

Vol 7 No 4 July-August 2021

INSIGHT SOUTHEAST ASIA

Looking Eastwards From New Delhi



Railway tracks in Myanmar.
Photo Courtesy- Udai Bhanu Singh

Southeast Asia & Oceania
Centre
Bimonthly Newsletter



MANOHAR PARRIKAR INSTITUTE FOR
DEFENCE STUDIES AND ANALYSES
मनोहर परिकर रक्षा अध्ययन एवं विश्लेषण संस्थान

Editor:

Dr Uday Bhanu Singh

Compiled by:

Millie Saroha

Southeast Asia and
Oceania Centre

Manohar Parrikar Institute
for Defence Studies and
Analyses (MP-IDSA)

No. 1, Development Enclave, Rao
Tula Ram Marg, Delhi Cantt, New
Delhi – 110 010

Tel. (91-11)2671 7983,

Fax: (91-11)2615 4191

Email:

southeastasia.centre@gmail.com

Website: <http://www.idsa.in>

Contents

EDITOR'S NOTE

COMMENTARY

Impact of COVID-19 on Supply Chains in Southeast Asia

Akash Sahu

NEWS TRACK

Southeast Asia

- ASEAN
- India-ASEAN
- UN-ASEAN
- Brunei
- Cambodia
- Indonesia
- Laos
- Malaysia
- Myanmar
- Philippines
- Singapore
- Thailand
- Vietnam
- Australia

Editor's Note

The months of July-August are traditionally marked as busy ones on ASEAN's calendar. While the East Asia Summit and the ASEAN Regional Forum meetings stood out as traditionally important ASEAN events, the Mekong Ganga cooperation forum meeting also was on New Delhi's agenda, although it was held virtually. As to who rightfully represents Myanmar (in the aftermath of the February coup there) at the United Nations, has become a contested issue, even as ASEAN appointed its own special envoy to Myanmar. The important regional developments are covered in the Newstrack section of this newsletter.

Bilateral and multilateral military drills and exercises in the region continue to assume significance as states seek to assure to their own people territorial and regional security. Such exercises as the Malabar seek to enhance interoperability among the participating navies while signalling and deterring any potential adversary. Meanwhile, the Philippines by restoring the Visiting Forces Agreement with the United States has done some rebalancing of its own. Singapore and the US also reconnected with the visit by Vice President Kamal Harris' visit while the Indian and Vietnamese Prime Ministers reconnected through a virtual meeting. Thus, as nations are attempting to emerge out of the COVID-19 turmoil, the security considerations have hardly withered away. To understand the economic impact of COVID-19 on the region, please read Akash Sahu's Commentary in this issue titled: Impact of COVID-19 on Supply Chains in Southeast Asia. Akash Sahu has recently joined the Southeast Asia and Oceania Centre as Research Analyst.

Udai Bhanu Singh

Impact of COVID-19 on Supply Chains in Southeast Asia

Akash Sahu

Akash Sahu is Research Analyst in the Southeast Asia and Oceania Centre at MP-IDSA.

COVID-19 has severely affected economic activity across the world. As many advanced countries begin to open up after vaccinating substantial part of their populations, developing countries still struggle with shortage of vaccines and high casualty rates. The region of Southeast Asia, with many developing economies, is significant for global supply chains as it houses large number of manufacturing industries. The delta variant-driven second wave of COVID-19 has proven much worse for Southeast Asian countries which had appreciably managed the first wave of pandemic.

Consequently, business has been badly impacted and most industries have not resumed their operations. While Southeast Asian governments are trying to improve industrial output through limited factory strength and controlled lockdowns, it is possible that many industries, particularly related to medical equipment sector, may diversify away from Southeast Asia.

The state of pandemic in the region

The Delta variant of COVID-19 has inflicted significant damage on health and economy in

the region. During the first wave, swift on-the-ground action had allowed Vietnam to contain the spread and even register a GDP growth of 2.9 percent in 2020¹. But the abysmally low vaccination rate of less than 2 percent during the second wave has caused massive spread of infection and casualties. Inequality of access to vaccines has led to shortage in the developing world and wastage in the developed world. Vaccination rates vary greatly among Southeast Asian countries, but are generally low for many.² A table below shows recent vaccination rates for all ten members of ASEAN.³

Country	Population (in million)	GDP (in billion \$)	Fully Vaccinated (Percentage)
1. Brunei	4.4	12.45	33.2
2. Cambodia	16.9	26.73	60.2
3. Indonesia	276.3	1111.7	15.8
4. Laos	7.37	19.12	25.3
5. Malaysia	32.7	365.3	56
6. Myanmar	54.8	65.9	3.4
7. Philippines	111	330.9	16.3
8. Singapore	5.89	362.8	79.8
9. Thailand	69.9	529.17	17.8
10. Vietnam	98	261.6	5.6

¹ Regan, Helen, "Delta variant is ravaging the world but it's pushing Southeast Asia to breaking point", *CNN*, August 5, 2021

² Zainuddin, Alifah, "Southeast Asia Nations Plan To 'Live With Virus' As Delta Surges", *The Diplomat*, September 7, 2021

³ "Southeast Asia Covid-19 Tracker", *CSIS*

Despite a good vaccination rate, death toll in Malaysia has been high and infections have not ceased in Singapore. The WHO has warned that while vaccination is crucial in the fight against the virus, it cannot be the only strategy. COVID-19 norms of social distancing, masks and sanitation will continue to be vital in curbing the spread of new infections. Hence, ‘Live with Virus’ as many Southeast Asian nations have proposed, will prove more challenging than expected.

