

**SPEECH BY MR LEE HSIEN LOONG, PRIME MINISTER, AT THE 7TH
INTERNATIONAL INSTITUTE OF STRATEGIC STUDIES' ASIA SECURITY
CONFERENCE, 30 MAY 2008, 8.00 PM AT THE SHANGRI-LA HOTEL**

Introduction – Review of Past Year

1. Welcome to Singapore and the 7th Shangri-La Dialogue. Since our last meeting, we have had an eventful year of turbulence and rising global challenges.
2. The Middle East remains a source of tension and instability affecting the whole world. Iran is pressing on with its nuclear programme, against the objections of the international community. This is shifting the balance of power in the region, and raising the risk of proliferation and conflict. The Israeli-Palestinian peace process remains deadlocked with little prospect of progress. In Iraq, the troop surge has improved security, although a more enduring resolution of the intra-Iraq contending factions remains elusive. In Afghanistan, the security outlook has been marred by continuing violence. Efforts to support nation building and stabilise the whole region will continue to test the political will of the peoples of America and NATO countries.
3. In Asia too, there have been significant security developments, but the overall strategic environment remains favourable. In North Korea, the Six Party Talks to contain the nuclear situation have achieved some results. Realistically, progress will be slow because Pyongyang believes that its deterrent capability is the only way to force the world, and in particular the US, to take it seriously. But the situation is manageable even if definitive solutions are hard to come by in the immediate future.
4. Within the region, relations between the key players – China, Japan and India – remain constructive. China is playing an increasingly crucial role in regional and global affairs. It has made progress with its political renewal, electing a new leadership team, including potential successors, at the 17th Party Congress last October. But there has been no change in China's economic policies, which are still pro-reform and pro-growth. At the same time, China is putting more emphasis on environmental concerns and issues of social equity. On the diplomatic front, China has stepped up its engagement with the UN Security Council, and its participation in peacekeeping operations, supporting contingents in East Timor, Kosovo, Darfur and elsewhere.
5. China-Japan relations are warming up. Prime Minister Fukuda of Japan is continuing with former Prime Minister Abe's policy of cooperating with China. Following last year's exchange of visits between Mr Fukuda and Premier Wen Jiabao, President Hu Jintao made a "warm spring" state visit to Tokyo this year, the first by a General Secretary since Jiang Zemin's acrimonious trip in 1998. Both sides want to move forward and build constructive relations, despite their unreconciled views of history and unresolved bilateral issues. Mr Hu said in Tokyo that there should be no grudges between the two neighbours and that history was a "mirror to look forward to the future". Mr Fukuda responded that both countries must "constantly deepen mutual

understanding and mutual confidence". This pragmatic approach bodes well for improved bilateral relations and stability in East Asia.

6. Cross-straits relations are also set to improve with the election of Dr Ma Ying-jeou of the Kuomintang as President in Taiwan. Dr Ma has taken a radically different approach from his predecessor, President Chen Shui-bian. President Chen had distanced Taiwan from China, slowed down investments and trade, and sought to create a distinct and separate cultural, linguistic and national identity. But there has been a decisive shift in attitudes in Taiwan. Nearly 60% of the electorate have realised that years of pushing the envelope on independence have seriously strained relations with the mainland, caused Taiwan to be left behind, and furthermore upset the US. Instead they now want to maintain the status quo of "no reunification, no independence and no conflict", develop constructive relations with China, and foster a more prosperous economy. President Hu Jintao has just met Mr Wu Poh-Hsiung, the Chairman of the Kuomintang, and stated clearly that China is willing to work with the new leaders in Taiwan to resume dialogue and build trust in each other. On political matters, however, China will be cautious, calibrating its moves. Meanwhile, it will closely monitor President Ma's actions and the trend of "Taiwanization", whether its purpose is more an emphasis on local customs and practices, or the creation of an identity separate and distinct from the common heritage of the "peoples of Chinese descent" (中华民族).

7. Besides China, India's weight in regional affairs continues to grow. In maritime security, India's reach now extends from the Indian Ocean to the Straits of Malacca and beyond. On the economic front, India has a comprehensive economic cooperation agreement (CECA) with Singapore, and is negotiating more FTAs with ASEAN and other regional partners. India's "soft power" is also growing, with Bollywood movies and Indian fashion gaining popularity abroad. Nearer home, India is keen to improve relations with its immediate neighbour Pakistan, which is just emerging from a period of political turbulence. The two countries have resumed their dialogue on the issue of Kashmir after a six-month break. They both recognise that resolving this longstanding dispute will take time, but also that bilateral cooperation in other areas should not be held back.

