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Slowing Growth and Heightened Expectations Fuel Calls to Reform Vietnam's State Sector

ERNEST BOWER AND PHOEBE DE PADUA

Ernest Bower is senior adviser and chair and Phoebe De Padua is a researcher for the Sumitro Chair for Southeast Asia Studies at the Center for Strategic and International Studies in Washington, D.C.

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All political parties are focused on survival. That is certainly the case in Vietnam and in many of its neighboring countries. As economic growth moves from the fast lane to something more qualitatively sustainable, newly empowered constituents are demanding more access to information, better services from governments, more substantial social safety nets, and better economic governance.

The situation for the Communist Party of Vietnam is no different. It is clear to the party that Vietnamese citizens will no longer meekly accept what has been two different sets of rules governing companies—one for the state-owned enterprises (SOEs) and another for private companies, both domestic and foreign.

Additional impetus for change is coming from Vietnam's pending commitments under the Trans-Pacific Partnership and frequent criticism from the media and international creditors. It was the latter that shined light on the corporate shipwreck of Vinashin, the bankrupt state-owned shipbuilding company.

The party's natural instinct for self-preservation is therefore pushing it toward one of the hardest reform hurdles it will face: cleaning up and making transparent the state-owned sector that has been a major source of revenue for the party machinery and its cadres.

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Vietnamese prime minister Nguyen Tan Dung recently approved a directive that seeks to reform Vietnam's state-owned sector through tighter monetary policy. <http://www.flickr.com/photos/worldeconomicforum/4315021559/>

The party's has launched an effort to address inefficiencies and lax regulation of SOEs in what may be its biggest reform effort since it launched the *doi moi*, or "renovation," process to open the economy in 1986. Vietnam's economic growth slumped to a 13-year low in 2012, due in part to a lack of confidence in the state sector, which has been widely criticized for poor management, inefficiency, and corruption.

Prime Minister Nguyen Tan Dung approved a [29-page directive](#) on February 19 to restructure the state sector through tighter monetary policy. The new policy focuses on addressing bad debts incurred by SOEs. It looks to overhaul and consolidate state banks by refocusing them on their core business, improving payment systems, avoiding cross-ownership, and increasing transparency.

According to the directive, bad debt in banks will be cut to less than 3 percent of outstanding loans by 2015, and monopolies and businesses in the defense industry will be restructured. SOEs receive up to half of all state investment and nearly 70 percent of official development assistance. They account for 53 percent of the banking system's bad debt, which has hurt credit growth and slowed economic expansion to 5 percent in 2012. Vietnam's banking system has one of the highest levels of debt in the Asia Pacific, with 13 percent of loans nonperforming according to Fitch Ratings. [Moody's downgraded Vietnam to its lowest rating ever last year.](#)

The financial system is weak from carrying the heavy weight of most of the large and inefficient SOEs. Stocks fell 11 percent during the second and third quarters of 2012, due in part to the lack of confidence in the state sector.

The Communist Party understands that it is no longer sustainable to protect its failing companies. In an televised national address in October, party General Secretary Nguyen Phu Trong [apologized for the lax oversight of state companies](#) and called the coddling of SOEs a mistake, while Deputy Prime Minister Nguyen Xuan Phuc acknowledged that recruitment of employees to the public sector is plagued with corruption and labeled [30 percent of public officials ineffective](#). These are harsh self-assessments, but the first real step in addressing systemic problems is overcoming denial.

The World Bank, which has long hailed Vietnam as the poster child for economic development, also links the state's falling productivity to the inefficiencies and mismanagement of its SOEs.

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The government has taken some practical steps to address pervasive corruption in SOEs. It fired Chairman Dao Van Hung of Electricity Vietnam last year after the company lost \$552 million. Government officials also arrested prominent heads of other major SOEs, including the founder of Asia Commercial Bank, [Nguyen Duc Kien](#), for fraud and other charges.

The real challenge Vietnam faces is implementation of reform. It has pursued reform in the state-owned sector before in initiatives dating back to at least the early 1990s, but efforts have been partial and isolated, and tried to do just enough to divert criticism without taking aim at systemic solutions. Observers will be watching carefully to see if this time the party's leadership understands that half-measures and quick fixes, like arresting token worst offenders, will not deliver real results. Partial reform will do little to free the economy to return to strong growth.

SOEs will almost certainly have a strong role in Vietnam's economy going forward. However, to survive and thrive, SOEs will need to play by more transparent rules, reduce their dominant share of the economy, and provide higher returns to the government's investment account for infrastructure, education, and health. Law enforcement will also need to pursue and punish graft, bribery, and corruption within SOEs.

Disaffection with economic governance has resulted in new and serious domestic impetus to seek changes in the country's constitution. One of the recommendations recently made by 72 respected academics is that the state sector should not play a leading role in the national economy because of poor SOE performance and rampant corruption.

