With a Dozen Economic Reform Packages under His Belt, Indonesia’s Jokowi Settles In

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Last September, almost a year after taking office, President Joko “Jokowi” Widodo released his first installment of policy packages intended to stimulate the Indonesian economy. Focused on improving industrial competitiveness through reducing red tape, the reform package removed 89 business investment regulations and eased the acquisition of licenses, land, and bank accounts.

He has released 11 additional packages—one or more each month—since then, the last of which was announced on April 28. Another is expected soon, with word that his ministers are reviewing a draft that focuses on sector-specific changes. The packages emphasize deregulation, tax incentives, elimination of redundancies, predictability, and harmonization (customs at ports, land use, and currency for payments).

In short, Jokowi is trying, step-by-step, to live up to his pledge of making it easier to do business in Indonesia. The World Bank ranks Indonesia 109th for ease of doing business, behind regional neighbors such as Singapore (1st), Malaysia (18th), Thailand (49th), Vietnam (90th), and the Philippines (103rd). Jokowi wanted that number to be in the 40s by the end of his term, but suggested he could live with improvement to the 60s or 70s in the coming years.

The reforms reflect Jokowi’s mindset: they are practical and focused on concrete steps. But while the spirit of the reforms is in line with accepted
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practices for improving ease of doing business, implementation of such an ambitious program in a country focused on decentralization and empowerment of local officials is a fair test for Jokowi’s prowess as a politician and president. The 13th package, in fact, is expected to address procedures at the regional level.

Jokowi has pledged to eliminate 3,000 regional government regulations by July (he has identified 42,000 regulations in need of elimination or change at the central government level), arguing they hamper the setting up and operation of businesses. Coordinating Minister for Economic Affairs Darmin Nasution reported 94.5 percent of the policy packages have already been implemented. Releasing data to support this claim would be welcomed by Indonesia’s economic partners.

In a May 19 opinion article in Kompas questioning the effectiveness of Jokowi’s economic reform packages, Indonesian economist and former chairman of the State Audit Agency Anwar Nasution noted that the Central Bureau of Statistics reported slowed economic growth and stagnant achievements in investment and exports in the first quarter of the year. Indeed, Indonesia’s economy grew less than expected in the first quarter at 4.92 percent, down from analysts’ expectation of 5.07 percent.

But should we expect the results of reforms begun last September to be evident in first-quarter numbers for 2016? Or is the improvement of the investment environment a process that takes more time to bear fruit?

Often described as “a gold mine in a minefield” by foreign investors, Indonesia is a country with enormous potential but one that is also an extremely difficult place for foreign companies to operate. Surely it will take longer than a handful of months to change that reality and perception, even if the best laws are on the books. The expectation of instantaneous results has been an unwelcome and frequent feature of Jokowi’s presidency; many public evaluations of his performance thus far have been dismissive of the time required for real change at the national level.

When he assumed office in October 2014, Jokowi faced high expectations deriving from his unprecedented story. A former furniture dealer who
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became mayor of Surakarta (Solo) and then governor of Jakarta, Jokowi defeated Prabowo Subianto—scion of the establishment—to become the first Indonesian president elected from outside the political or military elite. His election was seen as a rebuke of the old ways, including endemic corruption, giving Jokowi an opportunity for clean governance and a fresh start.

But soon enough, the chatter began that the president was in over his head. He nominated too many political appointees versus technocrats, he stumbled by sticking with graft suspect Budi Gunawan for chief of the national police, and he equivocated when the same police went after the Corruption Eradication Commission in response. He wasn’t even the most influential member of his own political party; that would be Megawati Sukarnoputri, a former president herself.

As Jokowi moves through the second year of his presidency, he seems to have regained his footing, and recent events have strengthened his position. At the Golkar party’s congress in Bali in mid-May, newly elected chairman Setya Novanto formally announced his party would leave the opposition Red and White Coalition, helmed by Prabowo, to support Jokowi’s coalition. The addition of Golkar, Indonesia’s second-largest political party, gives the president’s coalition control of 62 percent of Parliament, representing a shift in the balance of power that should allow Jokowi to push through more of his agenda.