8. This generally benign political landscape has helped to foster a closer network of regional cooperation. Southeast Asian countries are progressing towards closer integration with the signing of the ASEAN Charter and the creation of an Economic Community by 2015. In the broader region, ASEAN+3 (China, Japan and South Korea) has become an established process for concrete cooperation, including mechanisms for economic and financial surveillance. The East Asia Summit (ASEAN+3 plus three more members – India, Australia and New Zealand) is also developing substance, starting with areas like energy security and the project to revive the ancient Nalanda University. While the balance between these two groupings is still evolving, the architecture of regional cooperation is taking shape.

Role of the US

9. In the coming year, I envisage a continuation of some of the issues we are confronting today, but also several new challenges and uncertainties.

10. One major unknown is who the next US President will be. We in Asia are following the campaign closely because the critical issues of war and peace, and of prosperity and scarcity, all hinge on its outcome. Singapore has no votes, but we have our wish list. Whoever wins in November, I hope that he (or she) will:

- a. Uphold America's commitment to globalisation, free trade, and international rules;
- b. Pursue constructive relations with China and other major powers;
- c. Actively cultivate America's diverse interests in the Asia Pacific, especially in Southeast Asia;
- d. Remain steadfast in the fight against terrorism; and
- e. Take a long-term approach towards Iraq and Afghanistan.

11. America's role is especially crucial in engaging a rising Asia and integrating it into the global system. The emerging powers in Asia should have greater stakes in the existing international order. International cooperation is also key to tackling non-traditional security threats, such as food shortages or natural disasters, which are increasingly trans-border in character. Let me now discuss three of these issues.

Asia as Part of the Global Response

12. The first imperative is to uphold an open, globalised system that promotes economic interdependence between countries. The greater our stakes in one another's success, the more incentive countries have to cooperate, and to uphold a stable world order which fosters growth and prosperity for all.

13. However, globalisation also presents countries with daunting challenges. Spreading the benefits of globalisation widely among the population is not easy. In many developed countries, income inequality is worsening. Earnings of low and even middle-income workers are stagnating, while top incomes are zooming ahead. Job insecurity, immigration and economic restructuring all contribute to a pervasive sense of unease amongst workers. They feel helplessly caught up in the process of change, rather than being beneficiaries of a bigger economic pie. Even those not personally affected feel uneasy that closer interdependence may mean becoming vulnerable to foreign powers that may not be benign. Hence the angst and debate about sovereign wealth funds. All this is fuelling deep discontentment with globalisation, and provoking nationalistic and protectionist sentiments around the world.

14. These issues confront countries everywhere. Governments therefore need to address the anxieties of workers, help more people to become winners, and so build a broad consensus supporting globalisation and prosperity, while resisting protectionism and xenophobia. If countries pursue beggar-thy-neighbour policies or erect barriers against one another, not only will we all be economically worse off, but frictions and rivalry between countries or regions will become harder to contain.

15. The mood in the developed countries is defensive, partly because the emergence of Asia is shifting the balance of power. But Asia's growth is not a zero-sum game. Over the next 25 years, Asia's growth will contribute to a doubling of the world economy, and open up a whole range of opportunities worldwide. It is in the vital interest of the developed world to accommodate a rising Asia, and engage the region constructively. For their part, as Asian countries become more and more interlinked with the rest of the world, they will have bigger stakes in the international system and greater responsibilities in global affairs.

16. The most important player in Asia is China. The Olympic Games in August will be China's coming out party to celebrate its progress and opening up to the world. If carried off well, it will boost China's confidence, and help China to continue liberalising and opening up. But if handled badly, it will stir up deep and angry nationalist sentiments within China, and fuel fears and suspicions of China in other countries, with serious long-term consequences.

17. The disruptions to the Olympic torch relay in Europe and the US last month illustrate how things can go wrong. Tibetan activist groups deliberately seized this golden opportunity to embarrass China and press their case. They systematically organised aggressive demonstrations and protests along the route to capture the attention of the media, and secured propaganda success. Images of these clashes were beamed live around the world. In the West, they influenced public opinion against China and the Games. But in China, these same images sparked outrage and sharp nationalist reactions, especially amongst young Chinese, who flooded internet bulletin boards and chat rooms with virulent anti-foreign sentiments. Some more sober heads have criticised this over-reaction, and lamented how easily parts of China's public debate seem to have gone back to name-calling and vilifying opponents, like during the dark days of the Cultural Revolution. But the sense of national pride and desire to mount a successful Olympics is sincere and passionately felt. It has deep historical roots in the two centuries of weakness and humiliation that China experienced, and the awareness that now at last China is becoming strong again.

