China’s Air Defense Zone Highlights Need for Contingency Planning in Southeast Asia

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Beijing’s recent announcement of an East China Sea Air Defense Identification Zone (ADIZ) has the region wondering whether similar zones will follow, especially in the highly disputed South China Sea. China’s ambassador to Manila has said that Beijing reserves the right to set up an ADIZ over the South China Sea, a statement that sent chills through the region. But the real question is not whether China will assert more ADIZs in disputed waters, but what its new zone says about Beijing’s evolving strategy in Asia and how the United States and its regional partners should respond to future developments.

Beijing is unlikely to announce an ADIZ in the South China Sea in the immediate future, and its newly announced good neighbor policy offers U.S. policymakers a window to begin thinking about contingency plans for a future, more aggressive Chinese course of action.

Southeast Asian countries are puzzled by the ADIZ and China’s other mixed signals. A little more than a month ago, President Xi Jinping and Premier Li Keqiang went on a diplomatic blitz to five ASEAN countries. Xi then told a closed-door meeting of high-level party leaders that the country was launching a new policy whose guiding principle would be to treat neighboring countries as friends and partners. The new neighborhood policy calls for the “best use of strategic opportunities” and the “creation of a close network of common interests,” emphasizing above all that national rejuvenation would be the goal of China’s regional diplomacy.
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In this context, China has been investing in strategic bilateral ties with select ASEAN members. Trade and infrastructure are expected to be the two main drivers of future China-ASEAN ties. Xi and Li seem to understand the need to soften the hostility and heavy-handedness that characterized Beijing’s regional diplomacy during the latter years of the Hu Jintao-Wen Jiabao government. That heavy-handedness was exemplified by the pressure China placed on Cambodia to wreck consensus on the South China Sea at the ASEAN Ministerial Meeting in 2011.

China’s relationships with Malaysia and Vietnam, both claimants in the South China Sea, offer a valuable glimpse into its more nuanced engagement with Southeast Asia.

Malaysia is a significant trading partner for China and an important piece in its new regional strategy. For China, getting its relationship with Malaysia right has two goals. First, it could set an important precedent for how Beijing handles foreign policy with neighbors with whom it has outstanding conflicts. Second, it could serve as a showcase of the new policy toward its neighbors and a reminder to other countries that they have much to gain from cooperating with China.

Malaysia has often looked to China as the engine of regional growth and has supported a greater role for Beijing in regional institutions. Weeks after President Xi’s trip, Malaysian defense minister Hishammuddin Hussein met with his Chinese counterpart, General Chang Wanqan, in Beijing, where both agreed to hold their first joint military exercises next year. Malaysia does not take for granted its claims in the South China Sea—the government decided in mid-October to build a new naval base along the disputed waters off the coast of Borneo—but plans are reportedly in the making to launch direct contact between Malaysia’s Naval Sea Region 2 and China’s South Sea Fleet.

Chinese leaders have also invested in revamping their oftentimes fraught relationship with Vietnam. Chinese policymakers recognize a shared heritage and ideological affinity between the two countries and their ruling Communist parties. While bilateral economic ties have forged ahead, Hanoi is anxious about its large trade deficit with China and overdependence on Chinese imports to fuel its manufacturing sector. Beijing hopes to assuage that concern with new infrastructure initiatives and border area policy.
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During the past year, China and Vietnam have both refrained from heated rhetoric. Beijing even played up the significance of a recent joint agreement between the two governments on the delimitation of the Tonkin Gulf and fishery cooperation in the South China Sea. Like with Malaysia, China is counting on the established government-to-government consultation mechanisms, and strong party-to-party ties, with Vietnam to pay off in the long run.

But China is unlikely to permanently forego aggressive actions for the sake of good bilateral relations. This is one lesson of the new ADIZ, which has provoked both Japan and South Korea, and of China’s ongoing efforts to isolate the Philippines and pressure it to drop its UN arbitration case against Beijing’s South China Sea claims. Days after Beijing announced the East China Sea ADIZ, it deployed an aircraft carrier, the Liaoning, and four escorting warships to the South China Sea for the first time on what the government described as a routine training mission. Against this backdrop, the United States has in place frameworks, especially with Vietnam and the Philippines, that it can use to begin strategic planning for future scenarios in the South China Sea.

