

DEMOCRATICALLY
SPEAKING

CHEE SOON JUAN

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For An Lyn, E Lyn and Shaw Hur

To my wife Chihmei

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About the author

Chee Soon Juan is a neuropsychologist by training. Schooled in Singapore, he received his PhD from the University of Georgia in the United States in 1990 and returned to lecture at the National University of Singapore (NUS).

In 1992, he joined the Singapore Democratic Party (SDP). Three months later, he was sacked from the NUS. He was subsequently sued by university officials for disputing his dismissal, one of whom was the head of the department and a PAP member of parliament. Chee was ordered to pay more than \$400,000 in costs and damages. He was sued on two other occasions: The first was by former prime ministers Lee Kuan Yew and Goh Chok Tong for \$500,000, and the second by Lee Kuan Yew and his son, Lee Hsien Loong, for \$650,000. As a result of the repeated lawsuits, he has been made a bankrupt.

Chee was also censured by the Singapore Parliament and fined by a parliamentary select committee. He has been arrested and imprisoned more than a dozen times for making public speeches, taking part in assemblies and processions without permits, and for contempt of Singapore's judiciary. He is barred from standing for elections and banned from leaving Singapore since April 2006.

Chee is currently the secretary-general of the SDP and has authored several books as well as contributed chapters in other books. He was Research Associate at Monash Asia Institute (1997), Human Rights Fellow at the University of Chicago (2001), and the Reagan-Fascell Fellow at the National Endowment for Democracy (2004).

He is the recipient of the Defender of Democracy Award 2003 given by the Parliamentarians for Global Action and the Prize for Freedom 2011 given by Liberal International. He was also awarded the Hellman/Hammett Writers Grant by Human Rights Watch.

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Other books by Chee Soon Juan

Dare To Change:
An Alternative Vision for Singapore
(1994)

Singapore, My Home Too
(1995)

To Be Free:
Stories from Asia's Struggle against Oppression
(1998)

Your Future, My Faith, Our Freedom:
A Democratic Blueprint for Singapore
(2001)

The Power of Courage:
Effecting Political Change in Singapore through Nonviolence
(2005)

A Nation Cheated
(2008)

Effective Parenting for the Asia Family
(co-authored with Dr Huang Chihmei)
(1995)

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My political path has been made infinitely easier because of the love of my family especially my mother, Low Non Neo. The support of my sisters, Siok Huong and Siok Chin, and my brother, Soon Beng, has sustained me through the years. Siok Chin has, of course, contributed significantly to the democratic cause in Singapore in her own right.

A constant joy in my life are my children An Lyn, E Lyn and Shaw Hur who make the dark days a little brighter and the bright ones absolutely effervescent. They are a big reason for my fight to make Singapore a democratic and better place to live in. I have been married to Chihmei for as many years as I have been in the political struggle. She has stood by me and with me all these years, doubling up as mother to the kids and helper in my work especially during the most trying of times. To her, my love.

Glossary

AEIC	Affidavit Evidence-in-Chief
AFL-CIO	American Federation of Labor and Congress of Industrial Organizations
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASP	Assistant Superintendent
BN	<i>Barisan Nasional</i> (National Front)
BoA	Bank of America
BS	<i>Barisan Sosialis</i> (Socialist front)
CASE	Consumers' Association of Singapore
CDC	Community Development Council
CEC	Central Executive Committee
CEDAW	Convention for the Elimination of Discrimination Against Women
CEO	Chief Executive Officer
CIA	Central Intelligence Agency
COE	Certificate of Entitlement
CPF	Central Provident Fund
CPIB	Corrupt Practices Investigation Bureau
CRC	Convention on the Rights of the Child
DAP	Democratic Action Party
DBS	Development Bank of Singapore
DPP	Democratic Progressive Party
EDB	Economic Development Board
EIU	Economist Intelligence Unit
EU	European Union
ERP	Electronic Road Pricing
FATCA	Foreign Account Tax Compliance Act
GIC	Government of Singapore Investment Corporation
GLC	Government-linked company
GPF	Government Pension Fund Global
GST	Goods and Services Tax
HDB	Housing and Development Board
HNWI	high net-worth individual
HSBC	Hong Kong and Shanghai Banking Corporation
IBA	International Bar Association
IBM	International Business Machines