Slower growth around Asia is to be expected, but slow growth forces people to carefully examine governance and seek support from institutions. As it moves from double digit growth rates, the region will now be focusing on the quality of growth. The judges and definers of quality are increasingly the fast-growing middle classes of Vietnam and its neighbors.

The Communist Party of Vietnam recognizes that, if it wants to maintain its authority to rule, it must closely monitor state firms and hold them



The 2010 launch of a ship built by a subsidiary of Vietnam's state-owned Vinashin. The bankrupt shipbuilder has become a symbol for the inefficiencies and burdens introduced into Vietnam's economy by state-owned enterprises. <http://www.flickr.com/photos/oggiedog/5902737034/>

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accountable to the approved restructuring plan. Vietnamese citizens and foreign investors will be watching carefully to see if the party and government can reform the SOEs as a signpost of whether the country will be able to return to the more robust growth rates long associated with Vietnam. ■

The Week That Was

MYANMAR

- **NLD reelects Aung San Suu Kyi as chairperson in first-ever party congress.** Myanmar's opposition National League for Democracy (NLD) reelected Aung San Suu Kyi as its chairperson during its first party congress, held March 8-10 in Yangon. The congress highlighted both the opportunities and challenges the NLD faces in its transition from activist group to a mainstream political party. Some party members expressed frustration over a lack of transparency in the voting process, and reports surfaced that NLD leaders had suspended some participants for expressing dissenting opinions.
- **Parliament to review military-drafted constitution.** Myanmar's parliament agreed on March 15 to form a committee to review the country's controversial 2008 constitution. Two senior members of the ruling Union Solidarity and Development Party proposed the review. The military-drafted constitution reserves 25 percent of parliamentary seats for military officials and prohibits individuals with a foreign spouse or foreign children from running for president or vice president. The latter clause bars opposition leader Aung San Suu Kyi, whose late husband was British, from holding the presidency. It remains unclear which articles of the constitution will come under review.
- **Myanmar and Kachin rebels meet, agree to further talks.** Myanmar chief peace negotiator Aung Min and representatives from the Kachin Independence Organization met for their second round of talks March 12 in the Chinese border town of Ruili. The two sides pledged to continue meeting until a cease-fire is reached. They agreed to coordinate on troop movements and to meet again before April 10 for further negotiations. The government issued a unilateral cease-fire in January, but fighting continues on both sides.
- **Government commission recommends continuing controversial Letpadaung mine project.** The Letpadaung Inquiry Commission, a government-appointed committee led by Aung San Suu Kyi, released a report in early March recommending that the controversial Letpadaung copper mine project, in which a Chinese company is a major investor, continue. The report found that police used phosphorous to break up a November protest against the mine by villagers, and called for the government to boost the environmental and safety standards of the project. Aung San Suu Kyi traveled to communities near the mine to explain the commission's findings, but was met by often-harsh criticism from villagers.



A police crackdown in November 2012 on protestors near the Letpadaung copper mine. A government-commissioned report released in March recommended that the controversial project continue. <http://www.flickr.com/photos/remijdn/8492374349/>

- **Government admits to restructuring press censorship board.** President Thein Sein has restructured Myanmar's now-shuttered press censorship board, according to a March 6 Democratic Voice of Burma report. Government spokesman Zaw Htay confirmed Thein Sein created a press regulatory committee on January 23 after announcing the abolishment of the press censorship board, and appointed the former board's officials to the new commission. Zaw Htay said the purpose of the new board was to register journalists and media outlets, and maintained that official censorship no longer exists in Myanmar.
- **Former top State Department official's firm joins bid for major contract in Myanmar.** U.S. investment group ACO announced on March 11 that the Asia Group, a consulting firm founded by former assistant secretary of state for East Asian and Pacific Affairs Kurt Campbell, has joined its bid to upgrade the Yangon International Airport. Campbell, who left his post at the State Department in February, will lead a delegation to Myanmar in April to promote ACO's bid. ACO is one of only 11 firms preapproved to bid on the lucrative deal, planned to double the airport's passenger capacity amid surging international travel to Myanmar.

INDONESIA

- **Yudhoyono to adjust Indonesia's bloated fuel subsidies.** President Susilo Bambang Yudhoyono and the National Economic Committee, a state-owned think tank, will release a plan on March 28 to reduce Indonesia's fuel subsidies. The new policy aims to cut the \$31 billion subsidy—roughly 13 percent of the government's budget—within two years, shifting it toward development and infrastructure. The proposal will face opposition from a parliament that is gearing up for 2014 elections and has twice rejected reducing the subsidies due to public backlash. The fuel levy that would be needed to cover necessary road maintenance in Indonesia would cost only about 5 cents per liter, according to a recent World Bank [report](#).
- **Indonesian officials sign forestry management reform pact.** Eight cabinet ministers and four heads of state institutions, including the Corruption Eradication Commission (KPK), signed an agreement on March 11 to better manage Indonesia's [forests](#). The pact is expected to lead to a working mechanism to monitor and evaluate Indonesia's forestry sector. Indonesia remains the world's third-largest carbon emitter, largely due to its environmentally destructive palm oil industry, and the KPK's participation suggests a move to crack down on corruption in the lucrative industry.

