

# Southeast Asia from Scott Circle

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## A Tumultuous 2016 in the South China Sea

GREGORY POLING

*Gregory Poling is a fellow with the Chair for Southeast Asia Studies at the Center for Strategic and International Studies in Washington, D.C.*

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This promises to be a landmark year for the claimant countries and other interested parties in the South China Sea disputes. Developments that have been under way for several years, especially China's island-building campaign in the Spratlys and Manila's arbitration case against Beijing, will come to fruition. These and other developments will draw outside players, including the United States, Japan, Australia, and India, into greater involvement. Meanwhile a significant increase in Chinese forces and capabilities will lead to more frequent run-ins with neighbors.

Alongside these developments, important political transitions will take place around the region and further afield, especially the Philippine presidential elections in May. But no matter who emerges as Manila's next leader, his or her ability to substantially alter course on the South China Sea will be highly constrained by the emergence of the issue as a cause célèbre among many Filipinos who view Beijing with wariness bordering on outright fear. The same dynamics are at play in Vietnam, where the course of South China Sea policy is **not expected to change** following last month's Communist Party congress despite the re-election of Nguyen Phu Trong, who is generally seen as more pro-Beijing, as party chief.

## A Ruling from The Hague

The Philippines argued the merits of its **case against China's** claims in the South China Sea before an arbitral tribunal at the Permanent Court

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## A Tumultuous 2016 in the South China Sea *(continued)*



*U.S. President Barack Obama meeting with Philippine President Benigno Aquino in Manila in 2014. Cooperation between the two leaders in the South China Sea is expected to increase in 2016 following the Philippine Supreme Court's approval of the Enhanced Defense Cooperation Agreement in January. [https://commons.wikimedia.org/wiki/File:Barack\\_Obama\\_and\\_Benigno\\_Aquino\\_III\\_4.28.14.jpg](https://commons.wikimedia.org/wiki/File:Barack_Obama_and_Benigno_Aquino_III_4.28.14.jpg)*

of Arbitration in The Hague in November 2015. Afterward the five judges asked the Philippine legal team for written answers to a final round of follow-up questions. They are now expected to enter deliberations and issue a ruling around late May. That decision will be final and legally binding on both parties, despite Beijing's refusal to take part in the proceedings or recognize the tribunal's jurisdiction.

The case is complicated—it consists of 15 separate claims—and so the final shape of an award from the tribunal is unknown. However, the judges will almost certainly rule that China's nine-dash line is not a valid maritime claim and that China is not entitled to any historic rights beyond the regime of territorial seas, exclusive economic zones, and continental shelves laid out in the United Nations Convention on the Law of the Sea (UNCLOS). This will not affect China's territorial claims to the disputed islands and rocks of the South China Sea, nor will it necessarily mean that Beijing cannot make large claims to the seabed and waters in the area. But it will amount to an order that China clarify its maritime claims based on entitlements from land features, not ambiguous dashes on a map.

Beijing will not suddenly clarify its claims in the South China Sea because the tribunal orders it to do so. The Chinese government has repeatedly said that it will not recognize any ruling. But it has also worked hard since Manila brought the case in early 2013 to get the Philippine government to drop it. That is because being branded an international outlaw will involve significant reputational costs for Beijing. It will undermine China's narrative that it is a responsible rising power that deserves a greater hand in global governance. It will make other countries wary of Chinese commitments and will drive regional states even closer to Tokyo and Washington.

These costs to Beijing could make an eventual political compromise more appealing. China might agree to redefine the nine-dash line based on UNCLOS rather than historic rights and enter real negotiations in exchange for the Philippines dropping the case (which will remain open until both parties abide by the award) and agreeing to undertake joint economic development.

To promote that kind of political compromise, Manila and Washington will need to embark on a sustained campaign to garner international support for the tribunal's ruling. That support will need to come not only from like-minded countries like Australia, Japan, and European states, but also from the Philippines' Southeast Asian neighbors.

## A Tumultuous 2016 in the South China Sea *(continued)*

China's first civilian test flights landed at Fiery Cross Reef at the end of 2015, marking the completion of China's first operational runway in the Spratly Islands. Additional [airstrips at Subi Reef and Mischief Reef](#) will soon join it, if they have not already, and military test flights to the features are expected in the first half of 2016. Meanwhile China continues to build port facilities, support structures, and radar installations to support substantial air, naval, and coast guard forces on rotation at these and four other features in the Spratlys. Add to this ongoing military upgrades at Woody Island, where China boasts another airstrip and recently deployed mobile surface-to-air missiles, and it is clear that 2016 will see the capabilities of Chinese forces in the South China Sea increase substantially.

