



A CONVERSATION WITH VIVIAN BALAKRISHNAN, MINISTER FOR FOREIGN AFFAIRS, SINGAPORE

Announcer 00:01

Welcome to the Milken Institute Asia Summit. We are delighted to have you join us for this event and look forward to your participation throughout the day. To open the program, please welcome to the stage Executive Vice President, International, Milken Institute, Laura Deal Lacey.

Laura Deal Lacey 00:24

Good morning, everyone, and welcome to the 13th Milken Institute Asia Summit. It's wonderful to be back here in Singapore. For those of you who are new to the Milken Institute, we're a not-for-profit, nonpartisan think tank focused on finance, health and philanthropy. What we do is quite simple. We connect people, ideas, and capital. I was recently looking at the program when we did our first event here in Singapore in 2014. At that time, we were talking about the rise of the Asian middle class, foreign investment into China, and then we're even talking about opportunities into investment in Myanmar. That just shows how much the world has changed. Today, trade and investment relationships are shifting, technology is moving faster than governments, regulators, businesses, and most of us can keep up with, and middle powers are seeking greater control over their technology, security and economic futures in a global order increasingly shaped by the world's two largest economies and their technologies. That is the backdrop for this year's event. The theme is *Leading with Intelligence*. And intelligence means much more than artificial intelligence. It means understanding what's happening around us, listening to different perspectives, and having the judgment to adapt when the world doesn't move in a direction we expect. Over the next three days, more than 1,500 people are going to be here at this event. Leaders from business, finance and philanthropy from 50 different countries. The program will cover 90 sessions. They will touch on issues such as global economy, different asset classes, geopolitics, energy, health, AI with deep dives into China, India, ASEAN, Japan, and Korea. We designed the program so you can get a pulse of what's happening in the Asia-Pacific region without leaving Singapore. Before we begin, I just want to thank our award-winning team last year. This event won the best event in Singapore, so we're really proud of that. And I would like—oh, thank you. I'd like to thank our partners, our sponsors, and most importantly, all of you for being here. We're now going to kick off with a fireside chat. Singapore's Minister for Foreign Affairs, Dr. Vivian Balakrishnan, is here. He's a medical doctor by training and has served in several roles here in Singapore. He oversaw the Smart Nation initiative. He served as minister for environment, water resources and minister for community development, youth, and sports. And given

how much this week's program will focus on AI, I just wanted to give a fun fact about the minister. He actually built his own second brain for a diplomat. It's a self-contained AI system running on Raspberry Pi 5 that can take in documents, build knowledge, and brief him before meetings. So, when we're starting a program on *Leading with Intelligence*, we have the right person to get us started. So, he'll be doing a fireside chat with the CEO of the Milken Institute, Richard Ditzio. Thank you all for being here and enjoy the next three days.

Richard Ditzio 04:06

Minister, thank you so much for joining us. You have described this moment as one of profound disruption. There are wars that show no sign of ending, barriers for trade are going up when they used to come down, supply chains that can no longer be taken for granted around the world. All this against the backdrop of AI and other technologies that are unfolding, that are changing how we think about just about everything. So, given that, how do you think middle powers and smaller states can navigate this intersection of emerging technologies and geopolitics?

Vivian Balakrishnan 04:43

Well, that's a tough one.

Richard Ditzio 04:45

We'll start with the complicated ones and go down.

Vivian Balakrishnan 04:47

Well, since Mary is here, we'll refer to the middle power called Canada, and your leader, Mark Carney. And Singapore's tiny, you know. We are one-fifth of Rhode Island. I think the point is this: since 1965, the United States underwrote a system of globalization, supply chains, free markets, bringing down tariff and non-tariff barriers. It opened up its market. It gave access to technology. And generally, although sometimes hypocritically, underwrote a stable system of rules and international law. Now, the key change after the 80 years of that is that, in fact, if you look in both America and China, it's domestic politics. In America, you're driven apart by inequality. You just discuss how the richest 50 Americans have more assets than 150 million other Americans. America is divided, polarized. Congress reflects that polarization. You can't agree on facts. You can't agree, much less on paradigms. And politics has become a very much a binary zero-sum game. Flip across the other part of the world, China. Now, everyone knows the economic success of China after reform and opening. But what domestic problems does China have? Number one, demographics, the lack of babies, the aging of the population. Number two, the domestic economic imbalance between consumption and its paradigm of economic development since 1978, which is basically an export-oriented production of goods and services that everyone else, in particular America, would buy. And this domestic imbalance, and even the twin imbalance between America and China, is not sustainable. But, in fact, for the last 40, 50 years, the fact that China was the manufacturer of the world, flooding the world with cheap goods, in fact, was the reason why America benefited. Walmart shelves were full. The average American, in fact, could buy things very cheaply. Secondly, the trade surpluses of China, and all that being recycled into T-bills, was also another key reason why interest rates have been abnormally low for decades. So the point is there was a happy tango going on, but that music had to end, and that moment has come to an end. The point I'm trying to make here is pay attention to domestic politics. And the domestic politics in the superpowers have now led to a situation. It's not just about competition. It's not just about contestation or rivalry. But until and unless you get a rebalancing of domestic politics, followed by a new paradigm, a new world order internationally, we are going to be in unsettled times. And the point now, for Canada and for Singapore as prototypes, is that this interregnum, the loss of the old

