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PRIME MINISTER OF SINGAPORE

Dr John Chipman, Director-General and Chief Executive, IISS
Ladies and gentlemen, welcome to the IISS Shangri-La Dialogue, the 18th Asia Security Summit. We have this year over 600 full delegates from some 40 countries, with a wider array of full government ministers than ever before. At the outset let me thank our host government, Singapore, for supporting the IISS when we conceived this summit, brought it into being, nurtured it through its early years and now, as it has been ushered happily into adulthood. Allow me also to thank all of our lead, principle and main sponsors whose additional support for this summit helps to ensure its unique qualities on which the IISS seeks to build every year.

Opening this summit gives me an opportunity briefly to comment on how the IISS Research Programme has evolved over the past year to provide policymakers, corporate leaders and the expert community with the data and analysis they need to make intelligent decisions. European defence and security planners have long been challenged by the United States to spend more on defence, and in the last year there have been more calls by political leaders on the Continent to achieve European strategic autonomy.

Despite reams of papers being written on European defence, mostly on its prospective institutional arrangements, no one had actually asked the question: 'What would European strategic autonomy actually cost?' In a study we released last month the IISS asked this question and, having developed scenarios and using our proprietary Military Balance Plus tool, we measured European defence capability gaps and the price of closing them. Our headline conclusion? The IISS assesses that European NATO members would have to invest between US$288 billion and US$357bn to fill the capability gaps needed to defend European NATO territory against a state-level military attack. These investments would establish a NATO Europe force level that would likely allow it to prevail in a limited regional war in Europe against a peer adversary, and so this IISS study provides a fully costed analysis to support an intelligent debate on European defence.

In the Middle East, there has been heightened concern around the activities of Iranian proxies and partners operating in Iraq, Syria, Lebanon, Yemen, the Gulf states, Afghanistan and beyond. However, no one has published a proper taxonomy of the various influence networks operated by Iran, an analysis of their command and control mechanisms, how they achieve their initial purchase in foreign societies, the nature of the strategic directions given, or the capacities of different types of proxy actors linked to Iran for independent action. Without such a refined analysis, it is unlikely that sound policies can be developed. It is that independent assessment that the IISS is seeking to provide, and we will publish later this year our strategic dossier on Iran's influence networks.

Not a day passes now without people talking about cyber-security risks and the increasing proclivity of states to blend cyber capacity into their military operations. Yet again, no serious effort has been made to measure cyber power and the metrics have not been properly defined. The IISS is developing a methodology prudently to measure cyber power, not only to assess where countries stand, but also to determine what a country might need to do in order to move from, for example, a tier-three to a tier-two status, or even to aspire to be a cyber power of the first rank. We will deploy that methodology to develop national assessments later this year and fully apply it in our IISS *Military Balance* book next year.

Here in the Asia-Pacific, out of our excellent international office based in Singapore, the IISS is generating work of direct relevance to all the participants here. We are examining the impact of

changing domestic politics in Southeast Asian countries on regional and international foreign policies. The IISS is conducting a major assessment of the geo-economic, trade, investment, energy and geopolitical implications of the Belt and Road Initiative and is also assessing the detail of the Digital Silk Road, one strand of the BRI that has elicited less strategic analysis than [have] the traditional infrastructure elements. Our annual *Regional Security Assessment* released for this 18th IISS Shangri-La Dialogue covers a host of other issues, including those that will be debated here, such as the nuclear challenge posed by North Korea.

We are delighted that our work on East Asia will soon be strengthened in London as a result of a major, multimillion-dollar donation from the government of Japan. We shall establish a Japan Chair in London and appoint a Senior Fellow for Japanese Security Studies who will develop a programme on Japanese security and play a large role in our Asia-Pacific activities.

This Shangri-La Dialogue takes place at a time of great strategic flux. We are proud of the high level of attendance – and I want in particular to note the participation this year of China's State Councillor and Defence Minister, General Wei Fenghe, accompanied by a strong delegation from the People's Liberation Army. It is also splendid to welcome the British Defence Minister one month after her appointment and the Australian Defence Minister two days after hers. As is often the case, many defence minsters here will be meeting each other for the first time.

Two decades ago, when the IISS decided to launch a defence summit in Asia that would uniquely bring together defence ministers who otherwise would have no easy means of convening themselves, we chose Singapore because of its well-established reputation for diplomatic entrepreneurship. We knew that here in Singapore, this then-novel idea would have a chance to flourish. Prime Minister Lee Hsien Loong, during his 15-year tenure as leader of this city state, has strengthened its global reputation for strategic thinking. His analysis of regional and global issues has long been sought by outsiders keen to appreciate the nuances and impact of geo-economic and geopolitical developments in the region and beyond. In his previous addresses to the IISS Shangri-La Dialogue in 2006 and 2015, he provided a masterly survey of Asia-Pacific issues and helped to set the Dialogue agenda. The current fragilities in the international system, and the regularly intemperate nature of diplomatic exchanges, again demands a cool-headed approach.

Against that background, it is an honour for the IISS – and a great personal pleasure for me – in this bicentennial year of celebrations in Singapore, to invite the Prime Minister of Singapore to develop the Keynote Address at this 18th Shangri-La Dialogue. Prime Minister, this podium is yours.

