

## Southeast Asia from the Corner of 18th &amp; K Streets

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## Antidote for a Cold War with China

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The beauty of the Cold War was that the Russians wanted to compete over security, military power, and ideology. U.S. leaders could point to an immediately identifiable and concrete threat. That is not the case today with China.

The purpose of this note is not to describe or suggest a new global dynamic dominated by bipolar competition between the United States and China. The goal instead is to suggest mitigating the potential for that scenario by espousing a more strategic American approach to global competitiveness.

The best solution for creating a cooperative dynamic with China and advancing American interests is for the United States to be unmistakably strong and focused on Asia.

While rhetoric from U.S. leaders supports this objective, current realities do not. Therein lies the danger. Asian partners want a strong U.S. presence in the region, but remain unconvinced because they do not see the case being made for U.S. commercial and security investment in Asia that is both sustained and accepted at the political level within the United States.

Put more starkly, the importance of engagement in Asia has all the compelling economic and security reality of Cold War competition with Russia, but it has not yet been understood at the dinner table in the heart of America. The case has not been made, as it was by the Kennedys and Reagans of the past, that the United States faces a historical and determinative pivot point. The message is that Asia is jobs,

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Asia is security, Asia is the future. And while America has an enormous head start on getting it right, we need to focus and invest now.

An enduring American strategy for engagement in Asia—one that promotes peace and prosperity and truly promotes U.S. interests—starts at home in the United States.

Having just spent a week in Asia meeting with the region's top leaders and thinkers from government, businesses, and civil society to gather input for the CSIS U.S.-ASEAN Strategy Commission, several hypotheses have sharpened into clear themes.

The Cold War context is somewhat inevitable given the fact that many of our meetings took place at or around the Shangri-la Dialogue where U.S. secretary of Defense Robert Gates and his Chinese counterpart, Defense Minister General Liang Guanglie, painstakingly tried to downplay competition and conflict and describe a future including cooperation, greater transparency, and the pursuit of common goals.

When it comes to Southeast Asia, many in the region are thinking in terms of a rising China and what they see as an uncertain United States. On the one side, there are those who are convinced the United States is a resilient nation and that its governance model and institutions have repeatedly helped it reinvent a strong government and productive economy able to adapt to economic and geopolitical realities. On the other side are those who feel China is rising and the United States is in decline, that China's numbers and scale—1.3 billion people and a massive economy growing between 8 and 12 percent—are compelling and unstoppable.

Southeast Asia has not decided how the United States and China will reconcile their collective future and the result is hedging, which can be bluntly described as countries wanting to participate in China's economic dynamism while receiving guarantees of U.S. security support should unclear Chinese objectives around sovereignty and geopolitical control become more threatening.

The missing link is that Asia is not sure whether the United States can maintain and institutionalize its political commitments in lieu of strong economic competitiveness in the region. Asia knows, in its gut, that the United States has been the foundational investor

## Antidote for a Cold War with China *(continued)*

and guarantor of security that has launched this era of relative peace and unmistakable prosperity. American companies are invested; the American consumer has been the dominant market; and the American military presence has assured peaceful seas.

However, Asian allies and friends see U.S. policies undercutting its competitiveness. The absence of U.S. leadership in trade policy—including the test delays in passing the U.S.-Korea Free Trade Agreement (KORUS), apparent trends toward prohibitive self-regulation, and new tax and security rules that make it harder for U.S. companies to invest, trade, move people, and make money around the world—raise serious questions about American competitiveness.

That matters now more than ever because China is not the Russia of the Cold War era. While Russia wanted to compete on military power and ideology, China is cleverly following Deng Xiaoping's guidance and taking a long-term view and building its influence and strength economically. China's economic rise can and should be good for the United States and Southeast Asia, but that will be true only if the United States competes aggressively and politically supports its important stake in Asia as the engine of growth for the twenty-first century.

If it were not for the People's Liberation Army (PLA) and the PLA-Navy (PLAN), and their seeming desire to push China's sovereign interests in Southeast Asia immediately, China's pitch to its neighbors might be overwhelmingly compelling.

However, China's aggressiveness in the seas—from the Senkakus and Diaoyu incidents and its support for North Korea in the north to the recent clashes with Vietnam and the Philippines in the south—have stirred atavistic fears around Asia and reminded China's neighbors that unless their giant neighbor can be convinced to come peacefully into the community of Asian nations and not seek to control or impinge on the sovereignty of other countries, there may be real threat in China's rise.

Southeast Asia has determined that U.S. engagement is a necessary ballast for helping China to get it right. Engagement is also in the United States' interest. To sustain and enhance the levels of investment needed to play this role, American leaders need to embrace a greater sense of urgency and be more direct in making the argument that getting Asia right, and doing so now, will ensure that families have

## Antidote for a Cold War with China *(continued)*

jobs and opportunities, that our nation is safe and prosperous, and that we will continue to have a beneficial influence in the world.

