



**Women's Foreign Policy Group
Embassy Series
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**H.E. Chan Heng Chee
Ambassador of Singapore to the United States**

***The Impact of Asia's Economic Growth:
A View from Singapore***

Maxine Isaacs: Welcome to the Women's Foreign Policy Group Embassy Series and we are so fortunate to be here tonight in this beautiful, beautiful Embassy hosted by Ambassador Chan Heng Chee—who I've known for a long time—and it's fun to be here in her embassy. She is going to speak tonight about the Impact of Asian Economic Policy and Growth: A View from Singapore, which I'm sure, will be wonderful. My name is Maxine Isaacs. I'm Chair of the Women's Foreign Policy Group's Board, which promotes women's leadership and voices on pressing international issues of the day. And, on behalf of the Women's Foreign Policy Group and its board members who are with us tonight, we welcome you. Our Board members who are with us here tonight, Carolyn Brehm, Donna Constantinople, Isabel Jasinowski, and Theresa Loar. I am blessed with a fantastic board and an amazing president, Patricia Ellis, who keeps us all going. Thank you again Ambassador Chan for having us here tonight. This is a great tribute to the Ambassador and is a sign of a great interest in Singapore throughout the world.

Our events, as part of the Embassy Series, we, the Women's Foreign Policy Group work very closely with the diplomatic community, especially the women ambassadors and there are many women ambassadors here tonight. May I ask you to raise your hand? So we may recognize you, thank you very much [*Applause*] in honor of you being here, thank you. We had a terrific Embassy Series event, last year hosted by the Indian Ambassador. In honor and in celebration of the women ambassadors and this is a very special time for the Women's Foreign Policy Group, this is our 15th anniversary year, and we could not imagine a better launch of our 15th anniversary than to be here in the Singaporean Embassy. A few events coming up, we have a Behind the Headlines event on Foreign Policy Challenges facing the Administration with Karen DeYoung and David Sanger on January 24th and we'll have our Mentoring Fair on February 2nd, we have a Brown Bag Lunch with Board member Dawn Calabria on the humanitarian situation in Afghanistan, reporting on her trip to Afghanistan, and it's now my very great pleasure to introduce our President, Patricia Ellis, who will introduce our speaker and be the moderator of the program, thank you again. [*Applause.*]

Patricia Ellis: Thank you Maxine, I want to begin by thanking the Ambassador once again, for her very, very warm hospitality and it is beautiful to be in this wonderful space and thank you all

so much for coming. This is just a fantastic way to launch 2011, and our first program of the year and it couldn't be a better place, topic or with a more wonderful speaker. It is my privilege and pleasure now to introduce Ambassador Chan. In addition to being a woman ambassador to Washington, I also found out that she is the second longest serving Ambassador in Washington. I have known her personally for many years dating back to the early days of the Women's Foreign Policy Group. She has been the Ambassador since 1996 and she is very well known in town, not only as the Dean of Woman Ambassadors but also because she is so active and because she is so articulate. She had an amazing career in public service and prior to that in academia, and in the policy world. I'm only going to share a couple of highlights because you have the program book and you have more details about her bio, but prior to coming to Washington, she was the Ambassador of Singapore to the United Nations and in that capacity she was also High Commissioner to Canada and also was Ambassador to Mexico. Then she had a different life, she was Executive Director of the Singapore International Foundation, which created the country's version of the Peace Corps. She was director of the Institute of Southeast Asian Studies and founding director of the Institute of Policy Studies. She has received many Honoraries Degrees and awards, I'll just mention a few of them, Singapore's Gold Public Service Medal and Singapore's Meritorious Service Medal, and was the winner of Singapore's Inaugural Woman of the Year Award, she has also received two National Book Awards, has served on several international advisory boards, and is currently a Policy Advisory Board Member of the Asian Society in New York. The Ambassador will speak and then we will open it up to questions, so please join me in welcoming the Ambassador. [*Applause*].

