

Article Name: Transcript of Deputy Prime Minister Lee Hsien Loong's Interview With Bloomberg
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Transcript of Deputy Prime Minister Lee Hsien Loong's Interview With Bloomberg

Q: "First of all, I'd like to thank you, on behalf of Bloomberg, for joining us today. We appreciate it very much. I'd like to start by asking you about financial liberalisation where you very much seem to be a man in a hurry. What can we expect next in terms of financial liberalisation, say, over the next year or so?"

BG Lee: "Oh, we have most of the pieces in place now. We've done the banks, we've done insurance, we've done the stock market, we've had the futures market, we've done fund management and the bond market. I think what we need to do is to deepen the reforms and the liberalisation in each of these areas. And in each of them, there is some work to be done because insurance, we've just announced a plan. But actually to open up and to develop the market will take some time, to bring new players in and then get the existing players to become more efficient. With banks, we've just announced a major change, the question of separating financial and non-financial activities. There are some other pieces that we are doing which may take a while more, but it probably will be within the next year, including the question of liquidity requirements. With fund management, we've opened up considerably, we are going to do some more with the CPF. That will come within the next couple of months."

Q: "Can you give specific examples of how you hope to deepen? Say, in terms of the bond market, what changes would you have in mind?"

BG Lee: "Well, we've already had quite a series of changes. We've liberalised our rules on the non-internationalisation of the currency, we've allowed swaps, we've allowed foreign participants to come and issue and it's taken off in a nice way. But to go beyond that will present some difficulties because liquidity becomes a problem, because the size of the market isn't quite there. So, there are some things we can do to give it a slight further boost, but after that, it depends whether there is a supply and demand."

Q: "One of the areas quickly has been the area of the mortgage corporation...?"

BG Lee: "That's something which we will be studying. We'll study that. I'm not personally, absolutely convinced that it is necessary because you can do quite a lot of that with special-purpose vehicles and securitise packets of mortgages and assets. But some countries have it and some of our consultants tell us that it will help to give a stronger, symbolic push because then, we will have an institution and then the name will develop and it can become a significant player. So, we will study it."

Q: "Where do we stand now on the issue of your encouragement that the local banks can merge amongst themselves? It seems to be an issue that has gone on the backburner?"

BG Lee: "Well, we've encouraged them and I've said that, really, numerically, arithmetically, it's not possible to have more than two big Singapore banks because the market is just too small and if we have four banks, they can't all be big. Whether they actually get linked up or not, it's up to the shareholders and management to decide. They have to make their own calculations. It's not easy to do because these are family-managed and family-owned banks to some degree

still. So, it's not just a matter of meshing together two managements, but also deciding who is going to be in charge if you put two parties together. And so, they haven't moved yet. But I think the pressure will increase on them, not from MAS, but because we are going to open the market further and technology is moving and they will need the economies of scale. So, some rationalisation will become increasingly necessary. It's not something we can command."

Q: "The agreement with the banks to have them divest of their non-banking...?"

BG Lee: "It's not an agreement, we made a decision."

Q: "That decision, does that advance your agenda of encouraging the banks to merge?"

BG Lee: "Well, that's a separate matter because we think that it's best for the financial and the non-financial parts to be clearly separated. Otherwise, it leads to less transparency and all sorts of potential problems as you have seen in Asia particularly and it's something which we have to give the banks a while to do but must be done. I don't know whether that will, in itself, increase the pressure on the banks to get together, but that pressure is going to grow anyway."

Q: "You'd effectively take a safety net away from banks. I mean, if they rely on...?"

BG Lee: "Well, it can work both ways. It could be a safety net, or it could be a black hole."

Q: "It could. But with recovery in the property markets, to an extent, but to a certain point, a recovery in the stock market until recently, you could argue that, you know, they could have banked on margins narrowing in the banking sector?"

BG Lee: "Maybe, maybe, but every boat has to be on its own bottom. You've got to make your money in banking, you've got to make your money in property or whatever it is, but each one has to answer for itself. You can't say my property is doing well and, therefore, I can afford to make less from banking."

Q: "Right, that's true, that's true, but coming to the Singapore government-linked companies, it's been in the news a great deal, obviously, recently, in large part because, I guess, of SingTel's inability in Hongkong and in Malaysia to expand its operations and once again, Singapore Airlines, with the reluctance of the Thais to allow Singapore to be present in the Thai market in a big way via a stake in Thai Airways. Do you see the role of the Singapore Government in its big businesses, in its large companies as being a major hurdle? And, first of all, do you see it as a big problem?"

