

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, FDI Visiting Fellow Fujian Li, analyses the visit to the United States of Chinese Vice-President Xi Jinping. Also analysed is the possibility that Iran may be considering negotiations, as pressure mounts against it. Still in the Middle East, we explore the implications of Sunni-Shiite unrest in Saudi Arabia.

We then look at the effects of the severe drought now gripping the Sahel region of Africa, before heading south to consider the latest developments in the continuing tensions between Sudan and South Sudan. Next, we move out into the Indian Ocean, with a look at Somali piracy and the commitment given by Mauritius to hold and try suspected pirates.

Continuing westwards, we investigate India's food security prospects in the light of forecasts for a bumper harvest. Finally, we analyse the

findings of a new report, titled 'Cities and Flooding: A Guide to Integrated Urban Flood Risk Management for the 21st Century', which has implications for Australia.

Strategic Analysis Papers to be released over the next month include: analyses of United States-Burma relations, and US policy in the Horn of Africa region; 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 Qatar, Saudi Arabia and Indonesia. The Global Food and Water Crises Research Programme will investigate the future water situation in South Korea.

Major General John Hartley AO (Retd)
Institute Director and CEO
Future Directions International

China-US Relations: Mr Xi Goes to Washington

Background

Chinese Vice President Xi Jinping completed an official visit to the United States from 13-17 February. He met with the US leaders, including President Barack Obama, and had talks with American business elites. He also visited the agricultural state of Iowa and hi-tech California. Xi's trip has been widely seen as a marker for the Sino-US relationship in the next five to ten years.

Comment

Choosing St. Valentine's Day to meet with the US President may have been accidental, but it conjures certain imagery. As one of the most important and, perhaps, most complicated, bilateral relations in the world, what kind of "romance" will the US and China have?

Xi's trip to the US attracted attention from all over the world. Analysts are eager to see what the man who probably will rule China in the next decade can do to improve Sino-US relations. The two countries are far from being "lovers". In fact, the relationship has been increasingly tense over the past two or three years. It is not always easy to take an optimistic view, as one can argue that conflict between the US and China is unavoidable, given that the US is strategically "returning" the Asia-Pacific, if it ever left, and, at the same time, the Chinese seemingly have become more ambitious in the region. The drama in the South China Sea is a case in point. In response to questions from the American media, Xi suggested that 'the Pacific is large enough to accommodate both China and the US.' But with the US presidential election and the once-a-decade leadership change in China approaching, we are likely to see more friction in the coming months. Domestic politics will play an influential – and perhaps more negative – role in the Sino-US relationship. The uncertainty of the world economic recovery, disputes in the Sino-US trade relationship, and different opinions over many issues in the Middle East, complicate the relationship. Good communication is needed now more than ever.

In Xi's talks with US leaders, history is frequently mentioned. There is good reason to for that. Forty years ago, when President Richard Nixon offered his hand to Premier Zhou Enlai on a cold February day in Beijing, they were creating history. Xi Jinping no doubt hopes that his US colleagues also learn from their shared history that a good relationship between the two countries is not only in the core interests of the two peoples, but is also good for world prosperity, stability and peace. US Vice President Joe Biden assured his guest that the Obama Administration has never formed any strategy aimed at containing China. Instead, the US is willing to strengthen co-operation with China in the Asia-Pacific region. Chinese analysts may not completely believe that the US really has no strategy of containing China, but most of them would agree that the US is playing a game of hedging, with containment and co-operation running in parallel. It might be similarly difficult for the US policy élites to believe that China really has no intention of undermining US leadership in the region. In this context, Xi's trip is extremely valuable in terms of increasing mutual confidence.

Besides the serious discussions in Washington, there were some "relaxing" activities. A host family reunion and an NBA basketball game allowed people to see the human side of this Communist leader-in-waiting. In 1979, when the photo of Deng Xiaoping wearing a cowboy hat in Texas appeared in newspapers, for many Americans, China no longer seemed so far away. Now, Xi's public diplomacy skills are on show.

But, for Xi himself, the trip is definitely not as easy as his first visit, 27 years ago. With the Eighteenth

Congress of the Chinese Communist Party to be held later this year, this visit was more like a test. He needed to prove to his comrades in Beijing that he is capable of handling China's most important foreign relationship.

