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**SPEECH BY DPM LEE HSIEN LOONG AT THE WILLIAMSBURG
CONFERENCE ON 3 MARCH 2000
AT 7.30 P.M..AT THE RITZ CARLTON MILLENIA HOTEL**

US ROLE IN ASIA IN THE 21ST CENTURY

An Asia in Recovery

1. Asia has emerged from the shadow of the economic crisis. Prospects for the region have brightened considerably and most Asian countries are seeing growth again. The only country not yet out of the woods is Indonesia, which has elected a new government, but is still going through a political transition. But even Indonesia's economy has shown encouraging signs of stabilising.

2. The crisis showed how vulnerable Asian countries were to instabilities

in the globalised economy, and forced them to reform and change. Different governments have responded in different ways. Thailand and South Korea have taken the orthodox path to reform, accepting IMF prescriptions and mainstream economic views. Malaysia has defied this conventional wisdom, and struck out along its own path. In Singapore, we have pressed on to further open up our economy. We have restructured and liberalised key sectors, including banking and telecommunications. Our policy is to accelerate, rather than delay, our integration with the global economy, to become more competitive rather than to shelter ourselves from competition.

What is the US Role?

3. The US has been a major player in Asia, during the crisis and before. Everywhere in the region, the US has affected the course of events, either directly through its policy and actions, or indirectly through its influence over the IMF and World Bank. In Korea, quiet but determined American support was crucial in getting creditor banks to roll over their loans, and giving Korea the breathing space to put its house in order. In Indonesia, the US has tracked developments closely since the situation turned grave in late 1997.

4. Now that the worst is behind us, and countries are no longer pre-occupied with crisis management, we can make a more detached assessment of the future, and in particular the US role in the region.

What is America's part in Asia's economic and political transformation?

5. Much depends on how the US defines its strategic interests in Asia. During the Cold War, these US interests were clearly defined – to link up with countries in the region, especially China, to block the expansion of Soviet influence. Now this overarching framework is gone. Congress has become more assertive and questioning, and less bipartisan. More than ever, Congress is reflecting the demands and pressures of specific domestic interest groups. TV images drive the impulse for humanitarian

inter-vention, in East Timor just as in Kosovo. The result has been a sense that the US is dealing with Asia as a bundle of disparate issues without a coherent policy framework.

6. These trends are accentuated in an election year. The Administration scrutinises every policy carefully for its possible consequences on votes in November. Presidential candidates offer competing visions of their foreign policies. Each seeks to differentiate his own brand, and feels free to woo votes with strident statements of high principle, unfettered by the responsibilities of office.

7. But election year static and rhetoric must not cloud important US interests in Asia – to encourage countries to pursue outward-looking market-oriented policies that link them to the global economy, to work with countries that are well-disposed towards the US and the US presence in the region, and to maintain the regional balance of power. The US needs to integrate these interests into an overall strategic vision for the region.

Integrating Asia Economically

8. US prosperity depends on a free and open global economy. The fast growing economies of Asia, especially China, are a key part of this global prosperity.

9. Historically, the US has played a major role in helping Asia to develop and to integrate into the world economy. This stretches back to the 19th century, with the Open Door Policy in China and the opening of Japan, through the Second World War and post war period, to the Vietnam War that gave the non-communist countries in Asia a precious decade to consolidate and put their houses in order.

10. In the aftermath of the Asian crisis, the worldwide trends of technology and globalisation continue apace. They present major

challenges for Asia: how can the region stay fully plugged into the global economy? How can we persuade people in Asia that the benefits of globalisation outweigh the inherent risks? How can we help less developed Asian countries adjust to and benefit from globalisation? What can the US do to help?

11. Because East Asia had been successful for so long, the crisis was a profound political and intellectual shock. The severe punishment it visited upon countries, totally out of proportion to their sins, could easily have caused a backlash against globalisation, a turning inwards that would have impoverished the countries and weakened the region. But fortunately this has not happened. All the countries continue to seek foreign investments and trade, including Malaysia which rejected the IMF orthodoxy, and continues to express serious doubts about globalisation. They have seen how free trade and investment flows fuelled the Asian miracle, and are loath to give up the upside from being plugged in.

