For China, a Race to Retain Appeal in Southeast Asia

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The landslide election in Taiwan of pro-independence opposition leader Tsai Ing-wen to be president has led to speculation of a possible recalibration in Chinese foreign policy, at least in the year ahead. Observers believe that stable cross-strait relations over the past eight years have allowed Beijing the bandwidth to explore greener pastures such as the once-dormant South China Sea dispute and expand its footprint across Southeast Asia.

Regional governments will keenly monitor Beijing’s next steps in handling relations with Taipei as a barometer of China’s risk appetite and strategic focus. Beijing may in fact choose to adjust its calculus toward the region in the short term, but its core interest remains unchanged: Southeast Asia is a critical element in President Xi Jinping’s policy of reshaping China’s neighborhood into a “community of shared interests” with China—first announced in late 2013—and the success of Beijing’s Maritime Silk Road initiative.

To this end, the expected commencement later this year of a long-planned railway project connecting southwestern China to the capital of Vientiane in Laos—part of a rail system that, when completed, will run from China’s Kunming City to Bangkok and can be extended to the Malay Peninsula—is critical to Beijing’s strategy. In late 2015, a consortium of Chinese companies was also granted a contract to develop another of Beijing’s...
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Leaders from Asia-Pacific countries at the 10th East Asia Summit in Kuala Lumpur, November 2015. The United States and ASEAN announced the upgrading of bilateral ties to a strategic partnership during this summit, an announcement that has kept China on its toes. https://commons.wikimedia.org/wiki/File:Group_photo_with_the_heads_of_the_delegations_to_10th_East_Asia_Summit.png

long-planned projects: a deep-sea port and special economic zone in Kyaukphyu in western Myanmar. Kyaukphyu is a strategic outpost overlooking the Indian Ocean and doubles as the land entry point for the China-Myanmar oil and gas pipelines.

These projects are part and parcel of Beijing’s strategy to bolster its influence through a regional infrastructure push aiming to deepen connectivity between China and fast-growing economies in Southeast Asia, while offering Beijing access to the Indian Ocean and the Gulf of Thailand.

To the extent that its investments on this front have proceeded largely unhindered by other major players, Beijing can be expected to redouble its efforts to expand its engagement in Laos, Myanmar, and Thailand in the coming years. Yet managing local conflicts stemming from an anti-Chinese sentiment will pose a real challenge to Beijing, particularly in Myanmar.

The South China Sea, however, is a bigger question mark. Beijing has made clear it will not be subject to the ruling in the case brought against it by the Philippines to the Permanent Court of Arbitration, which is expected as early as mid-2016. Meanwhile, Manila and Washington are betting on the scenario that fear of suffering reputational costs may lead Beijing to eventually accept or abide by the court’s decisions, and force it to clarify its nine-dash-line claims little by little.

China therefore has and will continue to lobby other ASEAN member states, including claimants Malaysia and Vietnam, to take a neutral stand in response to the court rulings at upcoming regional meetings this year. Regional sources are worried that this could mean Beijing is preparing for stepped-up activities in the disputed waters around the time of or shortly after the ruling if only to send a message to ASEAN that a strong response from the grouping would be meaningless or, worse, counterproductive.

Many observers are left wondering whether and why China would risk squandering its relationships in Southeast Asia by taking an assertive course in the South China Sea. This reasoning leaves out Southeast Asian
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states’ multidimensional view of China: even for countries with high stakes in the region’s maritime security and freedom of navigation such as Indonesia, Singapore, Malaysia, and Vietnam, the South China Sea dispute is but one aspect of their relations with the rising power.

The recent $2 billion-plus purchase of assets from struggling Malaysian state investment fund 1Malaysia Development Bhd (1MDB) by Chinese state-owned companies is an example of China’s indispensable role in regional economies, and is expected to afford it added leverage with Kuala Lumpur.

This ongoing tango points to an interesting pattern: while China may not be able to stop regional countries’ rising threat perceptions about Beijing, it has the means and willingness to affect Southeast Asian governments’ tactics and calculus in responding to China’s actions in the intermediate term.

But the road ahead for China in this increasingly important region is also paved with caution and insecurity. In the past several years, China at times was left playing catch-up with the United States in its efforts to strengthen a regional architecture centered on ASEAN as part of the U.S. rebalance to the Asia-Pacific region.