Overall, Xi's visit can be called a success. The mainstream media in both countries gave it positive coverage. US leaders had the opportunity to get Xi's opinion on the Sino-US relationship and many other international affairs, and to build closer personal ties with him; it was equally important for Xi. The leaders reached some consensus: Xi stated that there is no other choice but for the two countries to co-operate, and Obama agreed. When Xi said that China's rise should be viewed rationally, the US leaders stated that they are happy to see China's success. Both parties promised to strengthen military exchanges in the future. Some significant disagreement still exists, however. Issues like human rights, Tibet and trade protectionism still provoke criticism.

Xi's busy schedule and the high-profile reception on the US side are like a long-term investment. But, it would be naïve to believe that the bilateral relationship can go to a higher level immediately. That is partly because Xi does not yet have the power to make foreign policy decisions. More importantly, the "trust deficit" between the two giants cannot be eliminated in a short time. A root cause of that trust deficit is the uncertainty in the two countries' perceptions of each other. It may take a while for them to get used to the new situation. To paraphrase Henry Kissinger, 'China and the US must co-evolve'.

Fujian (Frank) Li

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Iran: A Possible Change towards Negotiations

Background

Iran's senior nuclear negotiator has reportedly dropped a number of previously unacceptable preconditions and declared Tehran is ready for dialogue at 'the earliest possibility'.

Comment

While the above statements do not guarantee that negotiations will begin shortly, there are several indicators to suggest that Iran may be ready to talk.

There is no doubt that sanctions are hurting Iran's economy, as Iranian oil exports account for 80 per cent of its foreign currency earnings. Inflation has risen steadily and official unemployment figures are at least 12 per cent, with many analysts suggesting they should be higher.

Iran also faces parliamentary elections next month. While some analysts believe the regime is keen to show that it will not be intimidated, others suggest there is concern over a popular backlash because of deteriorating living standards.

In addition to the recently announced European Union sanctions, there are also indications that restrictions are likely to be imposed on Iran's financial institutions.

Tehran has also lowered its aggressive rhetoric. Officials appear to have dismissed the option of closing the Strait of Hormuz, probably in recognition of the impact of the conventional air and naval capabilities of the United States and other forces in the region. Such strikes would most likely destroy the Iranian navy and air force, as well as its nuclear facilities.

There are also unconfirmed reports suggesting that Iran may have cancelled or postponed its latest exercise in the Persian Gulf, which was due to start on 19 February. In an apparent reciprocal gesture, the US postponed a joint ballistic missile exercise with Israel.

While there is no concrete evidence indicating when talks might resume, there are indications suggesting that an announcement may be made shortly.

Major General John Hartley AO (Retd)

Institute Director and CEO

Future Directions International

Sunni-Shiite Violence in Saudi Arabia Highlights Growing Divisions in Middle East

Background

Clashes continue between Shiite demonstrators and security forces in Saudi Arabia's oil-producing eastern region, with violence reported on 9 and 10 February. The recent upheavals are a serious cause for concern to the Sunni-led government in Saudi Arabia. But they could have broader implications too, sparking further unrest and division in a region that is becoming increasingly defined by the tussle for power and influence between Saudi Arabia and Iran.

Comment

The demonstrations, which have been continuing since October last year, and which have frequently turned violent, represent a growing sense of dissatisfaction felt by the Shiite minority within Saudi Arabia. Shiites represent around 15 per cent of Saudi Arabia's 27 million people, and mainly live in the oil-rich Eastern Province. They have suffered discrimination under Sunni rule, where job discrimination and the forbidding of religious ceremonies are common practice.

As well as Saudi Arabia being dominated by Sunni Muslims, who account for almost 85 per cent of its population, the government's main support base comes from radical Wahhabi, who remain extremely anti-Shiite, since certain Shiite practices clash with their own. Sunni-Shiite relations have improved somewhat in the past several years under King Abdullah bin Abd al-Aziz. But to many Shiites, who have become emboldened by the uprising in nearby Bahrain and the ascendancy of Shiites in Iraq and Lebanon, change and reforms are not coming quick enough.

Many analysts suggest that, if King Abdullah had his way, he would integrate the Saudi Shiites and end the discrimination. But, as Joshua Teitelbaum writes for the Jerusalem Centre for Public Affairs, 'the King faces an ongoing dilemma that presents no immediate solution: if he appeases the Shiites, he risks the

wrath of Wahhabi extremists and the religious establishment; if he doesn't, the Shiites will remain a thorn in his side.'

