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China's Oil Rig Removal and the ASEAN Regional Forum

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China National Petroleum Corporation (CNPC) made a surprise announcement on July 16: it had decided to withdraw a drilling rig from waters claimed by Vietnam south of the Paracel Islands. The \$1 billion rig had been placed in that disputed zone two months earlier over the objections of Vietnam and the international community, and Beijing had suggested it could remain in place until mid-August to conduct exploratory drilling. The sudden withdrawal, just weeks before the ASEAN Regional Forum (ARF), leaves Washington and its partners with more questions than answers.

The most immediate question following the rig's withdrawal was the obvious, why? CNPC said that the rig, after drilling two exploration wells, had completed its work earlier than scheduled. Samples will now be analyzed, the company said, and after an undisclosed amount of time the next stage of exploration might continue. This explanation is possible, but not compelling. First, it assumes that the nature of the rig's operation in those disputed waters was primarily commercial; it was not. Second, it presumes that the rig completed its work a full month ahead of schedule even after considerable delays due to the efforts of Vietnamese ships to prevent its operations.

The second explanation, also given voice by official Chinese media, is that the rig's withdrawal was due in large part to the approach of Typhoon Rammasun, which made landfall in the Philippines a day earlier. Doubtless

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China's \$1 billion oil rig, which it recently pulled from disputed waters in a surprise move. <http://www.talkvietnam.com/files/2014/05/china-places-oil-rig-haiyang-981-in-vietnams-waters-photo-tuoitre-vn-1490834-gian-khoan.jpg>

the typhoon did influence the timing of the withdrawal. As [Carl Thayer has pointed out](#), the drilling rig was built to withstand typhoons, but the more than 100 Chinese vessels protecting it were not. But withdrawing the rig to waters off Hainan Island, as CNPC declared it would, was neither necessary nor the safest course. That is where Rammasun was headed. Instead, China could easily have pulled the rig back into the protection of the Paracels.

The most likely explanation is that the approaching typhoon was the trigger for Chinese authorities to announce a withdrawal toward which they were already favorably inclined. The rig was pulled from disputed waters at an opportune time, just weeks before the August 10 ARF. This year's forum was, and still is, shaping up to be the most critical ever toward China, and it seems likely that Beijing hoped to blunt at least some of that opprobrium. This reading of the situation is lent credence by China's simultaneous release of two groups of Vietnamese fishermen arrested in disputed waters.

During the 2012 ARF and accompanying ASEAN Ministerial Meeting (AMM), China was able to split ASEAN's consensus on the South China Sea by employing its considerable influence over then-chair Cambodia. This was made easier by the fact that the primary source of tension then was over China's seizure of Scarborough Shoal from the Philippines—an act for which it found some success in blaming Philippine missteps. In 2013, several ASEAN members were hesitant to fully blame Beijing for tensions, believing that Manila had overreached with its decision to bring a case against China to international arbitration.

But it is clearly China that has overreached in 2014. The strength of Vietnam's resistance to the placement of the drilling rig took Chinese authorities by surprise. Worse, from Beijing's point of view, is that the incident pushed Hanoi to the brink of following Manila down the path of arbitration. Numerous Vietnamese officials, including Prime Minister Nguyen Tan Dung, have said that the country is variously considering bringing its own case against China or joining in the Philippines' case as an interested party.

As Vietnam-China relations were being driven to new lows, Beijing kept tensions with the Philippines at a near boil by blockading Filipino troops stationed at Second Thomas Shoal in March, and then launching reclamation activities at several low-lying features in the Spratlys that make up part of the Philippines' arbitration case. Even Malaysia has been

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set to worrying after Chinese ships patrolled James Shoal—a completely submerged feature off the Malaysian coast—in January and vowed to defend China's sovereignty over it.

The result of all these incidents, plus others, has been to drive regional states' perception of the threat from China to new heights. Malaysia, the Philippines, and Vietnam have held unprecedented three-way claimants' meetings. The ASEAN foreign ministers for the first time issued a standalone statement ahead of the organization's leaders' meeting in May expressing concern over tensions caused by the drilling rig. And even post-coup Thailand, which has sought to use good relations with China as a bulwark against international isolation, on July 17 voiced support for the Philippines' right to resort to international arbitration.

One might reasonably assume that Beijing has decided to recalibrate ahead of the ARF. ASEAN foreign ministers have already released draft language that will be included in the joint statement after the AMM, which calls on all sides to refrain from unilateral provocative actions. Indonesian foreign minister Marty Natalegawa and Philippine foreign secretary Albert del Rosario have also said that they will present a joint document on a path forward in the South China Sea for their ASEAN counterparts' consideration. They are considering including a complete freeze on construction and other activities in disputed waters—an idea that gained popularity after U.S. deputy assistant secretary of state Michael Fuchs proposed it during the annual CSIS South China Sea conference on July 11.