America does not need or want another cold war. To prevent one with China, we need to be clear and strategic about our interests in Asia and take immediate action to promote those goals.

### CSIS WELCOMES MURRAY HIEBERT AS DEPUTY DIRECTOR & SENIOR FELLOW FOR SOUTHEAST ASIA

CSIS is pleased to announce that Murray Hiebert is joining our strong Asia team as deputy director and senior fellow in the Southeast Asia Program.

Murray will be working with Ernie Bower and his strong and fast-growing Southeast Asia program. The program also covers Australia, New Zealand, and the Pacific Islands.

With more than 30 years of experience living and working in four Southeast Asian countries, Murray is undeniably one of the top Southeast Asia hands in the United States. He was a senior journalist with both the *Far Eastern Economic Review* and the *Wall Street Journal*, reporting from Thailand, Vietnam, Malaysia, Singapore, Washington, and China. He comes to CSIS after five years as director for Southeast Asia at the United States Chamber of Commerce.

CSIS senior adviser and director of the Southeast Asia program Ernie Bower said Hiebert's arrival will mark the beginning of a new level of development for the Southeast Asia program at CSIS. "I have always admired Murray's work. His writing and research skills are outstanding, and he arrives at a time when we are markedly ramping up our output. He also has an incredible network and is well known as a thoughtful and experienced Southeast Asia hand. I think we have put together the core of a dream team with his arrival at CSIS."

Mr. Hiebert will officially join CSIS on June 27, 2011. He can be reached at his new CSIS email [mhiebert@csis.org](mailto:mhiebert@csis.org) at that time.

# The Week That Was

## ASEAN

- **Secretary Gates reaffirms U.S. commitment to Asia.** U.S. defense secretary Robert Gates, speaking at his last Shangri-la Dialogue as U.S. secretary of defense (he will retire in July), tried to walk a fine line in his remarks, avoiding any sense of confrontation or competition with China and stressing the importance of multilateral frameworks and rule of law in resolving disputes in the South China Sea. He said such an approach would avoid potentially dangerous misunderstanding and confrontation in disputed waters. Gates emphasized new U.S. security commitments to Southeast Asia, noting the resources would be shifted from the Middle East and other regions to focus on longer-term interests in Asia. Gates also met with several of his Asian counterparts in Singapore, including Chinese defense minister General Liang Guanglie. This is the first time China has participated in the Shangri-La Dialogue at the level of defense minister. For a copy of Secretary Gates' remarks at the Shangri-la Dialogue, click [here](#).

- **ASEAN is now South Korea's second-largest trade partner.** Four years after the start of the Korea-ASEAN Free Trade Agreement, ASEAN has become South Korea's second-largest trade partner. The trade volume between the two totaled \$106.8 billion in May 2011, second only to China, according to the South Korean foreign ministry. Prior to the agreement, ASEAN was South Korea's fifth-largest trade partner.

- **CSIS's U.S.-ASEAN Strategy Commission begins visits to region.** Former senator and U.S. secretary of defense William S. Cohen, cochairman of the CSIS U.S.-ASEAN Strategy Commission, visited Singapore and Indonesia with CSIS Southeast Asia senior adviser and director Ernie Bower and commissioners Skip Boyce (president for Southeast Asia at the Boeing Company) and Edward Tortorici (vice chairman of First Pacific Corporation). The team met top officials in Singapore and Indonesia, along with business, think tank, and civil society leaders. In July, cochairman Maurice "Hank" Greenberg will lead a second mission to visit several other ASEAN countries. The Commission will publish an interim report at the end of June and present its final report and recommendations to the Obama administration and Congress in September 2011, ahead of the APEC Leaders' Summit in Honolulu and President Obama's visit to Indonesia for his first East Asia Summit and the third U.S.-ASEAN Summit. Click [here](#) for information on the Commission, including background on its mission and commissioners, and to receive updates.



*Former U.S. secretary of defense William Cohen meeting with Singapore's minister for foreign affairs K Shanmugam. Secretary Cohen, who is cochair of the CSIS U.S.-ASEAN Strategy Commission, visited Singapore and Indonesia, where he met with top officials along with business, think tank, and civil society leaders. Photo courtesy Singapore Ministry of Foreign Affairs.*

## EAST ASIA SUMMIT

- **President Obama to attend East Asia Summit in Bali on November 19.** The White House confirmed that U.S. president Barack Obama will travel to Indonesia later this year to take part for the first time in the annual East Asia Summit (EAS). Indonesia is hosting the regional dialogue in its capacity as chair of ASEAN. November's meeting will be the sixth EAS.