China had been supplying large number of its domestically manufactured Sinopharm and Sinovac vaccines to Southeast Asia in the form of exports or donations. It was part of its vaccine diplomacy to influence the narrative of the virus having been originated from Wuhan.⁴ However, the efficacy of Chinese vaccines has been questioned due to unsatisfying results. Thus many Southeast Asian countries are now looking to procure vaccines from western companies like Moderna, Pfizer, Astrazeneca etc. Indonesia, which had bought the largest dose of 125 million vaccines from China, is planning to give a second booster shot to all those who have received the Chinese shot.⁵ Under its ‘vaccine maitri’ or vaccine diplomacy program, India has supplied 3.7 million doses to Myanmar, 1,32,000 doses to Laos, and 3,24,000 doses to Cambodia since beginning of 2021⁶.

Impact on Business

Southeast Asia has emerged as a hub for manufacturing due to favourable policies in trade and foreign investment, availability of cheap and skilled labour, cooperative governments and regional demand. Many important industries such as automobiles, computers, electronics, garments etc. have their key units in the region. The impact of COVID-19 has brought manufacturing to a standstill in Southeast Asia and disrupted the global supply chains. Over one-third of garment industries in Vietnam have been shut down due to the pandemic. Large corporations like Samsung moved its operations to other overseas units but Toyota had to stop production temporarily. Many automobile companies like Ford and Volkswagen have also had to halt operations due to unavailability of semiconductors.⁷ Other notable automobile manufacturers like Mitsubishi, Honda, and Nissan had to also cease operations at their units in Thailand.

President of Federation of Malaysian Manufacturers, Tan Sri Dato Soh Thian Lai pointed out that without essential components which are manufactured in Southeast Asia, large industries anywhere else like the US or EU won’t be able to resume operations completely.⁸ Malaysia is a major site for end-stage chip packaging which is the last step in process of semiconductor manufacturing.⁹ Pandemic restrictions have forced shut down of these facilities preventing a range of products from even reaching their markets. Therefore, failure to resume production of crucial

⁴ Wong, Tessa, “Covid: Is China’s vaccine success waning in Asia?”, *BBC News*, July 19, 2021

⁵ Emont, John, “Hit hard by Covid-19, southeast Asian countries turn to western vaccines”, *The Wall Street Journal*, July 17, 2021

⁶ “Vaccine Supply”, *Ministry of External Affairs*, Government of India

⁷ Ziady, Hanna, “Global shipping was in chaos even before the Suez blockage. Shortages and higher prices loom”, *CNN Business*, March 26, 2021

⁸ Yeung, Jessie and Kocha Olarn, “Vaccine inequality is hurting Asia’s poor and the rest of the world”, *CNN Business*, July 7, 2021

⁹ Davis, River and Tsyuyoshi Inajima, “How a Single Covid Case Rocked the World’s Biggest Carmaker”, *Bloomberg*, September 2, 2021

components industries in Southeast Asia will have ripple effects on economy the world over.

There are innumerable cases of shut down in smaller scale manufacturing as they could not afford government mandated containment measures at workplace. Many migrant workers have left their jobs making it difficult for labour-intensive industries like food, textiles and rubber to sustain. Lead economist at Oxford Economics, Sian Fenner, predicts that disruptions and prices may start easing by the beginning of 2022, except in select industries like semiconductors.¹⁰

Changes in Motion

After the US imposed tariffs on a number of items coming from China, a range of manufacturers began searching for new industry destinations. Southeast Asia, and particularly Vietnam, attracted the attention of many world class corporations as even during the pandemic it was setting up business parks to host large foreign investment.¹¹ But the second wave has dampened the rigour of this shift as Southeast Asia reels under severe pressure to contain COVID-19, and Vietnam has been one of the worst performers in ASEAN.

Given that there is no short-term solution to ending the COVID-19 pandemic, it is

expected that hurdles to production will continue. As a consequence, supply chains will be restricted. Governments and corporations may diversify due to public pressure for economic performance as well as self-sustenance in essential items like medical equipment. Vietnam's trade ministry has cautioned that failure to create workable environment for industries will lead to loss of overseas customers.¹² About 18 percent of members in European Chamber of Commerce in Vietnam have shifted part of their production out of the country to ensure protection of supply chains.

But this does not translate to hasty reshoring of supply chains. A number of area experts including Asia-pacific Chief Economist at IHS Markit Rajiv Biswas, and Bloomberg Intelligence Analyst Tatsuo Yoshida believe that economies of scale will not allow major restructuring of the supply chains. Yoshida also points out that diversifying will demand significant capital and planning, thereby dissuading companies to relocate unless absolutely necessary. It may be observed that large-scale overhaul in supply chains might not take place given that companies will attempt to resolve some granular problems through innovative ways and also wait out the Delta outbreak. Toyota's policy of stocking essential items, the lack of which can potentially halt production, can be looked at as a smart way to bypass repetitive lockdowns and hampered logistics.

¹⁰ Mazumdaru, Srinivas, "COVID surge in Southeast Asia disrupts global supply chains", *DW*, September 5, 2021

¹¹ Reed, John, "Vietnam prepares for supply chain shift from China", *Financial Times*, December 28, 2020

¹² Jamrisko, Michelle and Claire Jiao, "Economies on the Brink Push Southeast Asia to Reopen", *Bloombergquint*, September 14, 2021

Southeast Asia

ASEAN

ASEAN Appoints Special Envoy to Myanmar.

