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The Dual Policy Challenge of the South China Sea

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CSIS hosted its [fifth annual South China Sea conference](#) on July 21. The event garnered more interest and a considerably larger audience—both in CSIS’s at-capacity conference room and online—than its four predecessors. Interest in the conference reflected the wider discussion on the South China Sea among policy communities in Washington and around the Asia Pacific—discussions that have risen to the top of the strategic agenda in many capitals.

The unprecedented reclamation work China embarked on a year and a half ago in the Spratlys has altered the dynamics of the disputes and raised new worries about Beijing’s intentions. The expansion of China’s seven occupied features will allow it far more power projection capacity in disputed waters, and will undoubtedly lead to higher tensions and more frequent run-ins between China’s military and paramilitary forces and its Southeast Asian neighbors.

The reclamation also creates increased concerns about China possibly impinging on freedom of navigation in the future, including the right of U.S. and regional militaries to freely operate in the South China Sea. Most worrying, it means that there is no going back to the status quo ante of 2009 or 2010. The disputes cannot be indefinitely frozen: either the situation will continue to deteriorate or claimants will establish a long-term system to manage it.

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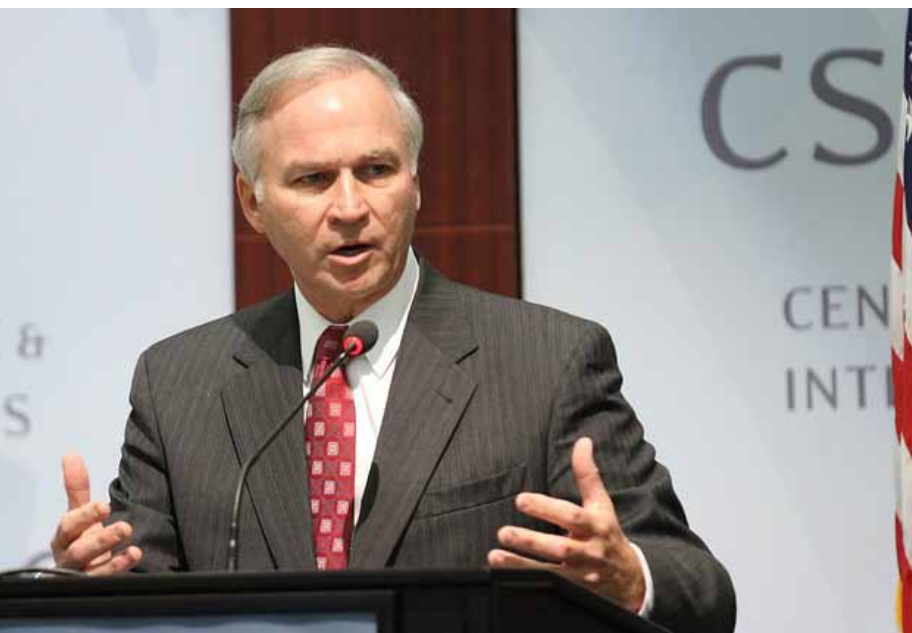
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Representative Randy Forbes (R-VA) gives the luncheon keynote at CSIS's fifth annual South China Sea conference. His speech to a packed house underscored that the South China Sea has risen to the top of the policy agenda in Washington and in capitals around the Asia Pacific. https://www.flickr.com/photos/csis_er/19920609021/

It was clear from several of the conference's expert panel discussions as well as the keynote speech by Representative Randy Forbes (R-VA) that the South China Sea disputes are now being seen as an acute threat to regional security as well as to the interests of non-claimant countries including Australia, Japan, and the United States. This is an important shift; for most of the policy community the South China Sea has been seen until recently as a slow-moving and low-priority threat that could be safely kicked down the road.

But the palpable concern over China's island building has added a sense of urgency to thinking about the disputes that was lacking even in the wake of China's seizure of Scarborough Shoal from the Philippines in May

2012 or during the two-month standoff between Chinese and Vietnamese forces over the deployment of the Haiyang Shiyu 981 drilling rig platform in mid-2014.

The new level of attention being paid to the South China Sea disputes comes as a welcome relief to those who have been concerned about the growing tensions over the last six years. But it also carries the risk of oversimplification. The claims of six different players in the South China Sea, and the web of historical, legal, economic, and security issues underlying them, make the disputes uniquely complicated. They have no short-term solutions. Any successful policy must distinguish between immediate needs—deterring Chinese aggression, reassuring claimants of U.S. commitment, and preventing tensions from increasing further—from long-term interests—preserving the global maritime commons, convincing all parties to bring claims into conformity with international law, and establishing a long-term system to manage disputed waters and seabed.

