

The son of Singapore's senior minister Lee Kuan Yew, Lee Hsien Loong is his country's minister of finance and deputy prime minister.

Lee Hsien Loong discusses his views in relation to globalization, and Singapore's position in Asia and the modern world economy.

Maintaining a Singaporean Identity in a Global Economy

INTERVIEWER: What are the main challenges that globalization poses for you, particularly regarding cultural identity?

LEE HSIEN LOONG: It's a totally open and fluid situation. We are open to the world; the world is at our doorstep. It washes in, not just through the windows, but we are immersed in it completely—through the Internet, through the media, through people traveling, coming here, as well as Singaporeans going abroad. Half the population goes overseas every year. So we are completely open. We speak English. And to keep some sense of identity and place and loyalty and cohesion, at the same time as being adaptable and open to change and creativity, that's a tremendous balancing act.

INTERVIEWER: Singapore is not alone. You hear that same concern in France, elsewhere.

LEE HSIEN LOONG: Yes, but we are more open than most of the others. The French speak French, and they're 60 million or so. We are three million, and we speak English as the working language. And we don't have an ancient history starting with a long line of generals and kings. We [are] 35 years old as a country and still trying to build a national identity at a time when identities are in flux and in question.

INTERVIEWER: Why are they important?

LEE HSIEN LOONG: Because we exist. They are the reason why we exist. If we did not have a sense of who we were, how we got here, why we want to achieve something, which on the face of it, on the logic of it is probably not worth trying, and prove that logic wrong, then you wouldn't succeed; then you would just evaporate. I mean, you would be off to Palo Alto or to Perth or to London. There are so many other centers in the world where a talented,

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enterprising young man or woman can go and make himself feel at home. And if they do, then the balance who are left cannot evaporate away like that. We'll be left without leaders and without options, and that would be a very different Singapore.

INTERVIEWER: That's quite a challenge, really. How do you encourage people to stay here? How do you avoid Singapore sort of being absorbed within the global economy?

LEE HSIEN LOONG: It's a challenge. I mean, we can't be sure we're winning, but we're trying very hard. You have to offer both the material part as well as the psychological and the spiritual part. It has to be good to live in Singapore, because otherwise nobody will stand for it. But at the same time, it can't just be the most comfortable place to live or the place where you get the best pay, but some sense of idealism, that this is where my parents were or my grandparents, and they built this place. This is where my friends are, whom I went to school with, served in National Service with, where I feel at home and belong to. You don't speak a different language, you don't wear outlandish clothes, but there's a certain Singaporean identity. And if you go overseas and meet people, you can detect a Singaporean from across the street—the way he dresses, slightly; the way he talks; the way he acts. There is a persona which is recognizable and which we are proud of.

INTERVIEWER: That's interesting. What is it about that Singaporean that you recognize?

LEE HSIEN LOONG: Well, he [is] maybe Chinese or maybe Indian or maybe Malay, but he's not quite a Chinese or Indian or Malay. He's not like somebody from China or somebody from Bombay or Bangalore or somebody from Kuala Lumpur or Jakarta. There has been a process of an acculturation, of adaptation, accommodation with one another; certain expectations that the world does not owe you a living and that you compete on your merits, and if you do well, if you prove yourself you will do well, and there will be a chance for you to rise, and you will go for that. And I think that's an important attribute in this sort of world. You must have that; otherwise, you will not fight for it.

INTERVIEWER: I've just got something I pulled off the Internet this morning. It was a piece by David Ignatius of the *Washington Post*. He interviewed your father [Lee Kuan Yew] in it. He just had a line that struck me: "Globalization is a harsh god that has brought immense new

wealth to Asian nations, but it's also forced them to adapt their economies and even their cultural mores to its demands." What do you think of that?

LEE HSIEN LOONG: Well, that is true, but what is the alternative? If you opt out, you end up like Myanmar or like China before it opened up, and that's a much worse choice, particularly for a country like Singapore. Three million people, unable to feed ourselves—we have no alternative. It's served us well.

INTERVIEWER: What has?

LEE HSIEN LOONG: Globalization. I mean, it's because of globalization that we've got investment from around the world; we've got tourists from around the world. We export one and a half times our GDP every year in goods and services, and we make a living for ourselves. Without [globalization] we wouldn't exist.