Democratically Speaking

IBRD	International Bank for Reconstruction and Development
ICJ	International Commission of Jurists
IMF	International Monetary Fund
IRS	Inland Revenue Service
ISA	Internal Security Act
ISD	Internal Security Department
LDP	Liberal Democratic Party
MAS	Monetary Authority of Singapore
MIT	Massachusetts Institute of Technology
MITA	Ministry of Information and the Arts
MNC	multi-national corporation
MOA	Miscellaneous Offences Act
MOF	Ministry of Finance
MOM	Ministry of Manpower
MRT	Mass Rapid Transit
NAACP	National Association for the Advancement of Colored People
NEA	National Environment Agency
NKF	National Kidney Foundation
NPPA	Newspaper Printing and Presses Act
NSP	National Solidarity Party
NTUC	National Trade Unions Congress
NUS	National University of Singapore
NUSS	National University of Singapore Society
OECD	Organisation of Economic Cooperation and Development
OSC	Open Singapore Centre
PAP	People's Action Party
PAS	<i>Parti Islam Se-Malaysia</i> (Pan-Malaysian Islamic Party)
PKR	<i>Parti KeAdilan Rakyat</i> (People's Justice Party)
PKMS	<i>Pertubuhan Kebangsaan Melayu Singapura</i> (Singapore Malay National Organisation)
PM	Prime Minister
PMO	Prime Minister's Office
POA	Public Order Act
PUB	Public Utilities Board
RP	Reform Party
SDP	Singapore Democratic Party
SI	Station Inspector

Glossary

SPC	Singapore Press Club
SPH	Singapore Press Holdings
SPP	Singapore People's Party
TH	Temasek Holdings
TI	Transparency International
TJN	Tax Justice Network
UBS	Union Bank of Switzerland
UDHR	Universal Declaration of Human Rights
UK	United Kingdom
UN	United Nations
US	United States
USSFTA	United States-Singapore Free Trade Agreement
VAT	Value-added tax
WB	World Bank
WP	Workers' Party
WWF	World Wildlife Fund
WWII	World War Two

Introduction

Apart from Mayan eschatology, 2012 is also significant—for me, at least—in another respect. It marks the 20th anniversary of my involvement in politics, or more accurately, in the struggle for freedom in Singapore. During the period, I have raised a plethora of issues—from the high-profile to the more obscure, crossed swords with the rulers of this country and partaken of significant political events in Singapore. I hope that I have been able to influence, to whatever degree, Singapore’s politics; it certainly has influenced me.

Through it all, one word has always occupied the centre of my political work. Indeed, it is more than a word. It is a belief, a way of life that has eluded this nation and her people. It is a goal to which I have dedicated my life to achieving. That word, that belief, that goal is democracy.

Democracy is an idea and a practice that is still largely alien to many Singaporeans, no thanks to Lee Kuan Yew who has, in the last half-a-century, forced a people into believing that its adoption is inimical to economic growth. I have always said—even in the best of economic times—that the dichotomy between economic progress and political freedom is a false one, forced upon society by Lee for his narrow political ends. And I have always pointed out the mendacity of this argument, sometimes loudly, other times quietly but always insistently. In fact, striving for economic gain without making the necessary concomitant political development is to ensure a society that is unbalanced and malformed. Recent developments are beginning to prove such an observation correct.

Of course, it would be foolish to argue that Singapore’s overall economic situation has not improved over the years. But to attribute this growth to the PAP system is equally foolhardy. As Nobel Laureate and economist Paul Krugman noted: “When Asian economies delivered nothing but good news...it is easy to assume that so-called planners knew what they were doing. It is easy for government policy makers to look competent in a prosperous economy. But they may not have a clue!” Krugman’s observation (made in 1998) is noteworthy because in 2008, when the American and European economies seized up and the capital that had been flowing into Singapore evaporated, our economy dropped like a rock in free fall. In the immediate aftermath of the financial meltdown, PAP leaders were clueless on how to

proceed, quite bereft of the star qualities they had been attributing to themselves during the boom years.

