

**Acceptance Remarks by Ms Ho Ching  
Executive Director and CEO, Temasek Holdings  
At the Asia Society's 21st Annual Dinner  
25 June 2008, Washington D.C**

Mr. Leo Daly, Chairman of the Asia Society, Washington,  
Secretary of Treasury Hank Paulson, Archie,  
Members of the Senate and House,  
Excellencies, Friends,  
Ladies and Gentlemen, good evening.

**Introduction**

- 1 It is an honour and a pleasure for me to be here for this 21st Annual Dinner of the Asia Society. The pleasure is doubled with the presence of old friends and new.
  
- 2 I come from a small granite rock halfway across the world from Washington DC. Some of you know Singapore, but few would have heard of Temasek, perhaps not until our testimony at a Congressional hearing in March this year. Allow me then the privilege of sharing a little on the story of Singapore and Temasek with you tonight.

## **An Inauspicious Beginning**

- 3 Strategically located at the economic and cultural crossroads of Asia<sup>1</sup>, Singapore is an island state<sup>2</sup> about the size of Lake Tahoe or New York City. Not with the same draw of New York City, but well, of the same size. It has been a British colony since 1819, and elected its first self-government<sup>3</sup> in 1959, almost 50 years ago.
  
- 4 Within a few days of taking office in June 1959, the newly elected government discovered to their horror that their predecessors had dipped into the state kitty and spent S\$200 million – that was at that time princely 10% of the island's GDP<sup>4</sup> in 1959. The newly minted government also found themselves staring at a budget deficit of S\$14 million for the year – it was not an auspicious start after the sound and fury and ebullient promises of a heated election campaign that had just been completed.
  
- 5 The new 35-year old Prime Minister and his new 40-year old finance minister decided to set the tone and demonstrate seriousness of purpose

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<sup>1</sup> Singapore is about 5 hours flight from Mumbai in India, 5 hours flight from Shanghai in China, 3 hours flight south of Hanoi in Vietnam, 2 hours south of Bangkok in Thailand and 2.5 hours northwest of Bali in Indonesia, and 5 hours flight north of Perth in Australia

<sup>2</sup> Approximately 700 square kilometers or 270 square miles

<sup>3</sup> Matters concerning defence and external affairs were still under the authority of the British Crown

<sup>4</sup> Singapore's GDP in 1959 was S\$1.968 billion

for the young government. They cut their own pay by almost a quarter, from S\$2600 a month to S\$2000.

- 6 The top 6000 government officials took smaller cuts, losing a part of their variable allowances. The remaining 8000 lower income civil servants were spared. But nonetheless, the unions were up in arms, that was natural, and the public was rattled. But they were finally persuaded by example and logic to pull together. The government pressed on to reduce the deficit from S\$14 million down to a more manageable S\$8 million. When the year closed, the government over-performed and broke even with a balanced budget. Thus was the tone and discipline set for successive governments in Singapore to live within their means.
- 7 The trials were not over. Singapore was pushed into reluctant independence in 1965. The British withdrawals of its forces east of the Suez in 1971 were compounded by the whirlwinds of the oil shocks and the American recession in the early and mid-70s.
- 8 Strenuous efforts were made to create jobs lost by the pullout<sup>5</sup> of the British forces, which had been contributing to 20% of Singapore's GDP.

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<sup>5</sup> British forces stationed in Singapore contributed about 20% to its GDP and provided employment to more than 10% of its workforce

British naval dockyards were converted into commercial ship repair companies, while a budding airline was formed. The government also co-invested with private enterprises and foreign investors to start up factories to manufacture a whole range of things, including shoes and mosquito coils and produce bottled chicken consomme. American and International companies were desperately wooed to invest in Singapore to help create the much-needed jobs and to connect to the world markets.

## **A Unique Experiment**

- 9 It was in the middle of this multitude of challenges that the Singapore government decided that their job was to manage and develop the economy as a whole. Its core business was not to manage a hodge-podge of itsy-bitsy investments and companies.
  
- 10 Thus, Temasek<sup>6</sup> was formed in 1974 - a unique experiment to take over a mixed bag of new investments and start-up companies. As you can see, Temasek has never been a sovereign wealth fund in the conventional sense. It was more like a 'sovereign poverty fund'. Singapore had no oil money, no natural resources. Temasek was not managing the country's foreign reserves, the little there was. Instead, we were formed simply to

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<sup>6</sup> Temasek is an ancient name of Singapore, dating from the 15th century, meaning sea-town.

take a load off an embattled government and provide an independently focused, professionally managed and commercially disciplined approach to investments. Temasek inherited a diverse portfolio of investments with a doubtful future in the middle of a struggling Asia. Think of it. Who in their right mind would invest in an airline with a domestic market the size of Lake Tahoe? We were very brave.

- 11 Today, Singapore Airlines is one of the most successful airlines in the world. It has a sterling reputation for service and an enviable record of delivering steady long-term returns. Singapore Airlines has its own board, which decides what aircraft to buy and which routes to fly. They do not go to the cabinet, the government, or the parliament for these decisions. They do not go to Temasek either for these business decisions. Perhaps this is why Singapore Airlines is one of the few consistently profitable airlines in the world. Dig deeper into the Temasek portfolio of companies and you'll find the same sense of integrity, discipline and commercial independence.
  