The most direct victims of this increase in Chinese forces over the course of 2016 will be the naval, coast guard, and civilian fleets of Southeast Asian claimants. Simple arithmetic suggests that this year will see more frequent harassment of and clashes with Filipino, Malaysian, and Vietnamese fishermen, oil and gas exploration vessels, and military ships and planes as China increases its capacity to patrol more of the South China Sea and interdict vessels operating in what Beijing considers its sovereign space.

Increased Chinese naval and air capabilities in the South China Sea are already leading to calls from Southeast Asian claimants for greater involvement by outside powers. These voices will only grow louder as 2016 progresses and more Chinese facilities in the Spratlys come online. Already Australia has stepped up patrols under its Operation Gateway—an ongoing mission to patrol Southeast Asian waters and airspace—as the United States increases the frequency of its [freedom of navigation patrols](#) in the area.

Japan is stepping up defense cooperation with regional partners, especially Australia and the Philippines, under its new defense guidelines and is hotly debating a larger role in patrolling the South China Sea. And the Indian navy is increasingly operating in the area while emerging as a key provider of arms and equipment to Vietnam and an increasingly important security partner to Australia, Japan, and the United States.

The ability of the United States to boost its intelligence, surveillance, reconnaissance, and patrol capabilities in the South China Sea, and to respond in case of threats to the Philippines or other regional partners, will be significantly increased by the Philippine Supreme Court's approval



*The Peace Palace in The Hague, Netherlands, which houses the Permanent Court of Arbitration. A ruling on the Philippines' case against China's claims in the South China Sea is expected in May 2016.*  
[https://commons.wikimedia.org/wiki/File:International\\_Court\\_of\\_Justice.jpg](https://commons.wikimedia.org/wiki/File:International_Court_of_Justice.jpg)

## A Tumultuous 2016 in the South China Sea *(continued)*



*Satellite image of Fiery Cross Reef, the site of China's first civilian test flight landings, taken in September 2015. Military test flight landings are expected to take place here in the first half of 2016. Photo credit: CSIS Asia Maritime Transparency Initiative/DigitalGlobe, [http://amti.csis.org/wp-content/uploads/photo-gallery/fiery\\_cross\\_sep03\\_2015\\_overview.jpg](http://amti.csis.org/wp-content/uploads/photo-gallery/fiery_cross_sep03_2015_overview.jpg).*

in January of the [Enhanced Defense Cooperation Agreement](#). In the coming months, Manila and Washington will finalize the official list of Philippine military facilities to which U.S. forces will gain access as part of the agreement, and in which the United States will invest substantially to improve Philippine military infrastructure.

Given these dynamics, 2016 promises to be a much tenser year in the South China Sea, but one in which the groundwork could be laid for a sustained multilateral campaign to deter further Chinese aggression, support Southeast Asian states in pursuit of their rights, and reach an eventual political compromise to manage the disputes. ■



*National League for Democracy (NLD) chair Aung San Suu Kyi visiting her supporters during the 2012 by-election campaign at her constituency, Kawhmu Township, outside Yangon. Aung San Suu Kyi has been in talks with Commander-in-Chief Gen. Min Aung Hlaing over power-sharing issues in preparation for the incoming NLD government, which is expected to take office in April. <https://commons.wikimedia.org/wiki/File:Suu-kyi-khawmu-campaign.jpg>*

## MYANMAR

- **NLD continues talks with military over presidency; Thein Sein urges lawmakers to abide by constitution.** National League for Democracy (NLD) chair Aung San Suu Kyi's continued closed-door talks with the military about the choice of Myanmar's next president have led to ongoing political uncertainty in Myanmar. The NLD said it hopes to "suspend" Article 59 (f) in the constitution, which bars individuals with foreign family members from becoming president, in order to pave the way for Aung San Suu Kyi to be the country's next leader. President Thein Sein, who decided to cancel his attendance at the U.S.-ASEAN summit in Sunnylands, California, on February 15-16, instead asked lawmakers not to stray from the constitution, echoing a growing frustration with Aung San Suu Kyi among military leaders.
- **Military will extend the term of army chief.** Commander-in-Chief Senior Gen. Min Aung Hlaing has been granted another five-year term, as the military seeks to preserve its interests amid the power handover to the now ruling National League for Democracy, according to a February 13 report by local newspaper *The Voice*. Senior military officials made the decision at an internal meeting the week before. Min Aung Hlaing reaches the compulsory retirement age of 60 and had previously been expected to step down this year. His deputy, Gen. Soe Win, will also stay on for another five years.
- **Shwe Mann to lead legislative oversight commission.** Aung San Suu Kyi on February 5 appointed Shwe Mann, the former parliamentary speaker and chair of the military-backed Union Solidarity and Development Party, chairman of the Legal Affairs and Special Cases Assessment Commission in the Lower House. The panel is tasked with advising the parliament on potential changes to existing laws and drafting new legislation. Shwe Mann, a former general, has been facilitating contact between Aung San Suu Kyi and senior military leaders.
- **U.S. Senate confirms Scot Marciel as new ambassador to Myanmar.** The U.S. Senate on February 9 unanimously confirmed Scot Marciel to be the new U.S. ambassador to Myanmar. Marciel is currently the principal deputy assistant secretary of state for East Asian and Pacific Affairs at the U.S. Department of State and previously served as U.S. ambassador to Indonesia. He has also held diplomatic posts in Vietnam and the Philippines. Marciel is expected to help drive U.S. policy toward Myanmar after the new government takes office April 1 amid renewed concerns

among U.S. lawmakers about the outgoing government's human rights record.