This is the subject I start with in the book. I present in Part I a series of chapters describing an economic system put in place by the PAP government that produces precious little that the world wants to buy. We, instead, expand our economy by re-writing our laws to attract capital—lots of it. While such a strategy brings much wealth into the country, it also concentrates the wealth in the hands of a few. The resultant effect is a society in which the masses are disenfranchised. It creates a place where we live but have little say, where we work but have little reward. In Chapter 1, I talk about the government's push into the murky world of high finance where banking secrecy rules ensure minimum disclosure and maximum returns for wealthy individuals and corporations. In other words, we have become a tax haven. This may sound like a bountiful harvest of wealth for Singaporeans but the reality is that the infusion of enormous amounts of capital (and the euphoria that comes with it) masks a longer-term erosion of our economic fundamentals, not to mention societal values.

The problem is exacerbated by our infatuation of things neoliberal. The collaboration between the PAP and the practitioners of the Washington Consensus have dominated our economy to the extent that ordinary Singaporeans have been crowded out of it. To rub chilli padi into our wounds, Lee tells us that democracy is a Western value unsuited to our Asian heritage and shreds our constitution which guarantees the Singaporean people their fundamental freedoms. This has crippled the ability of the citizenry in opposing the PAP's imposition of Western market fundamentalism on Singapore. This subject is examined in Chapter 2.

Chapter 3 talks about the combined economic effects of our being a tax haven and the continued reliance of MNCs which have produced a yawning gap between the rich and the needy. The dangers of a wide wealth disparity and how such inequality will undo society are also discussed.

While the world is engulfed in sovereign debt crises, Singapore is also a highly leveraged economy with our debt-to-GDP ratio standing at more than 100 percent, higher than that of the US'. What are the implications of such a fiscal arrangement and will Singaporeans also face a situation witnessed in other countries especially those in Europe? These questions are discussed in Chapter 4 in which I also examine the management of our national wealth.

The following chapter highlights the shockingly reckless manner in which the GIC and TH invested our reserves especially in the lead up to, and during, the turmoil of the financial crisis in 2008. The lack of accountability of the people who placed themselves as custodians of the hundreds of billions of dollars of our national reserves is matched only by the lack of transparency in the system they operate.

Such an arrangement and its attendant, deleterious problems have come about primarily because of the absence of democratic politics. The decimation of the political opposition, media and trade unions have allowed Lee and his party to run the country unchecked. Part II starts with a discussion of dissent and the need for its expression. Without the ability to physically come together in public to express our dissent, we have the form of a democracy but none of its substance. This chapter is followed by an exposition of non-violent action and its application in Singapore. It highlights the philosophy and the technique of resisting, and eventually overcoming, the repressive system of the PAP government. It also documents some of the activities that Singaporean activists have conducted over the years in an effort to engage the government over policy issues. Without the physical congregation of citizens in public areas, the effectiveness of persuading a government to change policy is severely limited, if not altogether impossible. Another Nobel Laureate for Economics and celebrated author of *Development As Freedom*, Professor Amartya Sen, explains:

Political and civil rights give people the opportunity to draw attention forcefully to the general needs and to demand appropriate public action. The governmental response to acute suffering often depends on the pressure that is put on it and this is where the political rights (voting, criticizing, protesting, and so on) can make a real difference.

Even then, there are many in the opposition camp who do not subscribe to such political and civil activism because they see this as confrontational politics which must be avoided. The PAP, seeing the opportunity, has driven the wedge in the opposition—labelling the SDP as confrontational and destructive, and others as moderate and acceptable—to prevent the building of a coalition of pro-democracy forces. Chapter 8 talks about this issue and lays out the steps to build up a united and effective opposition.

Such division within the opposition camp was most pronounced

during the period when the SDP suffered a split with its leader Chiam See Tong. I recount in Chapter 9 the events that led up to the resignation of the party's erstwhile secretary-general of his post and his subsequent expulsion from the SDP. The PAP exploited the situation by labelling me as an ingrate who had entered the party to usurp Chiam's position. I set the record straight in this chapter and explain how Singaporeans were misled into believing (many still do) that I was the one who had ousted Chiam.

