From the Institute Director

Articles Published 19 November - 24 November:

**Associate Paper**

*Embrace and Encircle? China’s approaches to India and their effect:*

In this paper, Senior Visiting Fellow, Dr Auriol Weigold, observes that China’s trade routes, sea- and land-based encircle India with hard-power undertones and soft power attraction. China’s relations with Pakistan, Afghanistan, Sri Lanka and Burma/Myanmar, together with tense border issues, moreover, are on-going barriers to a changing relationship over which India has limited influence. In effect, China’s foreign policy advance across South Asia denies what India perceives as its rightful regional primacy.

**Strategic Weekly Analysis**

- Will Indonesia Take China to the International Criminal Court?
- Obama and Putin Agree on Islamic State but whither Syria?
- India: Flooding in Tamil Nadu Highlights Water Management Problems
- Madagascar Locust Population Declines but Food Security Challenges Remain

Articles to be Published 18 - 25 November:

- **Strategic Analysis Paper:**
  - South Africa – The Political Challenges
  - The Indus River and Agriculture in Pakistan
• Strategic Weekly Analysis:
  o Is a Major Corruption Crackdown on the Way in Indonesia?
  o China: The Implications of Bottling Tibet’s Water
  o Tensions Rise between Turkey and Northern Cyprus as Water Pipeline Temporarily Shuts
  o The Afghan Re-Turn to India and China-Pakistan Ties

Activities

FDI attended the discussion on “Conflict Resolution in Sri Lanka” that was hosted by the Department of Foreign Affairs and Trade in Perth on 24 November. This roundtable was one of a series held across Australia and attended by the High Commissioner Designate to Sri Lanka, Mr Bryce Hutchesson.

FDI will attend the AIPIO National Intelligence Forum that will be held at the University of Notre Dame, Fremantle, on 26 November, with the theme “Making Sense of a Changing World”. Among the speakers will be FDI Institute Director MAJGEN John Hartley, who will speak on future threats. An expert panel will discuss intelligence and responses to threats in a changing world. For more information contact marketing@aipio.asn.au and to reserve your place, visit:


The FDI Board of Directors and the Research Committee, both of which were chaired by the Chairman, Major General the Honourable Michael Jeffery, met on 24 November.

I trust that you will enjoy this edition of the Strategic Weekly Analysis.

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

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Is a Major Corruption Crackdown on the Way in Indonesia?

While the released tapes will likely see Setya step down from his office as well as increased pressure to eradicate corruption in the country, any large-scale reforms remain a while off.

Background

Corruption in Indonesia’s political power structure has been pulled into the spotlight after a video recording that purported to show Setya Novanto, the Speaker of the House of Representatives and member of the opposition Golker Party, allegedly seeking to extort
shares from US-based mining company Freeport McMoRan was released. The recording purports to show Setya invoking the names of Indonesian President Joko Widodo and Vice President Jusuf Kalla to demand 20 per cent of Freeport shares, which are to go on the market. Following the release of the video, Setya denied using the President’s name, said the whole conversation was a joke and then later claimed that the voice was not his own but instead heavily edited audio. The meeting, which took place in June this year, was recorded by Freeport CEO Maroef Sjamsoeddin. Indonesian Energy and Mines Minister, Sudirman Said, brought the ethics charges against Setya and submitted the recording on 16 November.

Comment

As observed by the *Asia Sentinel*, in blowing the whistle, Sudirman has given the public a glimpse into the way business has allegedly long been done in the country. Corruption is an integral element of government and business dealings and is well known amongst Indonesian residents. A *Gallup poll in 2011* revealed that 86 per cent of Indonesians believed that corruption was widespread within Indonesian business and 91 per cent believed that corruption was widespread throughout the Indonesian government. Widespread corruption has also manifested itself into environmental disasters, as was seen with the recent Southeast Asia haze. A corrupt and weak judicial process has allowed companies to continue the use of large-scale burning as a method of land clearing despite recent laws under which companies convicted of illegal land clearing and burn-offs can be fined up to US$690,000 and their representatives imprisoned for up to ten years.