Additionally, the rise of Hezbollah in Lebanon, an ongoing uprising in Bahrain, a possible Shiite state in Iraq and a powerful Iran across the Persian Gulf have done little to appease Saudi fears of a "Shiite Crescent". Throughout the region, the division between Sunni and Shiite regimes has become stark. The Arab side of the Persian Gulf has remained in Sunni control while, across the Gulf, a Shiite-affiliated bloc has now developed. Consequently, the House of Saud, and many other Sunni regimes, are now eyeing their Shiite citizens with alarm.

The Saudi Shiites may not be numerous enough to pose a realistic threat to the Saudi regime, but the threat of an uprising is real. On 18 February, a senior member of the Saudi royal family, Prince Talal bin Abdul-Aziz Al Saud, warned that Saudi Arabia could face a similar uprising to those sweeping the Arab world unless it sped up reforms. He told *BBC Arabic* that 'anything could happen', if the King did not carry out his programme of political transformation. If not, 'on his departure ... latent trouble will surface' he said.

An uprising would have serious implications for global oil prices, and the region more generally. Saudi Arabia is home to a quarter of the world's oil reserves. It also controls almost all of the oil market's share production capacity, the only buffer against supply disruptions. If an uprising were to break out, oil prices would spike and global economic dislocation would ensue. In the short term, any conflict, even that which falls short of an uprising, may cause oil prices to rise.

Sunni-Shiite clashes in Saudi Arabia could also have regional consequences, too. Saudi authorities accuse Iran of stirring up demonstrations and unrest in Saudi Arabia and Bahrain. Many Shiites in those countries have cultural ties to Iran, the world's largest Shiite state. With Saudi Arabia and Iran continuing to tussle for power and influence, the recent Shiite unrest within Saudi Arabia may be viewed as an arm of Iranian influence, even though Shia Islam is not a monolithic faith. With Iran facing the possible loss of Syria as a pivotal ally in the region, whose Shiite-based regime is a critical link to Lebanon and Hezbollah, it is doing what it can to destabilise Saudi Arabia, which is keen to see the end of the Assad regime. 'To ask if Iran has an interest in destabilising Saudi Arabia, yes they do,' said Khalid al-Dakhil, a political science professor at King Saud University. 'It's a card they can use to pressure the Saudis', he added.

With Saudi Arabia and Iran both espousing Islam's Sunni-Shiite division, the current protests in Saudi Arabia should not be discounted. While the demonstrations may appear unimportant, at least compared to higher profile movements within the Middle East, many fear that should the protests eventually turn into an uprising or Islamic war, it would wreak havoc on oil prices and destabilise the region. Alarmingly, it would further strain Riyadh-Tehran relations. As Paul Sullivan of Georgetown University warned, 'this is another one of those possible flashpoints in the region that could become a much bigger fire if it is not contained early on.'

Andrew Manners

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African Drought Causing Food Shortages and Early Migration

Background

Persistent drought has reduced the harvest yield in the Sahel belt of Africa, which will lead to a severe shortage of food. Worried farmers in the worst affected areas are migrating with their families to ensure they have access to food. The International Federation of Red Cross and Red Crescent Societies warns of an impending humanitarian crisis if urgent action is not taken.

Comment

A lack of rain in many countries in Africa's Sahel region has led to lower than expected crop harvests this season. Some countries, such as Chad and Mauritania, have harvested only half the quantity required to feed their populations, leaving more than 10 million people vulnerable to food and water insecurity. Local agricultural production is vital to maintaining food security in the Sahel, and the inconsistent seasonal weather is having a severe impact on the region's food supply. The area's livestock has also been affected by a reduction in the amount of fodder available. Some farmers are now having to sell their cattle to provide an income that will allow them to purchase food for their families. The problem is that cattle are being over-sold, which may lead to the loss of whole herds.

Drought in the Sahel is further disrupting the livelihoods of those living in areas already suffering from widespread poverty. In some villages, the situation has become so severe that thousands of residents are migrating to other areas, in the hope of finding food and suitable locations to raise cattle. Whole villages are now deserted, as people take preventive measures to ensure their survival as the threat of food shortages looms. The last recorded rainfall was just three months ago, yet much of the vegetation has already disappeared and the levels of captured water are extremely low.

The International Federation of Red Cross and Red Crescent Societies has estimated the number of people threatened by severe food shortages, as a result of the current drought, at more than 11 million. It cites Niger, Chad, Mali, Mauritania, Burkino Faso and some parts of Senegal, as the worst affected areas. The same organisation predicts this number could rise to 23 million if immediate aid is not forthcoming. Exacerbating the detrimental effects of the drought are pest attacks on crops and local flooding.

