

# Timor-Leste Ministry of Finance

## Lecture by Dean Kishore Mahbubani at the Dili Convention Centre



Excellencies,

Ladies and Gentlemen,

It is truly a great pleasure for me to finally visit Timor-Leste. As I was President of the United Nations Security Council (UNSC) when Timor-Leste became independent on May 20, 2002, I have always felt a special bond with Timor-Leste. This is why I am truly delighted that Ms Noeleen Heyzer, the Special Adviser of the United Nations Secretary General for Timor-Leste, has arranged this very special and sentimental visit to Timor-Leste.

On April 26, 2002, when Xanana Gusmão and Mari Alkatiri visited the UNSC, we had a debate in the UNSC on the future of Timor-Leste. I said: “The lesson of the history of the past few decades is relatively clear: independence, even if it comes after a hard-fought struggle, may still be a relatively easy victory. Success after independence, unfortunately, has been relatively rare.” Since Timor-Leste became independent under very difficult circumstances as a conflict-afflicted country, it is remarkable how far it has come. Still, it has a long way to go.

The history of the post-colonial period shows that few newly-independent countries have succeeded. It is therefore remarkable how well Singapore has done. I was 17 years old when Singapore became independent in 1965. There was total gloom and doom when Singapore was expelled from Malaysia. At independence, Singapore was poor and struggling. The GDP per capita was \$500 – the same as Ghana. I myself felt the pinch of poverty – I was so undernourished as a child that in elementary school, I was placed on a special feeding programme. Singapore was also struggling in other aspects. There were ethnic riots on the streets. I remember seeing men cutting each other with beer bottles at my doorsteps. Against this backdrop, Singapore's current success is truly amazing.

Today, Singapore has one of the highest HDIs in the world – 9th in the world with a score of 0.901. Singapore has the 4th-highest GDP per capita in the world at \$76,237 (in PPP terms), nearly double that of its former colonial master, the UK (\$37,017). More than one in six households have \$1 million in cash savings. In the past decade alone, the number of Singaporeans running their own business has doubled. The US is the only other country in the world with more entrepreneurs-per-capita. Singapore has consistently ranked as one of the best cities in the world to live in. People from all over the world come to our small city-state – attracted by our state-of-the-art education and health systems. We are also ranked consistently as one of the safest countries in the world.

### 10 reasons for Singapore's success

The big question is: how and why did Singapore succeed? Unfortunately, we still do not have a good history book on Singapore. There is no consensus. In my efforts to understand why Singapore succeeded, I came up with 10 reasons. I am sharing these 10 reasons with you in the hope that it will be helpful to Timor-Leste in the coming 50 years. I believe that Timor-Leste can be as successful as Singapore. This is why I want to share the reasons for Singapore's success.

The first reason is that Singapore has been lucky. By an accident of fate, Singapore, like the United States, was blessed with good founding fathers, such as Lee Kuan Yew, S. Rajaratnam, and Goh Keng Swee. These were 3 amazing individuals. I worked with all three of them. They were intellectually brilliant. They were totally dedicated to improving the lives of Singaporeans. They were also good learners. For example, Goh Keng Swee learned from the Meiji reformers in Japan. Hence, they formulated policies which benefited Singaporeans. Timor-Leste is as blessed as Singapore. It has also been blessed with good founding fathers, such as Xanana Gusmão, Mari Alkatiri, and Jose Ramos Horta. Timor-Leste has this in common with Singapore. With the right leadership in place, countries can succeed.

The second reason why Singapore succeeded was the implementation of meritocracy by its founding leaders. They selected other good people to lead the country and laid down meritocracy as the cornerstone of public service appointments. As Lee Kuan Yew himself said, "A strong political leadership needs a neutral, efficient, honest civil service. Officers must be recruited and promoted completely on merit. They have to share the same nation-building philosophy and development goals of the political leaders. They must be adequately paid so that temptations would not be difficult to resist. An impartial, capable Public Service Commission had to be shrewd at assessing character. Appointments, awards of scholarships must be made to the best candidates." This is something that Timor-Leste can do as well. Meritocracy ensures that the best talent in the country is attracted to public service and also serves to create a fair society.