It is important to recognize, however, that China's withdrawal of its rig does not represent a strategic shift in its approach to the South China Sea. It is at best a tactical stepping-down of tensions, not a permanent de-escalation. After all, Beijing has given no indication that it hopes to reduce tensions with the Philippines or with Vietnam, or that it is growing more receptive to international calls to clarify its claims according to international law or forego the use of coercion.

For the United States and its partners, this means that the ARF should be approached on two fronts. Secretary of State John Kerry can play an important role in offering support to ASEAN ministers—stiffening their spines in a sense—in taking a firm stand against China's recent activities in the South China Sea. Most importantly, he can rally international endorsement for any consensus position they might take, especially if it includes a freeze on activities in disputed waters and an endorsement of the right of all parties to resort to arbitration.



Adm. Harry Harris, commander of the U.S. Pacific Fleet, at the opening ceremony of the ongoing Rim of the Pacific (RIMPAC) exercises at Pearl Harbor. China is taking part in RIMPAC for the first time, adding some much-needed momentum to U.S.-China engagement. <https://www.flickr.com/photos/compacflt/14360677879/in/photostream/>

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At the same time, Secretary Kerry should not enter the ARF intent on lambasting China as a villain. The withdrawal of the oil rig offers the first real window of 2014 during which Beijing can be congratulated for taking a constructive step to de-escalate the situation—even if both parties know it was only a tactical maneuver. The July 9–10 Strategic and Economic Dialogue in Beijing and China's ongoing participation in the Rim of the Pacific Exercises lend some additional positive momentum to U.S.-China engagement. Chinese participants at the ARF probably will not offer any concessions on the South China Sea, including a freeze on unilateral activities, but that does not mean that the groundwork cannot not be laid for a constructive outcome at the ASEAN and East Asia summits in November. Even if that is a distant possibility, it should not be dismissed out of hand. ■

MALAYSIA



A makeshift memorial at Amsterdam Schiphol Airport for the victims of Malaysian Airlines Flight 17. Malaysian authorities have said they negotiated the return of remains and flight recorders from the flight, as well as access to the site. <https://www.flickr.com/photos/romanboed/1469876255>

- **Malaysia negotiates for remains, black boxes, site access to downed flight MH17.** Prime Minister Najib Razak said July 21 that his government had successfully negotiated with the separatist administration in Donetsk, Ukraine, for the transfer of the remains of 282 of the people on board and the two flight recorders from Malaysia Airlines Flight 17, along with access for investigators to the crash site. The flight was shot down by Ukrainian separatists on July 17 using equipment that U.S. and other leaders have said appeared to be provided by Russia. Separatists have so far prevented international investigators from examining the crash site. The UN Security Council on July 21 unanimously passed a resolution demanding an independent investigation.

- **Three Malaysian banks enter merger talks.** Three major Malaysian banks initiated merger talks on July 10 in a move that could result in the creation of one of Southeast Asia's five largest banks. CIMB Group Holdings, RNB Capital, and Malaysian Building Society received approval from Malaysia's central bank before starting talks. The potential merger is seen as an attempt by the lead bank, CIMB Group, which is headed by Nazir Razak, brother of Prime Minister Najib Razak, to better compete in Malaysia and across the region with Singaporean and other foreign banks that have rapidly expanded operations.

- **Armed men kill one Malaysian police officer, kidnap another on Sabah island resort.** Unidentified gunmen killed one Malaysian police officer and kidnapped another during a July 12 raid on an island resort in eastern Malaysia's Sabah state. The attackers fled by boat toward the southern Philippines. The Malaysian government has deployed additional troops to the state and imposed a curfew along parts of the Sabah coast to help improve security. Criminals from the southern Philippines have staged a series of kidnappings in Sabah in 2014.

- **Malaysian oil tanker hijacked near Singapore.** Pirates on July 16 hijacked a Malaysian-flagged oil tanker and stole its cargo in the South China Sea near Singapore. Three crew members were injured during the incident, which resulted in 2,500 tons of oil being stolen. Police have not identified the piracy gang involved. The incident was the ninth such act of piracy in the Malacca Strait and South China Sea in 2014.



