



Reinventing Destiny: A Conference on the Occasion of Mr Lee Kuan Yew's 100th Birth Anniversary

Dialogue with Deputy Prime Minister and Minister for Finance, Mr Lawrence Wong

By Beverly Tan

The last event of the conference was the Ministerial Dialogue, featuring Deputy Prime Minister (DPM) and Minister for Finance Mr Lawrence Wong and moderated by renowned journalist Fareed Zakaria.

The session began with a brief speech by DPM Wong followed by a question-and-answer session with Dr Zakaria and members of the audience. DPM Wong's speech focused on the point that despite facing a number of challenges in the new world order, Singapore is confident in its ability to adapt and thrive. In his speech, DPM Wong reminded the audience that Singapore has always been a resilient nation that has defied the odds. However, the world is now facing a number of challenges, including geopolitical tensions, economic fragmentation, and technological disruptions, which will make the external environment less benign and less hospitable for small states like Singapore, he cautioned.

Three Challenges to Overcome

DPM Wong noted that there are three major shifts Singapore would have to face in this new environment.

First, the global multilateral trading system is "under siege and will evolve", he pointed out. With countries setting aside free trade and win-win economic cooperation, Singapore must adapt to a new paradigm with more active state involvement in markets. As the US and other G7 members focus on rebuilding their industrial bases, reducing their exposure to geopolitical rivals and fortifying their national security, the rest of the world, including Singapore will be greatly impacted, he noted.

Second, the shift in global trade and how investments are made is giving rise to a different pattern of globalisation, said DPM Wong. Trade is increasingly being shaped by geopolitical

alignment, he said citing as an example the bifurcation in high-end semiconductor chips in the highly competitive areas of technology (e.g., artificial intelligence and quantum computing).

Finally, DPM Wong commented on the US-China relationship, which he noted had shifted significantly from “strategic engagement” to “strategic competition”. “For a long time, the US talked about strategic engagement and getting China to be a responsible stakeholder in the global system,” he said. “But there is now a growing sense in America that that approach has failed, that China's rise threatens America's interest and values, and so we have shifted from strategic engagement to strategic competition.”

Going forward, DPM Wong foresees intense or even extreme competition to be the “defining feature” in US-China ties. He emphasised the need to prepare for the unpredictable, “even dangerous” outcomes that might arise, such as accidents and miscalculations that could happen in “hot spots” in the region such as the Taiwan Strait and South China Sea.

Reinventing Singapore’s Destiny

While these challenges create a less hospitable environment for small countries like Singapore, there are still opportunities for growth. DPM Wong reminded the audience that Singapore is no stranger to turning vulnerabilities into strengths. The country has amassed more resources and has in place a solid system in place for implementing effective long-term policies. Singapore’s reputation as reliable trade hub can also be leveraged, he said.

In the end, Singapore's ability to thrive in this new environment would depend not only on the government, but also on its people. Singapore needs to be a nation of innovators, risk-takers, and collaborators; it also needs to be a nation that is open to change and willing to adapt, he said.

“If we keep faith with each other, we will be able to chart our way forward in this uncertain world and continue to write many more chapters of the Singapore Story”, he added, rounding up his speech.

Conversation with Dr Fareed Zakaria

After his opening remarks, DPM Wong had a candid conversation with the session’s moderator, Dr Fareed Zakaria, who grilled him on a number of hot-button topics, including tribalism, recent setbacks faced by the People’s Action Party (PAP) and issues surrounding the growing US-China tensions.¹

Q: Around the world we are seeing a return to tribalism in many places, a return to a certain kind of ethnic or communal solidarity and feelings which is causing tensions in the West and the East. Do you feel that is a problem Singapore has to deal with?