18. The international community needs to understand the strength of these gut emotions in Chinese society and collective psyche. At the same time, the Chinese people need to develop a sense of their new place and power in the world, and learn how to engage the West with measured confidence. This process will take time on both sides.

19. For now, the issue of the Olympic torch has been pushed off the headlines by the Sichuan earthquake. But managing the Olympics continues to pose a major challenge

for China. More unexpected incidents could arise, even during the Games themselves. How China handles them, and how the world responds, will have a big impact on the strategic success of the Beijing Olympics. The broader question is whether narrow interest groups will succeed in defining the international agenda on China, or whether both China and the West can rise above these vexing issues to pursue the strategic opportunities together. In turn, this will strongly influence whether China's emergence will unsettle the international order, or whether China succeeds in its path of peaceful integration with the rest of the world.

Ensuring Food Security

20. Besides a peaceful reordering of global power structures and institutions, countries must also work together to tackle trans-border security challenges. One immediate issue of concern is food.

21. People have long worried about food shortages, resulting from population growth outpacing food production. Human ingenuity has deferred this Malthusian prediction for more than 200 years. But it could still happen in the future. On the demand side, the world population is steadily increasing. Furthermore, with Asia's rise, hundreds of millions of people are becoming more affluent and consuming more and better food, crowding out billions who are still poor. On the supply side, misconceived green policies to subsidise bio-fuels are encouraging farmers to grow fuel instead of food. Gradually, climate change will lead to more extreme weather conditions, and likely reduce the supply of fresh water and arable land.

22. Over the next year, food prices may moderate with better harvests. In the longer term, the trends towards tighter supplies and higher prices will likely reassert themselves. This has serious security implications. The impact of a chronic food shortage will be felt most keenly by poor countries. The stresses from hunger and famine could result in social upheaval and civil strife, exacerbating conditions that lead to failed states. Between countries, competition for food supplies and displacement of people across borders could deepen tensions, and provoke conflict and wars.

23. We are already experiencing a small foretaste of this today. The recent sharp rise in food prices, particularly rice, has led to riots and unrests in several developing countries. In vulnerable areas like Darfur and Bangladesh, large numbers of people are moving across borders, often illegally, in search of food and water. Even without a food crisis we have seen vicious xenophobic attacks in South Africa against immigrants fleeing unstable regimes and desperate poverty in their home countries. In the event of a global food crisis, all this will play out on a much bigger scale across the globe.

24. To avert a serious problem, we need a multilateral cooperative effort. Individual countries need to upgrade productivity and infrastructure in their farm sectors. International agencies like the World Bank and the UN Food and Agriculture Organisation need to promote R&D in agro-technologies, to develop higher-yielding and climate-resistant crop varieties, using the full power of modern bioscience, including genetic modification techniques. And through the Doha Round, countries must work

together to keep agricultural trade free and fair. Only then will farmers everywhere have the right market signals and incentives to produce more food to meet increased demand. If countries pursue greater self-sufficiency and try to keep food production within their own borders, they will cause greater international tensions. Food prices will become more unstable, food importers will scramble to secure their own needs, and poor countries will suffer not just greater privation, but famine and starvation.

Providing Humanitarian Assistance & Disaster Relief

25. Besides food, a second challenge requiring international cooperation is the provision of humanitarian assistance and disaster relief. Such situations call for prompt and effective action. The overriding priority is to save the lives of victims, but the responses of governments also have broader implications for both domestic politics and foreign policy, especially when international assistance is involved. In Asia, this issue has been brought to the forefront with two major natural disasters in one month.

26. The massive earthquake in Sichuan province is China's worst disaster in decades. When the last major earthquake struck the city of Tangshan in 1976, the Chinese government was slow to react. It played down the disaster and rebuffed offers of help from the outside world, reflecting attitudes of Soviet style societies during the Cold War. But this time, the government responded with a relief effort unprecedented in speed and scale. Within hours, it had mobilised more than 100,000 troops, police and medical workers to the worst-hit areas. Premier Wen Jiabao himself flew immediately to the disaster area to oversee the rescue operation and comfort the injured. This state response was matched by a spontaneous outpouring of compassion and support from the Chinese people. They rushed to donate aid to the victims, and converged in large numbers on the quake zone, providing food, shelter and medical treatment in makeshift refugee camps. The crisis has rallied the whole country together in a tremendous sense of national solidarity, pride and public spirit.