Supporters of president-elect Joko “Jokowi” Widodo carry a chair bearing a sign that endorses his presidential ticket ahead of a July 5 concert. Indonesia’s election commission on July 22 declared Jokowi the victor in Indonesia’s 2014 presidential race. https://www.flickr.com/photos/hendrik_mintarno/14590660176/

INDONESIA

- **Joko Widodo wins presidential election.** Indonesia’s General Election Commission (KPU) on July 22 officially declared Joko “Jokowi” Widodo and his running mate, Jusuf Kalla, to be the victors in Indonesia’s presidential elections. Jokowi beat rival Prabowo Subianto by 53 to 47 percent, or about 8.4 million votes, in a result that closely matched earlier quick counts of the vote. Jokowi will be sworn in on October 20. Ahead of the KPU’s announcement, Prabowo announced he was pulling out of monitoring the vote account and insisted the election was stolen due to widespread fraud.
- **Prabowo to mount legal challenge to election results.** Presidential contender and former general Prabowo Subianto on July 23 announced that he intends to file a complaint with Indonesia’s Constitutional Court in an effort to overturn his loss, announced the day before, in the country’s presidential election. Prabowo said his team had collected evidence of widespread irregularities at thousands of polling stations. But former Constitutional Court chief justice and Prabowo campaign chairman Mahfud MD joined other legal experts in saying that it is almost inconceivable that the court would overturn the election results, which Prabowo lost by more than 8 million votes. Mahfud resigned from his post with Prabowo’s campaign on July 22.
- **Dino Patti Djatal appointed deputy foreign minister.** President Susilo Bambang Yudhoyono on July 14 appointed his close aide and former ambassador to the United States Dino Patti Djatal as Indonesia’s deputy foreign minister. Djatal succeeds outgoing deputy minister Wardana, who has been appointed ambassador to Turkey. Dino said he plans to use his new position to explain the benefits of the ASEAN Economic Community to Indonesians. His term in office will last about three months, until president-elect Joko Widodo is inaugurated in October.
- **Army chief of staff dismissed, replaced.** President Susilo Bambang Yudhoyono on July 21 dismissed army chief of staff Gen. Budiman, conveying his decision through military commander Gen. Moeldoko, and replaced him the next day with Army Strategic Reserve commander Lt. Gen. Gatot Nurmantyo. The government has not given a reason for Budiman’s dismissal, although the Indonesian press has speculated that it was due to anger over the general’s perceived involvement in politics during the presidential election campaign. A military spokesperson said July 22 that it is still unclear when Gatot will officially take over his new post.
- **Two former high-ranking officials jailed for corruption.** The Jakarta Corruption Court on July 17 sentenced former central bank deputy

governor Budi Mulya to 10 years in prison for taking a \$43 million bribe while in office in 2008 to extend a government loan to the troubled Bank Century. The court the next day sentenced former sports minister Andi Mallarangeng to four years in prison for accepting a bribe of nearly \$900,000 in exchange for awarding a specific company the contract to build a sports complex in West Java ahead of the 2011 Southeast Asia Games.

- **Indonesia releases prominent Papuan independence activists after three years.** Indonesia on July 21 released a group of West Papuan political prisoners known as the “Jayapura Five” after they had served nearly three years in jail. The five were arrested in October 2011 for treason after thousands of attendees at the third Papua People’s Congress elected them the leaders of an independent Federal Republic of West Papua. The self-proclaimed republic’s foreign minister, Jacob Rumbiak, said the prisoners were released amid heavy security over fears that large crowds would come out to greet them.

MYANMAR

- **Charges filed against dozens of journalists for protesting colleagues’ sentences.** Police in Yangon have charged roughly 50 journalists with violating the nation’s peaceful assembly law for participating in a July 12 demonstration against the 10-year sentences handed down to four journalists and the CEO of the *Unity Weekly* a day earlier. The five were convicted for trespassing at a military installation and other crimes related to an article alleging the site produced chemical weapons. U.S. assistant secretary of state for democracy, human rights, and labor Tom Malinowski on July 16 expressed concern over the arrests.
- **Opposition parties criticize election commission’s new campaign rules.** Myanmar’s Union Election Commission on July 1 approved a draft version of campaign rules for the 2015 national elections, which opposition parties including the National League for Democracy said would put them at a disadvantage. The new rules will restrict campaigning to 30 days ahead of the elections, despite requests from the opposition for a 60-day period. Parties will also need to ask permission before holding public rallies, which the election commission said is necessary to prevent overlapping campaign events.
- **Hundreds displaced as clashes continue in northern Shan state.** A lawmaker from the Shan Nationalities Democratic Party on July 15 asked the Myanmar government to cease military operations against the Shan State Army-North (SSA-N) in northern Shan state so that farmers can take



A woman votes in Myanmar’s 2012 by-elections, which were nearly swept by the opposition National League for Democracy. The opposition is now criticizing draft regulations from the Union Election Commission governing 2015 national polls.
http://commons.wikimedia.org/wiki/File:Burma_By-Election_2012.JPG



advantage of the start of the rice-growing season. Clashes with the SSA-N, which currently has an uneasy cease-fire with the government, displaced hundreds in June and July. Northern Shan state is also the site of ongoing clashes between government troops and the Ta'ang National Liberation Army and the Kachin Independence Army.