These conditions, amid a backdrop of sharply rising food prices, are placing enormous pressure on the security of food and water for the region's inhabitants. The International Federation claims that the situation could escalate into a major humanitarian crisis if urgent action is not taken immediately. The next harvest in the Sahel is still nine months away, which is longer than the region's families can wait for conditions to improve. To remove the short-term threat of food insecurity, an increased level of aid is essential. United Nations spokeswoman Corinne Momal-Vanien says international agencies, aware of the impending crisis, have collected US\$135 million (\$126.78 million). However, US\$720 million (\$676.18 million) in aid is needed to remove the threat of food insecurity for the entire Sahel region in 2012. .

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Sudan-South Sudan: Khartoum Seizes South's Oil Wells

Background

South Sudanese officials announced on 16 February, that Sudan has seized control of two oil blocks in the north-eastern border state of Upper Nile.

Comment

The seizure comes after South Sudan gave the order to suspend its oil production on 22 January amid tense negotiations over the region's oil. When it gained independence in July 2011, South Sudan took with it three-quarters of Sudan's oil. With all the pipeline and export facilities situated in the north, however, the issue has been a catalyst for ongoing, and increasingly heated, enmity between the two countries.

Lacking the military strength and resources to challenge the Sudanese seizure of the two of its six oil blocks, South Sudan is expected to maintain its military presence in its remaining oil-rich border regions, as negotiations are scheduled to continue on 23 February.

With the United States, China and the African Union watching with interest, the latest round of talks is expected to resolve the price-per-barrel tariffs for South Sudanese access to Sudan's infrastructure.

Sudan is demanding US\$32 per barrel for the transit of South Sudanese oil. South Sudan, however, is unwilling to pay above normal international charges of around one dollar. This presents a problem for Sudan, which is now badly in need of hard currency.

With so much at stake for both countries, further bloodshed over South Sudan's oil now seems inevitable.

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Mauritius to Take Captured Somali Pirates

Background

With its Prime Minister in London to attend the anti-piracy conference on 23 February, Mauritius has reconfirmed its commitment to fighting Somali piracy by agreeing to hold suspected Somali pirates in custody prior to their trials.

Comment

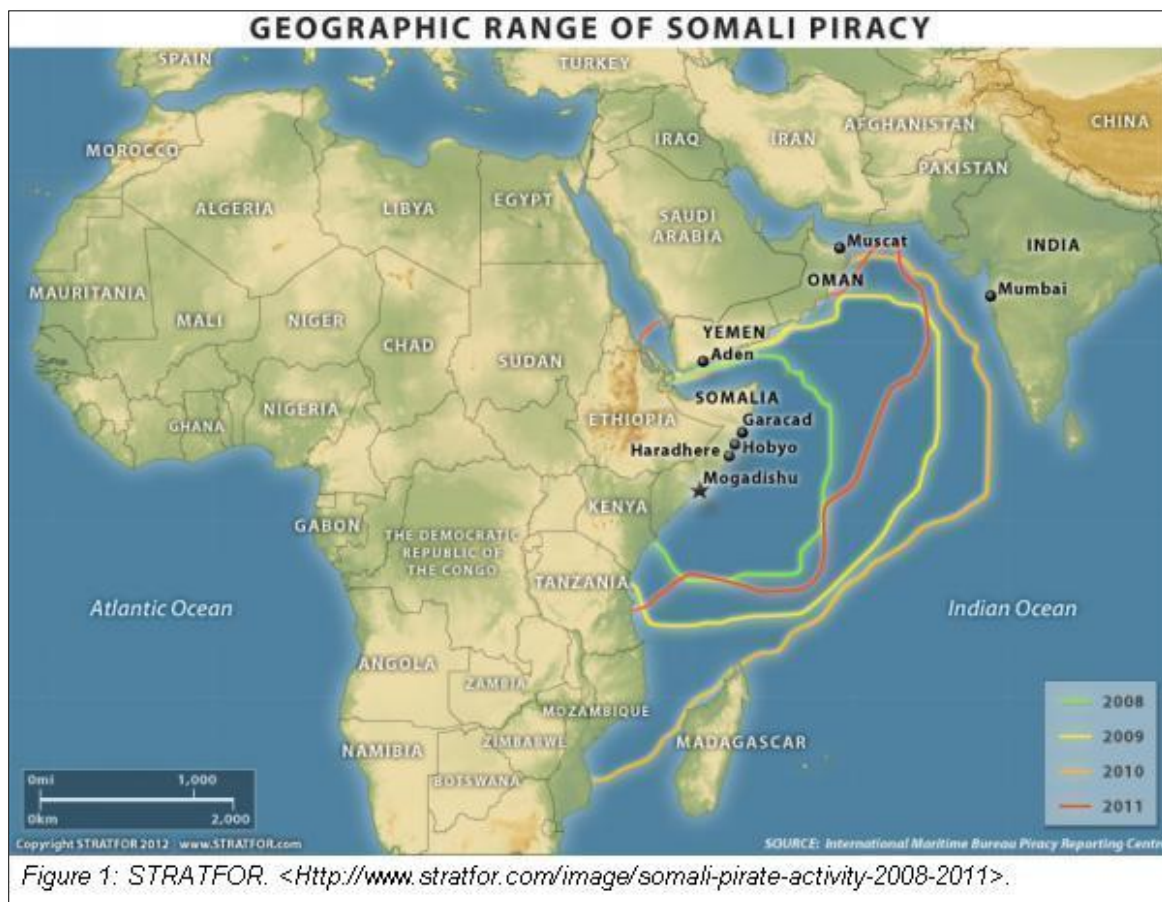
Mauritian Prime Minister, Navin Ramgoolam, has journeyed to London to participate in the international conference organised by British Prime Minister David Cameron. The island state is committed to playing an active role in the fight against Somali pirates, whose expansion beyond Somali coastal waters continues to threaten shipping in the western Indian Ocean.