BG Lee: "I'm not sure whether that's the only obstacle. Maybe that's an additional psychological factor which sometimes will come. Sometimes, it's a plus to have a government shareholder because then, you know that it's a serious-minded shareholder, not a fly-by-night operation. Sometimes, it raises sensitivities. So, you have to take it together. We've said that we have no doctrinal reason why we want to hold on to all of these companies and if you want to go beyond Singapore and grow, you must be prepared to merge, be acquired and dilute your control. I think that's our stated position, that's our true stand."

"I'm not sure whether apropos the region, we would significantly diminish any sensitivities by making it a non-Singapore government company. Even if it was purely owned by the Singapore

private sector, the same question will probably arise and the prominence of the company will still be there. So, I think that if we are going to change ownership, we will have to consider that very seriously from an overall strategic point of view and not because of one or two deals."

Q: "Right, I guess if it's a counter factual you may not even know...?"

BG Lee: "You must have some idea how counter factuals work out, or you cannot navigate."

Q: "Right, right. It's interesting that increasingly, it looks like the Singapore Government is participating in the new economy, you have a lot of venture funds being set up by the Government. I mean, it seems like, on the one hand, you're suggesting Singapore's economy pay...?"

BG Lee: "No, no, our venture fund is not set up by the Government. We've set up one fund whose purpose is to invest together with the private sector, with private venture money, who have a better idea of the business. We're just a catalyst."

Q: "But there is a lot of funding coming from the Singapore Government in these funds?"

BG Lee: "Well, it's \$1 billion, we set up one, really as a... to pin our flag to the mast, to show that our convictions are there, but \$1 billion doesn't... it's not going to transform Singapore. If you can, with \$1 billion, attract ten, that makes a difference."

Q: "Do you see the Singapore Government actually being a big player in the years ahead in some of these new technologies, setting up companies, being a big participant in...?"

BG Lee: "No, I don't think so, I don't think so. We have some companies which are set up and which are doing well. Singapore Technologies as group, SingTel, these are established ones. There might conceivably be opportunity to grow a few more in some particular areas where the private sector is not in it. But I don't see us being in the same position as in the early years where, if we hadn't gone into SIA, there'd be no Singapore Airlines and if we hadn't built the DBS Bank, you would not have DBS Bank. It's a different situation."

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Q: "The recent failure of Vickers Ballas and G K Goh to merge as planned was quite a dramatic event in the financial history of Singapore?"

BG Lee: "Why?"

Q: "Well, it seemed to have surprised people that it didn't go ahead."

BG Lee: "Commercial proposition, they voted. Both are commercial companies, the Government has no interests one way or the other. Even from the financial sector point of view, we would like consolidation and rationalisation, but if it doesn't happen this way, it will happen in some other way."

Q: "I guess it's seen as a large victory for the minority shareholder, whether right or

wrong, good or bad, you know, I mean, leaving aside the...?"

BG Lee: "It's up to the companies. I mean, we really have no interest in this."

Q: "But I think the impression has been that what the Singapore Government wants, the Singapore Government gets."

BG Lee: "Well, first of all, I'm not sure that's the right impression and secondly, in this case, we never expressed any want. I mean, it's up to the companies."

Q: "But broadly, you've been suggesting that the securities companies should merge and become stronger?"

BG Lee: "That, yes, but to say that Vickers Ballas must go with G K Goh, that's entirely up to them. We can't decide who marries whom."

Q: "Right. How can you say that the Government is not involved when Singapore Technologies is a major shareholder in Vickers Ballas?"

BG Lee: "They make their own commercial calculations, they don't act as a strategic agent of the Government. They're a company, just like Keppel's got a stock-broking arm and DBS has stock-broking arm. It's up to them."

Q: "Do you think there are any lessons to be learnt from the failure of the merger to go ahead?"

BG Lee: "Well, I suppose the people who wanted it to happen will now be studying it very carefully."

Q: "But do you personally feel there are any lessons?"

BG Lee: "No, I don't think so. I think this is a matter for... The laws are there, the rules as to what approval they need from the shareholders are specified and they didn't get what they needed, what to do?"

Q: "I guess this is probably a question a lot of Singaporeans, others, people who look at Singapore, Singapore watchers think about but don't often voice and I think this is our way of giving you an opportunity to address it, which is that Singapore likes to distance itself from the others in the region, and, you know, it does it duly. It's different from the rest of the region and yet, in a sense, you know, if you look at Indonesia, if you look at Malaysia, there are claims, charges of nepotism, of favouritism and Singapore definitely tries to distance itself from that. And yet you have you leading the MAS, your brother leading SingTel, your wife leading Singapore Technologies. How is that different? How would you show the rest of the world that that's different?"