- **Thirteen foreign banks apply for second round of licensing.** Myanmar's central bank on February 9 announced that 13 banks have applied to take part in the government's second round of licensing for foreign banks. The majority of the banks applying for licenses are from India, Mauritius, South Korea, Taiwan, and Vietnam. The government said it will choose three to five of the banks by the end of the first quarter of 2016 to open branch offices in Yangon. Nine foreign banks were chosen during the first round of licensing awards in 2014.

- **ADB, IFC approve \$300 million loan for telecom operator Ooredoo.** The Asian Development Bank (ADB) and the International Finance Corporation (IFC) on February 7 announced a \$300 million loan to Qatari telecommunications operator Ooredoo to carry out a mobile network rollout across Myanmar through 2019. Ooredoo also plans to use the funds to create mobile applications for the agriculture, banking, and maternal health sectors. Ooredoo, which received its license to operate in Myanmar in 2014, currently covers more than 80 percent of the country's population through its network.

#### THAILAND

- **U.S., Thailand hold Cobra Gold military exercise.** U.S. and Thai forces on February 9 launched the annual Cobra Gold military exercise at Sattahip, a Thai military base overlooking the Gulf of Thailand, amid tensions in bilateral U.S.-Thai relations following the military coup in May 2014. Glyn Davies, U.S. ambassador to Thailand, said at the opening ceremony that while the exercise demonstrated U.S. commitment to the Asia-Pacific region, the U.S.-Thai alliance would be strengthened if Thailand "returns to elected governance...with a strengthened, sustainable democratic system." This year's exercise involves more than 8,500 soldiers from 27 countries and is set to conclude on February 19.

- **Central bank continues to hold interest rates steady.** The Bank of Thailand on February 3 said it is keeping interest rates steady but is prepared to cut rates in the event of more serious economic shocks such as a further slowdown in China's economic growth or additional drops in oil prices. Central bank governor Veerathai Santiprabhob said interest rates in Thailand are already at record lows, and greater external shocks might prompt the central bank to enact further rate cuts. The government has been using fiscal measures to stimulate growth.



*U.S. Cmdr. Daniel P. Duhan of the USS Ashland greets members of the Royal Thai Navy at Cobra Gold 2016 in Thailand. U.S. ambassador to Thailand Glyn Davies said at the opening ceremony of the exercise that U.S.-Thai relations would be strengthened if and when Thailand returns to an elected government. <https://www.flickr.com/photos/us-pacific-command/24808084251/in/dateposted-public/>*

- **World Bank study says Thailand has lowest percentage of skilled labor within ASEAN.** A survey by the World Bank, the findings of which were presented in Bangkok on February 1, found that Thailand has the lowest proportion of skilled labor among ASEAN countries, with 83.5 percent of the Thai workforce being unskilled labor. The study also said only 38.8 percent of Thai workers are qualified for the jobs that they hold. It attributes the lack of a competitive workforce primarily to the quality of the education system. The World Bank suggested a more flexible and less centralized approach to education in Thailand.
- **Media reform committee eyes stricter control of social media content.** The National Reform Assembly's committee on media has summoned executives from social media network Facebook and messaging app LINE to seek their cooperation monitoring content posted by Thai users on social media platforms, according to a January 30 *Bangkok Post* report. The government made a similar request to Google in January; a leaked document revealed that Google was asked to remove information critical of the Thai monarchy from its search engine. Information freedom activists have criticized the government's increasingly strict control of social media content.

