

**SPEECH BY MINISTER MENTOR LEE KUAN YEW  
AT THE US-ASEAN BUSINESS COUNCIL'S  
25TH ANNIVERSARY GALA DINNER  
IN WASHINGTON, DC  
27 OCTOBER 2009**

**SPEECH BY MINISTER MENTOR LEE KUAN YEW AT THE US-ASEAN BUSINESS COUNCIL'S 25TH ANNIVERSARY GALA DINNER IN WASHINGTON DC, 27 OCTOBER 2009**

Senator Jim Webb  
Chairman, Subcommittee on East Asian and Pacific Affairs, Senate  
Committee on Foreign Relations,

Senator Christopher "Kit" Bond,

Members of the House of Representatives,

Under Secretary of State Robert Hormats,

Assistant Secretaries,

The Honorable Henry Kissinger,

The Honorable George Shultz,

The Honorable William Cohen,

Mr George David,

Mr Alexander Feldman,

Distinguished guests,

Ladies and gentlemen,

Thank you for honouring me this evening. Small countries have little influence on international trends. Singapore has always taken the world as it is. We analyse the world clinically, take advantage of opportunities that come our way or get out of harm's way. This evening, I hope to share with you some of my views on some major international trends.

2 I have lived through several historic eras: as a British colony; then, a Japanese military conquest and occupation that shattered Western colonial empires. Then, the Cold War between the US/western Europe

and the Soviet Bloc. Finally, in 1992, the dissolution of the Soviet empire. And the world is now in the midst of another momentous transformation.

## G-20

3 When President Barack Obama announced at the Pittsburgh G-20 Summit that G-20 would replace G-8, he implicitly acknowledged the end of the post-World War II world order. An American President has taken a realistic view of the changed world, although for the next two to three decades, America will remain the sole superpower.

4 America and her European allies shaped the world order after World War II.

5 The UN system and Bretton Woods institutions will still be important. But for some time, it has been clear that the present system can no longer ensure international stability. America has now signalled that emerging major powers will be included to manage the world order.

6 No one can predict how the G-20 will evolve. It does not herald a multi-polar world with parity between the different poles. Europe, a large economy, is no longer a global strategic actor. India and Brazil have influence in their own regions. Russia is a major nuclear power with vast quantities of oil and gas and control of gas pipes across Eastern and Western Europe, and China will have global heft and influence in two decades.

7 A changed world order is upon us.

## China

8 The global financial crisis has hastened this change. As a member of WTO from 2001, China will maximise its economic potential and become a powerhouse within two to three decades.

9 It faces enormous domestic problems. No one knows their seriousness better than China's own leaders. But in a pragmatic way, they have coped with their problems. This leadership is not in denial of the weaknesses and flaws in their system: among them, widespread corruption and increasing numbers of mass protests in rural areas where Communist Party officials collude with property developers to evict farmers from their land without adequate compensation. Beijing's response has been flexible, using the carrot or stick, or both. It has

survived traumas that would have cracked a rigid system. While there are imponderables in its development, the course it has set out on will result in high growth rates for the next two decades. High growth will bring major social and political changes. China's present political structures will come under acute stress. Governing a people with over 70% living in urban areas with access to worldwide information through "Blackberries", cell-phones and the Internet will require a restructuring of their political structures and governance of this huge nation.

10 China's transformation began when President Richard Nixon and Secretary of State Henry Kissinger visited Beijing in January 1972 to talk to a then-seemingly implacable enemy. They changed the course of history. Soon afterwards, China openly broke off from the Soviet Union. In December 1978, Deng Xiaoping announced his open-door policy that is now restoring China to its former global status. Successive American Presidents have moved relations with China closer towards the centre of US policies. There was vacillation, sometimes China was called a 'strategic partner', at other times a 'potential adversary'. But US policy kept a steady course to increase multilateral trade, investments and mutual prosperity. Furthermore, closer ties with other East Asian powers are enhancing security.

11 Unlike US-Soviet relations during the Cold War, there is no bitter, irreconcilable ideological conflict between the US and a China that has enthusiastically embraced the market. Both countries want stability in their relations and an international system that increases trade and investments.

