CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES | Southeast Asia Program

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"The Quiet Hanoian"

By Ernest Z. Bower

As Graham Greene hunched over his desk perched on the wizened teak floors of Hanoi's Metropole Hotel knitting together the silky threads of naiveté and intrigue to craft his masterful tale of Alden Pyle and Thomas Fowler, he unwittingly foretold a key element of modern Vietnamese politics: What you see is not what you get. Unlike many of its Southeast Asian neighbors, Vietnam has the capacity to keep its politics behind closed doors.



Vietnam is in the middle of the most intense part of its political cycle—the socialist corollary to the last four months of U.S. elections—the lead-up to the Communist Party of Vietnam's (CPV) 11th National Party Congress (NPC), which will take place in late January and early February 2011.

Vietnam, along with Indonesia, is one of the key relationships the Obama administration hopes to elevate as it enhances its focus on Southeast Asia. Vietnam is a willing and keen partner, but its responsiveness has been moderated by this political cycle.

On the surface, Hanoi is quiet. Local papers extol the joys of seasonal cuisine and test analogies linking the U.S.–England World Cup match to the White House's row with British oil giant BP, but there is almost no coverage of domestic politics. Ironically, that is because the country's ultimate power roles are on the line and are being contested in the political equivalent of a knife fight behind the closed doors at Government House. Amid this Vatican-like transparency, Party leaders are deciding now who will lead the country and hold the key positions of general secretary, president, prime minister, and key Politburo and cabinet roles.

It is important to understand this dynamic because it has limited how far the government of Vietnam can go in accelerating economic reform, providing energetic leadership as this year's chair of ASEAN (Association of Southeast Asian Nations), and enhancing relations with the United States. Prime Minister Nguyen Tan Dung is trying to lead while flying below the radar. The government and high-level officials are under intense pressure; Party elders and would-be competitors have them under a microscope exploring any vulnerability—each decision, relationship, and results of past efforts—as the Party decides their future.

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Pressure to align with conservative socialist values has resulted in a crackdown on political activists, journalists, and other groups. This has raised concern among human and religious rights groups and put pressure on the U.S.-Vietnam relationship in the U.S. Congress and other venues. Obama administration Asia hands and the U.S. Embassy in Hanoi are well aware of the situation and have adeptly expressed their concerns while offering longer-term support as they anticipate, with good reason, that Vietnam will emerge from this cycle retaining its commitment to economic reform, a vested interest

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Nong Duc Manh

strengthening ASEAN and regional economic, political/security, and cultural integration, and closer ties with the United States.

The CPV itself is focused on the overarching goal that is the bottom line for all political parties—survival. Its nerve center is the Central Committee. This committee comprises 150 members and is essential in shaping the Party's policies. The Central Committee opened its 12th conference in Hanoi on March 22 this year to discuss and approve draft documents to be presented at the NPC. As the conference closed on March 28, Party General Secretary Nong Duc Manh presented several documents that will be debated during the NPC, including a 10-year strategy for socioeconomic development through 2020 and a political report from the 10th Party Central Committee.

During the weeklong conference, senior Party members also reviewed personnel plans for the next Party Central Committee (which will be confirmed during the NPC) and decided on the number of delegates to the Party Congress. In advance of the NPC, the committee will meet at least twice, most likely in September and December 2010. The first meeting will be to hold preliminary votes on key personnel, while the latter will be to make final decisions on policy and personnel.

The good news is that Vietnam's leaders are likely to move the country in directions that will enhance its standing and growth, strengthen ASEAN, and open the door for closer ties with the United States and other international partners.

The pending NPC will keep the political temperature high in Hanoi throughout the year. This will lead to a degree of policy paralysis and evident conservatism in the coming months as factions and players jockey for position ahead of the Congress.

