

Transcript of Minister for Foreign Affairs Dr Vivian Balakrishnan's Speech and Question and Answer Session at the 15th ASEAN Lecture, "ASEAN: Next 50", at ISEAS-Yusof Ishak Institute, 5 December 2017

Dr Tang Siew Mun, Head of the ISEAS ASEAN Studies Centre; Excellencies; Distinguished Guests; Ladies and Gentlemen;

1 First, I think we're all here ... we're celebrating ASEAN's Golden Jubilee this year. I was just having a chat with my mentor, Professor Tommy Koh, and he revealed that this is also his Golden Anniversary. In fact, he got married on 5th August 1967 – three days before ASEAN came about; so it's fitting that we start by paying tribute to him and his wife. Tommy, as you know, has been an incredible pillar of diplomacy and foreign policy, not only for Singapore. For ASEAN, you know, he also drafted the ASEAN Charter, and of course you know about his work at UNCLOS, and the Rio Conference ... I mean, he truly is a polymath of our times. So thank you Tommy for being here; you just made my job harder.

2 But, these are interesting times to be alive. So much is happening in the world, and perhaps the way to start is by asking some questions: Why was ASEAN formed 50 years ago? What role has it played in the last 50 years? What does the future hold in the next 50 years? And what does this often-banded term "ASEAN unity and centrality" – what does it really mean? And how will it be enacted? So we start with those series of questions.

3 ASEAN is at an inflexion point today, and not just because it's 50. It's at an inflexion point because the world as a whole has changed, and we are living in very uncertain times. Let's just do a quick scan of what's happening in the world.

4 First, the geostrategic balance has changed, and changed dramatically. Never before in human history have two billion people suddenly come online; connected to the global economy at the same time. Never before in human history have hundreds of millions of people been raised from abject poverty into a rising middle class. We've seen this transformation occur since 1978 in China; 1991 in India. And rising economic power must inevitably mean increased diplomatic and military clout. We know that the Cold War ended with the fall of the Berlin Wall in 1989; and in fact, some Western commentators mistakenly proclaimed the end of History – as if the liberal world order was an inevitable end of this process. We all know this was mistaken. Japan – do you remember Japan in the 80s, that could say no? And in 1991, the bubble burst, they ran out of demographic steam. Demographics is also at play in Europe; and today Europe confronts existential questions of identity as it grapples with large-scale immigration. And we have witnessed extremism, terrorism becoming ubiquitous across the world. It's not just a Middle East phenomenon. And America – the hyper-power that underwrote the liberal rules-based world order as we know it since the Second World War – is now engaged in a major bout of legitimate political questions, questioning its own role in underwriting this world as we know it. So there's no question that the entire geostrategic balance, and many of the assumptions and presumptions that we took for granted, no longer apply today.

5 The second big change is that the global consensus for free trade, economic integration and globalisation is fraying. We have witnessed populism and nationalism all over the world. It's gained traction in political campaigns, and we witness the rise of populists both on the right and on the left. Free trade has been unfairly blamed for

legitimate middle class anxiety over jobs and wage stagnation, when actually the real problem – or the real phenomenon – is the fact that there is an ongoing digital revolution.

Every time you get a new revolution – a new industrial revolution, or now a new digital revolution – we know that the first few entrepreneurs, the first few states that get it, make enormous outsized profits and therefore accrue enormous power; and that in these initial phases of a revolution, in fact, you see increased inequality. And it takes time for a Gilded Age to pass, and to become a Golden Age – when you get a rising middle class that has been able to master the new technologies behind the revolution. So the point is, there is middle class anxiety. Economic and political institutions are being questioned as never before, and the jobs of today are at risk of becoming obsolete. The real challenge is not to build walls, or not just to redistribute accumulated past wealth. The real challenge is to ensure that our people have the right skills for the new jobs; that the new means of production are democratised and commoditised so that a new middle class can rise and no one is left behind.

6 The third thing that has changed is that our global world order is being reshaped by the emergence of non-state actors and transboundary challenges, including terrorism, cybercrime and climate change. These are phenomena which are not confined to neat geographical boundaries, and they don't operate within the usual concepts of the Westphalian nation state. The only way to deal with these transboundary global threats, in fact, is to mount a global consensus and global action, whether you're dealing with cyber, climate or terrorism. And a case in point for us in Southeast Asia is the returning fighters from Iraq and Syria, where we know ISIS has lost ground. We saw some more returning fighters in Marawi, in the Southern Philippines. And there are other potential hotbeds for terrorists in our region. Closer home, we even saw a Singaporean in an ISIS recruitment video. And even our concern about the problem in Rakhine State is also related to our anxiety that this becomes another sanctuary, another hotbed, for extremism and terrorism. So the implication here is that these types of problems cannot be solved purely locally, and no single country can solve them alone. More and more collective effort will be needed to tackle these challenges. And the global multilateral processes that Tommy was so engaged in – the law of the sea, climate change, looking after the natural heritage of mankind – all these things, in fact, become more salient. That's why Tommy, you can always be proud of the fact that you were ahead of the curve. And we need that approach – that multilateral mutual respect, interdependence and cooperation. We need these approaches more than ever before.

7 Finally, ASEAN herself has had to contend with our own internal challenges. The 10 ASEAN Member States are highly diverse, in terms of our political, economic and social systems. In fact, I believe we may be the most diverse grouping in the world. You have 10 very different countries – difference in size, difference in population, difference in religion. We've got political systems that range from absolute monarchy, to democracy, to military arrangements. I really don't think you'll find a more diverse group of countries. And much has been asked about this ASEAN habit of consensus – of seeking consensus – and whether this is a bug or a design feature. And my point is that in fact, it is a design feature. It is designed because of the great diversity within ASEAN, and consensus is a necessary fail-safe. It ensures that every member – regardless of our size, regardless of our politics, regardless of the state of our economic development – every member has an equal voice. Or another way of expressing it – every member has a veto. Consensus forces us to take an enlightened long-term view of our own national interest vis-à-vis the larger, long-term regional interest. And in a sense, that somewhat slower, that more laborious process of achieving consensus nevertheless allows us – in my opinion – to achieve more sustainable solutions. Because you know that when we've signed, everyone

has thought through it, worked through the implications, and has agreed to stand by it. So consensus is a design feature, and is the foundation of ASEAN unity. The fundamental question however, whenever events and challenges arise, is to what extent can we make the optimal trade-off between pursuing our own national interests versus the broader, long-term regional interests.

