

Singapore Government **MEDIA RELEASE**

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US: Opportunities in Asia Challenges in Middle East

I am honoured and delighted to be invited to speak to you tonight. Texan companies have been in Southeast Asia for over a century. ExxonMobil first came to Singapore in 1893. ExxonMobil's largest refinery centre at present is in Singapore with over US\$6 billion worth of investments. In electronics, Texas Instruments was the first IT company to set up a manufacturing plant in Singapore. In 1968 they assembled semi conductors, at that time, a hi-tech product. Many other Texan companies followed; HP, Dell, Bell Helicopter, Fluor Corporation, Global Santa Fe, even chip producer AMD does its processing and testing of its chip products in Singapore. I was privileged to be briefed by President of the Federal Reserve Bank of Dallas, Richard Fisher, that Texas is the fastest growing state in the US with 11% growth in 2005.

Southeast Asia is likely to do well in the next few decades. Japan's economy has recovered from a decade of sluggish growth. The revival of China, growing at 8-9% per annum, and India, at 6-8% per annum, for the next 10 to 20 years will lift the whole region. Japan, Korea, Taiwan are invested heavily into China. They are also wanting to spread their investments into India, Vietnam and the rest of Southeast Asia.

Two centuries ago, China and India constituted 40% of world GDP when European colonialism, British, French, Dutch, engulfed them. They became appendages to European empires. Asia's revival will unfold in the next 50 years. These economic revivals in East Asia and now in South Asia would not have happened without the presence and participation of the United States. In the last century, America has been involved in three wars in Asia, against Japan in 1942 after Pearl Harbour (7 Dec 1942), then the Korean War (1950-1953), and third the Vietnam War (1965-1971). Much blood and treasure have been spilled. But in the process, America has revitalised Japan, rebuilt a destroyed South Korea, and helped transform Taiwan. The four Asian dragons, South Korea, Taiwan, Hong Kong, Singapore in the 1970s bloomed in this new East Asia. By the mid-1980s the four Asian tigers, Thailand, Malaysia, Indonesia and the Philippines, were doing well. Because continental China was isolated after the Korean war in 1950, the periphery of East Asia flourished and prospered with inputs from the US, Japan and Europe.

Now China has re-entered the world trading system as a member of WTO. Intra-regional trade in the 10 Asean countries of Southeast Asia (Thailand, Malaysia, Singapore, Indonesia, Philippines, Brunei, Vietnam, Laos, Cambodia, Myanmar) have reached half of the region's total trade. And intra-regional FDIs constitute 40% of the region's total investments.

With China and India now competing for FDIs, FDI flows to the 10 Asean countries have diminished. Before the Asean Financial Crisis of 1997, over 70% of the FDIs to Asia went to Asean countries and less than 30% to China. Now this ratio has been reversed, over 70% of FDIs go to China and less than 30% to Asean. So Asean has to combine their markets. Asean's total gross regional product is now US\$800 billion. As a single market, with half a billion people by 2015, they will implement the Asean Free Trade Agreement (Thailand, Malaysia, Singapore, Philippines, Brunei, Vietnam, Cambodia, Laos, Myanmar).

While waiting for 2015, Singapore has moved towards free trade agreements with Japan, the US, Korea, India, Australia and New Zealand and has started negotiations for an FTA with China. This is an insurance against an inconclusive Doha WTO round. Singapore's FTAs have spurred many of the other Asean countries to negotiate FTAs with America, Japan and the other big economies.

Today over 2,000 US companies are based in Singapore. Many of their regional headquarters are based there. The US is the largest foreign investor in Singapore, as it is in South Korea. The US has proposed an Enhanced Partnership between Asean and the US. This American initiative covers a broad range of security, economic and other areas. Singapore as the coordinator of the US-Asean Dialogue Partnership will push this forward.

It is the dynamism of the US system – free enterprise, free market, and inclusiveness and openness that have made the American economy the most dynamic in the world. This dynamism has spurred growth and development in Southeast Asia and East Asia, as it did in Europe after World War Two with the Marshall Plan. As a result, Asia is the fastest growing region in the world.

However the US Administration's time and resources are now concentrated on the war on terror. Since 9/11/2001, Iraq and Afghanistan, Islamic terrorism and now Iran dominate Washington's agenda. These issues keep many US departments and agencies focussed on the Middle East, with less time for Asia.