While political intrigue remains high, it is important for international partners and U.S. policymakers not to be naïve. They can count on the following trends:

- First, it is unlikely that Vietnam will turn away from its current commitment to economic and administrative reform;
- Second, the CPV understands that to survive, Vietnam must remain engaged in the regional and global economy, including providing leadership for an integrated and strong ASEAN and a more forward-leaning party to the Transpacific Partnership (TPP) trade negotiations;
- Third, Vietnam will strive to compete for investment and expand jobs and education/training through exports and foreign investment. These are core deliverables to citizens that the Party will not risk trying to take away;
- Fourth, the Party understands that corruption has the potential to eventually undermine its power base. As a result, it will continue supporting the reform measures instituted by Prime Minister Dung; and,
- Finally, the crackdown on political dissent (tied to religious and press freedom issues) is likely to ebb after the NPC.

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Policymakers and business leaders should heed the apt premonitions from Greene's *The Quiet American*. The quiet in Vietnam belies a proactive subterranean political agenda. The good news is that Vietnam's leaders are likely to move the country in directions that will enhance its standing and growth, strengthen ASEAN, and open the door for closer ties with the United States and other international partners.

ASEAN

2nd U.S. ASEAN Leaders' Summit

While no dates have been confirmed, rumors are circulating that the United States may propose to host ASEAN's leaders in Washington, DC, or New York around the time of the United Nations General Assembly. The ASEAN Secretariat's website indicates the Summit is still planned during the ASEAN Summit in Hanoi in late October 2010, but U.S. senior officials have been clear that it is unlikely that President Obama will be able to travel to Vietnam only weeks before the G–20 Leaders' Meeting in Seoul, Korea, and the APEC Leaders' Summit in Tokyo and Yokohama, Japan, in mid November.

ASEAN Regional Defense Spending on the Rise

ASEAN countries are spending significantly more on defense compared to five years ago. Overall, countries are spending 123.18 percent more (from 2004 to 2009). However, analysis of spending shows that the increases are simply returning spending to pre-"Asian financial crisis" levels of spending on defense relative to gross national product. Singapore is the top defense spender at $7.966 billion, while the Philippines is planning the largest increase in spending (from 0.8 to 2 percent) to more than $2.14 billion for 2010. As most ASEAN countries do not publish their national security or defense modernization plans like the United States and Australia do, but indicative factors for enhanced defense spending include a strong return of economic growth allowing countries to make up for depressed spending over the last five years, concerns regarding regional threats including the enhanced military spending by China, India, and ASEAN neighbors, and a renewed commitment to contributing regional public goods in the areas of humanitarian assistance and disaster relief (HADR). Australia did indicate in its 2009 Defense White Paper that one reason for its increased spending plans was the increasing Chinese military spending and assertiveness in the region. More recently, Australia reported that it will spend $ 30.8 billion from 2010–2011 compared to $29.4 billion in 2009.

ADMM + 8

ADMM + 8 takes off as core of regional security architecture. The ASEAN Defense Ministers' Meeting (ADMM + 8 – the eight countries being Australia, China, India, Japan, Korea, New Zealand, Russia, and the United States) received consensus support from the top military brass and analysts from 28 countries who attended the Shangri-La Dialogue in Singapore. Vietnam will host the ASEAN Defense Ministers' Meeting in October in Hanoi and it is expected that the "+ 8" counterparts will be invited. U.S. Defense Secretary Robert Gates is expected to attend the meeting.

Philippines

Aquino Proclaimed 15th President of the Republic of the Philippines

On June 9, the Philippine Congress proclaimed Benigno "Noynoy" Aquino III and Jejomar Binay respectively as president and vice president of the Philippines. President-elect Aquino will be inaugurated on June 30. He is in process of selecting a new Cabinet. In the meantime, outgoing president Gloria Macapagal Arroyo has made several last-minute "midnight appointments" apparently to help protect her interests when she steps down. In the same context, Acting Defense Secretary Norberto Gonzales says he is forming an opposition "shadow Cabinet" that will lay out alternative programs and policies to the incoming Aquino administration as well as investigate alleged poll fraud claims in the May 10 elections.

The World Bank raised its growth forecast for Philippines

The World Bank raised its growth forecast for the Philippines to 4.4 percent (from 3.5 percent). Based on a strong 7.3 percent growth rate in the first quarter, the government of the Philippines raised its growth target to 5.9–6.9 percent, possibly the fastest expansion since 2007.

