

SPEECH BY PRIME MINISTER LEE KUAN YEW AT THE JOINT  
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PEACE AND PROGRESS IN EAST ASIA

I am greatly honoured by your invitation to address this Joint Meeting of the United States Congress. It cannot be often that someone representing two and a half million people from a small country in the Third World is offered the opportunity to address the representatives of 240 million people who form the World's most wealthy, and most advanced nation. America is a great nation not just because of its power and wealth, but mainly because it is a nation moved by high ideals. Only the elevating power of her idealism can explain the benign manner in which America has exercised its enormous power since the end of World War II and the magnanimity and generosity with which it has shared its wealth to rebuild a more prosperous world. This idealism which inspired the Founding Fathers of this nation has, down the ages, also affected and inspired free men and free women throughout the world.

Decisions made in this august chamber especially in the decades since 8 December 1941, have determined the course of human history and settled the shape of the contemporary world. If the era after the war has seen a world relatively at peace and accompanied by an unprecedented degree of human progress, much of the credit must go to American leadership.

At a time of domestic disquiet over large imports and the possible loss of jobs, the attention of America's legislators has been drawn away from the fundamentals. These fundamentals, which successive administrations and congresses have successfully pursued for four decades from 1945 are: a world in which all peoples can seek to fulfil themselves without having to conquer or to dominate or to exploit other people.

America has encouraged a world which respects the sovereignty and the dignity of all, the great and the small, the mighty and the weak - a world which enables all to work and be rewarded for their efforts because what they produce is desired by others willing to pay for such goods and services under fair rules of exchange.

For many months now troubled voices are coming from the US Congress.

I want to refocus your attention, distracted by the problems of trade imbalance, job loss, high value of the dollar, and budget deficits, back on the basic issues of war and peace.

Since World War II, the United States has been involved in two major wars, both in the Western Pacific: Korea, 1950-53; Vietnam, 1965-73. This was not accidental. East Asian societies are on the move, seeking to transform their ancient civilisations into modern industrial societies. All are seething with restless energy. Their people want to catch up with the rest of the world and have the better life. If Japan can do it, they believe they also can.

In the 1950s and 60s, trade with the US of all countries in the Western Pacific, except communist China, North Korea and North Vietnam, increased. Many received US investments. The US was the dynamo which hastened economic developments. By the late 1960s, Japan had emerged as a second dynamo. The countries of East Asia, ASEAN, Australia and New Zealand list the US and Japan as either their first or second most single important trading partner with 10 per cent to 45 per cent of their total trade.

I suggest that the 40 years of relative peace the world has enjoyed since World War II is not just because of the atomic bomb. The US had learnt the

lessons of World Wars I and II, how the desire for the better life through industrialisation and trade had caused the squabbles over markets and the expansion of empires in order to build larger markets and acquire resources. The end of World War II and the emergence of the Cold War made the US put determined pressure on the European empires to decolonise.

More pertinent, when the war ended in 1945, the US set out, with her European allies, to establish an open and fair trading system under the General Agreement on Tariffs and Trade (GATT) (in force since 1 Jan 1948), and a stable system of currency exchange under the original IMF Agreement at Bretton Woods. These agreements led to the huge growth in trade, banking and finance throughout the world.

Indeed, political leaders in the former colonial territories watched in wonderment as the British, French, Belgian, and Dutch governments dismantled their empires from 1945-65, and grew more prosperous in the 1960s and 70s.

Their former subject peoples had expected them to decline into relative poverty after they lost their empires, like Spain and Portugal. The secret lay in GATT and the IMF which ensured that trade and investments continued and expanded after decolonisation.

The East Asian phenomenon of high growth has been well reported. As Japan took off, first South Korea, then Taiwan, then Hong Kong followed in her trail, picking up steam in her wake. They supplemented the Japanese economy, and followed the Japanese into the American and European markets. With investments from both the US and Japan, they exported their manufactures to Europe. By the early 1970s, the ASEAN countries also joined in this fast growth group.

These developments have had a most profound impact on the leaders of China after Mao. After nearly three decades of Maoist seclusion and self-sufficiency, Deng Xiaoping decided that closing China's doors on the world was the cause of her stagnation. China needs to modernise. China has opened her doors to trade, investments, technology, and tourism. She wants to get the same economic uplift that Japan, South Korea, Taiwan, Hongkong and ASEAN have had from the free market economies of the West by plugging into their trading and investments power grid. In a few years after this decision, China's trade with US and Japan has gone up many times, 13 times from US\$0.5 billion in 1975 to a respectable US\$6.4 billion to US\$13.2 billion with Japan for the same period. China is seeking growth through trade, not territorial aggrandisement. Her quest for a better life for her people is through peaceful cooperation in trade,

investments and transfer of technology and knowhow, not the use of force for territorial conquests and the carving out of a sphere of influence or a trading bloc.

