Dear FDI supporters,

Welcome to the Strategic Weekly Analysis.

We open this week’s edition with further analysis of the potential for the Islamic State extremest movement to attract support in Indonesia. Building on last week’s coverage, we conclude that the prospects of IS gaining widespread support in Indonesia appear slim.

Turning to the subject of food security, our next article analyses the changing nature of China’s food imports and its effect on world food markets. Next, we explore China’s continuing resistance to genetically modified organisms (GMOs).

Moving westwards, we report on the latest developments in the stalled railway project designed to link the western Chinese city of Kunming with the Burmese port of Kyaukpyu.

Still on the subject of Burma, our next article examines India’s efforts to rekindle its relations with Burma. A major step was the visit of Indian External Affairs Minister, Sushma Swaraj, to Naypyidaw.

Next, we look at the decision by India and Bangladesh to accept the ruling of the Permanent Court of Arbitration on their longstanding maritime boundary dispute. It is a development that enhances India’s standing as a rising power and may also provide a template for resolving the more complex, seemingly intractable, boundary disputes in the South China Sea.

Taking an energy focus, we assess the efforts being made by Jordan to address its dependency on energy imports, in the face of ever-increasing demand.

We conclude this week’s coverage with an analysis of the continuing rift in the Gulf Co-operation Council. Although it is not yet resolved, it does not seem to be deep enough to fracture the organisation.

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

Major General John Hartley AO (Retd)  
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Widodo Urges Indonesian Clerics to Stand up to Islamic State

With the IS seeking to expand its influence in Indonesia, incoming President Joko Widodo has urged local Muslim leaders to do more to halt the spread of radical Islamist teachings. His comments underline the precarious security situation facing Indonesia, although the country’s moderate Islamic democracy should make containing the threat far easier than in other countries.

Background

As the Islamic State (IS) looks to extend its influence in Indonesia, President-elect Joko Widodo has called on local Muslim leaders to do more to stop the spread of radical Islamist teaching. Speaking to supporters in West Java on 30 August, Widodo, universally known as Jokowi, claimed that Muslim clerics can play a crucial role in countering the rise of extremism. Although the terror threat was largely – but not totally – quashed following the 2002 Bali bombings, the dramatic ascent of IS has breathed new life into the Indonesian jihadist movement, prompting security officials to step up their efforts. While analysts have long feared the radicalisation of Indonesia, the country’s moderate Islamic democracy and religious tolerance should make containing the threat far easier there than elsewhere.

Comment

As politicians warn of rising support for the IS in Indonesia, incoming President Joko Widodo has called on Muslim leaders throughout the country to stop the spread of radical Islam. Addressing hundreds of members of a prominent Muslim organisation in West Javanese city of Depok, Jokowi, who is set to take office on 20 October, declared that ‘Muslim clerics must be able to read the situations around them.’ ‘When they detect radical movements around them,’ he added, ‘it is their duty to set things right.’ His remarks come barely a week after current President Susilo Bambang Yudhoyono warned that the security situation was becoming ‘out of control’ and required the urgent attention of international leaders around the world, including Islamic leaders.

Until recently, the terror threat within Indonesia was limited, especially after an extensive crackdown following the 2002 Bali bombings saw hundreds of individuals arrested and many fanatical organisations splinter. But observers are concerned that the dramatic ascent of the IS throughout the Middle East, which has seen it capture large swathes of territory roughly the size of Jordan, could breathe new life into the Indonesian jihadist movement. The end result, they fear, could be another large-scale attack on Indonesian soil. Already a number high-profile extremists, including Bali bombing mastermind, Abu Bakar Bashir, and Indonesia’s most wanted terrorist, Santoso, have pledged their support for IS. At a local level, meanwhile, a YouTube recruitment video and materials supporting IS have been widely circulated. Others have reported receiving texts offering money in return for supporting IS.

Unlike Syria and Iraq, where the group has achieved a number of spectacular military victories, the threat posed by IS in Indonesia remains at a grassroots level. A recent report by the S. Rajaratnam School of International Studies claims that the newly declared caliphate
‘has attracted local supporters’. Buoyed by overseas successes and a rising social media profile, it goes on to say that local followers have ‘noticeably grown.’ That makes it particularly important for Muslim leaders to denounce the movement, as Jokowi has pointed out.