The U.S.-Vietnam comprehensive partnership launched in July opened up new avenues for training and cooperation on maritime security and domain awareness. Both the United States and Vietnam should move beyond diplomatic language in their annual Defense Policy Dialogue, which is currently convened at the vice ministerial level, and utilize it as a serious platform to discuss ways in which the two militaries could better coordinate on regional maritime security. The recent agreement signed between the two countries’ coast guards at this year’s defense dialogue is a welcome first step. In addition, Hanoi should rethink its lukewarm approach in recent years toward enhanced military cooperation with Washington in light of Beijing’s long-term game in the East and South China Seas.

It is imperative for the United States to conclude negotiations with the Philippines on an enhanced U.S. troop rotational presence. Bilateral talks stalled just before Typhoon Haiyan hit the central Philippines, due to what Manila said were disagreements over access for Philippine forces to U.S. facilities. Reaching a mutually agreed-upon framework will not only allow the United States to strengthen its force posture in the Western Pacific,
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but also pave the way for U.S. and Japanese military personnel to provide better training to their Philippine counterparts. In the meantime, the United States should show continuous support for the Philippines’ arbitration case against China and for resolving conflicts in accordance with international law.

Secretary of State John Kerry has a timely window of opportunity when he visits both Vietnam and the Philippines next week. In Vietnam, Kerry should stress the strategic importance Washington places on its economic and military cooperation with Hanoi, and call on Vietnam to play a greater role in regional security within ASEAN.

In the Philippines, Kerry should try to reinvigorate the negotiations on U.S. troop rotations, and indicate steadfast support for Manila’s efforts to peacefully handle the South China Sea conflicts. U.S. policymakers need to begin planning for ways to best coordinate with, and among, partners in Southeast Asia in order to avoid a discordant response as that seen between Japan and South Korea to China’s ADIZ.

Neither the United States nor ASEAN should assume they know what China’s next move in Asian waters will be. They certainly did not expect the recent ADIZ announcement. It is therefore important for the Obama administration to start working with friends and allies to be better prepared for coordinated responses to unexpected developments.
THAILAND

• Yingluck dissolves parliament, refuses to resign. Prime Minister Yingluck Shinawatra on December 9 dissolved Thailand’s parliament and called for new elections amid widespread antigovernment protests. Her decision came a day after lawmakers from the opposition Democrat Party resigned from parliament en masse. Yingluck said she would remain in office as head of a caretaker government until elections are held on February 2. Protest leaders continue to call for her resignation and demand an unelected people’s council to appoint the country’s next leaders. Opposition members have declined to indicate whether they will participate in the upcoming elections.

• Report accuses Thailand of dumping Myanmar refugees into human trafficking rings. A special report by Reuters on December 4 stated that the Thai Royal Police have pursued a covert policy of ridding Thailand of Rohingya refugees by delivering them to human traffickers. The refugees were then transported through Thailand and held hostage in a series of hidden camps near the Thai-Malaysian border until relatives paid thousands of dollars for their release. Prime Minister Yingluck Shinawatra has promised to support an investigation of the matter following an outcry from the United States and the United Nations.

• Peace talks with southern insurgents postponed again. Hassan Taib, chief negotiator for the southern insurgent group Barisan Revolusi Nasional (BRN) on December 1 refused to join a planned round of peace talks unless the Thai government accepts the BRN’s five preliminary demands and Prime Minister Yingluck Shinawatra places negotiations on the national agenda. The BRN’s demands include that the government release detained insurgents and recognize the BRN as a liberation group rather than as a separatist movement. The government and the BRN have held three rounds of peace talks since February, with the fourth scheduled for early December.