8 Despite the challenges that we face – both internally as well as externally, that I’ve outlined – I remain optimistic that our prospects are bright for the next 50 years.

9 Let me bring you back on a journey, or rather on the journey that we have made in the last 50 years to understand why I retain that sense of optimism. Think about 1967. In fact, it was a time of great geopolitical instability. There were even conflicts within the original five Member States of ASEAN. In 1967, it was just two years after we had been ejected from Malaysia. There were still territorial claims between the Philippines and Malaysia. The *Konfrontasi* between Indonesia, versus the formation of Malaysia, was not fully resolved yet. We even had Indonesian marines on trial for a terrorist bombing in MacDonald House in Orchard Road. So to imagine – that at the zenith of the Cold War, with the conflict in full force in Indochina – that this unlikely motley crew of five could get together despite our very fundamental differences, actually was a major achievement.

10 It is also worthwhile remembering that this original five really consisted of non-communist Southeast Asia. And by getting together and therefore having those first critical two to three decades of peace amongst ourselves, and time to invest in our infrastructure, invest in our people, and to prove that an economic model of openness, of trade, of liberalisation works. In fact we were ahead of the curve. Today, you call it globalisation. Today virtually every region of the world operates on that, although as I have said earlier, there are some questions about the limits of globalisation. And we must give credit, due credit, therefore to ASEAN for simply preventing war amongst the original members. And in fact, subsequently when we included Vietnam in 1995, Laos and Myanmar in 1997, and then Cambodia in 1999; the point I want to make is that there has been no outright conflict, war or battle between ASEAN Member States. And in this day and age, this is an achievement worth celebrating.

11 It is also worth recalling that one of ASEAN’s most high profile diplomatic campaigns was in the aftermath of the Vietnamese intervention in Cambodia in 1979. Professor Tommy Koh and our pioneer diplomats will remember that in fact, ASEAN was swimming against conventional wisdom at the UN at that point in time. Nevertheless, ASEAN stood united and raised its point – that we do not stand or tolerate foreign intervention, and we want to assert the rights of self-determination for our Member States. Again as I said, against conventional wisdom, ahead of its time, but we succeeded. And when the Cold War ended, which in turn led to ASEAN’s expansion, the point here is that if you think about it, ASEAN’s formation, ASEAN’s growth and ASEAN’s challenges have always everything to do with what happens on the global stage.

12 So it comes back to this point that our need for consensus and our need for unity, in order to preserve our centrality and relevance in the rest of the world is always, always at play. It is worthwhile contemplating the opposite scenario. If ASEAN had not been formed, if we had not insisted on consensus as a design feature. I think the opposite scenario for Southeast Asia in the last 50 years without ASEAN is that we would have been a collection of proxies and vassal states to the major powers of the day. And that would not have been a recipe for peace, prosperity and the economic transformation which we have witnessed over the last 50 years. Therefore unity and centrality for ASEAN are

key for our survival. As PM Lee has put it, ASEAN today is a lifeboat for all 10 Member States to come together, to work together and to have our voice heard on the global stage.

13 So it is imperative that we do not break ranks, and we do not sacrifice the long-term regional good in favour of narrower short-term national interests. Otherwise, no one will take us seriously.

14 You know, I'm always amazed at ASEAN Summits and at the EAS Summit that the Leaders - from America, China, Russia, Australia, New Zealand, India – all bother to come and engage us. If ASEAN was not successful, if ASEAN was not united, if ASEAN didn't matter, I don't think those Leaders would bother to come and see us every year. So the point here is, for ASEAN to remain credible, relevant and central, is an imperative for us. But it is also in our hands, in our Leaders' hands, to get the right balance between emphasising regional unity while still guarding our long-term national interests.

15 ASEAN's always going to be affected by what happens externally; and our short history of 50 years has illustrated that. The challenge is whether we allow these external tsunamis to overwhelm us, to divide us, or whether we collectively build a bigger, stronger ship that will allow us to navigate out of danger and to expand opportunities for all our people. We need and we want ASEAN to be adaptable, and we want ASEAN to be able to seize the new opportunities that the ongoing digital revolution will bring; and to formulate innovative ways to deal with these new challenges, especially the transboundary challenges that I have outlined earlier.

16 That's why Singapore as the incoming Chair of ASEAN wants to focus on strengthening ASEAN's resilience and expanding our innovative capacity. Resilience and Innovation will underpin cooperation across all three Community Pillars of ASEAN under our Chairmanship; let me just list a few to give you a flavour of what we're trying to do.

17 First, think about the digital revolution, about e-commerce, the way it's transforming supply chains, the way production and value is being transformed. We hope to establish an ASEAN Smart Cities Network. It will connect people and economies seamlessly; it will enable ideas and solutions to flow across our entire region.

18 Second, we hope to build and enhance collective resilience against common threats such as terrorism, violent extremism, and transnational crimes. We need to step up, and to step up urgently, collaboration on cybersecurity, because you can't have a smarter world, you can't have e-commerce, you can't have seamless digital transactions if you don't have cybersecurity. It's the flip side of the coin. So we will need a robust cybersecurity regime in order to provide assurances and opportunities for our people and our businesses. We will also work towards completing a Model ASEAN Extradition Treaty, which will be an important step in strengthening the regional rule of law.