Plans to reform Indonesia’s negative investment list—the regulation listing sectors closed off to foreign investment—were announced in February. The revamped list, signed and made public in late May, shows sectors including toll roads, waste management, restaurants, and cinemas will be 100 percent open for foreign ownership. Meanwhile, investments in e-commerce under $7 million will be subject to a 49 percent foreign ownership cap. The clarity the list provides and the expected increased openness should help. Jokowi has also made more efforts to consult the business community during the law-making process than his predecessors did.

A second cabinet reshuffle, too, could solidify Jokowi’s economic reforms—rumors have circulated in Jakarta for months that such a move is imminent. The first such reshuffle took place last August, introduced numerous reform-oriented technocrats, and preceded the release of the
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Indonesian president Joko “Jokowi” Widodo. President Jokowi has released a dozen economic reform packages since last September, as he seeks to improve the ease of doing business in Indonesia. https://upload.wikimedia.org/wikipedia/commons/b/b9/Jokowi_blusukan.jpg

first economic reform package. The recent addition of Golkar to the president’s coalition may hasten the reshuffle, with increased pressure to bring new members of the coalition into the cabinet. There is some risk—will reform-minded ministers who are looking to move beyond a commodity-based economy remain in place and be given the time and space to complete their mission? Or will political pressure and entrenched interests win out? Let’s hope Jokowi will give his ministers the same space he should be afforded to execute his reform agenda.
VIETNAM

- **Obama pays three-day visit, lifts U.S. arms embargo on Vietnam.** President Barack Obama visited Vietnam from May 23 to 25, where he met in Hanoi with Vietnam’s top four leaders—President Tran Dai Quang, National Assembly chair Nguyen Thi Kim Ngan, Prime Minister Nguyen Xuan Phuc, and Vietnamese Communist Party secretary-general Nguyen Phu Trong—held talks with civil society representatives, and gave a public address to the Vietnamese people on U.S.-Vietnam relations and the importance of human rights. Obama announced the full removal of a U.S. ban on the sale of lethal weapons to Vietnam to ensure “Vietnam has access to the right equipment to defend itself.” He met in Ho Chi Minh City with Vietnamese start-ups and young entrepreneurs, and held a town hall discussion with Vietnamese youth.

- **U.S., Vietnam sign major deals during Obama’s visit.** The United States and Vietnam on May 23 announced a number of agreements signed during President Barack Obama’s visit to Vietnam. Vietnam’s first private airline, VietJetAir, signed a $11.3 billion deal to purchase 100 Boeing aircraft and a $3 billion deal for engines made by Pratt & Whitney, a unit of United Technologies. General Electric signed a memorandum of understanding to partner with the Vietnamese government to develop more wind farms in Vietnam. The U.S. Peace Corps was granted a license to begin programs in Hanoi and Ho Chi Minh City. The two sides signed a letter of intent to explore turning the port of Danang in central Vietnam into a regional storage hub for humanitarian assistance and disaster relief efforts.

- **Thailand’s Amata to develop two new industrial estates in Vietnam to meet foreign investors’ demand.** Thai industrial estate developer Amata Corporation on May 18 announced that it would invest approximately $200 million in two projects near Ho Chi Minh City, including a high-technology industrial park, to meet growing demand among foreign investors operating in Vietnam. Amata is one of Southeast Asia’s largest industrial developers. The project has attracted substantial interest from foreign investors in Vietnam, and at least 18.2 acres were already sold in the first quarter of 2016. Amata has also applied for licenses to develop two additional projects in Vietnam.

- **Vietnam, South Korea begin to implement labor agreement.** The labor ministries of Vietnam and South Korea on May 17 signed a memorandum...
by which South Korea will remove labor restrictions against Vietnamese workers. The restrictions were put in place in 2012, after more than half of Vietnamese workers in South Korea were found to be overstaying their visas. South Korean businesses have lobbied the Labor Ministry to remove these restrictions. South Korea this year is expected to hire an additional 3,500 Vietnamese workers.

• Political prisoner freed in Vietnam ahead of Obama visit. Vietnam on May 20 freed a Catholic priest and one of its longest-held political prisoners, Nguyen Van Ly, days before U.S. president Barack Obama visited the country. Ly was imprisoned for almost two decades in central Vietnam for spreading antigovernment propaganda. His prison sentence was originally slated to end in August 2016. The U.S. Embassy in Hanoi praised the move, but called on the government to release all other political prisoners.