• Rice stockpiles expected to climb in 2014. The United Nations Food and Agriculture Organization said on December 4 that Thailand’s rice stockpiles will increase by 17 percent in 2014 as the government continues its controversial rice-buying program. The policy, which Prime Minister Yingluck Shinawatra introduced in 2011 to boost rural incomes, led to a buildup of rice stockpiles as farmers output increased and exports fell. The government has spent nearly $22 billion since October 2011 on rice
purchases. It tried to cut the prices paid to farmers in June, but backed off amid mounting protests.

INDONESIA

- **Indonesia to implement ore export ban in January.** Coordinating Minister for Economic Affairs Hatta Rajasa announced on December 5 that Indonesia will go ahead with a ban on unprocessed ore exports scheduled to take effect in January, despite possibly increasing the nation’s current-account deficit. Jakarta first proposed the ban in 2009 as a way to control supply, add value to exports, and develop downstream production activity. It is expected to cost Indonesia $4.8 billion in lost export revenue annually and could deter foreign investors, according to the *Wall Street Journal*.

- **Extremist activity spreading beyond Poso.** Low-level extremist activity spread beyond Poso, Central Sulawesi, where it has long been a problem, to bigger cities such as Makassar in 2013, according to a December 1 *Wall Street Journal* report. Counterterrorism chief Ansyaad Mbadi said the reported spread in extremist activity does not indicate an increase in the number of terrorists, but rather that increasing state arrests and raids have caused terrorists in Poso to disperse. President Susilo Bambang Yudhoyono in 2013 instructed the military to take up a larger role in helping the police fight terrorism.

- **Australian foreign minister visits Jakarta to combat spying fallout.** Australian foreign minister Julie Bishop met with her Indonesian counterpart, Marty Natalegawa, in Jakarta on December 5 to discuss the recent chill in relations caused by revelations that Australia gathered intelligence on Indonesian officials, including President Susilo Bambang Yudhoyono. Bishop confirmed that Australia will adhere to Yudhoyono’s six-step plan to repair relations, including reaching a code of conduct.

- **Indonesia still grappling with investment challenges.** Indonesia’s current-account deficit continues to worsen as foreign capital leaves the country despite the most aggressive interest-rate tightening the country has employed in eight years, according to a December 5 *Bloomberg* article. Central bank deputy governor Perry Warjiyo warned that Indonesia must find other ways to attract investment amid the pending rollback of U.S. fiscal stimulus measures. *Bloomberg* suggests that Indonesia’s politicians have grown complacent about the need for pro-growth reform.
• **Golkar sticking with tycoon Aburizal Bakrie despite unpopularity.** Golkar, the political party of former president Suharto, announced on November 25 that it has “a lot of work to do” to boost the image of its unpopular presidential candidate, tycoon Aburizal Bakrie. A September poll by the Indonesia Research Center suggests that Bakrie would receive less than 10 percent of the national vote. He trails far behind the Gerindra party’s Prabowo Subianto and the Indonesian Democratic Party of Struggle’s Joko Widodo, who is not even officially running.

**MYANMAR**

• **Next round of ethnic peace talks postponed.** Myanmar government representatives, led by Minister Aung Min, along with 18 representatives from ethnic groups, failed to reach an agreement on conditions for a nationwide cease-fire during December 3 talks in Myitkyina, Kachin state, and decided to postpone further negotiations until late December. The next round of talks will take place in Hpa-an, the capital of Karen state. Although there were no significant results from the latest negotiations, both sides reiterated their commitment to reach a peace agreement.

• **Dawei project opens to international bidders.** The management committee for the Dawei special economic zone in Tanintharyi state announced on December 2 that it has decided to open bidding for the project to international investors. Thailand-based construction group Italian-Thai Development PCL terminated its work on the project after failing to find investment partners for the venture. The planned Dawei project will include a deep-sea port, industrial zone, steel and fertilizer plants, a coal- and natural gas-fired power plant, and a water supply system. Bidding will open on December 20.

• **U.S. House holds hearing on Myanmar policy.** U.S. representative Steve Chabot held a hearing on December 4 of the House Foreign Affairs Asia subcommittee on the Obama administration’s policies toward Myanmar. Skeptical lawmakers questioned a panel of administration officials on the progress of Myanmar’s reforms, the role of the military, and the prospects for bilateral military engagement. State Department senior adviser for Myanmar Judith Cefkin, Defense Department deputy assistant secretary for South and Southeast Asia Vikram Singh, and U.S. Agency for International Development deputy assistant administrator for Asia Gregory Beck testified on the panel.