- **Yudhoyono concludes European trip with focus on trade and investment.** President Susilo Bambang Yudhoyono visited Berlin and Budapest from March 4 to March 8, meeting with Presidents Joachim Gauck and Janos Ader to highlight trade, investment, and tourism ties with each country. Yudhoyono met on March 5 with Chancellor Angela Merkel, with whom he established an advisory group to strengthen Indonesia's economic and people-to-people ties with Germany. Yudhoyono also met with the CEOs of Volkswagen, Siemens, and Ferrostaal, an industrial service company that agreed on March 11 to build a \$2 billion petrochemical facility in West Papua.
- **Rights body commissioners oust chairman following prolonged infighting.** Commissioners from Indonesia's National Commission on Human Rights (Komnas HAM) voted on March 6 to oust the commission's incumbent chairman following an internal spat over a regulation allowing the annual turnover of the chairmanship. Four of the 13 commissioners walked out in protest, while 9 supported the move recommended by the parliament. Activists claim the vote was a political attempt by the parliament to undermine the effectiveness of Komnas HAM, which is considered Indonesia's leading human rights watchdog, ahead of the 2014 elections.
- **Import restrictions cause garlic shortage, spike in prices.** A garlic shortage has led to a roughly 31 percent price spike in the Indonesian staple. The trade ministry has responded by fast-tracking import licenses for 92 companies to bring in 134,600 tons of garlic to stabilize the market. The trade ministry blamed the shortage on a lack of supply from China and declining local production, but part of the problem is the government's protectionist trade measures—in this case the inclusion of garlic on a list of vegetables and fruit whose import is restricted. Indonesia imports 95 percent of its garlic from China.
- **Indonesian soccer leagues to merge to avoid international ban.** Indonesia's two rival soccer leagues voted on March 17 to merge by 2014 to avoid being banned from international participation by soccer's global governing body, the International Federation of Association Football (better known by its French acronym FIFA). Poor management led to a leadership change within the federation in 2012 and the formation of a breakaway league that caused Indonesia's national team to drop 40 places in global rankings. Officials hope the deal will stick, but a walkout following discussion of off-the-agenda items suggests rifts between the two sides remain.



Nasi goreng, a traditional Indonesian dish using garlic. The price of garlic skyrocketed 31 percent in February and has become a heavy burden on the nearly half of Indonesians who live on less than \$2 dollars a day. <http://www.flickr.com/photos/zoyachubby/1523439294/sizes/m/in/photostream/>



The Sulu Sea as seen from Sandakan, Sabah. Clashes continue between Malaysian security forces and armed followers of the sultan of Sulu. <http://www.flickr.com/photos/tianyake/4223481909/>

MALAYSIA

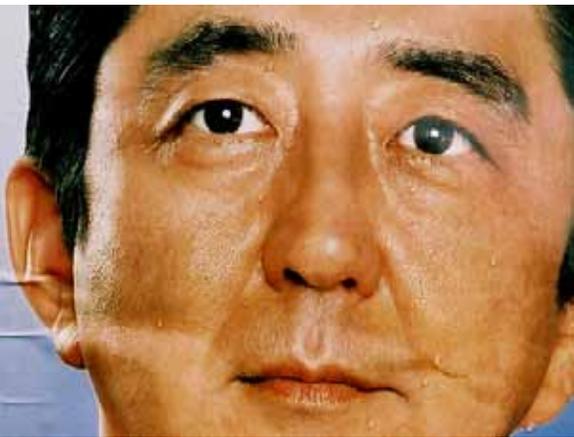
- **Malaysia denies access to sultan of Sulu's followers.** Malaysia denied Philippine officials access to armed members of the Royal Sulu Army in Sabah on March 13, with Malaysian foreign minister Anifah Aman saying that Kuala Lumpur could not guarantee the safety of Philippine negotiators. At least 56 followers of the sultan of Sulu, nine members of the Malaysian security forces, and one civilian have been killed in ongoing clashes. Malaysia's Ministry of Foreign Affairs, meanwhile, has denied allegations that it has abused Filipinos living in Sabah as it hunts for Sulu militants and collaborators.
- **Malaysian government accused of fabricating charges against Anwar, paying U.S. bloggers to tarnish his image.** Azlan Mohd Lazim, the father of the man who has accused Malaysia's opposition leader Anwar Ibrahim of sodomy, said March 8 that his previous statements in support of his son were orchestrated by an official in the office of Prime Minister Najib Razak. Azlan joined Anwar's People's Justice Party on March 11. His statement followed revelations on March 1 that the Malaysian government had paid conservative U.S. journalists and bloggers to write articles tarnishing Anwar in the American media.
- **Malaysian company to buy \$350 million casino project in Las Vegas.** Malaysian gambling company Genting Group announced on March 4 that it will purchase the Echelon casino project in Las Vegas from Boyd Gaming Corporation for \$350 million. Genting plans to build a multibillion dollar casino complex called Resorts World in 2013 in the hopes of tapping into the growing influx of Asian tourists to Las Vegas. Resorts World will be the first major casino initiated in Las Vegas since 2008.
- **Islamic Financial Services Board conducts Islamic finance studies with European Central Bank.** Malaysia-based Islamic Financial Services Board (IFSB) is conducting a joint study with the European Central Bank on policies that affect Islamic finance in Europe, and will hold its annual forum, hosted by the Bank of Italy, on April 9 in Rome, according to a Reuters report. Islamic finance has gained attention since the start of the eurozone crisis because of its religious principles that ban interest and pure monetary speculation. IFSB is one of Islamic finance's global standard-setting bodies.