19 Third, we will continue to invest in our people. 60 per cent of ASEAN's population of 628 million are below the age of 35. Just now I referred to this issue of a demographic drought that has occurred in Northeast Asia and in some parts of Europe. The fact that ASEAN is young and we have not yet harvested our demographic dividend is a source of great opportunity. But, and there is a but, young people are a source of great opportunity and inspiration if we ensure that they have the relevant skills and that governments have invested in the latest, up-to-date infrastructure, and that our social, political and economic systems give people opportunities, fair opportunities. If we can achieve this, then a young ASEAN, with a population larger than Europe, in a region of

peace, and a region that connects Northeast Asia, South Asia including India, Australia and New Zealand, and across the Pacific, we are in the middle of all the action.

20 Fourth, we will continue to strengthen economic and financial resilience, whilst deepening our ties with external partners. What does this mean? It basically means we want to give everyone a bigger stake in our region's continued prosperity. When we meet superpowers, my usual line to them is: it is in your own long-term interest for ASEAN to succeed, because ASEAN will ultimately be your biggest trading partner; ASEAN will be your great opportunity for investments. The key word, the key concept behind this, is interdependence. We believe the way to secure peace is to promote interdependence, and then to tell everyone that you gain more by working together, by investing in one another, by trading with one another - win-win outcomes. Because the opposite scenario is to divide the world into rival blocs, insist on narrow independence, engage in zero-sum competition and ultimately proxy wars. So, economic, political interdependence is our recipe for peace and prosperity.

21 We will therefore step up our efforts to achieve a high-quality Regional Comprehensive Economic Partnership (RCEP). This is a free trade pact that includes all the 10 ASEAN countries and the six partners of ASEAN whom we already have free trade arrangements with. The six, you know who they are – China, India, Australia, New Zealand, Korea and Japan. If we put all these together, you account for more than 30 per cent of global GDP and about 40 per cent of the global population. And of course our longer term aim is to achieve a Free Trade Area of the Asia-Pacific. So whether you talk about the RCEP or TPP, to us, they are just multiple roads that lead to a larger destination.

22 We will also bolster regional business opportunities, particularly for small and medium enterprises (SMEs), by advancing the ASEAN Single Window and the ASEAN-wide Self Certification regime. I should add that it is also worth emphasising that at the recent ASEAN Summit in Manila, ASEAN and China formally announced the commencement of negotiations for the Code of Conduct in the South China Sea. This has been long overdue. The DOC, the Declaration, was signed in 2002, a long time ago. This is a very positive sign, an icon that both China and ASEAN countries want to achieve peace and stability, and to ensure that the South China Sea remains a calm sea. And this is crucial, this is crucial because this is a critical artery for free trade, and free trade is essential for the economic development and transformation of our region.

23 In closing, let me just say that we've come a long way. There's much to celebrate, much to be proud of. The challenges that we've outcome are also salutary reminders – reminders that ASEAN will always be subject to external forces, and we have to take the world as it is and make the necessary adjustments. It's a reminder that there will always be a premium on maintaining ASEAN unity, in order for us to remain relevant, and in order to give truth to this concept of ASEAN centrality. And it is also a reminder that we remain a region with tremendous potential. But achieving that potential will require that we pay attention to some fundamentals, and that we get the balance right – between protecting regional unity and relevance, and whilst at the same time advancing our own long-term national interests.

24 So I conclude with the fact that our prospects remain bright. And Singapore as ASEAN Chair will do our best as ASEAN makes it first steps into the next 50 years towards that bright future that our people demand and expect. Thank you all very much for your attention, I'll be happy to take questions, and the more robust the better, thank you.

Moderator (Dr Tang Siew Mun): Thank you Minister. Thank you for sharing with us your views on not just the future but also a very pertinent reminder on the journey that ASEAN has taken the last 50 years – where we are, where we will be going as well. ASEAN is indeed a youthful entity. It is a dynamic region. We open the forum for Q&A. As courtesy to our distinguished speaker, could you please identify yourself – just your name and your affiliation? If possible, keep your question short, your comments equally short as well. Can I have speaker, Dr Ian Chong from NUS?

Question (1): Thanks for identifying me, on my behalf. It saves me the trouble. So Minister, you laid out some of the principles and specific programmes. But what I am interested in are hearing you talk a little bit about the strategies that you hope to employ. Specifically I am curious as to what Singapore might do, plans to do as ASEAN chair to improve ASEAN's ability to coordinate, perhaps looking at changes to the Secretariat, not limited to that obviously. Just to be clear, this is not about increasing the authority of the Secretariat. It's to allow Secretariat and other ASEAN institutions to do the job that they've already been delegated to do better. Secondly, what does Singapore plan to do if anything – and you alluded to this – the potential peeling off of ASEAN either because of internal or external forces, and if you have plans, what are they? If you do not intend to do anything about this, why not? Thanks.

Minister: Thank you Ian for that good and provocative start. First of all, in my mind, I always differentiate between strategies, tactics and operations. And your question started off by asking what our strategies are. How you operate a Secretariat? To me, it's an operational question, perhaps even a tactical question. Actually the heart of your question is related to your second point which is there will always be centrifugal forces acting on ASEAN. For every national leader, we are voted by a local electorate. We are not voted by ASEAN as a whole. It therefore requires political wisdom on the part of the leaders – the same wisdom which existed, fortunately for us, 50 years ago – for leaders with very fundamental differences and unresolved conflicts to say we better hang together, or we will be hung one by one. So frankly, I shall take some risk here. I think what is needed is for our leaders to be able to spend more time, not in Secretariats, not in plenary sessions, but just time with each other to build up trust, to understand each other's real red lines, each other's deepest fears and hopes and aspirations and then to be able to cobble together the consensus on how to move forward.