- **United States seeks cooperation with China to boost engagement in Southeast Asia.** In a speech at the prestigious Banyan Tree Leadership Forum at CSIS, U.S. assistant secretary of state Kurt Campbell stated that the United States will seek to deepen its engagement in Southeast Asia. The United States will do so in partnership with China and attempt to find areas of common ground in the region. Campbell made the case for institutionalizing U.S. engagement and commitment to Southeast Asia. Click [here](#) to watch Kurt Campbell's full speech.



- **Campbell arrives in Indonesia for EAS preparation.** Assistant Secretary Campbell arrived in Indonesia on June 8 for consultations in Surabaya to prepare for the inaugural U.S. engagement in the East Asia Summit. Campbell is leading a large U.S. delegation including representatives from multiple agencies including USAID, the Department of Defense, U.S. Pacific Command, and the National Security Council. Reports indicate that the NSC veteran Matthew Goodman will lead EAS coordination efforts in the White House.

- **China warns ASEAN not to include South China Sea in EAS agenda.** According to senior-level ASEAN sources, China again warned ASEAN that it "will retaliate" if ASEAN includes the South China Sea on the agenda at the ASEAN Regional Forum (ARF) next month or the East Asia Summit in November in Indonesia. Warnings were issued to the ASEAN delegation at the Asia Europe Meeting. China issued similar warnings ahead of the ARF in 2010.

## SINGAPORE

- **Singapore hosts Shangri-La Dialogue.** Singapore hosted the Shangri-La Dialogue from June 3 to June 5, 2011. The summit, which is held by London's International Institute for Strategic Studies (IISS), brought together ministers from 28 Asia-Pacific states to discuss Asian security issues. As host, Singapore set a discussion specifically on China's role in international security cooperation for the first time. Singapore's deputy

**CSIS to host policy consultation on Maritime Security in the South China Sea.** Sustaining a focus on maritime security in the South China Sea is a priority interest of all Asia-Pacific countries. CSIS will host a 1.5 track policy consultation and seminar that will focus on key themes and issues related to maritime security in the South China Sea. This focus on the South China Sea comes ahead of important meetings such as the ASEAN Regional Forum in July and the East Asia Summit in November.

prime minister, minister for home affairs, and acting prime minister (Prime Minister Lee was traveling) Teo Chee Hean was the senior Singaporean host for the forum. Prime Minister Najib Razak was the only visiting head of state to attend, and Senator John McCain was the sole representative from the U.S. Congress.

- **United States seeks to deploy combat ships to Singapore.** U.S. secretary of defense Robert Gates announced that the United States wants to forward deploy two littoral combat ships (LCSs) to Singapore. Singapore's minister for defense Ng Eng Hen said that he is open to Gates' proposal, noting that the U.S. presence in the region is a "force for stability and progress."
- **George Yeo "thinking hard" about running for president.** In a message on his Facebook page, former foreign minister George Yeo announced that he was "thinking hard" about running for president even though he previously had said that he did not have the temperament to be president. Yeo, a former People's Action Party member of Parliament for Aljunied GRC, lost his seat in the recent general elections. If he indeed decides to run, he would be competing against another former PAP MP, Tan Cheng Bok.
- **Singapore Airlines to launch a "no-frills" long-haul airline.** Singapore Airlines (SIA) will launch a long-haul budget carrier within a year. The new carrier will compete against similar airlines operated by Australia's Qantas and Malaysia's AirAsia. SIA has not released details about the new airline's name, planned routes, or ticket prices. Analysts praised the move, saying that SIA has the financial and operational capabilities to operate a low-cost airline.

## VIETNAM

- **Sino-Vietnamese confrontation in South China Sea.** On May 26, 2011, three Chinese patrol boats confronted a Vietnamese oil and gas survey ship, damaging a number of its cables. The standoff occurred 120 nautical miles off the coast of Phu Yen Province in southcentral Vietnam in waters disputed by China and Vietnam. The move marked an escalation in tensions between the two countries. A senior PetroVietnam official warned that the incident could unnerve foreign investors interested in Vietnam's oil and gas deposits. More than 300 Vietnamese citizens demonstrated in protest in front of the Chinese Embassy in Hanoi on June 5.



*Singapore's former foreign minister George Yeo, who is considering a run for president. [flickr.com/photos/worldeconomicforum/4315020867/](https://www.flickr.com/photos/worldeconomicforum/4315020867/)*

- **United States condemns conviction of Vietnamese activists.** The United States condemned the conviction of seven Vietnamese land-rights activists. The defendants, members of the banned Vietnam Reform Party, were accused of attempting to overthrow the government. Prior to the trial, five members of the U.S. Congress had [sent a letter](#) to Vietnamese prime minister Nguyen Tan Dung asking that the charges be dropped. The activists were sentenced to between two and eight years in prison.