THAILAND

- **Thailand, Vietnam among those listed as most complacent in ivory trade.** Wildlife law enforcement officers from across the globe traveled to Bangkok March 3-14 for a conference of signatories to the Convention on International Trade in Endangered Species (CITES) focused on the illegal ivory trade. Thailand and Vietnam were singled out as among the eight countries most complicit in ivory smuggling. Participants agreed that CITES will now require countries that make large seizures of illegal ivory to conduct DNA testing to determine their origin.
- **Parties split over latest amnesty bill.** Thailand's political parties are again split over the question of a general amnesty for those involved in recent political violence. Worachai Hema, a lawmaker with the ruling Pheu Thai Party, introduced a new bill on March 7 that seeks amnesty for those facing charges related to political actions taken between September 19, 2006, and May 10, 2011. Members of the opposition Democrat Party are refusing to discuss the bill because of fears that its real purpose is to clear the name of ousted prime minister Thaksin Shinawatra and allow his return to Thailand.
- **Yingluck calls for increased monitoring of foreign investment.** Prime Minister Yingluck Shinawatra called for closer monitoring of foreign investment during her annual address to the Foreign Correspondents' Club of Thailand on March 11. She emphasized the need to strengthen Thailand's currency and monitor capital flows to ensure that foreign investment brings real benefit to the economy. The Yingluck administration has pursued more populist economic policies than its predecessor, with mixed effects on the economy.
- **Sailors accused of shooting at Rohingya asylum seekers.** Thai sailors are accused of firing on a boat carrying about 20 Rohingya refugees on February 22 off the southwest coast of Thailand, resulting in two deaths. The navy has denied the claims, but both the Rohingya and Thai villagers from a nearby community corroborated the accusations. Thailand's government has promised an investigation and the UN High Commissioner for Refugees is probing the claim. Thailand's navy often tows asylum seekers' boats out to sea rather than let them land in Thailand, and a group of soldiers was recently implicated in selling Rohingya refugees to human traffickers.



Aid for displaced Rohingya is loaded onto ships in Myanmar's Rakhine State. A flood of Rohingya have fled Myanmar by boat in recent months, and Thailand's navy is accused of firing on one group.
<http://www.flickr.com/photos/69583224@N05/8190180462/>



Japanese prime minister Shinzo Abe confirmed Japan's long-awaited application for accession into the TPP talks but seeks exemption from the elimination of tariffs on key products, especially rice. <http://www.flickr.com/photos/58633480@N00/1363660531/sizes/m/in/photostream/>

TRANS-PACIFIC PARTNERSHIP

- **Japan agrees to join TPP trade talks.** Japanese prime minister Shinzo Abe announced on March 15 that Japan would apply to join the Trans-Pacific Partnership negotiations, which the parties hope to conclude by the end of 2013. Abe says he intends to keep tariffs on rice and other agricultural items to placate Japanese farmers and his Liberal Democratic Party. Japan still needs to gain the approval of several of the negotiating countries before it can join negotiations. Members of Congress and U.S. auto companies have called on the White House to ensure that Japan opens up its car market as part of a trade deal.
- **Sixteenth round of TPP negotiations concludes in Singapore.** Negotiators made progress during the 16th round of Trans-Pacific Partnership (TPP) trade talks held from March 4 to March 14 in Singapore. A statement released after the talks said “solid progress” was made in bridging differences on topics including regulatory issues, telecommunications, customs, and development. Significant hurdles remain in areas like agricultural goods, intellectual property rights, competition and state-owned enterprises, pharmaceuticals, environment and labor, and textiles. TPP members are considering holding an additional meeting in July to meet the increasingly elusive goal of concluding an agreement by the end of 2013.

THE PHILIPPINES

- **Philippines lifts two-year moratorium on new mining applications.** The Philippine Mines and Geosciences Bureau (MGB) will begin accepting applications for mining permits on March 18, ending a ban imposed two years ago. The MGB stopped processing new applications in order to complete a government-mandated review of pending and inactive mining projects. The Philippines is home to an estimated \$850 billion in mineral reserves, ranking third in the world in gold, fourth in copper, and fifth in nickel, according to the MGB.
- **Singapore stock exchange to help develop Philippine derivatives market.** The Philippine Stock Exchange and Singapore Exchange Ltd. announced on March 13 that they have agreed to cooperatively develop a Philippine derivatives market. The two exchanges plan to launch Philippine index futures in Singapore by the fourth quarter of 2013. Fund managers say the introduction of the Philippine index futures will address the demands of international investors.