Lee Hsien Loong, Prime Minister, Singapore
Dr John Chipman, Director-General and Chief Executive of the IISS; your excellencies, ministers, distinguished guests, ladies and gentlemen; good evening to all of you and welcome to Singapore and to the 18th edition of the Shangri-La Dialogue.

Our world is at a turning point. Globalisation is under siege. Tensions between the US and China are growing and, like everyone else, we in Singapore are anxious. We wonder what the future holds and how countries can collectively find a way forward to maintain peace and prosperity in the world.

What can the history of Southeast Asia tell us about avoiding upheavals and disasters in our path ahead? This year, as you have heard from John, Singapore is commemorating our bicentennial. 200

years ago Stamford Raffles, an Englishman, landed in Singapore and founded a trading post here. The Dutch had already colonised the Dutch East Indies, so the British were actually latecomers to Southeast Asia. Raffles was Lieutenant-Governor of Bencoolen, on the west coast of Sumatra. He saw the trade potential of the region and decided to look for a new outpost for the British East India Company along the Strait of Malacca. He chose Singapore – and that changed our destiny.

The Dutch protested Raffles's action furiously, but in vain. To preserve their monopoly, the Dutch had either prohibited foreign ships from operating in their ports or imposed high tariffs. Raffles took a different approach: he set up Singapore as a free port, trade boomed and the settlement prospered. The more open approach of the British delivered superior results. Over the next century Southeast Asia was divided between British, Dutch, Spanish, French and later the Americans. Their rivalry was intense. No single colonial power dominated the region.

In the twentieth century, the interests of the great powers continued to intersect in Southeast Asia. In 1941, Imperial Japan invaded Indochina. The US retaliated with an oil embargo on Japan and this was the immediate trigger for the Pacific War. On the same day that Japan bombed Pearl Harbor, they also attacked Malaysia and Singapore. There followed for us in Singapore the Japanese occupation, three years and eight months of oppression, fear and misery.

During the Cold War, Southeast Asia was again on the front line. The region was split between communist and non-communist states; Vietnam became the battlefield for a proxy war between the two camps. Meanwhile, China supported communist insurgencies and promoted armed revolution in the non-communist countries, including Malaysia and Singapore.

This was the backdrop when the five non-communist countries in Southeast Asia – Indonesia, Malaysia, Singapore, Philippines and Thailand – came together to form the Association of Southeast Asian Nations (ASEAN) in 1967. It was a remarkable act of statesmanship. Several of the partners had a recent history of conflict with one another and the wounds had yet to heal fully, but with ASEAN, the five countries eschewed conflict and took the path of dialogue, cooperation and friendship. We integrated into the world economy, linked up with the advanced countries and thrived. Meanwhile, the communist countries in Indochina were held back for decades by successive wars and the rigidity of their command economies.

After the Cold War ended, the US became the sole superpower. Southeast Asia entered a new phase. The Indochina Wars finally ended and the Indochinese communist countries opened up. Earlier, Vietnam had invaded Cambodia, thus posing a serious threat to its non-communist neighbours. But now Vietnam joined ASEAN, together with Cambodia, Laos and Myanmar. It was a case of beating swords into ploughshares.

Over the next decades, Southeast Asia benefited from a favourable external environment. The US was a dominant power in the Asia-Pacific and a stabilising security presence. International trade was expanding rapidly. Trade barriers came down, often led by the US. The ASEAN economies prospered through export-led growth and foreign investments. International frameworks, like the World Trade Organization (WTO) and the UN Convention on the Law of the Sea (UNCLOS), established rules, managed conflict, balanced competing interests and fostered cooperation between countries big and small. Initially China only played a minor economic role, but as its economy took off, it became a growing partner of the ASEAN countries and a major participant in regional affairs.

I recount this history to show that Southeast Asia is no stranger to the great game of nations and to offer some historical perspective on the current strategic situation. The US–China bilateral relationship is the most important in the world today. How the two work out their tensions and frictions will define the international environment for decades to come. The relationship has already altered significantly. China has totally changed since it started opening up 40 years ago. Its GDP per capita has grown by more than 25 times in real terms – China is now the second-largest economy in the world.

On many counts, China's growth is a tremendous boon, both to itself and to the world. China has substantially transformed its backwards, centrally planned economy into a middle-income, market-driven one. Even though it is still far from being a full market economy, more than 850 million Chinese people have been lifted out of poverty, an achievement unprecedented in human history. China's development and success has benefited the world, too: China has become a massive production and manufacturing base, lowering costs for the world's producers first for labour-intensive goods and now increasingly for high-tech and technology-intensive production.

It's also a huge market, importing everything from commodities and electronic components to aircraft and fine wines. On the consumer side, billions of people worldwide buy all manner of products – from Barbie dolls and basketballs to drones and mobile phones – made in China, but often incorporating foreign components and technology. Imagine, conversely, had China remained closed and underdeveloped; a failing China would have exported many problems to the world, quite possibly still including armed revolution. Its huge population would have been resentful and restless at being left behind by other countries. A generation ago, when China was still poor, Deng Xiaoping was asked by US President Jimmy Carter to allow more people to emigrate; he answered, 'Well, Mr President, how many Chinese nationals do you want? Ten million? 20 million? 30 million?' China's success has enabled the world to avoid this disastrous outcome.

