
From the Editor’s Desk

Dear FDI supporters,

Once again this issue of the Strategic Weekly Analysis offers a wide range of articles that have been developed by our four research programmes.

This week, the Indian Ocean Research Programme considers a new cooperative agreement between the United States and Vietnam, as both sides show an increasing interest in cementing stronger military ties. Research Manager Leighton Luke has written an informative analysis of the implications of a visit to China by the Mozambique President to sign lucrative financing arrangements for Mozambique’s infrastructure development. Research Intern Andrew Campbell’s paper examines the implications of plans by Al-Wefaq to boycott the Bahraini By-elections, to be held in September.

The Northern Australia Research Programme considers the need for Australia to re-establish relations with PNG following the appointment of Peter O’Neill as the country’s new prime minister.

Another paper considers an Amnesty International Report on the handling of indigenous communities in Northern Australia.

Research Manager Gary Kleyn gives a short summary of a conference he attended in Singapore last week, where participants sought to find common ground in establishing a holistic approach to food security in the Asian community of nations.

Upcoming Strategic Analysis Papers include a timely analysis from the Global Food and Water Crises research programme of the food and water security outlook for Indonesia, Yemen, Afghanistan and South Korea.

Coming soon from the Northern Australia/Energy Security research programme, is a paper on maritime security in Northern Australia.

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

*****
Increase in US-Vietnam Military Cooperation

Background
The United States and Vietnam have further solidified their relationship by signing a cooperation agreement on military medicine on 1 August 2011. The pact follows a number of other significant improvements in their bilateral relations since the Vietnam War, including normalisation of relations in 1995 and a bilateral trade agreement in 2000. While both sides insist that cooperation so far has been focussed on “soft” issues, such as health, it is relatively clear that they wish to increase military cooperation to counter the expanding regional interests of China.

Comment
Although the US and Vietnam are yet to participate in any combat-related cooperation activities, military ties are being strengthened through developments such as the 1 August deal. Both sides have been understandably wary of the message that joint combat exercises would send to China, the elephant in the room for those with strategic interests in the Asia Pacific region. They have therefore been holding naval drills in the South China Sea that were, according to US officials, concerned only with maintenance and navigation.

In the past year, China has become increasingly belligerent in promoting its interests in the region, particularly in disputed areas like the South China Sea. Incidents such as the Senkaku Islands clash with Japan, show that the rising power has become increasingly willing to flex its military muscle to assert its territorial claims. The South China Sea area is riddled with territorial borders disputed amongst Southeast Asian nations, but China has been making by far the most ambitious claims. This has caused concern for the entire region, not just the US and Vietnam. Chinese domination in this area could give it control over shipping routes, access to mineral resources under the sea, and the ability to expand its naval activity. Taking this into account, cooperation between the US and Vietnam is, in essence, a response to this perceived threat.

The speed at which the two countries have been able to reconcile the legacy of the Vietnam War has shown the importance of their relationship. This bilateral relationship could be the harbinger for actions by for other Southeast Asian nations concerned about the rise of China. However, it remains unclear exactly how these nations, along with the US, will organise themselves to deal with this strategic challenge.

Chris Doyle
FDI Research Intern
Indian Ocean Research Programme

*****
Singapore: Inaugural Asian Food Security Conference

Background
The Asian community will need to develop cooperative approaches to stop the recurrence of food price hikes like those of 2008. Attendees at the inaugural International Conference on Asian Food Security in Singapore last week, heard that mechanisms are needed to stop panic or speculative buying.

Comment
Many of the speakers at the conference, held from 10-12 August 2011, said that the 2008 price hike was not a result of a food shortage. There was sufficient staple food like rice and wheat, but government actions, such as export restrictions put in place by Vietnam and Russia, and hoarding by other governments, contributed to the price hikes. Better communication between Asian countries and a holistic approach to managing food should alleviate some of the food insecurity. Reserve stocks of rice in Asian countries will also assist in dealing with fluctuations in supply.

The conference theme was ‘Feeding Asia in the 21st Century: Building Urban – Rural Alliances’. It was attended by key public, private and civil society players in food security. Particular emphasis was given to dealing with availability, physical access, economic access and utilisation.

The conference was organised by the Centre for Non-Traditional Security Studies in Singapore and the Philippines-based South East Asian Regional Centre for Graduate Study and Research in Agriculture.

Speakers included: Professor Paul Teng, senior fellow and adviser to the Food Security Programme Centre for Non-Traditional Security Studies; Dr Fan Shenggen, director general of the International Food Policy Research Institute in Washington, USA; and the former European Union Commissioner for Agriculture, Rural Development and Fisheries, Dr Franz Fischler.

