

Southeast Asia from the Corner of 18th & K Streets

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China's Charm Offensive Signals a New
Strategic Era in Southeast Asia

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The just-completed tours of Southeast Asia by China's president Xi Jinping and premier Li Keqiang had the feel of a new "charm offensive" and attracted significant media attention. Xi visited Malaysia and Indonesia, where he traveled to Jakarta and then attended the Asia Pacific Economic Cooperation (APEC) summit in Bali. Li, meanwhile, made stops in Brunei for this year's East Asia Summit before traveling to Thailand and Vietnam.

These visits were not an attempt to take advantage of President Barack Obama's absence in Asia because of the government shutdown in Washington. Although the Chinese leadership unarguably saw Obama's absence as a not-to-be-missed diplomatic opportunity, their visits were primarily efforts to begin correcting Beijing's policy missteps, especially in the disputed South China Sea, that created friction between China and the members of ASEAN in recent years. They signaled Beijing's growing confidence in its ability to use economic leverage to craft policy toward ASEAN.

The new Chinese leadership duo demonstrated considerable diplomatic savvy, focusing on deliverables in two areas of great importance to Southeast Asia: trade and infrastructure. The overall message of the trips was one Xi highlighted in his key message at the APEC Leaders' Meeting: China and the Asia Pacific need one another to grow more prosperous.

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APEC leaders pose before an official dinner in Bali. Chinese president Xi Jinping stole the show at APEC, aided by U.S. president Barack Obama's last-minute cancellation. <http://www.flickr.com/photos/eapmediahub/10141733714/in/set-72157636275617726>

In Bali, Xi set a target of increasing annual China-ASEAN trade to \$1 trillion by 2020, up from \$400 billion in 2012. The Chinese president also proposed the formation of an Asian infrastructure development bank that, if realized, would help regional countries diversify away from the U.S.- and Japan-dominated Asian Development Bank. In Brunei, Li reaffirmed a pledge to complete negotiations by 2015 on the Regional Comprehensive Economic Partnership (RCEP) trade liberalization scheme, which includes ASEAN and the six countries with which it has free trade agreements.

In all the countries the Chinese leaders visited, Xi and Li set ambitious trade targets with their Southeast Asian counterparts and in return lobbied for Chinese companies to participate in large infrastructure schemes that would boost China-ASEAN connectivity. Regional leaders were highly receptive to the message, not least because governments across Southeast Asia have been struggling in recent years to maintain growth and attract more investment. In Indonesia, Xi oversaw the signing of business agreements worth \$33 billion between Chinese and Indonesian companies.

The timing of Beijing's new charm offensive is important. The last time China made a concerted overture to ASEAN was during the 1997 Asian

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financial crisis. China's main contributions were its decision to not devalue the renminbi, its proposal to negotiate a China-ASEAN free trade agreement (FTA), and its support for the Chiang Mai Initiative, a currency swap arrangement that includes ASEAN, China, Japan, and South Korea. These gestures, which stood in stark contrast to the harsh medicine prescribed by the International Monetary Fund, ushered in a period of amicable relations between China and ASEAN. Some of that goodwill, however, had frayed in recent years as China became more assertive in the South China Sea, particularly toward the Philippines and Vietnam.

This time, China came knocking just as large ASEAN economies are facing structural problems that could hamper their long-term growth potential. But China is no longer a competitor with Southeast Asian countries for export markets, as it was in the 1980s and 1990s; it is now the market to which ASEAN countries want to be connected. Furthermore, escalating concerns within ASEAN about the ongoing dysfunction in Washington and the U.S. staying power in the region have prompted some countries in ASEAN to inch a little closer to Beijing.

Xi's and Li's initiatives reflect this reality: high-speed trains connecting China to Thailand and Laos, and potentially reaching as far as Malaysia and Singapore; a pledge to purchase 1 million tons of rice, along with other agricultural products, from Thailand in the next five years; and a promise to review the China-ASEAN FTA to address Southeast Asians' concerns about their yawning trade deficits with China.

Beijing has good reason to be confident that its diplomatic offensive will pay off. ASEAN desperately needs better infrastructure to achieve higher economic growth, and Beijing has established itself as ready to deliver on that front. ASEAN will need roughly \$60 billion a year over the next decade to address its infrastructure problems. The ASEAN Infrastructure Fund, formally launched in 2012, had a starting capital of only \$485 million. Li's offer to potentially let Bangkok pay for railway projects with agricultural products could be seen as a way to accommodate ASEAN's funding gap.

By skipping the Philippines, which has angered China by taking its maritime claims to a UN arbitration tribunal, and sidelining the South China Sea issue at regional meetings, Beijing conveyed its willingness to use both sticks and carrots in dealing with its neighbors. And it did so without resorting to heated rhetoric or overplaying its hand, as occurred at the 2012 ASEAN Regional Forum in Phnom Penh. Gone are statements such as those by former foreign minister Yang Jiechi, who in 2010

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famously told his ASEAN counterparts that “China is a big country and other countries are small countries, and that’s just a fact.”

