

**LUNCHEON SPEECH BY DEPUTY PRIME MINISTER AND MINISTER
FOR DEFENCE AT THE CENTRE OF STRATEGIC AND
INTERNATIONAL STUDIES, WASHINGTON, D.C.**

**WHERE THE MAJOR POWERS MEET:
A SOUTHEAST ASIAN VIEW OF US-CHINA RELATIONS**

1. Good afternoon, ladies and gentlemen. It is a pleasure to be back at CSIS. This is my second visit to the United States in less than six months — I was last in the US the past November — with the Army in Fort Sill, Oklahoma, and the Air Force in Mountain Home, Idaho. This time around, I have visited with the Navy in San Diego, and I am very glad to be here in Washington meeting again with my colleagues.

2. Singapore and the United States have been staunch friends and close partners for a very long time. For many decades, even before Singapore's independence in 1965, American ships and aircraft have called regularly at our bases. In the 1990s, when the US lost access to Clark and Subic bases in the Philippines, Singapore offered the United States access to our facilities. Then, in 2005, we signed the Strategic Framework Agreement, which recognised Singapore as a Major Security Cooperation Partner, of the United States.

3. Singapore and the United States share fundamental interests and strategic perspectives. For both our countries, counter-terrorism, maritime security, and counter-proliferation are key issues. Our troops have served with American forces in Iraq and Afghanistan. The Singapore Armed Forces are also deployed alongside the US in the Gulf of Aden, where Singapore recently took command of CTF 151, the multinational counter-piracy task force. Singapore and the United States also work closely in the Proliferation Security Initiative. The strength and reliability of our bilateral relationship has been an important anchor in the strategic calculus of both our countries, in a turbulent world, and a rapidly evolving Asia-Pacific.

4. Let me now speak more broadly, on recent international developments.

5. The global financial crisis has accelerated the shifts in the geopolitical landscape. China and India continue to grow at a rate 5 to 7 percentage points faster than the US, Japan or Europe. As a result, India's and in particular, China's relative positions in the world have risen. A significant segment of the Chinese people, especially the younger ones who inhabit the Internet, feel that their time has come.

6. “Will the 21st century belong to China?” In my view, it is too soon to say. China will continue to grow for many years, but the United States is famously resilient. I studied at the Kennedy School in Harvard in the mid-80s, when the imminent eclipse of the US by “Japan as No. 1” was the prevailing expectation. The US has confronted many a challenge before, yet reinvented itself, emerging stronger. As for China, it confronts great challenges of its own in managing the consequences of rapid, yet uneven growth. It faces an ageing population, and the continuing challenge of adapting its system to provide responsive and dynamic leadership, to navigate the future.

7. So, while China may have greater clout on the world stage, the United States remains the world’s leading power — and has the wherewithal to remain so into the future. But this is not pre-destined, and depends on how the US itself decides to pursue that future.

8. The United States continues to bear in large measure, the responsibility for the global commons, and the burden of international leadership, in areas such as counter-terrorism and counter-proliferation, while at the same time, shouldering the cost of fighting two wars, in Iraq and Afghanistan. Selectively, China is also stepping up to the plate in several areas where it has assessed it has an abiding interest, such as in the Six-Party Talks, in the Gulf of Aden, in UN peacekeeping, and in disaster relief operations, such as in Haiti.

9. The question on everyone’s minds is how the US-China relationship will evolve in the coming years. The US and China both recognise that they have many shared interests — in a peaceful, prosperous Asia-Pacific, the security of critical sea lanes, containing nuclear proliferation, and curbing global terrorism. Both sides recognise that having friendly relations is in their best interests. As Secretary Clinton said recently: “We each have our national interests. We each have to be primarily responsible for our own people. But I honestly believe that both the Chinese and American people will be safer and more prosperous in the future, if we have a good, solid relationship between our two countries.”

10. Indeed there is a strong degree of interdependence in the US-China relationship. China needs the US as an export market and a source of investment and technology. In turn, it is one of the largest holders of US Government bonds. This means that China has a stake in US economic well-being. These economic interdependencies will take a long time to unwind. While the financial crisis has sparked discussions about “rebalancing” the two economies, it will take time for

China to significantly boost domestic consumer demand, and for the US to reduce its national debt. So, for the time being, the US and China continue to need each other. In fact, the inter-dependence will grow post-crisis. China will soon be the second largest economy in the world. Its geopolitical influence will continue to rise correspondingly, and it will have the potential to be a strong, cooperative partner of the US in global and regional issues.

11. In recent months, the bilateral relationship appears to have hit a rough patch over a series of diplomatic spats. That said, both sides appear committed to not having the relationship worsen further.

12. On the horizon, there are domestic factors in the US and China that will complicate the bilateral relationship. For the US, with unemployment remaining high and mid-term elections in November, there will be temptation to take a protectionist stance against major trade partners, particularly emerging economies like China. For China, the government cannot ignore the power of grassroots-driven nationalism, the desire of the Chinese people to feel strong and respected on the world stage. Particularly in urban areas, this desire is finding expression in the Internet in a way that the Chinese leadership cannot ignore. China also faces top leadership succession in 2012 and 2013, and no Chinese leader can afford to look weak on core issues, in a time of transition.

13. In the coming years, it is important for the US and China to build up greater strategic trust. It is important that there is no miscalculation, that there are avenues to resolve the issues that may arise. We welcome the views expressed in the Joint Statement, issued during President Obama's state visit to China last November, where the US welcomed a "strong, prosperous, and successful China that plays a greater role in world affairs" and China welcomed the US "as an Asia-Pacific nation that contributes to peace, stability, and prosperity in the region". In the coming years, it will take determination, hard-headed magnanimity, and political will on both sides, for the US and China to successfully manage a relationship that combines elements of cooperation and mutual dependence in some areas, and competition in other areas.