After months of pressure to appoint a special envoy to Myanmar in line with the principles of the “five-point consensus,” ASEAN leaders announced the selection of Brunei’s Second Minister of Foreign Affairs, Erywan Yusof, for the task. The joint communique came after a meeting on 4th August 2021 in which Special Envoy Yusof was tasked with the cessation of violence in Myanmar and to “build trust and confidence between all parties.”¹ The decision deprived the Myanmar Junta of their favoured choice, former Thai Deputy Foreign Minister Virasakdi Futrakul. It also highlights a shift in the ASEAN block that seems more united than before to diplomatically intervene in Myanmar.² Special Envoy Yusof has an in-depth knowledge of the coup and its intricacies. He visited Myanmar as an ASEAN representative for a meeting with the military junta leaders on 4th June 2021. ASEAN efforts are also focused on helping the Myanmar authorities deal with a Covid-19 outbreak and negotiate ways of providing emergency aid to the population.

ASEAN Turns 54

ASEAN celebrated its 54th anniversary on 8th August 2021 in an online ceremony. The theme of this year’s anniversary was “We Care, We Prepare, We Prosper,” a reiteration of Brunei Darussalam’s chairmanship theme. In the meeting, the regional block discussed their aim to work together towards long-term resilience in a post-pandemic world. Foreign Minister of Indonesia Retno Marsudi also stressed the need for ASEAN to “be at the driving seat on shaping regional dynamics.”³ This statement is an affirmation of ASEAN’s principles on an open and inclusive Indo-Pacific at a time when the region is becoming a playground for great power rivalries. Nevertheless, ASEAN remains central to great powers in their respective regional visions. Chinese State Councillor and Foreign Minister Wang Yi met with the ASEAN Foreign Ministers on 3rd August to discuss and strengthen cooperation in the region. Covid-19, China’s vaccine diplomacy, and the Code of Conduct consultation on the South China Sea were the main topics discussed.⁴ U.S. has also increased their commitment to multilateral cooperation with the ASEAN grouping. On 14th July, U.S. Secretary of State Antony Blinken participated in a conference with the ASEAN Foreign Ministers to discuss the crisis in Myanmar and Covid-19. He also emphasised Washington’s rejection of “China’s unlawful maritime claims in the South China Sea”

¹ Tom Allard, “ASEAN appoints Brunei diplomat as envoy to Myanmar,” Reuters, August 4, 2021, <https://www.reuters.com/world/asia-pacific/asean-appoints-bruneis-erywan-yusof-envoy-myanmar-sources-2021-08-04/>.

² Amanda Hodge, “ASEAN unites on Myanmar envoy,” *The Australian*, <https://www.theaustralian.com.au/world/asean-unites-on-myanmar-envoy/news-story/0f958a9631b5f9f15e7e11abae6daefd>.

³ “ASEAN celebrates 54th Anniversary: We Care, We Prepare, We Prosper,” ASEAN News, August 8, 2021, <https://asean.org/asean-celebrates-54th-anniversary-we-care-we-prepare-we-prosper/>.

⁴ “Wang Yi Attends the ASEAN-China Ministerial Meeting,” Ministry of Foreign Affairs of the People’s Republic of China, August 3, 2021, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1897344.shtml.

and reaffirmed American support for claimant states.⁵ In a continuation of America's diplomatic charm offensive, Vice President Kamala Harris made her Southeast Asian debut in Singapore and Vietnam. In Singapore, Harris asserted the U.S. support for the region while rebuking China's intimidation tactics in the South China Sea.⁶

India-ASEAN

11th MGC Foreign Ministers' Meeting

The 11th Mekong Ganga Cooperation Foreign Ministers' Meeting was held virtually on 21st July 2021 and was headed by Cambodia's Deputy Prime Minister Mr. Prak Sokhonn and Indian Minister of Foreign Affairs Dr. Subrahmanyam Jaishankar. The meeting provided Mekong states and India with an avenue to discuss and evaluate the implementation of the MGC Plan of Action 2019-2022. The ministers also discussed post-pandemic recovery and agreed to establish workshops for public health information sharing. Dr. Jaishankar highlighted India's desire to continue its contributions to the region through Quick Impact Projects under the Mekong-Ganga Cooperation Initiative.⁷

11th East Asia Summit

Indian External Affairs Minister Subrahmanyam Jaishankar attended the 11th East Asia Summit and subsequently the India-ASEAN Ministerial Meeting via teleconference on 4th August 2021, chaired by Minister of Foreign Affairs of Brunei Darussalam Erywan Yusof. In the meetings, Minister Jaishankar supported ASEAN's united efforts in dealing with the Covid-19 crisis and the crisis in Myanmar. He also acknowledged the successful appointment of a Special Envoy to Myanmar. Without explicitly naming China, Minister Jaishankar supported an open and peaceful Indo-Pacific that abides by the UNCLOS 1982, especially in terms of the code of conduct in the South China Sea. As per the meeting, India has vowed to an early review of the India-ASEAN 2010 Trade in Goods Agreement.⁸ With increasing Indian interest towards its East, Ministerial-level meetings like these are fruitful in building upon the frameworks and initiatives of multilateral cooperation in the region.

28th ASEAN Regional Forum Ministerial Meetings

The 28th ASEAN Regional Forum Ministerial Meetings was held on 8th August 2021. The Indian delegation was headed by Minister of State for External Affairs Dr. Rajkumar Ranjan Singh. He brought up prudent issues during the meeting, including the renewed threat of terrorism and the regional level engagement with the ARF that can

⁵ "Bilken urges ASEAN to take 'immediate action' on Myanmar," Aljazeera, July 14, 2021, <https://www.aljazeera.com/news/2021/7/14/blincken-urges-asean-to-take-immediate-action-on-myanmar>.