Efforts to democratise Singapore are undermined by the lack of the rule of law. Part III delves into this complex, but important, topic. I argue in this section that going to the ballot box once every five years is hardly sufficient because in between elections, much can be done—and much has been done—by the PAP to manipulate the election process to its advantage. What we need is the protection under the rule of law where the people, through mass assembly, pressure the PAP into instituting political reform. Without the rule of law, the ruling party has been able to enact and amend legislation at will to ensure that the political opposition and civil society—groups essential for a functioning democracy—remain hobbled and ineffective. Chapter 10 consists of missives that I wrote to the Chief Justice and members of the legal community where I dispute the contention that the rule of law is practiced in our jurisdiction.

I elaborate on this in Chapter 11 where I present court submissions and legal arguments that my colleagues and I made during the trials when we were prosecuted for participating in peaceful protests. This chapter scrutinises testimony from the police that incontrovertibly demonstrate the PAP's use of the law and law enforcement to undermine the fundamental freedoms of Singaporeans.

In 2008, Chee Siok Chin and I cross-examined Lee Kuan Yew and Lee Hsien Loong in court. This took place during the hearing for the assessment of damages in the defamation lawsuits which the Lees took against the SDP and its executive members. I had subsequently obtained the court recording of the exchange and made it public through the Internet. The transcript is presented in Chapter 12.

Through the years I have been involved in politics, I have written many letters and commentary pieces, participated in several interviews, and given numerous speeches. These have reflected my positions and views on the issues that span the two decades of my political life. I present them in the chapters in Part IV of the book.

Also, there are numerous acronyms of places, organisations and titles which I have made references to throughout the book. For ease

of reference and to unclutter the text, I have used a glossary to spell out these abbreviations.

In my years of service to this nation, I have called on Singaporeans to stand up for their rights. My opponents and skeptics continue to argue that rights won't make us rich. Perhaps. But while democracy may not fatten our bank accounts, it enables us to keep those in power from taking our society over the edge. Without democratic safeguards, we may very well wake up one day and find ourselves economically impoverished. In addition, a politically free society fosters a cultural attitude that encourages innovation and a can-do spirit so comprehensively, yet laconically, captured by Steve Jobs' exhortation: "Stay hungry. Stay foolish." It is such a culture that opens up new economic opportunities.

I admit that democracy is not a subject that lends itself to urgent attention in a society preoccupied with material riches. But I can no longer wait to warn the people of the dangers that lie ahead than can society afford not to pay attention. Unfortunately, by the time the situation turns so dire, we may rue the lost opportunity to defend our political rights and ourselves. There is much that we can do to change course and we must apply ourselves with urgency. For this reason, as unattractive and as unenviable as the task maybe, the effort to rouse the nation from its political slumber must continue. This book, a summary of all that I have been saying and doing for the last two decades, is my contribution to that effort.

PART I
THE POLITICAL
ECONOMY

Chapter 1

Asia's Switzerland

Singapore's status as a financial hub seems secure as we stand head and shoulders above everyone else in the realm of banking—or at least here in Southeast Asia. Ours has the look and feel of a successful economy steeped in wealth-management, and purring with maximum efficiency and minimum corruption. It certainly does not convey the impression of a system under-girded by weaknesses and dangers that threaten its progress. And yet, in reality, our standing as a financial centre is being seriously questioned.

It is a situation that few Singaporeans know, much less care, about. But it is a matter that calls for urgent attention because of the change in the global financial climate. It is a matter that will mean much to our economic lives in Singapore. This chapter traces the recent history of Singapore's build up in asset management and the preeminence we have established for ourselves in the world of finance and, disturbingly, how we have taken the turn into the world of tax havens. It also describes the changed mood of the global community towards the financial system here and elsewhere, and how Singapore is increasingly viewed. With the world reeling from an economic meltdown, it may be a good time for Singaporeans to start paying attention to what others are saying about the way we make our money.

Change laws, make money

At the heart of the issue is how our city-state has worked its way up the financial ladder. In the wake of the Asian financial crisis in 1998, the Singapore government decided to make our country the financial capital of Asia, if not the world.

