

*Lee Kuan Yew was the first officially elected prime minister of Singapore. He served in office from 1959 to 1990, leading Singapore through a period of remarkable economic growth and diversification.*

*Singapore's longtime leader discusses his country's rise since independence and the impact, positive and negative, of globalization on the economies of developing nations.*

## **Becoming "Relevant" After Independence**

INTERVIEWER: Your book is titled *From Third World to the First*. How do you define the First World, and why did you want Singapore to be part of it?

LEE KUAN YEW: The First World became a popular phrase in about the 1970s and '80s. The World Bank then began categorizing countries in different categories, advanced to the least developed. We haven't made it to the list of advanced countries yet, but if you go by just GDP figures per capita, then we've made it into the First World. I thought it would be an arresting title for the book. It also summarizes the transformation of Singapore, from a trading outpost for the British empire that could have perished with the end of empire, as indeed so many other trading outposts perished, [which] had to remake itself and become relevant in the post-World War II world of many independent nation-states. We just about made it. We could easily have failed. If we hadn't made it then, I doubt if we could make it now. If we had thrown away the chances that came our way then in the 1960s, '70s, '80s, I think to restart now would have been very difficult. You had to preempt certain positions. Becoming a hub, becoming a container-port hub, becoming a hub for financial institutions and financial transactions—somebody else would have done it, and we can't play catch up.

INTERVIEWER: I'm intrigued by your use of the word "relevant": Singapore had to become relevant. What do you mean?

LEE KUAN YEW: Yes. Countries that are agricultural can, at a low standard of living, sustain themselves. You can be self-sufficient; the money economy is a relatively insignificant part of the total economy. Singapore never was an agricultural country. When the British came here in 1819, they found a fishing village of about 120 people—no agriculture, because the ground was infertile. [It was] subsistence agriculture. They turned it into an emporium, a free port,

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and within three years they had 5,000 traders: Dutch, British, Arab, Indians, Chinese, and Malays from the region. The population grew with trade; we packaged products from the region, sent them back to Europe, brought goods from Europe, broke the packages here, broke bulk here, sent it out to the region. With independence of the various component states when the empires broke up—Dutch, British, French—everybody wanted to do their own trading. We could easily have withered on the vine. We just had to make ourselves relevant to the world, in this new situation of independent nation-states, each of which wanted to deal direct with the Europeans, the Americans, and the Japanese, each of which wanted to have the best airport, the best seaport, the best telecommunications. If we did not make ourselves competitive before we knew the word, before it was in common use, in other words, [unless] we gave more value for the money, we wouldn't have survived. We were not relevant. So being relevant to the world and as the world changes, being relevant in spite of those changes, is the business of living. The countries that make themselves relevant become better off; their people become better off. Those who opt out, they suffer. Whether voluntarily, like the communist states used to do—North Korea, North Vietnam, Soviet Union, China—they were worse off.

The trading system which the victorious Western Allies created after World War II provided that backdrop, provided that framework for an exchange of goods, services, people, ideas, capital that generated wealth. That enabled countries like Germany, Japan, who had shrunk in territorial size, who would take in their colonies—Germans from the East; Japanese from Manchuria; China, Formosa, or now Taiwan—more densely populated, but because they are prepared to work and export their goods, and later their services, within this wider framework, they became more prosperous than they were with wider and bigger territories. That's the lesson of the events after the second world war. In fact, if you look back in history, that's the lesson of history. Tribes grew. They ventured out, looked for other tribes [to] exchange corn for money or whatever, different fruits, different vegetables, different fabrics. Some colonized other little villages or territories, came back, lost contact with the original tribe, but the trade went on. When you don't have free trade, then you have to build it, a sense of influence or empires that's the logic of it. For such a system to flourish you need a certain rule of law, currency, certainty, enforcement of contracts. So the British built their empire; so did the French, the Belgians, the Dutch—even the Americans with the Philippines and parts of the Caribbean. But after World War II, because of the dynamic of what Roosevelt wanted in the

Atlantic Charter, decolonization and the threat of Soviet power feeding this desire for freedom, decolonization took place rapidly. And that's the world we are in.