⁶ "Kamala Harris joins diplomatic charm offensive in South East Asia," BBC News, August 23, 2021, <https://www.bbc.com/news/world-asia-58277226>.

⁷ "11th Mekong-Ganga Cooperation Foreign Ministers' Meeting Plans Post-Pandemic Knowledge Sharing," Greater Mekong Subregion, August 13, 2021, <https://greatermekong.org/11th%2%A0mekong-ganga-cooperation%2%A0foreign-ministers%E2%80%99-meeting%2%A0plans-post-pandemic-knowledge-sharing>.

⁸ "Jaishankar says code of conduct in South China Sea should be as per international law," *The Times of India*, August 5, 2021, <https://timesofindia.indiatimes.com/india/jaishankar-says-code-of-conduct-in-south-china-sea-should-be-as-per-international-law/articleshow/85057968.cms>.

counter such threats. The meeting concluded with the adoption of a Joint Statement on Promoting the Youth Peace and Security Agenda. India looks forward to co-sharing the ARF Inter-Sessional Meetings on Maritime Security in the period covering 2021-2022.⁹

UN-ASEAN

Contestation Over Myanmar's Seat in the UN General Assembly

The UN General Assembly continues to support democracy in Myanmar and urge countries to end arms deals with the military junta as per the resolution passed in June 2021. However, there is a dispute over the rightful representative of Myanmar to the UN. Ambassador Kyaw Moe Tun was appointed by the democratically elected President Win Myint before the coup, but the Ministry of Foreign Affairs of Myanmar has now placed the deputy UN ambassador, Tin Maung Naing, as the charge d'affaires of the UN mission.¹⁰ A nine-country Credentials Committee is tasked with recommending the UNGA on the legitimacy of the ousted government compared to the military junta in their capacity to represent Myanmar in the upcoming 75th UN General Assembly in September. While it is

rare for an ousted government to be selected by the Credentials Committee, it is possible, as was the case with Haiti in 1992, and Sierra Leone in 1997.¹¹

Brunei

India-Brunei Defence Engagement

On 9th August 2021, The Indian Naval Ships Shivalik and Kadmatt arrived at Maura, Brunei, to bolster the India-Brunei defence relationship. During the deployment, the Indian Navy and the Royal Brunei Navy will conduct "non-contact" exercises to enhance interoperability and exchange best practices. The Indian naval presence in Brunei will conclude on 12th August with the completion of a Passage Exercise. The deployment is part of Indian's wider maritime engagement in the region in line with its 'Act East' Policy. The two Indian Naval vessels will join the MALABAR-21 exercise after the completion of their bilateral engagement with Brunei.¹²

Cambodia

Prime Minister Hun Sen's Friendly Gestures Towards Myanmar

In a letter dated 17th August, Cambodian Prime Minister Hun Sen acknowledged Myanmar's junta

⁹ "28th ASEAN Regional Forum Ministerial Meeting," Ministry of External Affairs, Government of India, August 6, 2021, https://mea.gov.in/press-releases.htm?dtl/34145/28th_ASEAN_Regional_Forum_Ministerial_Meeting.

¹⁰ Rick Gladstone, "Possible Showdown Over Myanmar Ambassador Looms at U.N.," *The New York Times*, March 12, 2021, <https://www.nytimes.com/2021/03/02/world/asia/un-myanmar-ambassador-dispute.html>.

¹¹ Catherine Renshaw, "The battle for Myanmar's seat in the UN General Assembly," *The Lowy Interpreter*, August 10, 2021, <https://www.lowyinstitute.org/the-interpreter/battle-myanmar-s-seat-un-general-assembly>.

¹² "Indian Naval Ships Shivalik and Kadmatt at Brunei to Enhance Bilateral Ties," Indian Navy Press Release, August 9, 2021, <https://indiannavy.nic.in/content/indian-naval-ships-shivalik-and-kadmatt-brunei-enhance-bilateral-ties>.

leader Senior General Min Aung Hlaing, as the Chairman of the State, giving legitimacy to his rule. In the letter, Cambodia also offered US\$200,000 and medical equipment to help Myanmar's Covid-19 crisis "in the spirit of friendship and solidarity" between the two states.¹³ As one of the world's longest-serving strongman ruler, Minister Hun Sen has avoided making statements against the military rule in Myanmar and has officially stated adherence to the principles of non-interference.¹⁴

Indonesia

Indonesia Overtakes India to Become the New Covid-19 Hotspot in Asia

In July 2021, Indonesia surpassed India to become the epicentre of the Covid-19 Delta variant in Asia. From 12th -18th July, Indonesia also reported the highest number of infections globally with 350,273 new cases.¹⁵ Indonesia had provided India with 3,400 oxygen

cylinders back in May, but the government is now reaching out to several countries for help amid its own oxygen shortage, including China, Singapore, and Australia. Government data suggests that the daily oxygen requirements for Indonesians reached 1,928 tons, and the total available production capacity, medical or otherwise, is 2,262.¹⁶ The archipelago still lags behind the U.S., India and many other states in total infection numbers.