BG Lee: "We are standing here, are you here on merit or are you here because you are somebody's son or wife or daughter-in-law? I think that's the basic difference. We operate the whole system based on meritocracy and with honourable men running the courts, running the ministries and the Civil Service, in government, including the Prime Minister. And if in the

centre of this whole system we have something rotten like that, I think the system would collapse. I've been in government 15 years now. People know me, they know whether I'm here because I'm doing my work or whether I'm here because somebody has put me here as a stooge or just as an anointed successor.

"So, I don't think Singaporeans are that daft to think that somebody can be running MAS or running a ministry because there's a puppeteer behind pulling strings on him, and if you look at SingTel or Singapore Technologies, they are big companies. SingTel is listed, its turnover is about \$5 billion a year. Singapore Technologies is not listed but many of its subsidiaries are, it's also got about \$5 billion turnover. And their competitors, their customers, their partners, all the people they do business with know whether they are doing business with a serious person or not and whether the person is there because of some family connection."

Q: "I think there will be agreement that all of the people we've mentioned are very high-quality and well-qualified, but, you know, is it a coincidence that they are all from the same family?"

BG Lee: "No, I don't think it's a coincidence. We happen to have a family. I mean, everybody is competitive and has tried to do well. But are you there because of your family connection or are you there because you are best man for the job and the system has thrown you up. That's what people have to decide and I don't think anybody seriously believes that in Singapore, because of me or my wife or my brother, therefore, that nepotism prevails in Singapore. After all, the IHT once published an article suggesting that and we went court to prove the matter and they apologised instead of proving it in court."

Q: "I was just going to talk about the region since we are talking about the region. How long do you think Singapore can really stay immune from, you know, what's happening in Indonesia and Malaysia? I mean, you have seen the effects of it on the Singapore economy itself over the last two or three years. How can you protect Singapore from being dragged into what are clearly problems in the region? What role can it play in its own ways?"

BG Lee: "Well, we are in the region, so we benefit when the region goes up and when it has difficulties, we get carried along too. You can't really prevent that completely. We can try and distinguish ourselves in the way we govern Singapore and the policies we pursue, in the way we can link up with economies outside the region so that you are really not so dependent upon it -- in manufacturing or in banking or even in the port where the hinterland isn't Southeast Asia but the whole of the Indian Ocean and the whole of Asia. That gives you some broader buffer. But if the region really has a very turbulent time, then we will be affected, there's not much we can do to prevent that. Can we help the region to get better? In a small way, but we are small, so really, as a catalyst, we may be of some use. More than that, it's not within our powers."

Q: "Are you planning on anything at all for, say, what's happening in Indonesia right now? I mean, it seems like if you look at what's happened to the rupiah today, the markets, the companies, you know, practically on every front, I think it's under siege. It's just pretty...?"

BG Lee: "These are problems which Indonesians have to sort out. The IMF is there and they have much vaster resources and more persuasive powers than we have and we have to leave it to them."

Q: "I mean, when the troubles first began, you stepped up to the plate, you know, you offered \$10 billion and...?"

BG Lee: "No, no, we never offered \$10 billion, you over-simplify...?"

Q: "Wasn't there an announcement that up to ten billion rupiah added to the...?"

BG Lee: "We had \$5 billion in assistance which eventually became a kind of trade finance guarantee and we promised to intervene to support the rupiah, which we did, together with the Japanese, and it had some impact. But unfortunately, the tide was against us."

Q: "Right, so any plans of doing a similar...?"

BG Lee: "Well, the Prime Minister was in Indonesia in January and worked out a package and it was announced, again as a catalyst and as a confidence-building measure. But if you want to build confidence, you have to have the basis for confidence."

Q: "Do you feel threatened at all in Singapore by some of the more fundamentalist Islamic movements in the region? I mean, at the present time, there's a very high-profile hostage-taking going on in the southern Philippines, different movements within Malaysia and Indonesia and the Philippines. Do you think about that and how it could...?"

BG Lee: "Well, we watch that. These are trends in the region and we have a Muslim population in Singapore, too, amongst the Malays, so it's of some interest and concern to us. But these are worldwide trends. I mean, resurgent Islam is something which has been going on for maybe close to 30 years since the oil shocks in the 1970s when the Arabs became, how shall we put it, when they came into more resources and increased their persuasive powers and we have to, we are affected by these tides, it cannot be helped. We are an open society, so what happens outside will affect us."

