

Southeast Asia from Scott Circle

Volume V | Issue 25 | December 18, 2014

Five Events That Will Shape Southeast Asia in 2015

MURRAY HIEBERT AND GREGORY POLING

Murray Hiebert is senior fellow and deputy director of the Sumitro Chair for Southeast Asia Studies at the Center for Strategic and International Studies in Washington, D.C. Gregory Poling is a fellow with the Sumitro Chair.

December 18, 2014

As we prepare to leave 2014 behind, we explore five events that are expected to shape the coming year in Southeast Asia:

- **Elections in Myanmar.** Parliamentary elections slated for Myanmar in late 2015 will test whether the country's nearly four-year transition from military rule to democracy can be sustained. Even if the elections are inclusive, transparent, and credible, Myanmar's people will still not accept that the country has turned the democratic corner unless the constitution is amended to address the military's remaining veto grip on reform. For those changes to take shape will necessitate talks hammering out a compromise among the country's political elite, including President Thein Sein, military commander Min Aung Hlaing, parliamentary speaker Shwe Mann, opposition leader Aung San Suu Kyi, and ethnic minority representatives.

The earlier euphoria over the reforms launched in 2011 is over and the year ahead will be a tough one as key parties jockey for position in the run-up to the elections. Talks between the government and armed ethnic groups, which reached an optimistic point in August, took a step back in September when military representatives appeared to reverse course on an earlier agreement in principle to form a federal army with ethnic forces. Hammering out a compromise action plan on dealing with the

Inside This Issue

BIWEEKLY UPDATE

- Bakrie wins Golkar chairmanship; faction disputes results.
- Response to Typhoon Hagupit shows lessons learned from Haiyan
- Crown Prince Vajiralongkorn divorces wife

LOOKING AHEAD

- Ambition and Uncertainty: China in the Age of Xi Jinping
- Rethinking Seminar: Chinese Views, Strategy, and Geopolitics

Five Events That Will Shape Southeast Asia in 2015 *(continued)*



Supporters of the opposition National League for Democracy, led by Aung San Suu Kyi, celebrate the party's victory in 2012 by-elections. Myanmar will hold national elections in late 2015 that will be an important, but insufficient, step toward full democracy. <https://www.flickr.com/photos/tiffanymwan/8411623062/>

disenfranchised Rohingya in the western state of Rakhine appears more difficult as the elections loom on the horizon.

- **Ruling on Philippines' South China Sea case.** A tribunal at the Permanent Court of Arbitration in The Hague will likely rule on the Philippines' case against Chinese claims in the South China Sea by the end of 2015. That decision could be the most significant by any tribunal established under the United Nations Convention on the Law of the Sea and, one way or another, it will mark a watershed for the South China Sea disputes. If the judges find that they do not have jurisdiction, it will dim the hopes of using arbitration as a peaceful means of resolution in the future.

But if the judges do find jurisdiction, they will almost certainly rule China's nine-dash line an invalid claim to maritime space. In that case, Beijing, which maintains that it will not take part in the proceedings and refused to submit its arguments against the Philippines' case to the tribunal by a December 15 deadline, will face some difficult choices. China does not want to flout an international tribunal's ruling and be labeled an irresponsible player in the international system, with the substantial if unquantifiable costs that would entail. The Philippines will look to the United States, Japan, its fellow ASEAN states, and other partners to rally international support in affirming the tribunal's ruling in an effort to convince Beijing to eventually clarify its nine-dash line claim.

Five Events That Will Shape Southeast Asia in 2015 *(continued)*

- **Thailand's return to democracy delayed.** Prime Minister Prayuth Chan-ocha and the other generals who seized power in a military coup in May following months of political tumult no longer anticipate holding elections in late 2015 as they had originally promised. Officials say the council appointed to draft a new constitution needs more time to complete wide-ranging political reforms. The coup's immediate goal seems to be to eliminate for good the political influence of former prime minister Thaksin Shinawatra, whose allies have won every election since 2001.

In the longer term, it appears the coup was launched to ensure that the military will be in charge of the country's political levers at the critically sensitive time of the royal succession. King Bhumibol Adulyadej, who has reigned for nearly seven decades and celebrated his 87th birthday in early December, has been in fragile health for years. Discussion about the royal family and succession is sharply curtailed by the country's draconian lèse-majesté laws. All political activities that would be needed to prepare for elections, including activities by political parties, have been banned.

- **Prognosis for the Trans-Pacific Partnership (TPP).** U.S. Trade Representative Michael Froman has told members of Congress that he expects the 12-nation TPP deal to be hammered out by mid-2015, which would allow Congress to ratify the deal by the end of next year before the 2016 presidential campaign reaches fever pitch. Japanese prime minister Shinzo Abe was returned to power in December 14 parliamentary elections with a strong majority, which should make it easier for him to make a deal with the United States on market access for agricultural products and autos, two issues that have hobbled the TPP talks for months. To be sure, there are other difficult issues holding back an agreement, including labor rights, state-owned enterprises, and intellectual property rights.

Officials from Japan and other countries have said it is difficult for them to table their final negotiating offers until Congress passes Trade Promotion Authority (TPA), which allows the legislature to approve or disapprove a trade agreement but not amend it. Incoming Republican chairpersons of key congressional committees have said in recent weeks that they hope to pass a TPA bill in early 2015. TPP negotiators plan to hold another informal round of talks in late January and a ministerial meeting a month or two later in a full-court press to conclude the negotiations. Completion of the TPP is critical for Washington to demonstrate that its rebalance to Asia includes economic as well as security components.