Opening Up Trade: Consensus and Crisis

INTERVIEWER: Part of the film that we're working on now looks at the rise of globalization in the '90s, and I just want to ask you some questions about the history of the '90s. We'll go through them. Looking back in the early part of '90s, we heard a lot about emerging markets. A lot of money was coming in here. What was driving that? How was that money different from the money that had come in to Asia from abroad, you know, in the '70s and the '80s?

LEE HSIEN LOONG: Well, first of all, there was a lot more. Secondly, there was a tremendous confidence and hope that this was the Asian century and the place was being transformed, as if you just had to put money there, and it would grow on trees. But it started off with something very real, because the economies and the societies were getting transformed and modernized. People were getting much better educated; they were getting better trained; investments were coming in. Governments were taking a more liberal approach towards economic policy and loosening up on controls and restrictions, and acknowledging that you have to plug in to the world trade. And many of them still have restrictions, but they knew that if you want to bring the multinationals in, you have to give them a fairly free hand. And you have to let them export, and you have to let them hire and fire, and they will do you good. And as this approach worked, people got more confident and did more of that. And that

provoked a virtual cycle. Eventually it went beyond what it should have done and became a little bit of a bubble, which ended up, very sadly, with a crisis.

INTERVIEWER: I talked to Robert Rubin in New York about this issue as well, and it seems like there was an effort by the Clinton administration in the early '90s to encourage trade liberalization, influx of capital. Did you sense that at the time?

LEE HSIEN LOONG: Yes, it was IMF official policy. In fact, well into the crisis, the IMF was still trying to get countries to open up their capital account and were trying to change the articles in order to put this as one of the IMF's core objectives. It was well intentioned but misconceived. The countries were not ready, and this opened up vulnerability for them.

INTERVIEWER: Did you ever sense it was Clinton administration policy as well?

LEE HSIEN LOONG: Well, I don't know if you would call it the Clinton policy. I think some people called it the Washington consensus. I mean, this is what the economists around the world felt: that you should open up; you should not have restrictions. Just as trade in goods leads to efficiency, so, too, if you have free capital movements, then capital goes where it can be most productive. And you can borrow overseas to invest at home, or you can save and invest abroad. And this [was] all for the best, in the best of all possible worlds. And it turned out very sadly.

INTERVIEWER: What did you think of it at the time?

LEE HSIEN LOONG: I don't think it was at the top of our mind, because in the case of Singapore, we had ourselves opened up our capital accounts. We watched the funds flowing in, and there was a certain exuberance which was pushing up all of the asset markets in the region. The parts which came in for productive projects—factories, export-oriented projects—those were well founded and did make a lot of sense. But when the flows came in to the capital markets, and they just said, "Buy the index; here is \$100 million from my fund," and billions flowed in every week, that's quite scary, because if it can flow in that way, it can flow out in the same way, which is exactly what happened.

INTERVIEWER: Why?

LEE HSIEN LOONG: Well, it's a combination of reasons. Firstly there were some weaknesses in the countries which manifested themselves. Some projects turned sour; some of the property markets turned down. Secondly, I think there's a very important psychological element, because as people came in on faith, so, too, they left in fear, without really understanding the individual countries and the differences between them, but "Asia's no good; it's changed; better get out; everybody else is out; otherwise I'll be left exposed, and if I buck my benchmark I may be in trouble." So ignorance was a part of that.

I think that the mistakes on the part of the governments contributed to this loss of confidence. I mean, it could have been contained if the Thai situation had been properly handled. And many countries have weaknesses in their economies, but they don't all crash simultaneously. But the way the governments responded, the way some of the speeches that were made, some of the measures that showed that they didn't understand—they were just doing the wrong thing. And that caused a further loss of confidence, not just by outsiders, but by their own people inside the countries—their own corporations, their own wealthy people who moved their money overseas. And that just caused a spiral. It need not have been this way, even though if you look at it now, people think it was unavoidable.

INTERVIEWER: Do you remember a time when you just you personally thought this was really serious?