Overall, CSIS's conference gave reason for optimism on this count. Several speakers on each of the day's panels highlighted the complexity of the disputes and explored long-term policy options. While it is clear that U.S. policy is still evolving, Assistant Secretary of State Daniel Russel underscored that the administration is playing the long game; it recognizes that high tensions and provocations are the new normal in the South China Sea.

The Dual Policy Challenge of the South China Sea *(continued)*



The United States' most vital interests—to protect freedom of navigation, preserve international law and norms, and convince China to rise cooperatively rather than at its neighbors' expense—are shared by partners throughout the region. The success or failure of Washington's South China Sea policy, or that of Canberra, Manila, Hanoi, or Tokyo for that matter, cannot be effectively judged week to week or month to month, but over the course of several years. Maintaining high-level focus over that timespan will be a key challenge for both those making and those informing policy. ■

Maritime Transparency Initiative in April shows China's extensive reclamation work at Hughes Reef. China's island-building campaign has fundamentally altered the balance of forces in the South China Sea. http://3scsd23qbzvh2huoxy4223ti.wpengine.netdna-cdn.com/wp-content/uploads/photo-gallery/150415_hughes_01.JPG



President Thein Sein speaks at the Asia Society in New York in 2012. The President's Office has said that Thein Sein remains undecided about whether to seek a second term. <https://www.flickr.com/photos/asiasociety/8431168844/>

MYANMAR

- **NLD to participate in elections; Thein Sein undecided on second term.** Myanmar's opposition National League for Democracy (NLD) on July 11 announced that it will participate in the parliamentary elections scheduled for November 8 even though party opposition leader Aung San Suu Kyi will not be eligible to serve as president. Aung San Suu Kyi said the party will still field its own presidential candidate. Meanwhile the President's Office on July 14 said President Thein Sein remains undecided about whether he will seek a second term. Myanmar's president is not directly elected, but will be selected by lawmakers after a new parliament is formed.
- **Parliament passes interfaith marriage bill.** Myanmar's parliament on July 7 passed a controversial interfaith marriage bill by a vote of 524 to 44. The bill requires Buddhist women to seek permission from local authorities to marry men of different religions. Critics warned that the law discriminates against women and religious minorities. It is the second of four proposed Protection of Race and Religion Laws passed by the parliament, the first being a population control law. Legislators are still debating a bill mandating monogamy and another regulating religious conversion.
- **Heineken opens \$60 million brewery.** Dutch brewing company Heineken on July 12 opened a new \$60 million brewery in Myanmar, two months after German competitor Carlsberg opened its own \$75 million facility in the country. Global brewers are seeking to tap into Myanmar's long-isolated beer market, where the military-linked Myanmar Brewery accounts for more than 80 percent of market share. Myanmar attracted \$8 billion in foreign investment in fiscal year 2014-2015—more than double the government's target.
- **Government ratifies chemical weapons treaty; U.S. removes sanctions on tycoon's wife.** The Organization for the Prohibition of Chemical Weapons on July 9 announced that Myanmar had become the 191st country to ratify the 1993 Chemical Weapons Convention. The move leaves only five nations—Angola, Egypt, Israel, North Korea, and South Sudan—outside the convention. In another sign of Myanmar's progress away from pariah status, the U.S. Treasury on the same day announced it was lifting sanctions on Thidar Zaw, the estranged wife of Myanmar businessman Tay Za, who remains on the sanctions list. Treasury has been evaluating and slowly lifting sanctions against Myanmar citizens since 2012.

- **Clashes continue in Karen, Shan states.** Clashes broke out on between the Myanmar military and the Democratic Karen Benevolent Army on July 10 near a new stretch of highway funded by the Asian Development Bank along the Myanmar-Thai border. The highway's planned opening has been delayed until August due to the ongoing fighting. Fighting also continues between government troops and the Kachin Independence Army in Shan State, where shelling on July 13 injured two villagers and displaced more than 100 others. Government negotiators and ethnic groups are scheduled to resume formal peace talks in Yangon on July 22.