Chinese premier Li Keqiang at the 2010 annual meeting of the World Economic Forum. As part of China’s new charm offensive, Li attended last week’s East Asia Summit in Brunei before traveling to Thailand and Vietnam. <http://www.flickr.com/photos/15237218@N00/4313727812/>



During the last leg of his ASEAN tour, Li announced several agreements with Vietnam on trade, infrastructure, and maritime security. These were admittedly smaller than the agreements reached in Malaysia, Indonesia, and Thailand. But the premier extended an important olive branch, recommitting China to a 2011 agreement with Vietnam to manage tensions in the South China Sea and pointing out that the maritime dispute remains the only historical issue standing in the way of closer bilateral ties.

These developments should not be seen as part of a zero-sum game between Washington and Beijing for regional primacy. But U.S. policymakers should be cognizant that China’s shift necessitates smart responses and strategic planning on their part.

For Washington, it should be encouraging that Beijing is coming up with tangible ways to boost regional connectivity in Southeast Asia, a policy the United States also supports. But U.S. businesses should not, and cannot, afford to be absent from large regional infrastructure schemes. U.S. companies no longer compete with their Japanese and Korean rivals in the construction of roads and railroads in Southeast Asia. But U.S. companies still have a competitive advantage in telecommunications, the advanced recovery of oil and gas, energy projects, and the design and construction of airports and ports. Infrastructure projects will carry political and strategic implications well into the future. For instance, a transnational railway connecting mainland Southeast Asia to China promotes integration in a different fashion than a future economic corridor linking one end of mainland Southeast Asia to another.

China's Charm Offensive Signals a New Strategic Era in Southeast Asia *(continued)*

Over the next decade or two, the U.S. private sector has a tremendous opportunity to help shape and plan regional infrastructure so that Southeast Asia is more connected both internally and with the rest of the world. If the U.S. government is serious about rebalancing its interests to Asia, making sure that its private sector effectively taps this opportunity should be a top priority.

For Washington to reassure Asia that the U.S. rebalance to the region is alive and well despite the president's forced absence at this year's key summits, it is important that Obama visit the region early in the new year. If he cannot bring a delegation of business leaders with him, he should urge leading cabinet members, including Secretary of Commerce Penny Pritzker, to take American CEOs on trips to key ASEAN countries to promote trade and investment in areas where U.S. companies have an advantage. The United States should also ratchet up project financing through the Export-Import Bank (Ex-Im Bank) and move quickly to add Myanmar to the list of countries eligible for Ex-Im funds.

Developments in Asia over the past week show that the trade agenda will forge ahead, with or without the presence of a U.S. president. Negotiations for the 16-member RCEP are getting under way, while China has its own mechanisms for expanding commerce with major ASEAN economies. In this context, it becomes more necessary than ever for the United States and the other 11 negotiating parties of the Trans-Pacific Partnership to conclude their agreement by the year-end target and for Washington to deliver on its intention to make trade the building block of its engagement in Asia.

The coming decade will see different visions for the future of trade and geopolitics in Asia play out, with Southeast Asia at the center of it all. Beijing's new charm offensive is the latest move in that game, and the United States must offer a strategic answer without overreacting to China's laudable initiatives. ■



U.S. secretary of state John Kerry met with leaders of ASEAN nations and other Asia Pacific countries at the East Asia Summit in Brunei. <http://www.flickr.com/photos/statephotos/10183829043/>

ASEAN

- **Kerry attends U.S.-ASEAN and East Asia summits.** U.S. secretary of state John Kerry attended the ASEAN-U.S. Summit and the East Asia Summit (EAS) on October 9 and 10 in Brunei. The secretary met with all 10 ASEAN leaders at the ASEAN-U.S. Summit, where he pledged increased U.S. engagement in Southeast Asia. He also called for a lawful resolution of the South China Sea disputes at the EAS. Kerry took the place of U.S. president Barack Obama who was unable to attend due to a partial government shutdown in the United States.
- **Asia Pacific leaders form alliance to fight malaria.** Asia Pacific leaders on October 11 endorsed the creation of the Asia-Pacific Leaders Malaria Alliance. It will initially include Australia, Cambodia, China, Laos, Myanmar, Thailand, and Vietnam. The Asian Development Bank will act as secretariat for the alliance through advocacy efforts and convening regional summits. Malaria, a mosquito-carried infection, affects 36 million people and kills around 49,000 in the Asia Pacific each year, according to the *Wall Street Journal*.
- **ASEAN countries adopt haze monitoring system.** ASEAN member states agreed on October 9 to adopt a new system to improve the monitoring of haze in the region. Smog caused by forest fires in Indonesia blankets Singapore and Malaysia and affects Brunei and Thailand every year. The new monitoring system, which will require governments to share satellite data to pinpoint origins of a fire, is aimed at making the plantations responsible for haze more accountable. Singapore's prime minister Lee Hsien Loong lauded the agreement as a "concrete example" of ASEAN cooperation.
- **Li Keqiang proposes seven-point plan at ASEAN-China Summit.** Chinese premier Li Keqiang proposed a seven-point plan to improve security, trade, and diplomatic cooperation between China and ASEAN at the ASEAN-China Summit on October 9. The plan included a proposal to sign a treaty of "good-neighborliness, friendship, and cooperation." Li said that the plan stems from the need for China and ASEAN to develop mutual trust and good relations as well as economic cooperation. Li also mentioned that China welcomes proposals from ASEAN countries.
- **India announces mission to ASEAN, readiness to sign FTA.** Indian prime minister Manmohan Singh announced on September 10 that India will

establish a permanent mission to ASEAN with a resident ambassador based in Jakarta. Singh also mentioned that India was ready to sign a free trade agreement (FTA) with ASEAN member states on services and investment by the end of 2013 and will be ready to implement an accord by the end of 2014. The FTA is expected to boost India-ASEAN trade to \$100 billion in 2015, up from \$76 billion in 2012.