PHILIPPINES

• Duterte unveils eight-point economic agenda, names possible cabinet members. Businessman Carlos Dominguez, a member of president-elect Rodrigo Duterte’s transition team, on May 12 presented the incoming administration’s eight-point economic agenda. Duterte will focus on tax reforms, infrastructure spending, attracting foreign investment, and agricultural development, continuing most of the Benigno Aquino administration’s macroeconomic policies. Duterte on May 16 unveiled several of his picks for cabinet posts. Dominguez, a former agriculture secretary, will serve as finance secretary, while former chair of the Philippine Securities and Exchange Commission Pefecto Yasay will serve as acting foreign secretary.

• Obama talks with Duterte by phone, stresses “values” that bind the two allies. U.S. president Barack Obama on May 17 congratulated president-elect Rodrigo Duterte during a phone call. Obama highlighted the enduring values on democracy, human rights, inclusive economic growth, and the rule of law shared by the two countries. Obama is the first head of state to personally congratulate Duterte, who received courtesy calls from ambassadors representing China, Japan, Israel, and Russia prior to speaking with the U.S. president.

• Philippine Coast Guard arrest 25 Chinese fishermen for poaching. The Philippine Coast Guard on May 16 arrested 25 suspected Chinese poachers on two fishing vessels in the vicinity of Sabtang Island, near Luzon Strait, which connects the Philippine Sea to the South China Sea. According to the Bureau of Fisheries and Aquatic Resources, the boats were flying
inverted Philippine flags and were unable to present permits authorizing their presence in Philippine waters. The vessels have remained under investigation by Philippine authorities.

- **Abu Sayyaf issues new ransom deadline for hostages.** The terrorist group Abu Sayyaf on May 13 posted a video setting June 13 as the new ransom deadline for the Canadian and Norwegian hostages it captured last October. Another Canadian hostage, John Ridsdel, was beheaded last month when the previous April 25 deadline passed. Speaking after Ridsdel’s slaying, Canadian prime minister Justin Trudeau reiterated his government’s policy of not paying ransom to terrorists. Abu Sayyaf released 14 Indonesian hostages earlier this month.

- **Navy welcomes new Indonesian-made sealift vessel, awards contract for light frigates to India.** The Philippine navy on May 15 welcomed the BRP *Tarlac*, its first landing dock platform, one of two vessels that the Philippine government procured from Indonesian shipbuilder PT Pal in an $81 million contract. The Philippines has selected India’s state-run Garden Reach Shipbuilders & Engineers to provide two light frigates, according to a May 12 Defense News report, in a contract estimated to be worth at least $321 million.

- **Communist rebels to enter peace talks with incoming administration, recommend allies for cabinet posts.** The Communist Party of the Philippines (CPP) on May 18 said it would enter peace talks with the incoming government of president-elect Rodrigo Duterte. Duterte on May 16 had invited exiled CPP leader Jose Maria Sison, a figurehead who lives in the Netherlands, to return to the Philippines, to return to the Philippines, and offered four of his cabinet posts to communist insurgents. While Sison said no communist guerillas would serve in the cabinet prior to a political settlement, he will recommend a list of allies to fill the positions.

**MYANMAR**

- **U.S. relaxes some sanctions on Myanmar.** The U.S. government on May 17 announced the easing of some economic sanctions on Myanmar while renewing the legal framework for U.S. sanctions on the country, the International Emergency Economic Powers Act. Washington also extended a license that allows U.S. banks to finance shipments through terminals at the Asia World port in Yangon controlled by blacklisted businessman Steven Law, and removed sanctions on three state-owned banks and seven state-owned enterprises. The United States did, however, add six companies linked to Law to the U.S. Treasury Department’s blacklist.
• **U.S. secretary of state visits Myanmar, urges further reforms.** Secretary of State John Kerry on May 22 met with State Counselor and Foreign Minister Aung San Suu Kyi and Commander-in-Chief Senior Gen. Min Aung Hlaing in Naypyitaw to express continued U.S. support for Myanmar’s reform process. Kerry, the most senior U.S. official to visit Myanmar since the National League for Democracy government came to office in April, also said U.S. economic sanctions will remain in place until the military’s influence in domestic politics is reduced. Kerry cited the importance of revising the 2008 constitution to meet democratic standards.