The recent charges laid against Setya could have ripple effects throughout the Indonesian government. The allegations, as well as growing public pressure, will likely see Setya step down from office. There may also be calls to step up efforts to crack down on corruption, though confidence in Jokowi’s and the Corruption Eradication Commissions’ (KPK) ability to do so may not be present. Promises of reforms formed part of the basis of Jokowi’s presidential campaign and so far many Indonesians remain unhappy with his progress. The KPK recently suffered a setback when the National Police retaliated against an investigation into the nominee for chief of National Police. Instead of stepping in, Jokowi released vague statements such as ‘I also asked the national police and KPK not to let friction occur when performing their duties.’ According to Sandra Hamid, The Asia Foundation’s Country Representative in Indonesia, ‘His [Jokowi’s] decisions have not been seen as helpful in supporting KPK. So it’s not that I’m worried the KPK will be weakened under Jokowi’s watch; the KPK has already been weakened under Jokowi’s watch.’

On the other hand, while efforts to eradicate corruption have been less-than-satisfactory so far, the recent actions taken by Sudirman are virtually unheard of within Indonesian politics. According to the *Asia Sentinel*, the move to name and shame Setya is widely believed to have been done with the president’s blessing. This could potentially be a sign of more fundamental change under Jokowi. Effective advancement in stamping out corruption, however, remains an unlikely scenario for now. Despite negative views towards corruption within Indonesia, the past ten years has seen slow but steady improvements according to various transparency and corruption indices. This is likely to continue until the culture of political corruption is weakened, and a sea change in the way officials and businesses conduct their dealings becomes a reality.
China: The Implications of Bottling Tibet’s Water

The growth of the bottled water industry in Tibet is creating concern about the sustainability and political prudence of draining Asia’s water tower.

Background

The government of the Tibetan Autonomous Region (TAR) released a ten year plan in October 2015 to expand the bottled water industry. China’s high pollution rates and desire for convenience has driven demand for bottled water, making the country the world’s largest consumer of the product. Tibetan water is viewed as a premium resource within China and, with a large influx of bottling companies, consumption of Tibet’s water is expected to grow even further.

Comment

In 2014, the TAR Government set up a 250 million Yuan development fund ($AUD 54 million) to promote the bottled water industry in Tibet. By year end, it had given approval to 28 companies to bottle water in the region. Pharmaceutical, confectionary, petroleum and biotechnology companies also seek investments in the region. Companies that invest in the bottled water industry receive low-interest loans, preferential tax rates, and income tax exemptions. There is little record that environmental impact assessments have been conducted by bottled water companies. Few have released reports on pollution control or stated the benefits for local people living in the Tibetan Plateau. Those that do disclose such information, such as Tibet 5100, claim they do not withdraw enough water to have any substantial effect on the water supply.

Environmentalists claim the stakes are high if the bottled water industry expands. With glaciers melting at an increased rate as a result of climate change, increased industrial activity in the Tibetan Plateau may put additional pressure on dwindling water sources in the region. Tibet’s Baishui ‘Glacier No. 1’ has been melting at an increasingly rapid rate over the last three decades, increasing river run-off. Melting glaciers increase the capacity to bottle water in the short-term but in the long-term this activity may decrease water supply for China’s neighbours downstream. It takes four bottles of water and a quarter of a bottle of oil to produce one bottle of water that can be retailed, further draining water sources and affecting the environment. Minimal recycling of plastic bottles is creating cities surrounded by bottle waste, known as “plastic walled cities” in China.
The expansion of the bottled water industry could have dire consequences for regional water security. Geopolitical tensions already exist between China and countries downstream over plans to build additional hydropower facilities on transboundary rivers. According to Jennifer Turner, Director of the China Environment Forum at the Woodrow Wilson International Centre, in Washington, bottling activity in the plateau is not sustainable, particularly when combined with China’s increased damming and plans for hydropower facilities. Neighbouring states have not complained as yet about the growth of the industry since countries like India have created their own bottled Himalayan glacier water industry. The potential for future tension exists, however, if China continues to alter the water supply of the Tibetan Plateau.

The Chinese bottled water industry is expected to grow to meet domestic demand but the TAR Government’s plans to develop the industry appear to be misaligned with the Chinese Government’s conservation policies. Billions of Yuan have been invested by the central government to protect the region’s shrinking glaciers. Industry is expected to be affected with cuts to demand and profits if the Chinese Government moves to bring the TAR Government’s policies on water into line with Chinese environment policy.

Tibet’s fragile ecological system may be damaged if the TAR Government continues to incentivise companies to invest in bottled water. Any development within China could have a massive effect on the entire region’s water security, particularly as growing water scarcity is expected to further challenge the region in the future. China should not rely on bottled water as a source of safe drinking water. Demand for bottled water could decrease when public water drinking facilities become mandatory in urban and rural spaces and, given the high costs involved with bottling glacial water, investors should rethink the sustainability of investing in the bottled water industry. The government should also adopt education programmes to highlight the cost of drinking bottled water and emphasise the need to protect Tibet’s precious glacial sources.