12 Sino-US relations are both cooperative and competitive. Competition between them is inevitable, but conflict is not. For China to grow its economy, it needs stability at home and peace abroad. It seeks access to the markets, investments and technology of all major economies. For instance, China has stopped resurrecting grievances over atrocities committed by the Imperial Japanese Army in occupied China from 1931 to 1945. Instead, President Hu Jintao and Premier Wen Jiabao have extended a hand in friendship and co-operation to Japan and promised it for generations.

13 They have concluded that their best strategy is to build a strong and prosperous future and use their huge and increasingly highly-skilled and educated workers to out-sell and out-build all others. They will avoid

any action that will sour up relations with the US. To challenge a stronger and technologically superior power like the US will abort their 'peaceful rise'.

### A modernised PLA on parade

14 So it was a surprise that on the Anniversary of China's National Day on October 2009, Beijing paraded high-tech China-made weapons: ballistic missile systems, a new fighter aircraft J-10, airborne refuelling tankers, DH-10 land attack cruise missiles, KJ-2000 airborne early warning and control systems.

15 The US, Japan, India and all of China's neighbours must have taken notice of this display. Of course, a country the size of China must have its armed forces keep abreast with its economic growth. The PLA is way behind the US Armed Services. However, the pace at which China has achieved these technological capabilities will mean a modern high-tech PLA in another two to three decades. A blue-water fleet with aircraft carriers cannot just be to deter foreign intervention in a conflict between Taiwan and the Mainland.

16 Vietnam, the Philippines, Malaysia and Brunei all have claims on the islets and sand banks in the Paracels and Spratlys. Chinese maps show these islets and most of the South China Sea as under Chinese ownership. There have also been disputes over fishing grounds between China and various ASEAN countries. The Chinese have built on several islets fishing outposts, and coastguard vessels patrol them. Later, behind these small patrol craft will be a blue-water fleet.

17 For the last 200 years, the international system has been dominated by the West. Unlike other emergent countries, China wants to be China and accepted as such, not as an honorary member of the West.

### East Asia and ASEAN

18 China's rise is one facet of East Asia's modernisation growth story. It began with Japan and the Meiji Revolution in 1868. In China, it began in December 1978 with the open-door policy of Deng Xiaoping. India opened up to the world in 1991. China and India can and will catch up with the West in science and technology. They will restore Asia to its leading position before European colonialism enveloped them. The world order will be re-balanced.

19 Growth has created growing strategic complexity between China, Japan, South Korea, India, ASEAN and Australia. Each will try to position itself to achieve maximum security, stability and influence. The consensus in ASEAN is that the US remains irreplaceable in East Asia. But it can no longer be alone and manage the new complexities to maintain stability. Hence, the search for some new architecture, such as the concept of a community in East Asia.

20 It has several manifestations: APEC, ASEAN+3, the East Asia Summit, Australia's Prime Minister Rudd's notion of an Asia Pacific community and, recently, Japanese Prime Minister Hatoyama's vaguely-defined East Asian Community.

21 'Community' is too amorphous a term to describe the search for a new architecture. But the underlying strategic concerns that led to these proposals are real.

22 To remain at the centre of East Asia's economic and political evolution, ASEAN must integrate more closely and with urgency. Otherwise, it will be marginalised. A good start has been made with the speedy conclusion of the ASEAN Charter. Now the Charter must be implemented.

23 ASEAN lacks strategic weight. Hence, all ASEAN countries welcomed the Secretary of State Hillary Clinton's decision to re-engage Southeast Asia. America has decided to accede to ASEAN's Treaty of Amity and Cooperation. This November, President Obama will hold a Summit with all 10 ASEAN Leaders in Singapore. A consistent American policy of keeping ASEAN engaged will add to stability.

24 It would be a serious mistake for the region to define East Asia in closed or, worse, in racial terms. In building any new East Asian architecture, the US must be an important part of it.

25 China is not ready or willing to assume equal responsibility for managing the international system. The US is still the world's largest economy and market of last resort. The US dollar will remain as the premier international reserve currency, although the Euro, China's RMB, Japan's Yen and others will also eventually become reserve currencies. But it will take time to rebalance global savings and global consumption, especially China's. But it must happen and will happen.

26 In the end, whatever the challenges, US core interest requires that it remains the superior power on the Pacific. To give up this position would diminish America's role throughout the world.

27 Ladies and gentlemen, I am now happy to take your questions.

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