- **Japanese firms to invest billions in Myanmar mobile phone market.** The Japanese mobile carrier KDDI and Sumitomo Corp. announced a plan on July 17 to invest \$2 billion to develop Myanmar's wireless network in partnership with the state-owned Myanmar Post and Telecommunications. Only 7 percent of Myanmar's population of 60 million have access to mobile phones, according to 2013 government data. The Japanese firms will join Norway's Telenor and Qatar's Ooredoo, which won bids in 2013 to build telecommunications networks in Myanmar.
- **Royce calls for punitive measures against Myanmar.** Chairman of the U.S. House of Representatives Foreign Affairs Committee Ed Royce on July 9 called on the administration to punish Myanmar for ongoing human rights violations. Royce suggested that punitive measures could include visa bans for senior officials, the termination of limited military engagement, and the renewal of economic sanctions. Royce drew particular attention to violence and discrimination against the Muslim Rohingya minority in western Myanmar.

THAILAND

- **King endorses military-backed constitution.** King Bhumibol Adulyadej on July 22 approved an interim constitution outlining the military junta's planned political reforms over the next year. It was the king's first meeting with junta chief Gen. Prayuth Chan-ocha since the military coup in May. The constitution replaces the House of Representatives and Senate with a single appointed National Legislative Assembly, creates a committee to draft a permanent constitution, promises elections by October 2015, grants amnesty to those involved in the May coup, and grants the junta ultimate veto power over all decisions.
- **Junta cracks down on media.** The ruling National Council for Peace and Order (NCPO) on July 18 released new directives barring public criticism of the junta, expanding previous statements restricting information that could incite unrest. The new rules ban all criticism of the NCPO's policies and representatives, prohibit the publication of government information deemed confidential, and extend censorship to social media posts that may "mislead" the Thai people. The Committee to Protect Journalists has



A portrait of King Bhumibol Adulyadej, 86, commissioned for his 60th birthday. King Bhumibol recently endorsed an interim constitution proposed by Thailand's military coup leaders. <https://www.flickr.com/photos/11401580@N03/12324323165/>

continued to lodge complaints about the military's media restrictions, reiterating that true democratic reforms must include a free press.

- **Yingluck to be indicted over rice-buying scheme.** The National Anti-Corruption Commission on July 18 voted unanimously to indict former prime minister Yingluck Shinawatra for her alleged mishandling of the government's rice-buying program. The decision, which was not expected until September, came only hours after Yingluck received permission from junta officials to travel abroad for her brother's 65th birthday. The timing has sparked rumors that Yingluck would use this opportunity to flee prosecution, which she has denied. If convicted, she could face 10 years in prison.
- **Junta to repatriate refugees along Myanmar border.** Thailand's military announced on July 14 that it would begin repatriating more than 100,000 refugees who have lived along the Thai-Myanmar border for nearly 20 years. After verifying the nationalities of those displaced, both Thailand and Myanmar plan to work together to ensure their safe return, according to army deputy spokesperson Veerachon Sukhontapatipak. Human rights groups have expressed concern about the conditions under which refugees would be deported and the lack of infrastructure, jobs, and safe living conditions available in Myanmar once they return.

PHILIPPINES

- **More than 100 dead, millions without power following typhoon.** Typhoon Rammasun made landfall in the Philippines on July 15, devastating provinces around Manila and killing at least 94 people. According to Manila Electric Co., as many as 25 million people were without power after the typhoon damaged power lines and some power plants. The country's natural disaster agency also reported nearly \$200 million in infrastructure damage and more than half a million displaced persons as a result of the storm. The storm then moved across the South China Sea, striking Vietnam and China. The total death toll in all three countries was 151.
- **Aquino removes foreign ownership limits in banking sector.** President Benigno Aquino signed a law on July 20 removing previous limits on foreign ownership of banks and eliminating the cap on the number of foreign lenders allowed to operate in the Philippines. Foreign banks could previously own only 60 percent of Philippine banks, and only a maximum of 10 overseas lenders could operate in the country. The deregulation is expected to bring in more foreign investment and stimulate economic growth, which fell to 5.7 percent in the second quarter of 2014 from a high of 7.2 percent in 2013.