- **Progress on ASEAN Economic Community.** ASEAN can be projected to make significant progress in reducing barriers to regional trade in goods



The Peace Palace, which houses the Permanent Court of Arbitration, in the The Hague. The tribunal at the court hearing the Philippines' case against Chinese claims in the South China Sea will likely rule by late 2015, marking a watershed in the disputes. <https://www.flickr.com/photos/serapeus/6931500165/>

Five Events That Will Shape Southeast Asia in 2015 *(continued)*

under the ASEAN Economic Community (AEC) by the grouping's December 31, 2015, deadline. But liberalization in financial and other services, freer capital flows, and labor mobility are expected to lag behind despite efforts by Malaysia, the 2015 ASEAN chair. The deadlines have been defined by ASEAN as more aspirational than binding. The grouping's leaders never thought the less-developed countries would achieve the 2015 integration goals, but it is clear that the more-developed economies will also struggle to meet their targets.

Liberalizing financial services would provide huge opportunities for ASEAN and for foreign companies interested in the region because it would help foster more resilient economic growth. One of the biggest concerns among ASEAN nations about opening up financial services and capital markets is fear of financial contagion and exchange rate volatility, even though integration would provide opportunities for risk sharing. Nonetheless, ASEAN's economic integration efforts have already led to increased foreign direct investment in the grouping, which rose to \$122 billion in 2013, up from \$20 billion 12 years earlier. ■

INDONESIA

- **Bakrie wins Golkar chairmanship; faction disputes results.** Aburizal Bakrie was reelected chairman of Golkar, Indonesia's second-largest political party, in a controversial December 3 party congress. Agung Laksono, formerly Bakrie's deputy chairman, was elected chairman by an alternative party congress held five days later by a faction of Golkar that claims Bakrie illegally moved the date of his congress forward and coerced party leaders into voting for him. Agung's camp would like to realign Golkar with President Joko Widodo's government, while Bakrie wants to keep the party in opposition. Agung's camp on December 8 filed a lawsuit with the Central Jakarta District Court to challenge Bakrie's election.
- **Pertamina board sacked as Jokowi attempts to clean up oil and gas sector.** State Enterprises Minister Rini Soemarno on November 28 announced the dismissal of all board directors for Indonesia's state-owned oil and natural gas company, Pertamina. The mass sacking comes as President Joko "Jokowi" Widodo attempts to clean up the sector by eradicating the "oil and gas mafia," profiteers who have exploited corruption in the industry.
- **Jokowi proceeds with five executions.** President Joko "Jokowi" Widodo on December 4 ordered authorities to proceed with the execution of five death-row convicts. Three of the convicts were sentenced for drug-related crimes, while the remaining two were convicted of murder. The decision to go through with the executions came despite objections by human rights activists. Indonesia has placed 77 drug traffickers, including 47 foreigners, on death row since 2004, though it has so far executed only 9 of them.
- **Security forces shoot protesters in Papua.** Indonesian security forces on December 8 opened fire on protesters in eastern Indonesia's Papua Province, killing 5 and wounding at least 17. The crowd of 800 peaceful demonstrators had gathered in front of the local police station and military command to protest the beating of a 12-year-old boy by soldiers the previous night. Security Affairs Minister Tedjo Edhy Purdijatno claimed security forces had warned the protesters to disperse and only fired into the crowd "to defend themselves."
- **Foreign boats sunk as "shock therapy" for illegal fishing.** The Indonesian Navy on December 5 sank three Vietnamese boats caught fishing illegally in Indonesian waters after removing their crews and fuel as part of a crackdown on illegal fishing. President Joko "Jokowi" Widodo said the

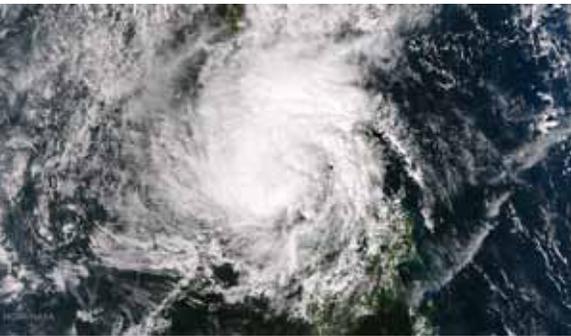


A fishing boat in Ha Long Bay, Vietnam. The Indonesian Navy recently sank three Vietnamese boats caught illegally fishing in Indonesian waters as part of a "shock therapy" policy. <https://www.flickr.com/photos/tony709/6432738947>

sinking was meant as “shock therapy” to warn the estimated 4,800 other foreign vessels that enter Indonesia’s waters each year for illicit purposes. The navy captured 22 illegal Chinese fishing boats four days later, which Maritime Affairs and Fisheries Minister Susi Pudjiastuti said authorities still might sink despite negotiations with Beijing.