A: It will be a continuing challenge. You rightly said earlier that it is quite remarkable in our short 58 years of independence, we have built a strong sense of solidarity and trust as one people. I would say we have not arrived, but we have come a long way. We started on this basis that to become a Singaporean, you do not have to give up your ethnic identity, but

¹ Questions and responses reflected are not verbatim but have been edited for brevity and clarity.

instead add to your traditions and cultures. We encourage every group to maintain and retain their cultures and traditions. At the same time, we enlarge the common space we have as Singaporeans and build that common sense of being Singaporean together. It is a work-in-progress. The forces of tribalism will never go away; they are always in the background. We have to keep that in mind while strengthening our bonds as Singaporeans. Singapore is not a melting pot; everyone retains their own sense of identity and knows their roots. The distinctive sense of being Singaporean is layered on top of our ancestral roots.

Q: There are a number of things that help to forge common bonds in Singapore, such as ethnic quotas in the public housing system, national service. Will it be possible to continue these bonding mechanisms as Singapore attracts more people internationally? Are there tensions surrounding this? For example, people are getting richer in Singapore, are they trying to opt out of public housing more?

A: It is not only possible but existential that Singapore continues to build unity out of diversity. The intrusive housing policies put in place by our founding leaders, such as Mr Lee Kuan Yew, required every public housing estate to represent the ethnic proportions of Singapore. It was difficult when these policies were introduced but we now see their benefits. We do not have ethnic enclaves in Singapore. Children of different backgrounds grow up together, go to the same schools, play in the same playgrounds; and out of those shared experiences and memories they develop that strong sense of Singaporean identity. I am a good example of it.

Demand for public housing is higher than before. We are not able to build enough flats to meet the demand because of the delays due to COVID. In a multi-ethnic society, one of great diversity, if every ethnic group were to maximise its sense of entitlement and take every compromise as a slight or insult to its tribe, we will be in for huge trouble. Over the years, we have instead developed an approach of accommodation and compromise. Not every group gets everything it wants, but there is a sense that this is a system that works for all. That's what we will try to sustain for as long as we can.

Q: Do you worry that Singapore will have to go down the path of so many countries around the world, spending money to engage in populist policies?

A: The pressure will always be there. Information is widely available and everyone thinks they can become an expert just by reading on the internet. But I think there still is a lot of room for us to develop good, sound, policies that work for the long-term good of Singapore and Singaporeans. There is also greater contestation of ideas now. It is getting harder and harder to have policies where everyone one says, "this is a wonderful thing to do". For every new policy and decision now, there will be opposing views and criticism. What is important for me, as the leader of the team, is to think about what is right for Singapore now and in the long-term and explain and convince Singaporeans that this is the right thing to do.

Q: Now the PAP, your party, has had a remarkable record of electoral success. But there have been scandals recently, some of it surrounding corruption. Do you think you will be able to clean up the image of the PAP enough to see a return to near total dominance in the next election?

A: We don't have near total dominance. Political contestation is increasing and that is to be expected. For me, looking at what we must do, particularly after the recent setbacks we have

suffered, we must reflect, learn, and grow stronger from the experience, do everything we can to win the confidence and trust of the Singaporeans when we next go to the polls.

Q: What did you learn from the various scandals and problems?

A: Thinking about not just the recent incidents, but also the broader experience I've had in government, I have learned to have a certain sense of equanimity. When things go right, people praise us and, say we are number one, we are the gold standard. But don't let that go to our heads. There are bound to be setbacks and mistakes, nothing is smooth sailing. And we've had our fair share, like in the last three years when we went through COVID, or more recently when we have had these setbacks. Very often, it's in the mistakes and the failures where we find greater motivation to learn and do better. That's the attitude I take.

Q: Singapore has always been able to navigate the world economy very well. When you look at the world economy today, does it look like an attractive picture?

A: We are worried about how the multilateral trading system is coming under siege. There is a change in the global consensus around free trade and win-win economic cooperation. The logic of interdependence used to prevail; countries did not have to be friends to do business with one another. Now, interdependence has become a bad word. People worry about interdependence creating vulnerabilities or becoming weaponised. We are at risk of shifting to the other extreme. With countries having fewer stakes in one another's success, there will be less inhibition to act unilaterally and it may even embolden states to take more aggressive actions. We really need to think hard about how we can strengthen our system of trade and interdependence while addressing the legitimate security concerns that countries may have.