• **European Union promotes police reform project in Myanmar.** EU officials explained the goals of the European Union’s recently launched 18-month police reform pilot project in Myanmar to a group of media in Yangon.
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on November 29. The project, which began in September, provides about 4,000 police with training in community policing and crowd management and aims to promote police accountability through engagement with civil society and parliament, according to EU ambassador to Myanmar Roland Kobia.

VIETNAM

• **Vietnam passes amended constitution.** The new constitution passed by Vietnam’s National Assembly on November 26 does little to change the political role of the Communist Party or the place of state-owned enterprises (SOEs) in the country’s economy. The new constitution’s reaffirmation of the Communist Party’s dominant political role disappointed many reformers and human rights groups. Vietnam’s partners in the 12-nation Trans-Pacific Partnership negotiations may challenge the role of the state sector in the economy, with countries like the United States calling for a level playing field between private companies and SOEs.

• **Blogger wins journalism award.** The Committee to Protect Journalists on November 26 awarded Vietnamese blogger Nguyen Van Hai a press freedom award in absentia. Hai, also known by his pen name Dieu Cay, is currently imprisoned under a 12-year sentence for the crime of publishing propaganda against the state. Hai was arrested in 2008 for publishing blogs on politically sensitive issues, including government corruption and demonstrations against China over maritime disputes in the South China Sea.

• **Vietnam to fine people for criticizing government online.** Vietnam’s government issued a decree on November 25 explicitly defining the punishment for anyone posting antigovernment rhetoric in online blogs or on social networks. The decree goes into effect on January 15 and specifies heavy fines of between $3,000 and $5,000 for violators. The decree is one of many legal mechanisms the government uses to limit freedom of speech and control the press.

PHILIPPINES

• **Aquino appoints overseer for typhoon reconstruction efforts.** Former senator, national police chief, and presidential candidate Panfilo Lacson on December 1 accepted President Benigno Aquino’s offer to serve as the full-time point person for post-Typhoon Haiyan reconstruction efforts in the Philippines. Presidential spokesperson Edwin Lacierda said that
Aquino had sought a full-time candidate to tackle the massive recovery effort. The administration still needs to issue an executive order outlining Lacson's duties and responsibilities. The Philippine Senate on November 26 approved $2.3 billion for reconstruction efforts.

- **Customs chief accused of graft, tenders resignation.** Customs commissioner Ruffy Biazon on December 2 resigned from his post following allegations by Philippine justice authorities that he misappropriated money from the Priority Development Assistance Fund (PDAF) when he served as a congressman. Biazon, a member of President Benigno Aquino’s Liberal Party, denies claims that he pocketed $45,000 in public funds and said that he quit his post to prevent the Aquino administration from taking advantage of his case. Finance undersecretary John Sevilla was named the new chief of the Bureau of Customs on December 6.

- **U.S. ambassador pushes for troop rotation agreement.** New U.S. ambassador to the Philippines Philip Goldberg on December 2 announced on state-run television that he hopes the Philippines and the United States will sign an agreement to boost the rotational presence of U.S. troops “as soon as possible.” Goldberg said that the ongoing post-typhoon operations by U.S. forces in affected areas offer a good example of the kind of assistance that would be boosted by the agreement. Negotiations for a larger U.S. troop rotational presence came to a standstill in October after Philippine negotiators said they needed more time to study certain provisions.

- **Government, rebels sign power-sharing annex.** The Philippine government and the Moro Islamic Liberation Front ( MILF) on December 9 signed a power-sharing annex to the Framework Agreement on the Bangsamoro, a peace deal that will see the creation of a new autonomous political entity on the southern island of Mindanao. The newly signed annex is the third of four, with only the one on normalization of ties remaining. Formal peace talks between Manila and the MILF for a comprehensive peace agreement began in October 2012.