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Research Analyst  
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Tensions Rise between Turkey, Northern Cyprus and Greek-Cypriots as Water Pipeline Temporarily Shuts

The management of the pipeline has the potential to undermine future relations but with water security a top priority, the three parties concerned could find room for greater co-operation.
Background

In August, the Northern Cyprus Water Supply Project began transferring water from Turkey to Northern Cyprus. In a bid to increase water security to drought-prone Cyprus, this water pipeline has been heralded as a major step in its unification. Northern Cyprus is a self-declared state that comprises the north-eastern portion of the island of Cyprus and is home to mainly Turkish-Cypriots. The Southern half of Cyprus is home to the predominantly Greek-Cypriots who maintain control over two-thirds of the island. The construction of the pipeline has huge ramifications for relations between Northern Cyprus and Turkey as well as internal relations between Turkish and Greek Cypriots. A drying climate and greater dependency on water only exacerbates the underlying tensions between these three groups.

Comment

Discussions of the pipeline date back to the 1990s but only gained momentum after the sudden rise of the Turkish Government to financial eminence during the early 2000s. Termed by the President of Northern Cyprus, Mustafa Akinci, as the project that would turn the drought-prone island green, the promise of 75 million cubic metres of water has the potential to transform the whole economy of Northern Cyprus. The first project of its scale and kind, the pipeline would ensure a decreased reliance on Greece to transport water amid a drought. Cyprus is a naturally dry island averaging a mere 500mm of rainfall a year. During periods of drought this drops to as low as 300mm. In previous dry periods Cyprus has temporarily cut domestic water supplies by nearly one-third. Hüseyin Gökçekuş, the General Co-ordinator for Water in the Northern Cyprus Ministry of Agriculture and Natural Resources, has stated that precipitation in Cyprus has decreased by more than a quarter over the past 96 years.

The majority Greek-Cypriot population of Cyprus are dubious about the peaceful intentions of the Turkish Government. It has been suggested that the construction of the pipeline is an attempt to further maintain political control over the north and empower the minority Turkish-Cypriot population. Once water has reached Northern Cyprus it could, potentially, increase property values there. It is feared the increase in property values will result in many Turkish-Cypriots demanding more money for the return of their lands upon reunification. Additionally, a rise in agricultural competition will see a decrease in the price of crop yields as the steady water supply will allow for further agricultural expansion in Northern Cyprus. This suggests that Turkey is attempting to strengthen its position in Northern Cyprus. There are, however, indications that the water pipeline will eventually supply Southern Cyprus as well. President Akinci argues that only then will it become “water of peace”, but many remain sceptical about whether the project will be extended this far. The pipeline ultimately increases the reliance of Turkish-Cypriots on Turkey, thus reinforcing long-standing cultural ties and making the reunification of Cyprus that much harder.

Since 20 November 2015, however, water from the pipeline has been cut. The Turkish Government denies that the water has been shut off due to disagreements over the administration of the pipeline and reports that it is the result of routine tests. The simple act of closing the water pipeline highlights the complex relationship between Northern Cyprus and Turkey. Turkey seeks to privatise the water pipeline to maintain a build-operate-transfer
model while Northern Cyprus prefers it to be run internally through municipalities registered under the newly established private company Water and Canalisation Enterprises (BESKİ). Turkey opposes the operation of BESKİ over fears of corruption by Northern Cyprus and BESKİ’s implicit control of the cost of the piped water. President Akinci has stated that Northern Cyprus demands respect from Turkey as they move toward an equal relationship between brothers, suggesting not an estrangement from Turkey but, rather, the building of a healthy relationship. Turkish President Recep Tayyip Erdoğan has responded by saying Turkey has paid a price for Northern Cyprus by spending roughly one billion dollars annually on the territory and by representing its interests on the global stage. This reflects the growing divide between what were originally two very similar governments.

The pipeline is neither an attempt to further maintain the Turkish stronghold in the North nor will it bring instant peace to a long-standing conflict. The pipeline is a symbol of hope for a desperately dry country and could provide an avenue to ensure future co-operation between the three parties. This co-operation, however, still faces significant difficulties in light of the long-standing political divide.

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Research Assistant
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The Afghan Re-Turn to India and China-Pakistan Ties

Afghanistan’s re-turn to strengthen its ties with India could make Pakistan believe that it made the right decision in throwing its lot in with China.