Q: Is the international economy likely to grow slower with China and the US both becoming more inwardly focused?

A: For sure there will be an impact on the global economy. There will be a price to pay for a global economy that is organised not by economic efficiency but by geopolitics and security considerations. There will be greater inefficiency and more costs. Inflation will continue for longer. That is the world that we are in.

Q: What do you think of this fascination with industrial policy, with governments stepping in and funding various industries or technologies? It's been happening in China — Xi Jinping's "Made in China" is all about that. It's now happening in the US and the European Union as well. How do these compare to Singapore's industrial policies?

A: There again the pendulum has shifted. I remember a time in the last few decades when we had a global consensus around laissez-faire market systems. In the 1990s, Singapore was routinely criticised for having active state involvement in the markets. Now, the developed world has started embracing active industrial policies too. But there is a difference.

In Singapore when we talk about state involvement and industrial policies, we are very careful to act in a way that is in line with the market, that reinforces market signals and is compatible with our competitive advantages. When the government takes action, we focus on infrastructure, public goods and doing the right things, rather than having industrial policies that are anti-trade, that put up more barriers to investments and have local content requirements, which would move us in the direction of economic nationalism and protectionism.

We have been careful in how we implement industrial policies so that we make good use of public resources. If countries enter into industrial policies without the same care, governments could spend a lot of money in areas that end up being wasteful and inefficient, which do not lead to the outcomes they hope to achieve.

Q: When you look at those policies in the West, you have those concerns?

A: We have some of those concerns. Everyone has different objectives. Some of their objectives are not purely economic. Some of them may be related to security and geopolitics and are driven by a different logic. We cannot compete with large, developed countries in this subsidies arms race. Germany recently gave out about 10 billion euros in subsidies for Intel to set up two chip plants in the country. That is more than the entire amount of budget we provide for the Ministry of Trade and Industry in Singapore. So, we are not in the same league. There will be instances where countries and governments give out large subsidies and we'll just have to say fine; we can't have those investments in Singapore.

Q: Doesn't it worry you that this is a world that is less friendly to small states that act as entrepôts of the global economy? Increasingly, what seems to matter is the size of internal markets a certain degree of self-sufficiency, and the political weight that comes with that. And Singapore isn't quite in that league.

A: We do worry that we are in an external environment that is increasingly less hospitable to small states. We have long thrived in a rules-based multilateral order, with clear rules for trading applicable to countries big and small. It has not always worked perfectly, but it has allowed us to thrive and operate in a predictable and stable environment. We worry that the situation is moving in the direction of "might is right" and "law of the jungle" prevails. That is why we keep talking about strengthening the World Trade Organization (WTO). I think we sound sometimes like a lone voice in the wilderness when it comes to the WTO, but it's an important institution. We have to get the [WTO's] dispute settlement body and the appellate body to function properly for this new environment.

Q: Do you think the global South wants the same thing, a rules-based international order? Or is this only something Singapore and other small states are concerned about?

A: It may not be top-of-mind, but every country wants to see development and growth, improved incomes, and better standards of living for its people. Unfortunately, the zeitgeist of our times is such that people think there are easy answers and that the markets do not work anymore, turning to state intervention and subsidies to solve the problem. People who think like that will be sorely disappointed, eventually.

Q: The "Made in China" policy is all about using the state to direct investments. Do you think that China's current economic problems are a result of it moving away from a more market-oriented approach to a more state-oriented approach?

A: The immediate problems are not so much debt, but very specifically around real estate. They have a supply overhang problem in real estate with excess leverage in some very big property companies. They have a youth unemployment issue which they are addressing, but domestic demand has been weak. On top of that, export and trade has also declined with the measures that America and the West have imposed on China. They have to find a way to

stimulate demand. The Chinese government is aware of this. There are competent technocrats in the government who know what to do. To get consumption going again requires not just short-term measures, but also structural solutions to strengthen their social safety net. And in a large country like China, to put in place stronger social security and healthcare systems is quite a complex undertaking.

