

Singapore: Annual Review for 1979

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

SUMMARY

Life in Singapore predictable but not dull. Events in Indo-China provoked ASEAN to greater cohesion and led Singapore to forge a more outward looking foreign policy (paragraphs 1 and 2).

2. Singapore finds no sign of Vietnam drawing back on Cambodia, nor any basis for a settlement. She sees the Soviet Union as the main threat to China as preserving the balance. Suspicion of China's longer-term intentions remain but relations developing cautiously (paragraphs 3 and 4).

3. Economy continues to prosper. New industrial policy designed to price out labour intensive industry and promote manufacture of higher technology goods. Policy makes sense if Singapore is to continue to prosper. But it is unorthodox and there are risks (Paragraphs 9-11).

4. Dr. Goh Keng Swee's plans to improve the education system are placing considerable demands on the British Council. The Council is meeting the challenge. Mr Lee and Dr Goh determined to maintain strong cultural links with Britain. Mandarin not forgotten, but less money and effort devoted to it than English (paragraphs 12 and 13).

6. British exports up in value, down in volume. Britain has moved up third in foreign investment and is up with the game on major power and mass rapid transit projects. Tarling trial did not provoke criticism of Britain. International Civil Air Policy dispute resolved without Britain being put in the target area with Australia (paragraphs 17-19).

7. Another good year for Singapore (paragraph 20).

Singapore, 14 January, 1980.

My lord

In my last annual review I saw life in Singapore in 1979 unfolding predictably with the Government in complete command of a stable society. This not particularly venturesome forecast has been borne out. But life has not been dull. The ASEAN countries have squared up to a threat to their stability posed by events in Indo-China, and, at home, Mr. Lee Kuan Yew and his colleagues, who a few weeks ago celebrated the 25th anniversary of the founding of the People's Action Party have been busy shaping Singapore for the challenges of the eighties.

External Affairs

2. Vietnam's **treatment [edited text]** of the 'boat people', the agony of Cambodia and the Chinese 'punishment of Vietnam provoked ASEAN to greater cohesion and won it greater international recognition. ASEAN was active at the Havana Summit of the Non-Aligned Movement and at the UN, where it successfully promoted repeated condemnations of Vietnam. Mr. Lee Kuan Yew's sense of *Realpolitik* has up to now restrained Singapore to a single-minded cultivation of her own garden. But in the past year she has felt the need to forge a vigorous foreign policy in defence of her interests. Characteristically she has articulated the concerns of South-East Asia more trenchantly than others might have chosen to do if left to themselves. It has helped ASEAN to be more robust. Singapore's attitude towards refugees is hard-nosed, and she feared at one time that the Geneva Conference in June

might let Vietnam off the hook by concentrating on humanitarian aspects. All the same, by September she was permitting OXFAM to use Singapore as a supply base for relief operations in Cambodia.

3. Vietnam's international standing has suffered, but Singapore does not see her drawing back from her Cambodian adventure; nor, despite bows towards him, does she find Sihanouk or any of the groups now opposing the Heng Samrin regime the likely nucleus of a Cambodian settlement. She fears that what is happening in Cambodia - and now in Afghanistan - may in time gain international acquiescence.

4. Singapore takes comfort from the thought that Vietnam will be kept in her place by China's resolve that the balance of power in South-East Asia shall not be disturbed in favour of the Soviet Union and that China seems prepared to support that resolve by action in a way the US is not. But some of her partners fear being driven towards China by Vietnam's inflexibility. Singapore remains suspicious of China in the longer term, but, for the present, the Soviet Union is for her the greater menace. Relations with China are developing cautiously. The Chinese Minister for Foreign Trade was here in March; Dr. Goh Keng Swee and two other Ministers were in China in April; an agreement on air services was reached in July; the Minister of Finance has just signed a trade agreement in Peking; the two countries may before long open trade offices in each other's capitals. Meanwhile, more and more Singapore businessmen flock to China.

5. The economy continues to prosper. Real growth, at over 8 per cent, overshoot the Government's target that it should exceed the OECD average by more than 2 per cent. The adverse trade gap narrowed. Trade grew by about 30 percent in money terms, largely because of high prices for oil and commodities rather than any great increase in volume. But inflation edged up above 5 per cent and should gather speed in 1980 as hikes in the price of oil and the new industrial policy begin to bite.