- **World Bank approves \$350 million loan.** A \$350 million World Bank loan to Vietnam is part of the Public Investment Reform series, which started in 2009 in the wake of the global financial crisis. It aims to strengthen the investment cycle, which includes project selection, project implementation, financial management, and oversight. Vietnam faces massive demand for infrastructure development, and strengthening the project cycle is vital to ensuring high-quality public investment.



Philippine secretary of foreign affairs the Hon. Albert Del Rosario to speak at CSIS. Del Rosario will speak at the CSIS Banyan Tree Leadership Forum on June 23, 2011. [flickr.com/photos/congressman\\_honda/955210306/](http://flickr.com/photos/congressman_honda/955210306/)

## PHILIPPINES

- **Philippines concerned over Chinese naval incursions.** Manila conveyed its “serious concerns” to China about reports of Chinese ships depositing building materials and buoys around Amy Douglas Bank in the disputed Spratly Islands. Manila’s concerns follow recent pledges by both countries to resolve South China Sea conflict through dialogue.

- **GDP growth slows to 4.9 percent.** The Philippine economy grew at a lower-than-expected rate of 4.9 percent in the first quarter of this year. This was down from the first quarter of 2010, which saw growth at 8.4 percent. The slowdown was due partly to an appreciation in the Philippine peso as well as political crises in countries in the Middle East and North Africa, which are a key source for remittances by overseas Filipino workers.

- **Remittances to Philippines hit by high inflation.** According to a World Bank report, growth in remittances to the Philippines, when adjusted for inflation in local currency terms, decreased by 1.4 percent in 2010 compared to the previous year. Nevertheless, the Philippines did the second-best out of all developing countries (China was first). The country took in a total of \$21.4 billion in overseas remittances in 2010. The volume of remittances rebounded after the slump caused by the 2008 financial crisis but has not kept pace with inflation, which ran at 3.8 percent in 2010.

## BURMA

- **John McCain visits Burma to assess reform.** Senator McCain visited Burma June 1-3, 2011, to assess the country's political situation after the civilian government took charge. During his visit, he met with senior representatives of the government and the opposition, including Aung San Suu Kyi. Senator McCain pushed for national reconciliation and the release of political prisoners. Assessing his visit, the senator called for "concrete actions by this [Burma's] government that signal a deeper commitment towards democratic change." Senator McCain is expected to talk about his visit and the outlook for U.S. engagement in Southeast Asia at CSIS on June 21 as part of the CSIS Southeast Asia Conference on Maritime Security in the South China Sea. Email [southeastasiaprogram@csis.org](mailto:southeastasiaprogram@csis.org) for more information.

- **China and Burma upgrade relations to "strategic partnership."** Burma's president U Thein Sein made a state visit to China during which both countries upgraded their relationship to a "strategic partnership." In his meeting with Chinese president Hu Jintao, President U Thein Sein called Burma's ties with China its "closest and most important diplomatic relationship." The leaders also discussed security cooperation in violent border regions and plans for the Chinese navy to dock in Burmese ports.

- **Suu Kyi planning political tour of Burma.** Aung San Suu Kyi (ASSK) will conduct a political tour of Burma in June. The move is aimed at gauging her popularity and testing the limits of her new freedom. The opposition leader said that the government has not given her any security assurances. ASSK's most recent prison stint came after a government-backed militia attacked her while she was touring the country in 2003.

- **House Foreign Affairs Committee holds hearings on Burma.** The House Foreign Affairs Committee held hearings with two experts on political progress in Burma. State Department Deputy Assistant Secretary for Southeast Asia Joseph Yun, who had just returned from a visit to Burma, said meaningful progress has been slow and he is not optimistic about post-election progress. Aung Din of the U.S. Campaign for Burma echoed similar sentiments and called for the renewal and strengthening of sanctions against the country. Click here for the full statements by [DAS Yun](#) and [Aung Din](#).



*Burmese opposition leader Aung San Suu Kyi, who is planning a political tour of Burma. [commons.wikimedia.org/wiki/File:Interview\\_kyi\\_400.jpg](https://commons.wikimedia.org/wiki/File:Interview_kyi_400.jpg)*

## THAILAND

- **Yingluck Shinawatra leads Thai polls.** Preliminary opinion polls suggest that Thaksin Shinawatra's sister is leading the race to be elected Thailand's next prime minister. A poll by Suan Dusit Rajabhat University suggests that Yingluck's Puea Thai Party has support of 43 percent of the voters compared to the ruling Democrat Party's 37 percent. If elected, Yingluck is expected to pass an amnesty bill that would allow her brother, ousted prime minister Thaksin, to return to Thailand.

- **Thailand's natural gas reserves will last for only 18 years.** Kurujit Nakornthap, deputy permanent secretary of the Ministry of Energy, said the nation's gas reserves will last only for the next 18 years if no new reserves are found. Kurujit said the country's overdependence on natural gas for generating electricity was a major threat to its energy security. This year alone, Thailand is expected to import 702 MMcfd (million cubic feet per day) from Burma due to high demand that exceeds the domestic supply.