So one clue I'd let you in on. For Summits organised by Singapore, I would rather have less rah-rah and less formal meetings and more quiet time for our Leaders to sit and talk without an audience, without a gallery, to sort these things out. Because you see, Ian, we are not short of divisive issues. Even right now as we talk, I mentioned in passing, the situation in Rakhine state – a complicated problem. It's one that dates back to at least 1832 if not earlier and you know as well as I do, it's not going to be solved overnight. You know as well as I do that simply counting votes will not solve it overnight as well. Nevertheless for ASEAN to see nothing, say nothing, do nothing, is not credible either. How do we formulate a response that is in keeping with our values, that puts people first and respects our principles of non-interference and national sovereignty? So for instance, we used this most thorny issue as an example. First, to be humble enough to say this is very complex, and historical, communal issues do not lend themselves to easy solutions. Even if you look at the national histories of the ten ASEAN members, all of us have had to deal with this very difficult issue of race, language, religion and citizenship. All of us have resolved it in slightly different ways. First thing, recognise and to be humble that it is

difficult and doesn't lend itself to a slogan or to an instant solution. Now, having said that, there are real people suffering terrible injustices and victims of atrocities. I was just in Nay Pyi Taw a week ago. I flipped through the photographs that the army showed me. You know I used to be a surgeon. You know that I can more or less diagnose how people got killed, but a surgeon cannot tell you who killed them or why they were killed and why these people had to suffer grievously. The point is there is a humanitarian disaster and ASEAN has to stand for stopping the violence and stop violence now, making sure humanitarian assistance actually flows and at the same time, when you deliver humanitarian assistance, to understand that it is not an invading army of humanitarian workers. When you want to deliver humanitarian assistance effectively, both for the urgent as well as the longer term challenges, you have to work with local authorities and with local communities. So that's the second point. And third, we have to also, without aggravating the situation, make every leader pause before they do anything which will inflict pain, harm, death, retribution. And I'm always reminded that to start a conflict is easy but whenever you get a conflict, whenever you get war, you get unspeakable atrocities. And whilst every leader always wants to have that option, every leader must be made aware of the consequences of your choices and that you could be held accountable for those choices. And yet we have to do this while also respecting ASEAN's design feature, that we can't do anything unless we have consensus. So I'm just using that as an illustration for both the limits as well as the possibilities of what ASEAN can do.

Therefore, with all due respect, it's not a matter of just the secretariat, it's not even a matter of how many meetings we have. It is a question of trust between leaders, a long-term outlook based on humility and realism in order to solve the problems that confront us. Singapore is, by land area, the smallest. We are the smallest member of ASEAN. So we will never be the 'leader' of ASEAN. Our role, at best, is to be an honest broker, to call it as it is, but in Professor Tommy Koh's style, to facilitate resolution. Don't aggravate things, don't make things worse, no need to grand stand, no need to posture. Just do good, whether it works best by doing it quietly, which frankly in an Asian context, that's often the most effective. Quietly build trust, act in a way that is consistent with your values or declared values, and then hopefully, by getting ASEAN members into this habit of acting collectively, we build reflexes for the future. So sorry it's a longwinded answer to your question but I hope I've given some idea of our considerations. Thanks.

Question (1): So can I sum it up, your strategy is trust, spend time, and wisdom. That's sort of what I got from this. I just want to avoid confusion on my part.

Minister: Well, build trust. Trust is a very human phenomena. It can only come about by spending time and doing things together. Number two, is to recognise that many things cannot be solved overnight, but you don't let a problem derail the overall agenda. The South China Sea is another example. It's not going to be solved overnight. The Code of Conduct is not a panacea, but it is a very positive step, and ASEAN and China have so much more to look forward to. And there will be other issues I'm sure, in the future, that could derail these wonderful prospects for the future, but we have got to keep the longer term interests at stake. So the final point here is a sense of judgment, or what you call wisdom.

Question (1): Okay, thank you.

Minister: Thank you.

Moderator: Thank you. I guess a sense of pragmatism is also very important.

Minister: Well, yes, that's entirely Singaporean, to be pragmatic.

Question (2): Hi, good morning Dr Balakrishnan. I'm Ting Ting from [Phoenix Satellite TV](#). I have two questions for you. The first question is, some ASEAN partners might have conflicting interests, especially within the global superpowers. How would ASEAN work with these partners while safeguarding ASEAN's interests and sovereignty? The second question is, could you please comment on President Donald Trump's new definition of the Indo-Pacific, and how this could affect ASEAN? Thank you so much.

Minister: Thank you. Again, another provocative set of questions. I've alluded to it earlier when I said that we believe in interdependence because with interdependence, there is a premium on collaboration and you hope to achieve win-win outcomes. This is a very different way of looking at the world, than the other which is one that looks at purely zero-sum competition – you're forced to choose sides, and small states become vassals or proxies, and ultimately, one side wins, one side loses. We do not subscribe to this latter model. That's why you see that is what ASEAN is trying to do. I won't say that we have completely settled it, but if you look at the theme of what ASEAN has done in the last 50 years and what we hope to do, it's to increase the level of interdependence – interdependence within ASEAN itself, the 10 member states. So yes, we may have disagreements but it does not make sense for you to let a disagreement derail the overall relationship. Secondly, interdependence between ASEAN and the regional and superpowers that engage with us. And for us then, to be able to tell any superpower that, please don't force us to choose sides because in fact, we're a region with great opportunity, and there's more than enough space and opportunity for everyone and we can achieve a win-win outcome for all. So it's a frame of mind and it's an approach we take, and that's why, as I said just now, despite the fraying global consensus say on free trade, we still believe that it makes sense because it makes us interdependent. It makes securing the peace worthwhile in your own national, long-term interest. So that's our philosophy behind it.