APEC

- **APEC Leaders Meeting concludes in Bali.** Leaders at the October 7-8 APEC forum in Bali issued a joint statement agreeing to deepen economic ties in the Asia Pacific and stressed the need to liberalize trade and resist protectionist measures. U.S. secretary of state John Kerry, who attended the meeting in place of President Barack Obama, and Chinese president Xi Jinping said they would boost trade and investment with smaller APEC countries. The agreements followed the release of an Asian Development Bank revised forecast that predicts a four-year low for growth in the APEC region in 2013.
- **Papua New Guinea chosen to host 2018 APEC summit.** Officials at the APEC Leaders Meeting approved Papua New Guinea's bid to host the 2018 APEC summit in the nation's capital of Port Moresby for the first time. Prime Minister Peter O'Neill released a statement on October 9 saying the approval reflects his country's growing importance and influence in the region. Beijing will host APEC in 2014, followed by Manila in 2015, Lima in 2016, and Hanoi in 2017.
- **Shinzo Abe offers infrastructure support to APEC region.** Japanese prime minister Shinzo Abe on October 7 offered to help countries in the APEC region improve transport and energy infrastructure. Japan's offer comes after China suggested the creation of an infrastructure bank focused on investing in road, rail, and power projects in the region. Japan has boosted its investments in regional infrastructure, including a power plant project in Indonesia that has been delayed for a year due to land procurement issues.

MYANMAR

- **Government releases 56 political prisoners.** President Thein Sein granted amnesty to 56 political prisoners on October 8 ahead of the East Asia and ASEAN summits and during government peace talks with the Kachin ethnic group. Those released were mostly members of the Kachin Independence Army and the Shan State Army. Around 133 political



U.S. secretary of state John Kerry addresses the 2013 APEC Leaders Meeting in Bali.
<http://www.flickr.com/photos/87413150@N06/10096036043/>

prisoners remain behind bars in Myanmar, according to the Assistance Association of Political Prisoners. Their Sein promised during a trip to Great Britain in July that all political prisoners will be freed by the end of 2013.

- **Small bomb blasts hit Myanmar.** A series of unexplained, small bomb explosions have hit several locations in Myanmar since October 8, causing two deaths and at least four injuries. The most high-profile detonation, which occurred in Yangon on October 14 and injured a U.S. citizen, took place in a guest room at Traders Hotel, Myanmar's most prestigious hotel and a popular tourist destination. Police have detained at least seven suspects, including a Malaysian citizen, for alleged involvement in the bombings.
- **Myanmar launches first prepaid card.** Myanmar's Co-Operative Bank and MasterCard on October 8 launched the EASI Travel Master Card, the first prepaid travel card available to Myanmar residents for use overseas. The card allows users to deposit up to \$5,000 and frees citizens to travel without carrying large amounts of cash. Two-thirds of Myanmar consumers who have traveled overseas say they plan to travel again within the next year and spend around \$1,300 abroad, according to a MasterCard survey.
- **Government and Kachin group sign preliminary deal.** The government and the Kachin Independence Organization (KIO) signed a preliminary seven-point agreement in Myitkyina, Kachin state, on October 10. The agreement calls for the establishment of a joint monitoring team to observe troops on the frontlines and the development of a plan for the voluntary return and resettlement of internally displaced persons, as well as the reopening of roads that have been closed due to ongoing violence. Both parties also agreed to work together toward a nationwide cease-fire and lay a foundation for political dialogue.
- **Police detain 44 for mob violence in Rakhine state.** Authorities detained 44 people in Thandwe, Rakhine state, for alleged involvement in recent mob violence that killed five Muslims and injured several others. Police said that most of those arrested were Buddhists, including a local representative of the Rakhine Nationalities Development Party. According to analysts, the arrests demonstrate the growing pressure on the government to hold accountable those who incite communal violence and unrest.



Muslim homes destroyed by rioting in Rakhine state in 2012. Police arrested 44 people for inciting ethnic violence against Muslims during a recent bout of rioting.
<http://www.flickr.com/photos/69583224@N05/7793019840>

- **Japan's development agency to provide over \$900 million in aid.** Japan International Cooperation Agency (JICA) chairman Akihiko Tanaka announced on October 4 that Japan will contribute over \$900 million in aid to Myanmar. The aid money will be directed toward developing Myanmar's infrastructure. JICA also signed an agreement with Myanmar's Ministry of Science pledging \$13.5 million to promote educational cooperation between the two countries. Myanmar is the fourth-largest recipient of JICA aid in ASEAN, after Vietnam, Indonesia, and the Philippines.

