

Southeast Asia from the Corner of 18th & K Streets

Volume I | Issue No. 27 | August 24, 2010

Australian Elections—Will Oz Lose Its Clout in Foreign Policy?

ERNEST BOWER

Ernest Z. Bower is the senior adviser and director of the Southeast Asia Program at the Center for Strategic and International Studies in Washington, D.C.

August 24, 2010

Saturday's national election in Australia was a popularity contest for the middle dominated by two parties led by ambitious young usurpers of previous party leaders. With 78.76 percent of the votes counted according to results posted online by the Australian Electoral Commission (at the time of publishing), the Liberal-National Coalition led by the Liberal Party's¹ Tony Abbott had won about 49.37 percent of the seats and incumbent prime minister Julia Gillard's Labor Party had earned about 50.63 percent. The closest national election in 40 years Down Under resulted in what could be a hung Parliament. While vote totals were still to be sorted, the situation may empower a third force, the Green Party, which could suddenly be influential in the country's foreign policy. That fact is interesting because had Labor or the Coalition won a clear majority, there would not be much to report in terms of foreign policy impact—the most remarkable point in comparing their platforms on foreign policy and national security was continuity. A deadlocked parliament, however, means probable concessions to the Greens by whichever party can form a government and may result in questioning engagement in Afghanistan and reducing Australia's clout in Asian regionalism in the short term.

The nature of this electoral battle defined the outcome. Both Gillard and Abbott were representing the center positions dominating Australian politics. On key issues from taxation to immigration to climate change, space between the candidates' views was relatively limited and nuanced.

Julia Gillard, the Wales-born first female prime minister, had recently taken out the wonky and international-minded Kevin Rudd in a stark Labor party coup d'état that exposed the institutional failure of

Inside This Issue

THE WEEK THAT WAS

- Australia's elections results
- First Vietnam-U.S. defense policy dialogue
- Preah Vihear temple dispute continues
- SONA—Indonesia to boost infrastructure spending

THE WEEK AHEAD

- 42nd ASEAN Economic Ministers Meeting
- Discussion: Report on Burma's electoral framework
- August 31: Malaysia's 53rd anniversary of independence

Australian Elections—Will Oz Lose Its Clout in Foreign Policy? *(continued)*

Rudd's rugged individualism. Put bluntly, one can't run the Australian government by himself—and when the veneer broke over Rudd's 180 on his signature climate change issue, other questions followed in a fusillade and his support dissipated into thin air. Gillard was loyal to Rudd up until the very moment she decided to follow the guidance of a handful of advisers who recommended she take him out. It was a move decided in a night and acted on immediately and unanimously. Within 48 hours, Rudd was out and Gillard was in.

Gillard's policies are essentially consistent with Rudd's, but what was lost was a leader who relished foreign policy and ran it like an intellectual dictator from his own desk. To the outside world, including to U.S. president Barack Obama and leaders in ASEAN and China, Rudd was a proactive interlocutor, thoughtful and engaged. President Obama clearly felt personally aligned with his fellow policy wonk. With Rudd gone, there is a certain unavoidable downgrading of Australian mindshare.

For his part, the pugnacious Tony Abbott also played the Brutus role within the Liberal Party, eviscerating party leader Malcolm Turnbull using the Emissions Trading Scheme issue in 2009. The aggressive triathlete picked up his party banner and drove hard at Gillard during the campaign, focusing more on personal issues like leadership style than on substantive differences on issues. It is difficult to differentiate yourself when positions are similar and you are competing for the same median votes.

Not surprisingly then, the Australian public essentially split the vote 50.63 percent to 49.37 percent, leaving Gillard and Abbott in a position to take some deep breaths, get some much-needed sleep, and set about pursuing the Green Party and independents to try to form a minority government. Doing so requires at least 76 of 150 total seats in Parliament.