At the same time, China's growth has shifted the strategic balance and the economic centre of gravity of the world – and the shift continues. Both China and the rest of the world have to adapt to this new reality. China has recognised that it is in a totally new situation, created by its own success; it can no longer expect to be treated in the same way as in the past, when it was much smaller and weaker. China may still be decades away from becoming a fully developed, advanced country, but it cannot wait decades before taking on larger responsibilities. Having gained much from the international system, China now has a substantial stake in upholding it and making it work for the global community. Chinese leaders have spoken up strongly in support of globalisation and a rules-based international order. China must now convince other countries through its actions that it does not take a transactional and mercantilist approach, but rather an enlightened and inclusive view of its long-term interests.

For example, when China joined the WTO in 2001, 18 years ago, its merchandise trade accounted for only 4% of world trade. Since then, China's share has almost tripled to 11.8%. This is why the trade arrangements and concessions that China negotiated when it joined the WTO are no longer politically wearable for other countries. It is in China's own interests to prevent the international framework of trade from breaking down, and to implement timely changes that bring about greater reciprocity and parity with its trading partners and that are more consistent with present-day China's more advanced state of development.

Similarly in security, now that China is a major power with the second-largest defence budget in the world, its words and actions are seen differently. To protect its territories and trade routes, it is natural that China would want to develop modern and capable armed forces and aspire to become not just a continental power, but also a maritime power. At the same time, to grow its international influence beyond hard power, military strength, China needs to wield this strength with restraint and legitimacy.

Frictions will arise between China and other countries from time to time. The overlapping maritime claims in the South China Sea are one example. China should resolve these disputes peacefully in accordance with international law, including UNCLOS. It should do so through diplomacy and compromise rather than force or the threat of force, while giving weight to the core interests and rights of other countries. Then, over time, it will build its reputation as a responsible and benevolent power that need not be feared; instead, China will be respected as a power that can be relied on to support a stable and peaceful region. In the long term, this will allow China to continue to benefit from a conducive and friendly international environment and enhance its influence and standing in the world.

The rest of the world, too, has to adjust to a larger role for China. Countries have to accept that China will continue to grow and strengthen and that it is neither possible nor wise for them to prevent this from happening. China will have its own legitimate interests and ambitions, including to develop indigenously advanced technologies, like infocomms and artificial intelligence. As a major stakeholder in the international system, China should be encouraged to play commensurate and constructive roles in super-national institutions, like the IMF, the World Bank and the WTO. If China cannot do so, it will create its own alternatives.

The US, being the pre-eminent power, has the most difficult adjustment to make. But however difficult the task, it is well worth the US forging a new understanding that will integrate China's aspirations within the current system of rules and norms. New international rules need to be made in many areas, including trade and intellectual property, cyber security and social media. China will expect a say in this process because it sees the present rules as having been created in the past without its participation – and this is an entirely reasonable expectation. The bottom line is that the US and China need to work together – and with other countries, too – to bring the global system up to date and to not upend the system. To succeed in this, each much understand the other's point of view and reconcile the other's interests.

Meanwhile, stresses and strains have built up between the two over multiple issues, including cyber espionage, 5G technology, freedom of navigation, human rights and especially trade, where the two countries have reached an impasse. If both sides treat their trade dispute purely on its own merits, I have no doubt their trade negotiators – who are highly competent – will be able to resolve it. But if either side uses trade rules to keep the other down or one side comes to the conclusion that the other is trying to do this, then the dispute will not be resolved and the consequences will be far graver than the loss of GDP. The broader bilateral relationship will be contaminated; other areas will inevitably be affected, including investments, technology and people-to-people relations; every action taken by one side will be seen as a direct challenge to the other and elicit a counter-action. We will all be headed for a more divided and troubled world.

Worryingly, this is starting to happen. Attitudes on both sides have been hardening. The US National Security Strategy and National Defense Strategy documents describe China as a revisionist power and America's strategic competitor. The recent presidential executive order on securing the information and communications technology and services supply chain states that it is aimed at 'foreign adversaries'. It stopped just short of naming any particular country, but it made quite clear what actions the US intends to take.

There is a growing bipartisan consensus in the US that China has taken advantage of the US for far too long; that China has overtaken or will soon overtake the US in areas of advanced technology, such as artificial intelligence and some aspects of military technology, through underhanded means; that, instead of opening up and becoming more like the US, China has regressed in terms of political openness and hence represents a challenge to American values and leadership. Americans now talk openly of containing China, and to do so soon, before it is too late – the way they used to talk about the USSR and the Soviet Bloc. This negative view of China has permeated the US establishment; it is not confined to the White House or the administration, but is shared widely by Congress, the military, the media, academics and NGOs, too. Those inclined to a more positive view of China have been marginalised.

Even US business sentiment towards China has soured. American businesses used to be the strongest supporters of China, because they benefited directly from China's growth and economic opportunities. They had strongly advocated China's accession to the WTO. When protectionist or nativist sentiments built up in the US, they were a balancing voice that counselled good relations with China; now that goodwill has all but evaporated. US businesses feel let down that China has not adjusted its policies on trade and investments and in fact systematically disadvantages foreign businesses operating in China, while Chinese businesses operate uninhibited in the US. They want greater access to the China market and not just to use China for their global supply chains. This loss of goodwill on the part of an important constituency is a serious problem for China, which the Chinese I think have not fully appreciated or dealt with.