• **Parliament approves position of minister in the State Counselor’s office.** Parliament on May 17 approved the appointment of Kyaw Tint Swe, a retired diplomat, to lead the newly created Ministry of the State Counselor’s Office. Kyaw Tint Swe joined the Ministry of Foreign Affairs in 1968 and served as Myanmar’s permanent representative to the United Nations from 2001 to 2010. President Htin Kyaw said the new ministry will carry out projects related to national reconciliation and rule of law under State Counselor Aung San Suu Kyi’s supervision.

• **Commander-in-chief says constitution can be amended when there is peace in Myanmar.** Commander-in-chief Senior General Min Aung Hlaing said at a press conference on May 13 that the current constitution could be changed and that the military would relinquish its constitutionally assigned 25 percent of seats in Parliament once permanent peace has been achieved in Myanmar. Min Aung Hlaing also said the military has been cooperating with Aung San Suu Kyi and the civilian government, and stressed that the commander-in-chief is subordinate to the president.

• **Parliament approves proposal to strengthen military cooperation with Russia.** Parliament on May 10 approved President Htin Kyaw’s proposal to enhance Myanmar’s military cooperation with Russia. The agreement facilitates information sharing between the two sides on political and military affairs, medical knowledge, military laws and maps, and experience with UN peacekeeping missions. Military representatives say the new agreement is meant to formalize the longstanding military-to-military relationship between the two countries and help improve Myanmar’s military capabilities.

**THAILAND**

• **U.S., Thailand hold joint naval exercise in the Andaman Sea.** The U.S. and Thai navies on May 23 launched the bilateral Guardian Sea naval exercise in the Andaman Sea, with a focus on antisubmarine warfare and maritime domain awareness. Captain H. B. Le, commodore of the U.S. 7th
Fleet’s Destroyer Squadron Seven, said the exercise is the most complex to date held between the two navies. The Arleigh Burke-class guided missile destroyer USS Stethem, a Los Angeles-class submarine, and a P-8A maritime patrol aircraft from the U.S. 7th Fleet are participating in the exercise, which concludes on May 27.

- China, Thailand hold weeks-long joint military exercises. China and Thailand on May 19 began joint military exercises that will last until June 10. The exercises include naval and ground operations as well as joint training in humanitarian relief and maritime transport activities at the Sattahip Naval Base overlooking the Gulf of Thailand. Chinese and Thai forces began to hold joint exercises in 2007. Thailand’s military government has expanded defense engagement with China since taking over after the May 2014 coup.

- Deputy Prime Minister Prawit seeks to reassure on election timeline if constitutional referendum fails. Deputy Prime Minister and Defense Minister Prawit Wongsuwan on May 18 attempted to quell speculation that the next general election would be delayed if the August 7 constitutional referendum fails. He said that the military government would try to follow the most recent roadmap, which aims to have the election take place by May or June 2017. Prawit had implied on the previous day that the military would remain in power for the purpose of drafting yet another constitution.

- Thailand to buy Chinese tanks, Russian helicopters. Thailand’s military on May 16 said it has agreed to purchase tanks from China, and on May 17 announced plans to procure 12 military helicopters from Russia. Army General Teerachai Nakwanich said the tanks are expected to be delivered in early 2017. The helicopters would be used for troop movements and disaster relief. Thailand’s cabinet must approve the purchases.

- Erawan shrine bombing suspect goes to court. Adem Karadag, a suspect in the August 2015 bombing of Bangkok’s Erawan Shrine, on May 17 faced a Thai military court, where he broke down and cried that he was “not an animal.” Karadag presented injuries that he claimed to be from beatings received while in custody. The head of the prison where the suspect is being held claimed that Karadag was merely trying to get the attention of media and human rights groups.

INDONESIA

- Golkar elects Setya Novanto as new party chief, affirms support for ruling coalition. Golkar, Indonesia’s second-largest political party, on
May 17 elected former speaker of the Indonesian House of Representatives Setya Novanto as its new chairman during an extraordinary national party congress in Nusa Dua, Bali. Setya’s main competitor, current House Speaker Ade Komarudin, withdrew his candidacy before the second round of voting. The newly elected chairman officially pledged his support for President Joko “Jokowi” Widodo’s ruling administration, withdrawing Golkar from the opposition Red and White coalition.