#### INDONESIA

- **Indonesian court sentences ISIS supporters.** Seven Indonesian men on February 9 were sentenced for supporting the Islamic State in Iraq and Syria (ISIS). The charges, ranging from fundraising to training in Syrian militant camps, come amid an atmosphere of increased counterterrorist activity following the January 14 terrorist attack in Jakarta that left eight people dead. Anti-terrorism police have arrested approximately 50 people with suspected links to the Jakarta attacks.
- **Ministry recommends issuing six-month export permit to Freeport.** The Energy and Mineral Resources Ministry on February 9 recommended issuing a new copper export permit to mining company Freeport McMoRan Inc. The trade ministry approved the permit the next day. Freeport's previous permit expired on January 28, although mining and milling operations continued in the interim. Discussions concerning a \$530 million deposit for a new smelter continue between the company and the Indonesian government.
- **35 industrial sectors removed, 20 added to negative investment list in recently released economic policy package.** The Indonesian government on February 11 released its 10th economic policy package, which overhauls the country's negative investment list by opening 35 industrial sectors to 100



*A view of the Grasberg Mine from space. The Grasberg Mine is owned by Freeport Indonesia and is the world's third-largest copper mine. Indonesia granted Freeport a new six-month copper export permit on February 10. [https://en.wikipedia.org/wiki/Grasberg\\_mine#/media/File:GrasbergMine\\_ISS011-E-9620.jpg](https://en.wikipedia.org/wiki/Grasberg_mine#/media/File:GrasbergMine_ISS011-E-9620.jpg)*

percent foreign ownership. Those sectors include film production, tourism-related ventures, and sports centers. However, 20 other sectors, such as harvesting of natural corals, were added to the list. President Widodo has been trying to liberalize the economy in an effort to attract more foreign investment into the country.

- **Former energy minister sentenced to four years in prison for corruption.** Jero Wacik, the energy minister under previous president Susilo Bambang Yudhoyono's administration, on February 9 received a four-year prison sentence for corrupt conduct during his term in office. He was also ordered to pay back the \$426,000 that he misused and an added fine of over \$11,000. Jero maintains his innocence, claiming the charges stem from a lack of control over corrupt subordinates.
- **Trade union wants to keep out unskilled Chinese workers.** The Confederation of Indonesian Workers Unions urged the government on February 8 to prevent Chinese investors from bringing in their own unskilled workers for Indonesian projects. The confederation argued that such a policy would be harmful toward local workers, and that the government was showing greater flexibility toward Chinese investors than other foreign investors.
- **Pertamina to slash operational costs by 30 percent.** State-owned oil and gas operator Pertamina will reduce its operational expenditures by 30 percent, according to a January 16 *Jakarta Post* report. Low oil prices have forced the company to cut operational costs in order to improve efficiency. According to President Director Dwi Soetjipto, Pertamina may resort to cutting revenues and laying off workers if the new efficiency measures are insufficient.

#### PHILIPPINES

- **Presidential race officially begins in the Philippines.** The 90-day campaign for the May 9 general elections in the Philippines officially kicked off with a number of political rallies held on February 9. Though 18,000 local and senatorial seats will be contested, most attention will be focused on the already-dramatic presidential race between Senator Grace Poe, current vice president Jejomar Binay, former interior secretary Mar Roxas, Davao City mayor Rodrigo Duterte, and Senator Miriam Defensor Santiago. Poll favorite Poe continues to face possible disqualification over residency and citizenship requirements being considered by the Supreme Court.



Senator Grace Poe. According to recent polls, Poe holds a narrow lead in the Philippine presidential race, with 30 percent of national support. [https://en.wikipedia.org/wiki/Grace\\_Poe#/media/File:Grace\\_Poe\\_delivering\\_a\\_privilege\\_speech.jpg](https://en.wikipedia.org/wiki/Grace_Poe#/media/File:Grace_Poe_delivering_a_privilege_speech.jpg)

- **Military wary of increased attacks by Islamic fighters on road and bridge projects.** The spokesperson for the Bangsamoro Islamic Freedom Fighters (BIFF) has warned of more attacks on government infrastructure projects on the southern island of Mindanao, according to a February 8 report in the *Philippine Star*. BIFF strongholds are largely found in remote areas, and commanders are fearful that government road and bridge projects will provide easy access for military tanks and combat vehicles. BIFF militants sabotaged construction sites across Maguindanao Province in the first week of February.
- **Foreign affairs secretary Albert del Rosario resigns for health reasons.** Secretary of Foreign Affairs Albert del Rosario is stepping down due to health reasons, effective March 7. Government officials confirmed on February 8 that President Benigno Aquino had accepted del Rosario's resignation. Del Rosario is known for his active engagement with the United States, and he spearheaded the Philippines' historic arbitration case against China at the Permanent Court on Arbitration that attempts to settle territorial disputes in the South China Sea.
- **President Aquino approves Land Bank-DBP merger, creating country's second-largest bank.** President Benigno Aquino on February 4 approved the merger of the Development Bank of the Philippines (DBP) and the Land Bank of the Philippines, which would create the country's second-largest financial institution. The two state-owned banks have combined assets of over \$33.8 billion and will continue to operate as the Land Bank. The move is intended to strengthen domestic banking, but some analysts fear that mismanagement could necessitate a big government bailout.
- **U.S., Philippines in talks to upgrade five Philippine military facilities.** Defense Secretary Voltaire Gazmin on February 4 confirmed that the United States will build five military facilities on Philippine bases under the Enhanced Defense Cooperation Agreement (EDCA), which the Philippine Supreme Court declared constitutional in January. U.S. ambassador Philip Goldberg said the two parties were discussing construction projects in Palawan, Cagayan de Oro City, Nueva Ecija, Pampanga, and Cebu.

