

06/09/2001

Concession by Singapore (HL)

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KUALA LUMPUR, Wed. - Singapore Senior Minister Lee Kuan Yew said the republic conceded more ground in the agreement reached with Malaysia yesterday as it wanted issues, especially on water supply, to be resolved quickly and with the present Government.

Claiming that Malaysia gained more from the broad agreement reached on all outstanding issues between the two countries, he said if the matter was not resolved now, Singapore might have to deal with a different Government later.

"We could stand firm and wait for events to develop ... (and) we might end up having to deal with a Government which may not be able to deliver or may not deliver," he said at a Press conference at the end of his four-day visit to Malaysia.

Under the agreement, he said Singapore would receive less water than it originally wanted and pay more for it, while Malaysia, among other things, would be given 12 parcels of land not included in the points of agreement.

Lee's remarks were an obvious reference to political developments in Malaysia and the threats posed by Pas, which was perceived by some as having gained increasing support.

Although he rated as unlikely the chances of Pas coming to power, the former Singapore Prime Minister said things might develop unexpectedly.

"We have not given in so easily but decided to make a deal even though one which I could say is not balanced. But supposedly we did not strike a deal, and supposedly in 2004, God forbid, you don't have an Umno-led Government to negotiate with ... that's more problematic."

On Pas coming into power, Lee agreed this would certainly pose a problem as changes could be expected.

Lee and Prime Minister Datuk Seri Dr Mahathir Mohamad yesterday reached a breakthrough on five issues that have soured ties between both nations.

The outstanding issues included the sale of water to Singapore, the points of agreement for the development of railway land owned by Keretapi Tanah Melayu Berhad, and the status of the Malaysian Customs, immigration and quarantine facilities at the KTMB station in Tanjung Pagar.

Two other issues concerned the use of Malaysian air space by the Singapore Air Force and withdrawals from Singapore's Central Provident Fund by workers from Peninsular Malaysia. Both sides also agreed to a proposal by Malaysia to construct a new bridge linking the two countries and demolish the causeway after its completion in 2007.

On the possibility of Malaysia refusing to supply water to Singapore, Lee felt this was unlikely.

"I don't think the (Malaysian) Government will take a step that would lead to the intervention of the Security Council (United Nations) and action by us to protect our interest and self-defence.

"It is not something you do without consequences."

Asked for his views on the post-Mahathir era, he said although Pas was unlikely to win in the 2004 general election, Umno might lose a few more seats and States. "It is not a disastrous outcome but it could be an erosion of the moral authority of Umno. But this can be reversed if certain policies can be adopted, at least they believe so."

Lee also denied allegations that the republic had sabotaged Malaysia's economy during the 1997-98 regional financial crisis. He said Singapore would not resort to such action as "it did not make sense".

"Firstly, we do not have the capacity to sabotage the Malaysian economy, and it is not in our interest to do so. If we do so, we are going to suffer pain and losses because we have our banks and companies with investments in Malaysia. There are also Singaporeans owning properties in Malaysia ... they will suffer."

Asked why Singapore banks offered very high interest rates for deposits in ringgit during that time, he said the rates were fixed by banks and had nothing to do with the Government.

As for Singapore's economic performance this year, Lee said the Government expected a gross domestic product growth of 0.5 per cent while the private sector forecast -0.5 to -1.0 per cent.

"Either way, it is not satisfactory," he said.

The Senior Minister was also asked for his views on militant groups in the region and its effects on Singapore and he replied the menace had been growing for some time. In Indonesia, it heightened after the downfall of President Suharto, alluding to former President B.J. Habibie's ruling to do away with the decree allowing the use of Islam in names and symbols.

He cited as examples the bombings of churches, damage to mosques done in retaliation, arson and the formation of jihad teams sent to Maluku to fight Christians.

"We must accept there has been a kind of Islamic globalisation in activities over the last 20 years - the bombings of the World Trade Centre, the US Navy ships in Yemen, etc. I think there will be a flow of this and we have to watch carefully because if it takes root in Indonesia and Malaysia, then we are vulnerable. It is not something that we view with disinterest."

On whether the threats posed by militant groups were as dangerous as communist insurgency, Lee replied although it had yet to reach that stage, it had the tendency to pose a serious danger if not checked early.

"The militants now have yet to be deeply rooted and controlling key influential positions like the communists then who had penetrated schools, clans, associations, chambers of commerce, trade unions and the media. I don't want to downplay the danger as over time, they can develop the same skills. If they manage to develop the same degree of penetration like the communists, we will be facing a different situation."

Lee left for Singapore at 8.30pm from the Kuala Lumpur International Airport in Sepang.