world order, which was great for us, because we are outward-oriented, trade is three times our GDP, we operate by rules, we are quite, very happy with the WTO and the principle of MFN, and we believe in competition on the basis of value. And, you know, you run inventories just in time. Now, especially after COVID, you've got to work on a paradigm of just in case, and you've got to look at near-shoring, friendshoring, onshoring. It's a different and a more difficult world to traverse. The other point, and I'm going to stop after this, is we can all talk about the necessary changes to make. But let me tell you, as a doctor, there is a limit to how quickly the human body can change, or even societies can change to cope with these differences.

Vivian Balakrishnan 09:30

And so, therefore, the answer for who's going to emerge better or stronger, I think, is going to be dependent on who better masters the new technology because there is a revolution going on in AI, in biotech, and in energy. And then who successfully restructures not just the domestic economy and sources of competitive strength, but also the software side of it. Can we keep our societies together? Can we avoid fractures, polarization, discrimination? You know, the fear and despair causes paralysis in all societies at the precise moment that our societies need to restructure and restructure as quickly as possible to deal with both the promise and the peril. So, we've got our hands full. Absolutely.

Richard Ditzio 10:34

So, you mentioned a number of things. Let's focus on a few.

Vivian Balakrishnan 10:38

I've mentioned too many things.

Richard Ditzio 10:39

So, as you stated, people are disputing facts. We need a new paradigm. And there definitely are cracks to the social order that have unfolded. When I think about the lack of a global regulatory framework around a lot of this, typically regulation by design tends to be geographically specific. So, I was a banker for most of my career. There were regulations: if you needed a sanction against a country or a company, there were only so many ways to transfer capital. It was fairly easily accomplished. Today, that paradigm is totally upended because so much is occurring in the dark ether here. So, when you think about that, can a country like Singapore, which has a very high trust factor, play a role in deciding how we're going to adopt technologies and regulate them in a way that people can trust?

Vivian Balakrishnan 11:28

You struck on the absolute right word: trust. It's like George Shultz saying, "Trust is the coin of the realm." In fact, at a time of great disruption, trust becomes even more valuable. So, whatever happens, we intend to maintain our premium on trust, on not panicking, on not panicking—certainly never, never confiscating wealth, properly earned and managed. Not panicking in a crisis. And just keeping our heads and maintaining the sanctity of contract and consistent application of laws, both domestic and international, and keeping a sufficient level of transparency in our systems. In fact, we think this is an opportunity for us. And certainly, if you look in terms of, well, for the crowd in this room, managing assets and wealth, we're doing quite well. And it's not because we are the smartest or biggest or most powerful people in the room. But I would like to believe Singapore has a real trust premium. And we will double down on this.

Richard Ditzio 12:55

Okay. And once people buy into that trust framework, how—or do you think that the citizens are equipped to adapt to what's coming next?

Vivian Balakrishnan 13:05

This refers to the social contract. This is something my prime minister and cabinet, indeed, it's a whole-of-society effort. One key challenge in politics is to be upfront and honest with your people. What's happening? What are the implications? What are the trade-offs? The latter point, especially trade-offs, is the most difficult thing to navigate. In Singapore, we like to believe that we've been upfront with our population. And not just on the upsides and the downsides, but also on the trade-offs that we are going to have to make collectively as a society, and without fracturing. That's actually the missing ingredient. I don't want to name names, but you understand. That's actually the missing ingredient in political systems many other places. And that's why you get the corrosive erosion of trust, and then with diminished political capital, you just can't make the decisions that need to be made. Even though you know what's the right thing to do. And you can't, and you're unable to convince your people, and you end up being a deer in the headlights. And there is a revolution. Going on all fronts. So, it's something which we are working on.