MALAYSIA

- **Attorney-general says frozen bank accounts in 1MDB probe not linked to Najib.** Attorney-General Abdul Gani Patail on July 9 said that none of the six bank accounts that were ordered frozen as part of an investigation into allegations that state investment fund 1Malaysia Development Bhd (1MDB) may have illegally transferred nearly \$700 million into Prime Minister Najib Razak's accounts belonged to the prime minister. Meanwhile a special task force set up to investigate 1MDB said on July 10 that it has started probing the bank account of Najib's wife, Rosmah Mansor. Rosmah vehemently denied having received funds from 1MDB.
- **U.S. rumored to upgrade Malaysia's human trafficking status.** The State Department is expected to upgrade Malaysia from the lowest tier on its list of human trafficking offenders in this year's upcoming Trafficking in Persons report, according to a July 8 Reuters report. An upgrade from the Tier 3 to Tier 2 watch list will remove a potential barrier to Malaysia's accession to the Trans-Pacific Partnership trade agreement. The recently passed Trade Promotion Authority legislation restricts the United States from entering into trade deals with countries in the lowest tier in the trafficking report. The State Department last year downgraded Malaysia to Tier 3.
- **Tense race relations following brawl in shopping mall.** A riot erupted on the evening of July 12 at Low Yat Plaza in Kuala Lumpur after a Malay youth was caught by security guards allegedly stealing a mobile phone from a Chinese trader. The arrest of the young Malay man later led to a mob attack against shoppers inside the mall, injuring five people, including two journalists. Videos of the incident went viral on social media and sparked racially charged comments online. Authorities have arrested 18 men for their roles in the attack.
- **Progressive faction of PAS launches new political movement.** Fourteen progressive leaders in the Pan-Malaysian Islamic Party (PAS) on July 13



The main entrance of Low Yat Plaza. A mob attack took place at the plaza on July 12 following the arrest of a Malay youth. Videos of the incident went viral on social media and sparked racially charged comments online. https://commons.wikimedia.org/wiki/File:Low_Yat_Plaza,_Imbi,_Kuala_Lumpur.jpg

launched a new political movement, called the New Hope Movement, to oppose the conservative, ulama-dominated party leadership. Headed by former PAS deputy president Mohamad Sabu, the new movement pledges to promote a more inclusive and progressive Islam. The movement's leaders are said to be courting Nazir Razak, Prime Minister Najib Razak's brother, who is reportedly working to set up a nongovernmental organization for moderates. PAS has announced the sacking of several party members thought to be involved in the new movement.

- **Najib allegedly interfered with bribery investigations by Australian investigators.** Revelations on July 14 by the Australian dailies *Sydney Morning Herald* and *The Age* implicated the office of Prime Minister Najib Razak, as well as that of his predecessor, Abdullah Badawi, in a bribery scandal involving two Australian firms over contracts to print polymer Malaysian bank notes. The newspapers alleged that officials working for Najib and Badawi were involved in improper dealings with corrupt middlemen. Malaysia has reportedly blocked the Australian government's requests for information. Najib denied the allegations, which his office called "grossly defamatory," and said he will take action against both publications.

PHILIPPINES

- **Aquino meets with potential presidential candidates to discuss 2016 election.** President Benigno Aquino met with Interior Secretary Mar Roxas and senators Francis Escudero and Grace Poe on July 15 for a six-hour discussion regarding who should be on the ruling Liberal Party's ticket in the May 2016 presidential elections. Roxas, who once seemed to be the party's clear choice, has seen his polling numbers plummet in recent months. Independent senator Grace Poe, who ran as a member of Aquino's ruling coalition in the [2013 Senate elections](#), has double Roxas's support according to recent polls. Escudero has maintained that he will only run for vice president.
- **Iriberry becomes new armed forces chief.** President Benigno Aquino on July 10 appointed Lieutenant General Hernano Iriberry as chief of staff of the Armed Forces of the Philippines. Iriberry will hold the role for less than a year, as he will reach the mandatory retirement age of 56 in April 2016. Major General Eduardo Año replaced Iriberry as head of the army, saying he will "crush" a 6,000-strong communist insurgency group to a sixth of its size.
- **Philippine military to use Subic base for first time in 20 years.** The Philippine military will use the former U.S. naval facility at Subic Bay to

station a fleet of fighter jets and frigates, according to a July 15 Reuters report. The plan marks the first time the base has been used for military purposes since the U.S. Navy vacated it in 1992. Subic Bay is situated alongside the South China Sea on Luzon's west coast. The deployment also raises the possibility that U.S. forces could use the base on a rotational basis under a defense cooperation agreement signed in early 2014 but currently mired in the Philippine Supreme Court.



The USS Essex in Subic Bay, February 2008. The Philippine military has announced plans to use the former U.S. naval facility at Subic as an air base. https://commons.wikimedia.org/wiki/File:USS_Essex_enters_port_at_the_Subic_Bay.jpg