27. It is not just China's self-image that has changed; media coverage of the quake has also presented a different face of China to the world. Satellite TV and the internet carried wrenching images of devastation and suffering, and dramatic footage of soldiers and rescue workers wading through mud and gore to help the victims, working by side by side with international NGOs and foreign rescue teams. Japan was the first country to send rescue workers to China, and the first country from which China accepted such help – a gesture of goodwill on both sides that did not go unnoticed. Rescue teams from Russia, Korea, Singapore and others followed soon after. The whole rescue operation was an extraordinary feat.

28. This is a China the world has never seen before – a sympathetic view of a country in transition, confronting enormous problems but also mustering huge energies and unexpected capabilities, as well as displaying a shared humanity. The Sichuan earthquake showed how much China has changed and offered a glimpse of its future: a more open and self-confident nation. The political aftershocks from this defining moment in China's history will be felt long after the ground has ceased to tremble.

29. Cyclone Nargis struck Southern Myanmar ten days before the Sichuan quake. The devastation in the Irrawaddy Delta is almost on the same scale as that in Aceh in Indonesia after the Boxing Day tsunami of 2004. Then Aceh was able to recover and rebuild itself through massive foreign assistance by the US and other countries, delivered mostly through their military forces. But there was a political consequence. Foreign military assistance convinced the GAM separatist movement in the province and the broader population that Aceh could not go it alone, and so they eventually reached a peace settlement with the Indonesian government.

30. Myanmar is one of the poorest nations in the world, with limited capabilities and resources, and millions living in extreme poverty. Yet after Cyclone Nargis the Myanmar government was extremely reluctant to accept assistance from abroad. Until very recently, it declined to allow foreign aid personnel to operate in the disaster areas, and insisted on channelling all relief supplies through its own channels. Till today, it continues to decline offers by many countries to deploy military equipment and personnel for relief operations.

31. From the humanitarian standpoint, every day lost means more avoidable casualties, more unconscionable human suffering. The frustration of the international community at Myanmar's refusal to let them act faster and do more is completely understandable. But from the perspective of Myanmar's domestic politics, the actions of the government should come as no surprise. The military leaders surely know that foreign aid will save lives and help to rebuild the devastated areas. But they also fear the political consequence of opening up the disaster zone to international aid teams. This might show up their own incapability, and undermine their credibility and legitimacy. They are also highly suspicious of humanitarian aid serving as a camouflage for a "regime change" agenda, especially when some countries have talked openly about invoking a "responsibility to protect" and mounting relief operations without the host government's permission.

32. It is regrettable that the Myanmar government has responded in this way. Myanmar's partners in ASEAN have all been deeply concerned by the massive suffering of the victims, which a more rapid international relief operation could have minimised. ASEAN has taken the initiative, working together with the UN, to strongly encourage the Myanmar authorities to be more open about accepting humanitarian aid and allowing foreign rescue and medical teams to operate in the country. These efforts have achieved some results, and we hope that they will continue to bear fruit.

33. In any natural disaster, we must acknowledge these realities, and work out effective ways to cooperate to save lives, doing the best possible under the circumstances. This is why it is important to have a continuous process of dialogue and engagement amongst countries, to build confidence, mutual understanding and trust. Governments must learn to work together on humanitarian assistance and relief efforts, as they already do in other non-traditional security challenges, like maritime security and counter-terrorism. Within the region, we can leverage on existing structures, such as ASEAN and the ASEAN Regional Forum (ARF), so that when disaster strikes,

countries can respond swiftly, and deliver relief supplies and aid to the affected areas as quickly as possible.

Conclusion

34. The challenges of our time are more complex and multi-faceted than ever before. Adjusting to the rise of China and India, integrating Asia into the global order, and dealing with the rising scale of trans-border threats like food shortages, natural disasters and climate change – all these add up to a full agenda for Asia and the world. But amidst these challenges lie great opportunities, to reshape international institutions and norms, and to reframe the regional architecture to collaborate more effectively and to build more enduring partnerships.

35. In this global endeavour, America's leadership continues to be indispensable. Dynamic and vibrant as it is, Asia will continue to depend critically on its links with the US and other developed countries. At the same time, the rising Asian countries will have to do their part as responsible stakeholders, and shoulder their fair share of the burden in the international system. We must work together across countries and across continents to reach a consensus on the big issues, and make our interdependence work for the benefit of all.