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SPEECH BY MR S RAJARATNAM, SECOND DEPUTY PRIME MINISTER (FOREIGN AFFAIRS), REPUBLIC OF SINGAPORE, AT THE 17TH ANNUAL BUSINESS INTERNATIONAL CHIEF EXECUTIVE OFFICERS' ROUNDTABLE HELD AT THE FIESTA AMERICANA HOTEL, PUERTO VALLARTA, MEXICO, ON FRIDAY, 9TH JANUARY, 1981

I would like to make my point of departure the extremely informative briefing memorandum prepared by the editorial staff of Business International. I have no serious quarrel with the presentation except for one rather serious omission. In it they project three possible scenarios for the Asia-Pacific region in the 80s. But there is one other scenario which they have missed and which could make the other three irrelevant to this region's immediate future.

So I hope you will therefore not take it amiss if I make this missing scenario the central theme of my address. It goes outside the narrow sphere of pure economics into that of political economy -- a branch of learning which no longer enjoys the reputation it once did.

The missing scenario is the Brezhnev scenario for the 80s. It has regional as well as global significance, for Mr Brezhnev like most Soviet leaders are globalists as well as future-oriented. Their concept of the future is worth noting because they do not see it as the unfolding of a preordained dispensation even though the Marxist theory subscribes to the inevitability of a capitalist collapse. In practice they adhere to Marx's famous maxim: "Hitherto philosophers have merely interpreted the world. Our task is to change it."

In other words in practice the Soviets believe men create their own future; the future is a blank page for people to write the history they wish.

What is the Brezhnev scenario? I will let Mr Brezhnev outline it in his own words.

This is what he said:

"For the Soviet Union the policy of accommodation with the West does not represent a tactical shift over the next 15 years or so. The Soviet Union intends to pursue accords with the West and at the same time build up its own economic and military strength. At the end of this period in the middle 80s, the strength of the Soviet Union would have increased to the point at which we, instead of relying on accords, could establish an independent superior position in dealing with the West."

These are measured words because they were uttered before a gathering of top East European leaders. The speech was delivered in September 1973 when the Western world was treating detente as a kind of Soviet Ark of Covenant pledging peaceful co-existence between Communism and capitalism on the basis of co-operation and peaceful competition. But in discourses between Communists detente was seen as an ideological weapon to realise the dominance of Communism over capitalism - to one day deal with it, as Mr Brezhnev makes clear, not on the basis of accords but from a superior economic and military position.

And according to Mr Brezhnev he foresees this superiority being realised some time in the middle 80s.

I know there are many liberal thinkers in the non-Communist world who believe that a world communist revolution is no longer Soviet objective and that it is now a satisfied power dedicated to co-existing with the non-Communist world on the basis of detente. When confronted with numerous and repeated statements to the contrary by Soviet leaders and ideologues, these are dismissed as rhetoric and not part and parcel of Soviet foreign policy.

Yet if we examine the facts the achievements of Soviet foreign policy accords too closely to the rhetoric for non-Communist liberal thinkers to persist in their delusions.

Up to 1945 there was only one Communist state in the world - a state so backward and weak that the only thing returning Western travellers thought worthy of note was the inability of the Russians to put together an efficient plumbing system.

Even before 1945 the leaders of this improbable Communist state were indulging in alleged rhetoric about the eventual triumph of a Communist world order.

Thirty five years later Communist rhetoric has been translated into reality. While Western empires which held sway over the greater portion of this planet have disappeared, the Soviets now preside over a Euro-Asian empire stretching without break from East Berlin to the Kurile Islands.

Soviet Navy now roams the Seven Seas. The inefficient plumbers have developed a military technology second to none and definitely superior to the West in certain crucial areas.

Perhaps more significant for the 80s is that the Soviets have strategically moved into positions to be able to realise the Brezhnev scenario - if there is no counter-challenge.

In addition to their Euro-Asian empire in the North, they have drawn within their orbit associate Communist states in Asia, Africa and Latin America. Economically these states are impoverished and a severe drain on Soviet resources. But they are strategic investments which the Soviets believe will pay handsome dividends when capitalism is buried and the Communist world order is established.

A Soviet presence in Cuba, for example, could hamper US mobilisation in the event of an attack on Europe. According to Admiral Kidd of the US Navy it would require the arrival of some 6,000 ships a month from across the Atlantic to keep Western Europe supplied. Meanwhile the Cubans, for whose upkeep the Soviets have doled out billions of dollars, serve as a sort of hit-men for Soviet backed revolutionary wars in Asia and Africa. "Have Soviet gun, Will travel" is what keeps Cuban economy going.

South Yemen and Ethiopia give the Soviets control over the entrance to the Red Sea. The Red Sea is the life-line of trade between Europe and Asia and, unchallenged, Soviet control means an ability to disrupt Western capitalist economy should the need arise.