The irony is plain: Beijing does not wish to see a strengthened ASEAN, but not responding to regional U.S.-led initiatives with its own might leave it at a disadvantage. This explains why China last year sought to convene its own summit between the Chinese defense minister and his ASEAN counterparts in Beijing after a successful retreat of U.S. and ASEAN defense ministers in Hawaii in 2014. This is also why Beijing announced last year the formal establishment of the Lancang-Mekong Cooperation Mechanism with Cambodia, Laos, Myanmar, Thailand, and Vietnam, taking a page from the U.S. Lower Mekong Initiative.
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The recently upgraded U.S.-ASEAN strategic partnership, to the extent that it opens more channels of communications and consultation between Washington and Southeast Asian capitals—including those that have traditionally maintained closer ties with China—has piqued Beijing’s curiosity. China’s confident rhetoric toward the region, which is expected to continue this year, continues to be tempered by an insecure undertone that Beijing understands needs to be reconciled.

There is ultimately too much at stake for China in Southeast Asia, which has grown in importance in regional geopolitics in recent years. The situation in Taiwan may prompt Beijing to choose its battles wisely this year, but don’t expect Beijing to take its eyes off its strategic objectives in Southeast Asia.
VIETNAM

- **Vietnam opens 12th Communist Party Congress.** The Vietnamese Communist Party on January 20 opened in Hanoi its 12th National Congress, which will choose top leaders and set socioeconomic policy for the next five years. More than a thousand party delegates from across Vietnam will take part in discussions and voting that will decide the new top four leadership posts—party general-secretary, president, prime minister, and National Assembly chairman. The session, which ends on January 28, is expected to focus on whether party chief Nguyen Phu Trong will be extended to stay on and whether Prime Minister Nguyen Tan Dung can realize his ambition to become the next party leader. Shortly before the plenum began, a central committee plenum discussed an internal report on the impact of the Trans-Pacific Partnership on Vietnam and agreed to join 11 other member countries in signing the trade agreement in February.

- **Japan’s ANA acquires stake in Vietnam Airlines for $108 million; government announces plans to divest from top SOEs.** Japan’s All Nippon Airways (ANA) announced on January 12 it plans to become Vietnam Airlines’ strategic partner by acquiring a minority stake in the state-owned carrier. The $108 million deal will give ANA 8.8 percent ownership of Vietnam Airlines, which is valued at about $1.2 billion. The Ministry of Finance on January 7 told Reuters the government plans to divest from a number of large state-owned enterprises this year, including telecommunications, dairy, textiles and garment, and brewery enterprises.

- **World Bank calls for more private-sector participation in transportation sector.** The World Bank on January 8 released a report calling on the Vietnamese government to engage more with private-sector importers, exporters, and transportation companies to boost Vietnam’s logistics competitiveness. The report, “Engaging the Private Sector in Transport and Logistics Planning and Policy Making: Options for Vietnam,” suggests Vietnam can learn from the experience of countries that rank high on the World Bank’s Logistics Performance Index such as Malaysia, Thailand, the United States, and the United Kingdom. Vietnam’s export-driven economy is forecast to grow by 6.8 percent this year.

- **Russian naval fleet pays port visit at Danang.** Three vessels from the Russian navy’s Pacific Fleet called on Tien Sa Seaport in the city of Danang in central Vietnam from January 6 to 10. The three visiting vessels were a Sovremenny class destroyer, a large ocean tanker, and a salvage tug boat.
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Russian sailors held exchanges with representatives from the Ministry of National Defense, the regional naval command, and the Border Guard Command during their visit. Russia remains Vietnam’s largest arms supplier and major defense partner.

PHILIPPINES

• **Supreme Court rules EDCA constitutional.** The Philippine Supreme Court on January 12 voted 10-4-1 in favor of the constitutionality of the Enhanced Defense Cooperation Agreement (EDCA) with the United States. The agreement, signed in April 2014, allows increased rotation of U.S. troops and pre-positioning of supplies on Philippine soil. Opponents claim that makes it a basing agreement and thus subject to the approval of the Senate, but the justices ruled that it is an executive agreement. The Philippine military has proposed eight current bases for use under the agreement.

