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The *British High Commissioner at Singapore* to the *Secretary of State for Foreign and Commonwealth Affairs*

SUMMARY

After their convincing win at the General Election, the Singapore Government successfully pursued, with renewed determination, their policies on anti-communism, enforcement of law and order, and of economic growth through discipline and moderation (paragraphs 1-5).

2. Support for ASEAN was maintained, although progress, particularly in economic matters, was disappointingly slow for Singapore. Relations with other ASEAN countries were developed with caution. The strengthening of ASEAN's links with the EEC were welcomed. Singapore's own economic performance was satisfactory, but only achieved by constant effort by all concerned (paragraphs 6-15).

3. While the advantages of a positive relationship between Britain and Singapore were recognised on both sides; the evolution of different standards in our two countries tended to reduce the understanding required to sustain such a relationship. Agreement on the extension of the British Council's work here in 1978 and the increase in our exports to Singapore in 1977 (and vice versa) are therefore doubly welcome (paragraphs 16-21).

Singapore, 1 January, 1978.

Sir

After his convincing victory at the polls in December, Mr. Lee Kuan Yew and his colleagues pursued their party's programme with renewed assurance. The decisive vote for the maintenance of law and order, efficient government and the grappling with internal and external problems, gave the Singapore Government confidence to try out younger men in positions of authority, while the small group of older Ministers retained power in their own hands.

2. There was no weakening in the Government's opposition to communism, and the first half of the year saw a concentrated move against communism. A second important aspect of the Government's policy, the maintenance of an incorrupt administration and the need for this to be seen and recognised, led to the prosecution of some opposition candidates who had used the election campaign as an opportunity to allege that the Prime Minister had been using his position to benefit his family law firm. A number of accused were found guilty of criminal libel and were jailed; others were sued in the civil courts and reduced to bankruptcy in the process.

3. The drive to maintain standards in Singapore led to the uncovering of a serious level of drug addiction among Singapore youth, and a draconian campaign to stamp out the abuse. The extent of the problem and the speed with which it had developed shocked many people, and the Government launched a major campaign in April to root out the addicts and rehabilitate them. They seem to be having some success, but revelations of the scale of the drug problem in Singapore have to some extent tarnished the image (promoted by the Government) of Singapore's youth as clean-living and uncorrupted by "Western decadence".

4. But if the maintenance of law and order tended to hog the headlines, the maintenance of a healthy economy was given equal importance by the Government. This vital importance for Singapore to maintain a prosperous economy led to Government, unions, employers and employees continuing their co-operation. Rising expectations had to be curbed and Singaporeans made aware that only hard work and moderation could ensure the maintenance of a reasonable standard of living.

5. The economy continued to expand at roughly the same level as last year and real growth in GDP is expected to be 7.8 per cent, well on target. Diversification has stood Singapore in good stead, but Ministers are increasingly worried about the growth of protectionism among the industrialised countries. None the less, Singapore's overseas trade grew strongly (though still in deficit), with exports up by about 25 per cent and imports by 14 per cent by the end of October. Foreign reserves also grew slightly during the year, thanks to a continuing surplus on invisibles and capital inflows. Despite this good performance, the Government is conscious that the country cannot afford to relax in a world still plagued by economic problems and Mr. Lee has warned that Singaporeans must work harder and adjust to change and seek new markets, *e.g.*, in the rich oil-producing countries.

6. ASEAN continued to develop, and showed signs of adopting a more co-ordinated approach to common problems. Singapore reluctantly recognised that progress in many aspects of ASEAN's development would have to be at the pace of the slowest member of the group. Singapore Ministers also recognised that in many matters of external policy there could no longer be a purely Singaporean decision-the Government had to take account of ASEAN interests.

7. On economic co-operation, attention shifted away from joint industrial projects. These projects acquired a symbolic importance when they were agreed at the Bali Summit (February 1976), but since then progress has been slow and this year it became clear that Singapore faced determined opposition, particularly from Indonesia, over its diesel engine project. In the face of this, the Singaporeans have been quick to respond to the renewed interest in preferential trading arrangements within ASEAN, which have had a smoother passage this year, following signature of a framework Agreement by the ASEAN Foreign Ministers in February 1977. They welcomed the Agreement reached during the year to cut tariffs on 1,000 products in 12 months.