- **U.S. Justice Department moves to seize assets of corrupt Philippine businesswoman.** The U.S. Justice Department on July 14 moved to seize \$12.5 million in assets from corrupt Philippine businesswoman Janet Napoles. She is jailed in the Philippines for her role in the so-called pork barrel scam, which saw lawmakers funnel over \$200 million meant for local development projects to phony nongovernmental organizations. Napoles's seized U.S. assets include a luxury Los Angeles condominium, a motel, and a Porsche. She has implicated more than 100 Philippine businesspersons and politicians in the scandal.
- **Suspected Maguindanao massacre ringleader Andal Ampatuan Sr. dies.** Andal Ampatuan Sr., 74, who allegedly orchestrated a 2009 massacre in the southern Philippine province of Maguindanao, died on July 17 after suffering a heart attack. Members of the former Maguindanao governor's family and their personal militia murdered 58 politicians, journalists, and bystanders in an ambush to prevent Esmael Mangudadatu, the prime rival of Ampatuan's son Andal Ampatuan Jr. in the upcoming gubernatorial race, from filing his candidacy. Ampatuan Sr. was charged in 2010 but had yet to be prosecuted for his involvement in the massacre. Ampatuan Jr. remains in jail awaiting trial.

INDONESIA

- **President Jokowi inaugurates new army chief of staff.** President Joko Widodo on July 15 inducted Lt. Gen. Mulyono as the new army chief of staff to replace Gen. Gatot Nurmantyo, who has been promoted to commander-in-chief of the Indonesian military. Mulyono, who was approved by an internal military promotions board, was previously commander of the army's Strategic Reserve Command, also known as Kostrad, an elite commando unit in charge of strategic-level defense and security operations.
- **Government probes pilots' links to Islamic State.** Indonesian authorities have launched an investigation into two former commercial pilots' alleged links to the Islamic State, after a leaked intelligence report from the Australian federal police suggested that the pilots had posted statements



Lt. Gen. Mulyono, who was inducted as army chief of staff on July 15 by President Joko Widodo. https://upload.wikimedia.org/wikipedia/id/5/5e/Pangdam_Jaya_Mulyono.jpg

and photos in support of the Islamic State on social media. The report dated back to March, but was [leaked](#) on the website The Intercept on July 8. One of the pilots is thought to have left Indonesia to join the Islamic State in the Middle East.

- **Volcano eruptions shut down major airports, cause travel chaos ahead of Idul Fitri.** Volcano eruptions on Indonesia's main island of Java forced the closure of airports in Malang, Bali, and Surabaya, leaving many travelers stranded ahead of the Idul Fitri celebration at the end of the fasting month of Ramadan, which fell on July 17. Airport closures also affected foreign holidaymakers who were traveling to the tourist destination of Bali.
- **Intelligence chief seeks to expand agency ahead of regional elections.** Sutiyoso, Indonesia's newly appointed intelligence chief, on July 13 announced plans to increase the total number of intelligence agents stationed around the country to prepare for the upcoming regional elections in December. Sutiyoso plans to hire 1,000 new employees, in collaboration with the Home Affairs Ministry, and place at least one informant in each district.
- **Constitutional court under fire from election commission over "political dynasty" ruling.** The constitutional court on July 8 revoked Article 7(r) in the law on regional elections, which prohibited relatives and family members of incumbent regional heads from running for the positions of governor, district head, or mayor, on grounds that it is unconstitutional. The ruling paves the way for relatives of incumbent regional heads to run in the upcoming regional elections in December. Critics fear that this would help consolidate regional political dynasties. In response, the General Elections Commission said it will seek to revise an election regulation to better define incumbent candidates' conflicts of interest.



General Secretary of the Vietnamese Communist Party Nguyen Phu Trong meeting with President Barack Obama in the White House. U.S. and Vietnamese companies signed a raft of business deals during Trong's recent landmark visit to the United States. <https://www.flickr.com/photos/achanoi/19505257822>

VIETNAM

- **U.S., Vietnam sign business deals during party chief's U.S. visit.** Prominent U.S. and Vietnamese companies signed a raft of business deals during Vietnamese Communist Party chief Nguyen Phu Trong's visit to the United States from July 6 to 9. Vietnam Airlines agreed to purchase 16 Dreamliner 787-10s and 777 planes from Boeing, while VietJet Air signed a contract to acquire six additional Airbus A321 planes. Honeywell is set to provide spare parts for Vietjet's Airbus fleet, and JP Morgan Chase will provide consulting for Vietjet on export credit financing. Citibank received permission to set up a fully owned subsidiary in Vietnam, and technology giant Jabil was given approval to expand its manufacturing operations in Ho Chi Minh City.