New Light in Indonesia-U.S. Strategic Dialogue and Defence Relationship

Indonesia and the U.S. have revitalised their bilateral relations by launching a "strategic dialogue" in line with their 2015 strategic partnership. The contested Indo-Pacific climate and the renewed U.S. interests in the region have helped move this dialogue along at a meeting in Washington on 3rd August 2021 between U.S. secretary of State Antony Blinken and Indonesian Foreign Minister Retno Marsudi.¹⁷ At the meeting, both states highlighted their commitment to defend the freedom of navigation in the South China Sea.¹⁸ In this "new era of bilateral relations," as Marsudi refers to it, military to military links between

¹³ "Letter of Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia, addressed to His Excellency Senior General Min Aung Hlaing, Chairman of the State Administration Council of Republic of the Union of Myanmar." Press Release, Kingdom of Cambodia Ministry of Foreign Affairs and Internal Cooperation, August 17, 2021, <https://www.mfaic.gov.kh/posts/2021-08-17-Press-Release-Letter-of-Samdech-Akka-Moha-Sena-Padei-Techo-HUN-SEN—Prime-Minister-of-the-Kingdom-of-Cambodia—add-16-00-05>.

¹⁴ Ben Sokhean, "Government calls for NGOs not to interfere in Myanmar's affairs," *Khmer Times*, February 17, 2021, <https://www.khmertimeskh.com/50814766/government-calls-for-ngos-not-to-interfere-in-myanmars-affairs/>.

¹⁵ Abigail Ng, "Indonesia reported the highest new Covid cases in the world last week, says WHO," CNBC, July 22, 2021, <https://www.cnbc.com/2021/07/22/who-indonesia-reported-most-new-covid-cases-in-the-world-last-week.html>.

¹⁶ Harshit Sabarwal, "Covid-19: Indonesia faces oxygen crisis, reaches out to countries for help," *Hindustan Times*, July 10, 2021, <https://www.hindustantimes.com/world-news/covid19-indonesia-faces-oxygen-crisis-reaches-out-to-countries-for-help-101625894157340.html>.

¹⁷ "Blinken launching strategic dialogue with Indonesia," *The Times of India*, August 4, 2021, <https://timesofindia.indiatimes.com/world/us/blinken-launching-strategic-dialogue-with-indonesia/articleshow/85018372.cms>.

¹⁸ Doyinsola Oladipo and David Brunnstrom, "U.S., Indonesia commit to South China Sea defence in 'strategic dialogue'," Reuters, August 4, 2021, <https://www.reuters.com/world/asia-pacific/blinken-launching-strategic-dialogue-with-indonesia-2021-08-03/>.

U.S. and Indonesia are also becoming stronger as both states conducted their biggest-ever joint military training. The 15th edition of Garuda Shield exercises was held over two weeks in the first half of August. The exercise included 2,100 Indonesian soldiers and 1,500 U.S. troops.¹⁹

India and Indonesia Conduct their 36th CORPAT

The Indian and Indonesian navies undertook their 36th coordinated patrol (CORPAT) from 30th to 31st July 2021 along the International Maritime Boundary Line. Indian Naval Ship INS Saryu and Indonesian Naval Ship KRI Bung Tomo were part of the exercises along with Maritime Patrol Aircrafts from both sides. This biannually occurring exercise helps build interoperability and cooperation between the two navies and helps in increasing regional maritime security. CORPAT exercises between India and Indonesia is also in line with the Indian government's SAGAR (Security and Growth for All in the Region) initiative.²⁰

Laos

China and Vietnam Compete for Influence in Laos

The Lao Minister of Planning and Investment Sonexay Siphandone announced on 11th August 2021 that the multimillion-dollar Laos-

China Railway will be functional by December this year. The announcement came after the 10th Laos-China Railway Project Construction Committee meeting, which estimated the railway line to be 93.82 percent complete already. The railway is an important strategic project of China's Belt and Road Initiative and is equally important for Laos to cover up the economic shortcomings of being a landlocked country.²¹ At the same time, Vietnam, another important neighbour to Laos and its biggest economic partner after China, has also ramped up its engagement in the bilateral relationship. Vietnamese President Nguyen Xuan Phuc handed over the US\$111 million National Assembly Building as a gift to his Lao counterpart President Thongloun Sisoulith during his state visit on 10th August. The gift is a representation of the "special Laos-Vietnam relationship" and highlights the efforts made by Vietnam to maintain its influence in Laos with increasing Chinese investment in the region.²²

Malaysia

Political Turmoil in Malaysia, Ismail Yaakob Becomes New PM

Malaysian Prime Minister Yassin Muhyiddin and his entire cabinet resigned on 16th August 2021 after 17 tumultuous months in office, the shortest in Malaysia's political history. Political turmoil from Muhyiddin's resignation comes at a time when the country is already facing its deadliest Covid-19 wave and has been in a nationwide state of emergency

¹⁹ "Indonesia hails 'new era' for U.S. ties, hosts biggest joint military drills," Reuters, August 5, 2021, <https://www.reuters.com/world/asia-pacific/indonesia-hails-new-era-us-ties-hosts-biggest-joint-military-drills-2021-08-05/>.

²⁰ "36th Edition of India- Indonesia Coordinated Patrol," Ministry of Defence, Government of India, July 30, 2021, <https://pib.gov.in/PressReleasePage.aspx?PRID=1740798>.

²¹ Sebastian Strangio, "Laos-China Railway on Track for December Opening: Official," The Diplomat, August 16, 2021, <https://thediplomat.com/2021/08/laos-china-railway-on-track-for-december-opening-official/>.