#### MALAYSIA

- **Deputy prime minister Zahid visits China, discusses e-visa and visa exemption schemes.** Deputy Prime Minister Ahmad Zahid Hamidi visited Beijing from February 1 to 4 to finalize a visa exemption and e-visa scheme for Chinese tourists traveling to Malaysia. Zahid also met with China's Public Security Minister Guo Shengkun and with Meng Jianzhu, secretary



Malaysian and Indonesian officials on February 4 protested the French government's decision to impose a new progressive tax on palm-based products, which they fear will prompt other countries to follow suit. Malaysia and Indonesia contribute to about 90 percent of the world's palm oil production. <https://www.flickr.com/photos/pixelthing/4400158497/sizes/l>

of the Chinese Communist Party's Central Committee on Political and Legal Affairs. Starting March 1, Chinese tourists staying in Malaysia for less than 15 days will be granted visa-free entry.

- **Malaysia, Indonesia protest France's progressive palm oil tax.** Malaysia and Indonesia have come out strongly against France's new progressive tax on palm-based products entering the French market, imposing a tariff of up to \$1,019 per ton from the current \$111. Malaysian plantation industries and commodities minister Douglass Uggah and Indonesian coordinating minister of maritime affairs Rizal Ramli said on February 4 the new tax, which will come into effect in 2017, would benefit the vegetable, soya, and sunflower oil industries at the expense of palm oil companies. Rizal fears France's decision will prompt other countries to follow suit.

- **Malaysia is taking steps to combat Zika virus.** Health Minister S. Subramaniam on February 3 announced Malaysia has taken preventative measures to contain a possible outbreak of the Zika virus. The Ministry of Health has reportedly created a monitoring system in health clinics and hospitals, such as clinical and laboratory surveillance for the Zika virus and microcephaly. These early detection methods can help ensure a timely response when cases arise. No Zika cases have been reported in Malaysia, but the risk is high as neighboring countries Thailand and Indonesia are prone to the endemic.

- **Journalists and media groups blast attorney general's proposal to increase punishments under Official Secrets Act.** Attorney General Apandi Ali on February 7 told the *Sin Chew Daily* that the government plans to amend the Official Secrets Act of 1972 to increase punitive measures against both individuals who leak state secrets and journalists who report on state secrets. Journalists and media groups have strongly criticized the plan, calling it an attack on freedom of expression. Gerakan Media Marah, a coalition of Malaysian journalists in support of freedom of speech, urged the government to enact instead a whistleblower's law to protect confidential sources and journalists.

#### SINGAPORE

- **Prime minister proposes changes to political system, splitting sentiments in Parliament.** Prime Minister Lee Hsien Loong on January 27 proposed to the Parliament of Singapore a number of major reforms to Singapore's current electoral system. Lee called for a review of existing criteria for candidates to be president, and announced plans to raise the number of opposition lawmakers. The prime minister said

he plans to reduce the number of group representation constituencies—constituencies in which parties field a group of candidates on a single ticket—to allow for greater electoral competition, and to increase the number of single-member constituencies. Lee had been expected to announce his government’s reform plans after the landslide victory of the ruling People’s Action Party at the polls last September.

- **Government testing drones to facilitate interagency coordination.** The Transport Ministry on February 4 announced it is aiding various public agencies in Singapore to experiment with the use of drones to facilitate coordination among government bodies. The drones will be used primarily to monitor and inspect sites of interest to the government, and agencies can share the footage captured in an online platform. The Singapore government is expected to launch a tender for bulk drone suppliers to provide equipment and technical expertise to interested agencies in late February.
- **Maybank Singapore in talks with monetary authority to incorporate Singapore operations.** Maybank Singapore on February 4 announced it is in ongoing consultations with the Monetary Authority of Singapore (MAS) to incorporate its international operations in Singapore. This move will be important for Malaysia-based Maybank’s international business strategy, given Singapore is the financial gateway to the rest of the region. MAS classifies Maybank as one of Singapore’s “domestic systemically important banks,” which are subject to more stringent financial supervisory measures than other banks are.