- **Vietnam tops performance index for greenfield FDI in emerging markets.**

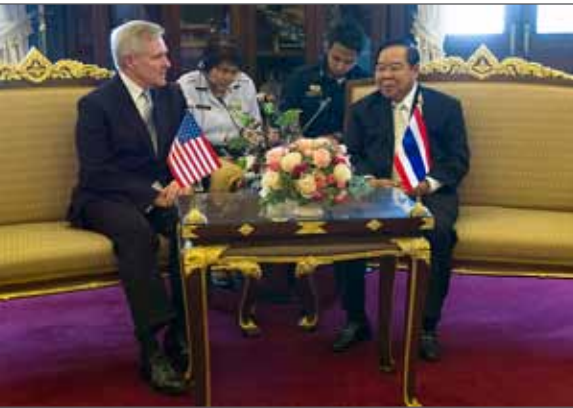
Vietnam ranked first in a performance index for greenfield foreign direct investment (FDI) in emerging markets conducted by fDi Intelligence, according to a July 14 *Financial Times* report. The study, which looks at inflows of greenfield investment since 2003 relative to the size of a country's economy, finds that Vietnam has attracted more than eight times the amount of greenfield FDI expected for the size of its economy. Malaysia and Thailand also ranked among the top five emerging markets in the index.

- **South Korea becomes largest investor in Vietnam.** South Korea has become the largest foreign investor in Vietnam at the end of the first quarter of 2015. South Korean businesses have invested over \$39 billion in 4,459 projects in Vietnam. South Korean conglomerates Samsung and LG Electronics seek to build Vietnam into their regional manufacturing base. The two countries signed a bilateral free trade agreement earlier this year.

- **Vietnam halts controversial construction along contested Cambodian border.** The Vietnamese government on July 9 agreed to halt construction of roads and buildings along a contested section of the Vietnam-Cambodia border in Svay Rieng, Kandal, and Ratanakkiri provinces following three days of border talks between senior Vietnamese and Cambodian officials in Phnom Penh. The construction of a Vietnamese military post and support infrastructure for the post in the area has angered Cambodian civilians and activists, who clashed with Vietnamese border security last month. About 15 percent of the Vietnam-Cambodia border has yet to be clearly demarcated.

- **U.S. “actively considering” fully lifting ban on lethal arms sales to Vietnam.** Assistant Secretary of State for Arms Control, Verification, and Compliance Frank Rose on July 14 told Vietnamese deputy defense minister Nguyen Chi Vinh that the U.S. government is actively considering fully lifting the ban on lethal arms sales to Vietnam in the near future. Rose was in Hanoi on July 13 and 14 to discuss space security issues and multilateral arms control measures with Vietnamese defense officials. Washington partially lifted its lethal arms embargo on Hanoi last October.

- **Coast Guard receives two advanced ships.** Vietnam's Coast Guard on July 9 received a new medical ship and a new towing ship built by state-owned shipbuilder Song Thu Corporation. Equipped with a 3,500-horsepower engine, the towing ship, codenamed CSB 9004, is the largest ship of its type in the Vietnamese coast guard. The medical ship, codenamed CSB 8002, is equipped with an operating room, medical equipment, and a helicopter landing pad.



U.S. secretary of the Navy Ray Mabus with Thailand's minister of defense Prawit Wongsuwan in 2010. Prawit stated a week ago that Thailand's recently announced purchase of three Chinese submarines would be put on hold. <https://www.flickr.com/photos/compacflt/5202308537/in/photolist-eQkEad-eQLBfM-8VWE3d-8VHc5M-8VHbXq>

THAILAND

- **Submarine procurement put on hold.** Deputy Prime Minister Prawit Wongsuwan on July 15 said that Thailand's planned purchase of three Chinese-made submarines, announced in late June, would be put on hold. The deal, worth approximately \$1 billion dollars, had received mixed reactions at home given Thailand's sluggish economy, lack of imminent threats from neighbors, and the shallow depths in the Gulf of Thailand. Thailand's navy has not operated submarines since the dissolution of its Submarine Group in 1951.
- **King endorses amended interim charter.** King Bhumibol Adulyadej on July 15 formally endorsed Thailand's newly amended interim charter. The Constitution Drafting Committee is now finalizing a full version of the draft to send to the National Reform Council for approval. The Election Commission will then organize a referendum on the new constitution that, if approved, would allow for elections in the latter half of 2016, according to authorities. The government has not said what would happen if voters rejected the constitution.
- **Prayuth defends new law restricting public assembly.** Prime Minister Prayuth Chan-ocha on July 15 assured critics that a new law restricting public gatherings would not target anti-government protesters. The law, which requires organizers of public gatherings to register their event with police 24 hours in advance and prohibits gatherings within 150 yards of government buildings, will take effect July 29. Both human rights groups and political parties have expressed concern about the legislation. Prayuth insisted it meets international standards to ward off violence in rallies.
- **Court wraps up trial of Phuketwan journalists.** A court in southwest Thailand's Phuket Province on July 16 concluded the three-day trial of two journalists with the Phuketwan news portal charged with defaming the Thai navy and violating the country's Computer Crimes Act. Human rights groups and the UN High Commissioner for Human Rights called on Thai authorities to drop the charges against reporter Chutima Sidasathian and Australian editor Alan Morison for quoting a 2014 Reuters article accusing the Thai navy of involvement in trafficking Rohingya migrants from Myanmar. The two will be sentenced on September 1 and could face seven years in prison.

