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ADDRESS BY MINISTER MENTOR LEE KUAN YEW AT THE ASIAN STRATEGY AND LEADERSHIP INSTITUTE'S "WORLD ETHICS AND INTEGRITY FORUM 2005" AT KUALA LUMPUR ON 28 APRIL 2005

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Ethical Leadership a Competitive Advantage

Technology and globalisation have created a more level playing field. Because goods and services can be manufactured or produced anywhere, this has reduced the traditional competitive advantages of geographic location, climate and natural resources. All countries can harness information technology and air transportation and join the global trading community in goods and services. It helps to close the gap between advantaged and disadvantaged countries. But one "X" factor remains a key differentiator, especially for developing countries, that is ethical leadership. In the Third World a clean, efficient, rational and predictable government is a competitive advantage.

When the PAP assumed office in 1959, it set out to be different from other nationalist parties that led their people's anti-colonial struggle, won independence, assumed power but in office soon enriched themselves. Many freedom fighters when they become ministers degraded and undermined the institutions of government that their colonial powers left them. The PAP resolved not to be softened and weakened by the comforts of office. Our uniform was white – white shirts, white trousers – for all formal party occasions. This white symbol of cleanliness has given us a competitive advantage. We did not know at first that it would allow us to charge a premium. Investments, especially those with long amortisation, welcome the predictability and openness we offered.

The question is "Can Singapore always remain clean?"

Corruption eats into any system, regardless of the philosophy or ideology of the founding father, of the government, or the location of a country. Even the Communist Party of China and Communist Party of Vietnam although fired by high ideals, and determined to clean out the corruption and decadence of existing regimes have become riddled with corruption after a few decades in power. When they abandoned their Marxist ideology and central planning,

liberalised their economy to encourage the free market, the percentage, the grease, the kickback, baksheesh, returned in great force. This had been the custom for generations, deeply entrenched in the culture of nearly all Asian societies, as indeed it was in all western societies in the 17th, 18th and 19th centuries.

In China the rot started with the Cultural Revolution, nepotism and backstabbing for promotions and perks were rampant. Later in 1978 when China liberalised and moved to a market economy, many cadres felt that they had wasted the best years of their lives and feverishly set out to make up for the time they had lost pursuing unattainable heroic standards of purity. This was a time when the hotel chamber maid would run after you to return your discarded toothbrush or disposable razor.

I had noticed this syndrome, an insatiable craving for wealth once they abandoned their Marxist ideals, in a rebound from idealism and self-sacrifice. Many of the leading members of Chinese middle school students' union and trade unions' leaders in Singapore, when they abandoned communism after Barisan Socialis was defeated, discarded their high-minded, noble ambitions to sacrifice for the masses and instead went all out to make up for lost time by getting rich as quickly as possible.

The corruption problem in China is immense. In his report the Secretary of the CPC Central Commission for Discipline Inspection, Wu Guanzheng, reporting to the 5th Plenary Session in February 2005 said that the Chinese Communist Party had disciplined 164,832 party cadres in 2004. 11 officials at provincial or ministerial level were investigated on charges of corruption. 2,960 officials at or above county level were under investigation for bribes or misuse of public funds. 345 procurators and 461 judges were convicted and punished for graft.

Vietnam has been through the same syndrome, a decline in morale and ethical standards after their economic policies failed and they opened up to foreign investments and freed the market. In the past ten years until the end of 2004, the Ministry of Public Security reported 9,454 corruption cases of stealing state properties worth US\$639 million. This they said was only the tip of the iceberg.

No political system in any country is immune from corruption. The US suffered a string of corporate scandals a few years ago - Enron, WorldCom, Tyco, Health South, Waste Management. They were massive pilfering and corporate monies, corruption involving the Chairman and CEO of these high cap companies on the NY SEC. The Enron case disclosed the complicity of Arthur Andersen, a world renowned accounting firm in causing losses in the hundreds of billion of US dollars.

Singapore has been consistently rated as the most transparent government in Asia by Transparency International based in Berlin. PERC based in Hong Kong have corroborated this. However do not believe that Singapore does not have corruption. Corrupt Practices Investigation Bureau annual reports show just how many cases of corruption or attempted corruption take place every year, many that have to be investigated and prosecuted. There were 145 substantial cases last year, 2004 and 175 in 2003. Fortunately they have not involved the higher echelons of political office holders or civil service officers.

Singapore had an incipient problem under the British. But under Chief Minister Lim Yew Hock (1956-59), some ministers were corrupt and the rot looked like spreading.

When the present Singapore government took office in 1959, it had a deep sense of mission to establish a clean and ethical government. We made ethical and incorruptible leadership a core issue in our election campaign. It was our counter to the smears of pro Communist Barisan Socialis and their unions.

In office, we directed the Corrupt Practices Investigation Bureau (CPIB), set up by the British in 1952 to deal with corruption, go for the big takers in the upper echelons. We also amended the law to put the burden of proof on the defendant or accused if he/she had more assets than his income as reported in his income tax returns, from his employment or business could have given him. He has to disprove the presumption of guilt that they were gained by corrupt means.

It is a constant fight to keep the house clean. As long as the core leadership is clean, any back sliding can be brought under control and the house cleaned up. What the PAP government cannot ensure is that if it loses an election, a non-PAP government will remain honest. Therefore we have installed constitutional safeguards to meet such an eventuality. We amended the constitution to have the president popularly elected not by Parliament but by whole electorate and has a veto power on the spending of the country's reserves by the Cabinet. The president now also has the power to overrule any prime minister who stops or holds up an investigation for corruption against any of his ministers or senior officials or himself. The Director of the CPIB (Corrupt Practices Investigation Bureau) has two masters to back him, the elected prime minister, and if he refuses to move, the elected president, who can act independently of the elected prime minister, to order that investigations proceed. The president also has the veto on appointments to important positions like the Chief Justice, Chief of Defence Force, Commissioner of Police, the Attorney General, Auditor General and other key positions that uphold the integrity of the institutions of government. They are key officers, essential for the government to function without being subverted.