The Indo-Pacific is an idea that I think was first formulated by Prime Minister Abe in his first incarnation as Prime Minister. So it's at least a decade old. If you ignore the label, and I was just to ask you, in the next 50 years, where are the big growth engines of the world, in those categories you have to say, well, China with 1.3 billion people, is that a growth engine? Clearly, yes. Next question, India, when will the Indian population exceed the Chinese population? The answer is within a decade. Yes, the Indian growth rate has been slower than China but even at 7% growth per year. Do you know the rule of 72? If you achieve 7.2% growth every year for 10 years you doubled your economy. You look at Southeast Asia, 628 million people combined GDP US\$2.5 trillion. We can certainly achieve 6-7% growth rates sustainably because we are young. Our GDP can double, can be quadrupled to 10 in two decades, three decades? And then if you look across the Pacific Ocean, and many people always just look across Pacific Ocean and look at the United States of America, I would say that I remain optimistic about the prospects of the United States of America. It's still the most vibrant, innovation economy in the world. Secondly, unlike many other advanced countries, it is still demographically stable, meaning they still have enough babies. Now, just leave the United States alone for a while, cast your eye south of the United States, look at Mexico and interestingly look at Latin America and South America. I used to go to Brazil a decade ago, try to encourage more free trade, to explore whether free trade agreement between Mercosur and Singapore would be possible, and frankly, I was rebuffed. This is 10 years ago. Today, when I go to the South America, I engage Mercosur, which is Brazil, Argentina, Uruguay and Paraguay. I engaged

the Pacific Alliance – Chile, Peru, Mexico... and suddenly everyone is interested; “Yes, yes we do want, never mind what Uncle Sam is trying to sort out, but we in South America, Mercosur and Pacific Alliance wants to build economic bridges to Southeast Asia.” And they say, “Well, we’ll try it with ASEAN and maybe if ASEAN is a bit slower, we will do Singapore as a pathfinder and then we’ll do ASEAN.” So, don’t get caught up with the political connotations of labels, but just ask yourself this – are the continental size economies in South Asia, Southeast Asia, Northeast Asia, North America and South America, are there great prospects in the next two to three decades and are there even greater prospects if we integrate and we connect, and we invest and we trade? So, that’s what we believe in, never mind whether you call it Asia Pacific or Indo Pacific. Like I said, even for free trade agreement whether you call it RCEP or TPP, to me these are all multiple avenues that lead to an architecture, an inclusive, open, integrated, interdependent architecture – that can achieve peace and prosperity for all of us. And that’s something well worth working towards.

Moderator: Thank you. We have a colleague from the end of the room?

Question (3): Hi Minister. Blake Berger with the Centre on Asian Globalisation at Lee Kwan Yew School. On the discussion of the US, we’re bringing China and US together as the Chair of ASEAN. What functional areas of cooperation could Singapore advance in order to ameliorate some of the tension between the two?

Minister: Thank you. You phrased your question very politely. Actually, the relationship between the US and China is the most important, most delicate and most sensitive bilateral relationship in the world right now – meaning that, how well that relationship unfolds has got tremendous impact on the rest of us, even though we have no say. I referred to the Cold War and the end of the Cold War in 1989. Today the academic fetish of the month is the “Thucydides Trap”, meaning, will there be war between an emerging super power and the existing super power? The answer is, of course – it depends on them and not on us. But it’s worth reflecting on the differences, in the dynamic between United States and China today, as opposed to the dynamic between America and the Soviet Union during the Cold War. The biggest key difference is that today, America and China actually are highly interdependent. Never before in human history have the two biggest powers been so interdependent in terms of trade, investment, education, research, people-to-people flows and it is our hope that this interdependence – which is on a complete different scale, if you think about the relationship between the Soviet Union and Russia during the Cold War, there you really had two separate economies and political systems. The iron curtain, and the iron curtain was real, not just figuratively but even economically, and so it was a zero-sum game. Eventually the wall fell, not because of a military victory but an economic bankruptcy of an idea. Today, whether you call it a new system with Chinese characteristics, or whether you call it whatever the Americans want to call it, the fact is, they are interdependent. And it does not make sense to begin a trade war or even a hot war of any sorts. Will there be competition between these two? Yes, there will certainly be competition. And will there some times be old war habits – particularly when they look at regions in between and ASEAN is one such region? Yes, there will be from time to time temptations to engage in old war habits, but we hope that the high level of interdependence between United States and China; and the enormous opportunities that both of them will have in Southeast Asia and indeed in the rest of the Pacific and South Asia, will mean cooler heads will prevail, and a *modus vivendi* that leads to prosperity across the world will be the dominant theme in the next two decades. But anyway, we have no say, these are our hopes. But it still comes back to the theme of interdependence

within ASEAN, and between ASEAN and the major players. We hope that cool heads will prevail in Beijing and Washington as well.

Moderator: The colleague at the far end of the room please?

Question (4): I am Euston Quah, President of the Economic Society of Singapore, NTU Economics. Good morning Minister. As I listen to you, I grow heartened that despite all the challenges, complexities, difficulties that ASEAN will face, it has a lot of silver linings and there is a lot of strength in ASEAN. And you mentioned consensus, I think that's very important and you commended Professor Tommy Koh for his work on multilateral treaties. That is certainly very admirable. My concern is this, and that is a comment which is that we've been talking about economic integration and some aspects of political integration and so on. What about the tension between economic growth and the environment? Meeting environmental obligations, because that is a source of, that can be a source of tension. Think about trans-boundary pollution issues, not just the haze but river water pollution, and also as countries in the region continue to develop and they want to catch up to become a developed status, they are bound to be in conflict with boundary issues, and that is, I think very significant. Think about NIMBY questions – Not In My Backyard syndrome. So these are questions which I hope that maybe ASEAN, Singapore being the chair of this ASEAN year, will perhaps have something to say about environmental integration. Thank you very much.

Minister: Thank you, Euston. You know in your own work, you've often been the bridge between economics and other areas like the environment, behavioural science, where people used to think they were two separate areas, and that you could measure everything in the economic field and you could not measure environmental good. And anything that could not be measured therefore got ignored. And you know as well as I do that, I think this has been a big, big contribution of your work in this arena. So thank you for that.