- **Senior Jokowi adviser speaks at CSIS.** Luhut Binsar Panjaitan, senior adviser to President Joko “Jokowi” Widodo, [spoke at CSIS](#) on December 9 as part of the Banyan Tree Leadership Forum. He articulated Jokowi’s “free and active” foreign policy, which will seek to protect Indonesia’s sovereign resources with support from the United States and other partners. Luhut singled out the waters off the Natuna Islands, which fall within China’s controversial nine-dash line claim in the South China Sea, as an area where Indonesia’s new administration will not back down. He closed his address by explaining how the government expects economic reforms to return Indonesia to 7 percent annual growth.

PHILIPPINES



A NASA satellite image of Typhoon Hagupit. The storm made landfall in the Philippines on December 6, prompting the evacuation of 1.7 million Filipinos in affected areas. <https://www.flickr.com/photos/gsf/15791736389/>

- **Response to Typhoon Hagupit shows lessons learned from Haiyan.** Typhoon Hagupit made landfall in the Philippines’ Eastern Samar Province on December 6, sending hundreds of thousands fleeing their homes and reportedly killing 18 people. At least 2 million Filipinos were affected by the typhoon and about 1.7 million were evacuated, according to the National Disaster Risk Reduction and Management Council. The storm was less intense and people better prepared than during late 2013’s Typhoon Haiyan, leading to far less damage and fewer casualties. Hagupit weakened to a tropical storm on December 9 before moving on toward Vietnam.
- **U.S. Marine charged with murder of transgender Filipina.** Olongapo City prosecutor Emily de los Santos on December 15 announced that murder charges have been filed against Pfc. Joseph Scott Pemberton for the October 11 killing of transgender Filipina Jennifer Laude. The case has sparked criticism over the U.S.-Philippines Visiting Forces Agreement, which does not require the U.S. military to turn over personnel accused of crimes to Philippine authorities. The United States agreed to transfer Pemberton to a Philippine military base, though he remains under U.S. Marine guard.
- **House approves emergency powers for Aquino to address power shortage.** The Philippine House of Representatives on December 10 approved a final joint resolution granting President Benigno Aquino emergency powers to address a projected energy shortfall in northern Luzon in 2015. Minority opposition members criticized the resolution as

unnecessary, citing a Department of Energy report that suggested the shortage would not be as bad as some have projected. If passed by the Senate, the resolution would grant authority to Aquino to fast-track the building of power plants and pursue private-sector avenues for meeting energy shortfalls.

- **Philippines pressures developing countries to cut emissions, combat climate change.** Philippine government representatives at the UN Climate Change Summit in Lima, Peru, on December 8 called on developing countries to cut their carbon emissions and pulled out of a bloc of countries that has maintained that primarily developed countries should cut emissions. The push coincided with the arrival of Typhoon Hagupit in the Philippines and marks a shift in the position of the Philippines, which said it now believes it should lead by example.
- **Army alleges separatists behind bus bombing.** The Philippine armed forces has accused the separatist group Bangsamoro Islamic Freedom Fighters (BIFF) of carrying out a December 9 bus bombing in the southern island of Mindanao that killed 10 and wounded 42. The military claimed the Islamic State-linked group, which denied responsibility, committed the act in the hopes of derailing the peace process between the government and the Moro Islamic Liberation Front from which the BIFF split. Other officials and experts believe a criminal extortion ring, not the BIFF, was responsible for the blast.
- **Malaysian and Filipino hostages released by Abu Sayyaf; Swiss hostage escapes.** Militant group Abu Sayyaf on December 11 released two hostages, a Malaysian national and a 16-year-old Filipino student, after reportedly receiving a ransom of nearly \$300,000 for the former. Malaysian national Chan Sai Chuin had been held captive in the jungles of Mindanao since July 16 when he was abducted from a fish farm in Sabah, eastern Malaysia. The Filipino student was released just hours after being kidnapped. The releases came five days after Swiss national Lorenzo Vinciguera escaped from the group during an artillery attack on one of its camps by government troops. He had been held for more than two years.

THAILAND

- **Crown Prince Vajiralongkorn divorces wife.** Thailand's royal palace published a statement on December 13 announcing the divorce of Crown Prince Vajiralongkorn and his wife, Princess Srirasmi, one day after the princess officially resigned from her royal status. The former princess has been given the title "Thanpuying" and received approximately \$6.1 million. The divorce came two weeks after the crown prince officially revoked the princess's family's right to use their royal name, "Akharaphongprecha,"



Crown Prince Vajiralongkorn, Princess Srirasmi, and their son, Prince Dipangkorn, in Stockholm in 2007. The crown prince and princess have divorced, with the princess officially resigning her royal status. <https://www.flickr.com/photos/elephipelephi/1165634965/>

after seven of her relatives were arrested for misusing their royal status to commit various abuses and accumulate wealth.