Q: "Singapore has made a number of moves lately to liberalise or loosen up on the corporate front and also with high-profile projects like Speakers' Corner, but there seems to...?"

BG Lee: "That's a small gesture, not a high-profile project."

Q: "But it caught a lot of attention...?"

BG Lee: "Well, the foreign journalists think it's interesting."

Q: "Well, it's pretty revolutionary if you think about it."

BG Lee: "Well, we wouldn't have thought so. What can you say at the Speakers' Corner which you cannot say today?"

Q: "Well, it's just, you know, the daring to go up on a box, to stand on a soapbox and

Speak your mind, it's...?"

BG Lee: "By all means."

Q: "But it still doesn't, I guess, the concern is that it still doesn't go far enough. You know, people still have to register with the police and...?"

BG Lee: "You just put your name down, so we know you are a citizen and if there's any question, we will know who you were because if you stand there and incite a racial or religious riot, we want to know who would answer for it. These are routine precautions."

Q: "Why would you want it to be a Singaporean? Why can't say...?"

BG Lee: "Well because we have half-a-million foreign workers here and we have five million visitors to Singapore every year, or six or seven now, and why should any of them come to Singapore and use us either for their battles or to incite Singaporeans to rise or to do whatever? These are, if it's a political issue, it's for Singaporeans to decide."

Q: "Well, if they live here and have lived here, wouldn't they have a stake in how Singapore is run?"

BG Lee: "Have they got citizenship?"

Q: "No, probably not, but they still...?"

BG Lee: "Will they be here forever?"

Q: "They voted with their feet, they live here and have lived here for many, many years. I mean, that's...?"

BG Lee: "Will they answer for all the consequences?"

Q: "Well, obviously, Singapore has the right...?"

BG Lee: "If you take citizenship, you can go and speak."

Q: "I think Singapore has a population, roughly 25 per cent of the people who live here are from somewhere else or born somewhere else?"

BG Lee: "Yeah, something like that, I'm not sure of the number."

Q: "What would you think would be an appropriate percentage?"

BG Lee: "Well, it's very difficult to say. You can't control these numbers. In the 1950s, immediately after the War, the immigrant population was very high because people had come from all over the region, from China and India. Then population movement stabilised and we

had more indigenously-born Singaporeans, second, third generation, but still Chinese, Indians and Malays. And now, a new volkerwanderung, a new movement of population, and not only of the unskilled who are permeating through all the barriers which countries can put up, but the skilled who are going around the world. So, it's not a question of numbers, how many we can take, but really, of the quality, that we want the right sort of people to come and to stay and eventually make their homes here. We need some who're going to come and go and be transient, construction workers, mainly foreign workers. Those are less critical because they are not at the core of the society, but the people who come and stay and make this their home, we must have a continuing flow. The numbers are quite large. We have about 45,000 babies born in Singapore a year and about 30,000 people who take up permanent residence a year. So, it's quite a big proportion."

Q: "Why is there an attempt now -- I mean, I put the emphasis on the word "now" -- to come across as this warmer, kinder, gentler Singapore? I mean, is it pressure from outside? Is it..?"

BG Lee: "We've been doing it for some time, bringing ourselves up-to-date, but the journalists have suddenly taken notice of it."

Q: "Well, you've been, Singapore has been on the cover of all sorts of magazines recently. Funky Singapore...?"

BG Lee: "Yes, I don't know why."

Q: "It must be -- and I'm assuming it is -- a warming up of... I mean, do you think the society here has matured enough to allow that or..?"

BG Lee: "It's bringing, keeping ourselves up-to-date. If we didn't change, if we were just the way we were 30 years or 20 years ago, you'd progressively get out of touch and lose support and be unable to govern. The population is changing, the norms, what they see, the influences from the outside world. You cannot be totally different, dressed in, I do not know, ruffs, with frilly collars. So, you got to keep up-to-date and I think it is right that we move proactively rather than wait for things to be forced upon us."

Q: "Would you take that final step and actually complete the picture by letting chewing gum be sold, as a symbolic gesture, of course, in Singapore?"

BG Lee: "I think it's quite useful to have a symbolic gesture which we've not taken, which is itself a gesture."

Q: "So, there's no plan...?"

BG Lee: "We are not planning to do that."

Q: "Something to hold in reserve?"

BG Lee: "No, I think it's a gesture. The western journalists have made an issue out of this. I mean, we've done it for practical reasons. You've decided that it is a convenient way to label

us. Well, we wear that label. We're quite happy."