- **Bomb explodes in Southern Thailand.** On June 1, insurgents detonated a roadside bomb in Yala, Southern Thailand, killing two and injuring six. The two killed were an assistant district chief along with a defense volunteer. Separatist insurgencies in Thailand's Muslim-majority southern provinces have led to the death of 4,500 people since January 2004.



*A campaign poster of Yingluck Shinawatra. Yingluck, the sister of ousted prime minister Thaksin Shinawatra, will compete in the upcoming Thai general elections. flickr.com/photos/izumiflowers/5757414388/*

## SOUTH CHINA SEA

- **United States deploys destroyer amid tension in South China Sea.** On June 1, the United States deployed the guided-missile destroyer USS *Chung-Hoon* to the western Pacific. In the past, the vessel supported U.S. and Philippine counterinsurgency missions in the southern part of the Philippines, and escorted the U.S. Navy surveillance ship *Impeccable* in March 2009 when it became involved in a naval row with Chinese boats in the South China Sea. The move comes in the wake of tension between China and several Southeast Asian countries over the Spratly Islands.

## CAMBODIA

- **Cambodian PM refuses to withdraw UN court request.** Prime Minister Hun Sen said that Cambodia will not withdraw its request to the International Court of Justice (ICJ) for an immediate withdrawal of Thai troops from around the Preah Vihear temple. Thai prime minister Abhisit

Vejjajiva had said earlier that Cambodia should withdraw its ICJ request. Although the court had ruled in 1962 that the temple itself belonged to Cambodia, Thailand stated that the 4.6-square-kilometer area surrounding the complex is the subject of dispute, over which the court had no jurisdiction.

- **Laos and Cambodia discuss border issues.** Laos and Cambodia met in Vientiane earlier this week to discuss border issues. The talks included the surveying and addressing of drug trafficking in isolated areas. Both countries agreed on several steps, including improving collaboration between border agencies and advancing facilities to improve legal crossing procedures across their 540-kilometer-long border.
- **Cambodia to develop \$3 billion new satellite city.** Prime Minister Hun Sen approved a local Cambodian firm, Overseas Cambodia Investment Corporation (OCIC), to develop a new satellite city in Phnom Penh's Chroy Changvar Peninsula. This would be the fifth satellite city project in the capital. The approval is part of the government's strategy to accommodate the growing urban population. Phnom Penh, with a population of 1.5 million, is estimated to grow 20 percent annually for the next several years.

## INDONESIA

- **Indonesia's Democratic Party rocked by corruption scandal.** Indonesia's ruling Democratic Party is facing a corruption scandal after its former treasurer, Muhammad Nazaruddin, accused five other party members of corruption, although he declined to name them. Nazaruddin fled to Singapore prior to his scheduled questioning by anticorruption investigators. The accusations, if proven true, are a blow to President Yudhoyono, who has tried to sustain a reputation of being "clean" and focused on anticorruption.
- **Indonesian leaders reaffirm the importance of the nation's ideology.** On June 1, President Yudhoyono joined two former presidents in delivering a speech calling for the revitalization of Pancasila, the nation's ideology. Pancasila is a five-part national commitment to the following: (1) Belief in God; (2) Just and civilized humanity; (3) The unity of Indonesia; (4) Democracy; and (5) Social justice for all. The three men said people tend to forget its importance, but they also acknowledged that previous regimes have abused the state ideology for political gains. The speech comes as many intellectuals and officials are arguing for increased emphasis on Pancasila as an antidote to growing religious extremism among Indonesia's youth.

### CSIS hosts inaugural Indonesia Executive Education Program - June 13-17, 2011.

The program's goal is to empower future Indonesian leaders through providing a unique, high-level educational program on international security issues and thinking in the United States. At the same time, the program will allow U.S. policymakers, business leaders, and thought leaders to understand the new Indonesia and the directions it will take in the mid to long term. A delegation of senior Indonesian officers will visit CSIS to take part in the weeklong workshop.

Najib “...praised the United States as a ‘modernizing and moderating force’ in Southeast Asia, but also stressed that the region should not fear China’s economic and military rise.”

- **NGOs call Indonesians to decrease dependence on rice.** Several nongovernmental organizations have proposed that Indonesia reduce its dependence on rice to cope with food security issues. A report by British aid group Oxfam predicts that the price of staple foods such as rice and maize will increase by up to 80 percent by 2030. Indonesians consume up to 139 kilograms of rice per person per year, compared to Japan’s 60 kilograms and Thailand’s 90 kilograms per person per year. The predicted price increase will affect Indonesia more than any other country due to its dependence on rice.