Typhoon Rammasun, which killed nearly 100 people in the Philippines, sweeps through Laguna province, southeast of Manila. Wind speeds measured nearly 75 miles per hour in some areas, causing power outages for millions. <https://www.flickr.com/photos/asiandevelopmentbank/14652092466/>



- **Clashes between rebel groups and army leave nearly 40 dead.** Members of the Bangsamoro Islamic Freedom Fighters, a splinter group of the Moro Islamic Liberation Front, attacked several villages in Maguindanao province in the southern Philippines on July 21, leaving 17 rebels and one government soldier dead. Two days earlier, an assault by Communist rebels on a village in the southern province of Agusan del Sur had sparked a firefight that left 18 dead. According to regional military commander Lt. Gen. Rainier Cruz, the New People's Army, the military wing of the Communist Party of the Philippines, had been attempting to forcibly recruit soldiers in the village.
- **Impeachment complaint filed against Aquino.** Lawmakers in the Philippines' House of Representatives on July 21 endorsed an impeachment complaint filed against President Benigno Aquino— the first such attempt. The complaint comes after the Supreme Court on July 1 ruled that the Aquino administration violated the constitution when it used a discretionary fund, the Disbursement Acceleration Program, to reallocate public money to targeted infrastructure projects. It appears unlikely that the Senate, where Aquino allies are dominant, will support impeachment.
- **Aquino approval ratings at all-time low.** A new survey released by Pulse Asia on July 14 showed a huge drop in President Benigno Aquino's performance rating, falling from a high of 70 percent in March to 56 percent in June, apparently driven by perceptions of his government's failure to curtail corruption. The president's trust rating also fell, from 69 percent to 53 percent, over the same period. The poll surveyed 1,200 respondents between June 24 and July 2, catching only part of the response to the Supreme Court's July 1 ruling that President Aquino's Disbursement Acceleration Program violated the constitution.

SOUTH CHINA SEA

- **China removes rig from disputed waters.** The China National Petroleum Corporation on July 16 announced the relocation of an oil rig from disputed waters south of the Paracel Islands claimed by Vietnam to an undisputed area near China's Hainan Island. The state-owned company said that the rig, which is operated by the China National Offshore Oil Corporation, had completed exploration work a month ahead of schedule and found signs of oil and gas. The company said that samples taken in the area would be tested after which the rig might return to the area.
- **U.S. Senate passes resolution on South and East China Seas disputes.** The U.S. Senate on July 10 passed a resolution condemning the use of coercion or force in maritime disputes in the South and East China

Seas. The resolution called on China to withdraw a massive drilling rig from disputed waters off the Paracels, which it did six days later, and urged parties to clarify their claims and reach a binding code of conduct. Vietnam and the Philippines both hailed the resolution as an affirmation of U.S. support for freedom of navigation and peaceful settlement of maritime disputes.

- **China releases Vietnamese fishermen arrested near Gulf of Tonkin.**

Vietnam's Ministry of Foreign Affairs said July 15 that China had released 13 Vietnamese fishermen who were arrested near the Gulf of Tonkin. China had seized a boat with seven of the fishermen on June 20 and another with six on July 3 on charges of illegal fishing in Chinese waters. The Chinese Coast Guard confiscated their equipment and one of the boats before setting the fishermen free.

- **Philippines extends oil exploration license in Reed Bank.** The Philippine Department of Energy on July 9 extended until August 2016 the contract for UK-listed Forum Energy to explore for oil and gas in the disputed Reed Bank. Department of Foreign Affairs spokesperson Charles Jose said July 14 that exploration at Reed Bank will continue despite Chinese criticism. Beijing regularly objects to exploration at Reed Bank and in 2011 two Chinese vessels harassed a Forum survey ship operating in the area.

- **Thailand supports using arbitration to resolve maritime dispute.** Acting Thai foreign minister Sihasak Phuangketkeo on July 18 expressed support for international arbitration as a means to resolve the South China Sea disputes during a bilateral discussion with Philippine foreign secretary Albert del Rosario. Sihasak urged all parties involved in the disputes to show self-restraint and commit to a peaceful resolution. Thailand is the latest ASEAN member, after Indonesia, Malaysia, and Vietnam, to voice support for the Philippines' right to pursue arbitration.