8. Singapore has played its part in the development of ASEAN's relations with other countries, and welcomed the British initiative to open up a channel of communication between the EEC member States and ASEAN. They took the opportunity of Mr. Haferkamp's visit here in December to restate their concern about protectionist attitudes in the industrialised countries, including the EEC. On relations with Japan, Singapore finalised an important deal with the Japanese in advance of the Kuala Lumpur Summit in the form of a joint-venture petro-chemical complex partly financed by Japanese Government and industry funds. They also clinched one further project: a technical training centre to be established in Singapore with Japanese instructors and equipment. But Singapore will continue to be wary of undue Japanese economic dominance.

9. Indeed, Singapore would like to balance the increasing Japanese economic presence with a corresponding Western interest, and one of the objects of Mr. Lee's visits to Washington in October was to assess for himself the extent of the American commitment to South-East Asia. He had been concerned by the US Government's decision to start withdrawing from Korea and, despite the pains taken by the Administration to reassure him about their determination to maintain a strategic military presence in the region and increase their stake in the Singapore economy, he still seems to have some doubts.

10. There was a hiccup in the slow and cautious development of Singapore's relations with Vietnam with the hijacking incident in December, and subsequent Vietnamese pique at Singapore's steadfast refusal to return the hijackers (who have since been jailed in Singapore). One consequence has been the cancellation of a Vietnamese trade mission. Singapore has had almost no contact with the Cambodian regime, apart from a brief visit by Mr. Ieng Sary, the Deputy Prime Minister, in March.

11. Relations with China were characterised by an increasing flow of Singaporeans visiting China. This is the result of a new policy adopted early in the year, under which professional groups and bodies are now encouraged to visit China. Mr. Lee Kuan Yew concluded, after his own visit in 1976, that it was salutary for Singaporeans to see at first hand the relatively backward and extremely restrictive conditions of life in what still is, for the older generation of Chinese here at least, the motherland. There has been no change, however, in Singapore's policy of being the last ASEAN country to establish diplomatic relations with China.

12. Singapore is watching developments in Brunei with interest and is naturally concerned about the course of our negotiations with the Sultan, particularly in the context of SAF training in Brunei.

13. Relations with Malaysia remained generally on an even keel and Mr. Lee Kuan Yew continues to be on good personal terms with Hussein Onn. However, signs of the old mistrust and rivalry between the two countries showed through at times during the year.

14. Mr. Lee Kuan Yew demonstrated his support for the new Government by being the first ASEAN Head of Government to visit Bangkok since the coup. There were some frictions between Singapore and Indonesia over the ASEAN diesel engine project, but co-operation in other areas (*e.g.* the adoption of a new safety scheme in the Malacca Straits) was better. Relations were given a further boost when Singapore decided to change its vote on the Timor Resolution at the UN and supported Indonesia, instead of abstaining as in previous years. Singapore's approach to ASEAN economic questions tended to coincide more with that of the Philippines, and Mr. Lee Kuan Yew visited Manila twice during the year. On the first visit he signed an agreement to cut tariffs on bilateral trade by 10 per cent.

15. In foreign relations generally, Singapore has shown itself more willing to go along with the rest of ASEAN for the sake of ASEAN solidarity. The Singaporeans are, however, still prepared to act independently on occasions.

16. As Mr. Lee has told me, Her Majesty's Government's declining interest in South-East Asia has caused him to readjust his priorities. I have detected (and reported) a loosening of the ties which have so far united Britain with Singapore. Mr. Lee, himself, has conceded that the decline in our interest has led to a reduction in the "input" which he is prepared to make to maintain the relationship. Mr. Lee has also complained of what he sees as Her Majesty's Government's propensity to treat Singapore " as a small boy: to be patted on the head when we do well, and smacked on the bottom when we displease Her Majesty's Government ". If we value our relationship with Singapore, we must make a conscious effort to correct these regrettable impressions.

17. On a more cheerful note, our trade with Singapore seems to be improving. Our exports should reach the £200 million mark for 1977 (£168 million in 1976) a substantial increase which suggests there may have been some rise in volume after allowing for inflation.