At about that time, Switzerland, the Mecca of secretive banking, came under pressure from the EU to amend its laws to enable greater financial transparency and to provide information on accounts suspected to belong to tax evaders from other European nations. The PAP saw the opportunity and introduced legislation to tighten up secrecy protections in our financial institutions to attract investors and account holders fleeing Switzerland. In 2001, PM Lee Hsien Loong, then deputy prime minister, finance minister and chairman of the

MAS all rolled into one, met with bankers from all over the world to discuss how Singapore could tailor its laws to become a premier banking centre. The *Wall Street Journal* reported that Lee “has personally overseen the city-state’s private-banking push.”¹ Following the consultations, he introduced amendments to the Banking Act to revise secrecy provisions so that “only very few exceptions have been allowed for the disclosure of information relating to a customer’s deposit and funds placed for investment” and that “a person who receives customer information will be required by law to keep the information confidential.” The penalty for breaking such a law is a fine of up to \$125,000 or 3-years’ jail or both.² In 2004, trust laws were amended to allow foreigners, especially Europeans, to avoid laws in their home countries that regulate inheritance of an estate by family members.

Lee’s efforts worked a miracle. The number of private banks operating in Singapore nearly doubled from 20 to 35 between 2000 and 2005. Credit Suisse moved its international private-banking sector to Singapore from Zurich. A banker said that Singapore “will be the fastest growing offshore private-banking centre in the next five years.”³ Funds from all over the world poured into our banks and financial institutions. At end-2007, the MAS reported that total assets under management reached \$1.173 trillion (approximately US\$814 billion) up from \$150 billion in 1998, an increase of 682 percent in 10 years (see Figure 1). Eighty-six percent of these funds, which include private banking money, came from outside Singapore. Of these 44 percent was from the Asia-Pacific region and 36 percent from Europe.

In the 10 years to 2010, the total assets managed by the Singapore’s wealth management and private banking sector increased 11-fold to US\$550 billion. “By 2015, Singapore is expected to have gained significant ground on, and could even surpass, Switzerland as the world’s largest offshore financial centre,” said Wealth Insight analyst Andrew Amoils. “This will be fueled by HNWI growth in the Asia-Pacific region and global clients moving their offshore funds from other financial centres to Singapore.” In the same period, the number of foreign professionals working in Singapore’s finance industry went up by 9,600.⁴

Can we afford to be Asia’s Switzerland?

Such an approach not only attracts foreign funds but also foreign op-

probrium. There are more than just concerns that Singapore has become a tax haven in the mold of Switzerland, a place where individuals and corporations go to deposit their cash, often to avoid taxation in their own countries.

Not only have tax evaders found a haven in Singapore, money-launderers are also flocking to the city-state. This subject is discussed in greater detail in my previous book *A Nation Cheated*. Several years ago, a friend of mine from Cambodia intimated to me a story about four women—all single—from Phnom Penh depositing \$80 million between them in Singapore banks. No questions asked. “Four single women? \$80 million? From Cambodia which is dirt poor?” she asked with a mixture of rhetoric and incredulity, “And no one here bothers to ask how they got the money?” In case anyone thinks that the remark carried sexist overtones, my friend was a hard champion of equal rights for women.

Of course, the PAP government denies these charges. “Singapore is not a tax haven,” George Yeo said when he was foreign minister, “we are a low-tax country but not a tax haven. We’re an international financial centre so banking secrecy is very important. It is protected by law. But at the same time we do not condone drug money or terrorism money or money laundering—these are crimes.”⁵ Perhaps. But the devil is in the fine-print, so they say. In an exchange of emails, Markus Meinzer of the TJN, an organisation calling for greater action on tax havens, told me that “the main and biggest (but not only) problem with the Singapore tax haven legal structure lies in the requirement of a domestic tax interest being present if a request for criminal assistance in tax matters is made.” This means that if a foreign authority requests for information on accounts suspected of tax evasion in Singapore, the government will only cooperate if, and only if, the case also involves an evasion of tax due to the Singapore authorities.

This effectively puts paid to foreign governments wanting information about their tax fugitives who stash their money in Singapore. If it is not a crime in Singapore then no can do, we will not release information about the tax offender. This problem was highlighted in a case in 2005 involving a former chief of an Italian bank, Gianpiero Fiorani, who was arrested in Milan for suspected misappropriation of funds. Fiorani had then shifted some of his assets to Singapore through a Swiss bank. *The Wall Street Journal* reported that when he was questioned by the police following his arrest, Fiorani said that he had moved his funds “to better protect the money” and for “peace of

mind.”⁶ When contacted about the matter, the MAS declined to comment. It is such unwillingness to cooperate with foreign governments and the lack of transparency that has solidified Singapore’s reputation as a tax haven.