LEE HSIEN LOONG: I think probably in '98. I mean, when Indonesia started to go wrong, that became a very serious situation. The Thai [situation] on its own could have been contained. The Malaysians—basically their economy was not unsound, although they had certain problems, and they have picked up, as has been seen, although the confidence hasn't returned. But Indonesia, which was not sound, when that started to go wrong, it's not retrievable. You can go wrong in one week. You can't come back and retrace your steps. And at the end of '97, beginning of '98, as the Suharto government became unstable, and as the rupiah [Indonesian currency] continued to fall, we became quite alarmed.

INTERVIEWER: Because it's so close?

LEE HSIEN LOONG: No, because it's a very difficult situation, and without good and strong government in Indonesia the situation, it's totally different for them internally, and totally different for the whole Southeast Asia, as has turned out. The status quo ante was not ideal. There were weaknesses; there was corruption. There's what they call CCN—corruption, collusion, and nepotism. But there was growth. The prosperity did trickle down. Lives were getting better. There were hopes of it continuing and getting managed in a stable sort of way post-Suharto. But when the IMF pushed hard for fundamental structural changes in the middle of an immediate financial crisis, instead of fixing the financial problems first and dealing with the structural issues later, and when Suharto resisted that and decided that the IMF was a problem rather than helping him, and started maneuvering against the IMF, that's a very difficult, dangerous situation, because if you don't have confidence in the IMF, who's going to have confidence in you? And he put [current Indonesian president Jusef] Habibie as vice president [and he made] the explicit statement, "Who would prefer Habibie to me?" But it came to the situation that whomever the vice president was, they didn't want him, so he had to leave, and they had Habibie, and that sent Indonesia on a one-way track, which has led to today's situation.

INTERVIEWER: When you were looking at that at the time, what was your worst fear? What was the worst case that you were looking at?

LEE HSIEN LOONG: Firstly, a collapse of the economy, which has come close, although it hasn't totally happened. Secondly, really, it's the difficulty of maintaining a stable political order, which will enable things to be put right; a government which understands not just the economics of it, but really has the political support and control over the situation; to keep security, to keep law and order, to hold the country together, and therefore allow the technocrats to do their work and let the economy get put right. And if you don't have that, you're in a very difficult position.

America During the Asian Crisis: "The Friend Who Wasn't There"

INTERVIEWER: In the film we're talking about how the crisis spreads to South America, Russia with LTCM [Long Term Capital Management hedge fund].

LEE HSIEN LOONG: But to a much lesser extent. I mean, South America picked back up. Russia has its own problems. And LTCM, well, it could have been bad, but the Fed reacted wisely and in time.

INTERVIEWER: When we talked to Secretary [Robert] Rubin, he said [that] at the time when Thailand began to have problems, he didn't really think it was that serious. And just shortly before they had intervened to prevent a problem in Mexico in '95. And they thought, "Look, Thailand is not Mexico; we don't need to intervene there." Do you think that was the correct move?

LEE HSIEN LOONG: Well, I don't know if "intervene" is the right word, but a certain amount of moral support can have real consequences, I mean in the way that Americans exercised moral suasion over bankers in Korea when Korea ran into trouble slightly later and persuaded them to roll over the loans and hold off... precipitating an immediate crisis and enabled Korea to tide over and have some time to sort their problems out. If they had done that in Thailand, I think that they would have not only avoided some economic problems, but I think that the sense in Southeast Asia that the Americans were really on the side of putting things right would have been stronger, whereas this way, the Thais, I think, felt that [after] having worked with America for many years, at the moment of need, the friend wasn't there.

INTERVIEWER: Why do you think the friend wasn't there?

LEE HSIEN LOONG: I think they misjudged the situation. They misjudged the situation, probably because it was seen too much as a financial issue rather than an overall strategic issue, which it really is, because if Southeast Asia is not stable, that's a different strategic situation for the U.S. in Asia.

INTERVIEWER: I think there's a sense ... [that] Mexico was right next door; Thailand is far away. Was there a sense of almost taking the region for granted?

LEE HSIEN LOONG: Oh, yes, of course. It's post-Cold War. In the Cold War it would not have happened, but this is post-Cold War, and the calculations were different. Their preoccupations were elsewhere. If it were Russia, you would not have let it happen like this. I mean, in Russia

you are worried where the "loose nooks" will go. But in Southeast Asia, it wasn't on the front burner. And that was one of Suharto's mistakes; he didn't realize that. And he thought that the Americans would still be behind him, which was not so.