## **Learning from the British Mixed Economy**

INTERVIEWER: Around the same time you were in England, there was the election of a Labor government and the desire of the government to take control over the commanding heights. There's a lot of appeal in the idea of a mixed economy. I believe you considered yourself a socialist at the time. What was the appeal?

LEE KUAN YEW: I wouldn't say I consider myself a socialist. I was convinced that it was a civilized system of government. When I was a student there [in England] in the 1940s, one day they passed the National Health Service Act. I went to the optician to pay for my pair of glasses and the optician said—this was in Regent Street in Cambridge—he says, "No, sir, you just sign here." He gave me a form; I signed—free glasses, free dentists, free doctors. After a while it threatened to go broke, so they put a prescription charge—20 shillings or five shillings, I can't remember—a token charge just to keep the prices down. At one time even the French used to come over for their spectacles and dentures, and they stopped that.

Subsequently it was quite obvious it didn't work. These are scarce resources. You've only got a limited number of top-class surgeons or doctors, and if you promise everybody that they are entitled to the same treatment, it's just not practical. So the system malfunctions, [but] they can't dismantle it now because it's too popular; it's gone into the national psyche. But you'll queue up for hip replacement, for non-urgent surgery, and private-sector practice begins to grow, where you'll get top-quality doctors and nurses and [post]-operative care if you pay. So we learn from watching what went wrong. Or I at least I thought I did.

## **Making Nationalized Enterprises More Efficient**

INTERVIEWER: Can you remember any other examples of nationalization in Britain and what you thought of it at the time?

LEE KUAN YEW: They nationalized coal. There was a coal shortage. There were so many things. There were the railways. When you do that, you become the provider of a buffet. I mean, subsequently it's called the buffet syndrome; The food is there; take what you want;

you pay a token price. You've paid your taxes? Well, this is for you. And the waste is incredible. If you watch the hotels that provide these buffets on Sunday, people take two or three times what they can consume, and it goes into the garbage can. So watching it fail, we started working on a series of preventive measures to make people think twice. We have to subsidize health; we have to subsidize education, housing. These are basics if you want people to perform effectively. But if you take health, for instance, what we did was we don't promise you same treatment, same choice of doctors or nurses or class of wards. So we have different relations of hospital treatment. If you go to A, we don't subsidize, you pay the costs. Then you have a room to yourself, air conditioning; you choose your doctor or your surgeon. You press the button, and a nurse will come up and give you water or your medication. If you choose B, then you may share four to a room and be subsidized up to about 50, 60 percent of the cost. If you choose C, then it's about eight or 10 to a room, and we pay—the government will subsidize 90 percent of the cost. So you pay 10 percent, so don't go stay in if you don't have to. That way, we've kept a certain check on the waste.

### **The Mixed Economy in the Developing World**

INTERVIEWER: Why did that model of a mixed economy have such appeal throughout the developing world? We saw it in India and Africa and so on.

LEE KUAN YEW: It's got an appeal even now in the developed world. Why not? You give the vote; I will deliver. I promise you this, so vote for me. You've got the French, the Germans—they've also gotten into this welfare business, and it's tough cutting back, because once you've given it, cutting back means losing votes. It's a problem. If you take your own American system, President George W. Bush is trying to have a privatized segment of the Social Security so it's yours; you can direct how it is invested. We've had that much longer than what you're trying to do. In fact, having watched what went wrong with the pensions in Western Europe, these transgenerational transfers of responsibility—"I guarantee you that when you're 65 you'll get so much"—the burden will be carried by whoever is working between 20 to 60 years of age. That was going to lead to trouble. Right from the beginning we said no, we will have an individual account [the Central Provident Fund]: This is yours; you look after it; we will top it up and add to it, but it's yours, and if you don't use it, it'll go to your heirs or whoever you designate. They begin to accumulate capital. So when we subsidize, like when we privatize government [and] state-owned corporations, we give them a buyout of shares at

a discount. And it's theirs. If you want to spend it, sell it. If you don't sell it, your shares will increase in value over the years. Strangely enough, very few sell it.