Q: "Which actually takes us to the next question, which is the emergence of the Internet and, in a way, you know, it thrives in a relatively chaotic environment. I mean, that's the nature of the new turf, in a way. I mean, that's where the free thinking, creativity is not something you teach in schools and whenever we see that in the Singapore press, it's always kind of, you know, we're going to teach creativity which, to us, to outsiders who see that, it comes as a shock. It doesn't square off."

BG Lee: "Well, maybe we want to leave less things to chance, but what you do in school does have an influence on the mindset and on the mental discipline which a child grows up with. You may not be able to teach creativity in schools because you're either born creative or not, and you either come with new ideas and new ways of looking at things or the ability to look at things in new ways. Some people are less able to do that. They can learn, but they can't so easily innovate. But there's still a difference between teaching people to explore, to argue, to reason, to innovate, to some extent, and teaching people to memorise by rote. I mean, the best example of memorising by rote were the old Chinese schools in China in the old days where you memorised vast passages and you were examined based on what you had remembered. And even today, the Japanese lament the fact that their schools do too much of this and are trying to change. So, I don't see why we should be unable to change. After all, a lot of people say our schools are still too rote-bound. So, we are trying to be less rote-bound. I think it's quite reasonable. Whether you will, therefore, have a tremendous flowering and some many geniuses will come, that's another matter."

Q: "Doesn't creativity assume a sort of ultimate... You know, if you take it to its logical end, you're looking at a lot of freedoms, a lot of freedoms to think, to act?"

BG Lee: "But I don't know which freedom is lacking now."

Q: "Well, I mean, as a foreigner living in Singapore, I..."

BG Lee: "What can you not do here besides going to speak at the Speakers' Corner?"

Q: "That's a big thing, that's a big thing for a Singaporean not being able to speak his mind necessarily. Why is there...?"

BG Lee: "But there's nothing to hinder a Singaporean from speaking his mind."

Q: "That's an assertion."

BG Lee: "That is a fact which can be tested in the courts."

Q: "I know. If you hit the streets here in Singapore, someone living beyond the walls of a government office, someone who takes a taxi and talks to a taxi-driver, I can tell you there is a pervasive sense of fear. Whether it's well-known...?"

BG Lee: "I've never known taxi-drivers to be frightened to speak their minds."

Q: "They do, but they wouldn't say it to you. I mean, it's just interesting that...?"

BG Lee: "If it was such a fearsome place, Singaporeans wouldn't be living here, they'd be gone. They can move, they have feet, they speak English, they have skills, we've educated them, they can go anywhere in the world. But the pressure is for people to come in."

Q: "Why do you think there is that perception then?"

BG Lee: "Western journalists purvey it."

Q: "I can speak from experience of going into Singaporeans' homes and when if the topic turns to government, they begin to whisper. It's like they don't want anyone to hear what they're saying."

BG Lee: "The vote is secret. Every five years, we have elections, they can vote for anybody they like. They have voted for the government which they have chosen."

Q: "Actually, talking about the elections, we come to the possibility and likelihood that you will be the next Prime Minister of Singapore, that seems to be the foregone conclusion, you seem the most likely candidate. What would you want to do differently in your administration?"

BG Lee: "First of all, it's premature to say what I would do if I were Prime Minister. I mean, these are multiple hypotheticals, you can think about them in good time. First, let's do this job right. Secondly, I don't think that the way we've run our system is to have a drastic change of direction when you change people at the helm. I mean, sometimes, you want to do that for presentation and to have a fresh look, but actually, a certain fundamental continuity is very important because when investors come, they are not looking just for one or two terms of the government, over 20 or 30 years and they want to know which direction the country is going."

"So, I think that our approach has been not to maintain a single direction and just charge on regardless for decades, but to adjust our policies and our approaches progressively, almost imperceptibly. So, by the time you have a change of hand, you don't have to make another sudden shift and I think that is what has happened. I mean, if you look at what's happened over the last ten years since Mr Goh took over as Prime Minister, the tone has changed, the substance of the policy has changed. We've made major shifts in education, in finance, in our economic policies, in our policies on talent, even in the way we treat the Internet and the media. But it's happened gradually and so, people say why there are no new sudden shifts. But we don't like sudden shifts. We like progressive adjustments and I think that's what we should and do."

Q: "How is the Internet going to change that in your administration, going forward? I mean, you have an extra variable that...?"