INTERVIEWER: I've talked to the head of the New York Fed, William McDonough, and he said that he didn't think that we'd seen the final effects of the Asian crisis; it's still working its way through the system. What do you think of that?

LEE HSIEN LOONG: Well, he's quite right, because while the structural issues may not have been the only cause of the crisis, if you want to get out and strengthen your position, you've got to deal with these structural issues. You've got to put your banks right, not just re-capitalize them but change the way they work and change the way you supervise them. You've got to get your manufacturing companies right. The Thai companies need restructuring. The debt has to be cleared up, and they have to become transparent. And across the region, corporate governments have to improve, and these are not things which you can do overnight. They take years, maybe more than a generation. And even if you complete doing them, you will not all become like the U.S. economy. I mean, you look at the Europeans: They are developed; they are advanced; but they're not identical to the American style of capitalism.

INTERVIEWER: After the LTCM intervention, I read a quote by Alice Rivlin, who was vice chairman of the Fed at the time, and she said, basically, that it was as if the Fed was acting as the Central Bank for the entire world. What does that tell you about America's role?

LEE HSIEN LOONG: You are the economic superpower. You are actually de facto the only superpower today. But economically, there's no question about it. And the Fed's policy, the way it sets interest rates and the way it regulates the U.S. economy, that has an enormous influence on all of the global economy, and particularly in Asia, because so many of our trading links are across the Pacific. And at that time, the European economy was down, the Japanese were dead in the water, and you were the only game in town. And if you had faltered and slowed down your economy prematurely, I think that the recovery for Asia would have been much harder. But Greenspan was deft, and he kept it going for '97, '98, '99 to 2000 in a high rate of growth, and it helped the countries export their way back in to

business. We were very grateful. There was quite some concern that the Fed might tighten up, and if the U.S. economy slowed down then, the crisis would have been much more serious.

The Economic Link Between the United States and Singapore

INTERVIEWER: Just in general, how quickly do you in Singapore and the whole region feel change in the American economy? How quick are they?

LEE HSIEN LOONG: Without delay. Ten, 15 years ago, it would have had six to nine months' delay because inventories work through orders, shipments, and then you gradually adjust. But today the orders come overnight, and they cut back immediately, so there is no delay. The U.S. economy slowed down in the fourth quarter last year and the first quarter more so, and the first quarter this year we have slowed down exactly with it.

INTERVIEWER: So the link is very close.

LEE HSIEN LOONG: It's precise, and they account for three-quarters of the variation in our growth rate.

INTERVIEWER: As somebody who's trying to manage your nation's economy, does that mean that you have less control, your government has less control over the economy than perhaps you did 20 years ago?

LEE HSIEN LOONG: Well, you have some instruments. I mean, you can spend more; you can invest; you can manage your labor market; you can manage your competitiveness in various ways. But you cannot determine a certain constant speed and go through hell or high water. You have to ride the ups and the downs, and if it's down, you have to slow down with it, as we have done this year. If it's a crisis, as has happened in '97, '98, then you can make some major adjustments and really prepare for rough weather. But you cannot fine-tune it and just cruise on a steady course every quarter or every year. It's not possible.

Facing Crisis in Japan and Elsewhere

INTERVIEWER: ... Just on Japan, if I could get your sense of what happened to that economy in the '90s and the challenge that they face.

LEE HSIEN LOONG: They had a bubble that lasted too long. Japan had a bubble that lasted too long. They pierced the bubble, [but] then they did not handle the aftermath briskly enough. They wanted to just let the problem gradually melt away. But it didn't melt away. It got worse, and companies still exist which in [the] American solution would have gone out of existence long ago. And the result now is that they've lost 10 years of growth. Their people are not out of work, but they have lost the confidence that tomorrow will be better. And they are not spending, and so the economy cannot get moving. And the government has gone for deficit financing as a fiscal stimulus, but a lot of that money has been wasted because it's gone into construction projects—you know, superhighways and tunnels and bridges which were not absolutely needed. So they now have quite a difficult problem to resolve.