- **Jokowi visits South Korea and Russia to boost trade and defense cooperation.** Indonesia on May 16 signed 11 memorandums of understanding with South Korea during President Joko “Jokowi” Widodo’s first official visit to the country. The agreements cover bilateral cooperation in infrastructure construction, development projects, and maritime issues. The two sides also agreed to increase cooperation between their respective defense industries. During a meeting with Russian president Vladimir Putin on the sidelines of the Russia-ASEAN summit on May 19-20 in Sochi, Jokowi discussed the possibility of Indonesia’s purchase of Kilo-class submarines from and coproduction of arms and ammunitions with Russia.

- **Indonesia plans to buy Airbus A400M military planes from Europe.** Defense Minister Ryamizard Ryacudu on May 11 said Indonesia plans to purchase Airbus A400M military transport aircraft from Airbus Europe. The development project for the A400M has been plagued by ballooning cost overruns and a series of technical problems, leading to numerous delays. Ryamizard did not specify how many A400Ms Indonesia is looking to purchase from Airbus.

- **Central bank to keep key interest rate unchanged.** The central bank on May 19 decided to keep its benchmark rate unchanged at 6.75 percent, after concluding a two-day board of governors meeting. This follows a previous announcement that the central bank would soon scrap its current 12-month benchmark rate. The central bank also revised its growth forecast for 2016 to 5.0-5.4 percent, down from 5.2-5.6 percent.

- **Fisheries and defense ministries to collaborate on efforts to tackle illegal fishing through air surveillance.** Maritime Affairs and Fisheries Minister Susi Pudjiastuti on May 10 said her ministry will collaborate with the Defense Ministry to tackle illegal fishing through air surveillance over Indonesian waters. Under the agreement, the Defense Ministry will provide and operate marine surveillance aircraft, which will be armed with surveillance systems and search radars, over Indonesia’s territorial waters. The Indonesian military is in the process of determining which of its airfields will be used for the initiative.
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- Transport ministry freezes ground handling services of two airlines.
The Ministry of Transportation on May 17 ordered the suspension of the
ground handling services of two airlines—Lion Air at the Sukarno-Hatta
airport in Jakarta, and AirAsia Indonesia at the Ngurah Rai airport in Bali.
The two airlines had incorrectly dropped international flight passengers at
the domestic terminal, making it possible for a number of passengers to
exit without going through immigration. The carriers were allowed to look
for third-party ground operators to meet flight schedules.

MALAYSIA

- Malaysia to lift hiring freeze on foreign workers in four sectors.
Transport Minister Liow Tiong Lai on May 12 said Malaysia will lift a hiring
freeze on foreign workers in four sectors—manufacturing, construction,
plantations, and furniture-making—in order to cope with an acute shortage
of workers in these industries. The cabinet is expected to come up with a
more transparent and accountable system before lifting the hiring freeze
in other sectors. The freeze followed a public backlash in February after the
government announced plans to bring in 1.5 million Bangladeshi workers.

- Government imposes travel restrictions on opposition members. Activist
for clean governance Maria Chin Abdullah on May 15 was banned from
leaving the country, the latest politician barred from traveling abroad.
Immigration official Sakib Kusmi later confirmed the existence of a
provision banning Malaysians who discredit or ridicule the government
from travelling overseas for three years, according to a May 18 report by
The Star. Deputy home minister Nur Jazlan Mohamed subsequently said
that government-issued passports allowing for travel are a privilege, not a
right, for Malaysian citizens.

- Malaysia deports three suspected foreign militants. Police chief
Khalid Abu Bakar on May 13 said Malaysia has deported three suspected
foreign militants. Two of them were Russian nationals of Chechen origin,
previously arrested by Turkish authorities for alleged involvement with the
Islamic State in Iraq and Syria. They entered Malaysia in March and were
deported on May 13. The third was a Sri Lankan national, who allegedly
posted online death threats against his country’s president and prime
minister. He was deported on April 27.

- Najib’s brother cleared of wrongdoing over 1MDB, resumes CIMB
chairmanship. Malaysian banking group CIMB Group Holdings on May 18
cleared its chairman, Nazir Razak, of any wrongdoing following an audit
conducted by accounting firm Ernst & Young. Nazir, who is Prime Minister
Najib Razak’s brother, had been implicated in the 1Malaysia Development
Bhd scandal and took a voluntary leave of absence during an external review to determine whether he misused his position to help his brother distribute funds to politicians ahead of the 2013 general elections. Nazir returned to CIMB on May 19.

