

# SECURITY ASSISTANCE PERSPECTIVES

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## THE U.S. AND ASEAN: PARTNERS FOR PEACE AND DEVELOPMENT

By

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The United States and ASEAN have a deep and enduring partnership because we have in common basic interests and high ideals. We share a stake in security and stability in the Asia-Pacific region. We value our freedom and independence. We seek prosperity and social justice for our peoples.

Today, let me address two particular subjects of common concern: first, economic development and growth, and second, the quest for peace.

### ECONOMIC DEVELOPMENT AND GROWTH

Economic development knows no borders. The dynamics of development by which Europe and North America grew from agrarian societies into highly urbanized industrial nations, and which continue to change us today, operate with equal force the world over.

In recent years, we have seen a spreading recognition throughout the world that development and prosperity depend on the freedom of individuals to create, produce, and sell in an open market. The freest societies in the world, those whose institutions liberate the talents and energies of the individual, are also the fairest and most prosperous. Sound national policies based on these principles of freedom are the essential building blocks of a prosperous world economy.

Our challenge today is to carry out sound national policies that will protect the current world recovery and move us decisively onto the path of sustained, noninflationary growth. To free up our individual economies, and to free up the world trading system, difficult and sometimes painful political decisions are required of all of us. Here is a five-point program of action.

First, the United States must--and will--substantially reduce its Federal spending and fiscal deficit, while undertaking basic reform of our tax system in the interest of fairness, economic growth, and simplicity. These actions will help bring down our interest rates and help ease the international debt

problem. Interest rates in the United States have, in fact, declined sharply over the past 3 months, with short-term rates down 2-2½ percentage points and long-term yields from 1 3/4-2 percentage points lower.

Reduction of our deficit and interest rates will also help moderate the strong net financial flows into the United States, thereby lowering the exchange rate of the U.S. dollar. A lower dollar, of course, would make the United States more competitive in world markets--I just want to put everyone on notice. But this will help correct our excessive trade imbalance, itself becoming a major engine of protectionist sentiment. We know that protection is not a cure; it is a disease. As was said at the Bonn summit: "Protectionism does not solve problems; it creates them." The Reagan Administration will do its part to maintain and develop further the open trading system.

Second, the West Europeans need economic expansion. To get it, as they noted in their statements at the Bonn summit, they must reduce labor market rigidities and other structural obstacles to growth and innovation, create conditions that stimulate savings and attract investment capital, and, to quote their own words, "encourage entrepreneurial activities" and "reduce the claims of the public section on the economy."

Third, Japan, in addition to opening its markets to foreign products, should reduce the degree to which its high rate of domestic saving spills over into a disruptive trade surplus. This could be done by liberalizing capital markets and internationalizing the yen and by policies which stimulate domestic sources of growth, including investment in Japan by Japanese and foreigners alike.

Fourth, the developing nations, especially those heavily indebted, should continue to make the structural adjustments needed to stabilize their economies, reduce the burden of government, expand their trade, and stimulate growth. We all understand the principles of development, though our experience in adapting them to our diverse societies may vary. Key elements are: the need for political stability under the rule of law; the commanding role of private savings and investment in producing wealth; the vitality of "human capital"; and the importance of a sound currency and stable prices, as well as incentives and institutions that favor individual initiative.

Fifth, all nations benefit from freer international trade and, therefore, should support the preparatory work for a new GATT [General Agreement on Tariffs and Trade] round next year. Trade is the lifeblood of the world economy, and we have a solemn obligation to resist the temptations of protectionism. All of us should eliminate or reduce measures that limit trade; this Administration opposes any surtax on imports. We all know that major areas like agriculture, steel, and textiles are now heavily traded and subject to increasing protectionist measures such as import quotas, export subsidies, and other impediments. In addition, the trading system is burdened with other restrictions, such as domestic content laws, mandatory export requirements, subsidized export financing, counter- and barter-trade arrangements, and many others. Trade in services is incompletely covered by existing international rules, yet restrictions in this area are a serious distortion to the system.

This program of action calls for many hard decisions. But they are the right decisions. We stand at the threshold of what can be, if all governments meet their responsibilities, a long period of global economic expansion and a new era of unprecedented prosperity.

ASEAN is proof of the success of economic freedom. The United States values the ASEAN-U.S. dialogue, and we are pleased with the meeting held in Washington in April. Much of that dialogue focused on commodity issues. As I have said in this forum in the past, the United States is convinced that the long-term interests of both producers and consumers are best served by not interfering with market forces in the commodity field. There is no substitute for a free, well-informed market. Where particular problems arise we are, of course, prepared to address them.