The mood changes

To be sure, tax havens are not a new phenomena. They have been around for decades, acting as shelters for wealthy individuals wanting to avoid paying taxes in their home countries. Singapore has gotten in on the business only recently compared to other places. But since the advent of the financial crisis in 2008 where some western banks have been wiped out and others left on life-support, some governments have hardened their stance towards offshore banking secrecy. As they find themselves bleeding cash, many of these governments are turning to other means to shore up their finances, one of them being to stop tax monies flowing to offshore secret jurisdictions.

In February 2007, a young US Senator co-sponsored a bill with two of his colleagues to stop tax havens from exploiting loopholes in the US tax structure. They rather straightforwardly called the proposed legislation the *Stop Tax Haven Abuse Act*. The proposed legislation describes how Offshore Secrecy Jurisdictions—or tax havens—undermine the integrity of the US tax system, robbing the Treasury of more than US\$100 billion each year. It aims to “close these loopholes, shut down offshore tax schemes.”⁷ These jurisdictions, the bill says, “make it nearly impossible for US authorities to gain access to needed information.”⁸ At that time, the young senator said about the legislation: “This is a basic issue of fairness and integrity. We need to crack down on individuals and businesses that abuse our tax laws so that those who work hard and play by the rules aren’t disadvantaged.” In November 2008, this senator was elected President of the United States. President Barack Obama was expected to introduce wide-ranging tax-reform laws that could end years of financial secrecy that have protected the wealthy and MNCs as they move funds from one jurisdiction to another. A co-author of the bill Senator Carl Levin added:

In effect, tax havens sell secrecy to attract clients to their shores. They peddle secrecy the way other countries advertise high quality services. That secrecy is used to cloak tax evasion and other misconduct, and it is that offshore secrecy that is

targeted in our bill.”⁹

In the proposal, Senator Levin identified a list of 34 jurisdictions as tax havens of which Singapore was one. In 2008, the US IRS went after Swiss Bank UBS which agreed to cooperate with America’s tax authorities and release information about its American clients who were suspected of evading taxes owed to the US. In return, the IRS would grant the offenders amnesty and not proceed with criminal prosecution. It is believed that some 20,000 US citizens have worked with bankers at UBS to avoid paying taxes.¹⁰ The US government didn’t stop there. It threatened to prosecute the Swiss banking giant. The UBS subsequently agreed to pay US\$780 million in fines, interest, and restitution to avoid charges that it abetted the evasion of taxes by Americans as well as to “expeditiously exit the business of providing banking services to United States clients with undeclared accounts.”¹¹

In 2010, the US enacted the FATCA as part of the effort to “combat tax evasion by US persons holding investments in offshore accounts.”¹² The law requires financial institutions based outside the US to obtain and report information about income and interest payments accrued to the accounts of American clients. But rather than rely on international agreements that are unwieldy and hard to enforce, the US is directly targeting individual banks, bringing criminal charges against financial institutions which facilitate tax evasion by US citizens. As a result, banks like the HSBC, Deutsche Bank and DBS turned away billions of dollars in business with potential American clients.¹³

The US is not the only country intent on resolving the tax haven problem. In 2005, the EU adopted the Savings Tax Directive to combat taxes lost to tax havens. European countries like Austria, Luxembourg and, of course, Switzerland have come under pressure to stop their bank-secrecy practices. The OECD is also hot on the pursuit of tax havens, listing four factors to determine if a jurisdiction is a tax haven or not:

- whether the jurisdiction imposes no or only nominal taxes,
- whether there is lack of transparency,
- whether there are laws or administrative practices that prevent the effective exchange of information for tax purposes with other governments on taxpayers benefiting from the no or nominal taxation,

- and whether there is an absence of a requirement that the activity be substantial.¹⁴