Now, the point is, and if you look at this apparent tension between the economy and the environment, and I say it's apparent for the following reasons. We're facing global climate change and unless you're completely non-scientific and you refuse to look at the data, we will all agree that now that carbon dioxide is more than 400 parts per million, and that the last time the world had carbon dioxide at such levels, you probably have to go back about 800,000 years ago, and human beings didn't exist then. There's no question that we're in uncharted territory. There's also no question that the solution or any solution today cannot depend on unilateral action by any country or indeed even by one bloc. It requires a global solution. The third aspect, and that's where work by economists like you is relevant, is that there is real value in doing the right thing for the long term and climate change and the environment is one example.

Let's look at a few examples. You know as well as I do that as we urbanise, and as more people merge into the middle class, bicycles got replaced by motorbikes, motorbikes got replaced by cars. And exponential demand for electricity, and that hitherto, the cheapest way to produce electricity was to burn coal. And therefore it should not surprise us that the capitals or that the economic centres of emerging large economies have gone through, you can measure it by PM2.5. And today we also know that people, people want to live in clean, green spaces, with blue skies and safe, clear water. And because we are elected at a local level and not at the global level, fortunately, this pressure at the local level to have clean air, safe water and a beautiful environment has changed the debate in most places, except for the most rabid deniers. But in most places, this demand by people at the local level has led to economic, and design and planning decisions which actually optimise both

the economy and the environment. I'll give you an example. We all know that the cost of renewable energy has fallen, exponentially, just within the last decade. And that renewable energy is competitive with fossil fuels, and that this is not just a matter of being cheaper or competitive but also has an element for energy security, and that in fact many of the older wars were fought because of energy insecurity. So the point is that even in the environmental space and the pressures that governments are facing at a local level, and the need to resolve climate change at the global level, I actually see positive signs that governments are being pressurised to do the right thing for the long term. Because the evidence is there, and the other point is that the technology, actually the technology to solve climate change is already there. We don't even need to invent anything new. What we need to do is to remove fossil fuel subsidies and let the true cost of externalities be accounted for. Make this all very clear to people, and the electoral process works its logic.

Trans-boundary haze, is another example. I'm very grateful to President Jokowi for the actions that he's taken. But I am also sure that he's taken those actions not just, not for the sake of Singaporeans, but for the sake of millions of Indonesians who live at the heart of where these peat fires were burning. So again it is another example that with greater transparency, with a proper accounting, you can incentivise governments, even governments that are elected on a local basis to do the right thing for the long term on a global scale. This gives me a sense of optimism, and not just because I used to be the Minister for Environment.

Moderator: Thank you, Minister. I think we may be running out of time very soon, so Minister, if I may change the format a bit to take a round of questions in order to have as many of colleagues to engage as possible, with the first, second, third, and Professor Tommy Koh, and Ernesto Braam, and that will be the last.

Question (5): Good morning, Minister. My name is Angain and I'm from the [ASEAN Post](#). And I have two questions. My first question is what is Singapore's position as Chairman of ASEAN going in 2018 with regards to East Timor's ascension into ASEAN? And secondly, as Chairman, how does Singapore plan to tackle the challenges arising from tensions in the Korean Peninsula?

Question (6): Mr Patrick Rueppel from the Konrad Adenaur Foundation in Singapore. Thank you for your insights. You have mentioned on a number of external players so far, one that I have been missing from you today and also in discussions so far has been the European side. There's been a lot of movements here, we have a lot of EU Ambassadors in the room today. The plan of action being in place, you mentioned you just went to Nay Pyi Daw for the ASEM Foreign Ministers' Meeting. The EU participates as a guest at the East Asia Summit, so asking in provocative manner, will the EU be in ASEAN's mind next year with Singapore's Chairmanship.

Minister: On East Timor, I think there's a process that's been set up to evaluate their application, so we'll let the due process go through.

The Korean Peninsula is an area of great concern because if there is going to be a sudden catastrophic war right now in the world, it could be there. You were talking about the environment just now. Again I can tell you as a doctor, you get a major nuclear conflagration anywhere in the world now, because of the way our supply chains, our value chains, our food and energy lines are all interconnected, this will be a clear and present threat to our health and our economic vitality and to peace and security in the world. So this is why we are so concerned. It is a complicated issue. You could say it's a hangover of

the last Cold War, but even that probably doesn't do it justice. What we hope and again I can say we hope because we have no say, is that cool heads will prevail. There will be sufficient strategic trust built up by all the relevant parties so that they don't need to resolve to this very dangerous game of nuclear brinksmanship. It's one thing to look back at the Cold War and say "Well, you know mutually assured destruction worked and America and the Soviet Union never actually fired nuclear weapons at each other." But those of you who are mathematicians or game theorists, will know that when dealing with uncertainty with two parties is very different to dealing with uncertainty in multiple parties and that the risk goes up exponentially. It's no surprise that many commentators have said that "Well, if North Korea as a nuclear power is a reality, its immediate neighbours, and by that I mean Japan and South Korea, must also ask themselves some pretty existential questions and may come up with some uncomfortable answers. And a Northeast Asia all hoping that mutually assured destruction will be a deterrence to war, is not a positive outcome. It is a more dangerous outcome, not only for them but for the rest of us and Southeast Asia, because we are close enough to be within fallout range. It is a clear and present danger and my only wish is that if every leader could build up sufficient trust with all his protagonists and felt that his or her job was to achieve peace and prosperity for his or her people and that mutual interdependence, mutual building bridges and trading and integration was the way forward, which has been a recipe which I believe Southeast Asia illustrates, it will be a better and safer world. So for what it is worth, this is we stand for, this is how we have operated in Southeast Asia. Now, the EU is an enormous success despite all its travails. Europe, which has been a part of the world that has geminated centuries of conflict not only within the European continent but indeed cause the last two World Wars. For Europe to get together and make war unthinkable in Western Europe, that is the singular greatest achievement of the European Union. You can argue about the Eurozone, you can argue about Brexit. Those are almost second order details. The fact is that a century ago was the First World War. That achieving peace and setting up institutions and processes so that you could have peaceful resolutions of disputes, even the Westphalian model, the nation-state and giving every state, big or small, a so-called equal voice, even that that was an European invention to deal with this question of war and peace.

