SPEECH BY THE PRIME MINISTER,
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"Developments In Asia"

The most significant development since the American withdrawal from Vietnam in April 1975 has been the swift and confident moves by the Soviet Union into strategic areas vacated by the departing Americans. When Jimmy Carter was President of America, the Soviets thought it safe to supply the Vietnamese with weapons and underwrote the invasion with a guarantee of a Treaty of Peace and Friendship in November 1978. Vietnam, with the third strongest army in the world, captured Kampuchea in less than six weeks. The Carter Administration was not unduly perturbed. Beyond a token vote of censure in the UN, no penalties were incurred by the Soviets. Indeed, the Carter Administration appeared alarmed when China, on her own account, decided to punish the Vietnamese in February 1979. Encouraged by this benign spirit of tolerance, the Soviets themselves moved troops into Afghanistan in December 1979. It was to have been a swift clean operation to squash infighting between the different factions of a neighbouring government, to install a stable government, and to quell rebellion in the countryside. Two years later, Soviet

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forces are still there, in control of the main towns, but continuing to face fierce resistance in the rugged countryside.

If the vast intelligence apparatus of the Soviets had detected the molten heat of resentment in Poland, they might never have ventured into Afghanistan. Now they face the whole Polish nation in a continuous, controlled and calculated defiance of their overlordship. Ten million Polish workers have put paid to the lie that the Communist Party alone represented the workers of Poland. A spontaneous outburst of Polish nationalism and Catholicism poured out when the first Polish Pope visited them in June 1979. It set off an emotional tidal wave that has swept nearly all the Polish Communist Party leaders down from their pedestals. Their corruption, nepotism, incompetence and mismanagement have been exposed. The myth that in a communist state happy workers strive enthusiastically to exceed every target for the greater glory of communism has been exploded. The Soviet Union has bombarded the Polish people with solemn and dire warnings. Soviet armies and navies have executed nerve-racking manoeuvres and exercises every time Solidarity advanced to dismantle yet another repressive instrument of a communist regime installed by the Soviets.

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All this was manageable as long as America was under Jimmy Carter. He was a well-meaning, peace-loving man. In Vienna in June 1979, he had kissed,

or been kissed by President Brezhnev on both cheeks after the signature of SALT II. And in retaliation for the invasion of Afghanistan that December, Jimmy Carter boycotted the Moscow Olympics and prohibited grain sales. President Brezhnev was unimpressed. The American people were also unimpressed. In November 1980, they voted Ronald Reagan for President. Within six months, in June 1981, Reagan had made his first major policy decision on Asia. General Haig, now Secretary of State, visited Beijing. He made clear that America supports a policy that will put pressure on Vietnam until she withdraws from Kampuchea. America wants to cut off or cancel any aid program to Vietnam that can help Vietnam prolong her occupation of Kampuchea. China was also to be allowed to buy lethal weapons on a case by case basis.

At about the same time, James Buckley, Undersecretary of State for Coordination of Security Assistance Programs, went to Pakistan to settle a US$3 billion economic and military aid program which included F-16s. The promised supply of this formidable American aircraft brought a protest from India. India denounced this as an escalation in the arms race between India and Pakistan. A Reagan America remained convinced that Pakistan needed beefing up if she is to defend herself against any spillover of troubles in Afghanistan.

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On Poland, Reagan left the Soviets in no doubts as to the grave economic and political consequences of any Soviet intervention. An aging Soviet leadership has shown circumspection and caution, for the time being. They have shown an awareness of their overextended position. If only the Vietnamese could have guessed in December 1978 that a year later, in December 1979, their Soviet guarantor and supplier would be entangled in Afghanistan, and less than a year after that, in August 1980, confronted by a Polish upheaval, they might never have attacked Kampuchea. Now they face a bleak future, as more urgent claims are made on Soviet military and economic resources.

In short, Asia has not been able to buffer itself from the dramatic changes in superpower relationships. Nor has Europe been insulated from the spasm of fear as more Soviet SS-20s are deployed each week. Reagan's decision to stockpile neutron bombs in America, besides preparing to deploy Pershing and Lance nuclear missiles, has created shouting and tumult from elf-wing and pacifist groups in Europe, including West Germany. The unsolvable problems of the Middle East seem to have become even more impossible of solution as the last phase of the Camp David Agreement enters its final phase with the handing of the remaining sectors of the Sinai to Egypt in April 1982. These same shifts have affected Southern Africa. A Reagan Administration can help to achieve

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Namibia's independence without prolonged guerilla warfare, but will probably do so only if the Cuban and East German forces also leave Angola.