U.S.-Indonesia Military Ties Strengthening

On June 10, the United States and Indonesia signed a Framework Agreement on Cooperative Activities in the Field of Defense. This agreement is expected to pave the way for further cooperation in military training, defense procurement, and maritime security. However, the agreement does not cover the issue of providing military training for Kopassus, Indonesia's Special Forces unit.

Indonesia

Indonesia to Increase Defense Spending

Indonesia said it would increase the size of its submarine fleet over the next two years to defend its territory as well as protect international shipping lanes. In addition, President Yudhoyono said the government had earmarked funds in the 2010 budget to modernize its fleet of aging 32 C-130s military transport aircraft. Indonesia says it will increase defense spending to 1.5 percent of gross domestic product by 2014 from a target of 0.7–0.8 percent of GDP in 2010.

IMF Puts Indonesia's Growth at 6 Percent

The International Monetary Fund (IMF) this week accelerated its growth forecast for Indonesia to 6 percent due to an improving investment climate. Indonesia's GDP grew 5.7 percent in the first quarter. The IMF warned that the central bank—Bank Indonesia — may need to adjust its monetary policy if price pressures rise. However, central bank officials expect inflation to remain within the projected 4–6 percent target range in 2010.

Singapore

President S. R. Nathan visits the United States

For the first time since serving as Singapore's ambassador to the United States, Singapore's president Honorable S.R. Nathan returned to Washington, DC, for a private visit. The president traveled with his family and met his close friends from the U.S. government, policy, and business communities informally.

Record growth in Singapore

According to a study by Boston Consulting Group, Singapore and Malaysia led a recovery of global wealth to pre-crisis levels as the number of millionaires grew by about 14 percent last year. Singapore had the highest proportion of millionaire households at 11.4 percent, followed by Hong Kong and Switzerland. Singapore was the strongest mover on the millionaire list, expanding its number by 35 percent. According to Singapore's central bank, the Monetary Authority of Singapore (MAS), the economy is expected to record 9 percent growth in 2010, an upgrade from the 6.5 percent in the previous survey.

Preparations for Early Elections?

It has been reported that the Singapore's Elections Department is looking at some 1,400 venues across the island nation for use as polling and counting centers for the next general election and presidential election. The government must call its next general election by February 2012, while the presidential election is due by August 2011.

Malaysia

10th Malaysian Plan (10MP)

Prime Minister Najib Tun Razak tabled the 10MP in Parliament on June 10. Najib is trying to balance the need for economic and political reform with sustaining the vital support of his primary constituency in the United Malay Nasional Organisation (UMNO) party. The goal of the 10MP (2011–2015) five-year plan to transform the nation into a high-income

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Malaysia PM Razak

10th Malaysian Plan (10MP) *(Continued)*

economy allocated RM230 billion for development expenditure with the objective of achieving a 6 percent growth rate in 2015. Other goals include rejuvenating private investment up to RM115 billion, or 12.8 percent, to reduce fiscal deficit from 5 percent in 2010 to 3 percent in 2015. The allocation will comprise 55 percent for the economic sector, 30 percent for the social sector, 10 percent for security sector, and 5 percent for general administration. The 10MP includes efforts to cut subsidies and accelerate investment, locally and abroad. The plan includes the ambitious goal of transforming Malaysia into one of the five most-competitive nations in the world.

3rd U.S.-Malaysia Senior Officials Dialogue

As a further indicator of warming bilateral ties, visiting Malaysian officials met with their U.S. counterparts at Foggy Bottom for the third U.S.-Malaysia Senior Officials Dialogue. The session follows a four-day visit from Malaysia's defense minister last month and the April meeting between President Obama and Prime Minister Najib. Interagency delegations were led by Assistant Secretary of State for East Asian and Pacific Affairs Kurt M. Campbell and Secretary General for the Malaysian Ministry of Foreign Affairs Tan Sri Rastam Mohd Isa.



