

THE JODIDI LECTURE

Address by Singapore's Prime Minister, Mr. Lee Kuan Yew,

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SOUTHEAST ASIA – THE PAST AND THE PRESENT

Introduction

Any member of a Government in Asia who talks in public of Southeast Asia enters upon a hazardous exercise. In today's world of instant communications, an indiscreet word, or an unhappy phrase, though uttered in Cambridge, Massachusetts, some 10,000 miles away from Singapore, could bring rapid rejoinders from sensitive souls in Southeast Asia. So, to avoid unnecessary controversy, an effort at subtlety and even sophistry is required.

Although one has some knowledge of the subject, and is acquainted with the leaders of governments who determine the policies, one may be too close to the subject, and too involved in wanting to influence the course of events, to be able to discourse dispassionately on it. Then, whilst intellectual integrity demands that the untruth should never be uttered, active political involvement requires infinite tact. So, often the inclination is to gloss over the truth and, unwittingly, to suggest the false.

Scope of Southeast Asia

First, let me define "Southeast Asia". It comprises those new nation states which emerged from American, British, Dutch and French empires (in alphabetical, not chronological order) on the south-eastern rim of the continent of Asia, and the archipelago surrounding it. By common usage, it includes Burma, Thailand, Cambodia, Laos, Vietnam, on the southern-eastern borders of China, and Malaysia, Singapore, Indonesia and the Philippines.

I have always thought it was a grave mistake to classify Vietnam as Southeast Asian. By its history, ethnic affinities and cultural patterns, Vietnam is East Asian, not Southeast Asian. And there are profound differences between these two groups of people.

The East Asian

East Asia – Korea, Japan, China, Vietnam – consists of people whose ethnic characteristics, cultures and religions are broadly similar. Their religions are more philosophies of life. So they are secular societies. They are by and large intense peoples, like the Zen Buddhists. Without this streak of intenseness, or fanaticism, there could have been no “Tet Offensive” in which some 12-15 thousand North and South Vietnamese were sacrificed, to influence American domestic attitudes to the war. A not dissimilar intensity of purpose which propelled the Japanese “Kamikaze” pilots in the last war.

The Southeast Asian

Southeast Asia, broadly speaking, is a warm and humid, tropical and equatorial region. And until the advent of modern medicine, improved environmental health techniques and new drugs, life expectancy was very low.

Even today, for most parts of the area, insurance companies base their actuarial computations on a life span as low as 33-37 years, although for some urban centres they are rated as high as 62-68 years. Until the introduction of effective climate control through air-conditioning in factories, offices, homes, cars and buses, the effective part of the working day was the cooler hours of the morning.

By way of illustration, for over 350 years of Dutch rule in what is now known as Indonesia, all work and business stop between just past noon till well after four to five, in the cooler hours of the evening. I am happy to say that this wise habit, though tainted by colonialism, has not been abandoned by successor nationalist governments.

The effects of climate and environment on the physical characteristics and culture of the peoples has been considerable. Because it is more or less summer the whole year round, there has not been the necessity to put by part of the harvest for the winter. This could be one of the factors which explains the greater thrift of the immigrant groups, particularly from India and China. And thrift is just an old-fashioned word to describe the process of capital formation, a necessary ingredient of economic development.

However, unlike Africa, there are great monuments in stone to bear witness to civilisations which flourished over centuries in spite of climatic conditions which tended to make for leisurely and languid ways of life. The whole complex of ruins of Angkor Wat in Cambodia, built over five to six centuries from 700 A.D. to 1200 A.D., and temple monuments at Borobudur in Java, built during the Majapahit Empire, 1300 A.D. to 1600 A.D., bear witness to societies whose economies were sufficiently organised and prosperous to allow a substantial

surplus for religious devotion. These monuments in stone required considerable engineering competence to achieve these accomplishments in stone architecture, without the wheel.

Four Divisions in Southeast Asia

Southeast Asia can be divided into four main religious divisions.

First, Hinayana or Theravada Buddhism, stretching from Burma, across Thailand and Cambodia to Laos.