• **U.S., Philippines hold 2+2 ministerial meeting in Washington.** Philippine foreign secretary Albert Del Rosario and defense secretary Voltaire Gazmin on January 12 met their U.S. counterparts, Secretary of State John Kerry and Secretary of Defense Ashton Carter, for a 2+2 ministerial meeting. The consultation, the first held since 2012, reaffirmed the United States’ “ironclad commitment” to the security of the Philippines, as well as addressing people-to-people ties, development, and economics. The participants also took the opportunity to mark the 70th anniversary of U.S.-Philippine bilateral relations.

• **Philippines asks U.S. for joint naval patrols.** A Philippine defense spokesman on January 14 said the Philippine navy had suggested to the United States that the two countries conduct joint patrols in the South China Sea. The Philippines has been eager to enlist U.S. assistance in the South China Sea, which is hotly contested among several Southeast Asian nations and China. The United States maintains neutrality on regional sovereignty but in October 2015 conducted a freedom of navigation operation to reinforce the right of passage through waters deemed international by the United Nations Convention on the Law of the Sea.

• **Mitsubishi UFJ to buy stake in Philippine lender.** Japan’s Bank of Tokyo-Mitsubishi UFJ Ltd. on January 14 announced plans to acquire a 20 percent stake in Security Bank Corp., a Philippine lender. The deal, costing $782 million, will be the third expansion of the Japanese bank into Southeast Asia, after similar acquisitions in Thailand and Vietnam. Alfonso Salcedo,
president of Security Bank, said the injection of capital would allow a considerable expansion of the bank’s network, including doubling the number of branches by 2020.

- **Military downplays fears of “Islamic State province” in Mindanao.** The Armed Forces of the Philippines (AFP) on January 12 dismissed concerns about the establishment of a province in Mindanao under the control of the Islamic State in Iraq and Syria, after a video surfaced online showing four terrorist groups marching in the southern Philippines. Rohan Gunaratna of the International Center for Political Violence and Terrorism Research in Singapore warned that cooperation between the groups would pose an unprecedented challenge to the AFP. But military spokesman Restituto Padilla said that no credible links had been established between armed groups in Mindanao and ISIS, and that the video was mere propaganda.

- **Oral arguments begin in Grace Poe disqualification appeal.** The Philippine Supreme Court on January 19 met to hear oral arguments in the disqualification case against presidential candidate Senator Grace Poe. Poe’s campaign was disqualified by the Commission on Elections in December 2015 on charges that she does not meet constitutional requirements for citizenship and residency. Poe appealed and received a temporary restraining order against the disqualification, which means her name will still appear on the ballots in May’s election.

**INDONESIA**

- **ISIS attacks on Jakarta leave seven dead, more injured.** A series of explosions and gunfire rocked central Jakarta on January 14, with attackers affiliated with the Islamic State in Iraq and Syria (ISIS) claiming responsibility for the attack. The attack left at least seven dead—five of whom were the attackers—and about 30 people injured. Police identified as the plot’s mastermind Bahrun Naim, an Indonesian ISIS fighter currently based in Syria who claims to be the leader of a Southeast Asian unit of ISIS. Police have since arrested 12 suspects linked to the attack who allegedly planned to carry out similar attacks in other cities.

- **Jokowi appoints former KPK commissioner presidential spokesperson.** President Joko “Jokowi” Widodo on January 12 appointed Johan Budi Sapto Pribowo, a former journalist and official with the Corruption Eradication Commission, known as the KPK, as his new spokesperson. Jokowi said he expects Johan Budi to help him “communicate the government’s programs to the public.” The position is part of Jokowi’s special staff, which also includes the newly created post of presidential chief of staff. Jokowi’s current chief of staff is Teten Masduki, a well-known anti-graft activist.
Indonesian president Joko “Jokowi” Widodo and Managing Director of the International Monetary Fund Christine Lagarde. Jokowi, who scrapped fuel subsidies shortly after becoming president in October 2015, decided this month to postpone a new tax on fossil fuels that aimed to raise funds for developing renewable energy sources. https://www.flickr.com/photos/imfphoto/21065429051/

- **Indonesia, South Korea sign $1.3 billion deal to jointly develop fighter jets.** The Indonesian defense ministry on January 7 signed a deal with South Korea’s Korea Aerospace Industries (KAI) to jointly develop next-generation fighter jets to replace Seoul’s aging fleet of U.S. F-4 and F-5 aircraft. Indonesia will invest $1.3 billion in KAI’s effort, one-fifth of the total cost, in exchange for a prototype plane and access to technological information involving the project. About 100 Indonesian personnel are expected to take part in development and production of the aircraft.