CAMBODIA

- **Ruling, opposition parties reach deal to break year-long deadlock.** Prime Minister Hun Sen and Cambodian National Rescue Party (CNRP) leader Sam Rainsy on July 22 announced a deal to end the opposition boycott of its 56 seats in the 123-seat Parliament, which has persisted since disputed elections in July 2013. The two sides agreed to move up the date of the next national election to February 2018, make the National Election Commission more independent by including four members from each party and one independent commissioner, and shift the composition of the main committee overseeing the legislature. The government immediately released eight opposition members detained for involvement in July 15 protests that left eight security personnel injured.



Fishing boats at Danang, Vietnam. China arrested and subsequently released 13 Vietnamese fishermen working near the Gulf of Tonkin, but confiscated one of their boats and their fishing equipment. <https://www.flickr.com/photos/kajisagook/8642234179/>



Opposition protesters during an October 2013 demonstration in Cambodia. The ruling and opposition parties have reached a deal to end a month-long political standoff. http://commons.wikimedia.org/wiki/File:CNRP_protesters_raise_flags.jpg

- **Protesters demand Vietnam apologize for Mekong ownership comment.**

About 100 members of the Cambodian Students and Intellectuals movement demonstrated outside the Vietnamese embassy on July 8 to demand an official apology from Vietnam after the embassy's spokesperson, Trung Van Thong, said the Mekong Delta never belonged to Cambodia. France granted the area in question, once called Lower Cambodia or Kampuchea Krom, to Vietnam in 1949 before withdrawing from its Indochina colonies in 1949.

- **Military helicopter crash killed four.** A Cambodian military helicopter crashed in the outskirts of Phnom Penh during a training session on July 14, killing four soldiers and seriously injuring another. Among those killed were the head and the deputy head of the Cambodian air force's helicopter unit. The helicopter was one of 12 Z-9s that Phnom Penh bought from Beijing in 2013. The cause of the accident remains unclear.

VIETNAM

- **Medeiros meets with officials in Hanoi.** Evan Medeiros, senior director for Asian affairs at the U.S. National Security Council, held discussions in Hanoi on July 14 with Deputy Prime Minister Pham Binh Minh on the U.S.-Vietnam comprehensive partnership, the Trans-Pacific Partnership free trade talks, and maritime security in the South China Sea. Medeiros also met with Deputy Defense Minister Nguyen Chi Vinh to discuss defense cooperation activities, including personnel training and humanitarian assistance and disaster relief. After Vietnam, Medeiros visited Malaysia, where he discussed next steps in the two countries' comprehensive partnership established during President Barack Obama's visit in April.



Evan Medeiros, left, with President Obama and other senior officials in March 2013. The senior director for Asian affairs on the National Security Council recently traveled to Hanoi for talks with high-ranking Vietnamese officials. <https://www.flickr.com/photos/whitehouse/8638882036/>

- **Senate committee approves U.S.-Vietnam nuclear agreement.** The Senate Foreign Relations Committee on July 22 approved an agreement on civilian nuclear cooperation between Vietnam and the United States. Under this agreement, U.S. companies would be allowed to compete for nuclear projects in Vietnam, which has already signed contracts with Russia and Japan to build two reactors each to boost Vietnam's electricity production. If no one in Congress blocks the agreement within the next few weeks, when lawmakers will have had 90 continuous session days to review it, the two countries can sign the agreement and it will go into effect.
- **Vietnam steps up effort to fight corruption.** Communist Party general secretary Nguyen Phu Trong on July 9 announced the establishment of 11 new anti-corruption teams under Vietnam's Central Steering Board for Corruption Prevention. Four of the teams will investigate corruption cases

in eight provinces from September 15 to November 15. The other seven teams will work from August 30 to November 30 to develop strategies to combat corruption in the Vietnam Social Insurance Agency and six government ministries.

- **President Sang calls for quicker reforms in justice system.** President Truong Tan Sang on July 15 urged senior justice officials to speed up reforms to better facilitate Vietnamese citizens' access to the judicial process. He called on the Supreme People's Court and provincial courts to enhance staff quality and capacity in order to address shortcomings, including the country's low ratio of solved cases and the slow appointment process for judges.

ASEAN

- **David Shear appointed assistant secretary of defense for Asia and the Pacific.** The U.S. Senate on July 17 confirmed the appointment of Ambassador to Vietnam David Shear as assistant secretary of defense for Asian and Pacific security affairs. The post has sat empty since March 2013, when Shear's predecessor, Mark Lippert, was appointed chief of staff to Secretary of Defense Chuck Hagel. Shear's confirmation clears the way for the Senate to confirm nominee Ted Osius as the next ambassador to Vietnam.