Second, Vietnam, like the rest of East Asia, is Mahayana Buddhist.

Third, south of this Buddhist belt, lie the Malay peninsula, Indonesia and part of the southern Philippines, mostly Muslim. They were converts of the traders from the Yemen who brought Islam with the spice trade, and incidentally thereby ensured an elite status for Arab Muslims in these converted communities.

These ethnic-religious demography have undergone changes, as in the Philippines, the fourth religious grouping. There after more than 300 years of Spanish and 50 years of American rule, the people of the main islands are today Catholic, many of mixed Malay-Spanish origins.

Sarong vs. Trousers

The traditional working dress for East Asians both males and females are trousers and jackets. That of the Southeast Asians, both male and female, are sarongs and jackets. The sarong naturally is better suited to the warmer and more humid conditions of Southeast Asia. But what effect this better ventilated garment has on the physical freedom of movement, and on the speed and intensity of work of the wearer, does not need research. However, research on the mental attitudes and psychological approach to sustained and intense work, and on the social mores and values between the wearers of the sarong as against the wearers of the trousers can be illuminating.

When the sarong wearer is also an orthodox Muslim, whose religion enjoins him against the receipt of interest as a mortal sin, the effect on economic performance and growth has been debilitating. This problem is aggravated because, whilst receiving interest is a sin, the payment of interest however is

permitted, and therefore practised to the advantage of the non-Muslims in their midst. Hence problems of indebtedness, mortgage and eventually the landlessness of the peasantry become intractable.

Immigration

Into each of these countries came several waves of immigration, Indians to Burma, Indians and Ceylonese into Western Malaysia and Singapore, and trouser wearing Chinese, and before World War II some Japanese and Taiwanese, into the main urban centres of all the countries in the region.

Some of these immigrant groups pre-dated the arrival of the Europeans. More were encouraged to move in by the Europeans. As with the Indians in East Africa, they assisted the colonialists in the extraction of the natural resources and the governing of these territories. They provided administrative, technical and commercial expertise at a secondary level, to assist the Europeans. In some cases, they were the only source of disciplined and reliable labour for the opening of plantations and mines, the building of roads and railways. Frequently they became the shopkeepers of the country.

And shopkeepers in these circumstances were for practical purposes the village bankers. They knew who was creditworthy, how each villager could

ply in kind for the things he needed on credit, hence what to import and store, and what to collect in return and export. When from time to time these shopkeepers were forced out of business by rioting or legislation, or both, the villagers lost their banker. This local knowledge and expertise could be replaced neither by other villagers nor the administrators who introduced this to create native entrepreneurs, legislative innovation, or by substituting members of the Peace Corps.

Southeast Asia today, its peoples and civilisations, is the outcome of the impact of European colonial administrations on the economy and culture of these territories, and the demographic alterations through migration encouraged by the administering colonial powers. How and what the different political leaderships have inherited, varied with the European empires they had been part of. What they have done with their inheritance since independence varies considerably from country to country, depending on the quality of their political leaderships and the cohesiveness, educational standards, drive and stamina of their peoples.

Economic Performance

May I take excerpts from a report of the economic performance of these various countries from a current United Nations publication issued in 1967 – “Economic Survey of Asia and the Far East, 1966”.

“Part Two – Current Economic Development

Chapter 1 - Economic Growth (p.99)

“During the period 1960-65, not only did the economic growth of the developing ECAFE region lag behind that of Latin America and West Asia, but also its rate of growth tended to decline, as evidenced by the fact that its annual growth rate of 3.9 per cent in 1960-1965 was slightly below its annual growth rate in 1955-1960. This situation was brought about in particular by the slow growth of Ceylon, India and Indonesia ...”

“1. Comparative Growth Trends (p.99)

Moreover, in 1961 and 1962 the value of exports and the terms of trade dropped sharply from the preceding years, thereby decreasing significantly the developing ECAFE region’s capacity to import.”

“2. Recent Developments in Selected Countries (p.100)

In BURMA, the economy was passing through a difficult transition period brought about by the programme of nationalization.

