproductive. It could push already hardline Sri Lankan Muslims towards more radical groups such as *Hizb ut-Tahrir* and *Jamaat-e-Islami*. It is clear, however, that the organisation needs to be monitored, at least as long as its reputation as a gateway into more radical movements remains. More importantly, governments in the Indian Ocean region that have existing moderate Sufi Islamic traditions, need to do more to promote and proselytise these values, or else they will be at risk of being supplanted by the values promoted by groups such as *Tablighi Jamaat*.

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About the author: Jahnu Russell manages the international research team for Melbourne-based company Export Results and has extensive experience in undertaking market analysis projects, both in Australia and overseas. Mr Russell has experience in the organic, agricultural, manufacturing, food and energy industry sectors and has facilitated research and competitor analysis projects in USA, Canada, Europe, India, South-East Asia and the Middle East. He has a Bachelor of Business (Finance) and a Bachelor of Arts (Asian Studies). In 2005 he completed the Austrade Institute's 'Going International' export advisors course and was a previous member of the Export Consultants Association of Australia (ECAL). He has an ongoing interest in strategic issues and the critical role of Australia's trade relationships.

Indonesia Urged to Combat Fundamentalists

Background

In a report released on 26 January, the International Crisis Group (ICG) has warned that acts of vigilantism among Muslim extremists in Indonesia are increasingly turning into terrorism.

Comment

While Indonesia's 210 million Muslim faithful are typically peaceful moderates, religious fundamentalism, which was formerly suppressed under the "New Order" regime of former president Suharto, is spurring on a new generation of radicals. The new jihadists are intent on violence against religious minorities, including Muslims from the Ahmadiyya sect of Islam, and the authorities, in the name of upholding morality and curbing "deviance" in Indonesia.

'They preach that Indonesians have forgotten the core of Islam,' says Noor Huda Ismail, founder of the Institute of International Peace Building in Jakarta, which works with local authorities to de-radicalise former terrorists. 'Their message is simple: the only way for Indonesians to prove themselves as good Muslims is through jihad against the infidel Americans and their allies.'⁴

While terrorism is nothing new in Indonesia, the ICG has criticised the Indonesian Government for leniency in dealing with a string of recent "morality raids" last year by Islamic extremists. The attacks included the suicide bombing of a police mosque in Cirebon, West Java, and an evangelical church in Solo, Central Java.

The attacks show a developing trend of independent radical groups forming among groups of poor, uneducated and unemployed men, who are influenced by local extremist clerics urging them to attack what are termed "Islam's enemies."

The government of President Yudhoyono has been slow to act, perhaps because of fears that a crackdown might actually be perceived as un-Islamic by the wider community. The ICG is urging the government to develop a national consensus on what constitutes extremism, to directly confront "hate speech" and to draw the line between upholding morality and orthodoxy – and jihadism.⁵ While government efforts at policing have occasionally borne fruit, more concerted long-term action will be needed to facilitate real change.

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⁴ Beech, H., *Time*, 7 June 2010, 'What Indonesia Can Teach the World About Counterterrorism'.
<<http://www.time.com/time/magazine/article/0,9171,1992246,00.html>>.

⁵ International Crisis Group, 26 January 2012, 'Indonesia: From Vigilantism to Terrorism in Cirebon'.
<<http://www.crisisgroup.org/en/regions/asia/south-east-asia/indonesia/b132-indonesia-from-vigilantism-to-terrorism-in-cirebon.aspx>>.

Mutiny Tip of the Iceberg in PNG Instability

Background

The botched mutiny in Papua New Guinea (PNG) is symptomatic of much larger political issues. PNG bears many of the hallmarks of a failing state. Although calm seems to have returned to Port Moresby for the moment, the latest development in the year-long political crisis bodes poorly for a resolution in the short-term. PNG's human development indicators are among the worst in the world. While the crisis continues, efforts to resolve social and economic issues will likely be futile.

Beyond PNG, a chief concern for policy makers is how the crisis may transmit regionally. East Timor and Melanesian states suffer similar insecurities, albeit at a lower intensity than PNG. An indirect security concern also exists for Australia. Instability, leading to state failure, would be disastrous for Australia's interests in the region and its own northern flank.

Comment

On 26 January, some 30 soldiers led by retired Colonel Yaura Sasa, stormed the Port Moresby barracks and attempted to depose the country's top defence official. The day-long mutiny, reportedly undertaken at the behest of former Prime Minister Sir Michael Somare, is the latest development in a year-long political crisis. Government troops quickly regained control of the barracks, effectively ending the mutiny. According to reports on 29 January, Colonel Sasa has been arrested, while a general amnesty has been given to the soldiers. Far from resolving the crisis, the coup and its aftermath may herald the start of a divisive and potentially violent period in PNG.

PNG is ethnically, tribally and culturally diverse. This makes it unlikely that the objectives of the mutiny could ever have been realised. Unlike coup-prone Fiji, the military in PNG is not a homogenous entity. Ties and loyalties across tribes effectively prevent support from a broad cross-section of the military. Although future mutinies are unlikely to succeed, January's mutiny has created a dangerous precedent, and further interference by the military cannot be discounted.