## VIETNAM

- **Party appoints new party secretaries for Hanoi, Ho Chi Minh City.** The ruling Communist Party has appointed new party secretaries for Hanoi and Ho Chi Minh City, Vietnam’s most important cities, shortly after the conclusion of its 12th party congress. The new party chief in Hanoi is Hoang Trung Hai, who was trained as an engineer and most recently served as a deputy prime minister overseeing economic affairs. Current minister of transport Dinh La Thang will serve as the new party chief in Ho Chi Minh City, Vietnam’s commercial hub.
- **Vietnam receives 5th Kilo-class submarine.** The Vietnamese navy on February 5 received its fifth Kilo-class submarine from Russia. A sixth and final one is expected to be delivered later this year. The Vietnamese government in 2009 signed a deal estimated to be worth around \$5 billion for the acquisition of six Kilo-class submarines from Russia, the construction of a submarine facility in Cam Ranh Bay in central Vietnam,



*Singapore prime minister Lee Hsien Loong in Perth, Australia, in October 2011. In an address to Parliament on January 27, Lee proposed a number of changes to Singapore’s political system, including raising the number of opposition lawmakers and strengthening the role of the Council of Presidential Advisors. <https://www.flickr.com/photos/comsec/6288385658/sizes/l>*



*Vietnamese prime minister Nguyen Tan Dung participating in a flag-raising ceremony for the second Kilo-class submarine delivered from Russia in 2014. The Vietnamese Navy is expected to operate a total of six Kilo-class submarines by 2017. [https://commons.wikimedia.org/wiki/File:Flag-raising\\_ceremony\\_for\\_two\\_first\\_submarines\\_held\\_in\\_Cam\\_Ranh,\\_2014.png](https://commons.wikimedia.org/wiki/File:Flag-raising_ceremony_for_two_first_submarines_held_in_Cam_Ranh,_2014.png)*

and training of Vietnamese submarine crews by Russian personnel. Vietnam has been boosting its military capabilities rapidly in response to China's growing assertiveness in the South China Sea.

- **Police arrest three former bankers over large-scale fraud at state-owned bank.** Vietnamese authorities have arrested nine banking executives for embezzlement that allegedly cost state-owned Mekong Housing Bank (MHB) \$4.4 million in losses, according to a February 3 *Thanh Nien News* report. The nine arrested include three former bank employees—including a former chairman and chief executive officer—and six current senior managers. MHB was merged with the large state-run Bank for Investment and Development of Vietnam in 2015. The arrests were the latest in a crackdown on bank officials over the past few years as the government attempts to clean up the banking sector.

#### ASEAN

- **Obama hosts ASEAN leaders at summit in Sunnylands.** President Obama hosted a special U.S.-ASEAN summit at the Sunnylands Center in Rancho Mirage, California, on February 15-16. It was the first U.S.-ASEAN summit to be held on U.S. soil, and highlights the diplomatic engagement of the Obama administration's rebalance to Asia. Economic engagement, maritime security, counterterrorism, climate change, and human rights were topics on the agenda.
- **India considers easing visa restrictions on ASEAN to boost tourism.** In his address at Chulalongkorn University in Bangkok on February 4, Indian vice president Hamid Ansari said India is "considering the feasibility of liberalizing [its] visa regime for ASEAN countries to facilitate Buddhist tourist arrivals." Buddhism spread from India to many parts of Southeast Asia, and Ansari said this "shared heritage" is good reason to ease visa restrictions on tourists from the region.

#### TRANS-PACIFIC PARTNERSHIP

- **Froman renews call to U.S. businesses to support passing TPP this year.** U.S. Trade Representative Michael Froman on January 29 met with about 30 U.S. company representatives to mobilize their support in lobbying for Congress to approve the Trans-Pacific Partnership (TPP) trade agreement. The administration of President Barack Obama has set a goal of obtaining congressional ratification of the TPP by the end of 2016. Froman did not specify a targeted timeframe in his meeting with U.S. businesses. Major U.S. business associations have gradually expressed their support for the TPP, but continue to push for revisions to the text to address their specific concerns.



*President Obama with Southeast Asian leaders at the 2012 ASEAN summit in Phnom Penh. The U.S.-ASEAN summit at Sunnylands was the first on U.S. soil. [https://commons.wikimedia.org/wiki/File:Barack\\_Obama\\_at\\_ASEAN\\_Summit\\_2012.jpg](https://commons.wikimedia.org/wiki/File:Barack_Obama_at_ASEAN_Summit_2012.jpg)*

- **Ways and Means Committee releases paper on workers' rights in TPP, questions enforcement of TPP labor provisions.** The Democratic staff of the House of Representatives' Ways and Means Committee on February 1 released an analysis paper on the labor provisions facing countries that are part of the Trans-Pacific Partnership (TPP) trade agreement, including establishing minimum wages, discouraging the import of goods made by forced labor, and ensuring high-standard labor protections in export processing zones. The paper finds "significant and legitimate concerns" still remain as to whether labor standards of the May 10 Agreement, an agreement reached between the George W. Bush administration and Democratic lawmakers in 2007 to renegotiate sensitive issues such as labor, patents, and access to medicine in the United States' then-pending free trade agreements with countries including Panama and Peru, will be fully implemented and enforced by TPP countries.