The outcome of the violence and bloodshed in the Middle East will affect the attitudes of Muslims in Southeast Asia, nearly 250 million in Indonesia, Malaysia, Thailand and the Philippines. So the outcome of the problems in Iraq and Iran will affect Singapore.

The US did not realise the depth of the fault lines in Iraqi society - tribal, ethnic, religious, that divide Kurds and Arabs, Sunnis and Shiites, and within each group their sub-loyalties to their tribal and religious leaders. Historic hostilities were kept contained during 4 centuries of Ottoman rule. The British who took over from the Ottomans in 1920 put Iraq under strong Sunni control from Baghdad. Now for the first time in centuries the destruction of the old Iraqi society has reposed power in Iraqi Shias.

With Sunni control of Iraq now removed, Shiite-Iran will no longer be checked from extending its influence westwards towards Shias who are significant minorities in Saudi Arabia and the Gulf States. The Sunni-Shiite divide goes back to 632 A.D or after the death of Prophet Mohammad. The fight between the Shiites and Sunnis for dominance in the Muslim world has continued ever since.

Sunni vs Shia contest for dominance

By allowing the emergence of the first Arab state in Iraq with Shias in power, the US has stirred aspirations for equal treatment of some 150 million Shiites living in Sunni countries in the region. The new Iraqi Prime Minister Nouri Jawad al-Maliki, a Shiite, was obliged to publicly support the Shiite Hezbollah in Lebanon during its war with Israel.

The US has long relied on its traditional Sunni Arab allies – Egypt, Jordan and Saudi Arabia – to keep the Arab-Israeli conflict in check. Now the power of the Sunni bloc may no longer be able to counter an Iran that supports Muslim militias against Israel – Shiite Hezbollah in Lebanon and Sunni Hamas in Palestine. US leadership can make a difference.

Dilemma : Vietnam & Iraq

I am not among those who say that it was wrong to have gone into Iraq to remove Saddam

Hussein and who now advocate that the US cut its losses in Iraq and pull out. This will not solve the problem. The Vietnamese were relieved to have the Americans leave. They wanted to reunify their country. But if the US leaves Iraq prematurely, Jihadists everywhere will be emboldened to take the battle to America and to all her friends and allies. Having defeated the Russians in Afghanistan and the Americans in Iraq, they will believe that they can change the world. Even worse, if Iraq breaks up, it will destabilise the whole Middle East, drawing in Iran, Saudi Arabia, Jordan, Egypt, Syria, Lebanon and Turkey.

Iraq

The Singapore Government on Iraq was and is in firm support of President George W Bush and his team. We have helped to train Iraqi policemen, deployed an LST (Landing Ship Tank) to the Gulf on three occasions, each with about 170 personnel, a C-130 detachment, and three separate KC-135 detachments for air-to-air refuelling missions. The President was right to invade Iraq to depose Saddam Hussein and remove the weapons of mass destruction that all intelligence agencies in Europe and America assessed Iraq to have. But I became nervous when the US disbanded the Iraqi Army and Police and dismissed all Baathists in the Iraqi Administration. I feared this would create a vacuum.

I recalled how when the Japanese with only 30,000 troops captured Singapore in February 1942 and took 90,000 British, Indian and Australian troops as Prisoners-of-War; they left the Police and the civil administration intact and functioning under Japanese Military Officers with British personnel still in charge of the essential services like power, gas and electricity. Except for a small garrison, within a fortnight, most of the 30,000 Japanese troops had left Singapore for the invasion of Java. Had the Japanese disbanded the Police and Administration when they interned the British forces as POWs, there would have been chaos. In Iraq, the army had neither surrendered nor been neutralised as POWs. They had melted away, many to emerge as insurgents and were soon joined by other Sunnis from the region, including the Jordanian al Qaeda leader Abu Musab al Zarqawi who caused many deaths before he was killed in a US air strike.

Multilateralism won the Cold War and can win the Terror War

To isolate the jihadist groups, the US must be multilateralist in its approach and rally the EU, Russia, China, India and all non-Muslim governments and many moderate Muslims leaders to its cause. A world-wide coalition is necessary to fight the fires of hatred the Islamic fanatics are fanning.

When moderate Muslim governments like Indonesia, Malaysia, the Gulf States, Jordan, Egypt and Saudi Arabia feel comfortable to associate themselves openly with a multilateral coalition against Islamic terrorism, the battle will turn against the extremists.