INTERVIEWER: What went wrong with some of the developing countries like India?

LEE KUAN YEW: India is not welfare so much as the leaders starting with Nehru and his generation were mesmerized by the supposedly rapid growth and industrialization of the Soviet Union. And of course this is what British economists of the time, the 1920s, '30s, '40s, even after the war, '50s and '60s, were recommending—big capital accumulation, big projects, iron, steel, making agricultural implements. Then you develop—you make trucks; you make cars; you make combine harvesters. They believed in it. I remember talking to a very eminent, very scholarly gentleman in charge of the Five-Year Plans. This was way back in the 1960s. I said, "Can't you do it any other way?" At that time, I did not know that this was the way that was going to fail. I said, "Why not try both systems?" He said, "No, we're too poor. We can't waste our resources. We can't have two sets of steel mills competing; we'll have one." So they made steel in imported machinery from the Soviet Union, which nobody wants to buy the products of. So they sell it back to the Soviet Union who used it themselves. So it went on with almost every other major so-called commanding height, the pillars of the economy. When you started changing in 1991, '92 with Manmohan Singh, who was himself a planner, they had already lost 40 years of growth. They had the problem now of dismantling all these monopolies. And the unions are now part and parcel of these big state-owned companies, who don't want it privatized because if you run it efficiently, the workforce will be reduced by two-thirds or one-half.

### **Tanzania's Julius Nyerere and Ujamaa**

INTERVIEWER: You've spoken about your experience in Tanzania under President Nyerere. He was a committed man who genuinely believed in socialism.

LEE KUAN YEW: Oh, yes, Julius Nyerere is a good Christian. He wanted to do good to his people. He's a great Christian; he can quote you chunks of the Bible. He was a preacher also. He was a devout Catholic. But he didn't understand the economics of growth, or just simple economics. He thought if you gather people together—I think it's called "ujamaa," or some form of communalized agriculture. So he had them all in villages, and they would work their

farms. And then they were living together, and the children would go to school, and you can provide health services and so on. It's the noble objectives. But walking back and forth to your farm, there's nobody to look after them and so on, and then you have cooperatives that buy the products at uncompetitive prices, so whole thing malfunctions. It was a terrible waste. I don't know; I've not been there for many years. I used to speak to him. I said, "Why don't you do it like the Ivory Coast?" The Ivory Coast was doing well at that time under [Felix] Houphouet-Boigny, and Kenya was doing well under [Jomo] Kenyatta. "Man-eat-man society," [Nyerere] told me. Well, when I said that to [Daniel] Arap Moi, who succeeded Kenyatta as president of Kenya, he says, "The other way man eat nothing." So you have your choice.

### **A Visit to China: A "Potemkin Village"**

INTERVIEWER: I wanted to ask you something about China. I was struck by your description of your first visit there, where you felt very "un-Chinese." Can you tell that story?

LEE KUAN YEW: In retrospect, it was bound to happen that way. I'm not sure what an American Irishman feels like when he goes back to Ireland, especially a third- or fourth-generation [American] Irishman. For me it was a bigger shock, a bigger disorientation, because you have some idealized version of what you think your ancestors' homeland was and should be. But the greatest surprise was the disconnect between their thinking and my reaction. Mind you, this was in the 1970s, and [the country was] mouthing all these Mao slogans. It had a chilling effect. It's so outlandish. You ask a student at the university, "What are you going to do after you graduate?" He says: "Whatever the Party asks me to do. I'll serve the people." He didn't mean it; he had to say this. The background, the thinking, the aspirations, their view of themselves and their complete misconception of the world around them was quite scary. They thought that theirs was the great society, the ideal society, total purity. You leave a discarded ball pen, and they'll take it from the guesthouse and chase you and give it back to you. It was unreal. I mean, they knew it was worthless, but they made a show of it. I had the impression that it was a Potemkin village, a facade. Had it gone on it would have brought great disaster to them. They were lucky that after Mao died, that same year that I went there, '76, two years later Deng Xiaoping opened up China. He saved the country from an implosion like the Soviet Union.