In China, views are hardening too. There are those who see the US as trying to thwart China's legitimate ambitions, convinced that no matter what they do or concede on individual issues, the US will never be satisfied. They are alarmed by talk of a clash of civilisations between the US and China. They reject what they see as efforts by the US to impose its political system and political values on China. This is coupled with a strong vein of nationalistic fervour. Chinese television is rebroadcasting old movies of the Korean War, which in Chinese is known as *kàng měi yuan cháo* (抗美援朝）– the war to resist America and assist North Korea. There's even a US trade-war song circulating on the internet based on the theme music from a popular 1960s war movie about fighting the Japanese in the Sino-Japanese War. Hardly anyone in China, whether in government, academia or the media, can be found who is prepared to speak up for a more positive and benign interpretation of the US intent.

The fundamental problem between the US and China is a mutual lack of strategic trust. This bodes ill for any compromise or peaceful accommodation, but to go down the present path would be a serious mistake on both sides. There's no strategic inevitability about a US–China face-off, but at the same time, if such a face-off does happen, it will be nothing like the Cold War. First, there is no irreconcilable ideological divide between the US and China. China may be communist in political structure, but it has adopted market principles in many areas. The Soviets thought to overturn the

world order, but China has benefited from and – by and large – worked within the framework of existing multilateral institutions. During the Cold War the communist bloc sought to export communism to the world, but China today is not attempting to turn other countries communist. Indeed, it is often criticised for being too willing to do business with countries and leaders regardless of their reputation or standing, citing non-interference in the internal affairs of other countries.

Second, China has extensive economic and trade links with the rest of the world. It is a major node in the world economy, unlike the USSR, whose economic links outside the Soviet Bloc were negligible. In fact, all of the United States' allies in Asia – including Japan, the Philippines, South Korea, Thailand, Australia – as well as many of its friends and partners, including Singapore, have China as their largest trading partner. They are all allies of the US, friends of the US, but their largest trading partner is China. They all hope that the US and China will resolve their differences. They want to be friends with both, to nurture security and economic ties with the US as they grow their business links with China. In a new cold war, there can be no clear division between friend and foe. Nor is it possible to create a NATO or Warsaw Pact equivalent with a hard line drawn through Asia or drawn down the middle of the Pacific Ocean.

On the other hand, if there is indeed a conflict between the US and China, where will it end? The Cold War ended with a total collapse of the sclerotic planned economies of the Soviet Union and the Eastern European countries under the pressure of enormous defence spending trying to match SDI, or 'Star Wars'. Even then, it took 40 years. It is highly improbable that the vigorous Chinese economy will collapse in the same way. China cannot take down the US, either. The US is still by far the strongest country in the world; its economy remains the most innovative and powerful and its military capabilities far exceed anyone else's.

Americans worry about China catching up with the US, but although China may be abreast or even ahead in some fields, it will be many years before China can equal the US. Contrary to what some people in China think, the US is not a declining power, nor is it withdrawing from the world. In fact, the US has made clear its intention to compete robustly, though in a different mode than before. Even short of outright conflict, a prolonged period of tension and uncertainty would be extremely damaging. Many serious international problems – like the Korean situation, nuclear non-proliferation and climate change – cannot be tackled without the full participation of the US and China, together with other countries. In economic terms, the loss will not just be a percentage point or two of GDP, but the huge benefits of globalised markets and production chains and the sharing of knowledge and breakthroughs that enable all countries to progress faster together.

We should therefore do our utmost to avoid going down the path of conflict and causing enmity on both sides that will last for generations. Of course there is a duty of security and defence establishments to think the unthinkable and plan for worst-case scenarios, but it is the responsibility of political leaders to find a solution to head off these extreme outcomes. This is hard, because both sides have leaders facing powerful domestic pressures. In the US, the political mood is deeply divided and disgruntled. Large segments of American society have lost confidence in globalisation and multilateralism. According to a Pew [Research Center] survey last year, nearly half of all Americans have an unfavourable opinion of China. As their presidential elections approach, these attitudes will surely deepen because neither the Republicans nor the Democrats will want to risk

being accused of being soft on China. Regardless [of] whether President Trump is re-elected or another Republican or Democrat wins, these sentiments will not go away.

China may not have US-style presidential elections, but their leaders face strong internal pressures too – in fact, the orientation of the Chinese leadership is primarily domestic. They know they have major issues to deal with at home; these include unevenly distributed growth, significant rural poverty, an ageing population and rising expectations for a better quality of life. Both sides are sensitive about being perceived [as] weak. Out of political necessity, the US wants to show that it has come out ahead in any deal. On the other side, because of China's long history with the West, its leaders cannot afford to appear to succumb to Western pressure to accept an unequal treaty.

Just a few weeks ago, China commemorated the centennial of the 4th May Movement. Not all of you may be familiar with it, but it is an important date in modern Chinese history. In 1919 at the Versailles Peace Conference, a feeble China was forced to accept the decisions of the big powers. China was on the winning side, but the settlement went against their interests. This caused Peking University students to demonstrate and protest, launching a nationalist movement to modernise and revive the country, and this was a seminal moment in modern Chinese history.