Ambassador Chan Heng Chee: Good evening, thank you very much for this evening and opportunity to speak, thank you Ms. Isaacs and thank you, Ms. Ellis. Thank you to the women of the Women's Foreign Policy Group and to the people at the Embassy. I hope you will have a good evening, get a better understanding of the issues, and have a taste of Singaporean cuisine. I have been asked to speak for about 15 minutes or 20 minutes on Asia's economic growth and its impact globally and regionally. Asia is not a monolith and if you leave this hall this evening, I would like you to just remember and understand that Asia is not a monolith; they are various countries with diverse cultures, diverse languages and diverse levels of development. You have Myanmar which isn't doing that well, and you have China which is leaping ahead, you have Japan, South Korea there, and you have Singapore, you know, and so it varies and Indonesia as well. Back to Asia, let me say first, the worst of the financial crisis is over, the fragile recovery in late 2009 has gathered pace in 2010, but I would say also that the recovery is not even. Asia is pulling out of the global recession, Latin America on the whole is recovering, and Brazil is leading. The United States will seem to be the first developed economy to recover. You know I just came back from two weeks holiday in Spain; and in Spain, all my conversations in Madrid and elsewhere, they were saying that with some energy that it looks like the United States would be the first to pull out of the recession, of the developed countries. In Europe there is the belief that the peripheral economies are in a state of collapse— and I'm referring to the PIGS [Portugal, Ireland, Greece, Spain].

In Asia, growth and recovery are driven by a combination of domestic and external factors, domestic factors and external factors; they are in fact, political and social stability, which has improved throughout the region, I will come to North Korea later, but take it as a fact that political and social stability has improved throughout the region compared to the Middle East

and other regions. I think we have recovered well in Asia because of both domestic and external factors. And, it is the domestic fiscal measures that have in fact boosted domestic demand, in fact once the crisis developed all the Asian countries: Japan, South Korea, China, Singapore and Malaysia, every country brought in stimulus packages, big stimulus packages. Our stimulus package—Singapore's—was 6 % of our GDP, it was huge, China had a huge stimulus package, Japan as well, and China's was like 500 billion dollars, done. And it didn't just come, it came quickly, it came very quickly, and to the extent that some people said, look sometimes it pays to be a bit more centralized and perhaps authoritarian because you decide on things quicker and the value came up fast. India came up with a stimulus package as well. I think that really helped create the activity and the momentum in the region. Asia recovered and the economy did well in Southeast Asia, Northeast Asia, it was because the stimulus packages were huge, and it was activity in China and then activity in India that stimulated growth. And so there was some strong assumption of regional trade flow and to some extent global flow which certainly benefited the key exporters in the region and for a country like Singapore. We had a stimulus package early and I will say it was a very intelligent stimulus package because in our stimulus package we put together—the first thing the package was used for was to save jobs. Money was given, the government of the day said we will subsidize employers for up to 12% of the wage bill of the worker, up to the maximum for the first \$2,500 up to a maximum of up to \$1,200. Now every month that money goes to the employer and it came from the stimulus package and we thought that would persuade employers to keep workers and indeed it did. And when they found that they couldn't keep workers, we also had in the stimulus package, funds so that employers could draw the funds and send the worker, rather than you know retrenching the worker, for retraining. Now when the worker goes to retraining they get a new skill, they don't expect a wage, they are given a stipend, it's lower cost but the worker is trained and that was what we did and we found that really helped.

So when the economy picked up the workers will go train and don't have to go out and get rehired. And that made a lot of sense. And I think that's what we did and so I say the stimulus package came and it came early. Our experience is that we had a good stimulus package, but because China had a huge stimulus package it really—and India—it really created the activity that kept the region going and we did actually rather well. And so you find that post-crisis landscape is that there is an accelerated rise of Asia now post-crisis in 2010. Northeast Asian and Southeastern Asia posted 8% growth on average in the whole of Asia. China grew by 10%, India 8.8% and even slower growth economies like Japan grew by 3%, in 2009 they were -5%, in 2010 were 3%, and South Korea came close to 6%, Singapore did a spectacular 14.7% last year, a 15%, that was our growth rate. Now my pragmatists quickly say well that was actually because we had -1 % in 2009 and in 2008 it was +1 %. So if you take it all together it was a little more than 5%, still that was a very good recovery. This coming year we think we will do about 4 to 6% growth—which is reasonably good for a mature economy like ours. We were the fastest growing economy in the region last year and the fastest growing in the world two years ago, Qatar was the fastest growing. Many other countries did well with an average of 5% and even Thailand in spite of the political turmoil pulled 5%. Even with the violence and demonstrations on the street they do 5% and you know, the rest of Thailand was really actually quite peaceful. We had a lot of tourists, Chinese tourists traveling all the time and the authorities expect the region to grow by 7% that's Asian growth this year. China will grow by 9.5%; India 8% this year, the world average will be 2 – 4 % look at the stark difference. Japan's scores will slow