If you look at Europe's relationship with Southeast Asia, Europe has had a head start in Southeast Asia, if you look in terms of history after the Industrial Revolution. We certainly don't want to go back to the colonial days, but the fact is, if you just look at today's investment flows and trade flows in Europe and Southeast Asia, they're always up in the first two or three. There's no reason to jettison that or to ignore that. I don't want to get into details about institutions and structures within the EAS. I just want to tell everyone- look at the question of how Europe has solved war and peace, and follow the money. Look at the trade and investment flows between Europe and Asia. I alluded to earlier in my speech about the existential question of identity that Europe has to resolve, because Europe, in the last 50 to 70 years, has also had unprecedented rates of immigration, and immigration from people who historically are non-Europeans. So this question of identity, values, race, language, religion, is something that Europe also has to resolve. And I hope – and again this is a hope, this is not a prescription or an instruction – I hope that Europe, in the same way that it dealt with existential question of war and peace in the last century, will also help break ground with this question of how do you deal with identity, race, language and religion, and not let this become a recipe for violence. So let's wait and see. So there's a lot that Europe and Asia can learn from and exchange with each other.

Moderator: Timor Leste?

Minister: Timor Leste, as I said, there is a process for consideration.

Moderator: We'll have a last set of questions.

Question (7): It's Chris Humphrey from the EU-ASEAN Business Council.

Minister: I hope you agree with me about just follow the money.

Question (7): We are your biggest investors.

Minister: Yes, exactly. And the thing is, a lot of people don't realise that. So we need to make people aware of this, and then nobody will dismiss Europe.

Question (7): Thank you. You're doing my job for me, that's great. I was struck by your comments about not sacrificing long-term regional goals for short-term national interests. And I look at your own agenda for your chairmanship of ASEAN for next year, which is highly ambitious, especially on the economic pillar – driving digital economy, more inclusiveness, more advances in trade facilitation. I just wonder how you're going to meet those objectives, given what many in the private sector see as indifference at best, and obstructiveness at worst, by some officials across the region.

Minister: Do you want to give an example of that?

Question (7): I can give an example around customs officials not wanting to move on trade facilitation issues, because of their own national vested interests. The second question relates to the EU in ASEAN. So in Singapore taking over the chairmanship as the coordinating role with the EU as well, I just wondered what your hopes and ambitions are for making progress in a region-to-region trade deal with Europe.

Moderator: And also very quickly, next question, please?

Question (8): Ernesto Braam, with the Netherlands Embassy here. Very short question, I think for this last round of questions, I think it's very apt and opportune to take it back closer to home, that is, in Southeast Asia. So as a European I will not talk about Europe. In your speech, you mentioned the diversity within ASEAN, and you even mentioned absolute monarchies military regimes etc. You said the countries in Southeast Asia must get their fundamentals right. You also mentioned that the demographic potential of Southeast Asia should be harvested, but in order to do so, you need to have social, economic and political systems that give opportunities to youth. So my question is, how will Singapore, with all its achievements and, I think, being ahead of other Southeast Asian states, take the other Southeast Asian nations along, being a small state, but not wanting to act as a small state, as we have learnt in some debates in the past; and what mechanisms will Singapore as chair of ASEAN put in place in order to achieve transparency, or promote transparency, accountability and equity, which Singapore for itself has achieved to quite a high level. So what initiatives will Singapore take in that perspective without going too far ahead of the troops, but still bringing the others along? Thank you.

Question (9): Minister, thank you very much for your lecture and for your very kind remarks about me. The theme of our chairmanship next year is resilience and innovation. Let's imagine we are now meeting in December 2018. What are the outcomes of our year as chairman which you will consider a success? What are your ambitions for next year?

Minister: Okay, let's handle three very interesting sets of questions. I'm glad you brought up the issue about trade obstacles. Again let me take a step back. Why is it that ASEAN has been so focused on an economic community, as opposed to a political union? In a sense, I've alluded to it earlier, first recognising our great diversity. Second, we've been watching the EU and its travails with fascination. And there are some lessons for ASEAN there as well, about whether you grow too big too quickly, when you haven't resolved how to work around the diversity, and you're trying to run before you can walk. So the first point I want to make is that we believe that focusing on economics, focusing on investments and trade facilitation, is one way to demonstrate win-win outcomes in the midst of great diversity, and without having to resolve all the knotty problems that history has dealt with us. The point you make is that there's always going to be this inherent tension. To what extent do I protect my national sector, and at the expense of regional integration, and actually, at the expense of overall competitiveness. And frankly, this is a political question which each government has to answer. It reminds me of the debate that is going on now about free trade. Because although free trade in the aggregate enhances economic output, the fact is, whenever you make these adjustments, there will be winners and losers. And a trade negotiator or a political leader that just rushes headlong into free trade and integration, without paying attention to domestic factors and without creating the compensatory or the support mechanisms for groups of people who would otherwise be left behind, is actually being very foolish. So the point I am making is that it is imperative that both leaders have an eye both on long term competitiveness of your country and short term social security of your people; and creating win-win outcomes with your neighbours. Anyone who loses this sense of balance, you will run into problems and your reform agenda will not succeed. So if trade associations have got specific examples of where there are egregious tariff and non-tariff barriers, by all means let us know and we will try to resolve it. But I am just trying to make this point about getting the balance right.