This zero-sum dynamic makes it very hard to construct an agreement that is politically acceptable to both parties, but ultimately it is in the interests of both the US and China to reach an accommodation and to persuade their domestic publics to accept it. They both need to keep their relationship steady so that both can focus on their respective pressing domestic priorities and not be distracted by troubled relations with the other.

What can other countries do collectively to stem the growing hostility and instability? Small states like Singapore can do little to influence the big powers, but we are not entirely without agency. There are many opportunities for small countries to work together to deepen economic cooperation, strengthen regional integration and build up multilateral institutions. This way we can strengthen our influence as a group and advance a collective position on issues that matter to us, be they trade, security or technology.

Our multilateral institutions today are far from perfect. The WTO is one of the major institutions in the post-war global order, but now it is almost paralysed and urgently needs reform. Multilateral global deals like the Uruguay Round are no longer practical when agreement requires a full consensus among 164 member countries of hugely diverse interests and philosophies. Furthermore, the WTO was designed for an agriculture- and manufacturing-based world economy, but the world has moved on to services and now increasingly digital and intellectual property, which need much more complicated rules.

The US has lost faith in the WTO. It often acts unilaterally, imposing tariffs and trade sanctions outside WTO rules. It prefers negotiating bilateral deals one-on-one against smaller countries in trials of strength. It gives more weight to the United States' direct benefits in the disputes at hand than to its broader interests in upholding the multilateral system, and this has caused concern to many of the United States' friends and allies.

Singapore cannot afford to adopt the same point of view. Being small, we are naturally disadvantaged in bilateral negotiations. We need to reform and strengthen multilateral institutions,

not cripple or block them. More fundamentally, confining ourselves to a bilateral approach means foregoing win–win opportunities which come from countries working together with more partners. We need to build a broader regional and international architecture of cooperation. When groups of countries deepen their economic cooperation, they will enhance not just their shared prosperity but also their collective security. With more stake in one another's success, they will have greater incentive to uphold a conducive and peaceful international order which will benefit many countries big and small.

Thus, short of universal trade agreements, we should at least strive for regional – or, as the jargon goes, pluri-lateral – agreements. This may be a second-best solution, but it is a practical way to incrementally build support for lower trade barriers and higher standards which can then be adopted by other countries. This was the rationale behind the Trans-Pacific Partnership (TPP). The US originally came on board the TPP because it saw the strategic benefits, although it ultimately withdrew. Fortunately, the remaining 11 members were able to preserve nearly all that had been negotiated and so the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP) is now in force – a few more adjectives, slightly smaller scope, but not bad.

I am glad that more countries have expressed interest to join the CPTPP, including South Korea, Thailand and the UK. China is also watching the CPTPP carefully; they are not ready to join now, but I hope that they will seriously consider doing so sometime in the future. Similarly, I hope one day it will become politically possible for a US administration to rethink the US position and recognise that it stands to gain, economically and strategically, from becoming a member of the partnership that it played such a leading role in designing.

Meanwhile, countries in the Asia-Pacific are working on the Regional Comprehensive Economic Partnership (RCEP) – another alphabet soup. It has a different footprint from the CPTPP: it covers all the key countries on the western side of the Pacific, including Northeast Asia, Southeast Asia and also, importantly, Australia, New Zealand and India. This inclusive configuration minimises the risk of the RCEP being misperceived as a bloc that excludes the US and its friends. With such a wide range of participants, the RCEP's standards are naturally less ambitious than the CPTPP's and the deal is also much harder to negotiate. Nonetheless, I hope the participants can take the final step to complete the RCEP by this year, or if not, as soon as the election schedules of the key players allow.

Of course, regional cooperation goes beyond trade. In Southeast Asia, ASEAN has provided ten very different countries with an effective platform for dialogue and cooperation. ASEAN has deepened ties and kept the peace among its members. It has become an effective regional partner of other countries and enabled its members to project a stronger external presence as a group. ASEAN works on the basis of consensus. It makes more progress in some areas than others, because ASEAN members are not immune to the strategic forces which pull us in different directions. This is the hard reality of cooperation in a region exposed to multiple external influences. Despite its limitations, ASEAN has contributed greatly to the well-being of its members and the security of the region, and ASEAN's partners recognise the value of ASEAN's centrality.

Amid the geopolitical shifts, new concepts and platforms for regional cooperation have emerged, notably China's Belt and Road Initiative (BRI). Singapore supports a Belt and Road Initiative. We see it as a constructive mechanism for China to be positively engaged with the region and beyond. That is

why we are active participants. For example, we work with the World Bank to promote financial and infrastructure connectivity, and we provide supporting professional and legal services to BRI countries.

We are also partnering [with] China to develop the new International Land–Sea Trade Corridor, which connects western China to Southeast Asia under the China–Singapore Chongqing Connectivity Initiative. Of course, the substance of the BRI and the way in which the BRI is implemented are very important. The specific projects must be economically sound and commercially viable and must bring long-term benefits to its partners. This has not always been the case – some BRI projects have run into significant problems. Overall, the BRI must be open and inclusive and must not turn the region into a closed bloc centred on a single major economy.