- **Ministers say election may not be held until 2016 or later.** Finance Minister Sommai Phasee and Deputy Prime Minister and Defense Minister Prawit Wongsuwon on November 26 and 27 said that elections originally promised by October 2015 could be delayed. Sommai said the delay could be up to a year and a half. Observers have worried since the May coup that the scale of reforms envisioned by Prime Minister Prayuth Chan-ocha suggested that the junta would not allow a transition back to civilian rule by the end of 2015.
- **Impeachment proceedings launched against Yingluck.** Pornpetch Wichitcholachai, president of the appointed National Legislative Assembly, on November 28 announced that an impeachment hearing for former prime minister Yingluck Shinawatra will begin on January 9, 2015. Yingluck is being accused of negligence for her government's costly rice subsidy program. Under that scheme authorities purchased rice at up to 50 percent above market rates, costing the government \$15.7 billion in losses. If impeached, Yingluck will be ineligible for public office for five years.
- **Prayuth lays to rest fears over foreign business law.** Prime Minister Prayuth Chan-ocha on December 3 announced that the government has no intention of amending Thailand's Foreign Business Act. Concerns arose in November among foreign companies operating in Thailand over rumors that the government intended to amend the act to limit foreign ownership in joint ventures. Prayuth said that the law may still be amended in the future to make it a "little better," but did not elaborate.
- **National Reform Council pushes direct-election of prime minister.** Sombat Thamrongthanyawong, chairman of the National Reform Council's panel on political reform, on December 9 said that his panel would push for direct election of the prime minister rather than the traditional system of election by Thailand's parliament. Sombat's proposal also includes direct election of cabinet members. Sombat said the council is confident that the proposed system would reduce the vote-buying in Thai politics, but members of the National Legislative Assembly have vowed to oppose his plan, saying it would require a fundamental change in Thailand's system of government.

MYANMAR

- **New peace talks before Christmas, say negotiators.** Representatives from the Nationwide Ceasefire Coordinating Team, which represents 12

ethnic armed groups, confirmed on December 3 that it plans to hold a new round of peace talks with government negotiators before Christmas. The Myanmar army's November 19 shelling of a Kachin Independence Army base, which left 23 dead and 20 wounded, will be on the agenda. The last round of talks on a nationwide cease-fire stalled in September after the government team reversed its decision to consider a federal army.

- **Controversial racial and religious “protection laws” submitted to parliament.** Authorities on December 1 submitted four controversial laws billed as protecting “race and religion” to the parliament despite criticism that they are unnecessary and discriminatory toward women and religious minorities. The laws would restrict the right to religious conversion and interfaith marriage, ban polygamy, and institute population controls that detractors say target Muslims. The ultranationalist, monk-led Association for the Protection of Race and Religion first proposed the laws, which lawmakers expect to debate in January.
- **Ethnic rebels to form federal army.** Twelve ethnic armed groups on December 2 announced that they would form a federal army under the umbrella of the United Nationalities Federal Council (UNFC). The announcement came a day after Aung Min, minister in the President's Office, said the government saw no pressing need to form a federal army, despite ethnic groups' demands to do so as a condition for a nationwide cease-fire. A spokesperson for the Karenni National Progressive Party said he hoped the UNFC's decision would promote the creation of a single federal army in the future.
- **Myanmar opium production declines for first time since 2005.** The United Nations Office on Drugs and Crime on December 8 released the findings of its annual Southeast Asian opium survey, showing that opium production in Myanmar declined 23 percent, from 870 metric tons in 2013 to 670 tons in 2014. The report attributed the drop to lower crop yields rather than to decreased cultivation. Myanmar is still the single-largest opium producer in Southeast Asia, and second-largest in the world behind Afghanistan.
- **Officer jailed for signing petition backing smaller army role in politics.** A Myanmar military tribunal on December 5 sentenced Maj. Kyaw Zwar Win to two years in prison for signing a petition supporting a constitutional amendment that would limit the army's role in politics. Kyaw Zwar Win has been held since his arrest in April. A spokesperson for the opposition National League for Democracy said the party has offered to help Kyaw Zwar Win appeal the verdict, but his wife has said he has no plans to do so.



A stretch of the Mekong River in the opium-producing Golden Triangle region, which encompasses parts of Thailand, Laos, and Myanmar. According to a recent UN report, Myanmar's opium production has dropped for the first time in a decade. <https://www.flickr.com/photos/12185911@N00/1751785704/>

VIETNAM

- **Pirates attack Vietnamese cargo ship.** Pirates attacked a Vietnamese cargo ship, killing one crew member, on December 7 shortly after it had left the Port of Singapore for southern Vietnam. The pirates left the ship's cargo, liquid asphalt, untouched but took some personal property belonging to the sailors before leaving the ship. The hijacking took place at the same location as a hijacking two months earlier of a Vietnamese oil tanker that was also en route from Singapore to Vietnam. There have been 130 cases of piracy in Asia this year.

- **Vietnam detains two bloggers during crackdown on criticism of government.** Vietnam detained two bloggers, Nguyen Quang Lap and Hong Le Tho, on November 29 and December 1, respectively, for publishing articles criticizing the government. Their websites and articles have since been blocked or taken down. Their arrests follow the release in October of a high-profile blogger who was subsequently exiled to the United States. The United States has urged Vietnam not to use vaguely worded security laws to repress free speech.

- **National Assembly passes UN conventions on torture and disability.** Vietnam's National Assembly on November 28 passed the UN Convention against Torture and Other Cruel, Inhumane or Degrading Treatment or Punishment and the Convention on the Rights of Persons with Disabilities. Vietnamese government agencies have pledged to adopt legal reforms that would bring domestic policies and laws into accordance with these conventions. U.S. officials have long asked the Vietnamese government to ratify these conventions during bilateral discussions on human rights issues.

- **Vietnam to allow foreigners to buy homes to revive struggling real estate market.** Vietnam's National Assembly on November 26 passed legislation that will allow foreigners to buy houses and apartments in the country. Vietnam's real estate market is struggling with oversupply due to a long period of excessive speculative investment. The government hopes the new law, which is expected to go into effect in July 2015, will help increase demand for property. However, a number of restrictions apply, including on where foreigners can buy and how long they can own property.