- **Election commission appointees refuse positions.** Macabangkit Lanto, a representative from Lanao del Norte Province, announced on March 11 that he was declining his appointment to the Philippine Commission of Elections (Comelec). Lanto's decision came just two days after election lawyer Maria Bernadette Sardillo withdrew her name from consideration. Both Lanto and Sardillo said their families advised them to turn down the positions. With legislative elections set for May 13, the government is rushing to fill vacancies left on the commission by the February retirements of two members.
- **Supreme Court rejects anti-dynasty measure.** The Supreme Court of the Philippines on March 5 rejected a motion asking the justices to review whether Congress is failing in its duty to uphold Article XIII of the Philippine constitution, which forbids political dynasties. The court ruled in early February that the constitutional provision requires an enabling law before it can be executed. Critics have long campaigned against the Philippines' concentration of power in the hands of a small number of influential families and their clients.



The Philippine Supreme Court rejected a motion asking the justices to review whether Congress is failing in its responsibility to prevent political dynasties. http://commons.wikimedia.org/wiki/File:Philippine_supreme_court.jpg

VIETNAM

- **Vietnam, Russia agree to submarine deal, training for Vietnamese troops.** Vietnamese defense minister Phung Quang Thanh and Russian defense minister Sergei Shoigu agreed to boost defense ties between the two countries following talks March 5 in Hanoi. General Thanh announced that Russia will help Vietnam launch a new submarine fleet, provide naval training, and continue supplying military equipment. Vietnam and Russia upgraded their relationship to a comprehensive strategic partnership, including closer defense cooperation, in July 2012. Thanh and Shoigu also discussed plans for cooperation during the second ASEAN Defense Ministers' Meeting Plus in October in Brunei.
- **Phuong Tay Bank plans merger with PetroVietnam Finance.** Phuong Tay Bank, which is partially state-owned, alerted shareholders on March 12 that it will merge with PetroVietnam Finance Corp (PVFC) as part of the government's plan to restructure banks to address the problem of bad debt. Phuong Tay Bank and PVFC will be combined into a single mid-sized bank with equity of \$438 million. The merger, to be completed in 2013, is expected to rescue Phuong Tay Bank from its bad debts, make PVFC more competitive, and cut PetroVietnam's stake in PVFC.
- **Coffee farmers curb sales in anticipation of drought.** Coffee farmers in Vietnam have cut sales by 57 percent in an effort to boost prices ahead of pending drought, according to trader and shipper estimates in a March 7

Bloomberg report. Vietnam's government warned on February 26 that the drought expected to hit the country's central highlands might damage rice and coffee crops. Vietnam is the world's largest producer of robusta coffee beans, which are used by Nestle and Starbucks.

- **Rare protest held in Hanoi on anniversary of China naval clash.** Twenty activists gathered in Hanoi on March 14 in remembrance of the 25th anniversary of the Johnson South Reef clash between Vietnam and China in the South China Sea. The activists laid wreaths around a statue of Hanoi's founder and nationalist figurehead Ly Thai To, played patriotic music, and chanted anti-China slogans. The 1988 battle over a contested feature in the Spratly Islands left 64 Vietnamese dead.



A traffic police officer in Hanoi. City authorities have banned short and overweight policemen from traffic duty in order to improve the force's image. <http://www.flickr.com/photos/thepaperboy/2863716481/>

- **Hanoi seeks to improve public image of police.** Hanoi traffic police chief Col. Dao Vinh Tang reported on March 6 that short and overweight police officers have been banned from traffic duty as part of a government initiative to improve the force's image. Authorities have not specified the new height and weight requirements, but are compiling a list of police officers that do not meet them. A recent World Bank survey found that the public considers Vietnam's traffic police force the most corrupt institution in the country.

ASEAN

- **ASEAN-Germany Cooperation Review encourages increased partnership.** Officials from ASEAN and Germany agreed in late February to improve the design and implementation of joint projects. The agreement came during the ASEAN-Germany Cooperation Review at the ASEAN Secretariat in Jakarta. ASEAN-Germany cooperation initiatives focus on three areas of development: strengthening institutions, regional economic integration, and environment and climate change. Germany has provided more than \$90 million for ASEAN projects.

- **ASEAN human rights body asked to look into abuses in Sabah.** The UN Commission on Human Rights on March 11 requested that the ASEAN Intergovernmental Commission on Human Rights (AICHR) investigate alleged abuses against Filipinos in Malaysia's Sabah State. Victims claim that Malaysian forces threatened, beat, and extorted money from them during operations to root out Filipinos in Sabah who have aided an armed group from Sulu still engaged in ongoing clashes with security forces.