#### SOUTH CHINA SEA

- **China deploys missiles on disputed island in the South China Sea.** Taiwan's Defense Ministry on February 17 confirmed that China has deployed surface-to-air missiles on Woody Island in the Paracel Islands chain. Satellite images taken on February 14 show two batteries of eight missile launchers and a radar system on the disputed island, which is also claimed by Taiwan and Vietnam. The Chinese Defense Ministry immediately responded with claims that defense systems had been on the island for years and blamed western media for trying to "hype up the so-called China threat."
- **U.S. to continue freedom of navigation operations.** Ambassador to the Philippines Philip Goldberg on February 3 confirmed that the United States will continue to exercise its rights under international law to conduct freedom of navigation operations in the South China Sea. The Philippines, which recently protested China's landing of commercial aircraft on an artificial island in the Spratlys, has signaled its interest in conducting joint patrols with U.S. forces. While no official confirmation has been provided, the two countries have discussed joint operations and share a "deep interest" in promoting freedom of navigation.
- **India denies possibility of holding joint naval patrols with U.S.** India's defense ministry on February 11 dismissed claims that discussions were held with the United States regarding joint naval patrols in the South China Sea. A Reuters article published a day earlier reported that the two countries were in talks and were hoping to launch joint operations within this year. The report provoked a swift response from the Chinese Foreign Ministry, which insisted that countries outside of the area should "stop pushing forward the militarization of the South China Sea."



*Union workers rally to oppose the TPP. The Ways and Means Committee in the House of Representatives on February 1 issued an analysis paper that focuses on workers' rights in a number of countries that are part of the Trans-Pacific Partnership (TPP) trade agreement. The paper expresses concerns over whether these countries can fully implement the labor provisions in the TPP. <https://www.flickr.com/photos/afge/14152733863/sizes/l>*



Royal Australian Air Force MiG-29s fly in formation over the South China Sea in 2011. Australia's Operation Gateway surveillance flights over the South China Sea are increasingly being challenged by China. [https://www.flickr.com/photos/aus\\_defence\\_force/5735290144/in/photolist-9JNRWQ](https://www.flickr.com/photos/aus_defence_force/5735290144/in/photolist-9JNRWQ)

- **Australia says air patrols over the South China Sea are being “routinely challenged” by Beijing.** Australian Air Force chief Leo Davies said on February 3 that “nearly all” of the air force’s surveillance flights in the South China Sea were now being challenged by China. According to Davies, challenges involved radio broadcasts urging Australian planes to immediately change course given their close proximity to Chinese territory. Australia conducts routine patrol flights in the South China Sea as part of Operation Gateway, which aims to enhance maritime peace and security in the region.
- **U.S. concerned over China’s use of non-naval ships to assert claims in South China Sea.** Vice Admiral Joseph Aucoin of the U.S. Navy on February 15 expressed concern that China’s use of non-naval vessels to defend territorial claims is making it difficult to avoid a confrontation in the South China Sea. Aucoin warned against the launch of Chinese military aircraft off reclaimed features, claiming that it would have a “destabilizing effect” and incite a U.S. response. He also underscored the need to include the U.S. Coast Guard in maritime patrols and in the Code for Unplanned Encounters at Sea.

#### CAMBODIA



Rubber is Cambodia’s most important agricultural export product. The Cambodian government hopes to increase its exports of rubber and other commercial crops to China, as Beijing and Phnom Penh agreed to increase bilateral trade to \$5 billion by 2017. <https://www.flickr.com/photos/ciat/13505049245>

- **Author testifies on killings of ethnic Cham at Khmer Rouge tribunal.** The author of a book on the killing of ethnic Cham during the Khmer Rouge rule in the 1970s, Ysa Osman, on February 9 testified as an expert witness in the ongoing Khmer Rouge tribunal, which is overseen by the United Nations. Osman, an ethnic Cham, said he believes that 500,000 out of an original population of 700,000 Cham in Cambodia were killed under Khmer Rouge rule, but admitted that statistical evidence he obtained could be imperfect. Other studies have offered more conservative figures on the number of ethnic Cham killed during this period.
- **Foreign minister visits China to boost economic, security ties.** Foreign Minister Hor Namhong visited China on February 4 to discuss ways to increase bilateral trade between China and Cambodia and boost bilateral security cooperation. During Namhong’s visit, the two governments agreed to boost bilateral trade to \$5 billion annually by 2017 from \$3.8 billion in 2015. The Chinese government said it plans to offer more scholarships to Cambodian students to study in China, and would be willing to help raise the standard of living in remote parts of Cambodia.