SINGAPORE

- **Finance minister Heng Swee Keat suffers stroke, undergoes surgery.** A prominent member of Singapore’s so-called “fourth generation” of leadership, Finance Minister Heng Swee Keat on May 12 suffered a stroke and collapsed during a cabinet meeting. A former minister of education and principal private secretary to Lee Kuan Yew, Heng was sometimes mentioned as a possible future prime minister. Deputy Prime Minister Tharman Shanmugaratnam, the previous finance minister, has been tapped to lead the Finance Ministry in Heng’s absence.

- **Singapore to negotiate FTA with Russia-led Eurasian Economic Union.** Prime Minister Lee Hsien Loong said in an interview on May 16 Singapore would pursue negotiations on a free trade agreement (FTA) with the Russia-led Eurasian Economic Union (EAEU). Lee signed a memorandum of understanding with EAEU members—including Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia—on the sidelines of the Russia-ASEAN summit in Sochi on May 19-20. Singapore’s bilateral trade with Russia has quadrupled over the past decade to $5.5 billion in 2015.

- **Foreign minister visits Myanmar, explores possible bilateral investment treaty.** Foreign Minister Vivian Balakrishnan on May 18 announced that Singapore and Myanmar will take steps toward beginning negotiations on a bilateral investment treaty, or BIT. Balakrishnan was in Myanmar to meet with his counterpart, Foreign Minister and State Counselor Aung San Suu Kyi. He cited infrastructure development, agriculture, and education as possible areas for future investment cooperation between the two countries. Singapore is currently the second-largest foreign investor in Myanmar after China.

- **Two Singapore airlines among new budget carrier alliance.** Singapore’s Scoot and Tigerair on May 16 joined six other budget carriers to form the world’s largest low-cost airline grouping, called Value Alliance. The alliance includes Tigerair Australia, the Philippines’ Cebu Pacific, South Korea’s Jeju Air, Japan’s Vanilla Air, and Thailand’s Nok Air and NokScoot. Member airlines operate 176 aircraft with routes to over 160 destinations and carried 47 million travelers in 2015. Customers will now be able to book flights from all of the participating airlines on each partner’s website.
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• **First Zika case in Singapore identified.** The Ministry of Health and the National Environment Agency on May 13 issued a statement confirming the city-state’s first case of the Zika virus. The patient, a 48-year-old male Singapore permanent resident, contracted the virus during a business trip to Sao Paulo, Brazil, between March 17 and May 7. He has since made a full recovery and was discharged from Tan Tock Seng Hospital on May 17. Other Southeast Asian countries that have recorded Zika cases since 2013 are Cambodia, Laos, the Philippines, Thailand, and Vietnam.

SOUTH CHINA SEA

• **U.S. says China intercepted reconnaissance plane on patrol over South China Sea.** The U.S. Department of Defense on May 18 said two Chinese fighter jets conducted an “unsafe intercept” of a U.S. Navy EP-3 reconnaissance plane on routine patrol over the South China Sea. The jets reportedly came within 50 feet of the U.S. plane, which had to take evasive action to avoid a collision. The Chinese Foreign Ministry acknowledged the encounter but maintained the jets monitored the plane from a “safe distance,” and demanded that the United States cease reconnaissance activities in “Chinese coastal waters.”

• **China to base an advanced rescue ship in Spratly Islands.** The South China Sea Rescue Bureau under China’s Ministry of Transport will deploy an advanced rescue ship, to be equipped with drones and underwater robots, to the disputed Spratly Islands in the second half of the year, according to a May 23 China Daily report. The Chinese government said basing the rescue ship in the South China Sea will allow rescue forces to reach fishing boats in trouble faster, but did not say on which island it will station the ship.

• **Pentagon accuses China of South China Sea coercive tactics in annual report.** An annual Defense Department report on Chinese military and security developments delivered to Congress on May 13 accuses Beijing of using “coercive tactics” in pursuing maritime sovereignty claims. The report details Chinese defense reforms and budget increases to highlight China’s ongoing militarization of features in the South China Sea. China denounced the report as “full of prejudice against China” and based on a Cold War mentality.