To have influence over other countries, without the use of force, a country must be able to provide economic and military aid. Only then can it win the allegiance of the recipient country and so influence its policies. No country in Asia has the industrial capacity to play this role, except Japan. But Japan has decided not to use her industrial strength to influence the policies of other countries, except those of immediate strategic concern to her, such as South Korea and the countries of ASEAN. Nor does Japan want to develop her military capacity. She does not sell weapons. Therefore, the major influences on Asian countries come from outside Asia proper: America and the Soviet Union. In former years, Britain and France exercised some independent influence. Increasingly, however, it has become a contest only between the two superpowers.

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Nevertheless, it does not follow that when economic aid or arms have been transferred to an Asian country, the influence of the supplier is guaranteed. The war between Iraq and Iran since September 1980 was not desired by either America who had supplied Iran, or by the Soviet Union who had equipped Iraq. On the other hand, this war also illustrates the limitations on the policies of a

recipient country. When the supplier does not agree with those policies, he cuts off further supplies. So after a year in which vast quantities of ammunition from tanks, artillery, armoured personnel carriers and aircraft have been hurled against each other, there has been no decisive conclusion to the war.

In the 1970s when Chairman Mao was a great figure, many believed that China, an enigmatic, mysterious, vast and potentially powerful country, could be a world power soon. Five years since Mao's death, it has become painfully clear that China has set herself back by a generation during the 12 years of the Cultural Revolution. Her much vaunted army has obsolete weapons. It is equipped with copies of Soviet tanks and aircraft, light weapons and missiles, all at least 20 years out of date.

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India is much better equipped in modern tanks, missiles, and aircraft, and has an up-to-date arms industry. But neither India nor China has the capability to provide the economic and military aid to influence other Asian countries. India, although she had a peaceful atomic explosion in 1976, recognised her need to modernise her equipment. In 1980, she signed a massive arms agreement with the Soviet Union for more than US$1.63 billion. India will acquire the latest Soviet tanks and armored fighting vehicles. India is interested in getting supersonic MIG-23 and MIG-25 aircraft.

So the line-up in Asia has become more clear-cut. Those dependent on the Soviet Union are ranged on one side: Vietnam and her two satellites - Kampuchea and Laos. India has joined Afghanistan in recognising the Heng Samrin regime in Kampuchea. The North Koreans have not recognized the Heng Samrin regime. A tougher people than the Vietnamese, they stand with the Soviet Union against America. But wisely, they also stand with China by opposing Vietnam's conquest of Kampuchea. They share a border with both China and the Soviet Union. But they have prudently stayed out of the Sino-Soviet conflict.

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The Vietnamese, some 3,222 kilometres away from the Soviet Far East, have boldly thrown in their lot with the Soviets. But who can blame them? In 1975, they had just vanquished America, the world's great economic and military power, after nearly 20 years of war from 1954-75. They had also defeated the French in less than nine years, from 1945 to 1954 at Dien Bien Phu. The Vietnamese leaders were drunk of hubris. China, after all, is an industrially backward nation. Foreign diplomats and foreign correspondents in Hanoi report that the Vietnamese people take a more sober and sombre view of this conflict. The Vietnamese peasant and worker recognise that the fight against China is very different from the fight against the Americans or the French, a long war against a neighbour with 20 times their population and many more times their size. It is a daunting prospect. To avoid this senseless attrition and suffering, the five countries of ASEAN, at the international conference on Kampuchea in New York in July 1981, had sponsored a conciliatory resolution to offer the Vietnamese an honourable solution: a withdrawal of all foreign forces, a UN force to supervise free elections in which the Kampuchean people can choose their own government without being intimidated by armed forces from any of the Kampuchean factions. The sooner Vietnam comes to accept a free vote in Kampuchea, the better it will be for peace and a durable balance of forces in Southeast Asia.