As Asian countries deepen their links with China, they also need to grow their ties with the US, Europe, Japan and others. In other words, the BRI should help China to integrate with the world. The end result should be to strengthen globalisation and not to divide the world into rival spheres of influence. I believe China appreciates this. At the recent BRI Forum in Beijing, Chinese leaders stated clearly that the BRI would be open, green and clean. China's finance minister set out debt-sustainability requirements for Belt and Road projects, which the IMF has welcomed. In the nature of such reassurances the test will be how these statements of intent are implemented in practice, but these are steps in the right direction.

Meanwhile, other initiatives have been proposed for regional cooperation. For example, several countries have proposed various concepts of Indo-Pacific cooperation. These ideas are less fully elaborated or implemented than the BRI, but Singapore's attitude towards them is consistent. We support regional cooperation initiatives which are open and inclusive platforms for countries to cooperate constructively and deepen regional integration. These initiatives should strengthen existing cooperation arrangements centred on ASEAN; they should not undermine them, create rival blocs, deepen fault lines or force countries to take sides. They should help bring countries together, rather than split them apart.

US–China relations will define the tenor of international relations for years to come. It is natural that the two powers will vie for power and influence, but competition should not inevitably lead to conflict. We hope the US and China find a constructive way forward, competing certainly, but at the same time cooperating on major issues of mutual interest and global problems.

Some people argue that compromise is not possible, or perhaps not even desirable, because the US and China hold such different values. Indeed, one US official recently defined the clash with China as a fight with a really different civilisation and a different ideology. Others observed that the US is a young country that wants everyone to be like them, while China is an old country that believes no one else can be like them.

To expect every country to adopt the same cultural values and political system is neither reasonable nor realistic. In fact, humankind's diversity is its strength. There is much we can learn from one another, from the differences in our values, perspectives, systems and policies. The story of humankind's progress has been one of exchanges of ideas and of continuous learning and adaptation. Henry Kissinger said last year that we are in a very, very grave period for the world. No one can predict which way events will develop. At different times in the last two centuries Southeast Asia has

seen rivalry between great powers. It has experienced destruction and suffering from war and occupation. It has been divided into opposing camps. It has seen how isolation from the world economy led to stagnation and sometimes conflict. At other times, it has benefited from international cooperation that created an open, stable environment where countries could prosper in peace.

On a long view, we cannot rule out any of these eventualities. But in our own generation we must work together to maximise the chances that countries will have the wisdom and courage to make the right choices, opt for openness and integration, peace and cooperation, and so preserve and expand the progress that we have made together.

Thank you very much.

Dr John Chipman, Director-General and Chief Executive, IISS
Prime Minister, thank you very much. That was advertised by me as a masterly survey and it was delivered as a masterly survey. We are all very grateful.

We have time for two or three questions before we all settle down to enjoy dinner. I would ask anyone who does want to ask a question to raise their hand high and even stand up so that I have a chance of seeing them, then I will help to direct the microphone towards them. If by any chance anyone is going to ask a question in Mandarin, I think we have the opportunity for an immediate consequential translation.

General Lei He, Former Deputy President, Academy of Military Sciences, People's Liberation Army
Thank you very much, Dr Chipman. I am Lieutenant General He Lei from the Chinese delegation.

Congratulations to Prime Minister Lee for his excellent keynote speech, which is highly appreciated. I heard that Singaporeans often say, 'We are small, but we think big'. I think your presentation, or your keynote speech, is a perfect demonstration of that saying.

In your keynote speech you mentioned that there are difficulties and problems within China and between powers. My question is, what should the powers do to avoid confrontation and conflict, to have a better security environment for the development of others and also in order to maintain peace, stability and prosperity in the region? Also, you mentioned many times that medium and small countries do not want to take sides between powers. I want to know: how should the smaller countries have positive initiatives to avoid taking sides between powers? Thank you.

Lee Hsien Loong, Prime Minister, Singapore
The first question is, how can China and America address the issues from the point of view of the overall big situation and strategic perspective and deal with the contradictions between them. I think there are two answers to this question.

One is, you must be able to engage at the top level – and engage openly and candidly – to address the basic issue between the two, which is that China is growing and its growth has to be accommodated; other countries have to adjust and China has to adjust. This is the first basic thing which has to be accepted and understood by both sides, and then individual issues can be discussed within that

context. It is not easy to do, because both sides have got very set narratives as to what the events mean and whether the developments have been well intentioned or have had some ulterior purpose or there is some move being made which is planned for some future objectives. But unless this basic premise is debated, at least we agree on this, then you can go forward and you can discuss specific issues.

Then when you discuss the specific issues you have to look at them on their merits and try to resolve them one by one. If you try to deal with trade and you bring in other considerations, that is going to make it very difficult to solve the trade issues. If you look at the trade issues on their own merits, they can be resolved. If we are looking at technology issues, they can be resolved. If you want to deal with cyber security, that is harder, but on its own merits you can discuss what are the things which need to be done in order to establish rules, in order to establish trust and in order to be able to work together rather than always to be at loggerheads. If you deal with the issues one by one, slowly in the process you will get trust, then slowly in the process we make progress. It is not a magic solution, but I think that you have to think of it top-down and also individually on the issues.