European speakers included: Professor Rudy Rabbinge from Wageningen University, the Netherlands; Kavita Prakash-Mani from Syngenta International; and Dr Keith Dawson, vice president of the Scottish Society of Crop Research.

The Australian speaker was Dr T.J. Higgins, Honorary Research Fellow with the Commonwealth Scientific and Industrial Research Organisation. The organisers plan to release a synopsis of the conference findings and have developed a group that will consider how to implement some of the conference outcomes.

*Future issues of the FDI Strategic Weekly Analysis will include more on the outcomes of the conference, which was attended by FDI’s Global Food and Water Security Research Programme.

Gary Kleyn  
Manager  
Global Food and Water Security Research Programme  
gkleyn@futurereclarations.org.au

*****
New PNG Leadership provides Opportunities for Australia

Background
The appointment in August of Peter O’Neill, leader of the People’s National Congress, as Prime Minister of Papua New Guinea (PNG), will provide much needed stability for the state. As Mr O’Neill outlines his new agenda for PNG, Australia should seek to re-engage with its troubled neighbour.

Comment
Throughout its history, PNG governance has been assured by the strength of coalition governments. Yet, the shift in alliances within the coalition government elected in 2007, produced the change in leadership to Mr O’Neill’s minority Peoples National Congress party, from ex-Prime Minister Sir Michael Somare’s, formerly dominant, National Alliance Party. Currently the stability of this new government is constitutionally assured over the next 12 months, until planned national elections in June 2012. Scepticism, however, remains about the impact of the internal challenges produced by this form of handover on PNG’s relations with Australia.

Crucially then, Australia must position itself to re-engage with the new government on mutually beneficial aspects of Mr O’Neill’s new national agenda. Key policies include Australia’s engagement within the PNG Liquefied Natural Gas (LNG) project and, negotiations for the reopening of the Manus Island asylum-seeker detention centre.

Australia must pursue a smooth transition of relations with the new cabinet, while seeking to avoid any repercussions following Mr O’Neill’s promise to establish an independent commission against corruption (ICAC) to investigate public, political and private sector corruption. Currently the reshuffle of power has ensured relative stability to the PNG LNG project, with former petroleum minister William Duma retaining his position.

The LNG project is a US$15 billion dollar investment that is currently set to come online in 2014. Yet proper management of the revenue from the PNG LNG project is crucial for future relations between Australia and PNG. Previous Australian involvement led to the establishment of sovereign wealth funds, to manage project revenue effectively and ensure re-investment of the resource wealth into the wider PNG economy and to complement foreign aid investment.

Mr O’Neill has further attempted to bolster Australian-PNG relations, by agreeing to preliminary discussions, regarding the future of the Manus Island asylum seeker detention centre. Australian use of the Manus Island facility will provide political and economic “win-win” outcomes for both nations, and strengthen fledging relations between Mr O’Neill’s and Ms Gillard’s governments.

Continued pursuit of Australian foreign policy objectives in PNG must survive speculation that Mr O’Neill’s new government ‘hijacked’ the Parliament. Although ratified by Governor-General Michael Oglio, the new government still faces legal objections by ousted former acting Prime Minister Sam Abal. The next month will see the future success of the new PNG government outlined. It will have limited time to pursue its goals and justify its position, before momentum stalls under the pressure of looming national elections next year.

Daniel Ossevoort
FDI Research Intern
Northern Australia Research Programme

*****
Mozambique President Visits China; New Finance Deals Signed

Background

China and Mozambique have signed twelve new finance agreements during the official visit of Mozambican President Armando Guebuza’s to the Middle Kingdom. China has rapidly risen to become the African country’s sixth-largest source of foreign direct investment. Given the combination of Chinese demand and Mozambican natural resources, the upward trend of that trajectory will seemingly only increase.

Comment

In a meeting with his Mozambican counterpart on 10 August 2011, Chinese President Hu Jintao outlined a vision for deeper bilateral relations. It included greater Chinese investment in the Indian Ocean littoral country, particularly in the fields of infrastructure, agriculture, manufacturing and people-to-people links.

With many Western economies, Mozambique’s traditional sources of investment funding, feeling the pressure of the debt crisis, securing alternative sources of funding was a key objective of President Guebuza’s trip to China. He will have come away from his six-day trip feeling pleased at having secured funding for a large number of projects. China remains uncommitted to others on his 26 project, US$2.08 billion wish list but his statement that China is ‘one of Mozambique's best friends’, looks to be increasingly true.