#### LAOS

- **Laos to increase electricity exports to Greater Mekong Subregion.** Laos plans to increase its electricity exports to neighboring Myanmar and

Vietnam, both of which have faced growing power shortages, according to a February 3 *Vientiane Times* report. Thailand has been a major market for Laos's electricity exports in recent years. Laos this year will start exporting electricity to Myanmar from its new power plant, Xekaman 1, in southern Laos. Laos had 38 power plants with a total installed capacity of 6,265 megawatts at the end of 2015.

#### BRUNEI

- **Brunei, India to strengthen energy trade.** India's vice president, Mohammad Hamid Ansari, on February 3 said that his country's increasing demand for energy has created an opportunity for Brunei to expand its export of hydrocarbons. Ansari expressed interest in working with the government of Brunei to establish a fertilizer plant that would utilize its hydrocarbon resources. The vice president was on an official three-day visit to Brunei aimed at strengthening bilateral cooperation across a number of areas.
- **Brunei releases ICT white paper for 2016-2020.** The government of Brunei on February 4 launched the national information and communications technology (ICT) white paper for 2016-2020, which sets forth a strategy for the sector's growth through eight targets. Among the goals are a 6 percent contribution by the ICT sector toward Brunei's GDP, developing 6,000 skilled professionals, establishing five local small and medium enterprises with regional business operations, and facilitating a 30-place improvement in Brunei's World Economic Forum Global Competitiveness ranking for technology-readiness. Successful implementation relies on a "mindset change" that would see the country embrace the ICT industry.

#### TIMOR-LESTE

- **Bolloré Group to construct new \$424 million port near Dili.** The construction of a new container port in Tibar Bay, about six miles west of Dili, will be overseen by Paris-based Bolloré Group, according to an article published in the *Journal of Commerce* on February 3. The new port will comprise a 2,100-foot wharf, a 50-foot draft, and a 60-acre yard, replacing Timor-Leste's single and considerably smaller international seaport. The port will be completed and operational by 2017 or 2018, and is expected to accelerate economic growth through facilitating increased trade with Asia.
- **Australia's Labor Party pledges to end maritime boundary dispute with Timor-Leste.** The Australian Labor Party's deputy leader, Tanya Plibersek, announced on February 10 that the party would "redouble efforts" to resolve a maritime boundary dispute with Timor-Leste. Australia's



maritime border currently extends close to Timor-Leste, which gives Australia a larger share of revenue from the \$40 billion Greater Sunrise oil and gas project in the Timor Sea. The government of Timor-Leste launched arbitration proceedings in 2015, demanding that the sea border be redrawn at the halfway point between the two countries. ■

- **Kingdom at a Crossroad: Thailand's Uncertain Political Trajectory.** The Center for East Asia Policy Studies at the Brookings Institution on February 24 will host an event to explore the root causes of Thailand's political crisis, the implications of an upcoming royal succession, and the possibilities for the road ahead. Panelists include Duncan McCargo, professor of political science at the University of Leeds; Joshua Kurlantzick, senior fellow at the Council on Foreign Relations; and Don Pathan, an independent security analyst based in Thailand. The event will take place from 2:00 p.m. to 3:30 p.m., Falk Auditorium, 1775 Massachusetts Ave., NW. Click [here](#) to RSVP.
- **2016 presidential and congressional primaries.** The Brookings Institution on February 26 will host a forum on the process of U.S. presidential and congressional primary elections. A panel of experts will discuss the significance of the 2016 primaries and how they could impact the general elections in November. Panelists include Elaine Kamarck, founding director, Center for Effective Management; Anna Greenberg, senior vice president, Greenberg Quinlan Rosner Research; Amy Walter, national editor, Cook Political Report; and David Yepsen, director, Paul Simon Public Policy Institute. The event will take place from 10:00 a.m. to 11:00 a.m., Saul Rom/Zilkha Lounge, 1775 Massachusetts Ave., NW. Click [here](#) to RSVP.
- **Competing or Complementing Economic Visions? Regionalism and the Pacific Alliance, TPP, RCEP, and the AIIB.** The Woodrow Wilson Center on February 26 will discuss the impact of different regional trade agreements and multilateral organizations on economic regionalism in the Asia Pacific and Latin America. Speakers include Mauricio Mesquita Moreira, principal economist in trade and integration sector, Inter-American Development Bank; Takashi Terada, U.S.-Japan Research Institute; Hironori Kawauchi, alternate executive director, Inter-American Development Bank; and Kent Hughes, public policy fellow, Woodrow Wilson Center. The event will take place from 10:30 a.m. to 12:00 p.m., 1300 Pennsylvania Ave., NW. Click [here](#) to RSVP. ■

## SOUTHEAST ASIA FROM SCOTT CIRCLE

CSIS 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, Associate Fellow  
Ellen Chambers, Researcher  
Conor Cronin, Researcher  
Jared MacDonald, Researcher  
Alya Shaiful, Researcher  
Norashiqin Toh, Researcher

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