Richard Ditzio 14:32

Okay. So, let me go back to something else you said, you were mentioning the United States and China dynamic. I've also heard you say that Singapore shouldn't choose between Washington and Beijing, and that the day Singapore loses its ability to say no is the day it loses its relevance.

Vivian Balakrishnan 14:49

It's the day that many of you will leave.

[Laughter]

Vivian Balakrishnan 14:53

Or even if not you, your assets under management will leave.

Richard Ditzio 14:58

That must be true for many other countries as well.

Vivian Balakrishnan 15:01

No, but for us. Look, for us, this is a peculiarly sensitive existential point, right? What do we have in Singapore? We've got a wonderful location, but everything else depends on trust. I mean, why would people leave assets for us to manage? Why would people invest in Singapore? It's about trust. And at a time when you've got two superpowers having a difficult phase in their relationship and Singapore, if you look at the stock of FDI—you know, I used to tell the president you have more invested in Southeast Asia than America has invested, the stock of FDI, than America has invested in India, China, Japan, Korea combined, more in Southeast Asia. And then, of course, I usually don't whisper the next point, which is actually more than half of that is in Singapore. Right? So is America important to me as a source of FDI, source of technology and as an ultimate market? Yes, it is. Absolutely. On the

other hand, if I ask you, is there any other political entity in the world where 74 percent of us have Chinese ancestry? The answer is no. My colleague in China will regularly say to me, you know, of all people in the world, you—meaning Singapore—should understand us the best, linguistically, culturally, historically, and so on and so forth. Actually, what he means is: you should agree with us. And here's where, then I will then recite my standard line. We are a multiracial, multilingual city-state in the heart of Southeast Asia. We've got great relations with you. Both of you are vital for us, and we will handle our relationships very, very carefully. Now, that's easy to say, but what does it mean in practice? It means, actually, as long and as far as we can do so, we will refuse to choose. Because the moment you choose, in fact, you've lost strategic options, strategic latitude. Second, however, it's not enough to stop there and say I will refuse to choose. You also have to say, because if you really force me to choose either one of you, you may not like the final answer. Right? Even that's not enough. I then have to go on to say that in any case, I am not going to be used by the other guy against you as a proxy or as a lever. So, you see this point about having to religiously say, I will refuse to choose, and whilst I will be useful to you, I will not be made use of. The key challenge now again comes back to trust. The key challenge for us is to maintain trust with both the United States and China. Not as a vassal state, not as a tributary state, but as a small, but hopefully relevant and useful partner. But, not to be made use of. To the extent that we can maintain this very delicate—

Richard Ditzio 18:33

Delicate balance, for sure.

Vivian Balakrishnan 18:35

I hate to use the word balance, because when the two poles are jumping all over the place, if you're going to aim for strict balance, you will also be jumping all over the place. My preferred option is to maintain a clear, steady, principled, consistent position. So that whatever they do and if I have to say no, I say, well, we have to say no to you because we've done our own calculations of what's in our enlightened long-term national interests. I have to say no to you. But don't worry. I'm not acting on behalf of the other guy, and it's not personal. Maintaining that discipline of thought and even in the conduct of relationship is essential to our survival.

Richard Ditzio 19:20

So, let's stay on the international stage for a moment. I watched your speech at the United Nations. It was filled with very insightful, just very good thoughts around a lot of different issues. You did mention that the closure of the Strait of Hormuz violates UNCLOS and must collectively be rejected. So, my question is, what does collective rejection actually mean? Like, how would it play out in practice? And does it change the way you're thinking about regional energy security?

Vivian Balakrishnan 19:51

There are many strands to that question. I think first, let's get back to because our strategic location is a key advantage that Singapore has. And I don't know how many of you realize the Strait of Singapore to the south of Singapore at its narrowest point is about two nautical miles. In comparison, the Strait of Hormuz is 21 nautical miles. Next point you need to be aware of is that I think something like 40 percent of global trade actually traverses the Strait of Malacca and therefore the Strait of Singapore. And Singapore derives a lot of our value, not by collecting tolls and imposing blocks on traffic, but by providing value-added services. So, for us, UNCLOS, the United Nations Convention on the Law of the Sea, which sets out maritime entitlements and limits to the entitlements of littoral states, which sets out freedom of navigation and overflight as a right and not something which you have to pay fees for and beg for by the grace of whoever happens to be a bordering littoral state. This is