INTERVIEWER: Extraordinary that it happened in the '90s, when much of the world was in the middle of a massive boom.

LEE HSIEN LOONG: Well, what to do? The Americans had difficulties a decade earlier with S&L, with your manufacturing sector not competitive and your steel industry. Your car industry had a problem, but you reinvented yourself. And the Japanese have to do that. If you take a long view, then you will believe that the Japanese are very determined people, and they're not down and out by any means. Because they're multinationals, have depth of capability, they have resilience and they are determined to carry on. And somehow they will find a way forward. They've got the technology, but the short term is going to be quite difficult.

INTERVIEWER: ... We talked some about the Asian crisis. Certainly there will be another crisis at some point—there always is.

LEE HSIEN LOONG: Yes, there's one every other year.

INTERVIEWER: What have you learned from the last crisis? Do we need to invent new rules of the game? How do we prepare for the next crisis?

LEE HSIEN LOONG: I think the moral is that there are risks to globalization. But in the end, there is no alternative to globalization. If you opt out, you end up like Myanmar; that won't do. Or you're like Vietnam—on the margins, needing to come in, but not yet willing to take the plunge. If you opt in, you have to find some way to mitigate these risks and either make the crisis less likely to happen—which you can do by tweaking the global financial system, [the] IMF, the World Bank, some of the other institutions—or protecting yourself so that if there is a crisis, you'll be less affected. So don't let your banks go lend recklessly. Don't allow bubbles to get out of hand. Keep prudent measures, sound economic policies which will inspire confidence and maintain confidence, so in a crisis people will know that you will stay the course and won't panic and be up and off. It's easier said than done, but these are the principles you have to follow.

INTERVIEWER: And the U.S. has to stay engaged?

LEE HSIEN LOONG: The U.S. is a major player in this region, not just because of the economic links, but also because of the strategic links. It balances the power balance, and its economy is a major participant. The MNCs [multinational corporations] are here investing, providing jobs, providing technology. And you are one of the most open markets in the world, the United States. And one quarter of the exports go there from Singapore, and for some other countries, even more. So the U.S. has to be a player, because Asia offers America more trade than Europe does already. So it's not insignificant for the United States.

INTERVIEWER: And if there's a crisis—wherever it begins—the U.S. has to play a role, in your opinion?

LEE HSIEN LOONG: You will be involved. What you need to do, how much you need to get involved, I think that is a matter of some deep debate.

China's Long-Term Economic Role

INTERVIEWER: Let's talk a little bit about China. I've read somewhere that you said Shanghai was a long-term major competitor. Just talk about your sense of China's long-term economic role in the region.

LEE HSIEN LOONG: Well, it's long-term. Their role is not just in the region, but they will be a major economic player. It's not just the size, but the dynamism and the drive with which they are transforming themselves and moving forward and modernizing themselves. It's a tremendous sense of wanting to catch up with lost time, wanting to make good, wanting to get out of poverty, and having a great deal of talent and ability to get going. If you talk to their people, they are bright and tremendous, and more so than ever in a place like Shanghai, where they've gathered bright people from all over the Yangtze Delta and further.

So they are moving ahead. If they prosper, then they will be stable. Then there will be opportunities for the whole region to do business with them and to benefit from their prosperity. If they do not make that, and [they] go back to the old China of the '50s and the '60s, with a poor, unstable exporting revolution, that's bad news for the whole region and for the whole world. But it depends on a good relationship between China and America. That's something that will need working on.

INTERVIEWER: How would you suggest that America work at it? What approach should they take?

LEE HSIEN LOONG: Well, the Bush administration is working it out now. And they've said that they want to cooperate, but at the same time they've got certain interests and certain standards which they want to maintain. I think it will be a competitive as well as a cooperative relationship. But you do not want to make an enemy out of China, because that's a very big long-term problem. It's [1.2 billion] people. That can be very troublesome to the world.

INTERVIEWER: There's a lot of talk in the United States, as you know, about human rights and labor standards, particularly as WTO negotiations continue. What's your sense of that debate and the appropriateness of applying those values to China?