#### MALAYSIA

- **Prime Minister Najib Razak gives keynote speech at Shangri-la Dialogue.** The prime minister said that Asian countries should not have to choose between being allies of the United States or of China. He praised the United States as a “modernizing and moderating force” in Southeast Asia, but also stressed that the region should not fear China’s economic and military rise. Najib called on the world not to return to the bipolarity of the Cold War, but instead to work toward a new multilateralism. To read Prime Minister Najib’s speech in full, click [here](#).

- **PAS “Erdogans” win key posts in party elections.** The Pan-Malaysian Islamic Party (PAS) held elections for its top posts, billed as a contest between the “Erdogan” (professionals) and “Ulama” (conservative scholars) factions. “Erdogan” candidates won the deputy- and vice-presidencies and all but six central committee seats. The position of president, held by Awang Abdul Hadi, was not contested. The elections mark a move to the center for PAS, which is trying to gain support from non-Muslim voters. PAS forms a coalition with the People’s Justice Party and the Democratic Action Party in opposition to the ruling coalition, Barisan Nasional.

- **Malaysia keeps fuel subsidies but raises electricity prices.** Prime Minister Najib Razak announced that Malaysia would hold off on cutting fuel subsidies for as long as possible, in order not to hurt consumers. The decision came in light of high global oil prices. However, the government announced a 7.1 percent rise in electricity prices. Economists warn that the extension of fuel subsidies will hurt the government’s attempts to cut the budget deficit from 5.6 percent of GDP in 2010 to 2.8 percent in 2011.

## APEC

- **Big Sky: APEC SME Meeting focuses on business ethics and “green” growth.** On May 21, APEC ministers and representatives responsible for Small and Medium Enterprises (SMEs) met in Big Sky, Montana. In a joint statement, the attendees noted the importance of SMEs to the global economy and recognized their vulnerability to natural disasters. They identified three areas of focus that would enhance job creation and economic growth among APEC members, namely business ethics among SMEs, technology use to enhance SME competitiveness, and identifying policies to support green SMEs.
- **Big Sky: Trade ministers recognize Doha faces “unbridgeable” gaps.** During their meeting at Big Sky, APEC trade ministers recognized the need for a new approach to the Doha Round of WTO negotiations. In a joint statement, the ministers stressed the need to “develop a clear and realistic path forward” and noted that unbridgeable gaps remained in many key areas. The statement marks a sharp shift from the APEC ministers’ pledge of “unwavering determination” about the current agenda for the talks six months ago.
- **KORUS: Still pending Congressional approval.** The United-States-South Korea Free Trade Agreement (KORUS) is still waiting for approval from Congress. The South Korean cabinet has already approved the agreement. KORUS is the keystone for credible U.S. progress on the Trans-Pacific Partnership (TPP) ahead of the APEC meeting in Honolulu in November.

## AUSTRALIA

- **Australia predicts new decade of economic growth.** The head of the Australian treasury has declared the March quarter downturn a thing of the past, predicting strong economic growth that should last for decades. According to Treasury chief economist David Gruen, high export prices, enhanced mining capacity, and a rising Asian middle class are all factors that will contribute to the boom. Accelerated economic growth will help Australia avoid the many effects of global recession.
- **Australia announces national cyber security policy.** Australia will create its first national cyber strategy to confront the growing threat posed by electronic espionage, theft, and state-sponsored cyber attacks. The move comes in the wake of Google’s announcement that hundreds of cyber attacks originating from China and the United States have been made



*View of Big Sky, Montana, where APEC ministers gathered for the economic and SME ministers’ meetings. flickr.com/photos/im\_ron/259434034/*

“...Some ASEAN members are concerned that Timor-Leste is too weak to fully participate in the union.”

on Australian e-mail accounts in the past year. As a result, the Australian government, like Washington, will regard cyber attacks as a national security issue.

- **Malaysia-Australia deal “threatens migrants’ safety.”** The Australian government will deport 800 illegal immigrants in exchange for accepting 4,000 Malaysian refugees over the next four years. The UN refugee agency in Malaysia will oversee the exchange. Humanitarian watchdog agencies like Tenaganita claim the deal represents a fundamental violation of human rights. Government officials claim the accusations will only complicate an already delicate issue. The Malaysian exchange controversy is the most recent of Australia’s racial and immigration woes.

#### TIMOR-LESTE

- **Timor-Leste membership in ASEAN in 2011 “unlikely.”** Timor-Leste is unlikely to join ASEAN this year according to official sources, as members of the regional grouping have yet to reach a consensus. Indonesian foreign Minister Marty Natalegawa called Timor-Leste’s entry into the organization “a work in progress,” as some ASEAN members are concerned that Timor-Leste is too weak to fully participate in the union. Nevertheless, Timor-Leste’s foreign minister, Zacarias Albano da Costa, has called for the formation of a road map leading to his country’s eventual membership.