Tan Sri Rastam Mohd Isa

Thailand

Thailand's Path Toward Reconciliation

The Thai government has laid out its plan for reconciliation, but it is facing a cynical response from Red Shirt opposition leaders who question the sincerity of the effort. Thailand's government invited all concerned parties to discuss a five-point national reconciliation roadmap on June 12. In addition, the government tabled plans to set up a "truth" committee to investigate the deaths and injuries during the March-to-May protests, a committee to reform the media, and another committee to resolve social inequalities. The "truth" committee will be headed by Khanit na Nakhon, former attorney-general.

Special Envoy visits the United States

Prime Minister Abhisit sent a special envoy, HE Kiat Sittheeamorn, the president of the Thai Trade Representative's office, to Washington, DC, last week. Khun Kiat met with congressional leaders, administration officials, business executives, the media, and policy/thought leaders. During his roundtable discussion at CSIS on Friday, he indicated that PM Abhisit is considering inviting representatives from ASEAN to be included in the independent probe of the violence that resulted in more than 85 deaths during the protests.

Congressional Hearing on Thailand

During a U.S. House Subcommittee on Asia, the Pacific, and the Global Environment hearing chaired by Committee chairman Representative Howard Berman (Democrat of California's 28th District) on "Thailand: The Path toward Reconciliation" on June 10, witnesses explored Thailand's political polarization and cautioned against simplifying the political dichotomies (Reds vs. Yellows, rich vs. poor) as a way to understand current situation. Witnesses emphasized the need to carefully consider deep-seated and historical social grievances and injustices described as byproducts of the socioeconomic dynamic over the last three decades.

A webcast of the hearing is available here:
http://www.hcfa.house.gov/hearing_notice.asp?id=1189

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Myanmar/Burma

On June 8, U.S. Senator Jim Webb (Democrat of Virginia) submitted a letter to Secretary of State Hillary Rodham Clinton regarding his recent trip to Asia and his recommendations for U.S. policy in the region. Click here for copy of the letter (http://www.scribd.com/doc/32715614/Webb-to-Sec-Clinton-re-East-Asia-Trip). Webb asks the State Department to clarify allegations of **Burma's nuclear ambitions** and urged the Obama administration to **appoint a special envoy to Burma** (as proposed in the 2008 JADE Act by the late U.S. congressman Tom Lantos). Senator Webb recommended the current U.S. ambassador to Thailand, Eric John, for the role. The State Department has indicated a choice for Special Envoy for Burma would be made "soon."

Concern Over Political Refugees



Eric Schwartz, Assistant Secretary of State for the Bureau of Population, Refugees, and Migration, visited Asia last week and raised concerns about the plight of over 140,000 Burmese refugees on the Thai-Burmese border who cannot return home for the general election this year.

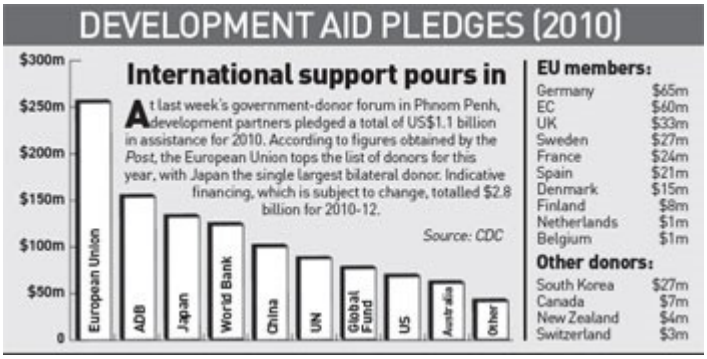
China starts work on 800-kilometer trans-Burma pipeline

Shortly after Chinese premier Wen Jiabao's official visit (June 2–3) to Burma, construction of the $2.5 billion 800-kilometer dual oil and gas pipeline began. The pipeline will run from the Kyaukryu port on Burma's west coast to Kunming, the capital of China's southwestern Yunnan province. The project will give China a fourth route for its oil and natural gas imports, in addition to the Malacca Straits and pipelines from Kazakhstan and Russia.