INDONESIA

- **Chief justice of Constitutional Court arrested on bribery charges.** Indonesia's Corruption Eradication Commission (KPK) arrested Constitutional Court chief justice Akil Mochtar on October 2 under allegations that he accepted bribes to fix a case regarding an election dispute in Central Kalimantan. The KPK also detained and placed travel bans on five others, including Akil's wife. Luxury cars, illegal drugs, and over \$175,000 in cash were confiscated from Akil's home following his arrest. President Susilo Bambang Yudhoyono expressed shock at the arrest of Akil, who was previously lauded for his anticorruption rhetoric.
- **Joint report tracks impact of U.S. investment in Indonesia.** The American Chamber of Commerce in Indonesia, the United States Agency for International Development, and the U.S. Chamber of Commerce released a report on October 3 revealing that 242 Indonesian jobs are created for every \$1 million invested by U.S. companies in the country. The report also showed that every \$1.00 invested by U.S. companies boosts Indonesia's gross domestic product by \$1.44. According to the report, U.S. companies plan to invest over \$61 billion in Indonesia in the next three to five years.
- **Bank Indonesia implements plans to regulate currency hedging.** Bank Indonesia will require companies and individuals to provide documentation of economic transactions, including foreign debt and international trade, before using lenders to secure currency hedging transactions, according to an October 9 Bloomberg report. The bank will use a number of criteria, including a company's volume of international trade, to determine the length and amount of currency hedges allowed in an effort to stabilize the highly volatile rupiah. The regulation also allows state-owned enterprises to hedge against domestic currency swings.
- **Xi Jinping addresses parliament.** Chinese president Xi Jinping became the first foreign leader to address the Indonesian parliament on October 3, speaking about China's desire to deepen trade and investment ties as Indonesia's second-largest trading partner. Xi also said China and

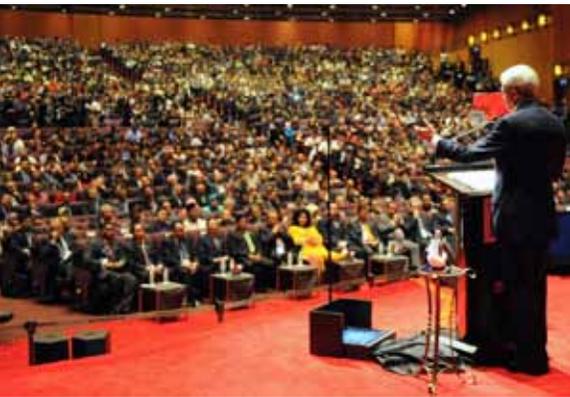


The headquarters of the Corruption Eradication Commission (KPK) in Jakarta. The KPK arrested Constitutional Court chief justice Akil Mochtar on October 2. <http://commons.wikimedia.org/wiki/File:KPK.jpg>

ASEAN should resolve territorial disputes “in a peaceful manner so as to safeguard regional stability and peace,” according to a BBC report. Xi met with President Susilo Bambang Yudhoyono on October 2 and agreed to cooperate on trade, investment, and infrastructure.

MALAYSIA

- **Kerry, Froman, Pritzker visit Malaysia.** Secretary of State John Kerry visited Malaysia on October 11, accompanied by Commerce Secretary Penny Pritzker and U.S. Trade Representative Michael Froman. Kerry gave the keynote speech at the Global Entrepreneurs Summit, where he lauded Malaysia’s multifaith society as a model for the world. He also met with Prime Minister Najib Razak and members of his cabinet. Kerry was filling in for President Barack Obama, who was forced to cancel a planned trip to Malaysia due to the partial government shutdown in Washington.
- **Mukhriz criticized for prioritizing ruling coalition supporters.** Loh Seng Kok, deputy chairman of the Malaysian Chinese Association (MCA), on October 8 criticized Kedah state chief minister Mukhriz Mahathir for endorsing policies “contrary to the [Barisan Nasional (BN)] spirit.” The MCA is a member of the ruling BN coalition. Mukhriz reportedly said September 24 that the Kedah state government would not assist Chinese schools in Kedah and would instead focus on helping BN supporters. Mukhriz, son of former prime minister Mahathir Mohamad, is currently running for the vice presidency of the BN’s major party, the United Malays National Organization.
- **Parliament passes indefinite detention law.** The Parliament of Malaysia on October 3 approved controversial changes to the state’s security law to allow authorities to detain without trial any criminal suspects deemed a security threat. Critics have said the amendment is too vague and see it as a sign that the government is backtracking on reforms to strengthen the rule of law. Home Minister Ahmad Zahid caused further outrage on October 5 when he encouraged police to “shoot first” when faced with criminal gangs.
- **Xi Jinping meets with Najib, Mahathir.** Chinese president Xi Jinping visited Kuala Lumpur on October 3-5 during which he and Malaysian prime minister Najib Razak signed a five-year commitment to step up military cooperation and set a bilateral trade target of \$160 billion by 2017. Xi also met with former prime minister Mahathir Mohamad, who proposed that the two governments form a Malaysia-China trade association and develop a pipeline from China to the Straits of Malacca, according to Bernama News Agency.