- **Timor-Leste reviews economic targets with ASEAN experts.** Dr. Joao M. Saldanha, senior economic adviser to the Ministry of Finance, presented a review of his country’s recent double-digit economic growth to a panel of experts from ASEAN think tanks, the ASEAN Secretariat, and the Asian Development Bank. They agreed that double-digit growth will be maintained in Timor-Leste for an extended period, given that the country is developing from a relatively low economic base. The panel also recommended that the government focus on increasing labor productivity and economic efficiency.

#### PAPUA NEW GUINEA

- **PNG growth to hit 8 percent but will be accompanied by inflation.** Treasurer Peter O’Neil told Parliament that real economic growth will reach 8 percent this year as foreign investment in natural resources grows. However, the influx of currency will drive inflation to 8 percent, which will threaten the stability of PNG’s growth and hit the poor hard. O’Neil stressed that the treasury and central bank are working to minimize the

effects of inflation, and he noted that a sovereign wealth fund is being formed to manage the country's wealth.

- **Papua New Guinea Public Accounts Committee acknowledges it does not know the balance of its public accounts.** The Papua New Guinea Public Accounts Committee has released a report on the state of the country's public accounts, calling them "a profound national embarrassment." Committee chairman Martin Aini informed Parliament that record keeping is so bad that the balance of public accounts cannot be confirmed. Treasurer Peter O'Neil agreed with the findings and pledged to take action. However, policy watchers are not confident that immediate changes will occur.

## BRUNEI DARUSSALAM

- **Brunei appoints first female Legislative Council members.** Sultan Hassanal Bolkiah has appointed 33 members to the new State Legislative Council (LegCo) following the dissolution of the previous council. The appointees include two female members, giving representation to women in Brunei's parliament for the first time. The move is widely seen as an important step forward for women in Brunei. The council meets annually for two weeks to provide a forum for debate and feedback on policy.

- **Aquino makes state visit to Brunei.** Philippine president Benigno Aquino made a two-day state visit to Brunei from June 1 to 2, 2011. During the visit, the president called for Brunei's help in developing his country's natural gas deposits and infrastructure. President Aquino and Sultan Hassanal Bolkiah also expressed their desire to maintain "peace and stability" in the South China Sea through multilateral dialogue with claimant countries.

## NEW ZEALAND

- **New Zealand businesses eager to enter Chinese markets.** New Zealand investment firm Trade & Enterprise (T&E) says that nearly 190 businesses are asking for help in expanding their operations in China. The announcement came in response to criticism last week that New Zealand was "losing China" because of a fragmented and self-interested approach to the market. T&E spokesman Tim Green credited the New Zealand-China Free Trade Agreement signed in 2008 for stimulating investment, but stressed that a more unified policy on China must be implemented.



*Brunei's Legislative Council building. The Sultan of Brunei has appointed the first two female members to the council. flickr.com/photos/stupidlogic/5766144083/*

- **Mining of New Zealand’s oceans “inevitable.”** Environmental Minister Nick Smith said the increased use of New Zealand’s territorial waters for mining and electricity is impossible to stop. However, he does suggest that new environmental laws protecting New Zealand’s exclusive economic zone and continental shelf will offer increased safeguards. The proposed environmental protections seem to have satisfied much of the national population.

- **New Zealand finance minister asks citizens to “buy state shares or foreigners will.”** Finance Minister Bill English warned locals that if they are not prepared to invest in domestic businesses, overseas investors will. Shares in New Zealand companies Meridian, Solid Energy, and Air New Zealand will be sold to investors in China in the coming quarter. However, it remains difficult for foreign companies to gain a foothold in local industry because most of it is owned by families or small businesses.

## LAOS

- **Vietnam assists Laos in sealing its borders as assault on Hmong continues.** The Vietnam People’s Army, special advisers, and police entered the Laotian provinces of Luang Prabang and Phongsali to assist local forces in sealing the borders with Vietnam’s restive Dien Bien Province. The move comes as Vietnam’s clashes with ethnic Hmong in Dien Bien continue.

## MEKONG RIVER DELTA

- **Mekong River’s hydropower development discussed.** On May 26, 2011, delegations from Vietnam, Laos, and Cambodia met in Hanoi to discuss sustainable development plans for hydropower projects on the Mekong River. The participants also praised Laos’s decision to place the Xayaburi hydropower project on hold, allowing Lao and Vietnamese authorities to conduct further studies that would aid future decisions regarding hydropower projects in the river’s mainstream.