²² Minh Vu, "Vietnam's State President arrives in Laos for two-day visit," *Hanoi Times*, August 9, 2021, <https://hanoitimes.vn/vietnam-president-arrives-vientiane-for-two-day-laos-visit-318314.html>.

since January this year.²³ On 21st August, King Abdullah of Pahang named Ismail Sabri Yaakob as the new Prime Minister. Yaakob's selection has brought Malaysia's longest governing political party, United Malays National Organisation, back into power, which was removed in 2018 over a financial scandal. While being from the larger party in the alliance (UMNO), Yaakob still needs support from others in the coalition to bring the political turmoil to an end and shift focus on tackling the pandemic.²⁴

“Taming Sari” Maritime Warfare Exercise

The Royal Malaysian Navy successfully test fired three anti-ship missiles during its “Taming Sari” maritime warfare exercise. The six-day long exercise ended on 12th August and is the largest of its kind with participation from more than 1000 troops of the Malaysian defence forces. During the exercise, Malaysian submarines fired one Exocet SM39 anti-ship missile and two Exocet MM40 guided-missile acquired from French defence manufacturer MBDA Systems. Interestingly this exercise comes just one month after 16 Chinese aircrafts encroached on Malaysian airspace over the disputed territories of the South China Sea.²⁵ Malaysia also took part in a webinar hosted by India on the topic, ‘Indian Defence Industry Global Outreach for Collaborative

Partnership’ on 17th August. With this webinar series, India hopes to boost its defence exports to friendly countries. The aim for India is to position its defence industry as cost-effective, and of a global standard, especially in shipbuilding, aircraft maintenance, repair, and overhaul activities.²⁶ Malaysian attendance at the event is significant as it highlights their current desire for capabilities modernization and defence acquisitions for strategic purposes.

Myanmar

Political Turmoil in Myanmar Continues

As of 18th August 2021, 1,006 lives have been lost at the hands of the military junta in Myanmar. A military coup overthrew the democratically elected government of Aung San Suu Kyi on 1st February 2020, leading to national unrest.²⁷ On 1st August, in a televised address, junta leader Senior General Min Aung Hlaing stated that the state of emergency will be lifted and a democratic multiparty election will be held by August 2023. Covid-19 has only added to the burdens facing Myanmar, especially on its health care system. Many health care workers have been arrested or remain in hiding leaving hospitals understaffed. Patients also have limited access to hospitals, medicines, and oxygen. The junta is also being accused of using medical supplies and access to medicines as a tool of war in an effort to squash opposition.²⁸ While the events in Myanmar are

²³ “Malaysia Prime Minister Quits After Just 17 Months in Office,” NDTV, August 16, 2021, <https://www.ndtv.com/world-news/malaysia-prime-minister-quits-after-just-17-months-in-office-2511504>.

²⁴ “Malaysia’s new PM brings graft-tainted UMNO back to power,” Aljazeera, August 20, 2021, <https://www.aljazeera.com/news/2021/8/20/malaysian-king-picks-ex-deputy-pm-as-nations-new-leader>.

²⁵ “Analysts: Malaysia’s Navy Drill Sends Strong Message to South China Sea Claimants,” Radio Free Asia, August 20, 2021, <https://www.rfa.org/english/news/china/malaysia-drill-08202021155721.html>.

²⁶ “Webinar between India & Malaysia on ‘Indian Defence Industry Global Outreach for Collaborative Partnership’,” Ministry of Defence, Government of India, August 18, 2021, <https://pib.gov.in/PressReleasePage.aspx?PRID=1746882>.

²⁷ “More than 1,000 killed in Myanmar since February 1 coup,” Aljazeera, August 18, 2021, <https://www.aljazeera.com/news/2021/8/18/myanmar-coup-aapp-1000-killed-military>.

²⁸ “Myanmar: State of emergency extended with coup leader as PM,” BBC News, August 1, 2021, <https://www.bbc.com/news/world-asia-58045792>.

resulting in international backlash, China has not held back in providing aid to the military junta. China signed an agreement on 9th August promising US\$6 million in aid for infrastructure projects in Myanmar.²⁹

Philippines

Visiting Forces Agreement Fully Restored

On 30th July 2021, the defence secretaries of the Philippines and the U.S. announced that the Visiting Forces Agreement, set to expire in August, had been fully restored. The agreement controls the presence of U.S. troops in the Philippines and provides the framework for bilateral drills and exercises. President Rodrigo Duterte had previously threatened to cancel the agreement over U.S. criticisms of his human rights record and in order to cultivate better relations with China. However, in the midst of increasing Chinese aggression in the South China Sea and greater U.S. engagement in the region President Duterte decided to restore the agreement.³⁰ In a press briefing on 2nd August, President Duterte said that his decision to continue the agreement is also attributed to the 3 million Moderna vaccinations donated by the U.S. to the Philippines and is part of a wider effort to increase strategic ties as discussed in his meeting with U.S. Defence Secretary Lloyd Austin.³¹

Indian Philippines Maritime Partnership

Indian Navy Ship INS Ranvijay (Guided Missile Destroyer, D55) and INS Kora (Guided Missile Corvette, P61) undertook a maritime partnership exercise with the Philippines navy ship BRP Antonio Luna (Frigate, FF 151) on 23rd August 2021 in the West Philippines Sea. The exercise was part of India's wider maritime engagement with Southeast Asian states during the course of the Indian navy's extended deployment in the Western Pacific. In the exercise, the navies of the two states focused on operational manoeuvres to test interoperability. The exercise shows the healthy state of bilateral defence and security engagement between India and the Philippines and their commitment to continue working together to attain their collective visions for a stable and peaceful Indo-Pacific.³²

Singapore

U.S. China Rivalry Plays Out in Singapore

U.S. Vice President Kamala Harris visited Singapore on 24th August 2021 for her seven-day trip to the region. This was the most high-profile visit under President Biden's new administration and is part of a string of official visits that highlight the increase in U.S. engagement of Southeast Asia. However, China's growing influence and aggression, especially

²⁹ "China to fund Myanmar projects in agreement with junta," Reuters, August 11, 2021, <https://www.reuters.com/world/china-fund-myanmar-projects-agreement-with-junta-2021-08-11/>.