while South Korea is estimated to reach 3 – 4% and Asian bloc did about 5%, we'll do about 5% in 2011. We'll do about 5 – 10% on the whole. Not every economy is doing as well. The economy in the side economy in Asia, in Southeast Asia, in Vietnam and now in Indonesia they are developing at very fast their growth rates are good. They expect us to do well.

So Asia is set to become an important driver of the global economy just the kind of growth we have and by 2030 Asia as a whole will see its share of global GDP rise to reach 45% by 2030. In 2005 it was only 27%, about a quarter of the world, 2030 almost half. So the weight of Asia is why you have to pay attention to Asia. And I keep telling an American audience not only must, you know, not just intellectually, and theoretically that Asia is doing very well. You should go to Asia, not once, twice, three times to get the feel and the thoughts and only then would you be able to sell well and do business well.

Now what are the implications of this growth? Of course major opportunities will emerge, definitely. One, there is the growth of the Asian middle class and two, the drastic urbanization that will take place in Asia which will have an economic impact, and three, there is going to be economic integration in the region. And I will tell you a little bit more about each one of those and you can see where you and your company may take advantage of this. Asia's middle class will be the fastest growing in the world; they will have disposable income and more spending power. The World Bank estimates that the global middle class will grow from 430 million in the year 2000 to 1.2 billion in 2030, now this is global—1.2 billion people considered middle class in 2030. China and India will account for two thirds of this expansion so your growing middle class is in China and India. In regards to China and India, the last time I saw the numbers there were 3 million middle class for India. But that was when I was teaching, that was 14 years ago. But I think it is a little bit more now, 400 million. China too will have a growing middle class that nobody can put a price sticker on. But it's not just in China and India; people are looking at the consuming middle class of Indonesia and Vietnam don't forget: Indonesia has about 218 million people and Vietnam has about 32 million people—these are rapid growing economies.

We're both lucky to be immune in Europe and the United States, in time I think those businesses looking for opportunities to spend should look at Asia. I was lunching today with a woman who owns a cosmetics business; she said her fastest growing market is China. Chinese women who didn't do anything before are now discovering the pleasures and the strengths of cosmetics. But the growth of the middle class is not just confined to big cities. Think of China, think of India, it's not big cities such as Mumbai, Calcutta, Beijing, Shanghai; they are small towns, not just big cities, small towns, and they have better education there and land value and shopping increased, and they have higher paying services and manufacturing jobs, so it's quite widespread. This growing middle class is turning to rapid urbanization too and one of the phenomena that you should be aware of is that in Asia this urbanization is taking place. In China it is by design, as well as by default, but it is doing by design. The McKinsey Global Institute has a very good study of this urbanization of China. In the next 15 years Chinese cities will draw another 315 million, the size of America, into the cities. In fact it is Chinese policy to build ten mega-cities with one hundred million people in each city. Now you hear me talk about rebalancing, how do you rebalance? And I think it is true that with this urbanization that China will be able to rebalance its economy against the United States and Europe. As with urbanization, you need to build infrastructure: you have education, healthcare, everything, and that will be using money.

The Chinese government will be forced to spend, release some of its reserves, and spend it on development. But that is sure numbers—100 million each.