absolutely crucial for us. So, when we look at the Strait of Hormuz, even without taking sides, any full-frontal assault on this regime, of the right of transit passage for ships and aircraft over straits used for international navigation, is a full-frontal threat to our business model. So that's why we had to take the position that we take. So that's international law, diplomatic position and so on. But actually, if we unpack another strand. So I've been in the Gulf several times since—I was just there a couple of weeks ago, and of course, in New York, met my counterparts in the Gulf. And I'm not going to name names, but there's at least one Gulf country who has confidently told me, "Guess what? We are making more money now than before the war." So, I said, "Oh, how do you do that?" And he said, "Well, we're running what we call the 'Hormuz Shuttle'." [Laughter] "You have about maybe 20 VLCCs, and your job is just to bring that 2 million barrels of oil, past the gauntlet." And I said, "What about the risk of it being shot?" "Yeah, you basically you self-insure, sometimes you get hits, but it is still worthwhile to run the Hormuz Shuttle. And since the price of oil is higher than it was before the war, we're making money." And I think there's a recent Reuters report that says even the volume of oil is now back to pre-war levels. Now that needs to be verified. But, the point is even the attempt to interdict the Strait of Hormuz is leaky. Now, that's not to belittle the point, because you know that it's not only the Strait of Hormuz, but now the Bab el Mandeb, which is at risk. And, in fact, that's an even bigger risk if that is completely shut down, because the Suez Canal and the Red Sea is essential for trade between Europe and Asia. Well, the fighting is ongoing, but, actually, put aside the economics of it, tolls and fees and other things. The real strategic point is this: if Iran, at the end of all this, is allowed to charge tolls and fees, it means having a veto on who gets stuff through. It means strategic dominance and coercion. And I doubt America or the Gulf countries are going to accept such a situation, because if that happens, that completely reorders the balance of strategic power in the Gulf.

Vivian Balakrishnan 24:12

And this is something which will bear watching, and I'm saying it goes beyond tolls and fees. Okay, so we've covered legal, we've covered fees, money, but I'm saying the strategic question is who gets to decide transit through these critical straits in the world. And that's why it is so vital.

Richard Ditzio 24:36

So, when you think about, as you mentioned, such a large percentage of trade flows through the Straits of Malacca and Singapore. So it's critical that people are following the same set of rules. Do you think we can still build rules today that every country actually follows?

Vivian Balakrishnan 24:54

Short answer is yes. Longer answer is yes, but with greater difficulty. But, for what it's worth, I'll give you an example. The High Seas Treaty on BBNJ, Biodiversity Beyond National Jurisdiction. Ambassador Rena Lee was able to land a treaty by global consensus two years, two and a half years ago. It is still possible. And that's why I'm not giving up hope that in the other arenas of the global commons—you see, currently today, for the global commons, let's say if you talk about climate change, there is a UN convention. If you talk about maritime entitlements, there is a UN convention, the Law of the Sea. For pandemics, you've got, for what it's worth, the WHO and its guidelines and its advisory services. For space, you need something. I think the other global commons now which are emerging: AI and biotech. And for those of you who haven't paid enough attention to the biology side of the house on synthetic biology, you just flick through—there's a good article on mirror life, I think, in *The Economist* this week. Go and read it. I don't have time to explain to you the biology of it, but there are emerging threats and great potential in AI and synthetic biology.

And as I said just now, if you want to move fast, you also need to have good brakes, and you need to have international standards. So, I think my basic point is that it is possible, but, in fact, it is essential. And if we do that, there's a huge amount of money to be made. We are at the beginning of another "Gilded Age." And if you recall the last Industrial Revolution, the Gilded Age meant greater inequality. It also meant, particularly in the case of the railroads, great investments. It also meant great volatility because, you know, some of these investments also came to grief. And that's the bubble word that's floating all over the place. But in the long run, whatever happens with the short-term volatility, you know that these are technologies that are transforming economics and societies. So, in the long run, it's still great. But then I'm also reminded that in the long run we're all dead.

Richard Ditzio 27:40

So, let's zoom in a little bit closer to home. Singapore takes the ASEAN chair next year. If you were to look back at Singapore's chairmanship at the end of 2027, what would make you call it a success?