- **Japan seeks stronger defense ties with ASEAN.** Japanese and ASEAN deputy defense ministers met in Tokyo on March 13-14 in the first meeting of its kind since Japanese prime minister Shinzo Abe took office

in December. They discussed greater defense cooperation, including coordination on their respective disputes with China in the South and East China Seas and building capacity to combat nontraditional security threats.

- **ADB says no country in Southeast Asia is water-secure.** The Asian Development Bank warned of a potential water crisis in the Asia Pacific in a [report](#) released on March 13. The report finds that no country in South or Northeast Asia is water-secure. Among ASEAN members, Singapore, Brunei, and Malaysia were ranked highest but still one tier short of secure. The report did, however, find that access to proper toilets has expanded to at least 64 percent of the population in Southeast Asia. The report calls for Asian nations to increase investment to improve water supply and sanitation mechanisms.



Water dwellings in Cambodia demonstrate the fragility of the country's water security system. Cambodia ranked in the lowest category on the Asian Development Bank's National Water Security Index. http://commons.wikimedia.org/wiki/File:Water_Dwelling_Tonle_Sap_Cambodia.jpg

- **CSIS to promote U.S. governors' engagement with Southeast Asia.** The Sumitro Chair for Southeast Asia Studies is reaching out to U.S. governors whose states either would or already do benefit most from greater economic and people-to-people interaction with Southeast Asia. Once a team of key governors is assembled, CSIS will lead them in delegations to the region and help explore opportunities for greater interaction with Southeast Asia. The chair hopes to help build a state-level political constituency to mirror the federal government's commitment to ASEAN as part of the rebalance to Asia.

SOUTH CHINA SEA

- **China to consolidate agencies into single maritime security body.** Ma Kai, secretary-general of China's State Council, informed the National People's Congress on March 10 that several maritime law enforcement agencies will be consolidated under a single body in an effort to "safeguard the country's maritime rights." Under the restructuring plan, the National Oceanic Administration will take over the Public Security Ministry's coastguard patrols, the Agriculture Ministry's fisheries patrols, and the General Administration of Customs' anti-smuggling efforts. Authorities have not announced a time frame for the consolidation.
- **Chinese surveillance vessels drive Vietnamese ships out of waters near Paracels.** Two surveillance vessels from the Chinese Marine Surveillance



Duncan Island, in the disputed Paracels. Chinese surveillance vessels recently drove two Vietnamese fishing ships out of waters near the island chain. http://commons.wikimedia.org/wiki/File:Duncan_Island_-_December_2012.jpg



The USS Freedom begins its journey to Singapore. The Freedom's deployment despite ongoing budget cuts signals the Pentagon's commitment to its policy of rebalancing toward Asia. <http://www.flickr.com/photos/navalsurfaceforces/8519839260/>

(CMS) fleet drove two Vietnam-registered fishing ships out of waters around the Paracel Islands on March 13. The Chinese vessels accused the Vietnamese of illegal fishing in the disputed waters, according to *Xinhua*. The CMS fleet, which consists of three ships and a helicopter, has been conducting regular patrols since February 18 in the South China Sea.

- **Taiwan discovers gas deposits south of Pratas Islands.** Marine geophysicist Hsu Shu-Kun of Taiwan's National Central University reported on March 13 that his oceanic research team discovered gas hydrate deposits in the South China Sea south of the Pratas Islands. The area in question is claimed by both China and Taiwan. Hsu said further investigation will be needed to determine the size of the deposits. The research team had embarked on a 19-day exploration trip that ended on March 8.

SINGAPORE

- **Foreign Minister Shanmugam concludes visit to Washington.** K. Shanmugam, Singapore's minister for foreign affairs and minister for law, visited Washington on March 12-15, meeting with Secretary of State John Kerry and other officials. Talks resulted in no significant deliverables but reinforced bilateral ties between the United States and Singapore, particularly through their joint Third Country Training Program, cooperation in boosting ASEAN infrastructure, and the ongoing Trans-Pacific Partnership negotiations. Shanmugam met with Attorney General Eric Holder and with members of Congress on March 14, to whom he pledged a full investigation into the death of Singapore-based U.S. researcher Shane Todd.
- **U.S. Navy's littoral combat ship departs for Singapore.** The U.S. Navy's newest littoral combat ship (LCS), the USS *Freedom*, departed San Diego on March 1 for Singapore despite sequestration-driven budget cuts. The *Freedom*, the first of four LCS vessels to be deployed to Singapore, is designed to move along the shallow waters of Southeast Asia that are off-limits to larger naval vessels, including in the South China Sea. Singaporean defense minister Ng Eng Hen said March 11 that in addition to the LCSs, Singapore is considering replacing its F-5 fighter jets with U.S.-made F-35 Joint Strike Fighters.
- **Singapore to open Cyber Security Lab to train law enforcement.** Deputy Prime Minister and Minister for Home Affairs Teo Chee Hen said March 8 that Singapore will open a Cyber Security Lab in 2014 to enhance law enforcement personnel's cyber security competencies. Boosting cyber security is a priority for Singapore due to the growing frequency and

complexity of cyber-attacks. Minister for Communications and Information Yaacob Ibrahim during the same briefing said that the government plans to double the speed of Singapore's free public Wi-Fi network to two megabytes per second.