The North Koreans too have been impressed by the market economies of the West. They want to emulate the transformation of the South Korean economy. They have borrowed an estimated US\$1.4 billion from Japanese/Western banks in the 1970s. The investments were not successful and their debts had to be rescheduled.

China's decision is a most significant factor for peace, stability and growth in Asia. For nearly 30 years, from 1949 until Mao died in 1976, a poor but ideologically fervent China was a ceaseless spoiler of other countries' economic plans as she undermined their stability. She was an exporter of revolution. She provided arms ideology and radio support to guerilla insurgencies in Southeast Asia. China has, for the present, discontinued such support.

Every Chinese schoolboy knows how China's civilisation began: through the unification, over 2000 years ago, of the seven warring states by the Emperor Qin Shihuang. China knows from her own history, that the time-proven method for a dynamic, vigorous people to achieve greater economic power is to carve out a larger territory with a larger population to form a greater base on which peace

and order are established. Then with a wide range of soil and climates and peoples, there will be more wealth from a greater diversity of goods and services for exchange.

The Vietnamese also know this. Fortunately for Asia, Vietnam's attempt to carve out Cambodia and Laos for herself, has resulted in Vietnam's economic stagnation. Vietnam gets no investments from the West. Her trade is negligible. She is bogged down in guerilla war in Cambodia and will be worn down in a clash of wills on the Sino-Vietnamese border with an immensely larger neighbour.

A younger generation of Americans may not know that it was the carving out of empire that Japan undertook when in 1931 she set up the state of Manchukuo in Manchuria. In fact, Japan had embarked on a modern empire earlier in 1895 when she annexed Taiwan, and in 1905 when she annexed Korea.

The success of the countries in East and Southeast Asia has caused much of the Third World to rethink their policies. Once infatuated with socialist economic policies of nationalisation and autarchy, Third World nations have now come to see that stagnation and decay have followed these policies. More and

more Third World nations are seeking a better life for their peoples by opening their doors to trade and investments.

Putting up barriers to America's markets would halt the economic advancement of the free market-oriented developing countries. It would send a signal that the model provided by the countries of East and Southeast Asia is no longer an available option. It could set off a chain reaction which would result in a downward spiral of the world economy.

China was a founder member of GATT. The present government of the PRC abandoned its membership in 1950. Recently, it has sent out feelers for re-admission as a developing country member of GATT. If the US cuts down China's growing trade with her, then China has to rethink her economic strategy. Shutting out China's products, especially textiles, from America's markets, will have far-reaching implications. China must then look for other ways of getting foreign exchange to pay for modernisation. If, as is likely, she cannot get enough alternative markets to make up for the loss of America, her modernisation will slow down. She will become restive.

A Japan squeezed in such a protectionist trap, has few attractive options. After thrashing around looking for market extensions in Latin America, Africa



and West Asia, Japan will turn back to her two major options: closer economic links with the Soviet Union, or closer ties with China. She could try to do both and reconcile or postpone the conflicts inherent in the two options. In the end, she has to choose one of these two. Either choice conjures up disquieting consequences for the rest of Asia, and the world.

Singapore has been an independent country for only 20 years. Whether it will be allowed to remain so, to work hard to thrive and prosper, depends on the rules under which the big and the small states are allowed to compete and to cooperate in trade and finance. Forty-four years ago the British could not prevent the Japanese from capturing and occupying us and our ASEAN neighbours. We were incorporated as part of Japan's "Greater East Asia Co-Prosperity Sphere". The present multi-lateral economic cooperation offers so much more to Singapore.

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The irony is that it was the US and Europe that forced a reluctant China and a hermit-like Japan to open up their countries to trade with the West. They were two oriental societies happy to be self-sufficient and to keep out the outside world. It seems preposterous that because America has temporary difficulties with her balance of trade, due in part to an overvalued dollar, resulting from high interest rates and a budget deficit, that the US should begin to close her markets.

And now it is the Japanese and the Chinese instead who have to come knocking at America's door to get in to trade. What a bitter-sweet irony of role-reversal.

Whatever might have been the position had American policies been different since 1945, the rapid changes in the Western Pacific are already in train. It is the result of a resurgence of dynamism in these societies as they recover their balance and forge their will to compete and get on the move. They are societies capable of organising themselves, of implementing and achieving high standards of universal education, of mastering the skills and knowledge of the industrial societies, of acquiring new technology, of improving product design and marketing, and of carrying out research and development. They have strong cultural bases to build a modern technological society upon.

There are two scenarios for the 21<sup>st</sup> century. The first is bleak: if, because of domestic problems, the US loses the will to maintain free trade. There are over 300 bills in Congress dedicated to the protection of the US market.

Protectionism and retaliation will shrink trade and so reduce jobs. Is America willing to write off the peaceful and constructive developments of the last 40 years that she had made possible? Does America wish to abandon the contest between democracy and the free market on the one hand versus Communism and the controlled economy on the other, when she has nearly won this contest for

the hearts and minds of the Third World? Never in its history has the peoples of the world enjoyed such high standards of living. For 40 years the maintenance of political boundaries was made possible because thrusting, and usually aggressive, peoples have been able to fulfil their drive to better their lot through trade. If this method for adjustment and accommodation between societies moving at different speeds is no longer possible, then a return to the traditional ways of conquest or influence is likely.