In CAMBODIA, it appears that the performance of the economy in 1966 was not as good as in the preceding year. There was a general shortfall in agricultural production, particularly in paddy, rubber and maize.

In CEYLON, the year 1966 ended with an intensified crisis in the supply of foreign exchange and rice.

In CHINA (TAIWAN), there was buoyant growth of production in 1966.

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In INDIA, economic conditions continued to be unsatisfactory although it appears that the performance of the economy in 1966 was slightly better than in the preceding year.

In INDONESIA, the economy was gripped by hyper-inflation which arrested the growth of production. However, forces were at play leading towards economic rehabilitation

In the REPUBLIC OF KOREA, the buoyant expansion of the economy continued with manufacturing as the leading sector.

In MALAYSIA (WEST), the increase in economic activity to meet domestic demand was quite satisfactory in 1966, but not sufficiently large to compensate for the decline in the external surplus.

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In PAKISTAN, notwithstanding the pressing problems of large defence expenditure and shortage of foreign exchange, economic growth in 1966 appears to have been better than in 1965.

In the PHILIPPINES, the restrictive credit policy which characterised the economy in 1965 was partially relaxed during 1966.

In THAILAND, the economy was buoyantly expansive in 1966, strongly stimulated by the effects of the Vietnam war.”

On page 111 of the same Report, a graph contrasts the sharp difference in the higher rate of growth of Japan, Australia, and New Zealand, as against the others.

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This report was compiled by international civil servants of a United Nations agency whose headquarters is in Bangkok. It tries to be truthful in a bland and inoffensive way. It reports progress in East Asia, and problems in Southeast Asia.

Reasons for Failure

What are the reasons for the failure to realise the visions that the first-generation anti-colonial nationalist leaders in Southeast Asia held out to rally their people in their quest for freedom? Why is it that European empires were able to extract considerable wealth from the areas under their control for the enrichment of their metropolitan bases in Europe, whilst at the same time building up the infrastructure of roads, railways, harbours, postal and telegraphic communications and a network of law enforcing and tax collecting agencies? Why is it that these same areas after independence sometimes cannot do as well?

It is true that aid per capita has been more generous to South Korea, Taiwan, Laos and Thailand than to the others. But Russia and China have not been ungenerous to Indonesia in the years before the end of the Soekarno era in September, 1965.

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Having observed this doleful subject over the years, I advance the following reasons.

First, the population explosion placed a sharply increased burden on the resources of these countries as modern medicine and improved environmental health techniques reduced both infant and even adult mortality rates.

Second, inter-ethnic peace, previously ensured by the colonial overlord, proved difficult to maintain after independence when power was often passed into the hands of the ethnic majority. The European powers had created imperial boundaries of convenience. Over the decades, they brought together an admixture of diverse ethnic and cultural groups to complement and supplement the skills required for more offensive extraction and exploitation of resources. As in Africa, though up to now with less catastrophic results than Nigeria and Biafra, the new nation states have had immense difficulties in maintaining their integrity within the boundaries of former European empires.

There was a rebellion in 1957 by Sumatrans, supported by groups in the Celebes and Amboyn, against a largely Javanese government in Djakarta. The rebellion failed. Then Burma has been, and is, plagued by rebel minorities of Shans, Kachins and Karens, by Red Flag and White Flag Communists.

Third, power was handed over to those elite groups who demonstrated that they commanded popular support. When these new governments attempted to demonstrate continuing legitimacy, by holding on to their support after independence, they brought divisive forces to the surface. For political supremacy, competing political leaderships could not resist the

temptation to appeal to ethnic, linguistic and religious loyalties. Race, language and religious riots in Ceylon, a territory slightly outside the ambit of our subject for discussion, were illustrations of the difficulties that inevitably followed such political tactics. Political appeals were made and economic blandishments held out exclusively to the Sinhalese-speaking Buddhist majority, causing resentment and fear to the Tamil-speaking Hindu minority, who had come to play a crucial role in the economy and the administration during the years of British rule. The nett result was that the entire country suffered. It became almost impossible to preserve complementary balance of the diverse factors and groups previously brought together into one functioning whole by an overlord.