“The political climate on the issue of tax havens has changed dramatically over the past three months,” says Jeffrey Owens, director of the Centre for Tax Policy Administration at the OECD.¹⁵ Owens has spearheaded the organisation’s drive to crackdown on international finance secrecy for more than a decade and says that the financial crisis has intensified the attack on havens. At the G20 summit convened in Washington, DC in November 2008, leaders there agreed that the matter of tax shelters “should be vigorously addressed.”¹⁶ They pledged to cooperate on international regulation of the financial system which included a promise to work together to “protect themselves against ‘non-cooperative’ offshore tax havens.” They also wanted to impose controls on hedge funds and ratings agencies, and also “force all the world’s secrecy and tax havens to cease and desist their resistance to disclosure.”¹⁷

To be sure, tax evaders don’t only come from wealthy countries. Developing economies are also suffering from the drain of tax dollars to secretive financial jurisdictions. Angel Gurría, Secretary-General of the OECD, noted that: “Developing countries are estimated to lose to tax havens almost three times what they get from developed countries in aid. If taxes on assets hidden by tax dodgers were collected in their owners’ jurisdictions, billions of dollars could become available for financing development.”¹⁸ For instance, Singapore’s relations with Indonesia continue to be rankled by allegations that the city-state harbours tax fugitives and wealthy businessmen who made away with billions of dollars during the financial chaos when Suharto was toppled. But while rich nations are able to fund programs to address the problems of tax havens, poor countries don’t have the same resources. As a consequence, global poverty becomes even more entrenched. The world’s opinion-makers are beginning to see that poverty on such a scale is a threat to international stability and security. Power-mongering ideologues and terrorists feed on such economic deprivation to cause mayhem. World leaders are awakening to the reality that urgent action is needed to remedy the imbalance.

Does it matter that Singapore is a tax haven?

But why should Singaporeans care? Isn’t it good that we have be-

come fabulously rich from all the money pouring in to our banks? Some will argue that it is silly to bring morality and ethics into business. Tax haven money or no, clean money or dirty money, it's still money. We get to use it and that's all that matters.

Unfortunately, it's not. Building our nation up as a secretive tax haven is neither good politics nor good economics. The strategy is, at best, risky and, at worst, downright dangerous for Singaporeans both on the domestic and international fronts. In the first place, Singapore does not need such funds to survive. We want them to make ourselves glamorous. Needs and wants are two different things. In the second place, ethics has everything to do with the business. The misery that retail investors are suffering over the toxic mini-bonds which became worthless overnight when Lehman Brothers went bankrupt is a good reminder that morality plays a large part in how we run financial systems. It was the avarice of bankers that led to the collapse of the world's financial system. If it needs to be said again, greed and unethical practices are not good motivators of wealth-making. Yet, these are what Singapore's financial system has come to depend on as we get deeper into becoming a tax haven.

Of course, the PAP government is all for turning Singapore into an offshore banking centre; it benefits hugely from the strategy. By encouraging money to be parked in Singapore, banks here engorge themselves with money. Top bankers reap the dividends and pay themselves huge salaries and bonuses. By pegging their salaries to the biggest earners in the country, PAP ministers strike mother lode. In 2007, their salaries ballooned by 85 percent from the previous year.

What about ordinary folks? Does becoming an offshore banking centre really benefit Singaporeans? We see the ultra-luxurious property at Sentosa Cove, the Bentleys and Maseratis zooming around on our streets, and immediately think that Singaporeans are more than a fortunate lot. Not quite. Such trappings are built for and owned by overseas financial magnates. But while these super-rich foreigners live it up here, Singaporeans—especially those in the lower income bracket—see their fortunes go in the other direction. In the six-year period between 2002 and 2007 when we saw wealth pouring into Singapore Inc. after the government's revision of our banking laws, the Gini coefficient (which measures income inequality) also escalated (see Figure 2).

In 2010, Singapore's wealthiest families and individuals, many of whom are not Singaporeans, got even richer: the top 40 richest persons in the country saw their net worth jump by 17 percent.¹⁹ Indeed

expatriates love Singapore, consistently ranking it as one of the best places to live in the world.^{20,21,22} Locals, on the other hand, find the city one of the most stressful places in which to live. Among the various Asian societies, Singaporeans are most likely to have suffered depression, stress, and fatigue.²³ Another study showed that job-related stresses continue to be the biggest problems for working Singaporeans.²⁴ This subject is discussed in greater detail in Chapter 3.