The third reason why Singapore succeeded was the pragmatic outlook of its leaders in terms of their willingness to learn from other countries. As Dr Goh Keng Swee once told me, "Kishore, no matter what problem we encounter, somebody, somewhere has found the solution. Let us find that solution and adapt it intelligently to Singapore." Singapore is the most pragmatic country in the world and it has copied solutions from all other countries. This is also why Dr Goh studied the Meiji Restoration very carefully. Japan succeeded in becoming the first Asian country to modernise because the young Meiji reformers of

that time had no hesitation to study, copy and adapt best practices into Japan from all around the world. Dr Goh tried to inculcate the same spirit of pragmatic learning in Singapore. Few would doubt that he succeeded in this goal. This is something Timor-Leste can do as well. In fact, the Lee Kuan Yew School's Graduate Education and Executive Education programmes are dedicated to disseminating best practices from Singapore to developing cities across the world. I welcome civil servants from Timor-Leste to attend our programs and learn more about adapting best practices to suit Timor-Leste's needs.

Fourthly, as a small country, Singapore was also pragmatic in its foreign policy. For example, during the Cold War, Singapore was friendly with the United States – but it did not shun the Soviet Union. When I visited the Soviet Union in 1976 with Mr S. Rajaratnam, the legendary Foreign Minister of Singapore, he said that Soviet ships would also be welcome to Singaporean waters. Small states like Singapore and Timor-Leste cannot afford to make enemies. As S. Rajaratnam said in his 1965 speech at the United Nations on Singapore's foreign policy, "We want to live in peace with all our neighbours simply because we have a great deal to lose by being at war with them. All we therefore ask is to be left alone to reshape and build our country the way our people want it. We have no wish to interfere in the affairs of other countries or tell them how they should order their life. In return we ask other countries to be friendly with us even if they do not like the way we do things in our own country. This is why Singapore has chosen the path of non-alignment." Pragmatism in foreign policy is something which Timor-Leste can do as well.

The fifth reason for Singapore's success was the fact that the leaders focused on starting with small wins. An incremental approach to policy reforms is advised by many leading academics and scholars of public policy today. But even before these things became common knowledge, the leaders of Singapore recognised the need to make small improvements in order to achieve big changes. Lee Chiong Giam once said that in the early days, if they could just get a standing pipe in a village to provide water, the governing party would get the villagers' votes. This would in turn lead to the provision of public housing and schools. Development cannot be achieved through big sweeping reforms alone. Small steps that have a huge impact on the everyday lives of people are necessary to ensure that progress happens in a meaningful way. This is something Timor-Leste can do as well.

Sixth, Singapore did not rely on foreign aid to achieve its development goals. As I said in my book *The Great Convergence*, "I believe that if a large-scale objective study were done of Western foreign aid, it would demonstrate that the primary intention is to enhance the national interests of the donors and not to help the interest of the recipients." Furthermore, a large chunk (about 80%) of Western aid goes back to the donor country in the form of administration expenses, consultancy fees and contracts for donor country corporations. In short, there is very little actual transfer of aid to the developing countries. Singapore has always distrusted foreign aid. Instead, we believed in trade and investment: We believed that trade, not aid, was the way forward for us. When others shunned investment, Singapore welcomed it. In this regard, the Economic Development Board of Singapore is particularly worth studying. The EDB was set up in 1961 to create economic opportunities and jobs for the people of Singapore, and to help shape Singapore's economic future. The EDB has been instrumental in Singapore's success by bringing in FDI, and has been a driving force behind Singapore's transformation into a financial hub that is at the forefront of several service industries in Asia. This is something which Timor-Leste can do as well. By setting up a one-stop specialised agency that focuses on foreign direct investment, Timor-Leste will also signal to the rest of the world that it means business when it comes to attracting FDI.

The seventh reason for Singapore's success is its inclusive policy on ethnic groups. Singapore's main ethnic groups are Chinese, Malay, Indian, and others. So we have four official languages: English, Mandarin, Malay, and Tamil. This way, everyone feels included.

Singapore's founding father, S. Rajaratnam, said: "In a multi-racial society, one soon learns that no one people has a monopoly of wisdom and that one's own culture is not without flaws. This breeds not only tolerance for different viewpoints but also a readiness to learn and borrow from the accumulated wisdom

of other people.” It is remarkable that among the five small multi-racial states that the British decolonized all over the world (namely Guyana, Cyprus, Sri Lanka, Singapore, and Fiji), Singapore was the only one to avoid ethnic strife.