-- We recognize that the international rubber agreement has performed a useful function in the 4½ years of its life. We have had constructive negotiations with the producer countries on issues that concerned us. The first round yielded a good understanding of respective producer and consumer views. We will participate in good faith throughout the negotiations.

-- Tin has been a longstanding source of friction between us. But we have now agreed on an important memorandum of understanding on tin.

-- As you have been informed, President Reagan has decided to propose a modernization of the U.S. national defense stockpile of strategic materials. New stockpile goals are being formulated which will lead to a change in the composition of surplus commodities and 5-year program of disposals and purchases. As is current practice, any releases from the stockpile will be done so as to avoid undue market disruption. We will consult closely with you and other interested countries as this proposal is implemented.

-- I know we have some differences on textiles, but let me cite some revealing figures: the textile industry is the single largest employer in the U.S. manufacturing sector. The growth in textile imports into the United States in 1984 was 32% over the 1983 level. In the case of ASEAN, in 1984, despite much criticism, U.S. textile imports grew by 74%.

-- In volume, ASEAN thus far in 1985 has become our fourth largest textile supplier, exceeding Hong Kong, China, and Japan. The United States is committed to an orderly international trading regime in textiles. We support the multifiber arrangement and will be negotiating a renewal of it in the coming months.

Our dialogue paid much-needed attention to intellectual property rights. The United States is concerned about widespread international piracy and counterfeiting of the intellectual property of American citizens. Americans also face serious obstacles in acquiring intellectual property rights in some countries. I urge those ASEAN nations not yet adhering to the major intellectual property conventions to do so. Protection for these rights is in the interest of all nations because it nurtures domestic innovation, creativity, and technological advance. Those governments that fail to protect these rights do damage to themselves, for their business environments will become increasingly unattractive to the foreign capital and technology that spur development.

## THE QUEST FOR PEACE

Of the many interests we have in common, surely the most basic is our quest for peace. Conflicts in this world have many origins: national rivalries, social injustice, militant ideologies, and other causes. The Soviet Union, unfortunately, exploits local grievances for its own ends. The Soviet Union does not share our vision of a peaceful international order, and it seems prepared, all too often, to impose its own vision by the use or threat of force. In the past 20 years, the Soviets have continued a relentless military buildup, nuclear and conventional, surpassing legitimate needs of self-defence. This buildup is apparent in several regions, including South-east Asia and the Pacific. Their nuclear arsenal, which reached parity with ours more than 10 years ago, continues to grow.

Military Balance. The United States, under President Reagan, has taken steps to maintain a secure military balance. We want all our friends to know that we are committed and engaged in Asia, helping our friends to assure their security. Since 1981, we have greatly strengthened our naval and air resources in the Asia-Pacific region. We have added 15 Perry-class frigates, 8 Spruance-class destroyers, and 6 Los Angeles-class submarines. The addition of a second battleship group in mid-1986, led by the U.S.S. Missouri, will greatly increase our surface strength. We have added to our air forces 112 F/A-18s, two squadrons of F-16s, and 116 new Blackhawk helicopters. We have also greatly expanded our stocks of munitions and spare parts. These actions demonstrate our intention and our will to remain of paramount importance in the Pacific. Our military facilities in the Philippines enable us to protect vital lines of communication in the region and to counterbalance the growing military power of the Soviet Union and its surrogates.

These facilities are a key element in our interlocking network of bases in the Western Pacific and Indian Ocean. Thus, they are crucial not only to the United States and the Philippines but also to the security of our other friends in Asia, from Japan and Korea to the Persian Gulf. American policy toward the Soviet Union has two tracks: to deter aggression and to hold the door open to more constructive relations. Since the ASEAN meeting last year in Jakarta, our diplomatic dialogue with the Soviets has resumed. President Reagan met last September with then-Foreign Minister Gromyko and will meet Mr. Gorbachev [Soviet General Secretary] in Geneva this November. I met with Mr. Gromyko in January and again in May and will meet with his successor, Mr. Shevarnadze, in Helsinki at the end of the month. The channels of communication that the Soviets had shut down are open and working again.

We agreed to upgrade the "Hot Line." Our 10-year economic cooperation agreement has been extended. We have begun negotiations to expand cultural exchanges. There have been exchanges of views on regional issues, such as the Middle East, Afghanistan, and southern Africa. Most important, we have started new talks on the control and reduction of nuclear weapons.

