

From The CEO

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FDI Outlook and Analysis for 2018

Across the Indo-Pacific Region, the year ahead has all the hallmarks of continuing geopolitical uncertainty and the likelihood of increasing concern over a number of non-traditional challenges that include changes in demographic trends, the impact of climate change, the ability to meet food and water demands, rising inequality and the impact on employment of increased automation.

2018 in the Indo-Pacific Region

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China is likely to become more centrally controlled with, at least initially, a faster growth in economic activity although there are persistent concerns over its considerable debt and possible trade disputes with the US and Europe. President Xi Jinping is also committed to safety, environmental improvement and equality, characterised by an “unbalanced and inadequate development of the people’s ever-growing need for a better life.” Through that process, Xi will attempt to promote entrepreneurship and innovation, revitalise the rural sector, address the challenges of an ageing population, improve education, defuse social tensions and eliminate corruption.

In global affairs, China will continue to move from being a “quiet achiever” to an “assertive player.” In doing so, the Chinese Communist Party will consolidate what it considers to be its key national interests. The Belt and Road Initiative will promote “shared” development, security and co-operation.

Of course, that is only part of the list of outcomes. Considerable policy, research, resources and time will be needed. Prolonged uncertainty will be characterised by losses but also opportunities.

There will be a critical question: *Is China's rise America's decline?* Both are substantial powers; both have strengths and weaknesses. Competition between the two is both real and psychological. It is also subject to internal and indirect forces that seek to exploit national and international outcomes, focussing on negative issues and perceived injustices.

Uncertainties over North Korea will continue. Sanctions and international isolation, the prospect of more missile launches and a nuclear test, as well as war games by both sides, will continue against a background of rhetoric from the Trump Administration and the North Korean leadership. Regional actors – China, Russia, Japan and South Korea – will all have roles to play. It is likely, therefore, that in North-East Asia, 2018 will look not too different to 2017.

In South-East Asia, democratic regression may well be strengthened with strongmen getting their way in Cambodia and Malaysia following a similar outcome in the Philippines. The future ability of the Mekong River to provide the food and water outcomes needed to support local populations will also be challenged and China will seek to extend its influence in the region.

In Myanmar and Bangladesh, the Rohingya issue will continue to fester and have an impact on the wider region.

In South Asia, the relationship between India and China will continue to attract attention. Deteriorating US-Pakistani relations, uncertainties regarding the situation in Afghanistan, the concept of the US-India-Australia-Japan “Quadrilateral” and the strategic significance of the Indo-Pacific will attract increasing analysis.

Among island states, Sri Lanka may be caught up in a Sino-Indian power play, and the Maldives could witness a rise in violence from citizens returning to their birthplace following the collapse of the Islamic State caliphate while, on the political front, the rise of authoritarianism is possible.

In terms of the Middle East, 2018 is likely to be another turbulent year with an inflamed rivalry between Iran and Saudi Arabia. Conflict will continue in Iraq, Syria, Libya and Yemen. ISIL and Al-Qaeda affiliates will continue their attacks throughout the Middle East, Africa and Asia, with prospects for further violence in Europe and North America. The prospect of a weapon of mass destruction as well as the use of the internet and cyber technology will bear consideration. The concept of Jerusalem as a capital will continue to stir unrest.

July elections in Pakistan and the start of the electoral process in India, Indonesia and South Africa will add to uncertainty in 2018.

In summary, the region that FDI concentrates on will be one of uncertainty with assessments of likely outcomes difficult to predict.

FDI Research in 2018

FDI's research will continue to focus on three areas:

- To determine whether there will be a global food and water crisis between now and 2050, how that might evolve, what will cause it, what the implications might be for Australia and how Australia might respond.
- To consider the geo-strategic developments, including opportunities and challenges for Australia, in the Indian Ocean region over the next 20 years. Six countries in particular will be considered: Indonesia, India, Pakistan, Iran, Saudi Arabia and South Africa.
- To identify developments over the next 20 years in northern Australia, focussing initially on regenerating the landscape in Australia generally and particularly in tropical Australia.

Details for individual programmes are below.

Indian Ocean Research Programme

The continuing primary theme for 2018 will be the identification and analysis of the major challenges that are likely to confront the six key Indian Ocean states identified by FDI (Indonesia, India, Pakistan, Iran, Saudi Arabia and South Africa) over the next ten years, including the implications of such challenges for Australia.

Such analysis will address each country's overall national characteristics, assess the objectives of Australian foreign policy towards that country and vice-versa and analyse the country's national plan and strategic objectives for the future, including its ability to implement such a plan and achieve the objectives.

At this time, India and Indonesia are the priority countries for consideration.

The Global Food and Water Crises Research Programme

The continuing primary question is to determine whether there is an impending global food and water crisis by 2050 and, if so, what will be its cause, how will it develop, what is likely to be the impact on Australia and what should we, as a nation, do about it.

In 2018, analysis will concentrate on China and consider the following:

- The State of Chinese Soils
- Water Conveyance Infrastructure and Water Security
- The Impact of Climate Change
- Overseas Investment and Domestic Food Security
- The Development of Western China
- Chinese Agricultural Research

Two other areas will also be considered:

- Food and Water Security in Africa

- A Global Overview of Food and Water Security

The Northern Australia and Land Care Research Programme

The primary theme for this Programme will continue to be research that considers the reason, impact and means of dealing with the regeneration of Australia's landscape and its soil.

The Land Care component of the programme links with the appointment by the Prime Minister of FDI Chairman Major-General Hon. Michael Jeffery as the National Advocate for Soil Health. FDI will be closely associated with Soils for Life, a Canberra-based not-for-profit research institute, chaired by General Jeffery, which will oversee the 100 case study farms that will highlight progressive farming and science-based developments.

In addition to Strategic Analysis Papers, FDI will interview many researchers, farmers and pastoralists and policymakers. FDI Associates who have an interest in this topic may also be asked to provide papers.

The impact that soils, through the process of plant photosynthesis, can play in climate mitigation will also be considered and reported.

With regard to Northern Australia, noting that the Land Care component of this Programme's research is equally significant to Northern Australia as it is elsewhere, research will concentrate on issues that determine future opportunities for the region as well as the challenges for achieving such opportunities. The social and economic development of Northern Australia over the next 30 years, the impact of climate change and the significance of growing relationships with China, South Asia and Indonesia will be considered.

The Basis of FDI's Research

FDI attempts to make judgements about the future. This is a form of intelligence analysis, noting that much of the future is grey and that often there are different options that need to be further tested with new information before a final judgement can be made. This requires analysts to be flexible and to be prepared to admit that earlier judgements may be wrong.

FDI will continue to identify those who should receive its product, noting that such people have the authority, responsibility and interest to use the research that FDI produces. This includes a wide range of people in government, the public service, private institutions, business entities, academia and the media. Over 5,000 associates receive the product directly and some 35,000 people use FDI's product every month with almost two million pages viewed.

FDI's work is essentially journalistic in style. That is done to attract as many readers as possible and to avoid the complex style of academic and scientific papers. FDI papers are short and start with a list of key judgements so that a busy reader can quickly decide if the paper should be read or not.

FDI uses a wide range of researchers who continue to develop an intelligence analysis style while capitalising on their detailed knowledge and understanding of the subject. Some researchers include FDI staff, who not only write papers but also identify authors, carry out scoping studies and edit the final product. Other authors include academics, university interns, subject matter specialists and members of Australian and overseas research institutes.

In 2018, FDI will continue to produce informed, balanced research to enhance the quality of strategic decision-making at senior levels of the public and private sectors in Australia.

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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