



Indo-Pacific Monitor No. 8

May 22, 2020

Related Categories: Democracy and Governance; Human Rights and Humanitarian Issues; Terrorism; Corruption; Global Health; China; Europe; India ; Southeast Asia

A POWER STRUGGLE AT (AND OVER) THE WHO

The confrontational nature of global coronavirus politics has already profoundly affected ties between the United States and the People's Republic of China (PRC), and is now increasingly influencing other nations as well. Roughly 100 countries, led by the European Union, have backed a resolution calling for an "impartial, independent, and comprehensive evaluation" of the World Health Organization's (WHO) handling of the pandemic. The wording is more diplomatic than Australia's initial demand for a global inquiry into the virus' origin — which in effect singled out China for scrutiny. PRC officials responded by suspending beef imports from Canberra. Even so, Australia and New Zealand, as well as the U.S., went a step further by insisting on Taiwan's attendance at the WHO. Taiwan has been unable to participate in the organization since President Tsai Ing-wen's 2016 election.

China, however, has countered with diplomatic maneuvers of its own. PRC diplomats managed to successfully deny Taiwan a spot on the agenda of the World Health Assembly, The WHO's main gathering, which took place on May 18th. The same day, Beijing announced that it would allocate \$2 billion in new aid to the WHO, five times greater than America's contributions to the organization, and also backed the EU resolution — presumably believing its increased donations can shape a favorable outcome. (*CBS News*, May 18, 2020)

FOR INDIA, THE PANDEMIC BRINGS CHALLENGES AND OPPORTUNITIES

The COVID-19 pandemic is disrupting global economics, particularly international supply chains. Last month's issue of the *Indo-Pacific Monitor* reported on this trend, and noted how Japan has formulated a \$2 billion economic package to incentivize Japanese companies to pull out of China. The United States is reviewing similar steps, but hopes to coordinate this effort among like-minded nations by adopting shared regulatory standards. To that end, U.S. officials are now in talks to create an "Economic Prosperity Network" that could encompass Australia, India, Japan, New Zealand, South Korea, and Vietnam.

India's role in such a network holds great potential, but also massive uncertainty. Officials in New Delhi began reaching out to China-based American companies in April, seeking to attract them with cheap land and deferred taxes on digital transactions. The Indian government is already in talks with healthcare companies like Medtronic Plc and Abbott Laboratories, which have offices in Mumbai. The sheer size of India's market boosts its attractiveness, especially compared to smaller alternatives like Vietnam. Even so, India's unpredictable regulatory framework, specifically retrospective taxation, is a persistent problem, as are data localization requirements that American companies have long balked at. Basic infrastructure problems like inadequate sewage could also cut against India's competitiveness. (*Bloomberg*, May 7, 2020)

THE RESTIVE SINO-INDIAN BORDER

On May 9th, a new commotion erupted along the Sino-Indian border when Chinese and Indian troops exchanged insults and traded blows at the Naku Pass in India's northeastern Sikkim state. The incident is the latest installment in a series of border disputes between China and India that go back decades, and the two have fought wars over assorted tracts of land that one or the other has claimed — disputes that remain unresolved to this day. For instance, India has long claimed sovereignty over Aksai Chin, a small parcel of Chinese territory abutting India's province of Jammu and Kashmir, while China maintains that its borders encompass another Indian province, Arunachal Pradesh, which borders Bhutan and Burma.

While Indian and Chinese officials quickly diffused the tension, the issue remains a notable flashpoint amid growing Chinese adventurism in the Indo-Pacific. The episode follows recent Chinese aggression in the South China Sea, where China's coast guard sank a Vietnamese fishing boat a month before Beijing announced an Air Defense Identification Zone covering the entire area. Moreover, just a week after the Naku Pass standoff, China bolstered its troop presence in the Galwan Valley, just west of Aksai Chin. (*Wall Street Journal*, May 10, 2020)

CAMBODIA DRIFTS TOWARD PARIAH STATUS

Over a year ago, the Financial Action Task Force (FATF) added Cambodia to its "gray list" of countries susceptible to money laundering. Now, the European Union plans to designate Cambodia as a "significant threat" for money laundering and terrorist financing. The FATF designation carries significant reputational cost for Cambodia, but the EU listing is likely to have a practical impact, and could cripple its economic competitiveness.

Authorities in Phnom Penh are now scrambling to draft and pass anti-money laundering legislation. Yet they will likely face significant implementation challenges if they can indeed enact a law. To wit, the FATF noted in 2019 that Cambodia has no track record in this domain, having never successfully prosecuted a money laundering case. Aside from Cambodia's long history of bribery and corruption, other factors are also at play; for instance, recent investments from the People's Republic of China (PRC) have fueled a boom in institutions like casinos that facilitate money laundering. Cambodia's economic dependence on China has deepened in recent years, especially as Washington has grown frustrated with dictator Hun Sen's most recent crackdown on political opponents and journalists. (*The Star*, May 8, 2020)