- **Stock exchange to designate shari’a-compliant companies.** The Philippine Stock Exchange is poised to designate a list of shari’a-compliant companies in December in an effort to attract more Muslim investors to Mindanao province, according to a December 3 *Financial Times* report. The list will include up to 50 companies out of the 300 listed and could lead to
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the creation of a shari’a index, according to the exchange’s chief executive, Hans Sicat. Most investors are buying from shari’a-compliant companies in Malaysia and Indonesia, so the move is aimed at making the Philippines more competitive with its neighbors.

MALAYSIA

• **Mahathir steps down as Petronas chairman following doctor’s advice.** Former Malaysian prime minister Mahathir Mohamad resigned as an adviser to state-run oil company Petronas, effective December 1, after doctors advised him to “slow down.” The 88-year-old Mahathir, who stepped down as prime minister in 2003 after 22 years, has served as an adviser to Petronas, Malaysia’s only Fortune 500 company, for nearly 10 years. Mahathir was admitted to a hospital in November for a chest infection. He had heart bypass surgery following a heart attack in 1989.

• **Singapore spying claims issue closed, according to home minister.** Home Minister Ahmad Zahid Hamidi told reporters on December 3 that Malaysia considers the case of alleged spying by Singapore closed, adding that the long-standing relations between the two countries remained intact. Malaysia summoned Singapore’s high commissioner on November 26 to address allegations, based on documents recently released by former U.S. National Security Agency contractor Edward Snowden, that the city-state intercepted electronic communications from its neighbors.

• **Malaysia stocks hit record high following subsidy cuts.** Stocks in Malaysia have risen to a record closing level amid aggressive steps to cut down on costly energy subsidies and free up cash for infrastructure projects, according to a December 3 Wall Street Journal report. The 8.4 percent rally since late August sets the country on track to be the second-best performer in Southeast Asia, following Vietnam, which has a much smaller market. Political issues in Thailand, a natural disaster in the Philippines, and deficits in Indonesia contribute to the idea that Malaysia is a safe haven in the region.

• **Floods force tens of thousands across Malay Peninsula to evacuate.** Floods have forced over 56,000 people to evacuate their homes across four states in the Malay Peninsula as of December 4. Two are reported dead and two missing. Floods caused by annual monsoons are common in Malaysia, but the heavy rain caused two major dams to burst their banks. The government’s Meteorological Department said most of the rain in flood-hit areas had stopped but that floods remained due to the high tide.
SINGAPORE

- **Traffic accident sparks first riot in over 40 years.** An estimated 400 South Asian workers in Singapore’s ethnic Indian district attacked police and emergency workers, smashed windows, and set fire to vehicles on December 8 in anger over a bus striking and killing an Indian construction worker. The incident was the first major outburst of violence in the city-state in over 40 years and raises questions about festering discontent among migrant workers. The riots left about 40 people injured and 24 charged after authorities deployed 300 police officers to quell the violence.

- **Palm oil giant commits to sustainable practices.** Singapore-listed Wilmar International, which controls 45 percent of global palm oil production, on November 29 committed to environmentally sustainable business practices. Wilmar said it will ensure that products from both its own plantations and those of its suppliers are not linked to deforestation or human rights abuses. The move appears to come in response to mounting pressure on palm oil companies after slash-and-burn agriculture on the Indonesian island of Sumatra blanketed the region in severe smog.

- **Singapore, Malaysia form subcommittee on maritime boundaries.** Singaporean and Malaysian officials decided during a November 28–29 meeting to set up a new subcommittee tasked with drawing up boundaries in disputed waters around Pedra Branca, Middle Rocks, and South Ledge near the eastern entrance to the Singapore Strait. The officials were meeting to discuss implementation of the 2008 International Court of Justice decision granting Pedra Branca to Singapore and Middle Rocks to Malaysia.

- **Singapore signs contracts for two German attack submarines.** Singapore’s Ministry of Defense signed a contract on November 29 for the procurement of two new Type 218SG attack submarines from Germany to help modernize the city-state’s fleet of four Challenger submarines built in the 1960s. The order from ThyssenKrupp Marine Systems will see the subs delivered in 2020 and includes crew training in Germany, air independent propulsion systems, and a logistics package, according to Defense News.