India is also facing this wave of urbanization immigration, 519 million Hindus, 40% of the population in India to move to the cities by 2030—40% of the population in the cities, 314 million from 200 million. So this urbanization is going to take place and I think it's whether you find an opportunity to play a role and be part of that urbanization push. So, of course there will be scores of implications on the environment and so that is why environmental technology is really a growing field, clean water is a field, water technology. These are fields that Asia is really looking at. In fact in Singapore, we start looking at this because we are a small country, we cannot develop everything, we have to pick winners, one of the winners we have picked in water technology and environmental technologies and we are helping to produce clean water in China and in Asia. The third point I wanted to make about the growth is that there will be economic integration in the region. Already we are integrated by what we created ourselves, Southeast Asia, ASEAN, has free trade agreement with China, India, Japan, Korea, Australia and New Zealand. The United States is not in the game, which is why the Trans-Pacific Partnership—which was launched by four countries and which the US has opted to join—is such an important and significant development, the TPP, in short. The original four were Singapore, Chile, New Zealand, and Brunei, now there are nine of us because the US said it would join. Once the US said it would join Peru came on, Australia, New Zealand was there, Peru, Vietnam is there, and Malaysia has joined now, there are nine of us. Japan wants to join and now that is major, Japan is prepared to open up and agriculture to be part of this, Canada wants to join and I know a lot of other countries that want to join, India, and I think Korea wants to, because many of these nine countries already have a free trade agreement with the United States. So, if the United States, we think, if the United States comes back in the game and plays a strategic role in the Asia Pacific of joining in this TPP, it can in fact take advantage of Asian growth.

The question I want to ask and then I will sit down is: can we continue rapid growth without the United States and European market, if they are doing badly? And what can, in fact, disrupt the growth that we have? Clearly, we cannot grow at the pace we were used to growing at without the Malaysian, United States and European markets; Singapore is not a country that thinks we can recover without the United States. Asian growth can go for a while at this level, but we need the United States and we need Europe. And now, what can be the dark cloud on this horizon, what can stop it, I think that we have already seen that Asia, and you see what's happening in the peninsula? In the near and middle term, Northeastern Asia could dampen optimism about Asia's growth and create distractions for Asia's three largest economies: China, Japan and South Korea. Certainly, South Korea should be very focused on what North Korea is doing. Japan, too and China is concerned, too. In the long term, the emergence of China as a global economic power and how it is managed that will impact the world, I think that we think about all the time, which is why we consider the United States and China, that relationship, the most important relationship in the world. I have remarks to say about China, Southeast Asia, Africa, and Latin America, and so on, but I think I'll take time for questions.

And one last point—what is Singapore's role in this emerging Asia? Singapore is strategically placed in Asia because of our unique ability to bridge two worlds, the developing and the developed. And Singapore has Chinese 75% and Malays 15% and Indian 8% of our population,

because of that, you will find that we are able to be the pathfinder to India, if you find it a bit difficult to understand and China, if you find it hard to understand. Also, we're within five hours from Singapore, you can hit Los Angeles or San Francisco, you will hit Shanghai, Madras, Ho Chi Minh City, Perth. The whole of Southeast Asia is really a very central location. We have a good brand name and a good reputation; and Singaporeans are honest hardworking, and they speak English. [*Laughing.*] So, and we will play this role. Thank you.

Ms. Ellis: I'd like to begin where you ended with China. Next week there will be a very important visit: President Obama will be meeting with President Hu. And I'm just wondering from the perspective of Asia, what are you looking at, concerned about particularly in terms of this relationship and the outcome of the relationship? And then I'll just ask you one other question, and then we'll open it up so we can get to many questions. I'm just wondering, you talked about things that might burst the bubble, challenges for the region and some might include all the energy that is needed to sustain this growth, rising food prices, inflation. And I am just wondering if you could address that and how that is being viewed in both your country and in the region? Thank you.