Many have done so already. Last month, just days after Jakarta made supporting the IS illegal, the Indonesian Ulema Council, the highest Muslim organisation in the country, banned Muslims from taking part in any IS activities. Declaring a fatwa against the group, it said that the struggle to form an Islamic caliphate through violence went against Islamic teachings. Similarly, prominent Muslim scholars, both in Indonesia and abroad, have questioned the legitimacy of an IS caliphate, which they claim is at odds with past historical caliphates.

There are other reasons to believe that any talk of a “new chapter” of terrorism emerging in Indonesia is overblown. Indeed, a number of key factors should make it difficult for the IS to take a strong hold across the archipelago.

The first, and most important, is that, unlike countries such as Iraq, there are few local grievances that the IS can tap into. Indonesia remains a moderate Islamic democracy; it prides itself on religious tolerance. So, while the group has managed to attract local followers, it is unlikely to gain widespread local support. Second, bitter rivalries within the jihadist movement in Syria, especially between IS and its former ally, the al-Nusra Front, or al-Qa'ida in Syria, have spilled over into Indonesia. With each attracting its own set of supporters, the prospect of a unified movement appears slim. Finally, although security officials are wary of the return of Indonesian fighters from the Middle East, the majority have received frontline training, rather than the terrorism-specific training given to the Bali bombers in Afghanistan. Furthermore, such returnees will also have to contend with Indonesia’s hardnosed anti-terror unit, Detachment 88, which has been significantly beefed up since the terrorist attacks of 2002 and 2003.

Still, security officials in Indonesia will remain on high alert against the threat posed by the IS and any radical movement within its borders. The Bali bombings imparted a painful lesson that Indonesia will not want to see repeated.

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China’s Increasing Food Imports: The Impact on Global Markets

China’s imports of cereals have increased dramatically in 2014, despite almost achieving self-sufficiency in the past decade. China’s food consumption is changing and increasing, which, considering China’s growing middle class, will have significant and lasting consequences on the global food market.

Background

Since the 1990s, China’s demand for food has dramatically increased. In 2010, for example, the Chinese consumed 65 million tonnes of soybeans, compared to ten million tonnes in 1990. Increases in the domestic production of soybeans fell far behind the growing demand over the same period however, leaving a gap of ten to 15 million tonnes. To meet domestic demand, China is now a net importer of rice and wheat. This forced China to abandon its grain self-sufficiency policy earlier this year. It is likely to become the world’s largest importer of agricultural products by 2020 and is already changing the face of global food markets.

Comment

China imported 80 per cent more cereals between January and July 2014 than in the same period last year. While cereal imports constitute only five per cent of China’s grain consumption, this share is projected to rise in line with demand. This calls into question China’s food security policy, which aims for a return to self-sufficiency in grains by 2020.

A combination of rapid urbanisation, a growing middle class, increasing incomes and changing dietary patterns, have led to greater food demand in China. The 1.35 billion Chinese are becoming richer and increasingly urbanised. Consequently, China’s growing middle class has shifted to a new diet, including more meat, eggs and wheat and dairy products, in addition to traditional grain staples. Grain consumption in China is close to double what it was 30 years ago (approximately 445 kilograms per person per year). This is largely a result of rising meat production which has increased the amount of grain consumed by livestock.

China is struggling to meet its domestic food demand. Production is lagging and the supply of basic food is expected to be insufficient by 2050. Challenges in the agricultural sector are the main impediments to China’s ability to respond to the growing food needs of its population.

Agricultural challenges include limited available land, scarce resources and rising input costs. Pollution issues are rife, in particular soil contamination; approximately 20 per cent of the agricultural land is polluted. This will force large areas of agricultural land to lay fallow, out of production, for an extended period.

Climate change is also affecting the availability of agricultural resources. Rivers are drying up and droughts are becoming more frequent. Extreme weather, insect infestations and diseases are increasingly common, creating difficult growing conditions. These agricultural
constraints are adding to other concerns over lead, cadmium and arsenic contaminated food. Consequently, the Chinese are increasingly looking to overseas sources for safer and better quality food.