BG Lee: "That will be a new variable. I mean, we have gone forward with this. We moved as quickly as we could to bring in the Internet and to proliferate it and now, about 30-odd per cent of Singaporeans have access, something like that. Nearly all the students have email addresses and they're all chatting away and playing games and downloading stuff, some good, some bad. I think it's going to change some more with the broadband when that comes. We have to get used to a new environment and I think Singaporeans will have to find a new

balance in a new environment. Because it's one thing to say I'm getting a lot of information and data, but you are also going to have to make sense of it and decide which ones you want to believe and which ones are a Singaporean perspective, whether for or against the government which you share and, therefore, bring you together as Singaporeans. And that doesn't easily happen in the Internet because the domain can be anywhere in the world."

Q: "Does that pose a challenge to the way you govern?"

BG Lee: "I think that's a challenge to society. I mean, we will have to make ourselves heard, we will have to get our views across and understood and you have to meet the views in cyberspace and eventually, people will have to decide which sites are reliable and which views are worth listening to, whether you believe them or not but who makes sense. There are sites now by opposition groups, some in Australia, not even Singaporean sometimes, some in America. Not many people read them because people have concluded there's nothing there which is worth reading. I mean, after a while, the first time you see the strong language, it's quite exciting. After a while, it becomes all of the same. But if you didn't have the reality and the reports and the news in Singapore available and reliable, then those will blossom and then we will have a real problem. But our problem will not be them. Ours will be a more fundamental problem."

Q: "Will Singapore continue to be a kinder, gentler place under your leadership if you were to become Prime Minister?"

BG Lee: "These are all slogans, I think. We are looking for a place where people are happy to live, where they're fulfilled, where they have room to express themselves and where we can live together as one society and not be split up fissiparously and be at each other's throats. That's quite a tall order, but we've managed it so far, so we've had to continue to do that."

Q: "How much of a challenge is... Of course, it's speculation at this point, but we've heard reports from Hongkong that Prime Minister Goh Chok Tong is likely to stay on for another term. What's your take on that?"

BG Lee: "I wouldn't worry about that. There are so many reports to read. I wouldn't worry about that."

National Archives of Singapore

Q: "There seems to be a sense of internal turmoil with the...?"

BG Lee: "Well, I think journalists are very puzzled that we are such boring people to observe, certainly such a boring group to observe. The internal dynamics aren't visible. There aren't a lot of tensions and signals and tea leaves to read. So, you read little straws and try to make sense of them, but actually, we work well together and I think that's the way the leadership should function. I wouldn't take seriously all these little straws in the wind."

Q: "Would it bother you at all if he decided to stay on for another term, drawing against...?"

BG Lee: "I think these are matters which we will work out. It is not a career move; when you are scheduled and it's your turn and you move. I mean, I'm not in this for a job and neither is the Prime Minister. This is a responsibility. If you think you can do it, you have a duty to try and you make a contribution where you can. And if you can't or people don't have confidence in you

and reject you, then you should be out. That's the way the system works."

Q: "Is there anything else that you would rather be doing?"

BG Lee: "Well, there are lots of interesting things which you can do, but I don't think there's anything which will be as challenging and as fulfilling as making a difference to the lives of three million Singaporeans. It's a job which requires multiple skills, and not just the skills but the commitment because it's not just making sense of data and arguments and drawing logical conclusions but presenting it, persuading people, getting people to go along with you, and finally, really you can't do everything, but what you can do is to set the tone and the direction which enables other people to do many things and that's quite a challenge. Not many other jobs are like that. You can run a multinational and it may be as difficult, but will it make as much difference to people's lives ? Maybe not."

Q: "How much longer would you expect to be Chairman of the MAS?"

BG Lee: "That depends on the Prime Minister. It's a two-year appointment. It was renewed in December, so that's for another two years, but it really doesn't mean anything. It's up to the Prime Minister. If he wants to change, he changes."

Q: "One major point of curiosity for outsiders looking into Singapore is your relationship with your father, obviously, a statesman of some calibre. We'd just like to know what it is that you talk about when you see him every Sunday or whenever?"

BG Lee: "Well, family things, what's going on in the world, work too. He keeps very much current and he's also been using his computer. So, every now and again, we try and figure out some new puzzle which has appeared on his screen."

Q: "He seems to have a lot more, I guess, views about world events these days, especially in Asia. We don't hear that much from you. Do you sort of agree with most of his views on what's happening in China, Taiwan and elsewhere in Asia? He's had a lot to say recently about the developments there."

BG Lee: "Well, he has a deep knowledge of them. He's studied them for many years, he's visited both sides, he's known the principal actors. So, when he makes a judgement it's with some basis. We can watch from reading the newspapers, but I think he depends not just on what he sees in the newspapers, but what he knows of the people and of the forces and the imperatives on both sides. So, we take what he says seriously."

Q: "Do you have any major differences in stands often, ever, on...?"