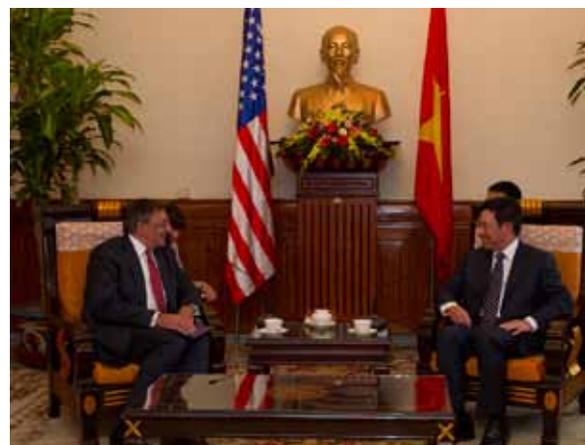


U.S. Secretary of State John Kerry addresses the Global Entrepreneurship Summit during a visit to Kuala Lumpur on October 11. <http://www.flickr.com/photos/statephotos/10202975366/>

- **Court restricts use of “Allah” among Christians.** A Malaysian appellate court on October 13 declared that Malaysian-language Christian publications cannot use the word “Allah” to refer to God. This reversed a 2009 lower court ruling that found the word transcended religious lines. Critics say the ruling violates the religious freedom guaranteed by the Malaysian constitution and stokes unnecessary religious tensions. Churches in the states of Sabah and Sarawak have vowed to use the term in defiance of the court’s decision.

VIETNAM

- **Vietnam Communist Party plenary convenes in Hanoi.** The Communist Party of Vietnam’s Central Committee drafted a resolution covering macroeconomic policy, inflation control, amendments to the 1992 constitution, and education reform during its 10-day plenum that ended on October 9 in Hanoi. Committee members agreed that economic stabilization and growth have been Vietnam’s greatest recent successes, but stressed that controlling inflation and improving efficiency in production will be important tasks for 2014.
- **Court sentences U.S.-educated blogger to prison.** A Hanoi court sentenced U.S.-educated human rights lawyer Le Quoc Quan to 30 months in prison on October 2 for tax evasion. Quan was arrested in December 2012 shortly after posting a blog critical of the Communist Party. The U.S. Embassy in Hanoi released a statement denouncing the conviction as politically motivated, underscoring that human rights remain a sore point in U.S.-Vietnam relations.
- **United States, Vietnam reach nuclear deal.** U.S. secretary of state John Kerry signed an agreement with his Vietnamese counterpart Pham Binh Minh on October 10 for the United States to provide Vietnam with nuclear fuel and technology for civilian purposes. Vietnam is the second-largest market for nuclear energy in East Asia and the industry is expected to grow to \$50 billion by 2030. Vietnam already has agreements in place with Russia and Japan to build nuclear reactors in the country over the next 15 years.
- **Vietnam’s stock market rallies on strong cash inflow.** Vietnam’s stock market continued to advance during late September and early October on the back of strong cash flows into the country. Market watchers say the market rise is a result of investors’ growing confidence in Vietnam. The stock market index is up 16 per cent since the start of 2013, making it one of the world’s best-performing bourses in emerging markets. The Hanoi Stock Exchange launched a new index on October 11 to help investors track Vietnam’s bond market.



Vietnamese foreign minister Pham Binh Minh with then U.S. defense secretary Leon Panetta in Hanoi in 2012. Minh recently signed a civilian nuclear cooperation agreement with U.S. secretary of state John Kerry in a sign of the growing bilateral relationship. <http://www.flickr.com/photos/68842444@N03/7336303122/>

PHILIPPINES

- **Kerry cancels Manila trip, vows to be back by end of year.** Secretary of State John Kerry on October 10 canceled a planned visit to the Philippines due to Tropical Storm Santi, which made landfall in the country the following day. Kerry said that he plans to visit the Philippines “within a month” during a trip that will include Vietnam, but no official date was set. Kerry was set to fill in for President Barack Obama, who canceled a planned visit to Manila because of the partial U.S. government shutdown.

- **Powerful earthquake devastates central Philippines.** A powerful 7.2-magnitude earthquake struck the central Philippines on October 15, toppling historic buildings, injuring hundreds of people, and killing at least 151. The earthquake, which was centered in the Visayan Islands and also affected Mindanao, had the “energy equivalent to around 32 Hiroshima atomic bombs,” according to Philippine Institute of Volcanology and Seismology director Renato Solidum. President Benigno Aquino flew to Bohol and Cebu on October 16 to survey the earthquake’s damage.

- **Moro leaders charged for Zamboanga crisis.** The Zamboanga City Regional Trial Court on October 9 ordered the arrest of Moro National Liberation Front (MNFL) splinter group leader Nur Misuari and his three lieutenants for their connections to the September hostage crisis in Zamboanga. The judge recommended a \$4,650 bail for Misuari, Habier Malik, Assamin Hussin, and Bas Arki. The Department of Justice charged them on October 6 with rebellion and violation of international humanitarian law for the 21-day siege that resulted in 218 deaths and 100,000 people displaced from their homes.