- **Vietnam's banking system gets positive review, new rules for foreign investment in banks.** International rating agency Moody's on December 11 raised the outlook for Vietnam's banking sector from negative to stable. The upgrade was driven by improved economic and banking system stability. Vietnam's central bank on December 8 released new guidelines



The Ba Dinh meeting hall of the Vietnamese National Assembly. The assembly on November 28 ratified two UN conventions banning torture and protecting the rights of the disabled. http://commons.wikimedia.org/wiki/File:The_Ba_Dinh_meeting-hall.jpg

for foreign investors who want to acquire stakes in Vietnamese financial institutions. Investors will be required to own 10 percent or more of domestic banks and help them adopt new technology, practices, and management.

- **Vietnam's two most powerful warships visit the Philippines.** Vietnam's two most powerful warships on November 25 began a three-day port call to the Philippines amid ongoing tensions the two countries have with China over territorial disputes in the South China Sea. Vietnamese and Philippine officials have said their countries were not trying to challenge China's superior naval forces in the disputed area with the ship visit. The visit is part of growing naval cooperation between Vietnam and the Philippines.
- **Vietnam and South Korea complete free trade agreement.** Vietnamese prime minister Nguyen Tan Dung and South Korean president Park Geun-hye on December 10 inked a bilateral free trade agreement in Busan, South Korea. Under the agreement, bilateral trade is expected to reach \$70 billion by 2020, up from \$27 billion in 2013. South Korea is Vietnam's third-largest trading partner and its largest source of foreign investment. South Korean conglomerates such as Samsung and LG have poured billions of dollars into Vietnam to build and expand their manufacturing operations.

MALAYSIA

- **Prime Minister vows to retain controversial sedition act; U.S. ambassador summoned over remarks.** Prime Minister Najib Razak on November 27 said at the annual meeting of the ruling United Malays National Organization that he will retain and strengthen Malaysia's controversial Sedition Act, reversing his promise in 2012 to repeal it. Malaysia's Ministry of Foreign Affairs summoned U.S. Ambassador Joseph Yun, who said in an interview he was "a little bit puzzled" by the announcement, to explain his remarks. Many people charged under the act are opposition politicians and student activists.
- **Malaysian palm oil and electronics sectors cited by U.S. government for use of child and forced labor.** A biannual report to the U.S. Congress released by the Department of Labor on December 2 cited Malaysia's palm oil, electronics, and garment sectors for using child labor or forced labor. Malaysia was downgraded to Tier 3 in the Department of State's annual Trafficking of Persons report released in June for not taking sufficient action to combat human trafficking. Verité, an international labor rights group, said in September forced labor made up a third of the workers in Malaysia's electronics sector.



U.S. ambassador Joseph Yun, who was recently summoned by the Malaysian Foreign Ministry after he questioned the government's decision to retain and strengthen the controversial sedition act. <https://www.flickr.com/photos/123603086@N02/14163249019/>

- **Christian group demands apology after return of confiscated Bibles.** The Bible Society of Malaysia on December 7 demanded an apology from the Selangor State government's religious authority for desecrating 351 Bibles that were confiscated for using the word "Allah" to refer to God. A Malaysian court ruling in 2013 made it illegal for non-Muslims to refer to God as "Allah." Malaysia has witnessed heightened religious tensions between the majority Muslim Malays and minority Christians.
- **Petronas delays \$32 billion project in Canada due to low oil prices.** Petronas, Malaysia's state-owned oil and gas firm, on December 10 announced it will delay starting a \$32 billion liquefied natural gas project in western Canada due to the sharp drop in oil prices. Petronas also announced a 15-20 percent cut in capital spending and a \$570 million drop in third-quarter profits compared to the same quarter in 2013. Malaysia's budget will likely be hard-hit, as oil and gas revenue makes up nearly a third of the budget.
- **United Nations calls on Malaysia to use 2015 leadership positions to act on human rights.** The United Nations representative to Malaysia, Michelle Gyles-McDonnough, on December 10 called on the Malaysian government to act on human rights issues in 2015, when Malaysia is expected to sit on the UN Security Council and chair ASEAN. Gyles-McDonnough said Malaysia has ratified only three of the nine UN conventions on human rights, and expressed concern that Prime Minister Najib Razak's recent decision to strengthen the Sedition Act could further limit freedom of expression.

SOUTH CHINA SEA

- **Chinese position paper outlines objections to arbitration.** China's Ministry of Foreign Affairs on December 7 released a [position paper](#) outlining for the first time Beijing's legal objections to an arbitration case brought against it by the Philippines in 2013. The tribunal at the Permanent Court of Arbitration in The Hague had set December 15 as the deadline for China to submit its defense in the case over its South China Sea claims, but Beijing has refused to participate. In discussing the paper, a ministry spokesperson also criticized the U.S. State Department for releasing a study on December 5 criticizing China's nine-dash line claim.
- **State Department issues analysis of nine-dash line.** The U.S. Department of State on December 5 released its long-awaited [Limits in the Seas](#) study on Beijing's nine-dash-line claim in the South China Sea. In line with U.S. policy, the study did not discuss the validity of Chinese territorial claims, but criticized inconsistencies and a lack of clarity in the meaning of the

nine-dash line, concluding that it does not qualify as a legal maritime claim. China's Ministry of Foreign Affairs strongly condemned the study as an example of U.S. meddling.