Q: People are not spending as much and saving a lot in China, which seems related to how tough the government has been on the private sector in the last few years – on the tech sector, online education, on real estate. Is there a way to change this course, and will the public be convinced to invest in the system again?

A: If you look at what the Chinese people and businesses think, there is a great determination to move forward. There are concerns that the measures imposed by the West will slow down China in terms of accessing cutting-edge technologies, but it is not going to keep China down. China wants to take its rightful place in the world as a modern great nation. There is tremendous drive at the government leadership and businesses levels to move forward. Even the ordinary people are determined to get ahead.

Q: Playing devil's advocate, that determination was also probably there in India in the 1950s and Japan in the 1980s. Xi Jinping's vision is that the government will economically lead China's prosperity in the fourth industrial revolution. Is that the right approach?

A: They will have to find the balance for themselves in China. They understand that business and enterprise cannot be ultimately led by government. What does government know about doing business? A healthy and vibrant private enterprise sector is needed for the economy to work.

Q: You don't think that China the next Japan, with 20 years of low growth?

A: I don't think so. There are some signs of prices coming down, people are saving more and not spending. But I think the officials understand what needs to be done and there are competent technocrats who will be able to come up with solutions to tackle the current economic challenges that China faces.

Q: When you look at it geopolitically, under Xi Jinping, China has been much more aggressive with its neighbours, such as Australia, Vietnam and India. What explains that and has there been a course correction? Did they get more pushback than expected?

A: The Chinese talk about three phases in their journey. Stand up, get rich, get strong. I think they are in the "get strong" phase and they want to assert their interests as a strong country. They understand that in the course of doing so there will be a reaction from other countries and they will have to find their balance in going about this.

They received a strong pushback from the US. The new defining feature of the US-China relationship is no longer one of engagement, but one of strategic, even extreme, competition. We are worried about what can go wrong in this tit-for-tat dynamic that can result in huge costs for both countries, and a lot of trouble for the rest of us in the world.

Q: So you don't feel there is an equilibrium that has been reached right now?

A: We are certainly not in equilibrium. In the security world, people understand the damage you will inflict with using a weapon — retaliation, the risk of escalation — and they will consider carefully the consequences before making any security decision. Now, we are seeing full-spectrum economic competition across the economic and financial arena. But I don't think the world has a lot of experience using these sorts of economic and financial tools. And it is not so straightforward to assess the collateral damage that will be inflicted with the use of these economic tools. The dynamic that has been created by the extreme competition of the US and China can lead us down a path that will be disastrous for the global economy.

Q: Who is to blame, the US or China?

A: I should not comment on that. We want to be friends with both America and China for a very long time.

Q: Do you think this competition can exist in the economic and technological spheres without spilling over as much into the security sphere? For example, the Biden administration keeps saying that it does not want conflict, only a policy model that keeps high walls around core technologies that the US believes China would use for its own military. Is it workable to have a model where we have an open global market for chips but keep China away from the top 5 per cent of chips?

A: There is no single chip that will halt modernisation efforts. There are workaround solutions with trade-offs in terms of performance, power consumption, reliability. So denying China's access to these 5 per cent of chips will slow down its access to high-end capabilities, but it will not keep China down forever. Hopefully the two countries will learn to manage their differences and coexist.

Q: Do you think things have gotten more dangerous with regard to Taiwan in the last few months?

A: For sure. All sides claim to uphold the status quo, but tensions remain high and continue to rise. Some parties portray Taiwan as an ideological contest between democracy and autocracy; there are people who compare Taiwan with Ukraine, with media headlines saying "Ukraine today, Taiwan tomorrow". These are very dangerous and alarming. There are no easy answers for Taiwan. But we hope all parties will exercise restraint and maintain the status quo. Change needs to happen peacefully, and non-forcibly. It will take a long time for this to happen. Diplomacy does not operate in a linear fashion — it curves and bends. If there are irreconcilable issues, it might be wiser not to force a resolution immediately but instead set these issues aside and focus on issues of common interest.