BG Lee: "Well, policies now, really, the Cabinet sets and from time to time, he will say, "If I were in charge, I wouldn't have done it this way", but having said that, he leaves it to us to decide whether to shift or to proceed. And if it's very important we will discuss it many times over and eventually work something out. If it is a routine matter, we just go ahead. It has to be done our way because we have to carry it and present it. It can't be done his way because he's not going to carry it and present it for us."

Q: "Would you encourage your children to get into politics?"

BG Lee: "If they have the aptitude, but it's really up to them and there's no particular reason why if your parent is a politician, your children will be too. It doesn't work like that, least of all in Singapore."

Q: "What did you think of the comment that the Malaysian Prime Minister made not too long ago, sort of an offside remark about "at least my son is not in line to be the next head of state", sort of no prizes for guessing who he was aiming that comment at?"

BG Lee: "I have no idea whom he was talking about."

Q: "That's disingenuous, but if he was talking about you, what would you think of that comment?"

BG Lee: "He's entitled to say that. You're not going to start a war between us."

Q: "No, I live here. I wouldn't want to start a war. What sort of things do you do in your free time, to get a sense of your personal interests?"

BG Lee: "Well, I spend a lot of time fiddling with the computers. I've got a network at home, a little one because the children are all on it variously, email, schoolwork, games, I'm on it, my wife is on it. So, keeping that up and running is not quite a job but half one. I exercise regularly, I swim, I walk, I read. The last book I read was "A Random Walk Down Wall Street", persuasive but not totally convincing."

Q: "He's actually written a sequel, a second book....same guy"

BG Lee: "Really? What's his new one? This is the seventh or eighth edition?"

Q: "It's "A Random Walk Down Wall Street II". I don't know the title for sure. What do you think of what's happening in global markets, what's happening in the US stock market in terms of the impact it has on the dollar and hence on the Singapore dollar?"

BG Lee: "Well, I don't think the rates are a major factor. Our rates have stayed low. Our banks are very liquid, their loans haven't grown rapidly, the deposits have. Interest rates have been low, even over the last year as the Fed has raised rates. Maybe it will move up some if the Fed continues but nothing to worry about. What we worry about is whether the US economy will have a soft landing as everybody expects or not because if they don't, there's a big impact on us, on our exports, on our investments, on our whole economy."

Q: "What do you think of the current level of the dollar at 1.7318?"

BG Lee: "The Singapore dollar? We never answer questions about it."

Q: "Now, we usually have, I guess, we've had Dr Hu talk about it and he usually goes, "I think we think it's at a fair level". Whatever that means, we never quite understand what

that means. Do you think that Singapore exports are sufficiently diversified in terms of their destinations?"

BG Lee: "Well, it's not bad now. When America was the only economy going, then that was a bit of a worry because if something happened, we would have no other place to go to. But now Europe is up, Japan is beginning to pick up, so we're reasonably optimistic. It's not just the exports but the investments too because we would like our investments to be diversified."

Q: "That's actually another question. I mean, I guess until recently, the concern was that the focus on electronics was overwhelming in Singapore and there was a slight shift towards chemicals."

BG Lee: "And pharmaceuticals."

Q: "What are the next couple of industries that you think that can...?"

BG Lee: "We don't know. I think electronics will remain very big, but what is inside electronics would probably change because the low end will move and you have to try to get the high end. It's not so easy to do because there are other very strong competitors. Ireland is one, Taiwan certainly. LCD Screens, for example, we're been trying hard, but so far, we haven't landed a company yet, we're still trying. But what we can do is to make sure that we have workers with the skills and the discipline. So, whoever comes in, we can train them and they can learn that job or retrain them and get them into that job."

Q: "Are you satisfied with how the process of retraining is going? It's a very difficult thing."

BG Lee: "It's very difficult. During the crisis, public interest was considerably, I mean, workers were considerably more serious about training because they could see that jobs were being lost and they didn't want to be left stranded. Now that the economy has recovered, we have to keep that pressure up and that's now so easy because it's not easy to get retrained. I mean, you're 40-something, you must learn a basic skill which even a 15-year-old finds difficult to learn and your mind is no longer quite as programmable as before."

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Q: "Is that, you think, going to be the biggest challenge?"

BG Lee: "That will be a major challenge because that has an impact on the question of income distribution, too, because the more you're able to retrain them, the more you can uplift them and get them into good jobs. If you can't, either they'll stay in unskilled jobs or become unemployed, which is worse."

Q: "At the beginning of our conversation, you talked about changes in CPF. What specifically were you talking about?"