- **Vietnam files statement of interest with UN court.** The Vietnamese Foreign Ministry on December 11 [filed a statement](#) with the Permanent Court of Arbitration in The Hague outlining its interests in the Philippines' case against China's claims in the South China Sea. The statement was largely supportive of the Philippines' arguments in the case, but stopped short of requesting that Vietnam be allowed to join the case. The statement, which affirmed the court's jurisdiction in the case and rejected China's nine-dash line, drew condemnation from Beijing.

CAMBODIA

- **Rainsy gives concession in exchange for recognition as minority leader.** Prime Minister Hun Sen on November 27 agreed to grant opposition Cambodia National Rescue Party (CNRP) leader Sam Rainsy a future parliamentary position as the officially recognized minority leader, nominally of equal stature to the prime minister. In exchange, Rainsy reportedly agreed to withdraw a CNRP demand that Cambodians with multiple nationalities be allowed to sit on the nine-member National Election Commission in order to allow prominent activist Pung Chhiv Kek to serve. It is still unclear whether Kek, who was originally agreed to as a consensus candidate for the final commission seat but holds multiple citizenships, will be eligible.
- **ADB to loan Cambodia \$800 million.** Eric Sidgwick, Asian Development Bank country director for Cambodia, on December 2 announced that the bank will loan Cambodia \$800 million over the next five years. The funding will be focused on fewer but larger projects compared to previous allocations, with the average cost per project \$35 million. The main goals of the loans will be to improve infrastructure, the functioning of the public sector, agricultural productivity, and human capital by funding vocational training.
- **Cambodia agrees to allow Montagnards to apply for asylum.** Cambodia on December 11 acceded to a request by the UN High Commissioner for Refugees (UNHCR) to allow a group of Montagnards who fled to the country from Vietnam around November 30 to apply for asylum in Phnom Penh. Vietnamese authorities requested assistance in returning the Montagnards, members of an ethnic minority group. Cambodian authorities initially agreed until UNHCR intervened. The Montagnards remain hidden in the Cambodian jungle despite attempts by both local authorities and the UNHCR to contact them.



Cambodian National Rescue Party leader Sam Rainsy, who recently agreed to a drop a key opposition demand regarding the makeup of Cambodia's new National Election Commission in exchange for being made opposition leader with status equivalent to the prime minister. <https://www.flickr.com/photos/prachatai/8957930078/>

- **Hun Sen says standards for exports are too high.** Prime Minister Hun Sen on December 2 said that restrictions imposed on exports by developed nations are limiting Cambodia's export potential. Hun Sen said that Cambodian exports have to overcome many trade barriers, not only in the form of "farmer protectionist policies" practiced by certain unmentioned developed nations, but also due to regulations concerning food safety. Hun Sen decried these as "unfair" and said they make it difficult for developing nations to export to developed nations.

SINGAPORE

- **Southeast Asian stocks, currencies hit by global sell-off in emerging markets.** Southeast Asian stock markets and currencies were hit hard by a global sell-off in emerging markets on December 15 and 16. The Singaporean and Malaysian stock markets were most affected, dropping about 2 percent, while Indonesia's central bank spent about \$500 million trying to stabilize its currency, the rupiah. Oil price volatility and expected changes to interest rates in the United States contributed to the sell-off as investors reduced their risk exposure to emerging markets.



Southeast Asia's biggest taxi-booking app, GrabTaxi, recently received \$250 million in funding from a Japanese company to help with its expansion. <https://www.flickr.com/photos/jonrussell/13763985534>

- **Taxi-booking app GrabTaxi gets \$250 million Japanese investment.** GrabTaxi, a Singapore-based taxi-booking mobile phone app focused on Southeast Asian markets, on December 3 announced it has secured a \$250 million investment from Japanese telecommunications and Internet company SoftBank. The company has raised \$340 million since starting in 2012. GrabTaxi, which operates in 17 cities across Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam, says it has 50,000 taxi drivers and half a million active monthly users. Its rival Uber, meanwhile, faces regulatory issues in Vietnam and Thailand.
- **Singapore state-owned investment firm funds growing online shopping start-up.** E-commerce start-up Lazada Group on December 1 announced it has received \$249 million in new funds from Singapore's state-owned investment firm, Temasek Holdings. The Singapore-based company sells consumer goods online in six Southeast Asian countries. Online shopping made up only 0.2 percent of all retail sales in 2013, according to investment bank UBS, but is expected to grow quickly as Internet penetration and credit card and smart phone ownership rise across the region.
- **Singapore court orders caning of Indian citizen involved in 2013 riots.** Singapore's high court on November 28 ordered three strokes of the cane to an Indian citizen for his role in a rare riot in the tightly controlled city state in December last year. The man had already been sentenced to 25 months in prison. The accidental death of an Indian man last December

sparked an outbreak of communal violence, during which about 400 South Asian migrant workers torched cars and attacked police in Singapore's Little India district.