LEE HSIEN LOONG: Politically in America, it's not possible to talk about free trade without conceding that environment and labor rights and labor standards and human rights have to be part of the formula somewhere, not necessarily in the core of the WTO, but somewhere it has to be taken in to consideration. As a practical matter, really, the more you can focus on the trade part of it, and the more the trade leads to better standards of living and more developed economies, I think the more chances you have of labor standards improving and the environment improving, because as people become affluent, as they become middle class, they will demand better environmental standards. They will not go and work in factories where children are exploited or workers are treated harshly. And these things will improve. So our approach would be to say focus on the trade part and let these come with it, rather than demand these and hold trade hostage to labor and environmental standards. But this is a very hotly contested topic in America in the domestic debate. So really we have to let them sort themselves out.

INTERVIEWER: It's a domestic debate, but in a way, that debate is exported.

LEE HSIEN LOONG: Yes, of course, because NGOs are around the world—they're all on the Internet. And these are issues which you can rouse a rabble with. It doesn't mean that all the people in the poor countries are demanding to be supporting the labor standards by the developed economies. In fact, they'd be grateful for a chance to work in a factory, even under quite difficult conditions, because it's better than starving in the streets. But it has become part of the global currencies in Seattle.

INTERVIEWER: What's your sense of that?

LEE HSIEN LOONG: It's a pity. I mean, it probably did not need to be. There were certain trends, because the Internet has made it possible for NGOs to organize, to get the publicity, to dominate the public debate—probably out of proportion to their numbers. But after Seattle, because they had a success there, because Seattle couldn't be settled, they were emboldened, and now every meeting is not complete without them.

INTERVIEWER: Did they change the debate?

LEE HSIEN LOONG: Unfortunately, in many countries, yes. I mean, they are not elected, they do not have a mandate to represent a population; the elected governments do. But the elected governments do not feel strong enough sometimes to take them on directly. And so that influence is the outcome. ...

INTERVIEWER: In China, what's your sense of the ability of their party to maintain control over 10, 20 years?

LEE HSIEN LOONG: I think they are facing a considerable challenge, and they are worrying about it—how to keep themselves relevant, how to keep legitimacy, how to maintain their government in the face of corruption which is in their system and which is not just a practical problem but erodes their moral standing to govern. That's quite a big problem.

INTERVIEWER: Do they sort of look at the Singapore model and think maybe it's something that they could adopt?

LEE HSIEN LOONG: The Chinese look at Singapore quite a lot. They send many teams down to study how we do various things. They go back; they pick up quite a number of ideas. China will look at many models, and they will decide what is good for them, what will work for them and apply in their own circumstances. They have a favorite phrase, "to adapt to the conditions," to the national conditions in China. So whatever you do elsewhere, they say, "That's very interesting, but we have to adapt it to our conditions in China." And adaptation is really quite a challenge, it's not always easy to graft in a different system in to an enormous system, which is working on a different voltage, a different wavelength.

INTERVIEWER: If we look down the road, does that mean that if China becomes more important in the global economy, that the nature of global capitalism itself is likely to change because of China's influence?

LEE HSIEN LOONG: I don't... I am not sure. I think the Chinese have a long way to go in terms of becoming an economic superpower like the United States. You can become affluent; you can raise your standard of living; your mass will make you a significant player in the

world. But to be able to produce companies like IBM or General Electric or Microsoft—to be able to have that reach to send, to have multinationals present around the world, to have research, to have marketing, to have manufacturing, to have quality control—all put into one outfit bigger than any single person can manage—that's a different level of sophistication and discipline which will take a long time to come I think in China.

Does Free Trade Lead to Democracy: America's "Missionary Stance"

INTERVIEWER: Just with respect to China, there's an argument that you hear politically in the States in favor of trade, saying, "Look, trade will actually improve democracy." In China, what's your sense of the linking of trade with democracy? Do the two have to go hand in hand?

LEE HSIEN LOONG: I think in the sense that trade leads to economic development and economic development is going to open up the society and lead to new pressures and demands, that's quite true. If you say that China modernizes, it will become a democracy the way America's a democracy—with elections every four years and two houses and log rolling and American-style politics—I don't think that's going to happen. It's a different kind of country altogether. But it will be a more open society, one where people will have access to information, where they have rights which are respected in their own way. And they have options and choices and freedoms. They can travel; they can study; they can work where they want. These are things which were not possible before China opened up. And I think if you want it to continue, then you should help China open up further, rather than say you put these rights first before we trade with you.