What can small countries can do to actively avoid taking sides? Well, we do our best to try to be friends with both and to maintain our relationships with both and develop ties – whether it is economic, whether it is trade, whether it is human-resource development or whether it is diplomatic relations. Even security exchanges and visits and exercises and commemorations, we maintain links with both sides. But to actively avoid taking sides actually also requires actively not being pressured to take sides. Unfortunately, when the lines start to get drawn, everybody asks, 'Are you my friend or not my friend?' and that makes it difficult for the small countries. We must expect sometimes to be asked these questions, and the answer is, 'Well, I am friends with you, but I have many friends and that is the way the world has to be'. If it were not, I think it would be a much unhappier world.

Shawn Ho, Associate Research Fellow, Regional Security Architecture Programme, S Rajaratnam School of International Studies, Nanyang Technological University
Good evening, Prime Minister Lee. My name is Shawn Ho. I am from the S Rajaratnam School of International Studies at the Nanyang Technological University here in Singapore and I am also here as a participant of the Southeast Asian Young Leaders' Programme of the Shangri-La Dialogue. I have a question related to Singapore and 5G. I was actually reading the news about the Nikkei conference in Tokyo yesterday. Malaysian Prime Minister Mahathir Mohamad was asked whether Malaysia would follow the US lead to ban technology from Huawei, and I noted down what his response was. He said, and I quote, 'Malaysia is too small to have an effect on a huge company like Huawei, whose research is far bigger than the whole of Malaysia's research capability, so we try to make use of their technology as much as possible. Yes, there may be some spying, but what is there to spy on in Malaysia? We are an open book.' Therefore, my questions are, firstly, does Singapore share his view? Secondly, will Singapore be using Huawei for Singapore's 5G network? Thank you very much.

Lee Hsien Loong, Prime Minister, Singapore
Thank you. Well, Singapore is even smaller than Malaysia, but we are in the process of defining and selecting our 5G system and the equipment. It may be more than one set, but we have not decided. We have not settled either on the network configuration or what the equipment is going to be, who

the suppliers are. We are studying this carefully; we are consulting with industry, we are consulting with friendly regulators, and we will make these decisions in due course.

But what is at stake in this 5G discussion? It is to have a secure telecommunications network. Telecom systems are very complex, and especially 5G is an order of magnitude more complex than 4G. We want a resilient telecom system because it is the backbone of the economy and we want a secure telecom system because you want to have confidence that it will work for you and it is not leaking on you. But there are many other considerations as well, because you need to look at performance, you need to look at cost, you need to look at reliability, growth potential and vendor diversity. There are many considerations in choosing a telecoms system, including a 5G system.

I would also say from the technical point of view it is quite unrealistic to expect 100% security from any telecoms system you buy. Even the hand phone you buy is not 100% secure, much less the entire telephone network. It does not matter whom you buy it from; it can be your friendly country, it can be a hostile country, or you can design it yourself – every system will have vulnerabilities. Some may be innocently there, some may be deliberately there, some may be discovered later only by chance, but every system will have its vulnerabilities and they are bound to be discovered and exploited by all kinds of black hats sooner or later. This is so. It is a fact.

Therefore, when we are talking about telecoms security, we have to understand it is not zero–one, black–white. You are talking about risks. You are talking about degrees. You are talking about the trade-offs of different systems and vendors. Is one safer than the other, one less safe, some advantages, some disadvantages? You also have to think, what are you going to use the system for? What are the use cases? For some use cases, it will be very sensitive. My intelligence networks, I absolutely do not want anybody listening in, then I may need to run a totally dedicated network. I may decide to have somebody carry a bag with guards to deliver the message because I do not want an online signature. However, there will be other networks which will be less sensitive and then our risk tolerance can be greater.

The technical aspect, you have to understand, it is not absolute; it is very important, but it has to be evaluated against other things. But beyond the technical aspect there is also the question of trust, and that is the more fundamental issue because if I do not trust the vendor, then I can inspect his software, I can test his system, I may find no bugs there and I still cannot be sure. Because there may be no bugs there today – it may be very well hidden or it may not exist – but with every update which comes, something changes. How do I know where I will stand down the road during the contract? I need to have trust in order to use the system, and if I suspect that you will abuse my trust to compromise my systems, I will not be able to do business with you. That is a very serious problem, and I think that is a problem when you are buying a system and you are buying it from another country and you have to take into consideration the state of your relations with that country and not just the technical aspects.

Of course, the trouble with this is that when you go down this road you end up with very grave consequences, because if I do not trust your system you are not going to trust my system, then the chips, then the software, then the firmware, then the whole supply chain and then you are in your world, I am in my world. That is fundamentally a different kind of world from the one which we have been building over the last 30 years since the fall of the Berlin Wall. The Soviets did that – they had their own systems, they had their own aeroplanes, and they had their own computers. There

were IBM computers in America; the Soviets had something looking remarkably similar. The French and British built the Concorde; the Soviets built their own thing. They called it the Concordski because it looked just like the Concorde, but it was theirs and their supply chain. On one side, you had Boeings and maybe some Airbus; the Soviets had Ilyushins and Tupolevs, their own aeroplanes. It is a completely different world. I think it is an unhappier world. It is a less safe world. It is a problem.