For all our differences, the United States and the Soviet Union have a common interest in averting nuclear war. At Geneva, the American negotiators have instructions to explore and seek common ground on reducing nuclear arsenals and strengthening strategic stability. We also have to resolve major Soviet violations of existing agreements including the 1972 Anti-Ballistic

Missile Treaty. The illegal use of chemical weapons in Indochina was a shocking example of Soviet behavior. The United States, by contrast, has remained in strict compliance with all arms control agreements. President Reagan's decision early last month to disassemble a Poseidon submarine in order to keep within SALT II (Strategic Arms Limitation Talks) Treaty limits demonstrates that we will go the extra mile for arms control. Prevention of nuclear war is our gravest responsibility; we share with peoples all over the world hope for a successful outcome of the Geneva negotiations, and we are doing all we can to assure that success. So far, I am sad to say, the Soviet Union has not shown a readiness to work for such an outcome.

Nuclear Proliferation. As we continue our dialogue with the Soviet Union, we will not forget the other potentially disastrous dimension of the spread of nuclear weapons--the emergence of additional nuclear weapon states. Here we have had some success. Both sides see the potential spread of nuclear weapons to additional states as a danger to the stability and safety of world order and are dedicated to doing everything possible to prevent that spread. Each has worked to strengthen the International Atomic Energy Agency and its vital safeguards systems; and each has worked to increase the effectiveness of the guidelines observed by nuclear suppliers; and each has strongly supported the Non-Proliferation Treaty.

For our part, we have sought to foster a web of institutional arrangements, legal commitments, international safeguards, and security arrangements which would guard against and make less likely the trend toward further proliferation while at the same time assuring that the benefits of peaceful uses of nuclear energy are ever more widely available to the developing world. We have concluded new bilateral agreements that will further strengthen the non-proliferation regime. We have vigorously pursued an initiative aimed at establishing comprehensive safeguards as a universal condition for supply. At the same time we are mindful that recipients must be able to count upon reliable sources of supply. We have reestablished dialogue with suppliers and recipients alike to create the framework of cooperation essential to an effective nonproliferation regime. There is a growing awareness of the danger and responsible reaction to it. New potential suppliers--including South Africa, Argentina, Brazil, and China--are requiring safeguards as a condition for supply. In short, we have made progress, but we must be both vigilant and vigorous in our continuing pursuit of our nonproliferation language.

Vietnam and Cambodia. In East Asia the most immediate threat to peace comes from Vietnam. In December 1978, Vietnam invaded Cambodia, replacing a barbaric communist regime with a puppet regime backed by a brutal Vietnamese occupation. Cambodia's agony goes on as the Vietnamese rain death and destruction on the Cambodian people.

ASEAN quickly organized international opposition to Hanoi's Cambodian invasion. ASEAN has played the lead role on this issue ever since. You organized the 1981 International Conference on Kampuchea, which laid down the basic principles for a settlement--complete withdrawal of Vietnamese forces and the restoration of Cambodian independence, sovereignty, and territorial integrity under a government chosen in free elections under international auspices. ASEAN was also the midwife to the birth of the noncommunist resistance coalition led by Prince Norodom Sihanouk and Mr. Son Sann, and you continue to be their principal supporters.

The ASEAN call for proximity talks introduces a new element into the equation. There are, of course, risks. Many interests are involved, particularly those of Thailand, the front-line state. We are reassured by your statements that you would certainly not want to move in a direction which would imply recognition of the puppet Heng Samrin regime.

The main thrust of the proposal is, however, laudable. ASEAN is leaving no stone unturned in the quest for a peaceful resolution of the Cambodian conflict. This approach deserves the backing of the international community, and the United States certainly supports it.

The United States strongly backs your policy of political, economic, and military pressure on Vietnam to negotiate a settlement. Your interests in the outcome of the Cambodian problem are primary. A regional framework, led by the countries whose interests are most directly involved, is clearly the best approach to a solution. You can be sure of our support. We provide political, diplomatic, and humanitarian support to the noncommunist resistance. We, of course, provide no assistance whatever to the Khmer Rouge, whose history of atrocities we continue to abhor. We are looking at ways, consistent with your leading role, in which we might provide more support, and we will consult with you.

In support of our shared goal of a negotiated settlement in Cambodia, the United States also will maintain trade restrictions and deny Vietnam the benefits of normalized relations until Hanoi is ready to live in peace with its neighbors. Specifically, Vietnam will have to agree to a settlement in Cambodia acceptable to ASEAN, which includes the negotiated withdrawal of its forces. If Hanoi desires better relations with other countries, then let it agree to a satisfactory settlement in Cambodia. We are standing ready to play our constructive role.