**On Deng Xiaoping and the Opening Up of China**

INTERVIEWER: I read that you felt that Deng Xiaoping was one of the most impressive, or the most impressive leader. Tell us why.

LEE KUAN YEW: Oh, I think so. Well, I've met quite a few communist leaders; I did a tour of Eastern Europe in 1966. I've met the Soviet leaders like [Aleksei] Kosygin [Soviet premier, 1960-84]; I never met Brezhnev. They were stereotypes: They have a line, and they stick to it. Whichever way you attack a problem, they come back with stock answers. And I'd been to China in '76 and met the chief of Mao's security. He looked like one and he talked like one. So when I met Deng Xiaoping, when he came here in '78 in November, just before the Vietnamese invasion of Cambodia, to try and prepare the ground for us to support him against the Vietnamese, I expected another one off the shelf. He spent about two hours recounting why we must all get together and fight this Cuba of the Russian Bear. There's a Cuba in Southeast Asia, the Vietnamese, who will eat us all up. I listened. The next day, I thought what I had to tell him he might not like. But, I mean, it's good if he's listening and alert. It was then about '77 or '78. So I said, You tell us that we shall all, my neighbors and I should join you and fight this Russian proxy. But let me tell you what they want to do is to get me to join them to fight you." He was startled. I said: "There are no overseas Russians in this country. The Russians do not broadcast inciting rebellion by communists against their government. You do. You're not only broadcasting, [but] you're also giving them money and arms, so they say let's fight you." I took half the time: He took two hours for translation; I took one hour with translation. So I said, "Well, that's it." So I expected a rebuff—you know, "We must all get together; you're wrong," and so on. I was quite taken aback. His face almost screwed up. His lips pursed; his eyes narrowed. He looked at me and says, "What do you want me to do?" So I took a deep breath. I said, "Stop it." I thought he'd bite me or something. So he says, "Give me time." I was very impressed. He took two years to change the policy, but he did; he stopped all the broadcasts. Of course the Communist Party of China brought them more by radios, you see, from the Japanese. So mobile radios appeared all over Southeast Asia. But they stopped the funding, and the insurgencies gradually dried up. But there are some countries that blocked Vietnam with him. And the Americans and the Vietnamese failed in their occupation of Cambodia.

INTERVIEWER: You mentioned that Deng Xiaoping saved China. I think that I read in your opinion, if he had pursued glasnost and perestroika like Gorbachev did, that the country would have fallen apart. Describe at what point in the early '90s he was trying to do to the country, and what was at stake for China.

LEE KUAN YEW: Well, he had to fight his own conservatives, the orthodox Communists, who were terrified that this meant dismantling the socialistic way. Their control was total, over every person in society. If you got the sack you'd never get a job unless they wanted to give you a job. There were no independent employers. If you move your residence without permission, you won't have rations to eat. This freeing up meant multiple employers, meant people became more mobile and could move from countryside to city and from one city to another. So they were quite apprehensive. So he started this in '78, so by '90 they were getting apprehensive. So he decided to give it a push. And he went on his so-called Southern tour to Nanjing and made a series of speeches which were well reported throughout the country.