- **Government postpones new tax on fossil fuels; pushes for revising negative investments list.** Minister of Energy Sudirman Said on January 4 said President Joko “Jokowi” Widodo has decided to postpone a new tax on fossil fuels that aimed to raise funds for developing renewable energy sources, a day before it was due to go into effect. Sudirman said Jokowi wanted to delay the new tax until the revision of this year’s budget in order to “avoid controversy,” as fuel prices are a politically sensitive issue in Indonesia. Meanwhile, the government has begun deliberation on revising Indonesia’s negative investment list, relaxing foreign ownership rules in sectors including pharmaceuticals, e-commerce, and cold storage.

- **Probe into Freeport bribery case continues; Freeport Indonesia head resigns.** The attorney general’s office on January 13 summoned former House Speaker Setya Novanto for questioning as part of its probe into his alleged extortion of Freeport Indonesia executives. Setya, who failed to appear, said he will not respond to a summons at this time given the investigation is still in a preliminary stage. Meanwhile, the head of Freeport Indonesia, Maroef Sjamsoeddin, resigned on January 18, citing the end of his employment contract with the company. In a recorded conversation submitted to the House Ethics Council by Energy Minister Sudirman Said, Setya promised Maroef he would facilitate Freeport’s mining contract extension in West Papua Province in exchange for shares in the company.

- **Central bank announces first interest rate cut in almost a year.** The Indonesian central bank on January 14 cut its benchmark interest rate to 7.25 percent from the previous 7.5 percent, the first interest rate cut in almost a year. The decision aims to help shore up Indonesia’s slowing economy. The central bank also lowered the rates on deposits and to lending institutions to 5.25 and 7.75 percent, respectively. The central bank has struggled between preempting a large rupiah sell-off and easing monetary policy to help boost the economy.
MYANMAR

- **Deputy Secretary Blinken pays highest-level U.S. visit to Myanmar since elections.** Deputy Secretary of State Antony Blinken visited Myanmar on January 18 to meet with key government officials and stakeholders in the process of transitioning to a democratically elected government. Blinken, who last visited Myanmar in May 2015, is the most senior U.S. official to visit the country following the November 8 elections. He met with President Thein Sein, opposition leader Aung San Suu Kyi, Foreign Minister Wunna Laung Lwin, and Deputy Commander-in-Chief Soe Win to discuss the economic challenges facing Myanmar and U.S. concerns about discrimination against ethnic and religious minorities. Blinken said at a press conference in Naypyitaw the United States will continue to be a “full and committed partner” of Myanmar.

- **Aung San Suu Kyi takes part in government peace talks, calls for inclusion of all ethnic groups.** Opposition leader Aung San Suu Kyi on January 12 gave the opening speech at a peace conference held by the current government with armed ethnic groups that reached a cease-fire agreement with Naypyitaw last October. Aung San Suu Kyi, who previously called on ethnic groups not to rush into an agreement with President Thein Sein’s government, said the peace process will be more effective if it includes more groups. Commander-in-Chief Senior Gen. Min Aung Hlaing said at the meeting that the door remains open to groups that have not joined the cease-fire.

- **NLD discusses forming new government.** Senior National League of Democracy (NLD) member Win Htein on January 13 said the incoming NLD government, which is expected to take office in April, will eliminate at least 10 ministerial posts as one of its first orders of business. The government currently has 36 ministers. Another senior NLD official said the new government will include at least one member of the military-backed Union Solidarity and Development Party in its cabinet, according to a January 13 Reuters report.