- **South Korea to host special summit with ASEAN leaders.** South Korean authorities announced on July 15 that President Park Geun-hye will host a summit with ASEAN heads of state in the southeastern city of Busan on December 11-12 to commemorate the 25th anniversary of the South Korea-ASEAN Dialogue. ASEAN is South Korea's second-largest trading partner, with two-way trade reaching \$134.3 billion in 2013. ASEAN and South Korea signed a free trade pact in 2009 and elevated their relationship to a strategic partnership in 2010.



Heads of state celebrate the ASEAN-Korea Commemorative Summit in 2009 on the 20th anniversary of the establishment of the South Korea-ASEAN Dialogue. Leaders will meet again in December to celebrate the dialogue's 25th anniversary. <https://www.flickr.com/photos/koreanet/4345493742/>

- **ASEAN, Hong Kong launch FTA negotiations.** Representatives of ASEAN and Hong Kong held the first meeting of the Hong Kong-ASEAN Trade Negotiations Committee on July 10-11, marking the official start of negotiations on a free trade agreement. The key elements to be discussed include the elimination or reduction of tariffs; rules of origin; the liberalization of trade in services; the liberalization, promotion, and protection of investment; and intellectual property cooperation. ASEAN is the fifth-largest destination for foreign investment from Hong Kong and the sixth-largest source of foreign investment into Hong Kong.

SINGAPORE

- **Singapore's economy contracts due to downturn in manufacturing.** Singapore's Trade Ministry released figures on July 14 showing that its gross domestic product unexpectedly fell 0.8 percent in the second quarter of 2014 after expanding 1.6 percent in the first quarter. Economists blamed a slowdown in the manufacturing sector as companies continued to relocate operations from Singapore to countries with cheaper labor and operating costs. A February survey by the *Singapore Business Review* indicated that 25 percent of U.S. companies in the city-state planned to move their operations out of Singapore.



The National Library of Singapore. A recent decision to pull two books featuring same-sex couples from bookshelves in Singapore's libraries has sparked a heated debate in the city-state. <https://www.flickr.com/photos/ellf/8432765349>

- **Removal of children's books from libraries sparks controversy.** The National Library Board of Singapore on July 9 decided to remove two books featuring same-sex couples from public libraries in the city-state, sparking a backlash from thousands of Singaporeans. The board and Minister for Communications and Information Yaacob Ibrahim said the decision was based on "pro-family" values and in deference to "community norms." The incident has fueled a growing public debate about the government's role in legislating morals and the treatment of sexual minorities in Singapore.

TRANS-PACIFIC PARTNERSHIP

- **Republican lawmakers to oppose TPP without trade promotion authority.** All of the Republican lawmakers on the U.S. House of Representatives' Ways and Means Committee sent a letter to U.S. Trade Representative Michael Froman on July 17 informing him that they would oppose any attempt to ratify the Trans-Pacific Partnership agreement without the administration first obtaining trade promotion authority. That authority allows the U.S. Congress to stipulate objectives for trade negotiations up front, but also allows passage of completed deals without amendment by a simple majority.
- **Negotiators avoid contentious issues in latest round of talks.** Trans-Pacific Partnership negotiators focused on resolving nonsensitive issues during 10 days of negotiations in Ottawa, Canada, which wrapped up on July 12. A lack of progress on convincing Japan to grant greater access to its agricultural market hung over the talks. Japan's intransigence had made other TPP members, including Australia, New Zealand, and the United States, reticent to make necessary concessions. Negotiators have set the November Asia Pacific Economic Cooperation Leaders' Meeting in Shanghai as their new goal for reaching an agreement.



Chairman of the U.S. House of Representatives' Ways and Means Committee Dave Camp speaking at CSIS on August 16, 2013. Camp and his fellow Republicans on the committee have said they will oppose ratification of the Trans-Pacific Partnership if the administration does not first obtain trade promotion authority. <http://commons.wikimedia.org/wiki/File:DaveCamp-CSIS.png>