SOUTH CHINA SEA

- **Arbitration tribunal concludes hearings on jurisdiction.** The five-member tribunal hearing Manila's case against Beijing's South China Sea claims

at the Permanent Court of Arbitration in The Hague held a hearing on its jurisdiction in the case from July 7 to 13. The court gave the Philippine legal team until July 23 to submit detailed written responses to the issues raised and gave China until August 17 to file any comments. China refuses to take part in the proceedings and did not send observers to the closed-door hearing. Representatives from Indonesia, Japan, Malaysia, Thailand, and Vietnam were present. The Philippine legal team expects the tribunal to rule on jurisdiction within 90 days and then move on to the merits of the case.

- **Philippines making repairs to BRP *Sierra Madre*.** A Philippine Navy spokesperson on July 15 confirmed that the Philippines has been making repairs to the derelict BRP *Sierra Madre*—a World War II-era ship the navy intentionally ran aground on Second Thomas Shoal in 1999. The navy stations about 10 troops on the ship and says the repairs, which include using steel and cement to patch the ship, are to improve its habitability. Chinese vessels in May 2014 blocked resupply of the troops at the *Sierra Madre*. China's Foreign Ministry has condemned the repairs and demanded that Manila remove the ship.
- **Google Maps removes Chinese name for Scarborough Shoal.** Google on July 14 removed a reference on Google Maps to the disputed Scarborough Shoal being part of the “Zhongsha Islands”—China's name for an archipelago that includes Scarborough and the submerged Macclesfield Bank—after receiving thousands of complaints from Filipino users. The feature now shows only the internationally recognized name, Scarborough Shoal. The shoal lies about 100 miles from the Philippines and has been occupied by China since May 2012. Google said that its policy is to refer to all disputed features by internationally recognized names when possible.



Second Thomas Shoal in February 2014. The Philippines is making repairs to the BRP Sierra Madre, which has been grounded on the shoal since 1999. https://commons.wikimedia.org/wiki/File:Second_Thomas_Shoal_-_2014-02-28_-_Landsat_8_-_15m.png

CAMBODIA

- **National Assembly passes controversial NGO law with few changes.** The National Assembly on July 13 passed a controversial nongovernmental organizations (NGO) law, which observers say will limit freedom of expression, without making significant changes to an earlier draft released for outside review. The international community, including U.S. ambassador William Todd and the UN Human Rights Council, have said the law unnecessarily limits NGO activities, including requiring them to register with the government and remain nonpartisan. All 55 opposition members of the assembly boycotted the vote. The Cambodian Senate is expected to pass the bill in late July.



Garment workers in Cambodia on their way to work. Hundreds of garment workers recently marched in Phnom Penh to demand better working conditions. <https://www.flickr.com/photos/breadfortheworld/15604788810>

- **Garment workers march in Phnom Penh for better working conditions.** Hundreds of striking garment workers from factories in Phnom Penh took to the streets on July 15 and 17 to demand better working conditions as union leaders met with Ministry of Labor officials. The demonstrations come as the government readies a draft law regulating unions, which human rights groups say fails to meet international standards. The workers demanded the right to freely unionize, elimination of forced overtime, and three months paid maternity leave.

- **Hun Sen asks U.S., others for official maps as Cambodia and Vietnam hold border talks.** Prime Minister Hun Sen on July 15 asked France, the United Kingdom, the United States, and the United Nations to loan Cambodia copies of an original map showing the nation's borders as mandated by its constitution. High-level officials from the Cambodian and Vietnamese governments met on July 8-10 to discuss the border after several demonstrations in recent weeks by Cambodian villagers and members of the opposition Cambodia National Rescue Party over the location of contested border markers led to clashes with Vietnamese villagers and police.

SINGAPORE

- **Singapore moves closer to general elections with review committee.** Prime Minister Lee Hsien Loong on July 13 announced in parliament that a committee to review electoral boundaries was formed two months ago. Forming the committee is the first step toward calling an election. The committee is considering having at least 12 single-member constituencies—the current number—and reducing the average number of lawmakers from group-representation constituencies to less than the current five each. The next poll is due by January 2017, but observers believe Lee could call an election as early as this year.
- **Singapore, U.S. launch joint naval exercise.** The Singapore and U.S. navies on July 13 launched a 12-day joint maritime exercise. About 1,400 troops and several battleships, submarines, and aircraft from the Republic of Singapore Navy and the U.S. Navy and U.S. Marine Corps are taking part in the drill. The exercise falls under the annual Cooperation Afloat Readiness and Training (CARAT), a series of bilateral naval exercises the U.S. Navy conducts annually with nine countries in South and Southeast Asia.
- **Auditor-General finds lapses at People's Association and Gardens by the Bay project.** A report by the auditor-general's office released on July 15 flagged transparency issues in transactions between government agencies and contracting businesses. The report found that managers of