- **Senators seek to cut funding to Singapore institute over Shane Todd investigation.** U.S. Senators Max Baucus and Jon Tester in mid-March filed legislation to halt U.S. funding for Singapore's Institute of Microelectronics unless the city-state's authorities give the Federal Bureau of Investigation (FBI) full access to evidence surrounding the death of U.S. engineer Shane Todd. Baucus and Tester both represent Todd's home state of Montana. Singapore has promised to share only "relevant evidence." Police originally suspected Todd's death was suicide, but his family believes it was related to work allegedly linked to Chinese telecommunications giant Huawei that he did at the Institute of Microelectronics.

BRUNEI

- **Obama, sultan of Brunei meet at the White House.** President Barack Obama met with Brunei's Sultan Hassanal Bolkiah on March 12 to discuss a wide array of strategic and economic issues. The two talked about preparations for the U.S.-ASEAN Leaders Meeting and the East Asia Summit to be held in October in Brunei. They also discussed progress on the Trans-Pacific Partnership negotiations. Obama promised to raise issues of maritime security and disputes in the South and East China Seas during the two summits.



TIMOR-LESTE

- **Timor-Leste partners with IFC to seek port and airport investors.** Timor-Leste and the International Finance Corporation, a branch of the World Bank, held a conference on March 7-8 to look for investors for port construction in Tibar Bay and an expansion of the Nicolau Lobato International Airport. The new port aims to ease congestion in Timor-Leste's only operational port, while the airport expansion will accommodate more passengers and promote tourism. The projects have been identified as priorities for 2011-2030 under the East Timor Strategic Development Plan.

President Barack Obama, Sultan Hassanal Bolkiah (to Obama's left), and other Asia-Pacific leaders discuss the Trans-Pacific Partnership (TPP) on the sidelines of the 2012 ASEAN Summit. Obama and the sultan discussed the TPP during a recent meeting at the White House. http://commons.wikimedia.org/wiki/File:Barack_Obama_at_ASEAN_Summit_2012.jpg



Former Khmer Rouge leader Ieng Sary facing trial at the Extraordinary Chambers in the Courts of Cambodia in 2011. Ieng Sary passed away on March 14, before he could be brought to justice for the crimes of the Khmer Rouge. <http://www.flickr.com/photos/ktribunal/5887348518/>

CAMBODIA

- **Former Khmer Rouge leader Ieng Sary dies.** Former Khmer Rouge foreign minister Ieng Sary died in a Phnom Penh hospital March 14 at age 87. He had been hospitalized since March 4 for failing health. The death of Ieng Sary, also known as Brother Number Three, comes at a time of ongoing problems and delays in the Extraordinary Chambers in the Courts of Cambodia, the tribunal established to prosecute former leaders of the Khmer Rouge regime. Only two defendants, former Khmer Rouge leaders Nuon Chea and Khieu Samphan, remain on trial.
- **Cambodia denies responsibility for landmine explosion near disputed border with Thailand.** Cambodia on March 8 denied responsibility for a landmine that exploded and seriously injured three Thai rangers on March 5 in Thailand's Surin Province. Thailand accused Cambodia of planting the mine, located near the Preah Vihear temple to which both sides lay claim. The dispute comes just weeks after both countries agreed to replace soldiers stationed around the temple with police. The International Court of Justice will rule on ownership of disputed land near the temple in mid-April.
- **Court overturns sentence of jailed editor.** Cambodian authorities released independent radio station owner and editor Mam Sonando on March 15, the day after a Phnom Penh appeals court overturned his conviction. A municipal court convicted Mam Sonando, 71, and sentenced him to 20 years in prison in October 2012 for his station's coverage of a military crackdown on eviction protests that killed a 14-year-old girl. Cambodian and international rights groups such as Amnesty International praised the decision as a positive step for freedom of expression in Cambodia.

LAOS

- **U.S. Embassy accuses local police of obstructing investigation into missing Americans.** The U.S. Embassy in Vientiane has accused Lao police of refusing to cooperate in the investigation into the whereabouts of two Lao-Americans and one Lao U.S. permanent resident, according to a March 17 Radio Free Asia report. The embassy suspects the three individuals, not heard from since January 6, died in the southern province of Savannakhet where three bodies were reportedly found in a van. Authorities have refused to provide details of the incident and on March 6 physically prevented embassy officials from visiting the site where the bodies were found.