Cambodia

Cambodian Aid Commitments Expand to $2.8 Billion

Three-year (2010–2012) aid finance estimates released during Cambodia Development Cooperation Forum (CDCF) donor meetings in Phnom Penh reached nearly $3 billion. Total pledges were $1.1 billion for 2010, $958 million for 2011, and $750.5 million for 2012. The most significant trend is China's significant increase in its aid to Cambodia. Japan is still Cambodia's largest single-country donor.



(Source: *Phnom Penh Post*)

Cambodia Joins CARAT for the First Time

U.S. military cooperation with Cambodia expanded as the USS Tortuga (LSD 46) visited on June 7 marking the opening of Cooperation Afloat Readiness and Training (CARAT) Cambodia 2010. This is Cambodia's first time participating in the regional exercise.

Vietnam

3rd Political, Security, and Defense Dialogue Between U.S.-Vietnam

Underlining the increasing cooperation between the United States and Vietnam, Assistant Secretary of State for Political-Military Affairs Andrew J. Shapiro and Standing Vice Foreign Minister Pham Binh Minh met June 8 in Hanoi to discuss bilateral and regional security issues. PACOM Commander Robert Willard and Deputy Secretary of Defense for Southeast Asia Robert Scher also joined the meetings. In addition to discussions of U.S. naval ship visits to Vietnam and Vietnamese participation in UN peacekeeping missions, the talks also covered a wide range of issues including enhancing bilateral cooperation in the areas of regional security, peacekeeping, humanitarian assistance and disaster relief, maritime security, search and rescue, nonproliferation, counternarcotics, transnational crimes, and other areas of mutual interest.

South China Sea



During the U.S. Vietnam Political, Security, & Defense Dialogue, PACOM Commander Robert Willard reiterated comments made by U.S. Defense Secretary Robert Gates at the Shangri-La Dialogue cautioning China against asserting sovereignty over disputed areas in the South China Sea. According to Vietnam's minister of defense, General Phung Quang Thanh, Vietnam is taking steps to peacefully resolve these issues. He said Vietnam and China recently reached a "good solution" to demarcate their land border. Indonesia also voiced its support for the settlement of a dispute in the South China Sea during the Shangri-la Dialogue in Singapore. Indonesia's defense ministry spokesperson, Mr. Wayan Midhio, said the security of the South China Sea, the Strait of Malacca, and the Indian Ocean topped Jakarta's defense and security agenda.

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APEC

APEC Trade Ministers Meet in Sapporo, Japan

Trade ministers of the 21-member APEC group wrapped up a two-day conference in the northern Japanese city of Sapporo on June 6, laying the groundwork for this year's APEC summit, which takes place in Yokohama, Japan, on November 13–14. Ministers from the eight countries included in the **Transpacific Partnership (TPP)** negotiations held a rump group meeting on the margins of the APEC meeting in Sapporo. The TPP's goal is to lay a foundation for an eventual APEC Free Trade Area or **Free Trade Area for the Asia Pacific (FTAAP)**.

The World Cup

The U.S. side remarkably tied a highly favored English team in a 1-1 draw on Day 2 of the World Cup in South Africa. Given the high level of interest in the global football tournament and the fact that South Africa is five to six hours behind the region's capitals, most meetings in Southeast Asia include rather tired-looking officials and executives. Though ASEAN does not have a member country with a team in the tournament, football is easily the region's favorite shared sporting experience. As ASEAN Secretary General Dr. Surin Pitsuwan tweeted on June 13, "What the world needs now is a sense of belonging to, ownership of, and participation in governance of this one 'Global Village'. The global frenzy over the World Cup is equivalent to 'the unwritten law' of our emerging 'Global Village'. Just what we need now!"

THE WEEK AHEAD

- **San Francisco Hosts 2nd Round of TPP Negotiations.** The second round of Transpacific Partnership (TPP) trade negotiations will be held at San Francisco, California. The United States will welcome the chief negotiators from Australia, Brunei, Chile, New Zealand, Peru, Singapore, and Vietnam. Insiders indicate that the negotiations have not yet broached technical issues or text, and are more focused on logistics and modalities.