• **Chinese general tells U.S. Joint Chiefs countries should manage South China Sea differences.** Gen. Fang Fenghui of China’s Central Military Commission on May 12 told Gen. Joseph Dunford, chairman of the U.S. Joint Chiefs of Staff, that China and the United States should seek to manage differences over the South China Sea constructively. During a
teleconference call, Fang said both countries should refrain from actions detrimental to the relations between their nations and militaries. Dunford called for restraint and said the United States was willing to work with China to establish a mechanism for risk control to maintain stability.

- Vietnamese prime minister urges Japan to take more active role in South China Sea. Vietnamese prime minister Nguyen Xuan Phuc in a May 14 interview with Japanese media called for Japan to take a more active role in promoting peaceful resolution of maritime disputes in the South China Sea. Phuc said bilateral ties between Vietnam and Japan are at the "best-ever" stage of development. Vietnam and Japan have seen increased defense ties recently, including an April visit by two Japanese destroyers to Cam Ranh Bay in central Vietnam.

- China begins annual South China Sea fishing ban in disputed waters. China on May 16 began its annual ban on fishing across a large section of the South China Sea, including the Gulf of Tonkin, the Paracel Islands, and Scarborough Shoal. The ban, which ends on August 1 and was ostensibly designed to protect sustainable fishing stock, has been in place since 1999. The Chinese Bureau of Fisheries promised stricter enforcement this year. The restrictions are imposed unilaterally by China despite covering waters claimed by Vietnam and the Philippines. Vietnam’s Foreign Ministry on May 16 protested the ban, saying it violated international law as well as Vietnam’s sovereignty and jurisdictional rights.

TRANS-PACIFIC PARTNERSHIP

- ITC released estimate of TPP’s economic impact on U.S. The U.S. International Trade Commission (ITC) on May 18 said in a much-anticipated report that the Trans-Pacific Partnership (TPP) trade agreement would likely provide modest benefits to the U.S. economy, increasing the real gross domestic product by $43 billion annually by 2032 and adding 125,000 jobs per year. The greatest positive effects would impact the U.S. agriculture and services sectors, while the manufacturing, natural resources, and energy sectors would likely take hits. The ITC said the TPP would improve the U.S. trade balance with TPP member countries, but would have minimal effect on the overall U.S. trade deficit.

- Obama makes push for TPP during signing of Trade Secret Theft Deterrence bill. President Barack Obama on May 11 signed into law a new bill that will allow companies to sue in federal court to recover damages from the theft of trade secrets. During the signing ceremony, Obama linked the new legislation to the Trans-Pacific Partnership, noting the trade agreement would require all participating countries to provide
protections against the theft of trade secrets. Obama said that U.S. advantages in the area of innovation could be at risk if other actors refuse to “compete fairly” and are allowed to resort to theft.

LAOS

- **Prime minister takes first official visit to Vietnam.** Prime Minister Thongloun Sisoulith visited Vietnam from May 15 to 17, where he met with Vietnamese prime minister Nguyen Xuan Phuc. The two premiers agreed to strengthen Laos-Vietnam relations and signed a number of political, security, and national defense agreements. The two sides pledged to implement the bilateral defense and security work plan for the 2016-2020 period to ensure stability along their shared border. The two leaders also discussed boosting joint training and human resource development between the two countries.

- **Prime minister issues moratorium on timber exports.** Prime Minister Thongloun Sisoulith on May 13 issued a temporary ban on timber exports. The moratorium requires relevant ministries, provincial governors, and mayors to carry out policies to better control the logging industry. It also prohibits the export of timber from forests and logs that had been approved by the previous government. Under the new ban, only finished wood products can be exported.

- **Gunfight between government troops and armed groups kills one soldier, eight militants.** Government troops and armed militants on May 6 clashed on a road between Vientiane and Luang Prabang Provinces, leaving one soldier and eight militants dead and several others injured, according to a May 11 Radio Free Asia report. A health official in Luang Prabang said the military later arrested some of the militants after they tried to buy medicine. The gunfight follows two other attacks by armed groups on the same road in March.