³⁰ Idrees Ali and Karen Lema, "Philippines' Duterte fully restores key U.S. troop pact," Reuters, July 30, 2021, <https://www.reuters.com/world/asia-pacific/us-aims-shore-up-philippine-ties-troop-pact-future-lingers-2021-07-29/>.

³¹ Sebastain Strangio, "Duterte Claims that COVID-19 Vaccines Saved Crucial US Defense Pact," *The Diplomat*, August 4, 2021, <https://thediplomat.com/2021/08/duterte-claims-that-covid-19-vaccines-saved-crucial-us-defense-pact/>.

³² "Maritime Partnership Exercise Between Indian Navy And The Philippine Navy," Ministry of Defence, Government of India, August 23, 2021, <https://pib.gov.in/PressReleasePage.aspx?PRID=1748328>.

in the South China Sea, is also a contributing factor.³³ During her visit to Singapore, Harris did not hold back in calling out China for its “coercion” and “intimidation” tactics. She also highlights the direct link between the China threat and U.S. support for regional states.³⁴ The U.S. led Southeast Asia Cooperation and Training (SEACAT) military exercise were inaugurated in Singapore on 10th August. Indian navy also took part in the exercise along with 19 other Indo-Pacific nations, which was meant to enhance operational cooperation between the maritime forces of the region. The exercise was held at the same time as the joint maritime exercises between Chinese and Russian forces.³⁵

India-Singapore 15th Foreign Office Consultations

India and Singapore held their 15th Foreign Office Consultations on 11th August to strengthen trade and defence cooperation. Indian Secretary (East), Ministry of External Affairs Ms. Riva Ganguly Das, met with the Permanent Secretary of the Ministry of Foreign Affairs, Singapore Mr. Chee Wee Kiong. During the virtual meeting, the bilateral relationship between the two states was

reviewed. Discussions were held over avenues for further cooperation, including easing travel restrictions. ASEAN was also a point of discussion, since Singapore has taken over as the country coordinator for India in the regional grouping from 2021-2024.³⁶

Thailand

Thailand Faces Political Turmoil Amid Covid-19 Wave

Thailand is facing a fierce Covid-19 Delta variant wave that has left its medical infrastructure unable to cope. With record-high new infections and number of deaths, the Thai Health Ministry issued an alarming warning on 29th July 2021 against a lack of hospital beds and isolation facilities. The new single-day record for the 29th was 17,669 cases and 165 deaths.³⁷ The slow vaccination campaign, pandemic fund mismanagement, and shortage of medical supplies had resulted in fierce criticism of Thai Premier Prayut Chan-O-Cha. On 18th July, protestors took to the streets disregarding Covid-19 restrictions demanding the premier’s resignation and the reallocation of funds from the monarchy to the fight against Covid-19. They were met with rubber bullets, tear gas and water cannons.³⁸

³³ Philip Heijmans and Jenny Leonard, “Kamala Harris Heads to China’s Backyard in Diplomacy Reboot,” Bloomberg, August 20, 2021, <https://www.bloomberg.com/news/articles/2021-08-19/kamala-harris-heads-to-china-s-backyard-in-u-s-diplomacy-reboot>.

³⁴ “Kamala Harris accuses China of ‘intimidation’ in South China Sea,” Aljazeera, August 24, 2021, <https://www.aljazeera.com/news/2021/8/24/us-vp-harris-accuses-china-of-intimidation-in-south-china-sea>.

³⁵ “Navies of 21 countries kick off US-led drills in Southeast Asia,” Aljazeera, August 11, 2021, <https://www.aljazeera.com/news/2021/8/11/navies-of-21-countries-kick-off-us-led-drills-in-southeast-asia#:~:text=SEACAT%20exercises%20under%20way%20in,hold%20drills%20in%20China’s%20Ningxia.&text=The%20United%20States%20led%20Southeast,way%20in%20Singapore%20and%20online..>

³⁶ “15th round of Foreign Office Consultations between India and Singapore,” Ministry of External Affairs, Government of India, August 11, 2021, https://www.mea.gov.in/press-releases.htm?dtl/34177/15th_round_of_Foreign_Office_Consultations_between_India_and_Singapore.

³⁷ “Thai hospitals short of beds as Covid cases soar: Ministry,” *The Times of India*, July 29, 2021, <https://timesofindia.indiatimes.com/world/rest-of-world/thai-hospitals-short-of-beds-as-covid-cases-soar-ministry/articleshow/84852736.cms>.

³⁸ “Police clash with protesters demanding Thailand PM’s resignation,” Aljazeera, July 18, 2021, <https://www.aljazeera.com/news/2021/7/18/thailands-police-clash-with-protesters-denouncing-pm>.