Mr Ramgoolam can make the case that his small country is willing to do its part in tackling the problem. Having passed the Piracy and Maritime Violence Act in December 2011, Mauritius undertook to apprehend suspected pirates and to try them on Mauritian soil.

Mauritius has also agreed to accept suspected pirates captured by the vessels of the European Union's *Operation Atalanta* anti-piracy taskforce, and to hold them in custody as they await trial.

The Mauritian commitments will offer a significant boost to efforts to try suspected pirates. The undertaking will help to take some pressure off the Seychelles and, especially, Kenya, which accepts the majority of captured Somali pirates.

The London Conference aims to establish a new, multilateral approach to tackling both the root causes and the effects of the problems in Somalia, by bringing together a wide range of stakeholders. It is a timely initiative, as the mandate of Somalia's current Transitional Federal Government will expire in August 2012.



Representatives from some 40 governments, including Australia, are expected to attend. Also in attendance will be officers from the United Nations, the African Union, the European Union, the World Bank, the Inter-Governmental Authority for Development, the Organisation of Islamic Conference, and the League of Arab States.

Also invited are representatives of Somalia's Transitional Federal Institutions, as well as the Presidents of Somaliland, Puntland, Galmudug and representatives of *Ahlu Sunnah wal Jamaah*, a moderate Sufi militia that is opposed to the radical Islamist group, al-Shabaab.

Somali piracy continues to pose a serious problem to shipping in the western Indian Ocean and now, with the end of the monsoon season, it will ramp up again. The International Maritime Bureau noted in its Annual Piracy Report that, in 2011, 'while the overall number of Somali incidents increased from 219 in 2010, to 237 in 2011, the number of successful hijackings decreased from 49 to 28.'

As Figure 1 (above) indicates, the range of Somali pirates also decreased in 2011, most likely as a direct result of being contained by patrolling naval forces.

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India Records Bumper Crop, Though Problems Remain

Background

India is expected to pull in a record crop this year, following favourable rains. Estimates suggest that foodgrain output could reach more than 250 million tonnes, with rice reaching 100 million tonnes for the first time. The wheat output will top the government forecast, with a record 88 million tonnes expected. Yet, food insecurity remains.

Comment

On the surface, India will be food secure until at least 2040, yet the strong performance by the farming sector this year does not indicate Indian food self-sufficiency or food security for its growing population. As C. Shivkumar noted in India's *Financial Chronicle* this past week ('Food Security Doesn't Mean Only Security of Foodgrains'), consumption patterns in India have shifted.

The result? India is deficient in pulses, oilseeds, fruits, vegetables, dairy, meat and fish. In addition, a Food Security Snapshot on India, published on 14 February 2012, by the Food and Agriculture Organization's Global Information and Early Warning System on Food and Agriculture, warns that food security concerns remain for the vulnerable groups. Food price inflation again appears to be one of the underlying problems.