- **Singapore announces plans for international commercial court.** Singapore’s Ministry of Law announced plans on December 3 to launch the Singapore International Commercial Court to assist with the increasing occurrences of cross-border disputes in Asia as regional investment and trade continues to grow. The ministry hopes the establishment of the court will help to make Singapore a regional hub for international arbitration cases.
TRANS-PACIFIC PARTNERSHIP

- Trans-Pacific Partnership talks make progress in Singapore. Trade ministers from the 12 countries negotiating the Trans-Pacific Partnership (TPP) trade deal met in Singapore on December 7-10, and reports suggest they made progress on sticking points like state-owned enterprises, intellectual property rights, and market access issues. The ministers released a statement noting that they identified “potential landing zones” on outstanding issues. The meeting was the last chance for negotiators to meet a self-imposed goal of reaching agreement by the end of 2013, but hopes are high that they will do so at their next meeting in January.

- South Korea to hold talks on joining Trans-Pacific Partnership negotiations. South Korean finance minister Hyun Oh-seok on November 29 expressed his country’s interest in joining negotiations for the Trans-Pacific Partnership trade deal and said his country will soon hold preliminary talks with the 12 countries currently negotiating the TPP. South Korea’s admission to the TPP negotiations would enlarge the already-substantial portion of global trade and gross domestic product the trade deal encompasses. Some TPP countries have suggested new countries would not be admitted until the agreement currently under negotiation is completed.

- Congress close to a deal on trade promotion authority. Key committee chairs of the U.S. House of Representatives and the Senate announced on December 5 that they are close to an agreement on tabling a bill giving President Barack Obama Trade Promotion Authority (TPA), commonly called “fast-track.” TPA allows the administration to speed trade deals through Congress with a simple majority and prevents lawmakers from offering amendments to negotiated agreements.

SOUTH CHINA SEA

- China sends aircraft carrier to the South China Sea. China’s sole aircraft carrier, the CV 16 Liaoning, on December 6 docked for the first time at the new Sanya base in the Paracel Islands. The carrier is in the South China Sea to test its crew and equipment over long distances and in a variety of sea conditions, according to a Xinhua report. The carrier, which is being closely watched by the other five countries disputing China’s claims in the South China Sea, will conduct training exercises at the base for a “considerable period,” according to a spokesman with China’s Defense Ministry.

- Chinese ambassador to the Philippines defends right to air defense zone in the South China Sea. China’s ambassador to the Philippines, Ma Keqing, said on December 2 that Beijing has the sovereign right to set up
an **air defense identification zone** (ADIZ) in the South China Sea. China on November 23 declared an ADIZ over the East China Sea, where it overlaps with those of Japan and South Korea. Ma did not say whether Beijing plans to declare a similar ADIZ in the South China Sea, but she said that it reserves the right to decide “where and when to set up the new air identification zone.”

- **Philippines earmarks more than $11 million to upgrade facilities in Spratlys.** The Philippine Department of National Defense on December 4 said that the government has earmarked $11 million to upgrade airstrip and naval facilities in the disputed Spratly Islands in the South China Sea. The funds will be set aside for improving infrastructure on Thitu Island, which is about 300 miles from Puerto Princesa City and is the second-largest Spratly Island. The Philippines has maintained a small military presence on five islets, two sand bars, and two reefs in the Spratlys since the 1970s.

**CAMBODIA**

- **Opposition releases report on July election.** The opposition Cambodia National Rescue Party (CNRP) on November 28 released a report on irregularities in Cambodia’s July elections. The report says new polling stations that were set up by the ruling Cambodian People’s Party had unusually high turnout rates, and some regions experienced voter turnout of over 100 percent of the eligible population. The CNRP is currently boycotting Parliament in protest of what it says was a stolen election.