Jiang Zemin was given the boost or the support to press on. He pressed on, and that brought about more growth. Had he not opened up China, they would have gone the way of the Soviet Union. But he was very careful; he believed first in restructuring before opening up. I mean, glasnost and freedom and transparency and so on, that had to wait. First restructure, and restructure under the old system by directives so that nobody can say no. I'm not sure whether Gorbachev would have done better the other way. I think he would have done slightly better, but this was a different and tougher situation. [Gorbachev] had 70-plus years of communism. China had only 30—20 plus the years from 1949 to 1978, so less than 30 years. [Deng] knew what a revolution meant; Gorbachev didn't. Gorbachev went to law school in Moscow and worked his way up by promotion. So Deng understood that if you released the forces, unless you do it in a controlled way, the system will collapse. And he did not allow the system to collapse, because if you allow that, nothing is achieved. His place in history in the West has been tarnished by his tough standard here on Tiananmen, but I think his place in Chinese history will be different. The Chinese will judge him not from whether he was humane or he was brutal, but whether he saved China, or he allowed China to risk disintegration, because now with the Tiananmen Papers out, it is revealed, as I suspected at that time, that

mass demonstrations were not in Beijing alone, but also spreading to the other cities, and he had to stop it.

### **On Human Rights and Democracy**

INTERVIEWER: We talked about the perception in the West. I was struck... I think it was in your book where you said that with the coming in of the Clinton administration, there was a change of attitude, a new generation—the Vietnam generation of the White House.

LEE KUAN YEW: The anti-Vietnam generation.

INTERVIEWER: Talk about that and the effect that had on trade and foreign policy. China brought it to mind, because there was a lot of emphasis on not only trade, but on the human rights element and attaching the two. How did that manifest itself under the Clinton administration?

LEE KUAN YEW: Well, it's not just human rights; there's human rights and democracy. Let me explain my position first. I do not believe you can impose on other countries standards which are alien and totally disconnected with their past. So to ask China to become a democracy, when in its 5,000 years of recorded history it never counted heads; all rulers ruled by right of being the emperor, and if you disagree, you chop off heads, not count heads. But I agree that in this world of instant communication and satellite, you cannot have barbaric behavior and say it is your internal problem. It is a world problem. I mean, once upon a time, the Dyaks [indigenous people of Borneo] went headhunting; it was a national culture. It's a way you get a bride. The British stopped that. Recently, they went back to headhunting, because it's part of their culture, part of the way to express their rage when they feel things are getting out of control. I think it's wrong to allow that, so I support, or I believe it is right to support a standard of human rights which deplores barbaric behavior to your own people, let alone torture. I think the Chinese, in the beginning, resented this. But now on human rights, they have begun to talk, and they recognize that if they want to be respected in the world community, they want to win a certain status with the rest of the world, not just advanced countries, but even the developing countries, then they cannot behave in a barbaric fashion to their own people.

So they have accepted this: The agenda must include human rights. But I don't think you can impose on them how they should govern themselves, whether they should have one man, one vote to elect a president, or whether they should be governed in some other way. I mean, you have one man, one vote, and it's not very successful in Indonesia. You have one man, one vote, and it's not working in the Philippines, because you can't get rid of a president who is corrupt, because he's had more than one half of the senators unwilling to impeach him, despite all the evidence. And even in jail, he's got supporters outside. You need a certain standard of literacy, moral and ethical values, to be able to run a one man, one vote system. I was hopeful when Mrs. [Corazon] Aquino got elected after this people power in 1986. But having paid this awful price, they were stuck to constitutionalism. Unfortunately, the ... cronies came back with their money. They supported [Joseph] Estrada; he won. He restored them to positions of ill-gotten wealth. And finally the middle class and the church and the judiciary rebelled. But it was done in a way that has left Estrada still with a following with the poor who didn't understand all this. So I don't think therefore it's wise or practical to ask other societies to follow your system of government. They may not be ready for it.

### **The Opening Up of the Asian Markets**

INTERVIEWER: I want to ask you about your sense of the evolution of the Clinton administration's global economic policy in the '90s. We interviewed [Robert] Rubin, Clinton, and [Lawrence] Summers, and they talk about their push to open markets, particularly in Asia, the emerging markets. I'm wondering whether you think that perhaps they pushed too hard to encourage countries to open themselves up, particularly to capital.