Ambassador Chan: Let me take the question of China first. Asia, Southeast Asia, and beyond China countries of Asia: seeing China as an opportunity and a challenge isn't working. We see China as both an opportunity and a challenge. China is there. It is big. And we have to deal with an 800 pound gorilla. But it is an opportunity. It's got markets. It invests. It's got children. You know, and in time it will have technology to share. So it is there. But, I think plenty of the countries in the region feel that we would like the United States around because on our own we will not be able to balance China or deal with China. And having options is good for the region, with the United States there and with Europe, if they're interested to be there, and Japan is there. It helps because you have a strong force in the region as well. This coming visit is very important. Last year's rhetoric has been ratcheted up. It has been a bit rocky. So a visit such as this at the highest level between China and the United States will have a calming effect. And when principles meet you always have to have a dinner for both. And this is a very important relationship because there are so many global issues which must be handled by the two talking together. What groups do? What economies do? Should be that comfortable with the economy of the two, you know, greatest powers. One is a super power and the other is an emerging great power. But, I think that it must be good to talk to each other. The Korea international situation is one area, Iran proliferation question, climate change, you know, and more important things. So that's China.

For crises and current problems, yes, you know there are all these blips. And this is one of those blips. Australia, poor Australia who once did so well and now is terrible. We talk of cyclical flux. The coal production is gone. The coal is going to be very expensive. The meat is going to be effected. The people are buying more American. The Chinese have relied on Australia for the coal. There's an impact on their production. These things come and go: they are cycles. And sometimes it will be very hard. We talk about food security. We've gone through a period where rice shot through the roof and there were rice riots. It is *déjà vu*. It has come back again. Food prices are affecting Tunisia, and it will affect Southeast Asia, Japan, and I think it will and it will probably hit some African countries too. You know, it is a problem. I think G20, France's Sarkozy had said that he would look at food questions as one of the issues for G20. And Bob

Zoellick who is the president of the World Bank, has said the World Bank is ready to play a role, but we really need to work up what we want to do.

Ms. Ellis: What about the issue of energy? Because to sustain all this growth, China, India, and in so many countries there is a great need.

Ambassador Chan: I think that the thing about energy is that fossil fuel is probably finite. There's renewable energy and I expect that countries are talking about going nuclear, using nuclear energy. In my region countries are beginning to talk about that. I think we will be seeing a way there's money to be made to go more green. People will become genius enough trying to come in finding alternative fuel. And, you know, the price will go up. Those who can pay for it will have more energy and develop faster. But, it's developing renewable fuel sources: solar, wind, you can count on that. But I think that nuclear will be that.

Ms. Ellis: Okay, let's open it up for questions. If you can raise your hand and we have people with microphones, so please wait until they come and identify yourself. Keep the questions brief, please. Thank you.

Question: Thank you very much. I was really struck by your reports that China has the possibility of creating mega cities in the next decade. As far as I know, one of the problems that are already appearing on the horizon is the fleeing of people from the country. Now if that increases in the expected strength what will this do to growing food? If the people are not there and we all know from history that creating food shortages is the basic problem. How do you see the situation?

Ambassador Chan: When I did my first talk on China. The first thing I learned was China has 20% of its land which is arable. 80% is not arable, you can't grow. That is a tough life. In Chinese the first thing we say to people visiting is—Hello, how are you? Have you eaten yet? That is a greeting. It is routine because having food is not common. There was a time when we remember famine. How will they feed the population? That is why they are buying land...contracts all over 40 here, 30 contracts in Latin America. I think that the Chinese are trying. Some of the younger people in this process are migrating to the city. I've just been reading that they can't find jobs now due to the global slowdown that they shall return to the country side. I think you will see some management of the population distribution. And you know China is China. It is an authoritarian country. We can in fact work out this migration mostly, but people will be reluctant. But, I think we are trying. But the food problem won't be China, they worry about their future...They will try to invest elsewhere and grow food elsewhere.

Donna Constantinople: I am going to ask a question about a really fascinating piece about the aging of the Chinese population, the demographic problem of Alzheimer's going forward when you have this single child rule. Clearly looking at the data, you can see how the demographics are going to impact the economy, jobs, and driving the engine?