In a multi-racial society, if there is no common language, the people cannot communicate. That is why the main language of instruction in Singapore schools is English. Singapore made English its common language for pragmatic reasons. Firstly, English was a neutral language. If another language, like Mandarin, had been chosen as the common language, non-Chinese Singaporeans would have felt marginalised. Secondly, English is the international language of commerce. Knowing English, Singaporeans would be able to do business with people from around the world.

Timor-Leste can also improve English literacy by teaching it in schools. It can also ask the parents of the children to choose if they want their children to learn English, Portuguese or Tetum, I believe many of them will start to ask for English, so that their children can work with people from all around the world. But they can still learn Tetum or Portuguese as well, so that they will remain in touch with their rich cultural and historical roots.

The eighth reason for Singapore’s success is that its leaders, like Lee Kuan Yew and Goh Keng Swee, believed in thinking long-term. For example, though Singapore had signed a 100-year water agreement with Malaysia in 1961, we knew that Malaysia could threaten us by cutting our water supply. Thus, we invested in ways to get our own sources of water. We built reservoirs, desalination plants and water reclamation facilities. In March 2013, Dr Vivian Balakrishnan, Minister for the Environment and Water Resources, said: “We will certainly be water independent well before the expiry of the last agreement with Malaysia.”

Timor-Leste can also think long-term. For example, unlike Singapore, Timor-Leste has abundant oil and gas resources. But these oil and gas reserves will not last forever. So Timor-Leste can now think ahead about how to solve the problems which it could face when that day comes. Norway, for example, has invested its oil and gas money in a big sovereign wealth fund. Only 4% of the surplus from the fund is spent on public projects. I am glad to learn that Timor Leste is following the example of Norway in this area.

The ninth reason for Singapore’s success is that it avoided populist measures. Singapore has always been opposed to the welfare state. Former Prime Minister Lee Kuan Yew said, “Watching the ever-increasing costs of the welfare system in Britain and Sweden, we decided to avoid this debilitating system. We noted by the 1970s that when governments undertook primary responsibility for the basic duties of the head of the family, the drive in people weakened. Welfare undermined self-reliance. People did not have to work for their families’ well-being. The handout became a way of life... They became dependent on the state for their basic needs.”

The welfare state is too expensive for developing countries. It also undermines productivity. However, even though Singapore did not become a welfare state, it cared deeply about the welfare of its people. Singapore found other ways to make sure that its people would be well provided for. It invested in the welfare of its people through universal education, quality healthcare, affordable public housing and public transportation. In addition, it set up the Central Provident Fund, a compulsory savings fund. Singaporeans and their employers automatically contribute some money to this fund when they receive their salaries every month, and the money can be used to buy a house, for medical expenses, and, primarily, as a retirement fund.

Singapore also has trade unions, but they are pragmatic. The government, unions and employers cooperate in a tripartite system, which, as Mr Lee Kuan Yew says, “has brought benefits to workers, the government and employers because industrial peace creates confidence and increases foreign investments. Whenever employers make above average rates of return on capital, profits are shared.”

Similarly, Timor-Leste can avoid the costs of welfare state spending by finding its own innovative methods of cooperating with employers and workers to make sure that employees can earn a fair wage to support themselves, and to make sure that every employee is able to save enough to provide for their own health care, housing, and retirement.

The tenth and final reason for Singapore's success is honesty. This is the most challenging to achieve. The first generation of Singaporean leaders were brutally honest. In 1975, a minister of state was invited by a businessman friend to go on holiday. He said no, because he didn't have the money, but the businessman offered to pay. So he went, and he was arrested when he came back.

When there is honesty, the people and the investors will trust that government policies are meant to benefit the country, not to benefit the politicians. Only then will they feel confident in the leadership. This also creates a more stable political system, which gives investors peace of mind. Thus, a remarkable degree of honesty in a country's leadership will lead to success.

Although some may be difficult to replicate, these ten reasons are all things that other countries can do. But it is important to adapt these principles to the local context.

When many people visit Singapore today and see a modern city-state, they tend to assume that Singapore was always like that. Actually, Singapore was one of the poorest and most unlucky countries when it achieved independence. It had no natural resources. This is why it is useful to study Singapore's experience. If Singapore can succeed against the odds, other countries can do so also. This is why I am happy to come to Timor-Leste to share Singapore's experience. I hope that it will be helpful to all of you. Thank you.