14. Let me turn now to South East Asia, where the strategic interests of the US and China intersect. It is where critical sea lanes converge, and it is rich in natural resources. Both the US and China want to engage Southeast Asia, and both want to engage ASEAN.

15. We welcome the US' renewed engagement of Southeast Asia — the inaugural US-ASEAN Summit in Singapore last year, the signing of the Treaty of Amity and Cooperation. These reflect the Obama Administration's renewed focus on Asia and Southeast Asia.

16. However, there is a de-sync between what is happening in the strategic arena and what is happening in the economic arena. While the US remains an important strategic partner for many ASEAN countries, China is overtaking the US in terms of trade and investment ties. In 2003, the US was ASEAN's top trading partner, whereas today, the US is only ASEAN's fourth largest trading partner. The US is also lagging in terms of trade integration with ASEAN. The US stands out — along with the EU — in not having an FTA with ASEAN. As ASEAN's economic ties to China deepen, China will command greater attention in the region. And if China revalues the yuan — as the US wants — we can expect China to come with deeper pockets to Southeast Asia to invest, and for China to become an even more important export destination for ASEAN.

17. China is working hard to build a reputation in Southeast Asia as a reliable friend and partner. China is now ASEAN's most active dialogue partner, particularly via the ASEAN+3. China has bankrolled major projects such as the highway from Bangkok to Kunming and the bridge from Java to Madura, and took on a leading role in the Chiang Mai Initiative. China is also expanding people-to-people ties with ASEAN, through its Confucius Institutes, and scholarships to ASEAN students to pursue higher education in China.

18. China usually takes a “softly, gently” approach in Southeast Asia, but not if core national interests are threatened. We saw this in the Chinese reaction to the joint Malaysia-Vietnam submission last year, to the UN Commission on the Limits of the Continental Shelf, on claims in the South China Sea. China responded the very next day, with a counter-claim that extends as far as the waters off East Malaysia and the Natuna Islands of Indonesia.

19. Over the coming years, as Chinese interest in Southeast Asia deepens, the US ought to also focus more on the region. The US needs to deepen its trade and investment linkages to Southeast Asia. And also continue to step up engagement on the foreign affairs and defence tracks. The United States should continue to reach out to Southeast Asia at the people-to-people level. A good sign is the return of the Peace Corps to Indonesia. Likewise, USAID has done good work in Indonesia by partnering with respected Muslim grassroots organisations, Nahdlatul Ulama and Muhammadiyah, on education and public health initiatives. In

particular, the United States should expand education exchanges, as this will allow future generations of American and Southeast Asian leaders to understand and work with one another.

20. Southeast Asia wants to see the US and China having a stable, cooperative relationship — a cooperative and constructive relationship amongst the major powers and the countries in the region. We do not want a return to the days of the Cold War, when Southeast Asia was a contested, divided region. Instead, those in our region want Southeast Asia — specifically, ASEAN — to have a role to play in fostering good, constructive relations between the US and China.

21. Today, ASEAN has renewed strategic relevance. ASEAN has many strengths. It is neutral, and consensus-based, and is open to relations with all. That is why ASEAN can bring all the major powers of the Asia-Pacific around the same table. ASEAN certainly has its weaknesses, and there have been times when it could have done more. Yet, there are important things that ASEAN does very well: facilitating dialogue, building up trust, and forging consensus to work together for the common good, despite conflicting national interests. It is in large part because we had ASEAN, that we have avoided major armed conflict within ASEAN, since its inception in 1967.

22. ASEAN is well-positioned now to serve as the fulcrum for the regional security architecture of the Asia-Pacific. Both the US and China have a keen interest in engaging ASEAN, as do the other key players, such as Japan, India, the Republic of Korea, Australia, New Zealand, and Russia. It is at the ASEAN-led forums — which are well-established — that all the key players come together.

23. In particular, the ADMM-Plus could help foster constructive engagement between the US and China in the defence arena. The ASEAN Defence Ministers' Meeting, or ADMM, can bring together the defence leaders of the ASEAN countries and the key extra-regional powers, including the US and China, in the ADMM-Plus. Looking ahead, as the ADMM-Plus moves in the direction of greater practical cooperation, there could be the opportunity for the US and Chinese armed forces to take part in practical forms of defence cooperation, or even jointly participate in multilateral exercises, organised under the ambit of the ADMM-Plus.

24. So, there are tremendous benefits for both the US and China to engage ASEAN. It is important that even when the bilateral relationship between the US and China faces difficulties, dialogue and cooperation can proceed unhindered on

the multilateral front. This encourages a relationship between the US and China that is more resistant to the occasional shocks that it will be subject to.

25. To conclude, for 60 years, the US has provided the security that underpins the international order in the Asia-Pacific. We do not want to see the pre-eminent US role in the region diminished. At the same time, we see the need to create a regional economic and security architecture that can help draw a growing China into a peaceful and constructive relationship with ASEAN, the US, and other powers which have interests in the ASEAN region. There will of course be disagreements between a rising China and the United States. This is where ASEAN has an important role to play, in fostering stable, constructive relations between the US and China, building trust, and encouraging cooperation where American and Chinese interests coincide.

26. Thank you, ladies and gentlemen. I would now like to have the benefit of your views and insights, and to have a good discussion.

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