Fourth, the inadequate number of trained men, in the political leadership, government administration, professions, commerce and industry, retarded economic development. When political leaders, gifted more in emotionally arousing their people than in mundane matters of administration and economics, for political ends interfered with what was still working after the colonial administrators had left, administrative conditions so deteriorated and the economy ran further down.

Fifth, a number of states are handicapped by being what Gunnar Myrdal has termed “soft societies”. With the withdrawal of the unrepresentative,

and, probably for that reason, decisive rulers, and the introduction of elected governments, a softening took place in the firm framework of administration. Corruption set in, and became a way of life for all those invested with authority, from the highest to the lowest levels of bureaucratic power. By the nature of the people, their cultural values and social organisation, they have not succeeded in getting their political elites to exercise self-discipline. Succession by military coup d'état have tended to make things worse, not better. There is an inability to stem corruption, to resist deficit budgeting, credit creation by their central banks, leading to an inevitable debasement of their currencies, and lack of confidence in the regimes, resulting in a drastic slowing down of investment and economic growth.

Sixth, the educated were not put to best use. Wage differentials between the highly educated, and the untrained, were narrowed as politicians sought the popular votes of the masses, and sacrificed the interests of the few, those with professional and technological competence. Worse, educational opportunities for the children of these people became markedly inferior to those available in the developed countries where they could sell their training and skills. This is often the point when the pulls of social conscience, loyalty and patriotism snap and a further brain drain results, depleting limited resources and aggravating an already difficult situation.

East Asia, Free Enterprise – South and Southeast Asia, State Planning and
Planning Agencies

Lastly, attitudes toward free enterprise have made a difference in terms of development performance. Almost concurrently with the ethnic and cultural divisions between East Asia and Southeast Asia, has been the division between the areas where free enterprise has been allowed to flourish, and those areas where government planning and controls have stifled enterprise in the private sector. This happened either because the state philosophy favoured state planning, or because the entrepreneurs were ethnically a minority and so had their activities conscribed and restricted for political reasons.

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Most of the new governments pursued policies of economic self-sufficiency. In 1947, the first country obtained independence, India, was partitioned into three pieces in two nations, India and Pakistan (West and East). India was big enough for her leaders to believe that they could create an industrialised economy in the example of the political and economic autarchy of the Soviet Union, with her five-yearly state plans. Most of India's then principal leaders were educated in Britain before and just after the 1st World War. European ideas of economic self-sufficiency – every European state, however small, each with its own empire – left their influence on Nehru's generation. Indonesia obtained her independence in 1949. Her leaders, especially Soekarno, was similarly influenced. Their examples affected the policies of the smaller countries in the region, with unhappy results.

On the other hand, it was free enterprise which accounted for the progress of Thailand, Malaysia and Singapore which, though in Southeast Asia, they have considerable East Asian, or Chinese, enterprise which has been allowed to operate and flourish. Thailand is also fortunate in never having been incorporated into a European empire. So the Thais were aware that besides the removal of colonial exploitation, there were other positive factors needed, like enterprise, management know-how and technological skills, and capital, before national wealth could be increased. Many governments in the region have

tended, sometimes deliberately, to overlook the fact that it was free enterprise, and not state planning and planning agencies, which achieved the industrialisation of the economies of Western Europe, America and Japan. And even today, in some capitals in Southeast Asia, leaders find it difficult to admit that it was almost entirely freedom of enterprise that brought off the spectacular recovery of the war-devastated economies of Japan and West Germany.

Future Trends

Is there a brighter side to this recital of unrelieved gloom? I venture the following propositions as a hopeful presentation of the future.

Problem of Continuing Security

The main problem is that of ensuring a general climate of peace and security. Without security, constructive endeavour within each nation is difficult, and co-operation between nations impossible. Conflicts between these new countries, and interference by countries both inside and outside the region through subversion, through economic and political pressure and manipulation, make for unnecessary turbulence. They result in a frittering away of precious

resources and energy. It has been an unsettled area. Yet the basic environment of security can only spring from the policies of the major world powers.