18. The rapid expansion of Singapore's electrical exports has created problems for UK industry (*e.g.*, on portable monochrome TV sets and electronic calculators) and we have not heard the last of these irritants to UK / Singapore trade relations.

19. Mr. Lee Kuan Yew's visit to London for the Commonwealth Heads of Government Meeting enabled him to meet you, Sir, for the first time. Singapore has, after a longish hiatus, sent a new High Commissioner to London. The flow of distinguished visitors from UK has continued and this year included welcome (if unofficial) visits by two Ministers who had come to the region on other business. Ministerial visits are essential as an earnest of our desire to maintain a relationship with Singapore. We should, as I have proposed, now plan for an official Ministerial visit in 1978, preferably in concert with a high-level delegation of industrialists, etc. The decision to extend for a further three years (until 1981/2) our modest technical co-operation programme, was another development to be welcomed. The British Council have also decided to go ahead with a sizeable Direct Teaching of English scheme in Singapore on a self-financing basis.

20. The inauguration of the joint BA/SIA London-Singapore Concorde service took place on 9 December and I was privileged to fly out and back as a guest of British Airways. Unfortunately, last-minute objections by Malaysia led to the suspension of the service after three flights (which were conducted over Indonesian airspace). If Malaysian objections can be overcome, the service should provide a very valuable boost to Britain's relations with South-East Asia and particularly between Singapore and the UK.

21. The year showed that there are factors working both for and against a mutually-advantageous development of our relationship with Singapore. I should record that we are in danger of losing both the goodwill and advantages which history has bequeathed us. We must work to reverse this in 1978.

22. I am sending copies of this despatch and the enclosed calendar of events to Her Majesty's Representatives at Bangkok, Brunei, Canberra, Jakarta, Kuala Lumpur, Manila, Peking and Wellington and to the Governor, Hong Kong.

I have, etc.,

Enclosure Calendar of events in 1977

January

16-20 Mr. Lee Kuan Yew visits the Philippines. Announcement of agreement on a 10 per cent tariff cut between Singapore and the Philippines (later extended to include Thailand).

26 London Court's decision on [name withheld] and [name withheld].

February

24 ASEAN Foreign Ministers Meeting at Manila. Signature of Agreement on ASEAN Preferential Trading Arrangements.

March

21-24 Visit by Kampuchean Deputy Premier for Foreign Affairs, Mr. Ieng Sary.

April

4-6 Mr. Rajaratnam leads Singapore delegation to EEC/EBIC/ASEAN Conference in Brussels.

23-26 Visit by Australian Foreign Minister, Mr. Peacock.

28-29 Visit by West German Foreign Minister, Herr Genscher, and party of 98.

May

1-5 Visit by Foreign Minister of Bahrain.

28 Mr. and Mrs. Lee Kuan Yew leave for Manila, Tokyo, then to London for Commonwealth Heads of Government Meeting.

July

30 July-3 Aug. Visit by Lord Mayor of London.

August

3-8 Second ASEAN Summit Meeting in Kuala Lumpur.

10 Petrochemical Corporation of Singapore incorporated, as a joint venture with the Japanese Government and industry.

14-15 Visit to Singapore by Japanese Prime Minister, Mr. Fukuda.

27-30 Visit by Mr. Ointon Davis, M P, Parliamentary Under-Secretary of State, Department of Trade.

September

29 Sept.-18 Oct. Mr. Lee Kuan Yew pays official visits to Canada and the US, and an unofficial visit to Brussels.

October

3 Mr. Jek Yeun Thong leaves to take up appointment as Singapore High Commissioner in London.

26-31 Visit by Lord Shepherd.

27-29 Visit by Sir D. Ezra.

29 Hijacked Vietnamese DC3 aircraft lands at Seletar Airbase.

November

1-3 Visit by Minister of State, Department of Energy, Dr. Dickson Mabon, M P.

December

6-8 Visit by Mr. W. Haferkamp, EEC Commissioner for External Affairs.

9-10 Inaugural flight of Joint British Airways/Singapore Airlines Concorde Service London- Singapore.

15-17 Mr. Lee Kuan Yew pays unofficial visit to Thailand.

16 Four hijackers of Vietnamese aircraft sentenced to 14 years' imprisonment.