- **Garuda Shield 10 Military Exercise**. More than 100 soldiers and airmen from Hawaii will participate in the exercise Garuda Shield 10 in Indonesia on June 10-25 in Bandung. Personnel from 24 other countries, including Japan, Russia, and China, have been invited to participate in and to observe the exercise.

- **Asia Policy Assembly** (June 17–18) by Woodrow Wilson International Centre for Scholars titled *"Asia's Global Influence: How Is It Exercised? What Does It Mean?"* will bring together experts from the academic, philanthropic, and policymaking communities to address issues of strategic importance to U.S. interests in Asia. CSIS Southeast Asia Senior Adviser and Director Ernie Bower will speak on June 17, 2:00 p.m.-3:00 p.m., on *"Thailand: A Worst-Case Scenario for Democratization and Weak Institutions."*

- **CSIS Discussion on "*Philippine Business Dialogue—The Next Administration*."** A dialogue with the visiting delegation from the American Chamber of Commerce of the Philippines and CSIS Southeast Asia's Philippine Experts Group. The briefing will take place on Friday, June 18, over breakfast from 7:30 a.m. – 8:30 a.m. The discussion will be off the record. Interested parties, please email southeastasiaprogram@csis.org

- **CSIS Debriefing with Robert Scher, Deputy Assistant Secretary of State for Southeast Asia** on the Indonesia, Malaysia, and Vietnam bilateral discussions last week as well as the Shangri-La Dialogue. Details will be available later. Interested parties, please email southeastasiaprogram@csis.org

- **CSIS "Korea Platform" event on *"Using APEC and Trade Agreements to Advance U.S. Interests in the Asia-Pacific"*** featuring Mr. Kurt Tong, Economic Coordinator for the Bureau of East Asian and Pacific Affairs and U.S. Senior Official for Asia-Pacific Economic Cooperation (APEC). The event will take place on Monday, June 28, 2010, 3 PM to 5 PM and moderated by Dr. Victor Cha, Senior Adviser and Korea Chair, CSIS and Director of Asian Studies, Georgetown University. Interested parties, please email KHarrington@csis.org.

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THE WEEK AHEAD *(Continued)*

- **Chinese Vice President on four-nation tour.** Chinese Vice President Xi Jinping will visit Bangladesh, Laos, New Zealand, and Australia from June 14 to 24.

- **APEC Caucus in U.S. Congress**. The CSIS Southeast Asia Program is planning to interview key U.S. congressional representatives chairing the APEC Congressional Caucus in the United States. The purpose of the APEC Caucus is to work with APEC officials and interested stakeholders to focus on understanding and promoting U.S. interests in the Asia-Pacific region. The caucus is expected to help drive active U.S. participation in APEC and develop a robust agenda for the United States chairing of APEC in 2011. President Obama will host APEC and the other leaders of APEC's 21 economies in Hawaii on November 12–13, and USTR Ron Kirk and Secretary of Commerce Gary Locke will host the 2011 Asia-Pacific Economic Cooperation (APEC) Trade Ministerial in Big Sky, Montana, during the week of May 23, 2011.

- **Australia-American Dialogue** will be held at July 12–14 in Washington, DC. The dialogue alternates between Australia and the United States each year and includes an impressive assortment of foreign and economic policy personalities from the cabinets of both countries as well as from Parliament and Congress.

- **US Export-Import Bank Chairman Visits Southeast Asia.** US EXIM's chairman and president Fred Hochberg will visit Vietnam and Indonesia during the week of June 14 and meet the countries' leaders, key ministers, and local and U.S. business executives as EXIM seeks to significantly expand its lending in nine key global markets that it has identified as potential high growth–high impact countries. The initiative will back President Obama's commitment to double U.S. exports in five years, and seeks to align with the needs and interests of key partner countries. Indonesia and Vietnam are included on EXIM's top-targets list.

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