A phase in history has ended. For more than 300 years order was maintained by an almost exclusively European balance of forces. Now, new nation states have taken over these boundaries between European empires, but without the economic or technological wherewithal to create countervailing forces, and maintain checks and balances.

Part of the reason for this decolonisation was intelligent self-interest on the part of the European powers. But what part of it was the consequence of, or a counter to, Communist strategy and tactics of the then still monolithic Communist world movement? Historians will have to assess this when more data from the archives become available. But though there is no longer a monolithic Communist world, the war in Vietnam is a grim reminder that, despite the divisions and rivalries within the Communist camps, in situations like Vietnam, both Russia and China could find themselves compelled to range on the same side, albeit for differing purposes.

Vietnam war – Solution Crucial

The manner in which this war in Vietnam is resolved, may well prove crucial to the development of other countries in the region. One of the objectives of the war has been to try and prevent this same kind of internecine strife from engulfing the other countries adjacent to Vietnam. The enormous expenditure of American resources will only have been worthwhile if this is at least partially achieved, if the solution achieved in Vietnam buys time for these other countries to make the economic, social and political changes for their own survival. For, in the longer term, the only way to peace and progress is through the modernising of these societies and through rational economic and social policies providing the political stability. For, only economic and social change will remove the latent internal pressures for violent revolutionary change.

There are a number of hopeful signs:

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Population Control

Although the problem of high birth rates with net population increases of between 3% to 4% per annum is already with these countries, and may continue with diminishing virulence for another decade, there are hopeful signs in the urban centres, and perhaps later, as communications improve, in the rural areas, for a dramatic slowing down of the population growth. By the spring of 1968, all governments in South, Southeast and East Asia were on record (in a United Nations' document) supporting population control. And if the policies pronounced by the new President of the World Bank are implemented rigorously, namely that aid will be inversely correlated to population growth, then the leaders of these countries will have a real incentive to put the brakes on. This will make their problems more manageable, slackening the pressure for more places in schools, more jobs, more homes, more medical facilities, maternity services, and so all over again. There has been a dramatic change of attitude. For, not so long ago, Dr. Soekarno's every speech used to be punctuated by the latest increase in rounded millions of the hungry and angry Indonesians he claimed to speak on behalf of. Fortunately, they, by which I mean the speeches, not the increase in population, are now part of the flamboyant bravura of the past.

Borrowing Expertise

Next, as xenophobia wears thin, the need for trained men as administrators, managers, executives, and technologists, is openly acknowledged. It is becoming possible for the second-generation leaders to borrow or hire expertise from the manpower of the developed nations to help plan and implement developed programmes in the economic and social fields.

Assuming the continued good health of the world economy, it is safe to predict the continued progress of the economies of South Korea, Japan and Taiwan for the next five years. It may not be easy to be equally optimistic of developments in Southeast Asia. But it is reasonable to assume that those governments which have allowed free enterprise to play its part in the development of their economies, whether the entrepreneurs be indigenous or immigrant groups, are the ones that will make the most progress. And perhaps, as a result of comparing their performances between neighbours who have pursued more rational and pragmatic policies, those governments which have hitherto conscribed free enterprise may decide to enlist the drive which enterprise, whether local or imported, can put into their economies.

Next, power in many of these new countries is being passed to second-generation leaders. The lessons of the last two decades have been privately learnt, even if not publicly admitted. True, in some cases, the damage

their predecessors have inflicted on the economy and on the social fabric of their societies has been grievous. It will take considerable time, effort and resources to repair the harm done. Fresh attempts are being made to govern by giving people a better life through rational economic policies. These represent real advances. There is less of the manipulation of mass emotions, the working up of grievances, real and imaginary. There is less of the deliberate fostering of xenophobic fears and hatreds to divert attention away from domestic failures.

The unwisdom of economic policies based on national self-sufficiency has been quietly acknowledged, if not completely abandoned. There is now an acknowledgement that economic progress and improved living conditions can be better realised through economic co-operation in regional and sub-regional groupings, to create broader markets, and so to complement development, avoiding duplication of capital equipment and a waste of scarce resources.