Background

Afghan President Abdul Ghani cast aside his predecessor, Hamid Karzai’s, overtures to India and decided to cultivate closer ties with Pakistan. Islamabad took the opportunity Ghani provided it to make several statements of friendship and a sign of better relations. After facing a series of setbacks, however, Ghani has turned back to India.

Comment

Soon after coming to office, President Ghani initiated discussions with Pakistan’s Inter-Services Intelligence (ISI). His likely reasoning for doing so was that if the Taliban, which continued to wreak havoc in Afghanistan, was ultimately controlled by the ISI, opening negotiations with that organisation could see the Taliban reined in. Interestingly, however, it was reported at the time that the Chief Executive Officer of Afghanistan, Abdullah Abdullah, was not aware of this decision. This may well have been a deliberate decision by Ghani given
Abdullah’s desire to cultivate closer ties to India. It appears that Kabul sees this relationship in zero-sum terms: any relationship with either India or Pakistan can only be at the detriment of the other. Ghani, nevertheless, pressed on and entered into an agreement with Pakistani Prime Minister Nawaz Sharif whereby there would be an intelligence sharing arrangement between the ISI and Afghanistan’s National Directorate of Security.

Fairly shortly after the announcement of this arrangement was made, however, came the disclosure that the leader of the Taliban, Mullah Mohammed Omar, had died two years previously and his second in command, Mullah Mohammed Akhtar Mansoor, was eventually made leader. These events were followed very soon after by attacks on civilians in Kabul that left around sixty people dead and Ghani’s initiative in tatters. He pointedly mentioned Pakistan by name in accusing them of the attacks saying, “We hoped for peace but we are receiving messages of war from Pakistan.” He added that he did not want Pakistan to bring the Afghan Taliban to the negotiating table. The attacks also led to debate as to whether Mansoor would be as obedient to the ISI as Omar was. If there was any doubt in this regard it was soon eliminated altogether by the Taliban’s attack on Kunduz in September.

India, in the meanwhile, exerted pressure of its own on Ghani. It disregarded two (or possibly three) formal requests and several informal ones to hold a Strategic Partnership Council (SPC) meeting between the two countries in accordance with the terms of the Strategic Partnership Agreement they had signed in 2011. India’s Minister for External Affairs, Sushma Swaraj was said to be unable to attend due to “prior commitments”. She did not attend the Regional Economic Co-operation Conference on Afghanistan, which was held in Kabul from 3 to 4 September to discuss development issues either.

Ghani’s followed up his outburst after the Kabul attacks and the fall of Kunduz by sending a delegation to New Delhi to finalise an agreement to purchase attack helicopters. The sale of attack helicopters marks a move away from India’s previous stance of providing only non-lethal support to Afghanistan, no doubt a reflection of the Modi Administration’s hard line of Pakistan.

It is this attitude that has the potential to play into the hands of the hawks in Pakistan’s military establishment. It would be no stretch of the imagination to see how they could make use of these developments to make the case that they need their relationship with China to counter New Delhi’s aggressive stance towards Pakistan. Given the apparent disinterest of the US to support Pakistan in providing it with military technology (although the US has agreed to make this technology available to Pakistan just as it continues to provide it with financial aid), Pakistan will undoubtedly turn even more to China for assistance in these areas.

The overall outcome will likely be a further hardening of existing stances in Islamabad and New Delhi vis-à-vis each other.

Lindsay Hughes
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What’s Next?

- Ukrainian President Petro Poroshenko will visit the Netherlands from 26 – 27 November.
- The Indian parliament will begin its winter session from 26 November.
- The Giza Criminal Court will resume the trial of ousted Egyptian President Mohammed Morsi and 10 Muslim Brotherhood members on charges of espionage with Qatar on 26 November.
- Sri Lankan President Maithripala Sirisena will attend the 2015 Commonwealth Heads of Government Meeting in Malta from 27 – 29 November.
- An Italian trade delegation will visit Iran from 28 – 30 November.
- The AIPIO National Intelligence Forum will be held at the University of Notre Dame, Fremantle, on 26 November, with the theme “Making Sense of a Changing World”. Among the speakers will be FDI Institute Director MAJGEN John Hartley, who will speak on future threats. An expert panel will discuss intelligence and responses to threats in a changing world. For more information contact marketing@aipio.asn.au and to reserve your place, visit: https://aipio.memnet.com.au/MemberSelfService/EventBooking.aspx?selectedEventId=29

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