During a PAP government, the two-key system will guard against any PAP prime minister and Cabinet who overspend for political ends or a PM unwilling to act against a political colleague. The president then steps in and acts. If there is a non-PAP government and prime minister, the Director of the CPIB will be protected by the president from being subverted or undermined, otherwise the safeguards will not work. Then if in the next elections a PAP government were to be returned to office, it can clean up the system again.

If Singapore has the misfortune to elect a sharp but crooked group of politicians who can win two elections in a row, I fear they will be able to get their candidate elected as the successor president and thereby subvert the constitutional safeguards.

Corruption is incipient in every society and must be continuously purged. Once corruption has set in, it is not possible to wipe it out quickly. To kill it at one stroke you need a revolution, like when the CCP pushed out a corrupt and demoralised Nationalist government in October 1949. The old officials and their retinue were looting before they fled. The communists conducted widespread executions of officials who did not get away. They had show trials, with the masses acting as judges of those whom they accused of having exploited the farmers or workers. But within two decades, these zealous revolutionaries themselves became corrupt. It started with the Cultural Revolution in 1966. Because money could not buy them any goods, it was rank that they fought for, through corruption to gain promotions. Once China opened up and started a free market, many decided that they had wasted their best years under the slogan of sacrifice for the people and hurried to make up for lost time. But now that it has become widespread, as in China and Vietnam, to clean up is an arduous battle.

However when the core leadership is clean, corruption can be gradually diminished. Both must be prepared to take on the big ones in the highest echelons of the government. This is most painful to do as I know from experience.

Wee Toon Boon was minister of state in the Singapore ministry of the environment in 1975 when he took a free trip to Indonesia for himself and his family members, paid for by a housing developer. He also accepted a bungalow worth S\$500,000 from this developer. He had been a loyal non-communist trade union leader and my staunch supporter from the 1950s. It was painful to have him charged, convicted and sentenced to four years and six months in jail.

In November 1985 one of Teh Cheang Wan's (Minister for National Development) old associates told the CPIB that he had given Teh two cash payments of S\$400,000 each in 1981 and 1982, to allow a development company to retain part of its land which had been earmarked for compulsory government acquisition, and to assist the developer in the purchase of

state land. Teh denied receiving the money. He tried to bargain with the senior assistant director of the CPIB for the case not to be pursued. The cabinet secretary reported this and said Teh had asked to see me. I told the Cabinet Secretary that I could not see him until the investigations were over. A week later, on the morning of 15 December 1986, my security officer reported that Teh had died and left me a letter:

Prime Minister

I have been feeling very sad and depressed for the last two weeks. I feel responsible for the occurrence of this unfortunate incident and I feel I should accept full responsibility. As an honourable oriental gentleman I feel it is only right that I should pay the highest penalty for my mistake.

*Yours faithfully,
Teh Cheang Wan*

Teh preferred to take his life rather than face disgrace and ostracism. I never understood why he took this S\$800,000. He was an able and resourceful architect and could have made many millions honestly in private practice.

Corruption has to be eradicated at all levels of government. But if there is corruption at highest levels of a government, the problem can become intractable. To clean up may require some key members of the core leadership to be removed. In the case of communist countries that would lead to a split in the party leadership, a serious problem. The outcome depends upon whether the top leader is strong enough to tackle other powerful leaders without a disastrous split in the political leadership or a rebellion among party stalwarts who support the offending leader. The fear of a collapse of the government may cause the leader to hold his hand.

An important factor is the salary of Ministers and government officials. They have enormous powers to grant or deny permits that can make or break businesses. When ministers and senior civil servants are paid salaries that are derisory compared to those of their counterparts in the private sector, officials and ministers will be tempted to take gifts. Whether it is policemen, immigration officers, customs officers or officers in charge of dispensing licences, it is dangerous to have them grossly underpaid. Over the last 40 years, Singapore has moved towards paying political and civil service officers 70-80% of what their equivalents are earning in the private sector, the formula is based on an average of 6 professions, their salaried incomes

based on the income tax returns. This has enabled ministers and officials to live according to their station in society without extra sources of illicit income.

Singapore has to keep fighting corruption wherever it exists and however difficult it may be politically. The system works because everyone knows the Singapore government is prepared to act against the most powerful in the land.

In 1995 Prime Minister Goh Chok Tong ordered an investigation into purchases of two properties each made by my wife on my behalf and by my son Lee Hsien Loong, then deputy prime minister. The developer had given them unsolicited 5–7 per cent discounts on these purchases, as he had given to 5–10 per cent of his buyers at a soft launch to test the market. Because my brother was a non-executive director of the company, a rumour went around that my son and I had gained an unfair advantage. The Monetary Authority of Singapore investigated the matter and reported to Prime Minister Goh Chok Tong that there was nothing improper.

Nevertheless I asked the prime minister to take the matter to Parliament. In the debate, opposition MPs, including two lawyers, one a leader of the opposition, said that such discounts were standard marketing practice and was not improper. This open debate made it a non-issue in the general elections a year later.

Leaders must be prepared for such scrutiny to keep the system clean.

We have to keep our own house clean. No one else can do it for us.

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