- **Laos, China sign agreement on irrigation project.** Laos and China on May 6 signed an agreement that allows the China National Technical Import and Export Corporation to carry out a feasibility study on the Namsan agricultural irrigation project in Borikhamxay Province in Laos. The feasibility study is expected to take approximately eight months to be completed. The initiative would install more than 50 water pumping stations and help local farmers achieve greater yields.

CAMBODIA

- **Court denies bail for opposition lawmaker who questioned government’s border policy.** A Phnom Penh court on May 17 denied bail to opposition...
lawmaker Um Sam An, who was arrested for incitement on April 11. His arrest came after he questioned the legitimacy of Cambodia’s border with Vietnam, claiming that the Cambodian People’s Party government had unduly ceded land to Vietnam. Such complaints have been a frequent line of attack against the government by the opposition Cambodia National Rescue Party. Um’s request for bail was rejected on the grounds that he would threaten social stability.

• **Kem Sokha rejects court summons in sex-scandal case.** Cambodian opposition leader Kem Sokha on May 17 rejected a court summons over prostitution charges connected to his ongoing sex scandal. Sokha’s party, the Cambodia National Rescue Party, has asserted that its lawmakers have constitutional immunity from court summonses, and the court has not yet determined what further action will be taken against Sokha. The scandal erupted in March after the release of audio recordings of a conversation between Sokha and an alleged mistress.

**BRUNEI**

• **Brunei officials invited to tour U.S. aircraft carrier.** A group of Bruneian government officials, military personnel, and journalists on May 17 were invited aboard the U.S. aircraft carrier USS John C. Stennis, on routine operations in areas of the South China Sea near Brunei. The visit was intended to promote understanding of U.S. naval operations in the region.

**TIMOR-LESTE**

• **Government not interested in continuing trials on 1999 war crimes.** Timor-Leste’s human rights and justice ombudsman, Silverio Pinto, said the government is not interested in restarting trials for the 1999 war crimes after it expelled international judges from the country in 2014, according to a May 13 Dili Weekly report. The government had halted the work of an international court set up to resolve crimes committed by anti-independence forces during the 1999 East Timor crisis. Pinto, however, said he has urged the government to allow the judges back to Timor-Leste to resume the trials.

• **Timor-Leste, Indonesia sign MoU to support human resources development.** Timor-Leste and Indonesia have signed a memorandum of understanding on strengthening the two countries’ human resources agreement for the 2013-2016 period, according to a May 5 Jakarta Post report. The two countries have launched human resources development initiatives in food processing and handicrafts.
• **Russia hosts leaders of ASEAN nations at Sochi summit.** Russia on May 19-20 hosted a summit with ASEAN leaders in Sochi, the first on Russian soil. The summit marked the 20th anniversary of the Russia-ASEAN dialogue partnership. Leaders at the summit adopted the Sochi Declaration, agreeing to strengthen their dialogue partnership, increase cooperation across all sectors, and work to narrow the development gap within and between ASEAN states. The leaders pledged to ensure maritime security and freedom of navigation in accordance with the United Nations Convention on the Law of the Sea.
President Obama in Hanoi: Vietnam-U.S.-China Relations in Transition. The Woodrow Wilson Center on June 1 will host a panel discussion on Vietnam-U.S.-China relations in light of President Barack Obama’s first visit to Vietnam in late May, as part of its Weighing the Rebalance Series. Speakers include Marvin C. Ott, public policy scholar, Wilson Center; Yun Sun, senior associate, Stimson Center; and Hung M. Nguyen, associate professor of government and international relations, George Mason University. The event will take place from 3:30 p.m. to 5:00 p.m., 6th Floor Boardroom, Wilson Center, 1300 Pennsylvania Ave., NW. Click here to register.

Preventing the Next Pandemic: A Conversation with the World Bank President. The CSIS Global Health Policy Center on June 2 will host Dr. Jim Yong Kim, president of the World Bank Group, for a conversation on preventing the next pandemic. Kim will discuss what additional investments in global health are essential to better protect the world against the spread of pandemics and promote stable economies. J. Stephen Morrison, CSIS senior vice president and director of the Global Health Policy Center, will moderate. The event will take place from 11:00 a.m. to 12:00 p.m., 1616 Rhode Island Ave., NW. Click here to register.
SOUTHEAST ASIA FROM SCOTT CIRCLE

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