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Therefore America will find that the putting up of tariff barriers is not enough. She will have to go one step further: she will have to be the policeman, to enforce order over her sphere of influence, of the world outside the Soviet bloc.

After World War I the US left the league of Nations and withdrew into isolationism. Nevertheless, inexorably, she was again drawn into the vortex of war by December 1941.

The Soviet Union, since world War II, dominates her allies as satellites in Comecon. The Soviets also maintain the balance between them and the other aspiring communist societies like Cuba, Vietnam and Ethiopia. In like manner, without adjustments through open and fair trade, the US must enforce some kind of dominance on her own allies in Europe and Japan. And America and Europe together must police and keep the peace between the other jostling and contending societies in Asia, Africa and Latin America. The more dynamic countries, prevented from thriving through trade, must be prevented from re-channelling their energies towards expansion of their territory or of their influence to get assured markets. Unfortunately, or perhaps fortunately for the rest of the world, the US Constitution enshrines a system of open government

which does not allow its leaders to exercise such dominion over other countries and governments in the same way that leaders of totalitarian states can.

Let us not forget that protectionism and less trade mean less growth for the developing countries. This means debt burdens cannot be discharged. Defaults may be unavoidable, with incalculable consequences for the international banking system. Even if the banks survive the upheavals, these developing countries will have to abandon all thoughts of liberalisation towards plurality and more democratic freedoms. Severe or repressive government is the other side of austere or negative economic growth.

An over-strong dollar has caused the huge trade deficits. A volatile and speculative foreign exchange market has exaggerated the factors working towards a strong dollar. The recent meeting in New York of the G5, Finance

Ministers of five largest industrial nations, has given grounds for optimism that the over-valued dollar can be brought down by concerted action of the G5

Finance Ministers and their Central Banks. Congress should stay its hand and allow these efforts time to work.

In case lobbyists for the Japanese believe they are going to be joined by one from Singapore who ought to register his interests, let me add that I do not suggest that the Japanese should not be cajoled, and if necessary coerced, with all the powers at America's command, to open up their markets. America can legitimately and justly use all means to knock down Japanese barriers and obstacles to imports. There was a time in the 1950s and 60s when America looked with amusement and tolerance at the ingeniousness of Japanese obstacles to imports. But, after Japan has become the second largest economic power, as a result of open and fair trade, it is right that she should be made to abide by the rules that have brought her to her present unprecedented prosperity.

The rest of Asia will cheer with joy, for then their goods will also get into Japan without going through an obstacle course. Let me add that 96 per cent of US goods enter Singapore duty free and quota free. And for 14 out of the last 15 years, the US has enjoyed trade surpluses with Singapore. But for America to put tariffs or barriers to Japanese goods, instead of tearing down Japanese barriers to American exports, will hurt the rest of Asia twice over, first by having these same tariffs and barriers to overcome to sell to America, and second, by not being able to sell to Japan because Japan cannot sell to America.

It is right to compel the Japanese, and others, to help the system function better. And if threatening retaliation for unequal access to markets is part this process towards open and fair trade, then so be it. America has the right to also ask that those who have benefited from America's markets, open up their markets. Some countries, like ASEAN, have supported the US initiative to have GATT being a new round of discussion for lowering barriers to trade in goods and perhaps also regularise trade in services. The answer to job losses is more, not less trade.

America can upgrade her declining low value-added industries or they will continue to decline whether America goes protectionist or not, just as the ancient agricultural societies of pre-industrial China and Japan, with their self-sufficient, subsistence economies base on buffalo power and manpower, had to change with the advent of the industrial age. Rapid and profound change is the kind of world Americans have created by their inventiveness. American legislators have the awesome responsibility of deciding under what rules the peoples of so many different countries should undergo rapid changes in their ways of making a living, and yet avoid violent conflicts.

In every age, the leading power has to carry the burden of encouraging the peaceful acceptance of the status quo. This is done by punishing aggression and

rewarding peaceful cooperation. The British carried this burden for over 100 years after they pioneered the Industrial Revolution. This responsibility passed to America after World War II.

It is inherent in America's position as the pre-eminent economic, political and military power to have to settle and uphold the rules for orderly change and progress. Americans are leaders in a marathon for technological change and product innovation. American enterprise is blazing the trail into the microchip and computerised world of tomorrow. In the interests of peace and security America must uphold the rules of international conduct which rewards peaceful cooperative behaviour and punishes transgressions of the peace. A replay of the depression of the 1930s, which led to World War II, will be ruinous for all. All the major powers in the West share the responsibility of not repeating this mistake. But America's is the primary responsibility, for she is the anchor economy of the free market economies of the world. In your hands therefore lies the future of the world.

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