Enter the Greens. The Green Party with 11.41 percent of the vote is now empowered in its role as kingmaker or swing party. Gillard and Abbott both will court them assiduously. As a result, Green views may have an inordinate influence on Australian policies, at least in the short term. The most notable of these will likely be an acceleration of timeframe on climate change. The Greens seek a two-year carbon tax with a set price (\$23/ton) on the biggest polluters, with \$5 billion returned to household and a long-term 100 percent renewable energy target. The two mainstream parties sought longer-term (five-year) transitions. The impact on foreign policy may be significant, however. The Greens want Australia's military out of Afghanistan immediately, and in this push they may be more aligned with popular opinion than Labor or the Coalition. They want the issue



Julie Gillard is the incumbent prime minister in the 2010 Australian federal elections (<http://www.flickr.com/photos/mystifyme07/4881796497/>)

“The Green Party with 11.41 percent of the vote is now empowered in its role as kingmaker or swing party.”

Australian Elections—Will Oz Lose Its Clout in Foreign Policy? *(continued)*

debated in Parliament as soon as possible, and this could certainly be the fee they exact for aligning with Gillard or Abbott to form a government.

The impact of such a debate is potentially significant. Australian support for the United States and NATO has been rock solid since after the Vietnam War. Support for the U.S.-Australian Treaty alliance is part of a holy trinity of policies that have defined Australian policy for decades. A decision to depart Afghanistan as the Americans, led by General David Petraeus, hunker down to attempt to complete the mission there would be seen as a major step backward by Washington.

The August 21 vote will almost certainly reduce Australia's clout in Asia too. Neither Gillard nor Abbott is likely to be as forward-deployed as Kevin Rudd or John Howard on foreign policy. This is an important point because the paradigm is changing just as new regional architecture for security and trade is being developed in Asia. Australia has been a major contributor, much more than just a member, in the East Asian Summit (EAS),² the Asia Pacific Economic Cooperation (APEC) forum,³ and the Trans-Pacific Partnership (TPP).⁴ Now Rudd-erless, Australia will certainly retain its substantive engagement as an important ally of the United States and maintain its proactive voice in regional institutions. However these roles may now be executed by bureaucrats and policy professional without convincing political support from an engaged prime minister.

Australian voters have followed their politicians to the middle. The question is, can Australia retain its role batting above its weight as a U.S. ally and leader in Asia policy as it plays it safe from the center? The next several weeks will reveal answers that policymakers from Washington to Jakarta to Beijing will need to watch closely.

NOTES

1. This party name is difficult for U.S. political observers to understand as "Liberal" in the Australian political context is conservative.

2. The EAS comprises the 10 ASEAN nations (Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Vietnam) plus Australia, China, India, Japan, New Zealand, and South Korea. The United States and Russia will join the EAS in October 2010.

3. The APEC economies are Australia, Brunei Darussalam, Canada, Chile, People's Republic of China, Hong Kong, China, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Chinese Taipei, Thailand, and the United States.

4. The Trans-Pacific Partnership comprises Australia, Brunei, Chile, New Zealand, Peru, Singapore, the United States, and Vietnam.

“The August 21 vote will almost certainly reduce Australia's clout in Asia too. Neither Gillard nor Abbott is likely to be as forward-deployed as Kevin Rudd or John Howard on foreign policy.”



Tony Abbott is leader of the opposition in the House and the Liberal Party of Australia. (<http://www.flickr.com/photos/mystifyme07/4881799555/>)

The Week That Was

BURMA/ MYANMAR

- **The United States supports UN inquiry into Burma.** On August 17, the State Department announced the United States endorsed the establishment of an international commission of inquiry (COI) by the United Nations to investigate alleged war crimes and crimes against humanity in Burma. The move is an initiative of UN Special Envoy for Burma Tomas Ojea Quintana and led by the European Union. The UN decision follows its investigation in March this year into Burma's human rights record and Burma's decision not to allow Quintana access to Aung San Suu Kyi during his visit. Notably, a bipartisan group of U.S. senators made a similar case in a letter (<http://uscampaignforburma.org/coi-letter-clinton-2010-senate>) to U.S. secretary of state Hillary Clinton two weeks ago.