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Ironically, America's realization that she is no longer a dominant power on her own in Asia has made the Vietnamese predicament worse. For America has acknowledged a de facto relationship with China to check Soviet expansionism in Asia. China's manpower and her enormous potential, if equipped with modern arms, can restrain Soviet adventurism. America wants Japan to be more active in guarding the seas around her islands. But the Japanese are reluctant to do more than the barest minimum. And they assiduously make clear to the Soviet Union that they have no wish to line up with China against the Soviets, that their alliance is exclusively with America. So America has little choice but to use China as the main counterweight to Soviet Forces in East Asia.

In several countries in Southeast Asia, this Sino-American line-up is cause for unease. There are apprehensions at the long-term implications of a strong modernized China. For China has refused to abjure her ties with communist parties and their guerilla movements that harass governments in these countries.

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There is ample evidence that China knows these guerillas cannot win. Nevertheless, they can be useful leverage for China. For a country that cannot afford economic or military aid to influence the policies of the smaller countries of Asia, harassment through guerilla insurgencies is a second best instrument of influence.

Out of this complex and tangled picture, one factor emerges - an ongoing Darwinism between two competing social, economic and military systems. The first system has examples in America, Western Europe and Japan. The second system is found in the Soviet Union and her reluctant allies in Eastern Europe. Despite a heavy barrage of propaganda, the Soviets have not been able to convince their own people that their system provides the better life. Khruschev's famous boast at the United Nations that the Soviet communism would bury the Western capitalism, and that the Soviets would produce and consume more beef, butter, food, household equipment, houses and cars, was empty bombast, a pipe dream. However, by spending 13-15 per cent of their GDP on defence, the Soviet Union has outproduced the Americans and West Europeans in tanks, armored fighting vehicles, aircraft and missiles, both strategic and tactical.

If America and Western Europe can cut down on the good life, can trim down their welfare and social security programs, this Soviet arms superiority can be blunted. To deny the Soviets easy spoils from her vastly greater forces, America and the West are increasing their defence expenditure. If neither side can use force to make easy gains, the next 10-20 years will provide convincing and conclusive evidence which system is superior in providing their peoples with security, well-being and personal freedoms.

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The 1980s can be the decisive decade. If the Reagan Administration can shrink the $60-65 billion budget deficit for 1982, bring down American interest rates, by cutting social security and not by abandoning the defence build-up, and balance the budget by 1984, then by the second half of the 1980s, there will be more balance and stability between East and West. Then the North-South problems will have better prospects of commanding more of the industrial world's attention and resources.

If, unfortunately, cuts in social expenditure are politically not feasible, then either the defence build-up has to be sealed down, or there will be increasingly high inflation. The sharp drop in share values across America, Europe, Japan and the other free-market economists of the world reflects the gloom of institutional investors and economists at the prospects of the stock markets, a gloom arising from the expectation of large budget deficits which cannot be closed by minor trimmings in social spending. In short term, with tight money supply, interest rates will be high. In the medium term, the Federal Reserve may have to ease up on money supply to lower interest rates and to allow companies to invest and to expand production. But the price will be higher inflation. Too prolonged a choke on money supply may lead to a depression in America with worldwide repercussions. Because of this, the probabilities are of the less painful solution in increased money supply leading to increased inflation,

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followed by another choke on money supply and another recession, followed in turn by another release of money and still higher inflation. Pessimist bankers do not rule out hyper-inflation and a collapse of the international monetary system. If this happens, it could be a greater setback than the 1929-33 Depression. The last Great Depression led to the rise not of communism but of Nazism, Fascism, and Japanese militarism. Nobody can say what will happen the next time.

This is a contest between the two systems. One is monolithic. It brooks no opposition, no contrary point of view. It is single-minded in its war-making capacity. But it has grave rigidities. It cannot feed its people, it cannot give them the good life. The other is pluralistic. Its leaders are not infallible. They often have contradictory views within their societies on issues of defence and social security. Yet the free-market economy, which rewards free enterprise and excellence and punishes deficiencies and inefficiencies, does work. For it is manifest that their peoples enjoy better lives. Once they settle their priorities, once they decide to put their best minds and adequate resources to this task of defence, then their superior technology, in the microchip, in the laser beam, and in so many other discoveries, will begin to tell. From their past record, it is likely that the Americans can outclass and outproduce the communist weapons system. And one communist state - China - has implicitly conceded this point. As she gropes her way forward from the failure of collectivist economy, she is finding

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that more progress comes from the free market, and through the rewards the free market accords to talent and innovation. All in all, the 1980s promise to be an intensely exciting decade.

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