- **Assistant Secretary of State Kurt Campbell to hold Lower Mekong Initiative dialogue.** Later this week, while in Indonesia to attend the Senior Officials Meeting in preparation for the upcoming East Asia Summit and ASEAN Regional Forum, Kurt Campbell will cohost a senior-level “Friends of the Lower Mekong” meeting of donor countries to the lower Mekong sub-basin. The meeting is a part of the Lower Mekong Initiative dialogue. The United States formed the initiative with Lower Mekong countries,



*A view of the sea from New Zealand. Environmental Minister Nick Smith says that mining New Zealand’s waters will be “inevitable.” flickr.com/photos/russelljsmith/4924250617/*

which include Cambodia, Laos, Thailand, and Vietnam, to strengthen cooperation in several areas including health, education, the environment, and infrastructure development. interest and concern.

- **CSIS Global Security Forum.** CSIS will hold the 2011 Global Security Forum on June 8, 2011. The event will feature a keynote speech by William J. Lynn III, deputy U.S. secretary of defense. The forum will include a crisis simulation involving Asia and a discussion on the future of U.S.-Pakistan relations. For more information, go to <http://csis.org/event/global-security-forum-2011>.
- **U.S. ASEAN ambassador tours in DC, Houston, San Francisco, San Diego.** Four U.S. ambassadors to the Southeast Asia region—U.S. Ambassador to Indonesia Scot Marciel, U.S. Ambassador to Singapore David Adelman, U.S. Ambassador to Brunei Daniel Shields, and U.S. Ambassador to ASEAN David Carden (visiting Washington, D.C., only)—are visiting the United States from June 2 to June 9 and will travel through Washington D.C., Houston, San Francisco, and San Diego to meet and brief stakeholders about their impressions of the region. The event’s sponsor is the U.S. ASEAN Business Council. For more information, click [www.us-asean.org](http://www.us-asean.org).
- **APCAC delegation to visit Washington, D.C.** About 35 representatives of American Chambers of Commerce (AmChams) in Asia will be in Washington June 13-17 as part of an annual visit organized by the Asia-Pacific Council of American Chambers of Commerce (APCAC). The business leaders will meet with administration officials and members of Congress to discuss concerns and problems facing the U.S. business community in Asia. APCAC is an umbrella organization comprising 25 AmChams in 20 countries across the Asia-Pacific region whose mission is to improve the competitiveness of U.S. business there.
- **Indonesian Executive Education Program.** A delegation of senior Indonesian officers will visit CSIS June 13-17, 2011, as part of the Indonesian Executive Education Program. The program’s goal is to empower future Indonesian leaders through providing a unique, high-level educational program on international security issues and thinking in the United States. At the same time, the program will allow U.S. policymakers, business leaders, and thought leaders to understand the new Indonesia and the directions it will take in the mid- to long term.
- **CSIS to host seminar on Maritime Security and the East Asia Summit.** The conference is being organized by CSIS and the Diplomatic Academy of Vietnam (DAV) to discuss maritime security ahead of the ASEAN Regional Forum in July and the East Asia Summit in November. Approximately 20 experts will make presentations at the seminar, which will be held June

20-21, 2011. Invited keynote speakers include Admiral Thad Allen, Counselor, International Advisory Board, CSIS; and Mr. Danny Russel, Senior Director for Asia, National Security Council. This is a track 1.5 event and is off the record. Approximately 80 senior officials, executives, experts, academics, and members of the media will be invited to participate in the dialogue. For more details, contact the [Southeast Asia Program](#).

- **“Pacific Night,”** an annual showcase of Pacific culture, food, entertainment, and ideas, organized by the embassies and missions of Pacific Island countries and territories based in Washington and New York. This year, the showcase is being held at the New Zealand Embassy in Washington on the evening of June 22. It will start with a seminar on “The Future of the Pacific,” featuring a panel from a variety of backgrounds speaking on the challenges facing the region, to be followed by a reception featuring entertainers and national dishes from countries from around the Pacific region. For more information, contact [Michael Appleton](#), Second Secretary at the New Zealand Embassy.

- **Philippine secretary of foreign affairs the Hon. Albert Del Rosario to address CSIS’s Banyan Tree Leadership Forum.** Del Rosario will speak at CSIS on June 23, 2011. The Banyan Tree Forum is the premier Washington venue for Southeast Asian and U.S. leaders to articulate their views on vital issues affecting bilateral and regional relations. For more details, contact the [Southeast Asia Program](#).

- **TPP talks to be held in Vietnam.** The seventh round of the Trans-Pacific Partnership (TPP) talks will be held in Ho Chi Minh City June 20-24, 2011. Negotiators hope to wrap up outstanding issues, which include intellectual property rights, e-commerce, and environmental concerns, so as to conclude negotiations before the TPP summit in November. .

- **18th ARF to be held in Bali in July.** The 18th ASEAN Regional Forum (ARF) will be held in Bali July 16-23, 2011. The forum aims to foster constructive consultation and dialogue on political and security issues of common interest and concern.

## SOUTHEAST ASIA FROM THE CORNER OF 18TH & K STREETS

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