LAOS

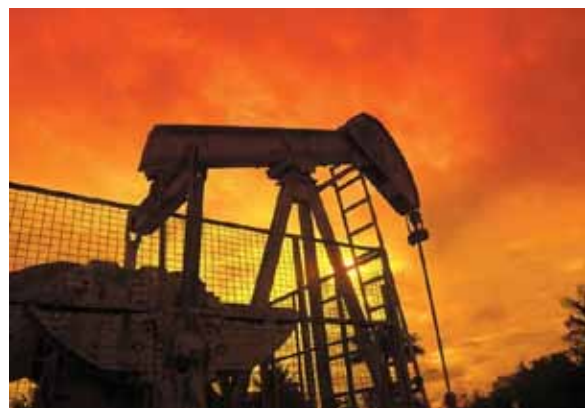
- **Lao government lowers economic growth targets amid fiscal challenges.** Minister of Planning and Investment Somdy Duoangdy on July 8 told Laos's National Assembly that the government expects economic growth of 7.6 percent in the 2013-14 fiscal year and 7.5 percent in the 2014-15 fiscal year. The government's most recent five-year plan had set a target of 8 percent annual growth for 2011-15, but cuts in infrastructure investment as a result of a widening fiscal deficit have forced authorities to temper their expectations.
- **Laos to adjust import taxes in preparation for ASEAN Economic Community.** Laos's Ministry of Finance is drafting regulations to adjust import duties for better integration with the ASEAN Economic Community in 2015, according to a July 15 *Vientiane Times* report. Laos is also required to cap its import taxes as one of the conditions for its entry into the World Trade Organization in February 2013. Meanwhile Lao officials have been meeting with business representatives to discuss the issue of widespread import-tax evasion, which is curtailing the government's ability to meet its revenue collection targets.

BRUNEI

- **IMF says Brunei's economy recovering due to energy sector growth.** A July 9 International Monetary Fund assessment finds that Brunei's booming energy sector is the main force behind the sultanate's economic recovery, with gross domestic product expected to grow 5.5 percent in 2014, compared to a 1.3 percent contraction in 2013. The energy sector is expected to grow 8 percent in 2014 after shrinking 7.2 percent in 2013. Oil and gas production accounts for two-thirds of Brunei's economic output and most of its exports and government revenue, while sectors such as infrastructure and petrochemical processing play only a supporting role. ■



Lao minister of planning and investment Somdy Duoangdy, right, with former Australian foreign minister Bob Carr in November 2013. Somdy recently informed Laos's National Assembly that the government has been forced to lower its economic growth targets due to cuts in infrastructure spending. <https://www.flickr.com/photos/dfataustraliaid/10696295843>



An oil pump near the town of Seria in Brunei. A recent International Monetary Fund assessment finds that growth in the oil and gas sector is driving an economic recovery in the sultanate. <https://www.flickr.com/photos/whltravel/7591055130>

Looking Ahead

- **Book launch of *Made in Bangladesh, Cambodia, and Sri Lanka*.** The Woodrow Wilson Center will host a book launch on July 29 of *Made in Bangladesh, Cambodia, and Sri Lanka: The Labor Behind the Global Garments and Textiles Industries*, authored by the center's Sanchita Saxena. The book analyzes the textile industry in each of the three countries against the backdrop of international trade policy. The event will take place from 11:00 a.m. to 12:15 p.m. in the fifth-floor conference room at One Woodrow Wilson Plaza, 1300 Pennsylvania Ave., NW. To RSVP, please [click here](#).
- **Seminar on cultures of the Mekong River basin.** The Smithsonian Associates will host an all-day seminar August 2 on the cultures of the Mekong basin. George Mason University's Robert DeCaroli will present sessions on the history of Cambodia, Laos, Thailand, and Vietnam. The event will take place from 10:00 a.m. to 3:15 p.m. at the S. Dillon Ripley Center, 1100 Jefferson Dr., SW. For more information and to buy tickets, please [click here](#).
- **Annual Bazaar Indonesia festival.** The Indonesian Embassy will host its annual Bazaar Indonesia festival on August 10 to commemorate the 69th Independence Day of the Republic of Indonesia. The festival will feature Indonesian food, cultural performances, children's activities, and traditional arts and crafts. The event will take place from 10:00 a.m. to 5:00 p.m. at Indonesia House. More details will follow.
- **State's view of the role of economics in foreign policy.** The CSIS Simon Chair in Political Economy and Scholl Chair in International Business will cohost a discussion on July 29 with the Under Secretary of State for Economic Growth, Energy, and the Environment Catherine Novelli, entitled "Crafting Economic Policy at State." The conversation will be held in connection with the launch of a new CSIS report, *Economic Statecraft Redux: Improving the State Department's Effectiveness in International Economic Policy*. The event will be held from 9:00 a.m. to 11:00 a.m. in the CSIS Second Floor Conference Room, 1616 Rhode Island Ave., NW. Please RSVP to simon.chair@csis.org. ■

SOUTHEAST ASIA FROM SCOTT CIRCLE

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