Under the cover of detente the Soviets have also established control over Indo-China through its Vietnamese proxy which serves as its hit-man in South-East Asia. The Soviets are helping to sustain in Vietnam an army which is now the third largest in the world and bigger than that of the United States. For a bankrupt country to sustain an army of over well over 2 million does not make economic sense. But if you perceive it as an instrument for waging Communist revolutionary wars in South-East Asia then it is justifiable investment. The

Soviets now have access in Vietnam to one of the finest military bases that American money and technology made possible. If things work out the way the Soviets hope they will in the 80s the Straits of Malacca too could be brought within their sphere of influence. Control over this Straits gives them leverage against one of the greatest capitalist economies of today - Japan. The Soviets could cripple the economy of Japan beyond recovery.

The Soviets have made advance in yet another strategic corner of Asia - the invasion and occupation of Afghanistan. This is the first country since the takeover of East Europe where a Communist revolution has been staged by Soviet armed forces. From Afghanistan the Soviets can fan out into Pakistan, Iran and eventually into the Gulf States. In terms of modern military technology West Asia is no more than a stone's throw from the Soviet frontier.

Consider the possibilities for the peaceful destruction of the bastions of capitalism - Western Europe, Japan and the United States - by Soviet control over West Asia. Nearly 60 per cent of Western Europe's oil supply comes from the Gulf; 60 per cent of Australia's; 78 per cent of Japan's and 12 per cent of American requirements.

If you can destroy these three bastions of capitalism then world capitalism would be truly buried. The Soviets realise the dangers of trying to destroy these three capitalist dynamos by war, for war with them means the mutual annihilation of all concerned in a nuclear holocaust. Soviet strategy is the peaceful

destruction of industrial capitalist societies by denying easy access to the raw materials, markets and investment opportunities the developing countries offer capitalist powers and without which their economies could come to a grinding halt. It is this strategy which is being pushed first in Asia and then in other continents. Asia has been chosen because it is geopolitically the most convenient for the Soviets. The Russians, whether Tsarist or Soviet, have historically expanded their influence by moving from one contiguous area to the next. As a land power this is logically the soundest way of spreading Russian power.

Two other reasons account for the choice of the Asian arena. It is the area where world capitalism has the greatest opportunities for growth and if it can be taken out of the orbit of Western capitalist economy then a fatal blow would have been inflicted. The Soviets need not even take direct control over Asia. All they need do is keep its economy in permanent disarray through revolutionary turmoil to narrow or even totally deny the capitalist industrial economies opportunities in Asia. Capitalist economic growth is only possible in an Asia that is economically dynamic and stable. The current Iran-Iraq war was certainly not contrived by the Soviet Union but it is the kind of economic disarray that they would like to see reproduced all over Asia.

The other reason is the Soviet belief that the Western powers would not resist determined Soviet advances in Asia to the point of confronting it. The West may consider the loss of Asia with dismay but not as crucial to its survival as a Soviet thrust into Western Europe or Japan or Latin America. Thus the Communist invasion of Afghanistan and of Kampuchea did not evoke half the strong outcry and stern warnings of retaliation that the possibility of a Soviet invasion of Poland sparked off.

In any case how do you confront the Soviet Union in Asia when for the most part Soviet power is being extended through revolutionary wars fought by proxies?

So the Brezhnev scenario is not mere rhetoric. In the light of Soviet successes so far I am inclined to take it seriously and that unless the Western world together with the non-Communist world takes up the Soviet challenge with the same resolve and dedication that the Soviets have brought to their cause then in the middle 80s, Brezhnev's scenario could well become reality. I prefer to term Soviet policy as a "Soviet Challenge" than a threat. This is because I see nothing morally or politically reprehensible in the Soviet Union wanting to be the greatest world power and to reshape the world to conform to its faith. Throughout history there has always been a No. 1 in the hierarchy of nations. So the Soviets have as much right as anyone else to fill the currently vacant seat of No. 1.

But those of us who do not relish the prospect of a Communist World Order - and at the moment these constitute the vast majority of nations - have a political and moral responsibility to frustrate Soviet ambitions.

I think this can be done without our having to go to war with the Soviet Union. The weapons to employ are primarily economic and political, though their employ efficacy would be sharpened somewhat if there is also a military backup comparable to that of the Soviet Union.

In the 80s, for reasons I elaborated earlier, the political and economic combat between Soviet communism and the non-Communist world would be enacted in Asia and more specifically in the Pacific rim of Asia.

In this connection I would like to put forward a thesis, which though open to dispute, might give a new insight into Soviet foreign policy. Soviet expansionist policy is propelled not out of conviction in the essential superiority and strength of the Soviet system but out of fear that time may be running out for their system.