12. But not all those swept along by the tide of globalisation are enthusiastic converts. Nationalism remains a powerful force. Globalisation also brings disorientation, new insecurities, and a sense of loss of control. Some countries that are opening up their economies to more foreign ownership and participation are doing so out of necessity more than conviction.

13. Economic historians have noted parallels between today's world and the highly liberal economic environment of the 19th century, which was nevertheless succeeded by the First World War and disastrous protectionist policies of the Great Depression. I do not believe any such a disaster is imminent, but the debate over globalisation is far from settled.

14. As a major economic partner of all Asian countries, the US plays an important role in encouraging East Asian countries to persevere with economic liberalisation and opening up. US participation is also crucial in building an international framework for co-operation.

15.No other country can substitute for the US in this role, and not only because of America's economic capacity or political clout. The US provides the common intellectual framework and experience for the Asian elite. So many Asians have studied and worked there. US products and services have been the most dominant, not least Hollywood's popular culture. Whether it is banking, the military, Internet and multi-media, entertainment, healthcare or aerospace, many of the terms and concepts are US in origin. Our common language is English. This softer aspect of American influence is in some ways even more profound than its hard power.

16.Globalisation must therefore be led by the US. The US economy has long been the most open in the world, and in the 1990s it has been the most dynamic and innovative. The US needs to continue to keep its own markets open and demonstrate by example that it is prepared to take politically awkward steps to uphold free trade. After all, this is what the US rightly asks other countries to do.

17.The failure of the Seattle WTO meeting was a major setback for the cause of free trade. It showed that a small but vociferous group of NGOs could hijack the agenda, sidetrack US trade policy, and scuttle a deal that would have benefited many countries, including the US. They were helped by the reluctance of the Clinton Administration, in this election year, to offend any special interest groups, particularly the unions. It will take some time, and much effort, to get the WTO process started again. But I hope that getting trade talks moving will be an early priority of the new Administration next year.

18.Equally important is the structural reform of the international financial system, and the definitions of the roles of the IMF and World Bank. Several international groups are examining this, including the G20, the G22, and the Financial Stability Forum. In this matter too, the US is such a major player that no scheme can succeed without its support.

19. It is not yet clear what changes to the global financial architecture are necessary or possible. But we cannot afford to assume that the existing system is too flawless to need improvement, and that the Asian crisis was simply an unavoidable mishap that was bound to happen from time to time.

20. One symbolically significant aspect of the reforms will be the way the leadership of the IMF and World Bank are chosen. If all countries are to have a stake in these institutions, and if the actions of these institutions are to have legitimacy, then their leaders have to be chosen by an impartial and open process. Up to now it has been convenient simply to have the World Bank and IMF posts divided up between the US and Europe, but in the long term this arrangement is not tenable.

21. Thus in the current contest for the IMF Managing Director's post, Japan put forward Dr Eisuke Sakakibara as a candidate. It is a sign that the Japanese are unsatisfied with the existing arrangements, and want a look in. Singapore sympathises with this view, and supports Japan taking the lead to do this. We believe that the best candidate should be chosen for the job, regardless of nationality. We hope that members of the IMF and World Bank, including the US, will support such an approach.

22. In promoting economic liberalisation, however, the US must bear in mind that while it must take the lead and encourage, it cannot compel Asian countries to change. Each country must find its own way forward.

23. To be sure, Asian countries need to make political and economic reforms. The globalised world demands certain standards of governance and economic management. Domestic policies can no longer be entirely off limits to the international agenda. The distinction between the "domestic" and the "international" has become blurred. But this does not mean that countries have a free hand to intervene in one another's domestic affairs, or that it is easy to turn good intentions for another country into good outcomes. East Timor's travails have shown

this vividly.

24. Each Asian country must decide for itself how best to meet the globalisation challenge, given its own specific circumstances. Persuading those already disoriented by globalisation and technological changes requires skilful diplomacy and the careful balancing of competing interests. After all, even developed countries like the US do not find it easy to override domestic political constituencies and sensitivities, in the name of national interest.