Democracy the War Against Terror

The administration has set out to spread democracy in the Middle East. In the long run democracy can prevail, but the process will not be easy. Given the US constitutional framework of mid-term elections every 2 years and Presidential elections every 4 years, it is not realistic to expect any American administration to stay long enough in Iraq for democracy to take root.

Basis for democracy

A free and fair election is not the best first step to nurture a democracy in a country that has no history or tradition of self government. Without adequate preparations elections will allow a people to vent their frustrations against the corruption and inadequacies of the incumbents and vote in the opposition. That led to Hamas gaining power in Palestine.

A better start would be to educate their young, especially their women, and give them equal job opportunities. Next, build civic institutions, implement the rule of law, strengthen the independence of their courts, and build up the civic society institutions necessary for democracy. Only then will a free election lead to a more democratic society. For Iraq to go from dictatorship to democracy via two elections in three years is to expect too much. It is an effort for the long haul, well beyond the four year American electoral cycle.

Israel/Palestine – 2 states solution

Sunni Arab states have been outflanked by a Shiite Iran that carries the fight to Israel through arming the Shiite Hizbollah in Lebanon. Iran shows up Sunni Arab states as weak or unwilling or unable to stand up to Israel or the US for the Palestinian cause. A solution to the Israel/Palestine issue will release Sunni Arabs from their discomfort of being perceived as acquiescing in US support of Israel. If the US were seen to actively support the peace process for a two-state solution, it can free Sunni Arab governments from their predicament and allow them to openly support US policies for peace in the greater Middle East. But it must be a viable Palestinian state, one they would find worth making peace for. The Palestinians will have reason to avoid wars if wars will destroy the future they are building for themselves. Shiite Iran, publicly committed to the destruction of Israel, will set out to sabotage any peace settlement because continuing the Israel/Palestine conflict is necessary for its fight against the Sunni-Arab states for leadership of the Muslim world (Ummah).

Iran's Nuclear Potential

Iran, encouraged now by North Korea's nuclear test, will press ahead with its own program for peaceful uses of nuclear power. If and when Iran gets sufficient fissile material, the power equation in the Gulf will be fundamentally changed. The Iranian problem will eclipse the Iraqi problem and be at the top of the agenda of all major powers. And if Iran's theocracy succeeds, theocracy, not democracy, will be seen as the way to the future for many in Islamic countries.

World too diverse for one formula solution

To counter fundamentalist terrorism, the US must adopt the principles and policies that guided her responses to the Cold War threats. No single power, no single religion, no single ideology can conquer the world, or remake it in its own image. The world is too diverse. Different races, cultures, religions, languages and histories require different paths to democracy and the free market. Societies in a globalised world – interconnected by satellite, television, internet and travel will influence and affect each other. What social system best meets the needs of a people at a particular stage in their development, will be settled by social Darwinism.

The US is not in Imperial Overreach

The US is not in imperial overreach. Contrary to conventional wisdom of the 1970s, Americans overcame the setbacks of the war in Vietnam, checkmated Soviet expansion and became the indispensable super-power. Americans can overcome the unexpected developments in Iraq. We are only in the opening rounds of a long-term fight against Islamic militants. With a wide coalition, America, and her democratic values and ideals of Human Rights, will prevail.

The conventional wisdom in the media now is that the war in Iraq is an unmitigated disaster. Conventional wisdom in the 1970s assumed that the war in Vietnam was similarly an unmitigated disaster. It has been proved wrong. It bought the time and created the conditions that enabled non-communist East Asia to follow Japan's path and develop into

the four dragons (South Korea, Taiwan, Hong Kong and Singapore), followed by the four tigers (Thailand, Malaysia, Indonesia and the Philippines). Time brought about the split by 1969 between the Soviet Union and China, and that led to China attacking Vietnam in 1979 when it attacked Cambodia and thus broke the domino effect of communist victory in Vietnam. The four dragons and four tigers in turn changed both communist China and Vietnam into open market economies and made them freer societies. If the unexpected developments of war in Iraq are addressed in a resolute, not a defeatist manner, conventional wisdom, now pessimistic, will again be proved wrong. The previous balance of forces between a Sunni-governed Iraq and a Shiite-governed Iran has dissolved. A new balance has not been established. The US can still influence the outcome because the direction Iraq takes will settle this new balance between Iraq and Iran, and between the Sunnis and Shiites throughout the Gulf and the wider Middle East. A stabilised Iraq, less repressive, with its different ethnic and religious communities accepting each other in some federal or devolved framework, can be a liberating influence in the Middle East.

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