Lenin warned of this possibility as early as the twenties. This is what he said:

"As long as socialism and capitalism exist, we cannot live in peace. In the end one or the other will triumph. A funeral dirge will be sung over either the Soviet Republic or over world capitalism."

This is a strange remark for a Marxist, who believes in the inevitability of a capitalist collapse, to make. The failure of the proletariat of the industrial West to respond to Lenin's call to stage a communist revolution must have had a sobering effect on him. Perhaps more by intuition than anything else he must have seen the possibility of capitalism burying socialism. That is what his statement implies.

Since then Lenin's intuition has been endorsed by hard facts. The Soviet leaders must have noticed that not a single mature capitalist society has so far opted for communism. The few nations that embraced communism were feudal or agrarian pre-capitalist societies most of which have to be sustained by Soviet dole.

Even more disconcerting is that the vast majority of the new nations have rejected the Communist model. The furthest the new nations were prepared to go in the

direction of socialism was to adopt variations - and some of them pretty bizzare - of Western socialism. And most of those who adopted this milk-and-water socialism are today in hot water economically and a few of them are consequently returning to the capitalist model.

The most economically dynamic and prosperous of the new nations are those which adopted and adapted liberal capitalism. All the so-called Newly Industrialising Countries of the Third World are drawn from those which operate a liberal capitalist economy - though their political system ranges from dictatorship to democracy.

But most alarming of all developments is the growing number of Communist countries which have repudiated the Communist economic model. The most dramatic example of this is China. Its new leaders have pronounced Communism an economic disaster and they are nervously and tentatively exploring possibilities for a hook-up with advanced capitalist societies.

Even Pol Pot's Khmer Rouge now concedes that Communism was a great mistake and that it has abandoned it in favour of the free enterprise system of the thriving ASEAN states.

And now the unthinkable is happening. Polish workers have revolted against the Communist system. One of the most significant statements to have come out of Poland was one made a few weeks ago by Lech Walesa, the Polish labour leader. He was reported as saying that Poland should model itself politically on Switzerland and economically on Japan.

And after 62 years despite its great status as a military super power, the Soviet Union continues to be a minor factor in world economy. In fact its share of world trade is only slightly larger than that of the five ASEAN states combined.

The capitalist economy on the other hand, despite its present sorry state, is in pretty good shape. The global economy from which all economies, including Communist economies, draw sustenance is dominated by capitalist nations and is operated along liberal capitalist lines. The attempt by the Soviet Union after the war to create a parallel and separate international socialist economy - of which Comecon was the prototype - never made much progress. On the contrary a number of East European countries have in recent years been turning to capitalist states for trade and aid.

So Lenin's warning that in the long run either the socialist system or the capitalist system would sing a funeral dirge over the other has alerted Soviet leaders to the danger of a socialist collapse. It can be averted only by burying capitalism first.

That is why I believe the Soviet leaders timed their offensive against world capitalism to coincide with capitalism's current difficulties. Unchallenged it could recover and begin a cycle of growth to surpass the Golden Age of capitalism between 1950 and the mid-70s.

But I believe that the Soviets cannot today bring about the destruction of capitalism because the life and soul of capitalism no longer resides in national capitalist economies but in the global economy that capitalism has, without realising it, created. This global capitalist economy has nothing in common with the primitive capitalist economy that Marx knew.

It is an economy based on multinationals and large enterprises that have internationalised production and marketing. Thousands of companies scour the world for raw materials, technology and talents. They locate and relocate industries in any part of the world where goods can be efficiently and cheaply produced. The world is their market and their base of operations. In the years 1950-1975 the global economy increased world exports by 20 times - an unprecedented achievement in the history of world economy. When the global economy recovers its balance in the 80s and begins another phase of growth it must surpass its earlier achievements. This is the Soviet anxiety.

Though the Soviets cannot destroy this transformed capitalism, the ones who can destroy it are the capitalist nations themselves who, confronted with difficulties, are trying to run a global economy as though it were a national economy. The global economy is basically a free economy and if you fetter it with tariffs, quotas, protectionism and other national restraints then you may succeed in burying it.

But if you respond to the somewhat different imperatives of a global capitalist economy, then in the 80s Mr Brezhnev's scenario must fall apart. It is in the Pacific Basin, where there is the largest concentration of economic superpowers and potential economic powers and the single largest gathering of Newly Industrialising Countries that the second Golden Age of capitalism would begin. And standing in the wings are the one billion people of China who already disillusioned with Communism are in search of a new model. If they elect to throw in their lot with the free enterprise system then I have no doubt who are going to be the winners in the 80s.

And who knows - the Soviet realists, in the face of such a development, may decide: "If you can't beat them, join them."

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