Nur Misuari, the leader of a splinter group of the Moro National Liberation Front. The Zamboanga City Trial Regional Court charged Misuari and his three lieutenants in connection with a hostage crisis that left 218 people dead. <http://www.flickr.com/photos/54106155@N00/3334284255>

- **Moody’s upgrades Philippines to investment grade.** Moody’s Investor Service on October 3 raised the Philippine government debt’s rating by one notch to the lowest investment grade, Baa3. Moody’s cited “robust economic performance,” ongoing fiscal and debt consolidation, political stability, and improved governance. The Philippine economy grew at 7.6 percent in the first half of 2013, one of the fastest-growing economies in the Asia Pacific region and across emerging markets internationally. Standard & Poor’s and Fitch Ratings both upgraded the Philippines to investment grade in early 2013.

- **Officials file plunder complaint against ex-president.** The National Bureau of Investigation on October 3 filed plunder charges against former president Gloria Macapagal-Arroyo and 23 others for alleged involvement in the Malampaya fund scam. Arroyo is accused of “intentional leniency”

or “gross inexcusable negligence” of the Malampaya fund, which allocates \$20.9 million to a natural gas project that feeds three power plants in Luzon. Under Arroyo’s supervision, no agency work or development plan was submitted proving that the Malampaya funds would be used for its actual purpose, according to Justice Secretary Leila de Lima.

THAILAND

- **Chinese premier visits Thailand.** Chinese premier Li Keqiang signed six agreements with Prime Minister Yingluck Shinawatra during an October 11-13 visit to Thailand. The agreements cover trade relations, infrastructure development, and energy, among other areas of cooperation. Li also became the first foreign leader to address the Thai parliament in more than a decade. China agreed to buy over 1 million tons of rice and 220,000 tons of rubber from Thailand annually and pushed to renew a sidetracked agreement for a China-Thailand high-speed railway.
- **At least 20 explosions rock restive south; government postpones peace talks.** Approximately 26 bombs planted in automated teller machines in Thailand’s four southernmost provinces exploded on October 9, with injuries reported but no fatalities. A group of soldiers was ambushed on the same day in Narathiwat province, with one killed and four others injured. Police also received reports of arson and the shooting of a teacher in Pattani province. The government indefinitely postponed planned peace talks with the insurgent group Barisan Revolusi Nasional in light of the attacks.
- **Protests spark heightened security measures in Bangkok.** Lawmakers invoked the Internal Security Act, which grants authorities increased powers to impose security measures, in three districts of Bangkok from October 9 to 18. The decision followed growing antigovernment protests by the People’s Democratic Force to Overthrow Thaksinism (Pefot), which staged rallies on October 9 in an effort to block government attempts to amend the constitution. Pefot members agreed to disperse the next day during Chinese premier Li Keqiang’s visit on the condition that the Thai government does not file any legal charges against protestors.
- **Typhoon Wutip batters Thailand and Vietnam.** Typhoon Wutip caused heavy rains in Thailand on October 1, worsening flooding that had inundated 32 provinces in Thailand since mid-September and left 23 people dead. The typhoon was the most powerful to hit mainland Southeast Asia in 2013. It damaged approximately 1,000 homes and killed three people in Vietnam and left 58 Chinese fishermen missing in the South China Sea after sinking their three boats.



Chinese premier Li Keqiang, who visited Thailand on October 11-13 to meet with Prime Minister Yingluck Shinawatra and members of Parliament. <http://www.flickr.com/photos/worldeconomicforum/9721598871/in/photostream/>

CAMBODIA

- **World Bank predicts 7 percent growth for Cambodia this year.** The World Bank on October 7 released its *East Asia and Pacific Economic Update*, predicting that the Cambodian economy will grow 7 percent in 2013. The bank cited as a primary driver of growth the ability of Cambodian industry to adapt to demands in foreign markets. The country still faces economic risks, including the unknown impact of postelection political uncertainty.
- **Opposition calls for a mass protest on October 23.** The opposition Cambodia National Rescue Party (CNRP) announced on September 28 that it plans to hold a mass protest at Freedom Park in Phnom Penh on October 23. The protest will call for the United Nations to launch an independent probe into Cambodia's July elections, which the CNRP says were tainted by fraud. The protest coincides with the anniversary of the 1991 Paris Peace Accords that ended two decades of civil war in Cambodia.
- **Garment workers strike to demand higher wages.** Cambodian garment workers went on strike on September 27, demanding higher wages and improved working conditions. The government raised the national minimum wage to \$80 per month, but has failed to halt a series of strikes that have completely stopped production at some factories. Workers held 83 strikes between January and July. The garment industry accounts for 80 percent of Cambodia's exports and employs approximately half a million people.