The rise in Chinese imports could have positive outcomes for Australia. Australia is renowned for its safe and high quality food produce and could help to meet the Chinese demand by increasing its exports. Indirectly, increases in Chinese food imports could also increase Australian exports to other countries; the decline in Chinese exports is creating a widening supply gap that Australia could fill. The Department of Agriculture, Fisheries and Forestry perceives it as a great opportunity for Australian farmers.

Any change to China’s domestic food supply, however, could also have negative global implications. For example, the drought in 2011 generated global inflation in food prices. Similarly, China’s accelerating position as a net importer of food could have a lasting impact on price inflation. This results in higher prices for consumers outside China and potentially, food insecurity and vulnerability.

Shenggen Fan, director of the International Food Policy Research Institute (IFPRI), sees an opportunity to enhance global food security. China could try to diversify its import sources. The developing Latin American and African markets could supply food to China, resulting in a positive outcome for all parties: a stable supply ensured for China and access to the Chinese food market for those countries. What is clear, however, is that China becoming a net importer of basic food commodities is a game changer for global food markets; an opportunity to be seized by other countries.

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China Says ‘No’ to GMO

China maintains a zero-tolerance policy on genetically modified crops, indicating a clear position in the global GMO debate.

Background

China is at the cutting edge of agricultural research and development. With a population of 1.3 billion to feed and a water supply that is 90 per cent polluted, it is investing more money than any other country in research to solve its issues. Nonetheless, China remains unenthusiastic about the development and use of genetically modified agricultural products.
Comment

Media attention on China’s anti-GMO policy has increased since the safety certificates of two potential GM varieties of Chinese rice recently expired. Due to the strenuous process involved in gaining permission to commercially grow GMO crops in China, no staple GMO food grain has yet been cultivated domestically. China retains a zero-tolerance policy on the importation of GMO crops and gives no indication of relaxing its laws.

China refuses to import US corn, which often contains modified genes. Improper labelling of goods containing GMO ingredients has also been targeted. Authorities in Shenzhen recently imposed fines of up to 100,000 yuan as penalties for improper labelling, stemming from a new draft regulation on ecology and environmental protection. The regulation is expected to take effect later this year.

This is in contrast to many of China’s economic rivals. Despite growing opposition to genetic modification, GMO products do not require labelling under US law. The United Kingdom – traditionally anti-GMO – recently completed a landmark trial of a harvest of GMO rice.

The issue at the heart of the GMO debate is the uncontrolled spread of genetically engineered organisms. These organisms have the capacity to self-replicate and interact with other organisms in unpredictable ways. They represent a potential threat to natural ecological systems and human health. While genetic technology can increase crop yields, provide resistance to pests and enhance the nutritional density of food, China upholds that so far there has been insufficient research on the long-term impact of genetic engineering.

China’s stance against GMOs is mirrored elsewhere. France banned Monsanto’s GMO corn in March this year and Russia has also signaled it will cease to import GMO products. The backlash against GMO products stems largely from growing health and environmental concerns among their populations; however, it also has a geopolitical dimension. The control exercised by companies like Monsanto over their biotechnology creates dependence among farmers using their patents. This has the potential to have widespread effects on the food supply of the dependent countries. It is in China’s interest to remain independent of multinational biotechnological patents and retain control of its domestic crop production.

The Chinese Government maintains that its ban on GMO products is part of a larger effort to improve agricultural sustainability and meet the public’s demand for healthy products. Given China’s extensive investment in agricultural research and development, other nations should pay attention to its hesitancy to adopt GMOs. This may be an indication of the risks associated with their use.

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Sino-Burmese Railway Still Possible Despite Treaty Lapse and Regional Opposition

The China-Myanmar/Burma 2011 ‘Memorandum of Understanding’ (MOU) on the trans-Burma railway has expired, without the materialisation of the project. Burma is still open to the project if a new agreement is signed, but calls for regional devolution and anti-Chinese public sentiment mean it is not a priority. Meanwhile, an expectant Beijing has already started preparations within its own territory.

Background

Prior to the democratic and economic reforms launched in 2011, China was the de facto international supplier and diplomatic partner of the military junta that had ruled Burma since 1962. Estimates indicate that, since 1988, Beijing has invested up to US$20 billion in Burma, providing the catalyst for much of its mineral prospecting and extraction. A railway has been planned to run from the Burmese port of Kyaukpyu to the Chinese city of Kunming, parallel to the Chinese oil and gas pipelines that are already in place. Various regional groups are angered that the pipelines were built without their permission or consultation; they now object to the idea of their lands being confiscated again.