- **IMF chief visits Cambodia, Myanmar for the first time.** Managing director of the International Monetary Fund (IMF) Christine Lagarde made her first-ever visits to Cambodia on December 2–3 and Myanmar on December 6–7. She also visited South Korea on December 4–5. While in Cambodia, Lagarde met with Prime Minister Hun Sen and other senior officials. She encouraged the Cambodian government to continue reforms and to follow IMF recommendations to support development.

- **Congressman Ed Royce says Hun Sen “must go.”** U.S. congressman Ed Royce, a Republican and chairman of the House Foreign Affairs Committee, told an audience in Long Beach, California, on November 30 that Cambodia’s prime minister Hun Sen “must go.” He also criticized Cambodia’s July elections, land seizures, and endemic corruption in the country. Long Beach, which Royce represents, is home to a large Cambodian-American community.

*International Monetary Fund managing director Christine Lagarde, who recently made her first visits to Cambodia and Myanmar. [http://www.flickr.com/photos/15237218@N00/368917516](http://www.flickr.com/photos/15237218@N00/368917516)*
ASEAN

• Corruption perceptions improve in Myanmar, Brunei, Laos. Myanmar moved up six points and Brunei and Laos improved five points in Transparency International’s annual Corruption Perceptions Index released on December 3. The index measures perceived levels of public sector corruption worldwide on a scale from zero, meaning highly corrupt, to 100. Perceptions of corruption in other Southeast Asian countries were largely consistent with 2012 levels, with seven countries remaining at last year’s levels or moving only one or two points from their previous scores.

• ASEAN Business Club releases report on easing trade barriers. The ASEAN Business Club on November 29 released its Lifting-the-Barriers report, which outlines strategies to improve free trade in Southeast Asia in the lead-up to 2015, the year in which Southeast Asian countries hope to achieve economic integration under the ASEAN Economic Community. The report noted that nontariff barriers between ASEAN countries remain high, despite the elimination of roughly 99.7 percent of tariff lines. The ASEAN Business Club, a grouping of leading businesses supporting economic integration, also called for more robust public sector-private sector engagement within ASEAN.

LAOS

• Laos hosts subregional dialogue on pollution control. Lao officials met with representatives from all the Mekong riparian countries and the United Nations Environment Program in Vientiane on November 27–29 to discuss and share experiences on controlling the trade in ozone-depleting substances. The meeting focused on strengthening the control and monitoring of hydrochlorofluorocarbons, ozone-depleting substances used for refrigeration and air-conditioning.

• Sinohydro approves spending of up to $39 million on Laos hydroelectric project. Sinohydro Group, China’s largest builder of hydroelectric dams, said its board of directors has approved a plan to spend as much as $39.2 million on preliminary work at a hydroelectric project in Laos, according to a December 3 Bloomberg report. Sinohydro is a state-owned hydropower and engineering company and ranks as the sixth-largest among all Chinese construction companies, as listed by Engineering News-Record.

• Laos unveils detailed tourism development plan. Lao officials announced 21 projects costing $10.3 million to be implemented in 2014 to develop
the country’s tourism sector, according to a December 1 Vientiane Times report. The projects include capacity-building for tourism officials, establishing community-based tour guides, and developing facilities on tourism sites. Tourism is the country’s second-largest revenue generator, and more than 3.3 million tourists injected over $500 million into the economy in 2012.

- **Government examines land rights policy for Lao expatriates.** The Lao government is looking at modifying its policies on land ownership rights for Lao expatriates in order to encourage overseas Lao people to return to the country, according to a December 3 Vientiane Times report. Thuan Vorasarn, Lao Overseas Director General, told the Vientiane Times that about 80 percent of the 500,000 Lao people living abroad hold citizenship in their new home countries. Most of those people left Laos after the communist victory in 1975.

**TIMOR-LESTE**

- **Timor-Leste tenders evidence of Australian eavesdropping in Hague arbitration over resources.** Timor-Leste on November 28 announced that it would bring evidence before an arbitration tribunal at The Hague to demonstrate that its 2006 treaty with Australia regulating the exploitation of lucrative petroleum deposits in the Timor Sea is now invalid because of revelations that Australia had planted microphones in the Timorese cabinet room during negotiations for the treaty. Australia recently detained a “first-hand witness” to the alleged spying and raided the office of a lawyer involved in the proceedings. The 2006 treaty is worth billions of dollars in potential hydrocarbons.