Ambassador Chan: In fact, all the Asian countries—Japan, South Korea, China, Singapore, and Taiwan—we are facing an aging problem. China will grow old before it grows rich. That's what

people think. And America's advantage is when you allow immigration and you have Catholic populations, your immigrants, they produce, so you have the numbers. Out of all the developing countries, the United States will be able to be the youngest of the developing countries because of your population. India has an advantage over China because of the larger population. I think we are looking at that problem. It is a problem. You know, what do you do when the one child family in China has created the aging problem? So in Singapore, we have other problems because the women want to work and they are not going to have babies. We are not reproducing ourselves. 1.3, that's our birth rate. I think we worry about that is how you provide in the future. Which is why sometimes when I read the narratives here about China; I think there's too much China scare. We have to watch China. It is big. It's growing. But, there's so much concern about China buying and investing everywhere. You know, I asked after my colleagues help me dig up figures on Chinese investment. In 1967 when the United States was at the height of its investment power, 50% of world FDI was American. 1967, after that you get competition. While the British were 20%, that was at their height and it was around the 1940s or 1930s, you know. Today China's FDI, as a percentage of the world's FDI—6%. Everybody is getting so nervous. It is 6%, now in total amounting to 50 billion dollars. The United States is still the leader today but may need to pick it up. In the year 2008, the United States is still the number one country in the world for FDI investment, Foreign Direct Investment. But it is 25% of the world's total. It has dropped because France is number two, 15% of the world's total, Germany is 7.6%, Japan is fourth 6.3% and China is 5%. So, you know, you have to take it in perspective there. So I have to say I was in a state, everyone was so fearful of China, wanting to buy things. Now I have to say about the Chinese figure, it's a possibility they could be under reporting because a lot of their investment is in sovereign wealth funds and that's not so transparent. Sovereign wealth funds buy bonds, buy stock market shares.

Question: A predominant thought in Western economics is that competition brings innovation and without competition innovation is very difficult to achieve. I think you mentioned at one time that the Singapore government picks leaders; you also alluded to its authoritarian nature. I wonder how you explain the innovative expense of Singapore when it seems to run counter to common Western thought and even the recent thought in China—where there has been an effort to open up its economy to internal competition.

Ambassador Chan: First of all, I think it's a good question. I have often said that Singapore is degenerating. It is one of its kind, city-state and nation-state. No natural resources. No oil. No minerals. No forest. Nothing, not even water. We have to buy our water from elsewhere and we produce it. And we have learned to make new water out of dirty water. We are now creating our own water. So we cannot behave like any other nation. In that sense, I think our government has to be much more centralized or authoritarian than others. There have been studies made where small countries. The small economies are better and faster run, better run by a tight country because you got to move very fast to adjust to change. And I use this analogy for this Singapore. America is an aircraft carrier. It's big. You pay for bar. You take off. You can dance. You can do anything. Singapore is a row boat. [Laughter.] It's better rowing in the same direction or else it will capsize. So what we do for Singapore is peculiarly Singapore. We don't have that many resources so we better pick the river, and focus on the river. We are an ex-colony, so it started that way too. After the British left, what do you do? What can you do? We had a bunch of real estate and a few banks. No other industry. So, the government of Singapore had to go into

industry. We took over the British Naval Yard and turned it into a shipyard. Today that shipyard is a very successful shipyard. It's becoming the biggest oil rig builder in the world. We built 70% of the world's oil rigs. And the two oil rigs that successfully capped with the top spill for BP were built by Singapore, in our shipyard. We are the biggest employer in Brownsville because that shipyard has a company in Brownsville where we build these oil rigs. But I say it because we had to get out one way, there was no other way. But I don't think it's turned theory on its head because we get a lot of angry comments because people think we tried to defy theory. We just did what we had to do to make things work, and it worked for us that way. But, I studied development very seriously and I do believe looking at the four tigers or the four dragons: South Korea, Hong Kong, Taiwan, Singapore. We all grew with a strong centralized hand after the growth of our authoritarian government. Economic development is a liberalizing force, and it forces the government to change, and you open up. So I bear with the victims of authoritarianism because I know that will change with the development when the economy grows. Singapore today is very different than Singapore twenty years ago. China will be different too. Taiwan changed. South Korea changed. Opening up is the liberalizing force. That's why we argue not to keep sanctioning Myanmar. You're helping it dig a deeper hole in the ground. Open up and let the economic flies come in and you cannot shut it, and the society will change. And it will foster this change.

