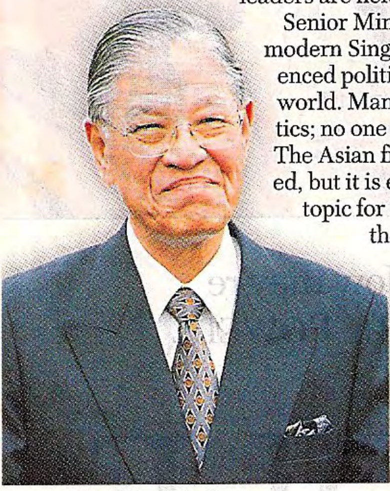
OCT 12, 1998

OPINION: Why Taiwan and Singapore are weathering the Asian storm better than Hong Kong. BY SIN-MING SHAW

THE LEADERSHIP GAP


Lee Kuan Yew

WHY HAS HONG KONG'S REACTION TO THE Asian crisis been so different from those of Singapore and Taiwan? All three are run by Chinese who share a great deal in culture and instincts. Yet the Hong Kong government spent billions intervening in the stock market and even encouraged antiforeign rhetoric. Singapore and Taiwan, meanwhile, have stayed calm. The difference is in the quality of leadership—as determined by the political experience of executives, the educational level of their cabinets and the ways leaders are held accountable.


Lee Teng-hui

Senior Minister Lee Kuan Yew, the creator of modern Singapore, is probably the most experienced political leader still holding office in the world. Many disagree with his autocratic politics; no one disputes his formidable intellect. The Asian financial crisis may be unprecedented, but it is essentially about money—a tame topic for Lee, who brought Singapore from the brink of starvation to world-class prosperity. Singapore kept its cool while its stock market fell 60 percent and its two contiguous neighbors, Indonesia and Malaysia, suffered different kinds of economic convulsion. The Singapore dollar at its worst was down 30 percent against the U.S. dollar without its central banker berating foreign speculators.

For years, Lee and his handpicked cabinet have been working to close the gap with Hong Kong as Asia's premier financial center. Singapore openly invites Hong Kong Chinese to emigrate to boost its thin base of experienced professionals. Global fund-management companies are lured to set up shop to manage sizable official funds. Other multinational companies just come for the political stability, social order, free market and corruption-free society. Hong Kong's market-rigging intervention provided another chance for Singapore to distinguish itself. Lee Kuan Yew seized the opportunity and signaled the world that his country has chosen the free-market route, allowing both exchange rate and asset prices to fall where they may without official interference. And despite a media storm about derivatives and hedge funds, Singapore quietly started a futures market on its stock index last month after years of unwillingness to liberalize its capital market. This steeliness bears the unmistakable signature of Senior Minister Lee, who thinks strategically and historically.

No less steely is Taiwan President Lee Teng-hui. Diplomatically isolated, he has nevertheless declined to buckle and seek any deal with Beijing. A native Taiwanese, he cut his teeth in the mainlander-dominated KMT. Lee won Taiwan's first direct elections while Beijing lobbed missiles offshore in a futile attempt to turn the vote against him.

Perhaps Taiwan would have reacted differently to the current crisis if its financial markets were as open as those of Hong Kong and Singapore. However, it has historically abided by market verdicts. In 1990 it did not use its vast resources to prop up the market when stocks crashed, taking the index down 80 percent in less than nine months. More recently, the government allowed its currency to devalue by 25 percent to improve its external competitiveness while the stock market fell by a third. Taiwan has become an Asian extension of Silicon Valley, and is now the world's largest supplier of computer peripherals—while Hong Kong still seems unsure whether it wants to shake off its real-estate addiction.

Contrast those résumés with that of Tung Chee-hwa, the autocratic chief executive of Hong Kong, whose duty is only to look after the economy of Hong Kong, a much lighter burden than that of the Lees. An intensely private man whose major challenge in life was to revive a bankrupt shipping company, he is visibly uncomfortable as a public leader. Strangely, he has yet to assemble a respectable team of his own. The inherited civil service Tung relies on remains deeply colonial in its culture and outlook.

However unpleasant the British expatriates were, they managed Hong Kong ably. In the early 1970s when the stock market fell by more than 90 percent in less than a year, the stiff British upper lips barely moved. But the Brits also left behind a civil service untrained to lead. Consider the education gap: in Taiwan 29 out of 42 cabinet members have a Ph.D., mostly from prestigious American universities, and have taught or worked in the private sector. In Singapore, three out of 17 cabinet members have a Ph.D., eight have a master's degree. Most took at least one degree abroad. In Hong Kong, all 19 policy secretaries (or cabinet members) are career civil servants. All but a few graduated from one local university, and only four have a master's degree.


Tung Chee-hwa

President Lee and Senior Minister Lee are able communicators. Though Taiwan is vastly more democratic, both ruling parties validate their legitimacy by actively campaigning for voters' support. Both countries directly elect their leaders, which inevitably improves governance. Tung's executive-led government is accountable only to Beijing (which to its credit is keeping its promise of "One Country, Two Systems" by publicly supporting whatever Tung does).

Henry Kissinger, an academic before he became U.S. secretary of State, once said that as a professor he had underestimated the role of the individual in shaping history. Future professors may use the leaders of Singapore, Hong Kong and Taiwan to prove his point.

CLOCKWISE FROM TOP RIGHT: VILLARD—SIPA, GIVON—AP, VIAVANT—SIPA