LEE KUAN YEW: Yes. It was an article of faith that these countries would thrive and prosper if they opened themselves up and allowed free flows of trade, investments, currencies, people, ideas, machines, everything. But it assumes that you have the administrative machinery or the system in place which can prevent yourself from being demolished when you have a withdrawal of capital. I support the view that free trade in goods and services is a win-win situation. I'm not so convinced that free flows of capital without restriction is a win-win situation. Theoretically, it is the most effective way to allocate capital. And there are trillions of dollars' worth of pension funds and insurance company funds waiting to go into the best markets, highest returns. But if they had not persuaded the Thais and the Indonesians to lift their exchange controls, this enormous inflow of funds from Europe, some from America,

some from Japan, would not have gone into these economies. They were booming, and the finance ministers thought this was the way to join the boom. These countries did not need extra money; they had huge savings of their own. But when Western bankers set up businesses, they said "Here you are," at lower interest than their own countries, because their currencies were pegged to the dollar, in order to sustain the value of the peg at high interest rates, so they borrowed in dollars with low interest rates. When the trade balance moved against them, because the Chinese had devalued their own currency and were capturing American markets—replacing Indonesia, Thailand, and several other countries, the fund managers immediately noticed that this money won't be repaid. First, they can't sustain that rate of exchange. Secondly, where's the foreign exchange going to come from? So they pulled out, and when they pulled out, as all fund managers do, they acted in rapid unison just in case they were the last one out. And no small economy can withstand a withdrawal of... I think within a few months they had \$200 or \$300 million worth pulled out. Currencies were devalued; stock markets plummeted, because they were sold to get the currency to move out; property prices collapsed; companies collapsed. And in the case of Indonesia the social fabric collapsed; the social fabric was torn apart. From an economic [standpoint] it became a national unity problem. And you had ethnic groups fighting each other; you have Muslims versus Christians. Was it necessary? Could it have been different? Yes, I think so. They should not have persuaded them to do something which they were not capable of doing, to monitor the inflow of funds to make sure that it was allowed in at a rate that they could repay. They didn't have the machinery to monitor what was being transacted by their private corporations with the foreign banks.

### **Globalization's Fallout**

INTERVIEWER: I read that you wrote that after the end of the Cold War, the U.S. became as evangelical as the communists.

LEE KUAN YEW: Yes, it's an article of faith. I mean, democracy, human rights, free flows of capital—it does not brook a counter-argument. They believe this is right, and therefore let's do it.

INTERVIEWER: Who believes?

LEE KUAN YEW: People who set policies in Washington.

INTERVIEWER: Did you ever speak to Rubin or Summers and tell them...

LEE KUAN YEW: No. Who am I to tell Rubin or Summers how to run the policy of the American dollar or the Fed? But I did tell Larry Summers that... He came out here on his way to Indonesia after the rupiah [Indonesian currency] started spiraling downwards, and the shops were cleaned up. So my prime minister rung up President Clinton said, "Look, do something." He said, "Well what we need is discontinuity." Suharto was in charge. I was astounded. I said: "Look, what we need is continuity; this is an old man, 32 years in office, doing his last few laps, and is passing on. Just make sure he's got a good successor, arrange to give him some support, and you will have a gradual transition into a new phase." But he wanted to change the system and have a level playing field, stopped giving contracts and grants or franchises to his friends and his family. [Suharto] was offended, because he said, "I'm the president; I've done my country proud 32 years; I'm going to buck you." And the market got scared, and more money pulled out. So the result was collapse. He resigned after riots. His successor didn't do so well and was rejected after 18 months. A popular election and a not-so-popular National Assembly produced a leader. It's not so successful, and we have a problem.

INTERVIEWER: This article of faith that you've mentioned—what is the faith?

LEE KUAN YEW: The faith is this way: If you have a better world, everybody would be prosperous; everybody will maximize his capabilities and his benefits. But is it true? I don't think so. Within limits, it may be true for countries like Singapore, because we have learned to build up the institutions, but even then we suffered. Because when you have people selling shares and currency, when they're pulled out... They don't say that "When the crisis broke in '97..." The fund managers didn't know the difference between Indonesia and Malaysia, Thailand, Singapore; they just say, "I want out." So they just sold, brought our currency down, brought our stock market down. Then, after a while, they discovered [that] no, we were slightly different. We were not so bad; we were not in debt. And then we recovered. But we lost a lot of money, and our banks lost a lot of money in Indonesia and Malaysia, and Thailand where we had that money.