Comment

A large part of China’s diplomatic manoeuvrings seem to be centred on energy security. Its wariness of the bottleneck represented by the Strait of Malacca in its trade routes from the Middle East and further afield, is often commented on. China’s appetite for building alternative maritime infrastructure is visible everywhere, through Pakistan, Bangladesh, Tanzania, the Maldives, the South China Sea and Burma.

China regards the development of the hydro-power potential of mountainous eastern Burma as of great importance to its western provinces. The same could be said about its appetite for exploiting Burma’s rich mineral deposits: resources that can be acquired by China without the need for seaborne imports. The proposed railway means a new, direct
route for China’s exports of ore and energy and its imports from Burma. For Beijing, this provides one way of avoiding its “Malacca dilemma”. Also relevant is the fact that the proposed railway embodies a possible threat to Burmese manufacturing: a sector currently enticed by the prospect of Western outsourcing, rather than Chinese imports.

Due to the diverse ethnic makeup of Burma, formulating state policy has been problematic. Naypyidaw has previously been nonchalant about demands from the provinces, but since 2011 it has tried to harmonise internal politics in the face of severe regional reactions. China perceives this and has aligned itself officially with the Naypyidaw Administration, noticing that it has few friends in the provinces. At present, anti-Chinese sentiment is high, due to perceptions of unfair trading terms between the two countries. Burmese regionalists argue that infrastructure projects conducted by Chinese State-Owned Enterprises (SOEs) do not hire local workers and distort the terms of agreements. The fact that local farmers were dispossessed of their lands to accommodate the initial Chinese pipelines, without prior consultation, remains the focal-point for anti-development public sentiment.

The western Burmese province of Rakhine recently produced a union of 55 local political party representatives, which presented a petition to the central government. Calling for the cessation of industrial and resource based enterprise in their districts, the document held that such operations were not lawful, due to the lack of local-consultation prior to their implementation. An official press release claimed that while Rakhine was one of the industrial hubs of Burma, it was also the ‘least developed’ and ‘second-poorest region in Myanmar’.

Similar disputes have been apparent for years, with the Nationwide Ceasefire Co-ordination Team (NCCT), a multi-ethnic alliance of key ethnic leaders and businessmen, formed to lobby the government to acquiesce to regional demands. A period of 90 days, commencing on 16 August, has been set as the timeframe for a total ceasefire and for the drafting of a new constitution (sporadic fighting has occurred over the past few decades). China’s reaction is not yet clear and neither is the status of the Wa: a warrior-ethnicity spanning a smattering of small, semi-autonomous group of regions on the eastern borders, near China’s Yunnan province.

The Wa State is currently not recognised by Burma and has never been totally under state-control, even as far back as the British Raj. Burma’s concern over the Wa State, and specifically its United Wa State Army (UWSA), is its suspected widespread criminality and ongoing insurgency. The US Government has officially declared the UWSA a Narcotic Trafficking Organisation. In 2013, an IHS intelligence review claimed that the UWSA was advancing its military capability (it already has a standing army of 30,000) by receiving Chinese equipment, including helicopters and anti-tank weaponry. Beijing denies any double-play between the separatists and the Administration, with a Chinese Embassy report stating that China ‘holds a clear and consistent policy of respecting the sovereignty and territorial integrity’ of Burma.

Burma’s newfound interest in federalism casts a shadow of doubt over China’s railway intentions: the railway harbours more negatives than positives. With China currently building another railway in neighbouring Laos, Beijing is both momentarily distracted, yet adamant that Naypyidaw will proceed with the railway once its internal transformation is complete. China’s construction of the tunnel stages of the railway in the mountains of western Yunnan is an example of its confidence. Sino-Burmese relations are unlikely to deteriorate over this issue, but Japan’s recent decision to write-off the US$3.7 billion debt owed to it by Burma, may provide clues as to Naypyidaw’s ultimate direction.

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India-Burma: A Growing Strategic Partnership?

The recent visit to Burma by Indian External Affairs Minister, Sushma Swaraj, indicates India’s growing focus on strengthening its role in the region. Continued engagement with Burma will be of great strategic significance to India in the coming years, as it aims to hedge against the growth of China and to cement a place for itself as a strong regional player.