- **Outgoing government passes last-minute legislation and deals.** Myanmar’s outgoing parliament passed legislation on pension plans for departing lawmakers—which observers believe would benefit members of the ruling military-backed party—and proposed a bill that, if passed, would grant former presidents immunity from being prosecuted for any actions they took while in office, according to a January 10 *Wall Street Journal* report. The government also transferred five heavy manufacturing facilities from the Ministry of Industry to the Ministry of Defense for “strategic reasons,” according to a January 10 IHS Jane’s Defense Industry report.
• **Rakhine residents protest decision to grant Kyaukphyu port, SEZ tender to Chinese-led consortium.** Locals and activists in Rakhine State on January 8 lodged complaints to the committee overseeing the Kyaukphyu special economic zone (SEZ), an ambitious planned complex including a deep-sea port and factories in western Myanmar overlooking the Indian Ocean. The protestors said they opposed the government’s decision to grant the contract to develop the SEZ to a consortium of Chinese companies led by state-owned conglomerate CITIC Group. The Myanmar parliament approved the deal, which requires an investment of $14 billion, in late December 2015. Under the agreement, CITIC will hold an 85 percent stake in the project while the Myanmar government holds the rest.

**MALAYSIA**

• **Police chief raises concerns about lone-wolf ISIS-style activities in Malaysia.** The inspector general of Malaysia’s police force, Khalid Abu Bakar, on January 13 expressed concern about the potential of lone-wolf activities carried out by supporters of the Islamic State in Iraq and Syria (ISIS). Khalid made the remark after a 16-year-old Malaysian student suspected of affiliation with ISIS was arrested on January 11. Malaysia has been pushing for stronger counterterrorism measures, amid reports that eight Malaysian children are training with ISIS in Syria.

• **China becomes Malaysia’s largest investors after 1MDB asset purchases.** Economists expect China to become Malaysia’s largest foreign investor for 2015, following the purchase of assets from state investment fund 1Malaysia Investment Bhd (1MDB) last year worth $3.4 billion, according to a January 12 *South China Morning Post* report. Chinese foreign direct investment in Malaysia in 2014 was a little over $1 billion. However, economists do not expect China’s top position to be sustained given Malaysia’s efforts to attract more foreign investment in high-value industries in the coming years.

• **Petronas cuts $11 billion in capital, operating expenses.** State-owned oil company Petronas plans to slash as much as $11.4 billion in capital and operating costs over the next four years amid falling oil prices, according to a January 19 *Wall Street Journal* report. Petronas chief executive officer Wan Zulkiflee Wan Ariffin recently said the company will remain committed to its projects and production levels despite significant cuts in its budget and workforce. Petronas is the government’s biggest source of revenue, and Prime Minister Najib Razak is expected to adjust the 2016 national budget later this month to reflect Petronas’s outlook.

• **Malaysia’s largest electricity company plans $3 billion Islamic bonds offering abroad.** Malaysia’s largest electricity company, Tenaga Nasional
Bhd, is planning to issue $3 billion worth of sukuk, or global Islamic bonds, according to a January 4 Bloomberg report. Proceeds from the bond issuance will be used to fund the company’s overseas investments. Malaysian investors do not foresee that the problems facing state investment fund Malaysia Development Bhd will affect Tenaga’s borrowing costs. The planned issuance will be the world’s largest Islamic bond offering, surpassing the $2 billion sukuk offering issued by the Indonesian government in December 2015.

SINGAPORE

- **Foreign minister visits Indonesia, pushes for deeper bilateral ties.** Foreign Minister Vivian Balakrishnan on January 12 met with his Indonesian counterpart, Retno Marsudi, and Indonesian coordinating minister for political, legal, and security affairs Luhut Pandjaitan in Jakarta to discuss deepening ties between the two countries. Balakrishnan discussed the digital economy, efforts to improve Indonesia’s investment climate, and the potential for bilateral cooperation in the fields of information, communications, and technology.

- **China’s economic slowdown to hurt Singapore most in Southeast Asia.** Estimates from ANZ Research show that the effects of a 1 percent weakening in China’s economic growth will lead to a 1.4-percent decline in Singapore’s economic growth, the strongest correlation between China and other Southeast Asian economies. This is primarily due to China’s role as Singapore’s largest export destination. ANZ chief economist for South Asia, Southeast Asia, and the Pacific Glenn Maguire also says Singapore needs to maintain its labor force quality and focus on higher value-added goods in order to boost productivity and growth.