Among the twelve agreements signed, China has agreed to provide US$15.8 million to fund distance education and science and technology programmes, half of which will be in the form of donations and the rest in interest-free credit. Other agreements cover financing for support to small and medium-sized enterprises and a bio-gas project. As part of President Guebuza’s visit, the China Kingho Energy Group announced that it would finance construction of a coal terminal at the port of Beira and an upgrade of the Sena railway line that links the Moatize coal mines of north-western Mozambique. Funding for the first stage of the project is valued at US$20 million.

Trade between the two countries, while still small, is booming. In the first half of 2011, Mozambican exports to China were worth US$94.6 million, an increase of 6.1 per cent over the same period last year, according to Wang Runsheng, the Director-General of the China Foreign Trade Centre. In the same period, Chinese exports to Mozambique amounted to US$320 million, a 41 per cent increase on the previous year. The Macauhub Portuguese language news agency quoted Mr Wang as saying that, in the period January-April 2011 alone, Mozambique exported goods to China worth US$62.3 million. This represented an increase of almost 50 per cent over the last four months of 2010. In the same period, Mozambique imported goods worth around US$100.9 million from China, an increase of over 32 per cent.

Mozambique, is an exporter of aluminium, timber and food products, and has proven natural gas reserves of 127.4 billion cubic metres. It, like Brazil, Angola and East Timor, is an integral component of China’s strategic emphasis on relations with the Portuguese-speaking countries, many of which are rich in natural resources and also offer growing markets for Chinese goods.

Leighton G. Luke
Manager
Indian Ocean Research Programme
lluke@futuredirections.org.au
Amnesty Report: Indigenous People Forced From Outstations

Background
An Amnesty International report entitled, ‘The land holds us: Aboriginal Peoples right to traditional homelands in the Northern Territory’, published in early August, has urged the Federal and Northern Territory governments to place a greater funding emphasis on Indigenous homeland communities.

Comment
The report by the human rights organisation alleges current government policies are forcing Indigenous people from traditional homelands into ‘hub towns’, where the governments are concentrating their spending. Amnesty International contends that the Territory and Commonwealth governments have focussed on 21 ‘hub towns’, home to 24 per cent of Aboriginals, at the expense of remote communities, which include 35 per cent of the Northern Territory Indigenous population. During 2010-2011, communities received $7 million for projects, compared with $722 million allocated to towns in the territory. The egregious disparity of funding contradicts current research findings that suggest Indigenous communities foster greater health and social benefits than larger, more urban environments.

Amnesty’s study profiled the Central Australian communities of the Utopia region, 260 kilometres northeast of Alice Springs, home to the Alyawarr and Anmatyerr people. The organisation concluded that far from the image the name suggests, Utopia communities were closer to third world slums. There is a severe lack of government funding and this creates restrictions on health, housing and education services. A 2008, Medical Journal of Australia study, however, found that Utopia residents were healthier than other sectors of the Indigenous population; Amnesty noted the limited access to alcohol in the Utopia region.

The ‘Land Holds Us’ publication, came only a few days after a scathing internal government report, which found failures by successive governments and projects that have ‘yielded dismally poor returns to date’. That report, authored by senior bureaucrat, Neil Johnstone, recommended: enhanced professionalism and accountability of public servants in delivering projects; developing a greater ‘on the ground presence’; and reducing the ‘silo’ approach to government services by streamlining projects.

Although Mr Johnstone’s critique of the failures of governmental approaches to Indigenous issues are valid, the recommendations he proposes are hardly novel. State, Territory and Commonwealth governments must accept that Aboriginal people cannot be redesigned and moulded to fit government policy. Continued attempts to do this will produce problems for governments, and are inconsistent with the objectives of the ‘Closing the Gap’ Strategy. Consultation and local involvement in projects remain paramount in tackling Indigenous marginalisation; community ownership of programmes will promote accountability and foster entrepreneurialism. Dialogue will be the crucial influence to ‘close the gap’ between Indigenous and non-Indigenous Australians.

Liam McHugh
Strategic Analyst
Northern Australia and Energy Security Research Programmes
lmchugh@futurereactions.org.au
Al-Wefaq to Boycott Bahraini By-elections

Background

On 12 August 2011 the Al-Wefaq National Islamic Society announced it will boycott special by-elections to be held in Bahrain in September. The Society, which represents the Shiite majority, had already dropped out of the “National Dialogue”, aimed at restoring stability following mass protests in February.