The contentious political environment creates further concerns for elections due in the middle of the year. Election related violence in the 2002 vote claimed over 100 lives. Reprisals from the mutiny, tensions between the current government and Somare's camp, and ubiquitous tribal tensions, may conspire to create further violence during the 2012 vote.

Equally, the economic outlook for PNG largely mimics the political uncertainty. On 27 January, Standard and Poor's, one of the world's major credit rating agencies, downgraded PNG's sovereign credit rating from stable to negative. Citing the mutiny, along with political uncertainty, S&P gave the country a B+ credit rating, four levels below investment grade. The downgrade, likely to be followed by other credit agencies, may have a negative impact on donor support. The reduced rating could also decrease foreign investment in the nation's economically vital resource and energy sector.

Internal instability within states cannot be isolated. Failing states represent a regional security liability. The collapse of Yugoslavia in the early-1990s led to a proliferation of transnational criminal activity. Similarly, the continuing failure of Somalia, and its resulting porous borders, has resulted in a declining security situation throughout the Horn of Africa. The collapse, or continued weakening of PNG would provide a Petri dish for security challenges in the South Pacific. Trafficking in small arms, money laundering, narcotics smuggling and production, are all possible contingencies. Doubts remain over the

potential for other regional states to meet these challenges, leading to a potential arc of instability on Australia's northern borders.

For Australia, a further deterioration of the situation in PNG would signify a real and immediate security concern. The proximity of PNG, 160 kilometres north of Australia, is a motivating concern in formulating policy toward the crisis. Australia's economic interests, mainly in natural gas and mineral resources, may also be undermined if the current situation is not resolved. According to Elsin Wainwright, a strategic dimension exists in Australia's response to state failure in the South Pacific. Failing or failed states are vulnerable to funds from state or non-state actors wishing to create a presence in Australia's immediate region. A continuing decline in the stability of PNG presents opportunities for the involvement of actors with interests potentially opposed to those of Australia.

Resolutions of state failures are notoriously difficult. This holds true for PNG; the 2012 poll may provide a short-term resolution. In the longer-term, however, chronic economic, social and political issues may test state stability. Clearly, prevention remains a more preferable policy option than intervention. The British Government spent over £1.5 billion on its involvement in Bosnia, responding to the aftermath of a crisis. It is a significantly higher amount than the £14 million provided to Macedonia to prevent the development of a crisis.

Australia will feature in a paramount role in dealing with regional state collapse and, more importantly, in a preventive state building capacity. With long established diplomatic and economic ties to Polynesia and Melanesia, Elsin Wainwright goes so far as to refer to Australia as the 'South Pacific region's metropole'. Accordingly, Australia should push for an arbitration role in the current crisis, encouraging both sides to respect the rule of law and democratic norms. Equally, in the long-term, Australia should continue AusAID commitments to the region, with a particular focus on state infrastructure and capacity building projects.

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What's Next?

- The University of Western Australia is holding a public lecture, 'Another India: Land, Water and Rural Poverty'. Speaking will be P. Sainath, Swapna Banerjee-Guha and Dr Anjal Prakash. It will be held at the University Club Theatre on 2 February, at 6pm. For more details, click [HERE](#).

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What's Next?

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- The Asia Research Centre at Murdoch University, Perth, will be hosting the fourth workshop of the Australian International Political Economy Network (AIPEN) on 2-3 February. Admission is free. For more information, contact Shahar Hameiri: S.Hameiri@murdoch.edu.au.
- The Australian Meteorological and Oceanographic Society's Annual Conference continues in Sydney until 3 February. For more information, visit: <http://www.amos.org.au/2012conference/cid/1/parent/0/pid/1/t/2012conference/title/conference-home>.
- Ms Micheline Calmy-Rey, former President of Switzerland and Member of the High-level Panel on Global Sustainability (GSP), will be the main speaker at a panel discussion on the UN Global Sustainability Report to be launched in Geneva on 6 February. It will be hosted by the UNOG Director-General, Mr Kassym-Jomart Tokayev, with the participation of other high-level personalities.
- The Australia Indonesia Business Council will hold a "Mining Indonesia - Leading the Way" business breakfast on 8 February from 7.15am at the University Club, UWA, Perth. Ticket prices are \$60 (GST inclusive) for AIBC Members / \$80 (GST inclusive) for non-members. Registrations close at 5.00pm on Friday, 3 February. For more details, and to register, phone 1300 902 878 or visit: http://www.aibc.com.au/index.php?option=com_registrationpro&view=event&did=96&Itemid=18&shw_attendees=0.
- *Invest Hong Kong* is holding a free business seminar titled "Hong Kong: Where Global and China Advantages Converge", on 9 February from 4.00pm - 6pm at Frasers Function Centre, Fraser Avenue, Kings Park, Perth. For the full programme and speaker details, visit <http://www.investhk.gov.hk/static/common/hong-kong-where-global-and-china-advantages-converge-en.html>. To register, contact Yin Robards on (02) 9286 2360 or yin_robards@hketosydney.gov.hk

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