Q: It does not appear that Taiwan is clamouring to be a part of mainland China. Is Xi Jinping determined to achieve a forcible reunification of Taiwan in the next five to ten years?

A: I don't think they expect a forcible reunification. Taiwan is an important matter to China, it is about their sovereignty. One China is non-negotiable. But neither is it their objective to reunify Taiwan through forcible means; certainly not in the way that has been portrayed in the media.

In 1972 when Henry Kissinger visited China, there was an understanding that on both sides of the Taiwan Strait people accepted and recognised one China. Sentiments in Taiwan today are very different from 1972. Who knows what the sentiments will be 30 or 40 years from now?

Even in recent times, I've noticed that sentiments in Taiwan have shifted after the Ukraine war. There is greater desire for stability. It's not shifted towards one China, but there is a certainly a greater understanding and concern among the Taiwanese population about unilateral moves towards independence and what consequences that could bring to the safety and security of Taiwan.

Q: If China were to blockade or engage in military intervention with Taiwan, what would Singapore's position be?

A: There are many hypothetical situations that can arise. Rather than speculate on them, we clearly uphold a one China policy. The US, all the ASEAN countries, and many other countries around the world have some version of a one China policy.

Q: When you look at Russia and Ukraine, Singapore has been actively supporting the sanctions against Russia. Where do you think this goes?

A: It is hard to tell, it looks like it will take a while to reach a resolution.

Q: And that means the world will be fragmented with Russia isolated for a long time? Does that add to the pressures of a fragmented global economy?

A: Unfortunately, I think that is likely. It is not going to be as conducive for countries with small, open economies like us. But at the same time, there are silver linings. In the case of Singapore we are in a much better position now than when we first became independent in the 1960s or 1970s. We have more resources, we are better equipped to deal with our vulnerabilities, we have a better system in place to adapt and to adjust, and to develop effective long-term policies. And we have a solid reputation as a reliable and trusted hub for the region and the world. We can build on these advantages, invest in our competitive strengths, continue to attract capital and talent into Singapore, and surely keep on raising the standards of living for our people.

Q: You have a very strong security relationship with the United States and do a lot of business with China. If Singapore has to choose between America and China, what would you say?

A: We'd better buckle our seat belts if it were to come to that. It's not just Singapore that's going to be affected, it's the whole world. This is different from the Cold War where you had two systems and could operate the systems separately. China's sheer size and scale today is much larger than the Soviet Union was, and it is embedded deeply in the global economy today. If countries everywhere had to choose between a Chinese or US system for everything, it would be disastrous for all of us. I'm hoping for the good of the world that we don't have to make that choice.

Audience Question-and-Answer Session

Q: How do you ensure Singapore remains as the centre of trust at the intersection of rising technological disruption, geopolitical tensions and economic disruptions?

A: Singapore has to be consistent, principled and credible in how we act internationally. We do not choose sides, we choose principles. We uphold international law, a rules-based multilateral order. We stand for the key principle of territorial integrity and sovereignty, and the freedom from being attacked by another country as enshrined in the United Nations Charter. We have acted consistently in line with these principles. When the US attacked Grenada in the 1980s, we voted against the US in the United Nations. Likewise, we have now voted and taken actions against Russia's attack on Ukraine. This is how Singapore operates. People, friends, other countries know what Singapore stands for, even if they do not always agree with us. Through our consistent and predictable actions, we make for a more reliable and trusted partner.

Q: As we transition into an era of strategic, even extreme competition, what mental framework should new leaders adopt when contributing towards Singapore's social and economic growth and in building an accountable and trusted system of governance?