BG Lee: "Well, we've said -- this was some months ago -- that we are going to open up further the flexibility for CPF members to take their savings and to invest on their own. It was a recommendation which Mah Bow Tan's committee made earlier this year and we've agreed. So, we're now working out how to do it with the banks, so that it can be done conveniently and efficiently at minimum cost. So, even if you have a few thousand dollars, you can still say, let's put in the bank and invest it in a retirement fund and then they can either buy a little bit of stock

or government securities and you earn more than the 2.5 percentage the CPF is able to give you."

Q: "So, that's something you're going to be...?"

BG Lee: "That's something which is being worked on now and we should have it ready soon."

Q: "You also suggested at the beginning that you will continue to liberalise or change the financial services industry little by little."

BG Lee: "No, step by step."

Q: "Step by step. When you look back on the past two-and-a-half years since the crisis, so much has changed. Is it reasonable to expect that magnitude of change over the next two to three years?"

BG Lee: "Well, I think that the thrust has changed and we're not going to alter that because the thrust is towards greater liberalisation. But what we need to do is now to get the liberalisation worked through. So, for example, we've said we're going to have five QFBs, qualified full banks, given a certain number and some more to come. But it will take time for the new participants to come, to build up the market share, to get the networks up, to get their own ATMs up and to begin to reshape the landscape for the existing players. And then when the position changes, then the existing players will take new moves and then we'll be able to make further steps forward. And also, we said we had a five-year liberalisation programme. We've only announced the first step so, next year we look at it again because next year, two years will have passed, and probably take further steps. So, I think that these will be additional steps in the direction already set up."

Q: "A theme of a couple of years ago was Singapore talking about transforming itself into being -- correct me if I use the wrong word here -- I think, the dominant financial centre in its time zone, which I think inferred that you would overtake Hongkong?"

BG Lee: "We are competing. I mean, Hongkong has got certain advantages, we have certain advantages. In fund management, we are probably not far behind Hongkong. In forex, we are ahead of them. In futures, certainly, we are ahead of them because Simex has done well. In other areas, they are ahead of us, debt issuance because they have the Chinese market. Their equity market is bigger than ours. So, each has its own strengths and there'll be some competition amongst ourselves and we hope to become a major centre."

Q: "Do you think it's physically possible for Singapore to overtake Hongkong?"

BG Lee: "It's not question of physically. It's a question of the environment and the conditions. The environment must include a legal framework, a governance system which prevails, and also your neighbourhood, where your catchment is. Hong Kong has got the catchment of China, which is a great plus because China is doing well. On the other hand, if China runs into difficulties, Hong Kong is considerably affected. We're in Southeast Asia, right now, probably doing less well than Northeast Asia. But on the other hand, it's not such a major single factor as China is for Hongkong. So, there are pluses and minuses. We wouldn't swap places with Hongkong and I don't think they will swap with us."

Q: "I think I was trying to understand whether this was a sort of fictional target that you'd be using to increase anxiety, get people to work harder because you want to...?"

BG Lee: "No, I think in certain areas, it's possible to achieve that because if you say you only want to be a sub-regional player, then you're out of the game, it's not worth trying. So, you want to be... You can't be the centre for the region because Japan will always be there, but you can be a very major centre in the region and I think we can cast our net further and have a broader region, including Australia, including the subcontinent, India and some business from China, too. Then we can be a significant centre. It's very difficult to say that you are the one and only biggest one, but to be one which is important and which has significant links to London, to New York, to Tokyo, that is entirely possible."

Q: "One more follow-up question, something you mentioned at the beginning of our conversation is capital adequacy...?"

BG Lee: "No, no, I wasn't talking about that. I was talking about liquidity requirements."

Q: "Oh, I'm sorry, I misunderstand that. But capital adequacy is one area where I think...?"

BG Lee: "We've made some moves."

Q: "You've made some moves in late 1998 and you talked about perhaps bringing Singapore's capital adequacy requirements more in line with international norms?"

BG Lee: "Well, we'll have to see because international norms are changing and McDonough has got this committee in BIS which is working on it and when the new norms come out, we will study them and we'll see how they apply to Singapore."

Q: "So, you would not anticipate a change in Singapore's requirements until a new international norm is decided?"

BG Lee: "I didn't say that either, but these are evolving positions. Any change you make could have very major impact on the banks, so you have to do them very carefully. You study them and then you make a careful move and give everybody enough warning so that when you make the adjustment, nobody is taken by surprise. So, it's not as if we're going to do something tomorrow, but it's something which we have to study and we said we would study."

Q: "Thank you very much."

BG Lee: "Thank you."

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