Background

Since the swearing-in of the government of Narendra Modi, India appears to have made neighbourhood diplomacy a major priority of its foreign policy agenda. The first act of India’s External Affairs Minister, Sushma Swaraj, was to visit three of Burma’s most important neighbours in South Asia: Bangladesh, Nepal and Bhutan. On 8 August, Ms Swaraj made her maiden trip to Burma, to attend ministerial meetings of the Association of South-East Asian Nations (ASEAN), the East Asia Summit (EAS) and the ASEAN Regional Forum (ARF). During her time in Burma, Ms Swaraj met with President Thein Sein and also her Burmese counterpart, Wunna Maung Lwin. The primary purpose of these meetings was to discuss border co-operation, economic investment and connectivity between the two states.

Comment

Ms Swaraj’s speeches at the multilateral forums included the use of a new term, “economic commons”, which India is using to describe trade, investment and connectivity between states in the region. This seems to indicate its willingness to increase both diplomatic and economic ties with Burma and other neighbouring states.

According to Indian strategic policy, Burma is where Indian and Chinese influences meet. It acts as a gateway to ASEAN and is India’s key partner in securing north-east India. Bilateral
trade between the two countries has increased from US$12.4 million in 1981, to more than US$2 billion in 2013-14. In recent times, India’s focus has been on the South Asian Association for Regional Co-operation (SAARC) countries, as was demonstrated by Prime Minister Modi’s invitation to their representatives to attend his swearing-in ceremony. Burma, which holds observer status in SAARC, was not invited. Though several conclusions may be drawn from this exclusion, some commentators suggest that Burma did not take offence at this as it is more oriented towards south-east Asia, where it is a member of ASEAN. Despite this, relations between the two states appear to be growing steadily.

Ms Swaraj’s trip to Burma indicates India’s willingness to drive for greater diplomatic and economic engagement in that country. A stronger strategic relationship with Burma could help India to stabilise its north-east region. Burma could play a greater role in controlling militancy and the trafficking of arms and drugs across the border in that area. Additionally, Burma presents a great investment opportunity and is a potential source of natural gas for India, which is struggling to ensure its continued energy security. Finally, India is clearly concerned about China’s influence in Burma. It is more than likely attempting to strengthen its ties with Burma to hedge against Chinese regional influence.

Chinese infrastructure projects in Burma have become targets of public disapproval recently, with the expiry of the agreement for construction of the Kyaukpyu-Kunming railway project designed to connect Burma to western China connecting Burma to western China and the Burmese Government’s indefinite suspension of the multi-billion dollar Myitsone Dam project, another Chinese venture. This has created a strategic space within which India is now able to work more closely with Burma. India and Burma have already negotiated the construction of large infrastructure projects, including the Kaladan Multi-Modal Transit Transport Project. It will connect India to a deep-sea port in Sittwe and provide India’s north-eastern states with access to the Bay of Bengal. The India-Burma-Thailand trilateral highway corridor is projected for completion by 2016. In July this year, the Indian and Burmese Governments also pledged to create a highway bus route to connect Moreh, in India’s Manipur state, with the central Burmese city of Mandalay.

The discovery of large reserves of natural gas in Burma has played a critical role in India’s strategic policy shift. India is mindful of the level of Chinese influence in Burma and fearful of Chinese claims over much of its own north-east region. Consequently, India now sees ongoing engagement with Burma as imperative to ensure its own national security. The onus now lies on the Modi Government to further build on the relationship with Burma and use it as a basis to affirm India’s position as a stronger regional player in both the diplomatic and economic arenas.

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Peaceful Resolution of Bangladesh-India Maritime Boundary Dispute Sets Global Example

_India and Bangladesh have accepted the ruling of the Permanent Court of Arbitration (PCA) on their maritime boundary. While some further legal clarification may be needed, both countries are satisfied with the resolution, commending the PCA and each other. As a result, the agreement provides a credible template for solving the ongoing South China Sea dispute._

Background

On 7 July 2014, after five years of international legal proceedings and disjointed bilateral relations, the maritime claims of both India and Bangladesh have been collectively agreed upon, through the PCA, and willingly accepted by both governments. The development concludes Dhaka’s longstanding maritime disputes with its neighbours and prevents the country becoming “sea-locked”. For India, on the international stage, it displays the rising power’s diplomatic maturity. The fresh accord between the two countries is also likely to provide economic evidence that compromise can be lucrative.