INTERVIEWER: Would you call that an arrogant stance on the part of the Americans?

LEE HSIEN LOONG: I don't know about an arrogant stance, but a missionary stance. I mean, it's part of the American psyche that they have a set of ideals, and they deal with the world influenced by these ideals. It's not just real politics; that's the way the Americans are. And sometimes it leads to difficulties, but on the other hand, that's why they're welcome in Asia as a superpower to many countries.

INTERVIEWER: "Missionary"—it's interesting you say that. Why do you?

LEE HSIEN LOONG: No, because they believe that they have a formula, and it's a formula for all mankind, and it's good for you, and furthermore, it's a matter of moral duty that you should do this. It's that there is a certain evangelical strand in American foreign policy. They call it idealism, and it tempers the real politics part. If it was a different superpower, if the Soviets were [the] superpower, I don't think it would be the same situation.

INTERVIEWER: But I mean, one sees that streak even applied to Singapore as well?

LEE HSIEN LOONG: Yes, of course. And when we think they've got us wrong, we stand up and explain to them why—for all their good intentions—it's not helpful to us or to our relationship. It has to be once in a while.

INTERVIEWER: Would you explain that, the criticism of press freedom in government?

LEE HSIEN LOONG: In America, the press have a special role. There's a bill of rights [and] a first amendment. The press are the fourth estate; they take on the government, and they set the agenda in many areas. And they would like this model of press to be also applied in other countries, including in Singapore. So they put up this list of "freedom-of-the-press measures," and they put Singapore most recently next to Yemen and Sierra Leone. Well, if we were that broken-backed we wouldn't be here. But we are in a different situation; it's a small country in an unstable environment, needing to watch out for many dangers which America does not have to worry about—needing to have the national agenda set by elected leaders with a mandate to set the agenda, rather than by the media—or especially rather than to be set [by the] American media who don't owe Singapore a living or any responsibility. And therefore, [we] have to work within certain rules set by Singapore. Our rules are quite simple: You can say anything you like, but don't interfere in our domestic politics. And if you made a contentious report or article, we circulate it, but we demand the right of reply. And if you deny us the right of replying, well, we have to set our own course. I mean, we are Singapore. We've elected our own leaders; between the people and the leaders we have to set our own course. And if a foreign newspaper wants to get involved in what we are doing and influence our domestic political debate, I think that's not right, because they have no responsibility. They can report—that's their right. If the report [is] skew[ed], we ask for the right of reply.

And if they deny us the right of reply, we conclude you're getting involved in our domestic politics. And all we ask is that you circulate your newspapers without advertisement so you don't profit from it. And Singaporeans will not be deprived of information, but you will not profit from getting involved in my political process. I think that's very fair.

The American Economic Model and Its Impact on Other Nations

INTERVIEWER: Down the road, [do] you expect the U.S. to remain dominant economically?

LEE HSIEN LOONG: Nobody can say—well, look 50 or 100 years, but for now I think the U.S. [is] the most vibrant, even compared to Europe. And it is not easy to change in a short period of time. And even for Europe to change and become more like the U.S., which it is doing now, [it] is a very difficult business, and they have long debates [as] to whether they really want to become like the U.S., like an American society. They're not sure. The Canadians are not sure. So I think that there will be, in a loose sense—we all depend on free markets and free trade, but they are not all totally free economies.

INTERVIEWER: Do you think that countries like France, Canada, Singapore, and China have to become, in some way, more like America?

LEE HSIEN LOONG: In some aspects, yes. There is no such thing as Asian central banking standards. I mean, you have central banking standards, and they are global. And if you want to run a proper central bank you have to follow those; otherwise, you'll run into some very serious trouble. But in the way you trade off between efficiency and cohesion, and in the flexibility you want versus looking after people who lose out from the capitalist system—there are many tradeoffs you can make, and different countries will choose different choices.

INTERVIEWER: Can you connect that with the American model?