Vietnam

India and Vietnam Bolster their Diplomatic and Strategic Engagement

India and Vietnam have been making efforts to strengthen their diplomatic and strategic ties in line with the Indian Vietnam Comprehensive Strategic Partnership and in the wake of joint membership in the UN Security Council. On 10th July 2021, Prime Minister Modi and his Vietnamese counterpart Pham Minh Chinh had their first telephone conversation about their shared vision for an open and inclusive Indo-Pacific. The conversation reiterated the importance of the strategic partnership and the need to collaboratively promote regional stability in the Indian Ocean region.³⁹ On 18th August, the regionally deployed Indian Navy ships INS Ranvijay and INS Kora undertook a bilateral maritime exercise with the Vietnamese frigate VPNS Ly Thai To (HQ-012). Following Covid-19 precautions, the two navies conducted non-contact exercises including, weapons firing drills and surface warfare exercises. The Indian and Vietnamese navies frequent conduct training exercises of this sort resulting in substantial gains in interoperability and adaptability.⁴⁰

Australia

Reignited Trade Talks Between India and Australia

On 5th August 2021, Australia's special trade envoy Tony Abbott had an in-person meeting with Prime Minister Modi to discuss their bilateral trade relationship and common goals of an open and prosperous Indo-Pacific. The main goal of the meeting was to revive the negotiations for a Comprehensive Economic Cooperation Agreement. At the meeting, both sides agreed that such an agreement would complement the comprehensive strategic partnership signed in June last year and address the economic challenges of Covid-19. Prime Minister Modi shared his desire to host his Australian counterpart, Scott Morrison, as soon as conditions allow.⁴¹ Shortly after his trip, Abbott published an opinion piece in *The Australian* stating that a free trade agreement with India will be a significant sign of the "democratic world's tilt away from China." He even refers to India as the "answer to almost every question about China."⁴² In recent time, such an opinion is prevalent in Australia owing to their economic and diplomatic disputes with China.

³⁹ "PM Narendra Modi dials PM of Vietnam, hails similar vision," *The Times of India*, July 11, 2021, <https://timesofindia.indiatimes.com/india/pm-narendra-modi-dials-pm-of-vietnam-hails-similar-vision/articleshow/84307894.cms#:~:text=An%20official%20readout%20said%20Modi,stability%2C%20prosperity%20and%20development%E2%80%9D>.

⁴⁰ "Indian Navy Undertakes Bilateral Maritime Exercise with Vietnam People's Navy," Ministry of Defence, Government of India, August 18, 2021, <https://pib.gov.in/PressReleasePage.aspx?PRID=1746965>.

⁴¹ "Australian trade envoy Tony Abbot meets PM Modi, bilateral trade ties on agenda," *Hindustan Times*, August 5, 2021, <https://www.hindustantimes.com/india-news/australian-trade-envoy-tony-abbott-meets-pm-modi-bilateral-trade-ties-on-agenda-101628178773954.html>.

⁴² Meenakshi Ray, "Answer to almost every question about China is India: Australia's Tony Abbott," *Hindustan Times*, August 9, 2021, <https://www.hindustantimes.com/world-news/-answer-to-almost-every-question-about-china-is-india-australia-s-tony-abbott-101628528582343.html>.

Joint Guidance Document and MALABAR 21 Naval Exercise

Australia- India Strategic ties are on the rise, as the Indian Navy and the Royal Australian Navy signed a 'Joint Guidance for the Australia – India Navy to Navy Relationship' on 18th August 2021. The virtual ceremony was held between Indian Chief of Naval Staff Admiral Karambir Singh and his counterpart Vice Admiral Michael J Noonan. The document provides a guiding framework for bilateral cooperation between the two navies while also highlighting the importance of close cooperation in regional multilateral groupings. Most importantly, the document consolidates India and Australia's shared commitment to work together towards a peaceful, stable, and

free Indo-Pacific.⁴³ In an effort to increased strategic cooperation, India has invited the Royal Australian Navy, second year in a row, to participate in the 25th edition of the Quadrilateral MALABAR naval exercise. The exercise will be held from 26th to 29th August and will also include the US Navy and the Japanese Maritime Self Defence Force. The navies of the four countries will take part in anti-surface, anti-air, and anti-submarine warfare drills among other manoeuvres to share expertise and increase interoperability within the grouping.⁴⁴

⁴³ “‘Joint Guidance for The Australia – India Navy To Navy Relationship’ Signed Between Indian Navy & Australian Navy,” Ministry of Defence, Government of India, August 18, 2021, <https://pib.gov.in/PressReleasePage.aspx?PRID=1747125>.

⁴⁴ “Indian Navy participates in Naval Exercise Malabar,” Ministry of Defence, Government of India, August 26, 2021, <https://pib.gov.in/PressReleasePage.aspx?PRID=1749126>.

ABOUT US

The Southeast Asia and Oceania Centre focuses on policy-relevant research in respect of the ten ASEAN states, East Timor and Oceania, including Australia and New Zealand. The Centre studies India's bilateral and multilateral relations with states of the region with a view to providing contemporary relevance to India's Look East policy. It has a futuristic approach and examines the emerging trends in the regional security architecture. The Centre studies the potential for India's enhanced defence cooperation (including maritime issues) and cooperation in non-traditional security issues with the region. It examines internal developments of countries in this region, especially political transition and the role of the military, and their implications for India. The Centre seeks to promote Track-II institutional linkages with the region.

Contributions are invited for:

Book Review (800 words)

Commentary (900 - 1300 words)

Photo Essay (10-12 photographs, each with a caption,
accompanied by a 1000 words essay)

Please E-mail: southeastasia.centre@gmail.com

We look forward to your feedback about the Southeast Asia Newsletter.
Please do not hesitate to let us know your comments or suggestions.
Contact us at: southeastasia.centre@gmail.com