- 12 As you can see, the success of Temasek is rooted in the founding wisdom of Singapore's pragmatic idealism, and the dedication and achievements of my predecessors and colleagues both in Temasek and in our portfolio companies. From the thousands of crane operators in our port company to the skilled pilots and charming crew in our airlines, from the wise chairmen

of boards in our portfolio companies to the helpful tea-ladies and enterprising secretaries in Temasek, it is their commitment and ingenuity that have helped Temasek grow our portfolio about 1000 times from just over US\$100m (S\$350 million or US\$145 million)<sup>7</sup> to more than US\$100 billion today<sup>8</sup>. Together, we've delivered a healthy total shareholder return of more than 18% compounded annually since our inception in 1974.

- 13 Tonight, I am deeply honoured to be one of the recipients of the Awards presented by the Asia Society. It is a privilege for me to be here to accept this International Business Award on behalf of the tens of thousands in the Temasek portfolio companies and the few hundreds in Temasek, who have contributed over the decades to our collective success. On their behalf, I thank the Asia Society for this kind recognition.

### **Temasek Today and Tomorrow**

- 14 With Temasek's success, we have become a major constituent of Singapore's wealth, an indirect addition to the nation's reserves, and a net contributor to the nation's coffers through the taxes we pay to the government, and the dividends we distribute to our shareholder.

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<sup>7</sup> Based on exchange rate in 1974, provided by the University of British Columbia

<sup>8</sup> As at 31 March 2007

- 15 To prevent a repeat of the near fiasco of 1959, the Singapore Constitution was amended in 1991 to guard against the dangers of a profligate and irresponsible government in future. Temasek was designated a Fifth Schedule Company<sup>9</sup> under this constitutional amendment. The President of the Republic of Singapore, elected independently under our one-man one-vote system, was given a second key to the vault, a form of check and balance to ensure fiscal prudence in our government. He has a veto right over the imprudent drawdown of Temasek's assets, and over the appointment and removal of our board members and CEO. Thus, the commercial independence we have had from the beginning has been further entrenched via the Singapore Constitution, and the reserves of Temasek protected against the whims and fancies of a potentially spendthrift government shareholder.
- 16 We continue to build on our foundation for financial discipline through a maiden Yankee bond in 2005 and a triple-A credit rating by Moody's and S&P, all with full disclosures.
- 17 For Temasek (and indeed for Singapore), the journey has only just begun as we enter the 21st century. Temasek is after all only 34 years old,

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<sup>9</sup> Other Fifth Schedule entities include Government of Singapore Investment Corporation Pte Ltd (GIC), which manages the reserves of the Singapore Government, and statutory boards involved in managing critical assets, such as the Central Provident Fund Board and the Monetary Authority of Singapore

investing like a 34-year old, balancing his full blooded risk appetite with his need to care and plan for his young family. We are also quite a multi-cultural, multi-racial and multi-national 34-year old family, with non-Singaporeans forming over 40% of our globalised senior leadership.

- 18 We will continue the patient building of our institution as a long-term endowment for our stakeholders in Singapore and Asia. There is a phrase in Chinese "饮水思源" (yin shui si yuan) - remember the source when you drink the water. This is why Temasek has donated US\$350 million (S\$500 million) last year to a Trust for the larger community in Asia and Singapore. If we continue to do well, we will continue to add to this community endowment.

### **A Key Partnership**

- 19 While we have worked hard for our success, we are also fortunate beneficiaries of America's vision of a better world built on free trade and openness.
- 20 Singapore has long enjoyed warm bilateral relations with the US. Since the landmark Singapore-US Free Trade Agreement which came into effect on New Year's Day 2004, thanks to (Ambassador) Steve Green, who is somewhere in this audience, two-way trade has grown by 41% with US

exports to Singapore jumping up 58%<sup>10</sup>. US direct investments in Singapore increased by more than 10% from 2005 to 2006.

- 21 We will continue to support the efforts of organisations like the Asia Society to build bridges across race and religion, across people and national boundaries. The Asia Society has certainly contributed much to bring Asia and America closer together.
  
- 22 Even while Asia remains the mainstay of our portfolio, the OECD economies such as the US still make up about 20% of our underlying portfolio exposure. We are heartened by the continued engagement of the USA with Asia via its four-pronged economic policy for the region<sup>11</sup>. Despite its recent housing problems and financial sector crisis, the USA remains the flag bearer for a benign, stable and open world. It continues to be an attractive investment destination for us.

## **Conclusion**

- 23 In closing, I would like to thank the Asia Society once again for their kind recognition of Temasek and indirectly of Singapore. We share the Asia Society's ideals of strengthening ties between the United States and Asia.

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<sup>10</sup> Source: US Embassy Singapore

<sup>11</sup> Includes opening markets for U.S. goods and services; improving the region's overall business climate; maintaining a stable economic environment favoring free trade; and sustainable growth, and encouraging regional cooperation

We look forward to partner the Asia Society to help shape a better and more connected world, a world of hope and opportunity, of peace and progress, and of fairness and justice.

24 I thank you all too for your kind presence tonight, and for your warm friendship and support. Thank you.