Question: Jerry Jasinowski, Madame Ambassador we thank you not only for your hospitality but your remarkably thoughtful and deep talk about the global economics in Asia. I think that we are all very impressed with your coverage of all the material there. And I want to thank the Women's Foreign Policy Group for inviting me as a guest here. My question goes back to what people widely emphasize is inflation. And to really look at the Asian situation now you see a rather strong developing inflation and it's not just good inflation. It's much harder than that. It seems to be a big threat. My question to you is do you, more or less, acknowledge that threat? Does the Chinese government have the policy flexibility to prevent that, at this point, given that the Chinese currency on one side and the need to maintain roads on the other? What is your judgment about whether they can deal with inflationary pressures?

Ambassador Chan: I think you're right about the inflationary pressures and you would have noticed that many countries in Southeast Asia and Asia have appreciated their currency recently. You know Singapore, Malaysia, and South Korea because of inflation. Money is coming in. A lot of money is coming in. Prices and asset levels are building up, China, too. China plays around with its bank rates. We try to adjust that, we are being a bit tangled about the currency. We thought that we—Singapore, Malaysia, South Korea, other countries—we just broaden our bank for the trading of the currencies. The currency appreciated, I think about 8% or 9% last year, for Singapore against the US dollar. That's how much our dollar strengthened. The Chinese would look at that and say it is doable. There's much impact when the bank raises debt. They're trying to still go the distance by making it harder to lend money. I don't know how successful this is going to be. We are trying. All I can say is, look at the Chinese record from 1978 until today. 1978 was when the Chinese began to modernize. They set in place the Four Modernizations. From 1978 until today they've had a pretty good record of supplying. You remember about ten, fifteen years ago, we were going on about the banks and the banks were in trouble. Well, we've had a rough landing. They would have a bubble and the bubble would burst. But, China is a big country. One bubble would burst and that affected us. But other sectors go on. It is in the nature

of a big country. So, I don't see China collapsing, fragmenting. They'll be in trouble, they will manage. The government has a lot of money. They can supply eight, seven trillion in the reserves, I just read in the *National Times* the other day. The rest of us we are really far down after that. But, I think the one thing about China that has always struck me is that the Chinese are never in self denial. Whatever problem they have or fault they have they are not in self denial. They know the interior is not developed and they need to develop the interior. They know that there's a gap between the rich and the poor. They know there's a problem with bubbles and so on, asset inflation. And they are thinking: How do we do it? How do we do it? It's sometimes they do it better than others. Other times they don't, and that was really the worst of its faults. It came out of it okay. I keep pointing back to people that if we think of China in crisis, Tiananmen was terrible, but in spite of that they still grow. At that time I was watching it for about year, two years, growth. There were global sanctions against China. They came out of it after that, within two years. So I think the advantage of some problems, they were quickly corrected. It may take them a little longer, but they'll be okay. Remember the Sichuan earthquake back in the year 2008. A few months later they opened with a very successful Olympics. So I think they will manage okay only because I look at their track record and see they've managed and they've prepared their people.

Question: Katherine Marshall, from Georgetown University. Two somewhat related questions: First, I don't think you've mentioned Malaysia very much.

Ambassador Chan: Not at all.

Question: I'd be interested in your sense of revelation going on. And secondly, what about fundamentalism, not extremism per se, in the Southeast Asia, where do you see that playing a role in the future?