- **Laos and Thailand agree on border cooperation accord.** Lao security minister Thongban Sengaphone and Thai interior minister Jarupong Ruangsuwan announced March 8 that the two countries had agreed on a six-point accord to bolster border cooperation. The two reached the agreement during a meeting of provincial governors from both countries held in Thailand. The accord pledges joint collaboration on combating drug trafficking, improved border checkpoints, improved cooperation on imprisonment of each other's citizens, better cross-border communication, promotion of border peace, and maintenance of country boundaries.
- **Foreign ministers adopt strategic action plan during regional integration meeting.** Foreign ministers from Cambodia, Laos, Myanmar, Thailand, and Vietnam adopted a 2013–2015 strategic plan to promote regional economic integration during a meeting of the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy group on March 12–13 in Vientiane. The plan aims to create a single regional market for trade and investment, agriculture, energy, transportation linkages, tourism, human resource development, health, and the environment. Other deals forged in sideline meetings included an agreement between Thailand and Laos to build an additional bridge linking the two countries.

MEKONG RIVER

- **China compensates families of sailors slain on the Mekong.** A court in China's Yunnan Province announced March 7 that the government had awarded a total of \$965,000 in compensation to the families of 13 Chinese sailors slain on the Mekong River in October 2011. China executed the mastermind of the murders, Myanmar drug lord Naw Kham, and two accomplices on March 1. ■



Cargo ships on the Mekong River. A Chinese court recently announced compensation for families of Chinese sailors slain on the Mekong by a Myanmar drug trafficker in 2011. <http://www.flickr.com/photos/killerturnip/2056126529/>

Looking Ahead

- **Australian foreign minister Bob Carr at CSIS.** The CSIS Pacific Partners Initiative will host Australian foreign minister Bob Carr on March 22 for a Banyan Tree Leadership Forum titled “Australia and the United States in the Asia-Pacific Century.” Former U.S. national security advisor Samuel R. Berger will introduce Carr and CSIS vice president for Asia Mike Green will moderate. The event will take place from 10:00 a.m. to 11:00 a.m. in the CSIS B1 Conference Facility, 1800 K Street, NW. Please RSVP to the [Pacific Partners Initiative](#) by March 21.
- **Launch of book on South China Sea.** The International Institute for Strategic Studies will host a launch of Christian Le Mière’s new book, *Regional Disorder: The South China Sea Disputes*, on March 21. Le Mière will discuss the book, which explores the motivations for disagreements in the South China Sea, the strategies being implemented, and potential conflict management policies. The event will take place at 2:00 p.m. at IISS-US, 2121 K St., NW, Suite 801. Please [RSVP here](#).
- **Film screening of the Malaysian comedy *Nasi Lemak 2.0*.** The Malaysia-America Society and the ASEAN Studies Center at American University will present a screening of the Malaysian comedy *Nasi Lemak 2.0* on March 22. The film is about food, ethnicity, and martial arts. The event will take place at 6:30 p.m. at the School of International Service at American University, 4400 Massachusetts Ave., NW, Room 120. Please e-mail aseanstudiescenter@american.edu or call 202-885-1688 to RSVP.
- **Film screenings on the Mekong River.** The Goethe-Institut will present a screening of two films on March 22 exploring the livelihoods supported by and economic importance of the Mekong River. The event will showcase *Mekong, the Mother*, directed by Peter Degen, and *Mekong*, directed by Douglas Varchol, who will introduce his film. The event will take place at 5:30 p.m. at the Goethe-Institut Washington, 812 Seventh Street, NW. More information is available [here](#).
- **Indonesian 2013 Mini Film Festival.** The Indonesian Embassy will host the Indonesian 2013 Mini Film Festival March 25–27. The embassy will screen three Indonesian movies: *Lovely Man*, *Joni’s Promise*, and *The Dancer*. Seating will be first come first serve, but attendees are encouraged to RSVP. One film will be shown each night starting at 6:30 p.m. at the Landmark E Street Cinema, 555 11th St., NW. Please [click here](#) for schedule and ticket information.

- **National speakers tour for UXO victims in Laos.** Legacies of War’s “**Voices from Laos: Clearing Bombs, Protecting Lives**” speakers tour will visit 12 cities from April 3 to April 30, including stops in Washington and northern Virginia. Bomb clearance team leader Manixia Thor and bomb accident survivor Thoumy Silamphan will discuss the toll that Vietnam War-era unexploded ordnance takes in Laos and how groups like Legacies hope to address the problem. The final tour stop, in Washington, will take place at 6:00 pm at the Stewart R. Mott House, 122 Maryland Ave., NE. Please [RSVP here](#). There is a suggested donation of \$50 for general admission and \$25 for students. ■

SOUTHEAST ASIA FROM THE CORNER OF 18TH & K STREETS

CSIS Sumitro Chair for Southeast Asia Studies contributors:

Ernest Bower, Senior Adviser and Chair
Murray Hiebert, Senior Fellow and Deputy Director
Gregory Poling, Research Associate
Kathleen Rustici, Research Associate
Jennifer Frentasia, Researcher
Phoebe De Padua, Researcher
Amy Killian, Researcher
Jeremiah Magpile, Researcher
Christina Beaseley, Researcher

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