Ships from the Bangladeshi and U.S. navies participate in a surface gunnery exercise during Cooperation Afloat Readiness and Training (CARAT) Bangladesh in 2011. The U.S. Navy conducts CARAT annually in Southeast Asia to strengthen relationships with regional navies and enhance force readiness. https://commons.wikimedia.org/wiki/File:US_Navy_110922-N-R1844-021_Bangladesh_navy_and_U.S._Navy_ships_participate_in_a_surface_gunnery_exercise_during_Cooperation_Afloat_Readiness_and_Tr.jpg

the \$1 billion Gardens by the Bay project had unjustifiably awarded \$20 million worth of contracts through a waiver of competition. The report also took issue with the National Library Board's procurement of electronic resources. The Ministry of Communications and Information has referred the matter to the police for further investigation.

- **IRS probes Singapore asset manager.** The Internal Revenue Service is looking into whether a Singapore asset-management firm has accepted transfers from undeclared Swiss accounts closed by U.S. taxpayers, according to a July 19 *Wall Street Journal* report. The investigation follows a U.S. crackdown on tax evasion that began with offshore bank accounts in Switzerland. Scott Michel, a lawyer with Washington-based Caplin & Drysdale, told the *Wall Street Journal* that the Singapore government may be more willing than other foreign governments to cooperate with U.S. officials about unreported accounts.

TRANS-PACIFIC PARTNERSHIP

- **U.S. Trade Representative gives ultimatum to Malaysian lawmakers during Asia trip.** U.S. Trade Representative Michael Froman traveled to Singapore and Malaysia from July 11 to 15 in an effort to seek conclusion of talks on the most sensitive issues in the Trans-Pacific Partnership trade agreement, a number of which concern Malaysia. According to a July 16 Inside U.S. Trade report, Froman told Malaysian lawmakers during his stop in Kuala Lumpur that the United States is ready to close the deal when negotiators meet in Hawaii in late July, and that Malaysia risks being "left behind" if it does not agree to issues such as reforms of Malaysia's intellectual property laws, state-owned enterprises, and government procurement practices.
- **Japanese chief negotiator says TPP is possible without all 12 negotiating members.** Japan's chief negotiator, Akira Amari, said on July 14 that the Trans-Pacific Partnership (TPP) cannot go adrift because some countries lag behind in negotiations, as negotiators hope to conclude talks at an upcoming ministerial-level meeting in Hawaii. Amari said that countries that are not ready to accede to the TPP now will have the option of joining later. Observers believe that Malaysia and Canada may not be ready to agree to all of the trade pact's terms.

MEKONG RIVER

- **Japan boosts aid to lower Mekong nations.** Japan pledged \$6.1 billion in aid to Cambodia, Laos, Myanmar, Thailand, and Vietnam during the July 3-4 Mekong-Japan Summit. The funds will be dispersed over the next three years as Tokyo seeks fresh influence in a region it regards as crucial to



U.S. Trade Representative Michael Froman meeting with Prime Minister Najib Razak. Froman told Malaysian lawmakers during his stop in Kuala Lumpur that the United States is ready to conclude negotiations on the Trans-Pacific Partnership by the end of July and Malaysia risks being left behind if it does not make concessions in areas including state-owned enterprises and government procurement. http://photos.state.gov/libraries/malaysia/99931/may/froman_najib_050715-500.jpg



A boat navigating the Mekong River, which runs through Cambodia, Laos, Myanmar, Thailand, and Vietnam. Japan has pledged a significant boost to its aid to the five lower Mekong countries over the next three years. [https://commons.wikimedia.org/wiki/File:Navigating_the_Mekong_\(1491413540\).jpg](https://commons.wikimedia.org/wiki/File:Navigating_the_Mekong_(1491413540).jpg)

domestic economic growth and regional strategic balance. The pledge represents a sharp rise over the \$4.9 billion in aid Japan gave the five countries during the past three years.