- **Barclays fined for breaking U.S. sanctions in Burma.** British bank Barclays admitted it broke U.S. sanctions laws—the International Emergency Economic Powers Act and the Trading with the Enemy Act—by processing transactions worth hundreds of millions of dollars with Cuba, Iran, Myanmar (Burma), and Sudan. Between 1995 and 2006, the transactions totaled approximately \$500 million. On August 16, Barclays paid out \$298 million to settle the charges.

- **ASEAN welcomes Burma's upcoming elections.** Although the SPDC's (junta's) announcement of a November 7 election date met strong criticism by the international community, ASEAN said on August 17 that it "welcomes this decision by Myanmar." ASEAN also encouraged Burma to accelerate its progress in the implementation of the roadmap for national reconciliation and democracy. ASEAN is prepared to offer assistance to Burma if required and in accordance with the ASEAN Charter. Despite the supportive gestures, ASEAN says it will continue to keep close watch on Burma. The election date falls about a week before Aung San Suu Kyi's house arrest is due to expire, meaning that she will be locked up when the election takes place. CSIS is holding a program on August 25 with the National Democratic Institute (NDI) called "Discussion: Report on Burma's Electoral Framework" to review its new report on the outlook for Burmese elections. Interested parties, please e-mail SoutheastAsiaProgram@csis.org to RSVP.

- **DKBA officially becomes Border Guard Force.** A ceremony was held last week to officially transform the Democratic Karen Buddhist Army (DKBA) into a Border Guard Force (BGF)—a move by the junta to assimilate the DKBA troops into the Burmese army. Forty DKBA officials were appointed to positions in the new BGF. Two more transformations were scheduled for

“ASEAN encouraged Burma to accelerate its progress in the implementation of the roadmap for national reconciliation and democracy.”



ASEAN Secretary-General Dr. Surin Pitsuwan has said Thailand and Cambodia will settle the temple dispute bilaterally at the ASEM (Asia-Europe Meeting) (<http://www.flickr.com/photos/maggietchk/4553282681/>)

August 22. The DKBA's renegade commander, Na Kham Mwe, has rejected the BGF transformation and is now in hiding with 1,500 troops, creating a major split within the army. Two of Burma's ethnic ceasefire groups—the United Wa State Army (UWSA) and the National Democratic Alliance Army (NDAA)—have also refused to assimilate into the BGF.

CAMBODIA

- **Preah Vihear temple dispute continues.** Cambodia's minister of foreign affairs Hor Namhong wrote a letter to his Vietnamese counterpart, Pham Gia Khiem, requesting ASEAN involvement in the Preah Vihear temple dispute. Vietnam, in its role as current chair of ASEAN, responded saying ASEAN needs to “utilize a multilateral mechanism” to resolve the dispute. During a previously scheduled visit, ASEAN secretary general Dr. Surin Pitsuwan discreetly visited Cambodian prime minister Samdech Hun Sen and Thai prime minister Abhisit Vejjajiva this week to urge the parties to reconciliation. Prime Minister Abhisit made it clear that he prefers not to have third-party involvement. The Thai national army chief has also stated that Thai-Cambodian military ties remain positive as neither side is reinforcing their borders.

VIETNAM

- **First U.S.-Vietnam defense policy dialogue at the deputy ministerial level.** U.S. Deputy Assistant Secretary of Defense Robert Scher met with his Vietnamese counterpart, Lt. General Nguyen Chi Vinh, for the first Vietnam-U.S. defense policy dialogue at the deputy ministerial level in Vietnam last week. The parties told the media they talked about how they could better cooperate on humanitarian assistance and disaster relief (HADR), search and rescue, international peacekeeping, and maritime security. Scher called the discussion “the next significant historic step” in developing a growing defense relationship. The two countries agreed to strengthen military-to-military relations in the areas of disaster relief and language training. “We believe this cooperation brings about benefit to Vietnam and the United States,” General Vinh stated at the briefing. “This cooperation does not do harm to the interests of any other country.”