Comment

Since its formation in 1971, Bangladesh has, by its own reckoning, often felt that its maritime economic potential has been unfairly restricted, due to the concave geography of the Bay of Bengal. With Bangladesh being positioned on the northern rim, it has long feared that its sea-lanes are, or will become, “sea-locked” by its neighbours’ territorial waters. The new resolution provides security for Bangladesh’s seaborne trade, ensuring that a wide expanse of ocean will serve as _de facto_ Bangladeshi territorial waters, while not constituting any one country’s Exclusive Economic Zone (EEZ).

The ensuing certainty, combined with additionally awarded EEZ near its western boundaries, will come as a boost and provide an incentive for local and international investment, especially in the country’s much-tipped “blue-economy” (seabed mineral and gas extraction) potential. Commenting on the ruling, Bangladeshi Foreign Minister, Abul Hassan Mahmood Ali, commended India for its ‘willingness to resolve
this matter peacefully by legal means’ and ‘for its acceptance of the tribunal’s judgment’. Sometimes rare in modern diplomacy, the reciprocal nature of the agreement should not be ignored.

For India, the ruling firstly confirms its once-disputed sovereignty over the newly-formed island of New Moore/Talapatti. This small, uninhabited island was created after a vicious cyclone in 1970, yet its formation provided the impetus for the partial redrawing of a maritime territorial claim. In 1985, however, it was partially submerged by another storm, while still remaining clearly identifiable for geographical purposes. With the prospect of rising sea-levels of particular concern to Bangladesh, it was deemed appropriate for the island to retain its geographical status. In 2006, with the discovery of natural gas in the vicinity of the island and near the mouth of the Hariabhanga River, the prospect of untapped wealth galvanised India’s resolve for legal sovereignty. Pleased with the Arbitral Tribunal’s awarding of the island to India and the granting of a claim in the nearby river-mouth, Indian External Affairs spokesman, Syed Akbaruddin, applauded the decision. He stated that it ‘will further enhance mutual understanding and goodwill between India and Bangladesh, by bringing to closure a long-pending issue’.

On initial appraisal, the outlook arising from the new boundaries is positive, with both countries eager to profess their commendations and confidence in their future dealings. Despite this ready acceptance, the latter clauses of the ruling, covering non-EEZ waters, are somewhat obscure. Although the new ruling is unlikely to be challenged for the next decade or so, those clauses are almost certainly going to be problematic.

Section Five of the PCA’s resolution found that because Bangladesh and India’s 200 nautical mile continental shelf boundaries overlap, beyond the shelf and in the cross-over area, now dubbed the ‘grey area’, no country could claim a ‘superior entitlement’. Section Eight of the PCA resolution, however, determines that within this ‘grey area’ Bangladesh has a ‘potential entitlement with respect to the continental shelf, but not an exclusive economic zone’. It then states that ‘India is potentially entitled to both zones’. It is possible then, that Section Eight alludes to the further legal clarification that will be needed to prevent possible diplomatic deadlock, should respective national interests collide in the future.

The international ramifications of the PCA’s ruling are profound. First, the notion of a potential great power allowing its smaller, poorer and less powerful neighbour to hold firm on integral aspects of its national interest, is a welcome development in a world where compromise is sometimes regarded as weakness. On the contrary, this case helps to depict India as a benevolent power, enabling it to be perceived regionally as ready to share in, rather than dominate, the economic and diplomatic development of the subcontinent.

Second, while this issue is neither as intricate, nor as intense, as the South China Sea boundary disputes, the notion of two sovereign states agreeing to allow a non-partisan international tribunal to decide on the validity of their individual claims, could help to bolster the possibility of an independent judicial adjudication on the various competing claims in the South China Sea.
Perhaps it will also provide a stark reminder to China that fostering international goodwill and upholding national interests need not be clashing sentiments. Beijing’s recent placement of an oil rig in an area that Vietnam considers to be within its EEZ, indicates that China’s appetite for accepting independent, international decrees remains dubious.

