



Court of the Lion Kings

October 30, 2010 – By Eric Ellis, see below.

In the fomenting debate over Singapore Inc's bid to buy a most vital pillar of Australia's economic architecture, there is something deliciously apt that the decisive call on the Australian Stock Exchange will probably be made by Canberra's independent members of Parliament.

Singapore doesn't do independents, Mr Oakeshott.

Indeed, it would be at - and quite likely arrest anyone compelled to spend 17 minutes publicly justifying democracy and why it matters. The mere notion is abhorrent to Singapore's very ethos, its effortless merging of Mammon and political muscle into a formidable moneymaking machine known as Singapore Inc. Singapore doesn't really do Parliament, either.

It has one, where hand-picked loyalists occasionally convene in a brutal modernist edifice to rubber-stamp edicts from above.

In the last election in 2006, the People's Action Party won 82 of 84 seats with a gerrymandered 66 per cent of the trackable votes. Only North Korea, China and (just) Cuba from 1959 outrank Singapore in single-party-rule longevity.

Which may explain why average Singaporeans are more likely to know Sony's head office over the people's chamber.

Conflicts of interest? Not in Singapore, where independent thinking complicates and slows its real business, which is business - real power. Every critical institution in this rich, urgent little place gathers efficiently and pyramidically, peaking at one of the most powerful families in the world, the Lees. And their power prints are everywhere, even at the Singapore Stock Exchange. It is not corruption - Singapore ranks well on that score - but rather intimidating (and often intimidated) power network of trusted, well-rewarded hands (cronies?) who know very well what side their bread's buttered and don't step out of line, all easy to manage in a small, highly wired town like Singapore.

Compliant Singaporeans don't have to ask or be told what do, they just know. Far from the non-interventionist paradise advancing the world's best practices of governance and transparency, the Lees have finessed probably the world's most capable dirigiste economy, a top-down model to impress the most rusted-on French enarque.

It certainly impacts elsewhere too; autocrats from places like Kazakhstan, Russia, Zimbabwe, Rwanda and Sri Lanka rush embrace and emulate the "Singapore model" as if it were some miracle philosophy, when its more like The Truman Show. And clearly some Australian stockbrokers are impressed, too, though likely more so with the millions they seem set to pocket from the SGX deal.

It doesn't take long navigating Singapore Inc to bump into a Lee. There's even one on the board of the SGX bidding \$8.1 billion to buy the ASX, deal known as Project Avatar. That's Lee Hsien-yang, the youngest son of former long-time Prime Minister and Singapore "philosopher-king" Lee Kuan Yew. A shy man, Hsien-yang knows Australia well enough, though those who've dealt with him say he struggles with our robust press and public life. He was 12 years the CEO at Singapore Telecom, which bought Australian telco Optus on his watch in 2001, the last time economic nationalism flared with fervour such

as this over a controversial Singapore Inc purchase of a strategic Australian asset.

Like the SGX now, Lee and SingTel were hammered. Australian critics cried "national interest" about the farm being sold to Asian autocrats but ultimately the deal got done. Two things helped; that the seller was a foreign company, Britain's Cable and Wireless, and that the deal didn't require parliamentary approval. The famous "Singapore premium" helped too.

SingTel's \$14 billion was a lot for a company that had made just \$400 million. But even though he was lavishing their money in Oz, being a Lee, few Singaporeans dared take Hsien-yang on back home. Singapore Inc and the Lees were on their best legal behaviour, resisting their infamous instinct to sue anyone who dares criticise them. But then, most of that criticism was outside Singapore. The Lees tend to bring their cases in Singapore, where a win seems guaranteed.

SingTel-Optus's major shareholder is Temasek Holdings, which by some estimates - such as the US government's - controls as much as half Singaporean economy. Temasek is the leviathan state-owned investor run by Hsien-yang's sister-in-law, Ho Ching, and serves as a key lever in Singapore's economy.

Indeed, many analysts argue that Temasek's over-arching influence in Singapore's economy deters the genuine grass-roots entrepreneurship of say, a Hong Kong. Temasek's breadth is too wide and pockets too deep to spark genuine competition and reform. Singapore has a great many things, but a vigorous competition commission isn't one of them. Very few take on Temasek.

Ho Ching's record is patchy, and her dealmaking massively controversial elsewhere in the region, notably in Thailand where its \$4 billion 2006 purchase of then Thai PM Thaksin Shinawatra's telco and media empire precipitated a coup, Thaksin's ouster, four years of political turmoil, a \$2 billion paper loss and a legal stoush with the current government angling to take the Thaksin empire back.

That fight is led by the Thai Finance Minister Korn Chatikavanij, who once remarked of the Thaksin deal that Singapore Inc's purchase of the private Thaksin assets was "akin to nationalisation" of a private company acquired by a state. That it wasn't the Thai state didn't make it any less a nationalisation, Korn argued.

Cranky Thais delighted in setting fire to Ho's effigy, such were the passions aroused by her ill-advised Thaksin play, which puts Australian economic parochialism over the ASX in telling perspective.