- **Vietnam's currency devaluation leads to challenges.** On August 18, Vietnam's central bank devalued the đồng for the third time in nine months to reduce the country's ballooning trade deficit. The bank devalued the đồng by 2 percent, to 18,392 đồng to the U.S. dollar. The effort backfired, as the đồng traded even lower on the black market the following day, suggesting the possibility of further devaluations. Credit Suisse analysts commented that currency reform in Vietnam is “badly needed.”

- **U.S. members of Congress want Vietnam named “country of particular concern.”** After hearing testimony on religious freedom in Vietnam, members of a congressional human rights commission want the U.S. State Department to reinstate Vietnam as a “country of particular concern” (CPC) in the next few months. The push underlines a dichotomy in U.S. policy toward Vietnam: on the one hand, the United States and Vietnam are moving rapidly to enhance relations based on strategic and commercial imperatives; on the other hand, Vietnam has continued to struggle with promoting human rights and religious freedom, particularly ahead of its Party Congress coming up in January/February 2011. According to the 2009 International Religious Freedom report, Vietnam has set strict restrictions on missionaries and has impeded religious activities based on political activism.

THAILAND

- **Budget bill 2011 debate rages.** This year’s \$65 billion budget bill is the largest in the kingdom’s history. The Puea Thai party strongly opposed the bill during parliamentary debates. It pointed out that the government is spending more on military (8 percent)—a move seen as appeasing the military whose support the Democrat-led coalition requires—than on agriculture (3 percent). The education ministry received 18 percent of the sum, the largest share. The proposed budget deficit would be 4.1 percent of GDP. A survey of Thai economists found that 85 percent approved of the government’s decision to run a deficit and stimulate the economy. The bill is expected to pass, but with considerable resistance.

- **Democrat Party under fire.** The opposition Puea Thai party is seeking to impeach Prime Minister Abhisit Vejjajiva, Finance Minister Korn Chatikavanij, and a Democrat member of Parliament, Sirichoke Sopha, for violation of the Stock Exchange of Thailand law. A petition signed by 140 Puea Thai MPs accuses the party leaders of making false remarks about the government’s intention of repurchasing the Thaicom satellite from the Singaporean sovereign wealth fund, Temasek Holdings. These statements caused Thaicom stock prices to increase. The three leading officials are allegedly violating the criminal code, the constitution, and the Securities and Exchange Act.

- **Thailand’s battle with censorship.** The Thai government has recently blocked the whistle-blower Web site Wikileaks, claiming it to be a security threat. Thailand has blocked thousands of Web sites, mostly for offending the monarchy. Critics allege the government is using its emergency powers



Thailand’s finance minister Korn Chatikavanij is accused of reaping profits after the Democrat Party assumed office in December 2008 (<http://www.flickr.com/photos/31344768@N03/3948081160/>)

after the recent violence to silence dissent. In response, Wikileaks has released an open letter showing users how to bypass the national firewall. Thailand is the first country to block more than 100,000 Web sites. In 2007, authorities banned the popular video Web site YouTube.

SINGAPORE

- **President S. R. Nathan visits China.** During his eight-day working visit to China that started on August 16, President S. R. Nathan said Singapore welcomes China's peaceful rise and will establish linkages to ride on China's growth, citing China's position as Singapore's third-largest trading partner. President Hu Jintao of China said, "We applaud Singapore's adherence to the 'one-China' policy and its support to our national reunification." Bilateral ties between the two states are evidently at a peak point as the two leaders praised the Suzhou Industrial Park and the Tianjin Eco-City in China as landmark projects of China-Singapore cooperation. CSIS senior adviser and director of its Southeast Asia Program Ernie Bower explored China's concerns about Singapore's training troops in Taiwan and moving ahead with an FTA in his piece on the CSIS Asia policy blog cogitASIA (<http://cogitasia.com/2010/08/17/singapore%E2%80%99s-tightrope-walk-on-taiwan/>)

- **Temasek Holdings names Gregory Curl and Simon Israel presidents.** With the appointments taking effect from September 1, Gregory Curl and Simon Israel will join former Singapore Exchange chief executive officer Hsieh Fu Hua as the presidents of Temasek Holdings, Singapore's sovereign wealth fund. Israel joined Temasek as a director in August 2005 and was appointed executive director in July 2006, while Curl retired in March from Bank of America, where he was chief risk officer. Experts believe that the expanded senior leadership group could be a result of multiple strategic decisions, such as the need for an external investment perspective or more efficient allocation of responsibility.