- **Government announces additional 10 percent reduction on port dues for container vessels.** The Maritime and Port Authority of Singapore on January 15 began to grant container vessels docked at the port of Singapore an additional 10 percent discount on port dues. The concession applies to vessels carrying out maintenance works with a port stay of not more than five days. Container liners are expected to save around $11 million per year thanks to the new concession and other existing port initiatives.

- **Government announces $13.2 billion budget for R&D for 2016-2020.** Prime Minister Lee Hsien Loong on January 14 announced a $13.2 billion budget for the Research, Innovation, and Enterprise (RIE) 2020 plan, which will be Singapore’s sixth roadmap for research and development. The plan will focus on four core areas over the next five years: advanced manufacturing...
and engineering, health and biomedical sciences, services and the digital economy, and urban solutions and sustainability.

THAILAND

- **Anonymous hacks Thai government websites over Koh Tao murder convictions.** Hackers from the group Anonymous on January 13 shut down about 300 websites run by the Thai courts of justice in a protest over the verdict in a trial for the murders of two British backpackers in 2014. The hackers called for a tourism boycott against Thailand following the perceived sloppy handling of the trial, which found two migrant workers from Myanmar guilty of the murders on the island of Koh Tao. A Courts of Justice spokesman said the agency would take legal action against the hackers.

- **King makes brief trip to palace.** The king of Thailand on January 11 left Siriraj Hospital to make a brief visit to the royal palace, according to royal officials. The afternoon excursion, ostensibly to inspect royal projects, was a rare getaway for the king, who has spent most of the last two years in the hospital. Crowds of citizens waited along the roadside to wish the king well on the way to and from the palace.

- **Prime minister orders ministries to buy more rubber in bid to help farmers.** Thai prime minister Prayuth Chan-ocha on January 10 ordered eight ministries to purchase rubber in order to shore up prices for struggling rubber farmers. The prime minister ordered the ministries, including Defense and Education, to purchase rubber with their own budgets in the face of growing clamor from the farmers, who demand government assistance to more than double the price of rubber, up to $0.75 per pound, in the face of falling global prices.

- **Constitution drafters drop plan for media censorship language, keep controversial “overthrow” prohibition clause.** The Constitutional Drafting Committee (CDC) on January 13 said it had dropped a controversial proposal to grant authorities increased power to censor the media during crises. The CDC did agree to include an article prohibiting the overthrow of the monarchy and grabbing of power through unconstitutional means. The proposed article, which first appeared in the 2007 constitution, is regarded as a source of the conflict between the two major political parties after it was nearly invoked to dissolve the then ruling Pheu Thai Party in 2013.

- **Thaksin loses fight to reclaim passports.** The Administrative Court in Thailand on January 12 rejected former prime minister Thaksin Shinawatra’s suit to have his passports reissued, defending Thai
The USNS Richard E. Byrd anchoring at Cam Ranh Bay in central Vietnam in 2011. Sources from the Japanese government says a Japanese P-3 patrol aircraft will stop and refuel at Cam Ranh Bay next month, where it will conduct exchanges with Vietnamese forces, as part of Tokyo’s plan to step up Japanese presence in the South China Sea. https://www.flickr.com/photos/us-pacific-command/6074373841/

authorities’ decision to revoke them. Thaksin’s personal and diplomatic passports were invalidated after officials in the Ministry of Foreign Affairs read an interview that the former premier gave to a South Korean newspaper, wherein he claimed privy councilors supported the anti-government protests that toppled the government led by his sister, former prime minister Yingluck Shinawatra, in May 2014.

- **Hearing begins in rice subsidy trial for Yingluck.** Testimony began on January 15 in the trial of former prime minister Yingluck Shinawatra. Yingluck’s trial, seen widely as a political maneuver to weaken the influence of the Shinawatra family by the junta that ousted her in 2014, stems from allegations of corruption in a rice subsidy program that cost the government billions of dollars. The subsidy was popular with the rural base that supports Yingluck and her brother, former prime minister Thaksin Shinawatra. Yingluck faces a 10-year prison sentence if found guilty.

