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SPEECH BY PRIME MINISTER LEE KUAN YEW AT THE OPENING OF THE 20TH ASEAN MINISTERIAL MEETING ON 15 JUN 87 AT MARINA MANDARIN HOTEL

"ASEAN IN A CHANGING WORLD"

It is my pleasure to welcome the ASEAN Foreign Ministers to their annual meeting in Singapore.

ASEAN has a twenty-year track record of regional cooperation which has contributed to the economic growth, social progress and political stability. It has made ASEAN a credible organisation. However, fundamental changes are taking place and the next twenty years will tax our ability and ingenuity as we chart new paths to growth and stability.

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The four big Pacific powers, US, Japan, China, and the Soviet Union are all in the midst of basic change.

USSR and China have to make basic changes in their system to impart dynamism into their economies. Both have to free the energies of their peoples from the straitjacket of central planning. Both have to move away from small differentials in wages and rewards, small in the name of egalitarianism, towards bigger personal incentives. Their dilemma is how to make the economic system more efficient and productive, without significant loss of the total political control to which their communist parties have been accustomed.

The Soviet Union is a military superpower. China is a developing country with vast problems in her modernisation programme. Despite their different stages of development, after 3-4 decades of successfully trying to gain political influence through military power and the supply of arms, both now realise that so long as their military power is counterbalanced by the West, their weight in diplomacy depends more on economic clout than on military muscle.

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The US is faced with the problems of declining competitiveness. She has to overcome deep-seated problems. To exploit her abundant natural resources, technological knowledge and skills, and her lead in the scientific and industrial fields, she has to muster the political will to address the root causes of her enormous budget and trade deficits.

American Congressmen become more protectionist with every monthly release of trade figures which threaten to push the value of the dollar down and to push interest rates up. But in their hearts they know that protectionism is not the answer, and that it will be as disastrous as it was in 1930 with the Smoot-Hawley Act which triggered off the Great Depression. It is in our interest to have America recover her competitiveness and become a creditor not a debtor nation. If she does not, her position as the anchorman of the world's security will be gradually reduced. This happened to the British when they lost their economic predominance after the turn of the century and were weakened by World Wars I and II. Overwhelming US economic dominance after World War II was bound to lessen as Europe and Japan recovered from the ravages of World War II. But too rapid a decline of US dominance will not give time for a readjustment of forces across the Atlantic and the Pacific.

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Furthermore the American market is our most important. A lost of American elan will have serious consequences for us. If serious economic problems plague the US economy, we shall have trouble with our own. So we have to hope that there will be more concerted coordination among the industrial powers to check the slowdown in the world economy. The Americans have been urging both Japan and West Germany to help keep up world demand by increasing their domestic demand.

Japan faces the problems she has created for her trading partners through her massive trade surpluses. She has to move away from export led growth to domestic demand. Japan is capable of a major role in the international economic system. She can help revitalise it. With her strong lead in technology, her disciplined social system, and strong administration and efficient business management, Japan's success is no flash in the pan. If her trade is more in balance, she can keep up her growth indefinitely.

A stronger Japan should have a broader economic and political role internationally. But she must allay deep-seated fears of a revival of her militarism. Japan can counter the protectionist tide and set an example for the world by opening her markets, generating domestic growth and investing abroad, including investing in ASEAN. We look to Japan to increase economic cooperation with ASEAN through more investments and more trade.

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Twenty years ago, when ASEAN Foreign Ministers first got together in Bangkok, there was no Soviet Fleet in the Pacific, nor Soviet bombers and submarines in Danang and Cam Ranh Bay. The Japanese economic miracle was barely perceived. What will it be like twenty years from now? Will the Soviet or the Chinese economies shake off the stifling hand of central planners with their

set prices, production targets which disregard quality control, and their disdain for market demand or supply which is settled by prices in free markets? If party cadres remain powerful and in charge of their enterprises, how can their economy flourish?

Will Japan forge a new consensus to restructure her economy in a manner which will inflict smaller trade deficits on her trading partners? Can America continue as the leader, the buyer of last resort, the anchorman of the free market economies? The outcome of their exertions to break through their respective problems will settle the new balance of these competing forces in the Pacific.

On ASEAN's major security problem, the Vietnamese occupation of Cambodia, the chances of a negotiated settlement have increased. There have been re-assessments of positions in Moscow and Hanoi. Both have put the revival of their economies at the top of their priorities. An eventual Cambodian settlement through negotiations, followed by withdrawal from Cambodia, is more likely than continuing Vietnamese defiance. Hanoi knows her isolation is the direct result of her present policies, and this isolation has inflicted too heavy a burden on her economy.

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Vietnam has said she will withdraw her troops by 1990. ASEAN is willing to help work out an honourable formula which respects the Cambodian people's rights as well as the security interests of Vietnam. ASEAN wants to live in peace with its three neighbours in the Indochina peninsula. Vietnam need not leave the solution of her Cambodian dilemma to just the Soviet Union and China. ASEAN participation under UN auspices is likely to lead to a better solution for Vietnam and the region.

ASEAN countries themselves are undergoing major changes. The generation born when ASEAN was formed twenty years ago has come of age. Those below thirty years of age make up two-thirds of ASEAN's population. They know little of the part conflicts in the region. They know little of how acutely divergent perceptions have led to misunderstandings and tensions in the past. They have to learn without repeating the errors of the past, that ASEAN cooperation is infinitely preferable to the costly strife and confrontations which result when competing national interests are allowed free rein.

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The leaders of ASEAN are also preparing the way for younger leaders to take charge, either at the end of the 1980s or in the beginning of the 1990s. Much depends upon whether this second generation of leaders is able to maintain

the pragmatic working relationships of the older leaders, who have, over the years, developed close relationships based on confidence and trust.

Sooner or later the world economy will enter a new cycle of growth and prosperity. We would do well to restructure our economies and prepare ourselves for this next surge of high economic activity.

It is the vitality of the international economic system that decides our fortunes, including those of the industrial countries. So the G5 countries, all of them fortunately our dialogue partners, have submitted themselves to the constraints of cooperation in currency exchange rates, domestic deflation or reflation policies, budget and trade deficits or surpluses. And because their Finance Ministers and Central Bankers meet several times a year, they have prevented an economic crisis.

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When these big powers accept restrictions on their economic sovereignty in the interests of the whole system, we do well to recognise that if we take steps which diminish the flow of capital, goods and services between ourselves, we shall harm each other. On the other hand, by increasing cooperation we shall all benefit by way of bigger foreign investments, more industrialisation, and greater growth in trade and tourism.

ASEAN is holding a summit at the end of this year. We are all conscious of the more adverse economic climate for trade and economic growth. ASEAN cooperation and solidarity can improve economic growth for all. After twenty years, we know our strengths and limitations. It is time to move forward and open up a new phase of ASEAN cooperation. All ASEAN members are better off economically and politically now than in 1967 because of the climate of stability, and the growth and development that this climate made possible. This Ministerial Meeting should help ensure that the future of ASEAN will be as constructive and fruitful as the last twenty years have been. I take great pleasure in declaring it open, and wish you success in your efforts.

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