The government says it will stockpile rice, and will only release rice for export once domestic food prices improve. Nevertheless, the country is still expected to export about five million tonnes of rice in 2012, substantially up from the 1.5 million tonnes in 2011.

Another government response has been the introduction of the National Food Security Act. As a result, the Indian Government will provide subsidised food to those below the poverty line. The problem is that this will rely on an effective distribution system. Yet, the inability to achieve efficient distribution of food, free from corruption, which has long been seen as one of the weaknesses in India, is unlikely to be addressed by the Act. How effective this governmental response will be remains to be seen, with some fearing it will lead to further pressure on food prices.

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“How-to” Flood Management Guide for Cities

Background

Around the world, urban flooding is a growing development challenge, as Australia experienced first-hand in Brisbane last year. This month saw the release of a report from the World Bank and the Global Faculty for Disaster Reduction and Recovery, titled ‘Cities and Flooding: A Guide to Integrated Urban Flood Risk Management for the 21st Century’.

Comment

The report suggests that far more needs to be done by policymakers to better understand, and more effectively manage, existing and future risks. There is an obvious need for a management system, as the world becomes increasingly urbanised and the number of megacities increases. By 2030, there will be an estimated 75 megacities of five million-plus inhabitants.

Over the past 18 months, floods occurred not only in Australian urban areas, but also along the Indus River Basin in Pakistan, in South Africa, Sri Lanka, the Philippines, and along the Mississippi River in the US.

The report suggests that there is a notable increase in the incidence of flooding and the impact on people’s lives. Cities are being planned poorly, increasing the risk of floods. The guide recommends using flood hazard maps to highlight hazards; the maps should then be used for planning development activities, emergency planning and for policy development.

Flood forecasting is another tool that can provide people with advanced warning of flooding, while the guide also shows other practical methods of preparation. The guide shows that policymakers and government officials do not need to accept flooding as a “fait accompli”, a natural event for which no-one needs take responsibility. Instead, they can take a proactive approach to ensure that flooding is minimised. Countries, such as Australia, would do well to consider the “can-do” attitude prevalent in the Netherlands, if they are to successfully tackle future flood crises.

To read the guide, click [here](#).

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What's Next?

- Sudan-South Sudan oil negotiations begin again in Addis Ababa on 23 February.
- Dr Michael Robertson will speak on the prospects for future production increases in the Australian grains industry on 23 February, 3.30-4.30pm. Organised by CSIRO, it will be held at the CSIRO Auditorium, Underwood Ave, Floreat WA 6014. Enquires to Don McFarlane on (08) 9333 6215.
- The Kokoda Foundation and Edith Cowan University are hosting a free seminar titled "Australia and Outer Space: Recent Developments" on 23 February, from 5.30-6.30pm. The venue is the ECU Mt Lawley Campus, 2 Bradford St, Mt Lawley WA 6050. Register at <http://kokodafoundation.memberlodge.com/Bookings> or info@kokodafoundation.org
- The UK Foreign and Commonwealth Office will host a conference on Somalia on 23 February, which is aimed at establishing a new international approach to tackling both the root causes and the effects of Somali piracy. Representatives from some 40 governments and international agencies are expected to attend.
- Exercise *Cope North*, a bi-annual air defence exercise held between the United States Air Force and the Japanese Air Self-Defence Force continues in Guam until 24 February. This year, for the first time, the Royal Australian Air Force is also participating.
- The Australian Institute of International Affairs is hosting a talk by researcher, Ian Austin. The talk will consider investments in Australia by Asian State-Owned Enterprises and the impact on Australian political economy. Mr Austin will also launch his book 'Australia-Singapore Relations in a Historical and Contemporary Context'. It will be held on 28 February at St Catherine's College, Crawley WA 6009. Click [HERE](#) for more information.
- The University of Western Australia is holding the Water Resources Law Conference on 28 February. It will feature a key note address by Professor Robert Glennon, from the University of Arizona, and author of 'Unquenchable: America's Water Crisis and What to do About It'. Click [HERE](#) for details.
- The third Sustainable Phosphorus Summit: 'A Blueprint for Global Phosphorus Security', will be held in Sydney, 29 February to 2 March. It is organised by the Institute for Sustainable Futures and Global Phosphorus Research Initiative. For details: <http://globalpnetwork.net/taxonomy/term/2>

Any opinions or views expressed in this paper are those of the individual author, unless stated to be those of Future Directions International.

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