Comment

The withdrawal of Al-Wefaq from the dialogue and election is a blow to the legitimacy of the reform process. The Society was once the largest parliamentary party in Bahrain. It controlled eighteen of the forty seats in the lower house, before a mass resignation in response to the brutal crackdown on protesters during February. The election, to be held in September, is to fill the seats left vacant. Al-Wefaq has the largest membership of any political association in Bahrain, drawing its ranks mainly from the Shiite under-class, who feel suppressed by the ruling Sunni elite. By not recontesting the seats it forfeited in protest, Al-Wefaq, and therefore the general Shiite population, will be further marginalised.

Al-Wefaq is based on a platform of political reform, seeking a “true” constitutional monarchy in which elected officials make policy, the prime minister is accountable to parliament and the appointed upper house loses its legislative power. The ruling Al Khalifa family, headed by King Hamad bin Isa Al Khalifa, has offered limited reforms but wishes to maintain the legislative powers of the appointed upper house. The family refuses to reform gerrymandered electoral districts, which favour Sunni independents. If these aspects are not redressed it seems unlikely Al-Wefaq will reengage in the reform process.

Sectarian tension between Sunni and Shiite groups is further fueled by regional geopolitics. Due to its proximity to Iran and Iraq, both nations with Shiite majorities who have overthrown repressive regimes, there is nervousness in Manama over truly enfranchising the Shiites. Furthermore Iran is viewed as an existential threat by Bahrain, which has long accused Tehran of deliberately stirring sectarian divisions. The situation is made even more complex by the presence of the American Navy’s 5th Fleet, which is based in Bahrain. If Al-Wefaq’s reform demands were met, it would be the most likely group to form government. If this occurred, the United States would have to reassess its deployments in this new Bahrain, which may feel more closely aligned with Tehran than Washington.

Andrew Campbell
FDI Research Intern
Indian Ocean Research Programme

*****

What’s Next?

- On 17 August 2011, 6-7.30pm the Australian Red Cross together with Mallesons Stephen Jaques is holding a Perth talk on “From Nuremberg to The Hague: A modern history of international criminal law”. The speaker is Geoff Skillen, chairman of the Australian Red Cross’ national International Humanitarian Law Committee. For details and to RSVP contact Vivienne Ryan, on 08 9225 1928 or email vryan@redcross.org.au

- In Sydney on 17 August, the Lowy Institute’s Andrew Shearer, Director of Studies, will be hosting the “Uncharted Waters: The US Alliance in Australia’s New Era of Strategic Uncertainty” discussion to be held at the Lowy Institute, 31 Bligh St. For more, visit: http://www.lowyinstitute.org/

- On 18 August 2011, Neil Parlmer, CEO of the National Centre of Excellence in Desalination and David Furukawa, Chief Scientific Officer at the centre will speak at the Australian Water Association forum. It will be held at the Water Corporation John Tonkin Centre, Newcastle Street Leederville. To RSVP call Cath Miller on 0416 289 075 or email wabranch@awa.asn.au

- On 18 August 2011 The Royal United Services Institute is hosting a talk to be presented by Dr Ian J Watt AO, Secretary of the Department of Defence at the Leeuwin Barracks, East Fremantle. The topic is: “The challenge of managing Australia’s Department of Defence in today’s environment. RSVP by calling 9311 2429 or email otto.pelczar@defence.gov.au

- August 21-27, 2011 is World Water Week. It will be held in Stockholm. For details: http://www.worldwaterweek.org/sa/site.asp?site=460

- On 23-24 August 2011 the AIIA National President’s Forum “India 2020” will be held in Perth. On 23 August, 6.30pm in the Lawrence Wilson Art Gallery, UWA a number of speakers will talk on “India Now – and What it Means for Australia.” Speaking will be Professor Samina Yasmeen, Ambassador Lalit Mansingh, HE Mrs Sujatha Singh, Professor Amitabh Mattoo and Professor Ramesh Thakur. On 24 August an all day forum will be held in the Legislative Council Chamber of the State Parliament from 8.45am. For details: www.wa.aiia.asn.au or email wa.branch@aiia.asn.au

- The Asia Research Centre, Murdoch University is hosting a presentation on “US Foreign Policy and Ongoing US Engagement in the Asia Pacific: Strategic and Economic Outlook”. It will be presented by Daniel Twining, senior fellow for Asia at the German Marshall Fund of the US. It will be held in the Murdoch Senate room 30 August 2011 at 10am. RSVP to Tamara Dent (t.dent@murdoch.edu.au)