LAOS

- **Government to suspend land concessions for plantations; central bank suggests suspension of new private banks.** Laos's central bank proposed suspending the establishment of private commercial banks until 2016 during a recent session of the National Assembly, according to a July 14 Lao News Agency report. Meanwhile, Minister of Planning and Investment Somdy Duangdy on July 7 announced that the government has decided to suspend land concessions for rubber and eucalyptus plantations and mining projects until the end of 2015.
- **U.S. to fund project to fight opium cultivation.** The United States has agreed to provide \$1.5 million to a UN-run project in Huaphan Province to help opium-growing villagers find alternative sources of income. The project will also provide law enforcement training for members of the Ministry of Justice, Customs Department, Inspection and Anti-corruption Authority, and Supreme Court. The U.S. government has provided over \$47 million in counternarcotics funding to Laos since 1989.
- **Government announces cabinet reshuffle.** The Lao government on July 8 announced a cabinet reshuffle during a session of the National Assembly in Vientiane. Governor of Bokeo Province Khammanh Sounvileuth was appointed minister of home affairs, governor of Luang Prabang Province Khampheng Saysompheng was appointed minister of labor and social welfare, and governor of Vientiane Province Khammeuang Phongthady was appointed minister and head of the President's Office. Minister to the Government Office Sommad Pholsena was appointed minister of natural resources and environment, deputy minister of agriculture and forestry Phet Phomphiphak became minister, and acting minister of public security Somkeo Silavong was appointed minister.

BRUNEI

- **Brunei yet to implement harsher shari'a penalties.** Brunei has delayed implementing the second phase of its new shari'a penal code until further notice, according to a July 13 *Straits Times* report. The second phase of the rollout would allow for whipping and amputation of limbs. Fewer than 20 people have been convicted so far under phase 1, which went into effect last May and includes fines, imprisonment, or both for eating, drinking, or smoking during fasting hours, skipping Friday prayers, and giving birth out of wedlock. ■



Mosque in the center of Bandar Seri Begawan, Brunei's capital. Brunei has delayed implementing the second phase of its new shari'a penal code. https://commons.wikimedia.org/wiki/File:Mosque_bsb_brunei.jpg

Looking Ahead

- **Developing a Transatlantic Strategy to Strengthen Southeast Asian Cooperation.** CSIS will host an event July 29 to explore how the United States and European Union can better cooperate to promote regional architecture, especially ASEAN, within Southeast Asia. Ambassador David O’Sullivan of the European Union, Ambassador Pham Quang Vinh of Vietnam, and Deputy Assistant Secretary of State Michael Fuchs will take part in a conversation moderated by CSIS’s Heather Conley. The event will take place from 10:00 a.m. to 11:30 a.m. in the CSIS Second Floor Conference Room, 1616 Rhode Island Ave., NW. [Click here](#) to RSVP.
- **The Pivot to Asia: Rhetoric Isn’t Enough.** The American Enterprise Institute will host Rep. J. Randy Forbes (R-VA), chair of the House Seapower and Projection Forces Subcommittee, for a discussion July 29 on the challenge posed by China’s military rise and the next steps to ensure the long-term security of the United States and its allies. The event will take place from 12:00 p.m. to 1:00 p.m., 1150 17th St., NW. To RSVP, [click here](#).
- **China’s “New Normal”: An Economic Progress Report.** The Simon Chair in Political Economy at CSIS will host a discussion July 29 on China’s economy, which is expected to see slower growth in coming years, and China’s progress toward this “new normal.” The discussion will feature the International Monetary Fund’s Steven Barnett and Markus Rodlauer, Rhodium Group’s Daniel Rosen, the Wilson Center’s Robert Daly, and CSIS’s Matthew Goodman and Christopher Johnson. The event will take place from 3:30 p.m. to 5:00 p.m., 1616 Rhode Island Ave., NW. To RSVP, e-mail the [Simon Chair](#).
- **From Ocean of War to Ocean of Prosperity.** The Carnegie Endowment for International Peace will host an event July 29 on the U.S.-Japan relationship and Japan’s evolving role in maintaining a rules-based order in the Indo-Pacific region. Admiral Tomohisa Takei, chief of staff of the Japan Maritime Self-Defense Force, will offer his thoughts and Carnegie’s Thomas Carothers will moderate. The event will take place from 4:15 p.m. to 5:15 p.m. at the Carnegie Endowment, 1775 Massachusetts Ave., NW. [Click here](#) to RSVP.
- **The Next Defense Technology Revolution.** The Brookings Institution’s Center for 21st Century Security and Intelligence will host a discussion July 31 on the next defense technology revolution and how it will shape the future of U.S. armed forces, with particular focus on 3-D printing. Panelists



will include Brennan Hogan of LMI, Jim Joyce of Deloitte Consulting LLP, James Kenyon of Pratt & Whitney, and Dave Logan of BAE Systems Inc. The event will take place from 10:00 a.m. to 11:30 a.m. at Brookings’s Falk Auditorium, 1775 Massachusetts Ave., NW. [Click here](#) to RSVP. ■

SOUTHEAST ASIA FROM SCOTT CIRCLE

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