- **Singapore Navy in multilateral naval exercise in Australia.** Codenamed Exercise Kakadu 2010, the Republic of Singapore Navy (RSN) is taking part in a multilateral naval exercise off the coast of Darwin, Australia, from August 16 to September 3. It is the tenth Kakadu exercise since 1993. Hosted by the Royal Australian Navy (RAN), the exercise aims to enhance interoperability among naval forces in the region. Forces from Australia, Japan, New Zealand, Singapore, and Thailand are conducting naval maneuvers as well as anti-air, anti-surface, and anti-submarine warfare training exercises.

“President Hu Jintao of China said, ‘We applaud Singapore’s adherence to the “one-China” policy and its support to our national reunification.’”

INDONESIA

- **Indonesia celebrated its 65th national day on August 17.** In a congratulatory note on behalf of the United States, Secretary of State Hillary Clinton wished all Indonesians a prosperous future and reiterated the U.S. commitment to the country.

- **State of the Nation Address—Indonesia to boost infrastructure spending.** In his annual state of the nation speech on August 16, President Susilo Bambang Yudhoyono pledged to double spending on infrastructure to \$140 billion during his final five-year term and deliver average growth of 6.6 percent in 2011 and 7.7 percent by 2014. The increased budget is targeted at improving the distribution of goods and lowering transportation costs by constructing 14 new airports and 85 kilometers of railways and by improving the capacity of 2,613 kilometers of roads.

MALAYSIA

- **Ringgit hits 13-year high as GDP expands, currency curbs eased.** Malaysia's economy expanded 8.9 percent last quarter, beating the 8.4 percent median forecast in a Bloomberg survey of economists. The expansion drove the ringgit up 0.2 percent to RM 3.1335 per US\$1. As a result, the central bank of Malaysia now allows domestic companies to settle cross-border transactions in ringgit and exporters can hedge currency risks beyond a previous 12-month threshold.

- **Prime Minister Najib submits Economic Transformation Program (ETP) roadmap.** Key provisions include new growth targets between 5 percent and 6 percent, per capita income targets at \$15,000, and the creation of 3.3 million jobs. The ETP roadmap identifies National Key Economic Areas to support private projects capable of driving national growth and Strategic Reform Initiatives to establish a free and transparent market. Of the projected needed funding of \$690 billion, 92 percent will be funded privately, with public funding covering the remainder. The ETP is the primary vehicle for Malaysia's goal to achieve developed-nation status in 2020.

- **Malaysia-Indonesia territorial dispute.** The Indonesian government filed its ninth letter of protest this year to the Malaysian Embassy in Jakarta on August 18, accusing Malaysia of violating its sovereignty in events occurring in Indonesian waters off the Riau Island province. Seven Malaysian fishermen were detained by Indonesian authorities on

“President Susilo Bambang Yudhoyono pledged to double spending on infrastructure to \$140 billion during his final five-year term and deliver average growth of 6.6 percent in 2011 and 7.7 percent by 2014.”



President Yudhoyono, 60, has been in office since 2004 (http://www.flickr.com/photos/_honus_/4918274899/)

August 13 for “operating in Indonesian waters illegally.” They were later freed and arrived in Malaysia on August 17. In return, Malaysia deported three arrested Indonesian officers of the Indonesian Ministry of Maritime Affairs and Fisheries on the same day for apprehending Malaysian fishermen fishing within the Indonesian territory. Despite the spat, Prime Minister Najib, in his congratulatory message to Indonesian president Yudhoyono in conjunction with Indonesia’s 65th National Day, expressed confidence that Malaysia-Indonesia ties will continue to grow in strength, covering more strategic areas.