**SOUTH CHINA SEA**

- **Vietnam files complaint to UN civil aviation body about China’s flight tests.** The Civil Aviation Authority of Vietnam on January 9 said it has filed a complaint with the United Nations’ International Civil Aviation Organization (ICAO) after China landed two test flights on Fiery Cross Reef, a feature in the disputed Spratly Islands that Beijing has reclaimed. The agency said China’s unannounced flights “threaten the safety of all flights in the region,” adding that it recorded 46 instances in the first week of January in which Chinese planes flew unannounced through Vietnam’s area of responsibility over the South China Sea. The Philippines also filed a formal protest against China’s test flights on January 8.

- **Japan’s aircraft to step up patrol of South China Sea, refuel at Vietnamese base.** The Japanese Defense Ministry and the Japan Self-Defense Forces plan to transit Japanese P-3 patrol aircraft at bases in Vietnam and the Philippines in an effort to step up Japanese presence in the South China Sea, according to a January 10 Straits Times report. The first aircraft, en route back from anti-piracy activities off the coast of Somalia, is expected to refuel in February at Cam Ranh Bay in central Vietnam, where it will conduct exchanges with Vietnamese forces. Japan is also reportedly considering facilities on the Philippines’ Palawan Island and on Malaysia’s Borneo Island.

- **China to deploy mega Coast Guard cutter to South China Sea waters.** Chinese state media on January 11 reported that the Chinese Coast Guard will soon deploy a mega-cutter to conduct patrols in the South China Sea.
This is China’s second 12,000-ton displacement vessel, which far outsizes U.S. and Japanese vessels operating in the region. The first mega Coast Guard cutter was completed in early 2015 and deployed to the East China Sea.

TRANS-PACIFIC PARTNERSHIP

- **House members wants administration to fix financial services exclusion in e-commerce chapter.** A bipartisan group of 63 members from the House of Representatives on January 12 said in a letter to senior officials of the Barack Obama administration they are concerned about provisions in the e-commerce chapter of the Trans-Pacific Partnership (TPP) agreement that can open the door for governments to restrict cross-border data flows and impose forced data localization. Financial services companies, in particular, are concerned that their sector is excluded from the TPP’s ban against data localization.

- **World Bank releases study on TPP impact on GDP of member economies.** In its January Global Economic Prospects report, the World Bank predicted the Trans-Pacific Partnership could raise gross domestic product (GDP) for member countries by 1.1 percent and increase their trade volumes by 11 percent by 2030. Smaller, open member economies such as Vietnam and Malaysia will see larger gains in GDP than other large economies. The study also foresees positive spillover from the trade agreement and limited detrimental effects for non-member countries.

- **White House calls for congressional action on TPP in 2016; Congress says lame-duck vote more likely.** President Barack Obama on January 12 appealed to Congress to approve the Trans-Pacific Partnership (TPP) this year during his last State of the Union address. Obama reiterated his message that the trade agreement will boost U.S. competitiveness in the global market. However, a number of U.S. lawmakers have said the TPP vote will likely occur during a lame-duck session, following the presidential elections in November. Obama plans to push for the vote before leaving office in January 2017.

- **International Trade Commission holds TPP hearings.** The U.S. International Trade Commission held a series of hearings January 14-16 to discuss the likely impact of the Trans-Pacific Partnership (TPP) trade agreement on the U.S. economy and specific industry sectors. U.S. automaker Ford Motor Company called on Congress to reject the TPP in its current form due to a lack of mechanisms to deal with currency manipulation by other countries, while the R-CALF United Stockgrowers of America said the TPP will hurt U.S. cattle and sheep producers, and weaken
U.S. health and safety import standards. The National Association of Manufacturers reaffirmed its support for passing the deal.

LAOS

- **Former finance minister arrested on suspicion of involvement in corruption scheme.** Former finance minister Phouphet Khamphounyong was taken into custody in late December for his alleged involvement in a scheme that saw private companies cash government bonds distributed as payment for work that they never completed, according to a January 8 Radio Free Asia report. Phouphet was appointed finance minister in 2012 and was removed in 2014 due to allegations of corruption involving the scheme. Corruption among government officials is widespread in Laos, causing more than $123 million in losses between 2012 and 2014, according to government estimates.

