SPEECH BY PRIME MINISTER LEE KUAN YEW TO THE NATIONAL PRESS CLUB IN CANBERRA, AUSTRALIA, ON 16 APR 86

Singapore's economy slowed down sharply in 1985. After an 8.7 per cent growth in 1984, it was minus 1.7 per cent in 1985. We have taken steps to stimulate the economy, and more important, to increase new investments and businesses. It will take us two years to turn the economy around. Adding to the bleak outlook, the forecasts for the region are sombre. Oil and commodity prices have dropped sharply, hurting the economies of our neighbours in ASEAN, especially Malaysia, Indonesia and Thailand. They are not expected to rise within a year. If depressed oil and commodity prices drag on into 1987, there could be political problems arising from these economic downturns.

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In the midst of gloom, the change of government in the Philippines were pure serendipity. A dramatic turn of events led to a more or less bloodless change of leaders. It has given the Filipinos their best and possibly their last chance to overcome the legacy of economic mismanagement and communist insurgency. There is hope that the Filipino people can be as fortunate as the

Indonesian people were in August 1965, when a failed communist coup altered the dismal course of events in Indonesia.

In retrospect, no event has had a more profound influence on the development of the region than the character and outlook of President Suharto of Indonesia. Indonesia's concentration, during the past twenty years, on economic development and social upliftment, would not have been, had he not succeeded Sukarno. His policies made it possible for ASEAN to become an organisation for constructive and cooperative relationships between members, and for the solidarity of its members in meeting external problems. If in the 1990s, a man of a similar cut, equally devoted to the development and social advancement of Indonesia, succeeds President Suharto, ASEAN's progress will be assured for the years beyond the year 2000. The more he institutionalises Indonesia's state ideology of "Pancasila", the more likely is his successor to be a man with his bent for the politics of stability, resilience and growth for Indonesia and the region.

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Meanwhile, there is one political concern that is likely to be with us for some time: the Cambodian tragedy. The Cambodian people continue to suffer. Thailand continues to face threats to her security. Whatever the Vietnamese may have believed in December 1978 when they invaded Cambodia, they must now realise that they are locked in a conflict with China which they cannot win. An

independent Cambodia, free from the direct domination of any neighbouring country is not such a far-fetched outcome. The Soviet Union has acknowledged that there can be no military solution. Vietnam must realise this also. A political solution based on UN resolutions will eventually be negotiated. And this is in the interest of peace and stability in the region.

Of developments in Australia, one of the most significant signals for the region was your decision to reduce the levels of protection in the motor-car and steel industry. Australia is moving to open up trade with the world. By opening up to international competition, Australians will inevitably move towards greater trade and economic relations with her neighbours.

The figures show that ASEAN exports to Australia dropped from 1.9 per cent in 1980 to 1.7 per cent in 1984. Imports fell from 2.7 per cent to 2.3 per cent in the four years. The trade surplus in Australia's favour increased from US$385 million in 1980 to US$486 million in 1984.

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Singapore's economic relations with Australia have grown rather slowly. Even before we can gain significant access to the Australia market, our exporters have faced anti-dumping actions, not because our exports comprise a significant portion of Australian imports, but because under your legislation, Singapore exports are cumulatively added to imports from other countries; and all are suspended whilst investigations are made on the complaints of Australian manufactures that they have been damaged by these allegedly dumped exports. Since 1980, Singapore has encountered six anti-dumping actions in Australia. Such are the blocks to better economic ties between you and your nearest neighbours.

Politically, Australia has already made her adjustments after the umbilical cord with Britain was cut in 1972 when Britain joined Europe. Australia has developed a perspective, or a world view, of her own. But economically, Australia's economic ties are still predominately with Europe and America. In Asia and the Pacific only Japan has become her major economic partner. As long as Australia's industrialisation is primarily based on import substitution, not on export orientation, she will not develop the economic ties with her ASEAN neighbours which the economic laws of comparative advantage would otherwise create. The day Australians, as consumers and as industrialists accept this as economically desirable, and thus embolden their Government, if I may borrow a

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phrase of your Prime Minister, to "enmesh" Australia's economy with those of Asia and the Pacific, that day Australia comes fully of age.

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