A: Within Singapore itself, trust is built when we ensure that every citizen — regardless of background — benefits from the nation's success. No one is left behind. People feel and have a stake in Singapore's success and feel that they are part of shaping the country's future. Going forward as we see more turbulence, disruptions, and volatility, we are reviewing our policies to see how we can strengthen the assurances for Singaporeans. The Forward Singapore exercise aims to refresh our social compact and see what we need to change in our social policies to provide that assurance to Singaporeans.

Q: How will you help Bangladesh with the Rohingya issue it currently faces, and how will you take the lead to normalise the situation in Myanmar?

A: There are no easy answers when it comes to Myanmar, they have to resolve it themselves. ASEAN has put out a five-point consensus that will take time. Previously in 2006, 2007, the military in Myanmar found a way to move forward with some nudging from various countries including ASEAN. We have to be prepared for it to take time, to see if it will work again this time.

Q: It's very heartening that there's a high code of conduct and politicians are being asked to resign or they step down when there is a scandal like an extramarital affair. When is a HR policy for the civil service going to be put in place to avoid such scandals emerging from the civil service?

A: Where the government and the PAP are concerned, the Prime Minister has laid out the principles clearly in Parliament. When it comes to corruption and criminal wrongdoing, we have zero tolerance. When it comes to personal behaviours and moral issues, it is much more complex, and you have to look at it case-by-case. The civil service has its own code, which is not very different from the principles mentioned earlier. There is a clear difference between corruption and criminal wrongdoing, which we do not tolerate, and issues of personal conduct. It would depend on the details of the case. The government, the PAP and the civil service all want to do the right thing and also exercise compassion to innocent parties involved.

Q: Given the global shift into a protectionist era, as a small state, will Singapore follow this trend to stay competitive and use selective policies to protect the interests of its people, or at least adopt a different pattern of globalisation?

A: As mentioned, we cannot match the scale of subsidies from many other developed countries. In some instances, it might not make sense for Singapore to be a part of the subsidies arms race. But we are not standing still. Singapore is continuing to invest in our capabilities and new areas of growth. We are continuing to attract investments into Singapore, and we are confident that Singapore will continue to do well and that we can create many more good jobs for Singaporeans. There will be continued growth and opportunities for Singaporeans in areas like finance, advanced manufacturing, logistics and green economy.

Q: With everyone keeping their original identities, what are the challenges in layering on the Singaporean identity? How much immigration can we take without diluting the Singaporean identity?

A: Yes, there is a limit. That is why we have been controlling the numbers. We have been regulating the numbers based on how much we can integrate the new arrivals. If we are not able to bring in immigrants, we will be in a structural decline given our current birth rates. We should integrate those who can embrace our values and way of life into our society. At the same time we must welcome them and stay open as a society.

Q: Migrant workers are still being marginalised in Singapore and more has to be done to integrate them. Our current work permit system impedes the ability of migrant workers to connect with the local population. Should we move away from a utilitarian view of our foreign workers and is a change in the current institution or system warranted?

A: We value our foreign workers, particularly work permit holders, and recognise their contributions to the country. They have made many sacrifices and have helped to build Singapore into the modern city it is today. The government is committed to improving the standards of living for work permit holders and has recently updated the dormitory standards to ensure that they have a safe and comfortable place to live. The government is also looking at ways to improve their mental wellbeing and provide them with more opportunities for recreation.

There are challenges in converting all of the foreign workers into permanent residents as we will not be able to integrate all of them into our society. Only a small proportion of our migrant workers — from those on work permits to those on employment passes — will come in as permanent residents. We regulate it so that those who come in as permanent residents and eventually citizens, are those who have the best chance to integrate into our society and embrace our way of life. However, we are committed to doing everything we can to improve their lives and urge Singaporeans to do their part as well.

Q: Who is your pick for the upcoming presidential election?

A: I will keep my pick to myself. I encourage Singaporeans to consider carefully and choose the best candidate who can hold the highest office of the land.



Mr Lawrence Wong during the dialogue session at the Reinventing Destiny Conference.

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