LEE HSIEN LOONG: If you look at the American system, you are much more at the free-market end than many countries are willing to be. You hire, you fire, you restructure, you sack, you reorganize, destroy, and reinvent—without compassion, but with tremendous results. And so you had down periods—S&L's—you've cleared the loans, you've cleared the books, you sold off the assets, and now your banks are strong again. In the European

countries, they have industries which are not prospering anymore which used to be important. But they have workers whom they have to look after who are still by no means ancient—still middle-aged. And rather than to restructure and cut off and start afresh, they will carry this burden for them and take their time to try and massage the problem away. And if they can, then it means some much lower growth, but a more tolerant and compassionate society. If it doesn't work—like in Japan—then you end up in serious trouble. Then you lose both ways.

Singapore is in between; we need the efficiency, but at the same time we have to keep the national cohesion that says this is not just a place where you work, but a home where you live, and you belong here, and there's a certain sense of being Singaporeans together. And so we can't go completely the American way, but we're going to be measured by almost American standards. That's quite a challenge.

INTERVIEWER: So cultural values matter?

LEE HSIEN LOONG: I think cultural values do matter a great deal. I mean, it's not for the Europeans or for the Japanese to accept that tomorrow we need to retrench 10,000 people out of the banking system. I think that's not possible. The Americans will accept it; there will complaints, but it will be taken. In Singapore, we have no choice, because many of our employers are multinational. So when they do this, we are presented with a problem. And we can't say, "You don't retrench." But we have to work with them to find ways to help the retrench[ed] workers find new jobs, adapt to their new situation. And fortunately, we've been working with our unions and they understand. And they have been very constructive in helping up to deal with these problems.

The Singapore Brand, and the Country's Transformation

INTERVIEWER: Singapore is well known for its transparency of corporate governments. Why is that such an important issue?

LEE HSIEN LOONG: Because we have to be different. I mean, if we were the same as the rest of Asia, there's no reason why anybody should be in Singapore. We have to be different. We have to offer, as the senior minister says, from a Third World [country] a First World product [from] Asia. And people know if they come to Singapore they get this quality of environment,

but at a cost which is lower than if you went to the U.S. or you went to Germany or you went to Australia. And therefore they come. And it's part of our brand name; you have to be that quality to be in the play.

It's an all-or-nothing business. You can't be slightly transparent. You have to be of that world standard. We are competing against the developed countries now. Our per capita income is almost as high as the developed countries, particularly if you look at it in purchasing power parity terms. And you can't be there by having substandard practices; it's not tenable.

INTERVIEWER: So Singapore is a brand name?

LEE HSIEN LOONG: We're trying to make it so. In some areas we have succeeded, like SIA [Singapore International Airlines] ... but we would like it to be a quality symbol. We'd like Singapore to be a symbol of quality; that it's associated with excellence, with perfection, with a constant striving to improve, so that you're never there, but you're always working at it.

INTERVIEWER: When you look around you here, you can see ships in the harbor. Trade is essential to what you do. How do you keep in touch with what's going on around the world?

LEE HSIEN LOONG: The TV is there; the newspapers are there. We travel. It's all around you. Otherwise you would be out of business.

INTERVIEWER: How much do you use the Internet?

LEE HSIEN LOONG: Oh, [for] everything.

INTERVIEWER: How does it change what you do?

LEE HSIEN LOONG: Well, a lot of information is there. I read the newspapers on it in the morning before I start work. That's quite different—I mean, before I see the hard copy.

INTERVIEWER: Do you sort of check markets around the world?

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LEE HSIEN LOONG: That, too. I mean, Bloomberg's one of the things on the screen somewhere, except the system is not up today. And [the] BBC. You want something? It's there immediately, and you can hunt for a lot of things very conveniently now.

INTERVIEWER: What trade is sort of the lifeblood of Singapore?

LEE HSIEN LOONG: Yes, it started across... along the river here. And that's where the barges would bring in the rice and the rubber and the tin and ship out from there. And all those used to be warehouses, where people stored the stuff which was coming in and going out. Now it's become gentrified, and you go there and you have a drink in the evening. Bars and restaurants.

INTERVIEWER: The transformation is extraordinary.

LEE HSIEN LOONG: Well, the whole world has changed; we have to, too.