Ambassador Chan: Malaysia has an almost similar history to Singapore. We were both two places under British colonialism. And we were part of Malaysia and broke off because of race riots. But, Malaysia is a rich country with lots of natural resources: rubber, oil, trees, palm trees, gold, minerals, all kinds of things, forests. But, they have about 5% growth. They should do better and they have not. I think the new Prime Minister, Prime Minister Razak is trying do to something about it. He seems to be doing the right things at the moment. And he is coming out to try to reassure investors and wanting to get investors in. And he has talked about the good of an ethnic preference order that has made things difficult for investors. He's trying to reassure investors and he has been trying to deal with this question of ethnic order—when do you take them off. It started in the past when there was independence. And it started on that issue where we broke from Malaysia. We said that preferences up to a point, 30 years and you have to have a cutoff date where you are equal. And I don't think they were practical there on that issue. Equality rather than giving Malay the primacy of position that broke the federation. I think that Prime Minister Razak is trying to deal with that very sensitive issue. He said he would try to do away with ethnic culture that's popular. So he's trying to do it but I think it got pushed back. We wish him success. We want Malaysia to be successful because a successful Malaysia is good for Singapore. So working with Malaysia seems to, since the new prime minister has come in, working out some land dispute which has been going on for all these years and we are almost there. So that's good.

Now, fundamentalism; Southeast Asia has about 250 million Muslims. Indonesia has 180 million, 90% would be Muslim. Malaysia has a Muslim majority with 50—it used to be plurality, now the Muslim numbers have increased. And we got 60% of the population of the Malays, all Muslim. And in every country of Southeast Asia there is like 10% of the population which will be minority Muslim; which is why we found Al Qaeda cells there. Fundamentalism came to Southeast Asia through Egypt, through Pakistan, Saudi Arabia, and there's an issue there. And the issue for Malaysia is Islamization of politics. Can they put it under control, or is it too much? Indonesia is much more pluralistic and seems to succeed a bit more. They have a different history. So it is interesting. And Brunei there is the hold of Islam, that tells you. But it is an issue we are concerned with. We look at it. The Malays, we think of it now, in a secular government, is challenged by the past. But it has to incorporate more Islam. The political process is not Islamified because of this public issue. And so that's a challenge for the government. We watch and hope that fundamentalism does not become too much. If Palestine is sorted out, the Middle East peace talks policy impact fundamentalism, if this work I think we could almost sense the temperature going down.

Question: I am Allison Johnson from the Northrop Grumman Corporation. Thank you for coming. You mentioned that there were some thoughts about the extension of Asia in Latin America, Africa and other parts of the world, like the Middle East. I was hoping if you could comment a little bit about the growing influence of Asia, particularly in reference to the lack of arable land in China and the need to look for sources for agricultural growth, particularly in other parts of the world, to provide the Asian population. Thank you.

Ms. Ellis: Thank you. And let's take the last question.

Question: She kind of asked a similar question; I just wanted to ask you to speak a little bit about your relationship with Africa.

Ambassador Chan: It is really China in Latin America and China in Africa. India is a player, but very far behind. India invests most of its money in the United States. China, in fact, 50% of China's investment last year went to Latin America. It's Peru, Brazil, Chile, and Venezuela. And it is natural resources, such as: mines for copper, for coal, oil, and gas. Then it goes to Africa. And in Africa, Chinese investment comprises nearly 10% of FDI flow. And the top recipients are Sudan, Angola, Congo, and Ghana. And I think Chinese investments were bigger than US investments in Africa. And Chinese companies are funding the construction of infrastructure, hospitals, and schools in the resource rich African states. And all together, I think the investments are like 14 billion dollars in Africa. I should add that Southeast Asia, or Southeast Asian countries, it's really Singapore that is investing. But we don't really invest in Africa very much. We are hoping that one day we have a program to trade with Rwanda. Rwanda's ambassador to Singapore hopes to one day trade with Singapore. But are looking at trade with Mexico, we are small there. But, I was struck that India's investment goes to the United States largely. But, Taiwan invests. And Taiwan invests in the Caribbean, some African states, and some Latin states. And they invest politically. They want recognition for their investment because China has been so active now. Countries, especially the smaller Caribbean states, they will have to choose: China or Taiwan.

Ms. Ellis: Well, we have come to the close of this absolutely wonderful program and beautiful evening. I want to thank the Ambassador so much for her warm hospitality, and for sharing all her knowledge and expertise, as someone who really understands what is going on in Asia today. It was just absolutely wonderful and her country is very lucky to have such a wonderful representative here. [*Applause.*] Thank you all for joining us.