Also, with the explosion of foreign funds in Singapore comes inflation. Property values have skyrocketed over a short period. With restrictions on foreigners purchasing property scaled back, prices ballooned. By the end of 2011, home prices were 16 percent higher than the peak in 2008. Of the total number of purchases of private residential property, foreigners accounted for 19 percent of all purchases in the second half of 2011, up from seven percent in the first half of 2009.²⁵ Non-Singaporeans, especially permanent residents, were also allowed to buy and rent HDB flats. The escalation of property prices increases inflationary pressures. "Inflation is expected to remain elevated at slightly over 5 per cent in the next few months, on account of continued strong increases in accommodation costs..." a statement of the MAS said in September 2011.²⁶

What about jobs? Doesn't increased wealth mean more jobs for Singaporeans? Yes and no. More jobs are created when foreign funds come in but many of these jobs don't go to Singaporeans. In 2007, more than 60 percent of the jobs created went to foreigners.²⁷ In 2011, it was reported that there were 1.1 million foreign workers in Singapore.²⁸ Add this to the number permanent residents in the workforce, you have non-Singaporean workers outnumbering Singaporean ones in the country.

The government made the decision to turn Singapore into a tax haven because it was the easy thing to do. The combination of making money on Easy Street while remaining solidly authoritarian was an opportunity too delicious to pass up. All it needed was some skillful rewriting of the law and a handsome advertising campaign to lure big money to our banks of which the government itself owns a goodly portion. Unfortunately, what our economy desperately needs is an entrepreneurial class, able to innovate, and make products and services that the world wants to buy. But fostering such a dynamic and creative culture means having to open up the political space, something which the PAP is loathe to do.

Where do we go from here?

Quite aside from ethical considerations, indulging in offshore secrecy funds is not good politics. When the international community starts putting the pressure on Singapore to stop its practice, as it is already doing, what do we fall back on as a game-plan for our economy?

Add this to the breakdown of the financial system in the US, fueled by the unbridled greed of bankers and brokers in Wall Street, the international mood against tax havens is taking an ominous turn. There is wide recognition that something must be done to rein in a financial system gone wild, and tackling the problem of tax havens is one of them. Not only are industrialised nations putting the squeeze on jurisdictions that thrive on banking secrecy, poorer nations are also wanting to see such practices eradicated. Lee himself has, rather belatedly, acknowledged that the other governments may start exerting pressure on Singapore to stop its tax haven act.²⁹

So the question before us is: Do we thumb our noses at the broader world community and continue to rake in the dollars regardless of how much damage we are inflicting diplomatically? If we are going to maintain our stance, are we heading for a head-on collision with other major economies? Unless we are assured that we will come out on top in such a fight, we may want to re-evaluate our position as a tax haven. In other words, is the PAP's strategy of making us a "financial centre" a viable one?

But what do we do if we cannot continue to get our hands on easy money from tax evaders and money-launderers? How do we remain viable as an economy? Simple. We do what hard-working, smart, and honest people do.

First, we reduce the cost of doing business in Singapore. Our land prices, dictated by the government, have made it prohibitively expensive for businesses, especially for the locals. Taxes and levies are another scourge. Whether it is the ERP, GST, foreign workers levy, road tax the PAP is squeezing the lifeblood out of people and businesses. Take, for example, the foreign-workers levy. The government should do away with the tax but ensure that a portion of the amount saved by employers go towards increasing the workers' wages. This way, both employer and employee benefit.

We also need to democratise our economy. This means that Singaporeans must be allowed to become the drivers of economic growth rather than the government. Private enterprise, and not the GLCs, must lead our economy. If Singapore develops politically and its citi-

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zens find their rightful place in society, we will have the foundations of a system that is free and enterprising, one that will stimulate the entrepreneurial mind.

Conclusion

Depending on wealth as an offshore secrecy centre is both economically risky and politically untenable. The benefits from such an arrangement overwhelmingly go to a select few and not to the average citizen. Let us get back to basics and make our money by working hard. And if we have the good fortune of becoming rich, let it be through our industry and enterprise. Depending on immoral earnings is not the way forward.