PHILIPPINES

- **The United States and Philippines bolster security ties.** President Benigno “Noy” Aquino III welcomed Admiral Robert Willard, commander of the U.S. Pacific Command (PACOM), in a courtesy call last week. They discussed the South China Sea and the importance of intelligence sharing and cooperation. Willard also visited the headquarters of the Armed Forces of the Philippines (AFP) accompanied by Armed Forces Chief of Staff Ricardo David and Defense Undersecretary Pio Lorenzo Batino. A Department of National Defense spokesman said there was no need to review the Visiting Forces Agreement (VFA) as proposed by Senator Miriam Defensor-Santiago, who has been vocally championing the issue since she lost her chairmanship of the Senate Committee overseeing defense-related issues. See the **cogitASIA** piece exploring the Philippines’ position on the South China Sea here, <http://cogitasia.com/2010/08/09/has-manila-broken-ranks-with-asean-again/>.
- **U.S.-Philippines project to combat human trafficking.** The United States and the Philippines signed an agreement for a three-year cooperation plan. The United States will pledge \$500,000 and a legal consultant to work as an adjunct with the Philippine Justice Department (DOJ) to help train attorneys and improve the legal process of prosecution and conviction of human traffickers. The DOJ has processed only 23 cases out of the hundreds that have been filed. Currently, the Philippines is on the “Tier 2 watch list” of the State Department’s human trafficking report, which includes countries who do “not fully comply with, but [are] making significant efforts to meet” the agency’s standards. If its processes and system do not improve by February 2011, the Philippines risks losing \$250 million in U.S. assistance.

TIMOR-LESTE

- **Singapore's foreign minister visits Timor-Leste.** Singapore's foreign minister George Yeo was in Dili for a three-day official visit. He spoke to leaders about the Singapore Cooperation Program and new ways to enhance technical assistance. Yeo spoke about Timor-Leste's entrance into ASEAN and urged officials "not to be anxious." Signaling that ASEAN accession may not happen as some predicted in 2011 under Indonesia's chairmanship, Minister Yeo said he preferred that Timor-Leste create a sound accession protocol before applying.
- **Timor-Leste wants to improve ties with Burma.** President Jose Ramos-Horta said East Timor is seeking to improve commercial and diplomatic ties with Burma. These remarks came after a meeting with Myanmar's foreign minister, which was marked by pro-democracy protestors. President Ramos-Horta said Timor-Leste's foreign minister, Zacarias Da Costa, and business representatives should visit Myanmar in the near future to increase commercial interest. He also spoke out against holding Aung San Suu Kyi under house arrest and said he supports dialogue between Kyi and the military junta.

“Signaling that ASEAN accession may not happen as some predicted in 2011 under Indonesia’s chairmanship, Minister Yeo said he preferred that Timor-Leste create a sound accession protocol before applying.”

LAOS

- **Laos and Vietnam increase exchange of information.** The Ministries of Planning of Investment of Laos and Vietnam have agreed to increase the exchange of visits and information between the two countries. The agreement was reached after Vietnamese deputy minister Dang Huy Dong talked with his Laotian counterpart, Thongmi Phomvisay, during his visit of August 15-18. Not only did Laos express its pleasure about the increasing number of Vietnamese investment projects; it also agreed to create favorable conditions for Vietnamese enterprises to invest in the near future.

NEW ZEALAND

- **New Zealand joins ASEM.** New Zealand will be joining the 42-country summit in Brussels this October at the eighth ASEM (Asian-Europe Meeting). ASEM has met every two years since 1996, giving leaders the opportunity to discuss political, economic, and social issues. The forum is a crucial link between the two regions and is the primary multilateral vehicle between Asia and Europe. Russia and Australia also will be joining ASEM for the first time this year. New Zealand is

already a participant at the East Asia Summit, Pacific Island Forum, and Commonwealth Head of Government meeting.