Vivian Balakrishnan 27:56

If our economy within ASEAN continues to grow, continues to be more and more integrated. If our respective strengths, say, in energy, in technology, could really be brought to a complementary where the whole is more than the sum of the parts, we would have succeeded. So, in other words, we're looking for deeper integration within ASEAN, and then we're looking for wider partnerships across us, beyond us. And by that I mean not just our traditional dialogue partners, but we want to do stuff with the EU. We want to do stuff with Africa, South America, Pacific Islands, across Canada as well, a trans-Pacific strategy. Basically, if you think about it, if we're going through turbulent weather, and because by definition we are small, except for Indonesia, the more we can raft our economies, the better it is to cope with high waves and strong winds. But let's just put some numbers on this. If you add up the cumulative nominal GDP of ASEAN, we will be, or may already be, the fourth-largest composite economy in the world. And guess what? We still have great growth potential in the next 20 years. So, we want to be assessed on our own merit, not as an arena for contestation between the superpowers, and not as another arena for proxy wars. That's the first point. We stand collectively on our own, and we're a credible, significant size. The next point, if you look at the growth figures just for the first half of this year, you know, you'll be surprised. Vietnam is galloping at 8-plus percent. Even Singapore, 6.1 percent GDP growth for the first half of this year, and my neighbors in Malaysia and Indonesia must be running at around 5, 5-plus percent. So, the point is, in the midst of a crazy world, in the midst of the breakdown in world order, the breakdown in trade, the disruption to supply chains, we're having significant growth. In fact, to the point where you start having to worry: Why is it so high? And I was showing you a slide just now. You know, I think most of you—if I ask most of you who is the biggest trading partner of Singapore last year, the traditional answer is China. And the slide I showed you, the biggest trading partner last year for Singapore was Taiwan. Right? So, what's going on? I think, clearly, AI technology, semiconductors, technology is a big part to it. But can you see how this illustrates? This is a moment of great potential and peril. This is a moment of great change and volatility. And if we can thread the needle, and not just for Singapore but for ASEAN as a whole, I think we've got quite a compelling narrative and great potential for ASEAN. So, I'm still an advocate. I'm a believer in ASEAN.

Richard Ditzio 31:44

So, I want to close on a personal reflection. You have been serving as minister of foreign affairs for some 11 years now. What do you know for certain today that you didn't know when you assumed the position?

Vivian Balakrishnan 32:01

I think, in retrospect, what we're seeing today, the writing was on the wall. As I said, the internal contradictions within America, within China, the accelerated, accentuated rivalry, the breakdown of a very comfortable world order for middle powers and small states. In retrospect, it is very clear. But if you go back to 2014 or 2015, the promise of AI wasn't so obvious. The potential for synthetic biology and health care wasn't so obvious. And the fact that there is a role, and there are rich pickings for middle and small powers in the midst of all this, so long as we can keep our heads, we don't panic, we don't break apart, and we continue to build bridges and to be constructive solution makers. So, for me, I'm not bored even after this period of time. It's an intellectually fascinating time to be alive. And even my stuff, you know, my things with my own agents and all that, it's incredible. But just to end on the point of agents, I have now spent enough time building, interacting, and using agents to tell you that we have a real problem. Anyone who tells you, "I've got absolute control over my autonomous agent, and I know exactly everything it's going to do or not do," obviously doesn't know what he's talking about. So, loss of control is a real threat. Second, the fact that even I can do this now, the risk of rogue actors, state and non-state actors, using this technology to build new weapons of disruption, whether it's in chemistry or biology or in weapons of mass destruction, is very real. It is a time of heightened risk. And then the third area is its impact on society, on belief, on cooperation, on mobilization, on politics, on the practice of politics. We're in a whole new arena. So, and the final point is, you know, if we train our agents on the entire corpus of stuff which has been printed—or not printed—stuff which has been published on the internet, and most of the stuff on the internet is violent, misogynistic, unfair, crazy, and then you are surprised that your AI agents are a reflection of humanity. And you all know none of us here are saints or devils. Sometimes it's circumstantial, and we should not be surprised that AI agents, brought up on a diet of human thought and writings, also will behave like human beings. Now, that can either be very scary, or it should be a moment of great contemplation, right? So, it's basically my message to all of you: It's a wonderful time to be alive. A hell of a lot of things are happening. There's also a lot of money to be made, but there's also a lot of good that you can do. And I think that refers to the Milken Institute and, hopefully, the people and the organizations that all of you represent here. This is a great time to be alive.

Richard Ditzio 36:10

Well, thank you for such a thoughtful conversation and for joining us today.

Vivian Balakrishnan 36:13

Thank you.

Announcer 36:30

Please welcome the panel on leadership.

Disclaimer: This transcript was reviewed by individuals for accuracy and serves as a reference. However, it may still contain errors or omissions. Please verify any critical information independently.