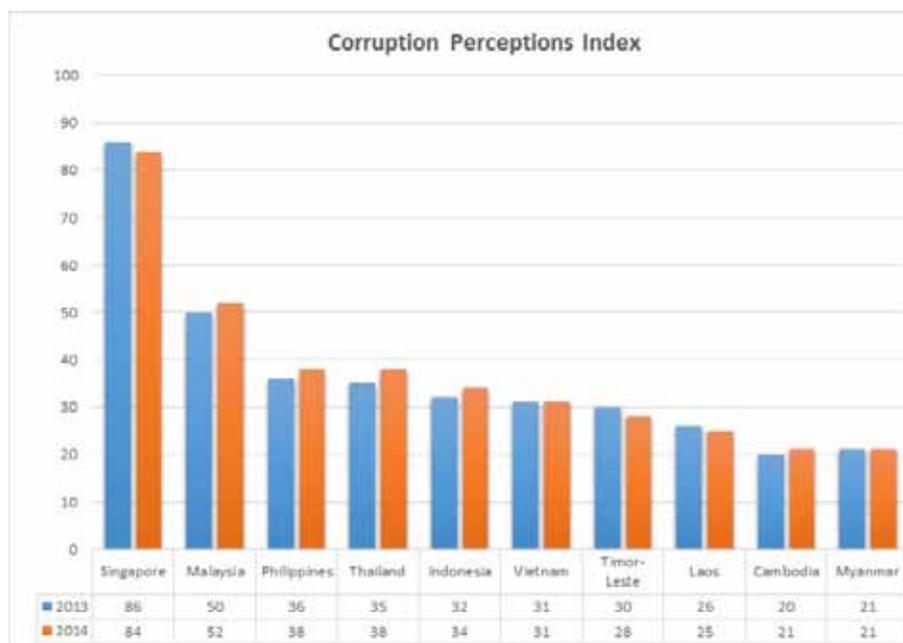
- **Singapore real estate developers invest overseas as domestic market struggles.** Singapore real estate developers invested \$2.3 billion in overseas markets in the first nine months of this year as Singapore's real estate market slumped, according to a December 3 Bloomberg report. The depressed residential real estate market resulted in part from efforts by the government to rein in property prices due to concerns over rising costs of living. Those measures have contributed to the largest drop in housing prices since 2009.

ASEAN

- **ASEAN countries among top sources of foreign students in U.S.** The Institute of International Education on December 1 released its updated 2014 report of students studying abroad, showing four ASEAN countries in the top 25 nations that send students to the United States. Vietnam (8th) showed the largest gains over the past 10 years, jumping from just over 3,100 students in 2003 studying in the United States to over 16,500 students in 2014. Also in the top 25 were Indonesia (18th), Thailand (20th), and Malaysia (21st).

Southeast Asian states' rankings in the 2014 Corruption Perceptions Index from Transparency International were decidedly mixed. <https://www.flickr.com/photos/csisseap/15422875654/>

- **Transparency International corruption report mixed news for ASEAN.** Transparency International on December 3 released its annual report of perceived levels of public-sector corruption around the world, showing a mixed picture among Southeast Asian countries. On a scale of 0 (highly corrupt) to 100 (very clean), both Vietnam and Myanmar showed no change from 2013, while Malaysia (+2), the Philippines (+2), Indonesia (+2), and Cambodia (+1) saw their scores increase. The biggest increase was in Thailand (+3), whose military junta has insisted it wants to stamp out corruption. The only countries in the region whose raw scores dropped were Singapore (-2), Timor-Leste (-2), and Laos (-1).



- **CSIS malaria conference centers on Mekong.** The CSIS Global Health Policy Center on December 8 hosted [A Strategic Approach to Malaria](#), an all-day conference on the global impact of malaria and how international and domestic actors can work to eliminate the deadly disease. During a



Japanese prime minister Shinzo Abe (right) with former U.S. defense secretary Chuck Hagel (left). Abe's recent election victory is seen as a new mandate to pursue economic reforms, which could help facilitate the conclusion of the Trans-Pacific Partnership trade agreement. <https://www.flickr.com/photos/secdef/13649632865>

luncheon panel, representatives from Myanmar, Thailand, and Vietnam discussed civil-military cooperation in the Mekong subregion and the need for more coordinated action to eradicate malaria. Nearly 70 percent of all ASEAN malaria cases occur in Myanmar.

TPP

- **Japan's election results likely to help Trans-Pacific Partnership agreement.** Japanese prime minister Shinzo Abe was re-elected in December 14 snap elections that many observers saw as boosting the hopes of concluding the Trans-Pacific Partnership (TPP) agreement. The elections were viewed in Japan as a referendum on Abe's economic reforms. Concluding the TPP will require Japan to agree to trade concessions in areas such as agricultural products and the automotive sector, which could be more likely in light of Abe's victory.
- **Negotiators make little progress in Washington discussions; focus shifts to 2015.** Trans-Pacific Partnership negotiators held an informal round of discussions in Washington on December 7-12 on market access, rules of origin, the environment, state-owned enterprises, and legal issues. Negotiating teams did not make major progress on the environment chapter during this round, despite their initial hopes. Another informal round is expected in late January in the United States as part of a final push by participating countries to conclude the agreement by the end of 2015.