The United States has its bilateral concerns with Vietnam. Foremost among these is the fate of American servicemen and civilians still missing and unaccounted for during the Indochina war. The American people have expressed their feelings quite clearly to us and to our Congress. They will accept nothing less than Vietnam's full cooperation in evidence attempting to resolve the fate of our missing men.

We greatly appreciate your own efforts to urge the Vietnamese to be more forthcoming, and we take some encouragement from recent indications that these efforts may be bearing fruit. In a POW/MIA technical meeting in Hanoi last week, the Vietnamese Government promised to return the remains of 26 Americans and to provide information on 6 others, a significant move forward. We welcome this positive development. We also welcome the recent Vietnamese expression of willingness to resolve this continuing human tragedy within 2 years, and we will follow up with the Vietnamese to explore how this can be done. We have made it clear that we will spare no efforts to resolve this issue in the shortest time possible, and we are prepared to send our technical people to Vietnam on a full-time basis if the Vietnamese are prepared to agree to a work program that would warrant such a step. At the same time, we have made clear that this would in no way constitute a diplomatic presence, and the normalization of U.S.-Vietnam relations is dependent upon a negotiated settlement of the Cambodian problem. We and Vietnam agree that

the issue of our missing men is a humanitarian one whose resolution should not be obstructed by other differences between us.

The communist regimes in Indochina have been responsible for the largest flood of refugees since just after World War II. More than 1.5 million people have fled Indochina since 1975, imposing a heavy burden on the countries of Southeast Asia. ASEAN's response in first offering asylum for these people has made the difference between life and death for many thousands.

The United States has accepted the greatest number of these refugees for permanent resettlement. Since 1975, the United States has admitted 743,000 refugees. We have shared this humanitarian mission with other resettlement countries. We support your search for more effective solutions, including expansion of the orderly departure program. We will also continue our strong support for international efforts to assist the 230,000 Cambodians along the Thai-Cambodian border displaced during the recent Vietnamese offensive in that area. We will also support efforts to combat the terrible pirate attacks on refugee boats in the South China Sea.

One group of people is of particular interest to us. Those imprisoned in so-called reeducation camps because of their past service to the Republic of Vietnam or close association with the United States. Hanoi has asserted for years that it will let these political prisoners go if only we would take them all. Last autumn, President Reagan offered to bring all such persons and their families to the United States and proposed to begin by admitting 10,000 in the next 2 years. Hanoi no longer adheres to its original proposal and, despite our repeated appeals, has added conditions that are extraordinarily inflexible. We hope this is not Hanoi's final position and are prepared to meet again to resolve these differences and reach a mutually agreeable solution.

Philippines and Thailand. We have deep concern for the security of the ASEAN nations, particularly the Philippines, which faces a growing armed communist insurgency, and the front-line state, Thailand. For all of the ASEAN nations, our security assistance has almost tripled from \$173 million in 1980 to \$429 million last year. Security assistance to Thailand has increased from \$39 million to \$107 million over the same period. We plan to do more in view of the mounting threat from Vietnam. Our assistance to the Philippines includes a large economic component and is aimed at helping a close friend and treaty ally overcome serious political, economic, and security challenges. It supports Philippine efforts to revitalize democratic institutions, maintain stability, and lay a basis for long-term economic growth.

Afghanistan. In another area of Asia, the peace was brutally destroyed when Soviet forces invaded Afghanistan in 1979. Today, 5½ years later, the struggle of the Afghan people for freedom and independence not only continues but, almost miraculously, grows stronger. The Soviet Union has ignored international calls for negotiations, preferring military escalation. Soviet pressures against Pakistan have been stepped up.

None of us can remain indifferent. Our goal must remain a political solution, but, in its absence, the Soviets must pay a high price for their aggression. This is the only way to bring them to the negotiating table. The Afghan resistance has recently formed a new alliance, whose existence

underscores the reality that this is a genuine national liberation struggle. The tide of history is running with the Afghan resistance. They deserve our political and moral support.

Narcotics. Another matter of common interest is narcotics. Southeast Asia is a major producing region, and your countries and mine are all victims of this pernicious traffic. Annual output of opium in the Golden Triangle area of Burma, Thailand, and Laos is estimated to be 650-700 tons or more. Higher production in recent years has kept heroin prices relatively low, which, in turn, has let traffickers recapture markets in Europe and the United States while expanding their markets in Asia. Nearly a quarter of the heroin consumed in the United States now comes from Southeast Asia, double the amount of just a few years ago. We recognize and admire the efforts of the Royal Thai and other ASEAN governments to combat this scourge to society.

