

Indochina's Troubled Year

With a coup, a crash and a clash, it has been a rough 2014 so far for Indochina.

By Luke Hunt

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Rarely has Indochina found itself in such a diplomatic mess: Vietnamese **brawling** with China over their maritime border, a **plane crash** that claimed senior government leaders in Laos, and a coup d'etat in Thailand have taken an unprecedented political and economic toll and turned trouble-prone Cambodia into an unlikely oasis of peace and stability. Image Credit: REUTERS/Damir Sagolj

The collective behavior is also winning Indochina comparisons with the Central American republics of the 1980s, while the disappearance of Malaysian Airlines **Flight MH370** and civil **unrest** in Myanmar have cast an additional pall over the wider region.

Tourist numbers are falling sharply amid speculation of a **recession** in Thailand, which will have a negative impact on its poorer neighbors, while foreign investor confidence has declined sharply, particularly among Chinese struggling to strike a balance between business as usual in Vietnam and the political realities of Beijing's territorial claims in the South China Sea.

The Thai **economy contracted** 0.6 percent in the first quarter of 2014, predominantly because of a sharp 9.4 drop percent in investment and a 12.8 percent fall in construction. Tourist arrivals in Thailand have dropped to their lowest levels in five years with the industry expecting a \$2.5 billion revenue shortfall in the first half of 2014.

Vietnam, already hamstrung by years of corruption and economic incompetence, could **follow suit** with the prospects of further military clashes with China more than likely, at least until mid-August when the Chinese are due to end oil-drilling operations in waters near Danang.

“Military strategists and planners must now be assumed to be weighing the options and consequences of delivering a ‘short sharp shock’ to Vietnam at sea to placate domestic opinion and signal resolve,” said Gavin Greenwood, a security analyst with Hong Kong-based Allan & Associates. “There is a strong sense that factions within China’s leadership have been seeking just such an opportunity for some time.”

Greenwood noted that Vietnam’s “immoderate behavior” – which left two Chinese dead, more than 100 injured, and hundreds of Chinese and Taiwanese factories damaged – had sanctified Beijing’s response.

“A brief skirmish that left a couple of Vietnam patrol boats ablaze would obviously be broadly, if relatively mildly, condemned by the U.S. and the wider international community unwilling to jeopardize important economic ties under such ambiguous circumstances.

“Nevertheless, such an action would reverberate through the region and determine policies, test treaty obligations and no doubt add to the defense procurement budgets of much of maritime Southeast Asia,” Greenwood said.

China and Taiwan have evacuated many of their nationals from Vietnam, with Beijing dispatching five ships, after an initial 3,000 Chinese fled the rioting around Ho Chi Minh City, more than half scrambled across **the border** into Cambodia.

Emeritus Professor **Carl Thayer**, Director of Thayer Consultancy, said China-Vietnam relations have settled into an uneasy standoff in recent days after anti-Chinese riots in mid-May were triggered by the installation of a \$1 billion mobile oil rig near the Paracel islands.

“China will maintain a massive show of force and there is nothing Vietnam can do to stop the mega oil rig from drilling for oil from now until August 15 when it is scheduled to stop operations,” he said noting the Chinese rig had arrived inside Vietnam’s Exclusive Economic Zone (EEZ) with a flotilla of 100 vessels.

Complicating the deterioration of Sino-Viet relations to their lowest levels since 1979 – when the pair fought a bloody border war – was the political turmoil in Thailand, culminating in a coup on May 22 and the arrests of popularly elected government officials alongside opposition politicians.

Thailand had been allocated the task of steering the 10 nations of the Association of Southeast Asian Nations (ASEAN) through the troubled waters of the South China Sea, also known as the West Philippine Sea and the East Sea in Vietnam.

China has based its territorial ambitions in those waters on its nine-dash line – also known as the Cow Tongue – based on ancient claims lodged with the UN in 2009, which are not recognized in international courts. It extends beyond Natuna Island in the south and intrudes within the EEZ of most of its neighbors.

Within ASEAN, Beijing's claims overlap long mapped, maritime borders held dear by Vietnam, the Philippines, Malaysia, Brunei and Indonesia. China wants to conduct bilateral negotiations with those countries but Vietnam was leading a push to be negotiated by Thailand for any talks to be conducted through a **united, ASEAN front**.

But analysts said Thailand's job to steer the negotiations and its political clout on such issues had been rendered useless by the political ructions at home – underpinned by an unwillingness by opposition parties to accept election results and the great uncertainty surrounding the future of the Thai monarchy, its aging King Bhumibol Adulyadej and succession.

The sidelining of Thailand, an influential regional heavyweight, and the gunboat diplomacy between Vietnam and China, has also added to the unwanted difficulties faced by leaders in Laos, where a plane crash killed four senior members of the government, including Deputy Prime Minister and Defence Minister Douangchay Phichit.

Phichit was ranked seventh in the politburo and died alongside his wife and three members of the Central Committee: Security minister Thongban Saengaphon, Vientiane governor Soukan Mahalat and party propaganda chief Chuang Sombounkhan.

The Laos People's Revolutionary Party (LPRP), a notoriously secretive Cold War relic, ranks Vietnam as its closest ally with China a close second and Thailand a distant third.

So far, it has managed to stay out of the confrontation to its east while borrowing heavily from China to fund a massive infrastructure program without compromising ties with Hanoi, which has dominated Indochinese

politics since the communists invaded and annexed South Vietnam and seized control of Laos and Cambodia in 1975.

Ou Virak, regional analyst and Chairman for the Center of Human Rights in neighboring Cambodia, said 70-year-old Douangchay, an old-school military officer, carried close ties to Vietnam.

“The old guards’ relationship between Laos and Vietnam would be a lot stronger, and more personal,” he said, adding, “This might be a turning point for the communist regime.”

His sentiments were echoed by Thayer, who said Laos was experiencing “an unprecedented leadership turnover that includes officials with long-standing ties to Vietnam,” and Greenwood who added that Douangchay was regarded as a second-generation leader.

“In political terms there will be some interest,” Greenwood said, in whether Douangchay is “replaced by a younger senior officer or one from his own cohort.”

In the meantime, the crisis in Thailand will continue indefinitely while the brinkmanship between Vietnam and China threatens to escalate and embroil other countries in the region.

Thayer said the unexpected, violent anti-China rioting would only strengthen China’s whip hand over Vietnam and Beijing was expected to demand compensation for the loss of life and damage to Chinese-invested properties and factories as a pre-condition for any high-level talks.

“If the rig is withdrawn on August 15 both sides can claim a face-saving victory. China will assert that it exercised its sovereign rights in Chinese waters. Vietnam will be able to claim it successfully protested China’s presence by standing up to Beijing,” Thayer added.

However, few would expect the removal of the rig to end years of tension on the disputed high seas and any cessation of hostilities is likely to be as short-lived as a democratically elected government in Thailand.

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