On Singapore's role as a small state, we will always be a small state. However, perhaps because of the peculiar way in which we came about, and the equally astonishing way in which we have reached our current level of development, we do not believe in surrendering to our fates. We do not believe in becoming a vassal state or a client state. We do believe that ultimately the best way to secure peace for our own people and for our region is to build up sufficient strategic trust and to create habits of cooperation that will reinforce this behaviour. That's why you will never see us proclaiming to be a leader, you will never even see us pretending to be a role model, because you can't compare a city state to a vast country. All we hope to do is to be able to maintain our own sovereignty and independence of action; to continue to do well for our own people; and then to be able to be an honest broker to all our partners and stakeholders, so that people know when Singaporean leaders say something, he means what he says. It is not just something he or she says, but it is a carefully considered position that in fact the whole-of-government subscribes to. And we get a reputation for consistency, for probity and for action. These are our own so-called national quirks or traits. But I do believe it does enable us to play a useful role within ASEAN.

If I move on to Tommy's question, so let's say this is December next year. It is a very dangerous question because what you are actually asking me over a whole long list of question you have cited is how much of it can actually be done. In Singapore, we try not to get into the "fortune cookie business". But what we do is to lay out an agenda and then give some idea of what resources and what plans and actions need to be put in place. And because we are a small state, we need to make sure that our neighbours agree to it on the basis of consensus and sign on to it.

The big picture view is this, and I come back to the themes of my speech, we are living at an inflexion point when so much has changed. The rise of China; the rise of India; the question of how Europe settles its own identity and continues to ride on its own head start in terms of its investment here; what happens in Northeast Asia. I hope that by December next year, war has not broken out in Northeast Asia. Whether it will be de-nuclearised, I think that is probably being wishful. We hope that America would have completed its introspection, and would have concluded that in a unipolar world, America used to be the chief underwriter for the multilateral rules-based liberal world order as we know it. Today, when we transit into a multipolar world, America is no longer the chief beneficiary of this and it's quite rightly asking why it should be the global underwriter for this system. So this is where China and other emerging powers come, because we hope that as we transit into a multipolar world, the multiple tent poles that are emerging will still be building one tent rather than separate tents. So the relationship between US and China is crucial for us. The emerging role of India, and hence the question about Indo-Pacific, really translates into the question of what prospect do you see for India in the next couple of decades. So we do hope certainly on the economic front, by December next year, we don't see trade wars, we don't see a hot war in Northeast Asia. We hope that RCEP is settled by then. Dare I hope that perhaps TPP-minus is also settled by then? Do I hope that all the homework that ASEAN had set for itself, not just from our Chairmanship, but from earlier Chairmanships, is also settled by December? I think we can make progress on all that.

And then the bigger areas that we are working on has got to do with this digital revolution – that if this is the real cause of middle-class anxiety, then we need to sketch out a vision and a plan for job opportunities for people. In Singapore we are trying to restructure our economy, we are working on skills future, we are trying to retrain and re-equip people, especially middle aged people, to be able to take on the new jobs of the future. These challenges that we are facing, in fact are not unique to Singapore. So for us to be able to make progress, that's why the example of smart cities, to go beyond that we've talked about economic integration. To what extent can ASEAN be digitally integrated, can we make ourselves a single digital market, can we establish norms that will guard cyber security and yet enable cross border transactions at very much lower transaction rates? I've always been struck that within ASEAN there's so much migrant labour, but these hardworking people, in my opinion, pay exorbitant rates to remit money back home. Surely in this new digital age, it's not just about cyber currencies. Can we just make sure hardworking people get to transfer, to remit the fruits of their labour to their families back home as efficiently and at the most cost effective rate possible? It's more than just protecting the rights of migrant workers but actually creating win-win outcomes for everyone.

So on the whole digital space, I am serious about how we can create greater digital integration, and not just for digital sake but in real ways that expands opportunities for small and medium enterprises across ASEAN that gives a better deal for migrant workers across ASEAN and makes ASEAN another frontier of opportunity for new technologies. And it will require investments. Even as we talk, even as China talks about the belt and road, Japan has some alternative plans, the common theme through all this is always investing in up-to-date infrastructure for the next century. ASEAN as a whole has got great infrastructure needs, so we have the ASEAN integration and connectivity plan and all that. All these things, we need to work on. The fact that interest rates are still low is an opportunity for major projects, not consumption projects, but major investment projects that have undergone due diligence and strict market tests, to be executed. So we see great scope for working within ASEAN, working with China and working with others who see opportunities especially in digital infrastructure. I know in the past we used to look at

maps of maritime silk roads and all that. Nowadays, I spend more time looking at maps of fibre optic cables. They are the new digital routes of the future. And then you don't just want to be an empty pipe transmitting photons, you want to be able to add value into that. You think about how the energy chains and how production chains, how supply chains are being transformed. Much of SEA has, because of the Straits of Malacca, been a key conduit for that. You now have to fast forward it. Instead of moving silk, you are moving bits and beyond bits, you are actually moving ideas and designs. If you look across Southeast Asia now, there are many places. You look in Indonesia, in Jakarta, you look in Vietnam, you look in Malaysia, and there are many places where new start-up opportunities are being created. Now, if by December next year, if we can integrate some of these centres, young people, entrepreneurs, small enterprises medium enterprises and the large global players, I think we can have a very exciting year ahead, which will really set the stage for the next 50 years. So the bottom-line is maintaining the peace, investing in our people, investing in our infrastructure, establishing norms of behaviours, rules and regulations that ensure a fair distribution of opportunities for everyone and above that all, emphasising this concept of interdependence so that it's not in anybody's interests to build walls or start a war or to engage in zero sum games or to force us to choose sides. That in a summary is what we are trying to do. So thank you all very much for your attention, I hope I have provided some food for thought.

Moderator: Thank you very much minister, I think it would be almost impossible for me to summarise the master class that we have just hear in the one, one and a half hours. I think suffice to say, we have joined you minister in your aspirations to building the big tent that is ASEAN, a tent with ten pillars that is resilient and innovative and we look forward to welcoming the minister to ISEAS again to have perhaps another round of sharing and update perhaps. Thank you very much Minister.