ASEAN

- **ASEAN discusses plan for sociocultural development.** On August 16, ASEAN's Socio-Cultural Community Council held its fourth meeting in Vietnam. Officials discussed the implementation of the ASEAN Socio-Cultural Community (ASCC) Blueprint. Key agendas include addressing climate change and natural disasters, human resources development for economic restoration and development, social welfare and development for women and children in ASEAN, and building ASEAN's cultural identity.

- **ASEAN to be prompted on product standards.** The Philippines will pursue easing product standards within ASEAN at a senior officials meeting scheduled for August 23-24 in Vietnam to enhance gains from existing regional pacts, the Philippines trade secretary Gregory Domingo said on August 18. Local industry groups have cited non-trade barriers such as strict food safety standards as diminishing the potential gains of trade pacts.

- **ASEAN to start cross-border stock exchange trading by end 2011.** According to Bursa Malaysia and Stock Exchange of Thailand (SET), the initial implementation of infrastructure for the ASEAN e-trading link will involve Bursa and SET, followed by the Singapore Exchange. Indonesia, the Philippines, and Vietnam are also expected to participate in the future. Trading integration will give investors access to an ASEAN bulletin board, where each of the member countries will list their top 30 stocks on a cross-border trading platform.

- **ASEAN Air Force commanders meet in Hanoi.** The seventh ASEAN Air Force Commanders' Conference (AACC-7) was held on August 20. Lt. General Le Huu Duc, commander of Vietnam's air and air defense force, reiterated the tremendous potential of ASEAN air forces for regional cooperation in specialized areas, such as flight safety, search and rescue activities, and humanitarian and natural disaster relief missions. Vietnam deputy defense minister Lt. General Nguyen Chi Vinh also stressed that military cooperation has helped create confidence and reinforce unity within ASEAN. More cooperation is expected to occur in establishing the ASEAN Politics-Security Community by 2015.



ASEAN portfolio investment has rebounded from the recession as stock exchange indices have been steadily increasing (<http://www.flickr.com/photos/thewalkingirony/3051500551/sizes/m/in/photostream/>)

APEC

- **APEC Food Security.** APEC members agreed to a Taiwanese proposal to establish an emergency food stock system. The initiative is aimed at creating a safety net during natural disasters and food shortages. The proposal will be sent to the APEC Ministerial Meeting on Food Security, which takes place October 16–17 in Japan.

MEKONG RIVER

- **Plans for the six-nation Mekong rail system progresses.** According to the Asian Development Bank (ADB), the Mekong rail system will come a step closer once it is endorsed by the ministers from Cambodia, China, Laos, Myanmar, Thailand, and Vietnam. The railway system, designed to connect more than 300 million people in the region, will be able to transport 3.2 million passengers and 23 million tons of freight. As of now, with the exception of a line that connects China and Vietnam, the national railways of the six nations do not link up, while Laos has no rail network at all. China has been particularly active in working with ASEAN countries to build rail and road networks, providing low-cost loans and workers to build these projects, while Japan has contributed concessionary funding and aid and focused on providing rolling stock and technology to such projects. U.S. company General Electric is also active in providing equipment for advanced rail projects in the region.

- **Finland funds environmental program in Mekong.** On August 17, Vietnam and Finland signed a memorandum of understanding under the Energy and Environment Partnership Program for the Mekong Region (EEP Mekong). Funded by Finland, EEP Mekong will operate on a budget of \$10.1 million from 2009 to 2012. The program aims to support the use of renewable energy and combat climate change in Cambodia, Laos, Thailand, and Vietnam.

SOUTH CHINA SEA

- **Vietnam and the United States began tabletop naval exercises.** The U.S. Navy initiated tabletop and community relations events with Vietnam focused on the South China Sea. These programs are designed to build confidence and share information, but do not yet extend to joint naval exercises on the seas, as has been misreported in some media outlets.

“As of now, with the exception of a line that connects China and Vietnam, the national railways of the six nations do not link up, while Laos has no rail network at all.”

“These [naval exercise] programs are designed to build confidence and share information, but do not yet extend to joint naval exercises on the seas. . . .”