As many of you are aware, most of the opium and heroin produced in the region is consumed in Asian countries. Heroin addicts in several countries in the region are now more numerous in proportion to total population than they are in the United States; they include increasing numbers of young, primarily urban, addicts.

Throughout the region, drug addiction and trafficking are responsible for corruption and other illicit activities and create serious health and social problems. The proceeds of these activities are used to support terrorism and insurgency. Narcotics trafficking is an important security problem. Our united efforts are needed to combat it effectively.

Terrorism. Yet another matter of common interest is terrorism. The ASEAN nations and their neighbors, with several tragic exceptions, have been comparatively free of terrorism in the recent past. But there is no reason to expect that this region is immune from this scourge. All nations need to heighten their awareness and their preparedness. An avenue you might wish to consider is the establishment of a regional convention to suppress terrorism. The Organization of American States convention on terrorism and the European convention on the suppression of terrorism are two precedents. Other approaches you might consider are issuing a joint declaration condemning terrorism and hijacking or perhaps organizing an action group within the framework of ASEAN to address the subject of terrorism. We are ready to cooperate with you in antiterrorism training. Before this vicious enemy threatens or takes the lives of your citizens, as it has ours, I urge you to become actively engaged, bilaterally and multilaterally, with other civilized nations of the world in an all-out war on international terrorism.

China. No discussion of the prospects for peace and stability in Asia would be complete without mention of the People's Republic of China. The United States regards China as a friendly, nonaligned country. China conducts an independent foreign policy; it has moved recently to ease tensions with the Soviet Union. On many international issues China's policy is parallel to ours; on other issues it is not. Our relationship with China is premised on the fact that the former outweigh the latter. China's emphasis on economic modernization--an emphasis that has already produced impressive achievements--should give Beijing an additional strong stake in a stable and secure international environment.

Thus we believe that a secure China, working at modernization, can be a force for peace and stability in Asia and the world. An insecure and frustrated China would not serve our interests--or yours. China's ability to defend itself against the Soviet threat is crucial to the global balance of power and to stability in East Asia. To that end, the United States and China are cooperating in selected defensive--I stress the word "defensive"--military areas. We are mindful of your interests. Our policy ensures that any upgrading of China's defensive capabilities will in no way jeopardize the security of our friends and allies in this region.

Central America. Let me turn briefly to another region far from here, but where values we share are at stake: Central America. In El Salvador, our policy to foster democracy through political, economic, and social reform and security assistance is succeeding. El Salvador has conducted four free elections in the last 3 years, and the roots of democracy under President Duarte's government are growing stronger.

Nicaragua, however, is a threat to its region. The hopeful revolution that overthrew Somoza in 1979 has been betrayed by the Nicaraguan communists. They made solemn promises to the Organization of American States in 1979 to bring democracy to their country, but today they seek to consolidate a totalitarian monopoly of power. That is why some 15,000 Nicaraguans have taken up arms against the regime. The Nicaraguan communists' ties to the Soviet bloc grow steadily; they are actively involved in attempting to subvert El Salvador and two other democratic neighbors, Costa Rica and Honduras. The issue has its parallel in Southeast Asia: regional bullies cannot be allowed to terrorize and intimidate their neighbors. President Reagan has called for a cease-fire and dialogue between the Nicaraguan regime and its democratic opposition. And we continue to support the Contadora process that seeks a comprehensive regional negotiated settlement.

#### THE U.S.-ASEAN RELATIONSHIP

The United States is proud to be a partner of ASEAN in the pursuit of economic development and the quest for peace. With each passing year, you demonstrate new vitality and cohesion, earning the admiration of the global community.

Our relationship with you is a rich one. The United States is tied to individual countries by history, by treaty commitments, and by shared interests. These annual consultations demonstrate the ties that bind us to you collectively as well.

Deeper than this, the private contacts of thousands of individuals and enterprises are far more extensive than any government-to-government contact could possibly be. As our trade grows, the web of our interaction grows broader and thicker. In 1984, U.S.-ASEAN trade grew by 11% to reach a level of \$26 billion. That is certainly impressive when one considers that the level was only \$945 million when ASEAN was founded 18 years ago. U.S. investment in ASEAN continues to grow and in 1984 reached about \$10 billion.

The rapid growth of these private and personal relationships reflects our mutual commitments to our common humanity; the freedom of the individual to

worship, to think, to speak, and to act as he chooses; to create, to produce and sell--all under the rule of law. This is what our partnership must stand for. The progress you have achieved is gratifying to us. We are always pleased to meet and consult with ASEAN, our partner in advancing freedom and peace in the world.