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Jordan Attempts to Address Energy Insecurity

The Jordanian Government is showing initiative in seeking to reduce the country’s energy dependency. With energy demand expected to double by 2030, a national strategy to develop a domestic energy supply has been implemented and appears to be on-track.

Background

Unlike some of its neighbours, Jordan enjoys no significant hydrocarbon reserves. Estimates put proven oil reserves at just one million barrels and natural gas at slightly over 200 billion cubic feet. As a result, it relies on energy imports for 90 per cent of its energy requirements, taking up 40 per cent of the annual budget and consuming 13.5% of Gross Domestic Product. Unrest in the area has the potential to jeopardise Jordanian energy security, as it did in 2011-12. Conflict in Syria affected the Arab Gas Pipeline, which delivers a substantial amount of oil to Jordan every year. The pipeline’s throughput dropped from 89 billion cubic feet in 2010, to 17 billion ft³ in 2012. This affected Jordan significantly, forcing power plants to switch from natural gas to oil and diesel, which are four times as costly. This cost Jordan approximately US$4.9 million a day during the crisis. The real crisis, however, is in the cost of importing so much energy under ordinary circumstances, something that the country is attempting to address.

Comment

Total energy consumption in 2011 was 276 trillion British thermal units (btu) and 100,000 barrels of oil per day. Energy demand in Jordan is increasing by 5.5% annually and the current demand for energy will double by 2030. Alternative sources of domestic energy supplies are being investigated as a priority, with shale oil a strong candidate to reduce dependence on imports.

Through its 2007-2020 National Energy Strategy, Jordan plans to reduce its import dependency from 90 per cent to 61 per cent. The National Energy Strategy envisions that, by 2020, 29 per cent of Jordan’s primary energy will come from natural gas, 14 per cent from shale oil, ten per cent from renewables and six per cent from nuclear. Even so, fossil fuels
still remain critical to Jordan’s energy supply. In 2013, Iraq and Jordan signed a deal worth US$18 billion, to build a double pipeline to supply Jordan with both crude oil and natural gas. This does not lower the country’s energy dependency, but will help satisfy growing demand. Instability in northern Iraq does not currently involve the pipeline, but sections north of Baghdad are potentially under threat.

A moderately controversial deal to build two nuclear power plants, with major investment from Russia’s state-owned Rosatom Corporation, was also signed in 2013. The Jordanian Government retains a majority share and is aiming to have the first plant in operation by 2021 and the second by 2025. The Jordan Times expressed concern in 2011, warning that there is a 'bomb in every reactor’, in the wake of the Fukushima disaster. Despite this, the country’s uranium reserves (25,000 tonnes or 2.1% of the world total) combined with its chronic energy shortages, make nuclear power an attractive option.

In the past, Jordan’s renewable energy production has been far from a high priority. The state plans to boost renewable electricity generation capacity from 18 megawatts to 1.8 gigawatts by 2020. This is still only a third of the power produced by countries with well-developed renewable energy infrastructure, such as Spain. Given Jordan’s favourable geographic situation for solar and wind power, the potential could be much higher. Issues related to the capacity of the Jordanian electricity grid remain, however. This year, they have forced the cancellation of five wind power plants. The necessary funding to increase the grid capacity has not yet been achieved.

Perhaps the most significant resource to enable Jordan to alleviate its energy issues is shale oil. Estimates put its reserves at 40-70 billion tonnes, the eighth-largest in the world. An Estonian-Jordanian firm brought the first commercially-viable oil to the surface in 2012; it is expected to deliver 30,000 barrels a day by 2025. Deals have also been signed with Canadian, Brazilian, British and Dutch companies.

The complete rollout of the national energy strategy may finally alleviate Jordan’s energy shortages, but risks still exist: the pipeline from Iraq is under threat from the conflict in that country’s north and energy demand will double by 2030. Jordan must not stall in its implementation of a second strategy to further develop renewable energy. It must also remain vigilant about the risks of nuclear power and continue reducing its dependence on its neighbours.

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Ongoing Rift in GCC Unlikely to Lead to Disintegration

While the Gulf Co-operation Council faces unprecedented challenges, these are not, as yet, significant enough to threaten the existence of the organisation.