- **Timor-Leste contributes $250,000 to Pacific Island Development Forum.** Timor-Leste on November 29 gave the government of Fiji $250,000 to help boost the secretariat of the recently established Pacific Island Development Forum (PIDF). Fiji has championed the PIDF, which held its first meeting in August, as a more representative alternative to the Australia-dominated Pacific Islands Forum. Timor-Leste is one of 23 countries and territories eligible for PIDF membership.

- **ADB study finds Timor-Leste economically vulnerable to climate change.** A November study by the Asian Development Bank (ADB) found that the economic gains Timor-Leste has achieved since independence could be undone by climate change in the future. As much as 10 percent of the country’s annual gross domestic product could be lost to climate change by 2100, according to the report. Increases in temperature will impact fisheries, tourism, coral reefs, human health, and, most significantly, agricultural sectors dependent on rainfall.
BRUNEI

- **Malaysia-Brunei toll-free bridge opens.** A toll bridge linking Malaysia’s Limbang district and Brunei’s Temburong district opened on December 8. The bridge, which cost around $7.7 million, cuts a five-hour ferry ride across the Pandaruan River to a five-minute driving commute. Hasbi Habibollah, lawmaker from Limbang, said that citizens from both countries had waited 50 years for the historic event. Malaysian prime minister Najib Razak and Brunei’s Sultan Hassanal Bolkiah attended the opening.

- **Sultan opens fourth international defense exhibition.** Sultan Hassanal Bolkiah on December 3 opened the fourth Brunei Darussalam International Defense Exhibition (BRIDEX), a biennial platform for leading international defense industry manufacturers, suppliers, and professionals to showcase their latest innovations and technological developments. The highlight of the exhibition was the unveiling of the Sikorsky S-70i Black Hawk, a state-of-the-art helicopter that Brunei plans to use for training missions and humanitarian efforts in Southeast Asia. ■
• **Myanmar hosts Southeast Asian Games.** Myanmar is hosting the Southeast Asian Games from December 11 to 22, marking the third time the country has hosted the games and its first time doing so in 44 years. Opening ceremonies were held in Wunna Theikdi Stadium in Naypyidaw. Most events will be held in Mandalay, Naypyidaw, and Yangon, while water sports will be held on the beaches of Ngwe Saung. The theme for this year’s games is “Clean, Green, and Friendship.”

• **A discussion with Singapore’s defense minister.** CSIS will host a speech by Singaporean defense minister Ng Eng Hen on December 13. Ng will discuss how the United States can strengthen its defense dialogue and cooperation with Asia as the region evolves and countries face potential internal and external challenges to progress. The event will be held from 10:00 a.m. to 11:00 a.m. at 1616 Rhode Island Ave., NW, Second Floor. Click here for more information and to RSVP.

• **Panel discussion on TPP and other trade pacts.** The Brookings Institution will host a panel discussion on December 16 on the potential effects of trade agreements, such as the Trans-Pacific Partnership, the Transatlantic Trade and Investment Partnership, and the Japan-EU Free Trade Agreement, on the rules of international trade and investment worldwide. The event will be held from 10:00 a.m. to 11:30 a.m. at 1775 Massachusetts Ave., NW, Falk Auditorium. Click here to RSVP.

• **A discussion on China’s strategy toward its neighbors.** The Woodrow Wilson Center will host a discussion on December 16 on China’s strategy along its frontier. The discussion will aim to shed light on China’s policies, deployments, and ambitions in the Western Pacific and its 14 border states and Pacific neighbors. The program will conclude with a talk by CSIS senior associate Edward Luttwak, author of *Strategy: The Logic of War and Peace,* on China’s strategy toward regional disputes. The event will be held from 9:00 a.m. to 10:30 a.m. at 1300 Pennsylvania Ave., NW, Fifth Floor. Click here to RSVP.
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