TRANS-PACIFIC PARTNERSHIP

- **TPP leaders cite “significant progress” in negotiations.** Leaders of the 12 countries negotiating the Trans-Pacific Partnership trade agreement released a statement on October 8 announcing they are on track to complete negotiations by the end of 2013. Officials held a series of negotiations on the sidelines of the APEC Leaders Meeting, and the leaders cited “significant progress.” Members have been encouraged by Japan's resolve to continue with negotiations despite facing difficult decisions on whether to remove protections on its agricultural and automotive industries.
- **Najib says TPP needs to be discussed in Parliament.** Malaysia's prime minister Najib Razak announced on October 6 that he will raise the Trans-Pacific Partnership (TPP) for discussions in Parliament before making a final decision on whether to sign the trade pact. Najib affirmed the TPP would give Malaysian companies easier access to a large consumer market and generate more jobs, but he stressed that he will not compromise



Protesters in Washington hang anti-Trans-Pacific Partnership (TPP) banners outside the U.S. Trade Representative's Office in September. Leaders of TPP negotiating countries have said they are on track to complete negotiations by the end of 2013. <http://www.flickr.com/photos/69842239@N02/9902251295/>

on national interests during the negotiations. Malaysia has particular concerns about how the TPP will affect state-owned enterprises and government procurement.

SOUTH CHINA SEA

- **Taiwan conducts natural gas and oil survey at Itu Aba Island.** Taiwanese legislator Lin Yu-fang released a statement on October 9 announcing that a team of CIC Corporation technicians had sailed to Itu Aba Island to conduct a natural gas and oil survey. The team completed its survey the day before and was escorted back to Taiwan by a naval fleet composed of a dock landing ship and a frigate. Itu Aba, the largest of the Spratly Islands, is claimed by Taiwan, China, and Vietnam.
- **Philippines building naval base at Oyster Bay in Palawan.** The commander of the Philippines' Naval Forces West, Commodore Joseph Rostum Peña, told Reuters on October 1 that the Philippines will convert Oyster Bay into a major naval base. The base will be a "mini-Subic" with a port that will extend the navy's two frigates' ability to patrol the Spratly Islands. Peña said that funding for the new base is included in the \$1.8 billion Philippine military modernization plan. Oyster Bay is only about 100 miles from the Spratlys.
- **Consensus on code of conduct reiterated at ASEAN meeting in Brunei.** U.S., ASEAN, and Chinese officials discussed a potential code of conduct (COC) for the South China Sea during the ASEAN, East Asia, and U.S.-ASEAN summits in Brunei on October 9-10. Japanese prime minister Shinzo Abe and Philippine president Benigno Aquino both pushed for an early conclusion of the COC during the meetings. U.S. secretary of state John Kerry said that a COC is a "necessity for the long term," but also emphasized the importance of "taking steps today." China's premier Li Keqiang meanwhile expressed support for a COC "on the basis of consensus building."

SINGAPORE

- **Nearly half of global crude oil trade to pass through Singapore by 2035.** The International Energy Agency (IEA) released its *Southeast Asia Energy Outlook* on October 2, predicting that 45 percent of all crude oil trade will pass through Singapore's sea-lanes by 2035. Hydraulic fracturing has increased U.S. production of oil and gas, decreasing demand from the United States and redirecting supplies to China and other major Asian oil consumers. Consequently, the IEA predicts that 16 million barrels of crude oil will pass through Singapore per day by 2035, up from 12.5 million barrels in 2012.



Members of the Philippine Navy. The Philippines will build a new naval base at Oyster Bay in Palawan. <http://www.flickr.com/photos/36521985736@N01/5987138254>



Ships off the coast of Singapore. Nearly half of global oil trade will pass through Singapore's sea-lanes by 2035, according the International Energy Agency. <http://www.flickr.com/photos/deerisch/5018765144/>

- **High Court rejects constitutional challenge against anti-gay law.**

Singapore High Court judge Quentin Loh on October 2 rejected a petition challenging the constitutionality of a law criminalizing sexual activity between men. Judge Loh, who rejected a similar petition in April, reiterated his earlier ruling that the law would have to be amended in Parliament, not overturned by the court. Tan Eng Hong, who brought the petition before the court, may next decide to take his case to the Court of Appeal, Singapore's highest judicial body.

LAOS

- **Laos launches free vaccination program.** The Global Alliance for Vaccines and Inoculations (GAVI) announced on October 2 that Laos had become the first country in Southeast Asia to introduce the pneumococcal vaccine and to begin a demonstration project for the human papillomavirus (HPV) vaccine. Vaccinations began at a formal ceremony in Vientiane that day. An estimated 180,000 infants will receive the pneumococcal conjugate vaccine and 13,000 schoolgirls will receive the HPV vaccine by October 2014.

- **Laos, Asian Development Bank step up communicable disease cooperation.** The Asian Development Bank and the Lao Ministry of Health will spend more than \$5 million on strengthening initiatives to combat HIV/AIDS and other communicable diseases in 2013 and 2014, according to an October 10 *Vientiane Times* report. The project will operate in 12 border provinces in Laos and will focus on disease control, surveillance, and responses to outbreaks.

- **Big business steps in to assist flood victims.** The Lao government received a number of sizeable donations from the country's best-known businesses on October 9 and 10 to help victims of recent flooding. Electricite du Laos and Lao Brewery Company each contributed \$64,000. The post and telecoms industries gave a joint donation of \$13,000, and Lao Airlines and Borikhamxay Mining Company Limited donated to the government's efforts as well. Total flood damages are estimated to total over \$100 million, according to the *Vientiane Times*.