- **Laos, China agree on loan interest rate for high-speed railway project.** Laos and China on January 4 reached agreement on the interest rate for a $480 million loan that Laos is slated to receive from China for the construction of a high-speed railway connecting the two countries. Although the exact rate has yet to be released to the public, reports show Laos had wanted China to lower its initial offer of a 3 percent loan. The railway project, estimated to cost a total of $7 billion, will form part of a regional rail link spanning from Kunming in southern China to the Malay Peninsula.

CAMBODIA

- **Authorities issue second arrest warrant for opposition leader Sam Rainsy.** The Phnom Penh municipal court on January 5 issued a second arrest warrant for opposition leader Sam Rainsy. The warrant calls for the arrest of Rainsy on grounds that he ignored the summons for an earlier hearing in relation to Senator Hong Sok Hour’s alleged forgery of the 1979 border treaty signed between Cambodia and Vietnam. Rainsy, who fled to Europe in November, was charged as an accomplice to Sok Hour.

- **National Election Committee reappoints incumbent secretary-general to position.** The National Election Committee on January 15 reappointed incumbent Tep Nytha to the position of secretary-general, despite protests by the opposition Cambodia National Rescue Party and civil society organizations. The Electoral Reform Alliance, which represents more than two dozen civil society organizations, had expressed concerns that Nytha is close to the ruling Cambodian People’s Party, and called for his removal. The groups also accused the committee of failing to be transparent.
throughout the selection process. The committee’s main task is reforming Cambodia’s electoral system following the controversial 2013 general elections.

BRUNEI

- **Government increases effort to combat money laundering and terrorist financing.** Brunei government agencies are in the process of drafting a national risk assessment report, which will examine the risks of money laundering and terrorist financing in the country, according to a January 13 *Brunei Times* report. The report also aims to help Brunei develop policies to combat the financing of illicit activities. The project will involve gathering legal, intelligence, government, and financial data.

MEKONG RIVER

- **Mekong River Commission approves strategic plan for 2016-2020.** The Mekong River Commission on January 13 approved its strategic plan for the 2016-2020 period, which costs $65 million and focuses on river basin management functions and strengthening regional cooperation between member countries. Member countries—Cambodia, Laos, Thailand, and Vietnam—are expected to contribute 23 percent toward the cost, and 63 percent will require support from donors. The remaining 14 percent will be covered by the commission’s ongoing funds.

ASEAN

- **ASEAN police body to set up counterterrorism communications mechanism.** ASEAN national police bodies (ASEANAPOL) on January 13 agreed to set up a Digital Counter-Messaging Centre to Combat Terrorism, which will function as an information-exchange mechanism between regional and nonregional law enforcement agencies in combatting terrorist activities across Asia. ASEANAPOL said it will also partner with police forces from the United States and Australia.
· **Strategic Opportunities in the Indo-Asia Pacific with Admiral Harry B. Harris.** The Military Strategy Forum at CSIS on January 27 will host a discussion with Admiral Harry B. Harris, Commander of the U.S. Pacific Command, on the strategic opportunities for the U.S. military in the Indo-Asia-Pacific region. CSIS senior vice president, Henry A. Kissinger Chair, and director of the International Security Program Kathleen Hicks will moderate. The event will take place from 1:00 p.m. to 2:00 p.m., 1616 Rhode Island Ave., NW. To RSVP, e-mail the International Security Program.

· **U.S. Economic Statecraft and the Global Order.** The Economic Statecraft Speaker Series at CSIS on January 29 will host a discussion with Dr. Lawrence H. Summers, former Treasury secretary and president emeritus of Harvard University. Matthew P. Goodman, senior adviser for Asian Economics and William E. Simon Chair in Political Economy at CSIS, will moderate. The event will take place from 3:00 p.m. to 4:15 p.m., 1616 Rhode Island Ave., NW. To RSVP, e-mail the Simon Chair.

· **The Vital Role of Development in the Asia-Pacific Rebalance: Perspectives from USAID.** The Elliott School of International Affairs on February 10 will host a discussion with Jonathan Stivers, USAID assistant administrator for Asia, on the role of USAID in the U.S. rebalance to the Asia Pacific. The event will take place from 12:30 p.m. to 1:45 p.m., 1957 E Street, NW, Lindner Commons, Room 602. Click here to RSVP.
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