Madam Ho is married to Lee Hsien-loong, Singapore's Prime Minister since 2004 and Finance Minister for six years until 2007. The Finance Ministry owns 100 per cent of Temasek, which also controls Singapore Airlines (SIA), another key power circle. It is "regulated" by Singapore's civil aviation authority, which also ministers every airline, like Qantas, flying into Changi's strategic regional hub.

Apart from being an SGX director, Lee Hsien-yang is also the aviation authority chairman, completing that Singapore Inc circle. But Hsien-yang doesn't get to sit on the board of Singapore Inc's other great sovereign wealth fund, the Government Investment Corporation. That's a job reserved for his father, the GIC chairman, and his PM brother, the GIC's deputy chairman, as well as Finance Minister Tharman, also of the MAS.

With an estimated \$350 billion in assets - including vast tracts of Australia's various CBDs - the GIC ranks among the world's top five SWFs. But it wasn't so long ago that Singaporeans knew who was stewarding their foreign exchange reserves, when the GIC first revealed who composed its board. It still doesn't make public its full accounts, which might be a good idea lest Singaporeans start blogging their wrath at recent ill-fated forays into Western banking, that blogging done anonymously lest that wrath be returned by authorities who don't like having their failures pointed out and tend to sue successfully for defamation those who do.

Australian lawyer David Gonski is a SIA director, as well as being chairman of the ASX. There are other key members of that power vortex. Chew Choon Seng is SIA CEO. But he is about to become the SGX's

chairman, the man who would head the combined SGX-ASX if Singapore Inc prevails in Australia, with Gonski as his deputy. He's also a GIC director.

There is also the banker Euleen Goh, the former CEO of Standard Chartered's Singapore operation. Now a director of Singapore's DBS Bank, the Temasek-controlled bank that came close to buying Westpac a few years back, she sits on the SGX and SIA boards. And then there is Tharman Shanmugaratnam, Singapore's Finance Minister, taking over from Prime Minister Lee in 2007. Of Sri Lankan Tamil origin, he's a director of Temasek, the GIC and also of the Monetary Authority of Singapore, the central bank that is ultimately the SGX's major shareholder as well as its regulator.

Singapore may play as an entree to Asia but Singapore Inc is relatively lightly invested in its ASEAN backyard, where its state-backed corporate thrusts have not always been welcome or have bumped up against the similar Asian politico-corporate power networks like its own, like in cronified Malaysia and Indonesia.

Australia's open economy and benign take on Singapore attracts, and Singapore has become one of our top five investors over the last decade, accumulating assets from property to power generation in deals totalling more than \$100 billion. It has been a happy hunting ground and Singapore a good corporate citizen, Australia providing experience for other big deals away from Singapore's own hermetically controlled economy. But one place pragmatic Singapore is well-invested is in pariah state Burma.

The SGX hosts several Burma plays, as it does low-level Chinese listings of often dubious provenance and governance, products of an attempt to compete with Hong Kong and Shanghai, an initiative of mixed results that it doesn't much like having pointed out, certainly not now as it sells itself to Australia as its ticket to Asia's wealth. Indeed, Singapore Inc manages its image very carefully, studiously avoiding having its senior executives interviewed by locally resident foreign journalists and analysts who tend to be aware of where the proverbial bodies are buried.

American Tom Kloet ran the SGX for just under three years until early 2003. He says the proposed SGX-ASX tie-up is a "very interesting development" being closely observed in North America, where he's CEO of the Toronto Stock Exchange parent, TMX. "Any time two major exchanges start having a serious conversation about combining, it's a surprise. To me, it's the natural evolution of financial markets but this doesn't move the needle for us in terms of our own strategy."

Kloet was one of Singapore Inc's first experiences with "foreign talent", a program championed by the Lees to deepen Singapore's executive pool and counter criticisms of its clubby power networks.

Kloet was nanny in the SGX's first years after the 1999 merger of the Singapore Stock Exchange with the SIMEX futures market. He took SGX public in 2000 in a \$1 billion IPO, a move partly inspired by the ASX's successful listing two years earlier. But Kloet didn't last long, leaving the SGX four months before his contract expired amid a local whispering campaign about lax regulation and - ironic this - his "ill-conceived" cross-border trading tie-up with the ASX.

Kloet says he left Singapore early because "I had accomplished what I had come to do, to combine the Stock Exchange and Simex, complete the IPO, restructure the management and set a 'for-profit' mindset into the organisation, converting it from a member association to a commercial entity." He says he loved working for Singapore Inc.

Asked by The Age who he felt was his boss in Singapore and if he was cognisant of how and where power flowed, Kloet said: "The way I looked at being in Singapore, I thought I was an invited guest to the wedding, so I behaved like somebody who was an invited guest. I never got a phone call saying you have to do this because it's related to the Lee family. Was I aware of it? Of course I was."

Eric Ellis was the Singapore-based correspondent for **Fortune Magazine** from 2000-2007.