25. The US has played a uniquely benign and constructive role in the region. Still its overwhelming pre-eminence has provoked resentment, and raised suspicions and apprehensions about a unipolar world. The US therefore needs to take care not to act unilaterally, but instead create a consensus by persuasion and encouragement. Well-informed and intentioned as the US is, it still has to be sensitive to the nuances and subtleties of each region and country, which may not fit into a single view of the world.

Maintaining the Regional Balance

26. America's economic role in Asia is inextricably linked to its role in the regional balance of power. Such a balance is needed to create a stable and peaceful environment in the Asia Pacific, which in turn is essential for Asian countries to focus on economic reforms and development. The key to the stability of Asia lies in US-China-Japan relations. And it is the US-China side of the triangle that is most crucial for the region.

27. The US has taken a major step in putting relations with China on a sound footing, by concluding the deal last November to admit China to the WTO. It thus salvaged its misjudgment and missed opportunity in April, when Premier Zhu Rongji visited the US and left empty handed. This momentous move has profound positive strategic implications, well beyond the economic sphere. It will give China a vested interest in

playing by the rules, and a strong incentive to continue reforming and opening up its economy. It will greatly reduce the risks of instability and conflict, and accelerate the ferment which is already transforming Chinese society.

28. The US must now follow up by granting China permanent Normal Trade Relations (NTR) status, an integral part of its WTO deal with China. This will remove the irritant of the annual ritual of Congressional review of China's NTR status, and in any case it is the standard basis on which WTO members trade with one another. The US must do this as soon as possible, regardless of transient ups and downs in the bilateral relationship, because having China in the WTO is in America's own profound interest, and in the long term is indeed the best way to keep relations on an even keel.

29. Congress has not yet passed the NTR legislation, and the issue is inevitably entangled with US domestic politics. Fortunately the US Administration is strongly supporting the measure, and understands what is at stake. All of Asia hopes that the Administration's formidable powers of persuasion will be adequate to the task.

30. Another key issue in US-China relations is Taiwan. The idea of a unified China is deeply embedded in the Chinese psyche. After President Lee Teng-hui's policies to expand Taiwan's international space, and to redefine Taiwan's relations with the China, reunification has become an urgent issue for China. No Chinese leader can afford to be seen to accord a low priority to this issue, and to take the risk of losing Taiwan, without severely undermining his domestic standing. The timing of the release of China's recent White Paper, just ahead of the elections in Taiwan, must be seen in this context.

31. The US must be clear about its fundamental interests in its relations with China and Taiwan. It sees an obligation to stand up for a democratic Taiwan, but it has an equally powerful motive not to collide with China,

especially over a neuralgic issue which China considers vitally important. It is good that the US has reaffirmed its concern that the Taiwan issue be resolved peacefully, as well as its support for one China, as opposed to two Chinas or one China one Taiwan.

32. In this year of elections in both the US and Taiwan, it is important to keep cross-strait relations on an even keel. An escalation of tensions would be disastrous, especially at a time when the region needs stability to sustain its economic recovery. This calls for restraint on both sides of the straits. There will continue to be differences between the US and China, but they should not lead to enmity or hostility.

33. While focusing on relations with China, the US should not neglect its relationship with Japan. Japan too is going through a period of domestic stress and change. It is asking questions about its international role, and the future of its relationship with the US.

34. Japan is keen to play a role in the region in keeping with its economic strength. This is a legitimate aspiration which the US and Asian countries should support. During the crisis, Japan was active in helping countries in difficulty. Over the longer term, Japan can act most effectively in the context of a strong US-Japan security alliance.

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35. The US therefore remains a key player in Asia. By staying constructively engaged, it will not only help Asia's long term progress, but also protect and further its own interests.

36. The financial crisis marked the end of a bubble, but not of Asia. Asia is picking up. As countries press on with rebuilding and putting things right, the recovery will strengthen. Major challenges still lie ahead, but the fundamentals that supported high growth before the crisis have not disappeared. The US will benefit immensely from a stable, growing Asia

which contributes to global peace and prosperity. This is a vital goal that both the US and Asian countries should strive to achieve together.

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