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Now that the reasons for poor economic performance are understood, and steps can be taken to overcome them, development funds, such as can be mustered, can be put to more effective use. If expenditure is supervised into economic projects assessed and approved beforehand, and if the intelligence and skills of the various peoples can be better utilised through education and incentives to higher performance, then guarded optimism could replace the present dreary outlook.

There are cautious beginnings. New acronyms have been coined to describe these new groupings. Hitherto regional co-operation has been no more than a thinly disguised exercise in collective soliciting of aid from the wealthy nations. Now, they represent at least the desire, if not yet the fruition, of practical co-operation for mutual benefit. The A.D.B. for Asian Development Bank, the Southeast Asian Ministerial Conference on Economic Development, ASEAN for Association of Southeast Asian Nations, and ASPAC for Asian and Pacific Council. They are the result of indigenous initiatives within the region, compared to two early efforts, the Colombo Plan and ECAFE, Economic Council for Asia and the Far East.

Major Powers, Security, Economic Progress

If these promising trends continue, then economic progress will be made. But, whatever the economic progress, none of these countries in Southeast Asia has the potential, either immediately, or in the long term future, are likely to become even a medium-sized power in the modern day sense of the term. As the European powers, who knew these countries and their peoples well, withdraw from the region, the superpowers, at present America and Russia, who know less about these places, have been drawn in, testing the limits of their power. Russian naval units in the Pacific are on the increase. Russia's vast expenditure in military and economic aid to Indonesia ended ironically in the massacre of several hundred thousand Indonesians, a tragedy for the Russians, and for the Indonesians since only a percentage of them were Communists. It was an ironic twist to an enterprise, whose original intention was to involve the West in a collision with Indonesian nationalism over West New Guinea, or West Irian as it is now known. It was the result, amongst other things, of a lack of understanding of the history, culture, motivations and aspirations of the people of Indonesia.

But Russia is big enough, even though not affluent enough, to write off these losses if she wants to, and as in the Middle East, re-invest, and re-equip her allies all over again. And perhaps, late in the next decade, if China industrialises, the position may be further complicated as three major powers, instead of the present two, test the limits of their influence in the area.

The long term future of Southeast Asia will be determined as much by the policies of the major powers outside the region, as by the initiatives of the governments within the region. It is an area which could produce great wealth as the European powers proved during the centuries they were in control. If helped, these new national governments could learn to build that firm framework of effective administration, sound currency, orderly social conditions and work discipline, so making labour productive, enterprise profitable, and revenue more or less equal to the budgetary needs of a developing economy.

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Pessimism

There are two views one can take of the future of the region. One is a pessimistic view.

Projecting the dismal record of the last two decades into the next two, one is reluctantly forced to the view that in very few places in the region are

people being welded into viable nation groups, and nowhere has freedom realised its promise. Democracy is preached, but not practised. On the other hand, old feuds have been revived, and new ones are being conjured up and pursued. Barely submerged animosities against the migrant groups, Chinese and Indians, have surfaced, and new schisms are being added to badly fragmented societies.

Optimism

The other is a cautiously optimistic view. For, although this is not a well demarcated area of contest like that between the Communist and non-Communist world in Western and Eastern Europe, nevertheless, from the lessons of Vietnam, all contending parties may recognise the dangers of wars of national liberation enlarging themselves into far more perilous conflicts. Nations may learn to sublimate their irresistible impulses to ascendancy and an expansion of their influence, by a competition on the economic and ideological planes.

This would give time, to the second-generation leaders of Southeast Asia who have learnt from the mistakes of the past -- time to put things back on a constructive track, to modernise their societies, and through regional co-operation between themselves and with the developed countries, achieve economic growth and a better quality of life for their peoples. Then there would

be greater social stability, making for more security in the area, leading to higher investment flows, more economic growth, and so a climb up the face of the cliff to higher levels of civilisation.

Not unnaturally, as a practitioner, I must take the more optimistic view.

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