BRUNEI

- **Japan, Brunei agree to strengthen energy cooperation.** Japanese prime minister Shinzo Abe and Brunei's Sultan Hassanal Bolkiah agreed on October 9 to strengthen energy cooperation between their two countries. The sultan pledged to continue exports of liquefied natural gas to Japan, while Abe offered to provide technical support to Brunei in the areas of

renewable energy and energy conservation. Their agreement came on the sidelines of the ASEAN and East Asia summits in Brunei on October 9-10.

- **China, Brunei sign bilateral agreements.** Chinese premier Li Keqiang and Brunei's Sultan Hassanal Bolkiah signed a series of bilateral agreements on October 9 covering agriculture, fisheries, and energy. The agreements came on the sidelines of the ASEAN Summit and related meetings in Brunei. The sultan and Chinese president Xi Jinping agreed in April to upgrade bilateral ties. Trade between China and Brunei increased 80-fold in the past two decades to reach \$1.6 billion in 2012.

MEKONG RIVER

- **Laos criticized for decision to proceed with construction of dam.** Cambodian and Vietnamese officials have criticized Laos for its decision to proceed with construction of the Don Sahong dam on the main branch of the Mekong River. As a member of the Mekong River Commission (MRC), Laos is obligated to give the organization six months' notice for any new project on the river, but did not do so. The World Wildlife Fund called for an emergency meeting of the MRC on October 4 in the wake of Vientiane's decision.

TIMOR-LESTE

- **Asian Development Bank upgrades to resident mission in Timor-Leste.** The board of directors of the Asian Development Bank (ADB) upgraded its Special Office in Timor-Leste to a resident mission on October 8 in recognition of the expanding portfolio of development projects under way and the bank's continued commitment to Timor-Leste's development. ADB is currently helping fund the Dili Urban Water Supply Sector Project and the Road Network Sector Project, as well as multiple projects to develop the country's banking and financial sectors. ■



Chinese president Xi Jinping (left) and Brunei's Sultan Hassanal Bolkiah (right) with APEC 2013 host and Indonesian president Susilo Bambang Yudhoyono (center). China and Brunei are increasing bilateral ties through trade and other agreements. <http://www.flickr.com/photos/apec2013/10133491096/>

Looking Ahead

- **Conference on strategic stability in Asia.** The S. Rajaratnam School of International Studies will host a conference on October 18 on strategic stability in Asia. It will feature panel discussions with experts from the United States, India, China, and Southeast Asia to discuss major power relations and security challenges in the greater Asian region. The event will be held from 8:30 a.m. to 12:00 p.m. at the Willard InterContinental Hotel, Pierce and Buchanan Rooms, 1401 Pennsylvania Ave., NW. [Click here](#) to RSVP.
- **Screening of Australian film *The Rocket*, set in Laos.** The National Geographic Society and the Embassy of Australia will cohost a premier screening of *The Rocket* on October 22. The 2013 Australian movie is one of the first feature films for international release set and shot in Laos. It tells the story of Ahlo, a boy who is believed to bring bad luck, and his attempt to prove to his family that he is not cursed. The screening will be held at 7:30 p.m. at 1600 M St., NW. Tickets are \$10. [Click here](#) to RSVP.
- **Presentation on subregional governance in Myanmar.** The Asia Foundation will host a presentation on October 23 of its new study on subregional governance in Myanmar. The authors of the study, Matthew Arnold, Hamish Nixon, and Tin Maung Than, will discuss core challenges to decentralization in Myanmar. The event will be held from 9:30 a.m. to 11:30 a.m. at the Carnegie Endowment for International Peace, Root Room, 2nd Floor, 1779 Massachusetts Ave., NW. [Click here](#) to RSVP.
- **Discussion on the U.S. rebalance and ASEAN regionalism.** The Sigur Center for Asian Studies at George Washington University will host a discussion on October 23 on the U.S. rebalance to Asia and ASEAN regionalism. The East West Center's Julio Amador III will be the main speaker. The event will be held from 12:30 p.m. to 1:45 p.m. at George Washington University, Lindner Commons, Room 602, 1957 E St., NW. [Click here](#) to RSVP.
- **CSIS 2013 Global Security Forum.** The Center for Strategic and International Studies will host its 2013 Global Security Forum on November 5. The forum will address critical challenges facing the United States and global security with a keynote address by Secretary of Defense Chuck Hagel. Panels will include "A Simulated Crisis in East Asia." The event will be held from 8:00 a.m. to 4:30 p.m. at CSIS's new headquarters at 1616 Rhode Island Ave., NW. Registration is not yet open, but more details will follow. [Click here](#) for more information.



- **Hugh White at CSIS.** Australian National University professor and international security expert Hugh White will give a presentation on November 6 at the Center for Strategic and International Studies on his views of the U.S. rebalance to the Asia Pacific. White will provide insight into broader regional strategic and alliance issues, and will talk about his recent book, *The China Choice*. Registration for the event is not yet open, but more details will follow. ■

SOUTHEAST ASIA FROM THE CORNER OF 18TH & K STREETS

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