Background

The Gulf Co-operation Council (GCC) is the only institution that brings together the six oil-rich states of the Arabian Peninsula. It has helped to ensure the stability of the region, since its inception in 1981. Two pressing challenges, however, could undermine the effectiveness, and the very existence, of the organisation. The first challenge arises from the tensions between Saudi Arabia, the United Arab Emirates (UAE) and Bahrain on one side and Qatar on the other. The second stems from the domestic leadership transitions, faced by several member states, which could disrupt the regional balance.

Comment

A key item on the agenda at the latest meeting of the GCC, held in Jeddah on 30 August, was the resolution of tensions between Saudi Arabia, the UAE, Bahrain and Qatar. These tensions arose in November 2013 and are linked to a Qatari foreign policy that is perceived by many members of the GCC as damaging to their interests. Doha has lent support to Islamist groups, such as the Muslim Brotherhood, which is a designated terrorist organisation in several other member states. There is, furthermore, a degree of suspicion that Qatar is, knowingly or otherwise, funding the actions of the Islamic State (IS). Qatar has, however, vehemently denied all allegations that it is funding IS.

The three GCC members remain unconvinced that Doha has implemented the Riyadh Agreement that it signed in April. The agreement stipulates that member states must work to support the stability and security of all GCC members. In practice, according to the Saudis, Emiratis and Bahrainis, this means that Qatar must cease its support for the Muslim Brotherhood and rein in its Al Jazeera media channel, which continues to present President Sisi’s rise to power in Egypt as a coup. A committee was appointed to address the grievances presented by the three members. It has, however, not reduced their concerns. Since previous actions to pull Doha into line, such as withdrawing diplomats from Qatar, failed to elicit any policy change, stronger measures could be required. Some commentators have speculated that continued Qatari intransigence could lead to that country’s expulsion from the GCC.

This, however, would be an extreme reaction to the current impasse and would probably create more problems than it would solve. If it found itself regionally isolated, Doha would be more likely reach out to other regional powers, such as Iran or Turkey. Such an outcome would not be in the interests of the council. Furthermore, Qatar would not benefit from maintaining its relationship with the Muslim Brotherhood at the expense of its relationship with the GCC. It will probably cease its support for the Islamist movement before it severely damages its relationship with the council.

In addition to the diplomatic dispute, a number of the GCC states are undergoing uncertain domestic transitions. As the hegemonic power in the organisation, the political transition...
within Saudi Arabia remains the most significant factor in the future workings of the GCC. The health of Sultan Qaboos, the Omani leader, has also recently been called into question. Sultan Qaboos has not nominated an heir and has no children, leading to speculation about the leadership, at a time when the country is seen to be moving closer to Iran.

The diplomatic row shows that the GCC has entered a fragile period of its existence. Failure to resolve this issue would present the council with a significant problem. If Doha fails to comply with agreements, member states must increase their pressure on it or face the prospect of their agreements becoming unenforceable. Increasing pressure, however, threatens to tear the GCC apart, leading to a greater prospect of regional instability. Qatar will continue to pursue its own interests to the chagrin of regional powers, but is unlikely to be ejected from the council, as this serves no one’s interests. The council faces increased uncertainty as major change sweeps the region; domestic leadership changes will only compound this uncertainty. The challenges facing the GCC are significant, but they do not yet pose a large enough threat to lead to the disintegration of the organisation, especially when the common external threats facing the Gulf are taken into consideration.

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What’s Next?

- Indian Prime Minister Narendra Modi ends his official visit to Japan on 3 September.
- Saudi Labour Minister Adel Fakeih will hold a social dialogue on topics including labour disputes and amicable settlements, on 3 September.
- Malaysian Supreme Head of State Abdul Halim Muadzam Shah will pay a state visit to China, at the invitation of Chinese President Xi Jinping, on 3-8 September.
- Australian Prime Minister Tony Abbott makes his first visit to India on 4-5 September. The Prime Minister will meet with Indian PM Narendra Modi before visiting Kuala Lumpur on 6 September.
- New Zealand Foreign Minister Murray McCully will host his Chinese counterpart, Wang Yi, for a working visit to New Zealand from 4-5 September.
- The East African Legislative Assembly is expected to conclude its latest summit in Dar es Salaam, Tanzania, on 5 September.
- Bangladesh will host Japanese Prime Minister Shinzo Abe for an official visit on 6 September.
Any opinions or views expressed in this paper are those of the individual authors, unless stated to be those of Future Directions International.