- **China asserts itself.** China preparing to assert itself in the South China Sea. It has acquired anti-ship ballistic and cruise missiles, as well as new additions to its fleet of submarines and above-water ships. Meanwhile, the United States and South Korea have announced their plans for a second combined naval exercise to be held in the Yellow Sea closer to China in September. This exercise will not involve a U.S. aircraft carrier and is designed to “send a clear message of deterrence to North Korea.”
- **Pentagon Report: Concern over China’s military buildup.** On August 17, in its annual report to Congress, the Pentagon voiced concern over China’s military buildup. It indicated that China is increasing its presence near Taiwan and setting up the U.S. government as the target of its cyber intrusions. Ties between U.S. military and the People’s Liberation Army (PLA) have reportedly deteriorated since January 2010, when the Obama administration decided to sell Taiwan arms worth up to \$6.4 billion. The Pentagon report is available here, http://www.defense.gov/pubs/pdfs/2010_CMPR_Final.pdf.

The Week Ahead

- 42nd ASEAN Economic Ministers (AEM) meeting in Danang, Vietnam, from August 23 to August 27. Ministers will meet to discuss economic cooperation within and without ASEAN, including structural and institutional reforms, trade policies, and connectivity initiatives in the region. The AEM-42 is a key forum in preparation for the seventeenth ASEAN Summit in October. The full schedule of events is available at <http://aem42.org/Show.aspx?newsid=558&catid=063003>.
- CSIS Southeast Asia Program Event—Discussion: Report on Burma's Electoral Framework. On August 25, 3:00–4:00 p.m. EDT, the CSIS Southeast Asia Program will hold a discussion featuring Matthew Frumin, Senior Advisor, and Brian Vogt, Program Manager for Burma, at the National Democratic Institute. They will introduce their new report, Burma's 2010 Electoral Framework: Fundamentally Undemocratic. Interested parties, please e-mail SoutheastAsiaProgram@csis.org to RSVP.
- Malaysia will commemorate its 53rd anniversary of independence on August 31. On August 31, 1957, the British peacefully ceded colonial rule over what was then known as the Federation of Malaya.
- CSIS Southeast Asia Program Event—The Honorable Dr. Ng Eng Hen, Singapore's Minister for Education and Second Minister for Defense, will be leading a delegation from the Ministry of Education to the United States from September 8 to September 12. CSIS Southeast Asia plans to host the minister during his visit.
- CSIS Southeast Asia Program will host Indonesian policy expert Dr. Rizal Sukma for a discussion of the regional architectural framework of Southeast Asia and Indonesia's roadmap for action during its forthcoming chairmanship of ASEAN. More details will be available; interested parties, please e-mail SoutheastAsiaProgram@csis.org.

SOUTHEAST ASIA FROM THE CORNER OF 18TH & K STREETS

CSIS Southeast Asia Program contributors:



Ernest Bower, Senior Adviser and Director

Ai Ghee Ong, Research Associate and Program Manager

Jennifer Chen, Intern Scholar

Daniel Wu, Intern Scholar

Chayut "Peko" Setboonsarng, Intern Scholar

For more details on our programs and to follow CSIS with real-time updates, find the CSIS Southeast Asia Program on Facebook  at <http://www.facebook.com/CSISSoutheastAsia> and follow us on Twitter  @ SoutheastAsiaDC.

Follow and join the dialogue on the key policy issues of the day in the region on CSIS SoutheastAsia's blog, **cogitASIA**. Click here to check it out—<http://cogitASIA.csis.org>.

Thank you for your interest in U.S. policy in Southeast Asia and CSIS Southeast Asia. Join the conversation!

This newsletter is published by the Southeast Asia Program at the Center for Strategic and International Studies (CSIS) in Washington, D.C., a private, tax-exempt institution focusing on international public policy issues. CSIS's research is non-partisan and nonproprietary. CSIS does not take specific policy positions; accordingly, all views, positions, and conclusions expressed in this publication should be understood to be solely those of the author(s).

© 2010 by the Center for Strategic and International Studies. All rights reserved.