INTERVIEWER: So did American arrogance help cause this crisis?

LEE KUAN YEW: No, I wouldn't call it arrogance. I think there's a certain overwhelming belief that what's worked for America will work worldwide and that this way the world will be a better place. I'm not saying they came here to do harm. All missionaries want to do good. But if you don't understand the local culture and customs, and you don't understand that change has got to take place at a pace that their people can take, then you can do that people some discomfort and sometimes harm, as was done in the case of Indonesia. Now who is going to rescue them? How can you put Humpty Dumpty together again? The genie is out of the bottle, and enter ethnic hostility. Churches have been burnt; mosques have been attacked; they have killed each other. Dyaks have beheaded Muslim Madurese. Chinese have been massacred in different parts of Jakarta and other parts of Java. And you're going to live happily ever after? This will take years to heal. It's all the fallout of an economic collapse. If the economic collapse had not happened, the stresses would not have been so severe. I'm not saying they had a perfect infrastructure of institutions and law and administration, but it need not have got into this terrible spiraling violence.

INTERVIEWER: But they say that, "We told the countries they had to have proper systems in place."

LEE KUAN YEW: They need decades to build up even now. You mean to tell me that at a flick of a switch you've got central bankers? You can't, if you had told they were being persuaded not just by Rubin, but also by all the European finance ministers who are very keen to spread this global capital market. But are you sure that they can build up the institutions, the banking practices, corporate governance that can withstand the sudden withdrawal of funds? Even the best of countries with the highest banking standards... Britain in the 1970s got into trouble. You remember John Major in the 1990's; he tried to defend his pound, and George Soros milked the British pound for over a million, billion dollars. But that's fair game, and that's part of the rules of the game. These are toddlers in the banking world. Yes, they have a few who have been to the IMF and the World Bank for training, but have they the experience, were they supported by people with experience at every level? We are still learning. The Swiss used to tell us that we ought to allow our Singapore dollar to be internationalized. In other words, people can borrow our dollars and spend it any way they like. He said, "We do that." I looked

at the Swiss gentleman, the banker who told me that. I said: "But we are not Swiss. We are new in this. You've been international bankers for generations. You know how to hedge. Even then you got into trouble when you had to have negative income tax, negative interest rates, to protect your own economy." I haven't got those skills. Those are highly honed skills. Finally it comes to people running a good system, and good people running good systems. So you have Alan Greenspan, and he's not alone. He has eight or nine other Federal Reserve Bank governors. He's got a whole staff of people, every one of them with decades of experience in the banking business and regulators. Why do they produce this? So I think it was unintended, but nevertheless a grievous harm.

INTERVIEWER: You began your career fighting for your independence. In a global economy, with the U.S. economy having such an impact around the world very quickly, how independent can any country be today?

LEE KUAN YEW: It depends on your size and the group that you are with. The Japanese are a big economy, second largest in the world by individual countries, but they are alone. So I think they've got less leeway than the French and the Germans and the Italians, who are together with about 15 other countries altogether. Because they are a larger group, they feel that they are able to withstand this slowdown of the American economy. So although the bankers want them to lower interest rates and help boost growth worldwide, they are concentrating on their own internal inflation rates and they say, "No, we're not doing that." And I expect the rest of the world bite their tongues and say, "Well, it's their right." So they feel that they are in a position to say, "No, I will go my way." But even they, I think, will be hurt by this slowdown in the United States. There's no way in which you can say this is irrelevant. As for a country like Singapore, our external trade is about three times our GDP, so when that external trade goes down you cannot but feel the hurt. But it can't be helped. That's part of life; that's part of the global system.