LAOS

- **ADB to loan \$21 million for development of livestock industry.** The Asian Development Bank (ADB) on November 25 announced that it had approved a \$21 million loan to help Laos develop its small- livestock industry. The country has a growing demand for meat products, and an insufficient domestic supply is forcing suppliers to import from Thailand. The ADB hopes the new loan will help Laos meet a growing domestic as well as external demand for quality meat products, while also making the industry safer and more environmentally sustainable.
- **UNDP calls on Laos to reconsider limiting guidelines for INGOs.** Kaarina Immonen, the United Nations Development Program (UNDP) resident representative in Laos, has asked Lao authorities to meet with civil society groups and foreign donors over a proposed set of new guidelines that would restrict the operations of international nongovernmental organizations (INGOs), according to a December 8 Radio Free Asia article. The guidelines, proposed in June, would hinder the ability of INGOs to

operate in Laos by placing a series of restrictive measures on them, including multiple, lengthy approval periods for community projects.

- **APEC**

- **Philippines officially begins APEC chairmanship.** Philippine president Benigno Aquino on December 1 officially launched his country's term as host of the Asia Pacific Economic Cooperation (APEC) group in 2015 by unveiling its theme, "Building Inclusive Economies, Building a Better World," and logo, a globe with triangles bearing the colors of the blue, red, and yellow of the Philippine flag. The Philippines' National Economic and Development Authority has identified four priority areas for discussion for APEC 2015: enhancing regional integration, mainstreaming small and medium-size enterprises in global and regional markets, investing in human capital development, and building sustainable and resilient economies.

TIMOR-LESTE

- **Report alleges judicial firings connected to corruption cases against cabinet.** An Australian inquiry has found that Timor-Leste prime minister Xanana Gusmão's expulsion of foreign judges and judicial advisers from his country in October was politically motivated, according to a November 26 *Sydney Morning Herald* article. The report, commissioned by the Northern Territory Bar Association, claims that the firings were not connected to the handling of oil and gas cases, as the government claimed, but rather to a corruption trial against Minister for Finance Emilia Pires, which was due to start on October 27, the next working day after the foreign judges were expelled.

MEKONG RIVER

- **Laos's Don Sahong Dam will "kill [Mekong] delta."** Vietnamese officials held a meeting on December 2 to air concerns about the potential environmental damage from the planned Don Sahong Dam in Laos. Mekong River researcher Nguyen Huu Thien told attendees the dam "could kill the delta" because it will block a critical pathway for some 100 migrating fish species. Disrupting the life cycles of those fish could severely threaten food security for millions of people in Cambodia, Laos, Thailand, and Vietnam. ■



Khone Falls on the Mekong River. If built, the Don Sahong Dam would divert water from the waterfall as well as disrupt crucial local fish migrations.
<https://www.flickr.com/photos/globalwaterforum/12716309073>

Looking Ahead

- **Ambition and Uncertainty: China in the Age of Xi Jinping.** The CSIS-Schieffer Series Dialogues will host a panel on December 18 discussing China's outlook under President Xi Jinping. The talk will feature remarks from former U.S. ambassador to China Jon Huntsman, Jr., CSIS Freeman Chair in China Studies Christopher Johnson, and *New Yorker* staff writer Evan Osnos. A reception will take place from 4:45 p.m. to 5:30 p.m., followed by the panel from 5:30 p.m. to 6:30 p.m. in the Second Floor Conference Room at 1616 Rhode Island Ave., NW. [Click here](#) to RSVP.
- **Rethinking Seminar: Chinese Views, Strategy, and Geopolitics.** The Johns Hopkins University Applied Physics Laboratory will host a discussion on January 7 with Robert Kaplan focusing on Chinese foreign policy perspectives, including disputes in the South China Sea. Kaplan is the bestselling author of 15 books on foreign affairs and a senior fellow at the Center for a New American Security. The event will be held from 6:00 p.m. to 8:00 p.m. at the Residence Inn Arlington Pentagon City, 550 Army Navy Dr., Arlington, VA. To RSVP, e-mail Ms. Peggy Harlow at peggy.harlow@jhuapl.edu. ■

SOUTHEAST ASIA FROM SCOTT CIRCLE

CSIS Sumitro Chair for Southeast Asia Studies contributors:

Ernest Z. Bower, Senior Adviser and Chair
Murray Hiebert, Senior Fellow and Deputy Director
Gregory Poling, Fellow
Phuong Nguyen, Research Associate
Nigel Cory, Researcher
Dylan Kean, Researcher
Joshua Simonidis, Researcher
Nathan Patrash, Researcher

For more details on our programs and to follow CSIS with real-time updates, follow the CSIS Chair for Southeast Asia Studies:



On Facebook at <http://www.facebook.com/CSISSoutheastAsia>



On Twitter at [@SoutheastAsiaDC](https://twitter.com/SoutheastAsiaDC).



On our blog, [cogitASIA](http://cogitASIA.com) at <http://cogitASIA.com>

Thank you for your interest in U.S. policy in Southeast Asia and the CSIS Sumitro Chair for Southeast Asia Studies. Join the conversation!

This newsletter is published by the Sumitro Chair for Southeast Asia Studies at the Center for Strategic and International Studies (CSIS) in Washington, D.C., a private, tax-exempt institution focusing on international public policy issues. CSIS's research is nonpartisan and nonproprietary. CSIS does not take specific policy positions; accordingly, all views, positions, and conclusions expressed in this publication should be understood to be solely those of the author(s).

© 2014 by the Center for Strategic and International Studies. All rights reserved.