I think trust is a very serious problem when you are talking about 5G and it is a very difficult problem to solve, because on the internet you have anonymity. You cannot definitively identify who the bad guys are. Who is the intruder? Do I know who he is? I can suspect. Can I prove who he is? I cannot. Therefore, with this cloak of anonymity, the incentive for players – whether state players or non-state players – to behave themselves is considerably diminished. You will not be found out. You cannot be caught red-handed. Therefore, what is to stop me from doing what I want to do, which is really not a good thing?

Everybody denies doing this, yet if you look around the room everybody says, 'I have a very serious problem with cyber security, with intrusions'. Who are these people? Well, if you study it, they will say there are multiple actors, including state-sponsored actors. Which states, which sponsors? I do not know, but there are a lot of them there and none of us have said that we are them. That is a problem. Then everybody has his own suspicions. Everybody acts on his own suspicions and then even innocent companies, innocent players, get caught up. I cannot afford to trust you; I do not know. You cannot prove your innocence, I cannot prove your guilt, and so in the end it is what the economists in their rather bland jargon call a market failure. I should do the business. There is an opportunity to trust one another, but it has failed. That is where you are with 5G.

In the long term, you need to get established rules. We need to find some ways we can pin responsibility, we can name and shame, and then there is some restraint; 'Okay, I will not do this, you will not do this, because everybody will know if I do it and it would damage my reputation.' But that will take time. For the immediate decisions on the 5G systems, I think each country will have to weigh the options, the uncertainties, and will have to make its own choice.

Chung Min Lee, Chairman of the Council, IISS; Senior Fellow, Asia Program, Carnegie Endowment for International Peace

Prime Minister, thank you for this majestic *tour d'horizon* of Asian security. My question to you, sir, is you pointed out the growing dilemma that Asian allies face between the US and China. Among the great things that China has achieved over the last 40 years is that, of the 14 countries surrounding China, not one is a natural enemy. But the opposite is, not one is a natural friend. Amongst many Asian states, I believe here in Southeast Asia as well, there is a deep sense of discomfort vis-à-vis China. What would you tell the Chinese leadership today to increase their comfort level vis-à-vis Asian countries both in Southeast Asia and East Asia in the years and decades ahead? Thank you.

Lee Hsien Loong, Prime Minister, Singapore

I think you touch on a sensitive issue. It is a real one. It is a challenge that every big country faces. Because you are big, because you are powerful, what you do has very big consequences on others and how you act is interpreted by others very differently than if you were a small country. As Mr Lee

Kuan Yew used to say, when elephants fight, the grass is trampled; when elephants make love, the grass also suffers. It is very difficult to be an elephant and yet the elephant has to get on with smaller countries, because if all the smaller countries decide that this is not in its interest, then you cannot do anything about it. But the lack of goodwill I do not think is conducive towards the long-term sustainability of the power and influence of the great power.

I think, in an intellectual sense, the Chinese understand this. About ten years ago, maybe a bit longer, there was a series which was shown in China on television called *The Rise of Great Power*, and it took, one by one, very objectively, the great powers in the world – the Portuguese, the Spanish, the Dutch, the British, the Soviets, the Americans – how they rose, how it was through force in many cases, how there was a pushback and how eventually things went wrong and the power failed. The clear conclusion from that is you must emerge peacefully and you must be able to do so in a way which wins acceptance from the global community. You may be the superpower, but you have to have legitimacy, you have to have soft power. It is not just force.

I think, in an intellectual sense, China understands that. In a practical sense it is very difficult to implement, because each one of us, we find it very difficult to put ourselves in somebody else's shoes, looking at our own conduct, our own norms, our own expectations and concluding that we do not look the way we look to ourselves. It is very, very hard. For a big country, it is even harder. Therefore, I would say if you look at the other countries which have been dominant in Southeast Asia or in Asia since the [Second World] War, the US has had a presence in Asia. They are powerful, they have the Seventh Fleet, and nobody doubts that they can outdo any other of the countries in the region by speed. But they have been welcomed, and there are many friends which the US has in Asia. It is not that they buy them, but there is a certain breadth of spirit, of generosity, of policy. It is possible in that environment, has been possible for the United States' friends and for those who are not quite so close to the US but live in the region, to grow, prosper and compete in peace.

I think to be able to do that for 60–70 years, from time to time people put up a sign to say, 'Yankee go home', but they do not seriously mean that; if Yankee went home, they would be very sorry. It is quite hard to ask one big country to choose another big country as a role model, but I think there is something to be learnt from the US experience in Asia since the war.

Dr John Chipman, Director-General and Chief Executive, IISS
Prime Minister, thank you very much. Prime Minister, let me close this by observing that no one could argue that you have avoided a tough question or failed to honour it with a thoughtful reply. I noted that the very first time that you gave a keynote address to the Shangri-La Dialogue was in 2006 and the second time was 2015. Nine years separated those two speeches; four years have separated your last speech from this one. I think it is probably true that there has been double the amount of strategic change in the last four years than in the previous nine, and therefore this audience really wanted to hear your analysis of that change and how to cope with it. For that, we thank you deeply, for your support to the IISS, for the Shangri-La Dialogue process and for the goals that we have set ourselves for serious dialogue here that you have so effortlessly and fluently championed. Thank you very much indeed.

Lee Hsien Loong, Prime Minister, Singapore
Thank you.