6. That policy was announced in July. Despite its encouragement of private enterprise, both local and expatriate, the Government has always maintained a firm regulatory grip on the economy. Wages have been restrained so that prices shall not exceed those of Singapore's competitors. The Government has concluded that the old ways shackle Singapore to a low wage, labour intensive, economy. It will now intervene more boldly and with a new recipe. Singapore must move into a higher range of technology, for only so can she compete better and fulfil the commitment to prosperity distributed to all levels which lies at the heart of Mr. Lee's political philosophy. Demand for labour has outstripped indigenous supply and guest-workers now form 14 per cent of the labour force. Higher technology should reverse this trend and satisfy the Government's determination that, wherever possible, the benefits of living in Singapore shall be confined to Singaporeans.

7. The new policy was inaugurated by an unexpectedly high wages award which in 1979 put about 14 per cent more into a worker's pocket and cost his employer about 20 per cent more; Similar awards are promised for this year and next. A number of skills-intensive industries have been chosen to form the core of the manufacturing sector in the 'eighties; S\$900 million of such projects are said to be in the pipeline. It makes sense for Singapore to go up-market, and the Government is perhaps only dramatising what is already happening. But it is taking a risk in banking upon enough industries of the sort it wants finding Singapore attractive. The wages award has not yet shaken out labour: "employers have been able to find the higher wages bill out of the fat of past years" but the shoe should begin to pinch in 1980.

8. Governments do not often, at a time when international recession is feared, set out deliberately to fuel inflation. True, Mr. Lee has left himself a number of let-outs: He may have chosen the moment astutely: some of the pains of adjustment can plausibly be attributed to recession outside rather than to the policy itself. And it would be foolish to predict that the diligent and adaptable people of Singapore will not do what is required of them.

Leadership

9. Mr. Lee remains preoccupied, indeed obsessed, with the problems of leadership. In saluting the Party on its 25th anniversary, he said that he believed it more difficult to assemble a team of able and dedicated younger men to build on what had been done than it had been to get the country to where it now was since the new leaders had not had to face any real challenges.

10. The Cabinet was reshuffled in January following the Government's predictable success in seven by-elections. None of the old guard was stood down. Two former civil servants, Mr. Howe Yoon Chong and Mr. Teh Cheang Wan- both of Mr. Lee's generation - became full Ministers, and Mr. Goh Chok Tong, the most favoured of the kindergarten to whose grooming Mr. Lee devotes so much attention, was given the portfolio of Trade and Industry. Another, Mr. Dhanabalan, has become the senior Minister of State for Foreign Affairs; his star, too, is in the ascendant.

The Trade Union Movement

11. Mr. Lim Chee Onn, a third member of the kindergarten, has replaced Mr. Devan Nair as Secretary General of the trade union movement. He may be finding his row more difficult to hoe as with Mr. Nair as President, and an inconveniently close mentor, he seeks to ensure that, when Mr. Nair's dominating figure is gone, the movement is not tempted to sever its close affiliation with the governing party. In November, Mr. Lee lectured it roughly on the risks of becoming a competing political force: the Government would inevitably win such a confrontation. This surprising outburst was apparently directed at Mr. Phey Yew Kok, who had acquired an inconveniently large following in the movement and was critical of the reorganisation Mr. Lee intends. Mr. Lee had also uncovered some jiggery-pokery involving Mr. Phey, for, a few weeks later, charges of criminal breach of trust were laid against him. Whatever the outcome, Mr. Phey is to be cut down to size.

Education

12. In March, Dr. Goh Keng Swee, the Deputy Prime Minister, who had moved from Defence to Education, published his findings on the weaknesses of the education system. Since then he has been striving manfully to devise a system which will educate more children more effectively than the present hyper-elitist one does, without diluting the commitment to excellence to which the brightest must aspire; Dr Goh has found few in Singapore who can answer the questions he fires at them, and he has turned more and more to the British Council. Language teaching, sixth-form teaching, curriculum development, teacher training, the shape of tertiary education - on all these and more the Council has responded. Nor is there any sign that the spate of Dr Goh's demands is slackening. More young Singaporeans are to be sent to Britain to study the humanities or to qualify as teachers with a real command of English. Yet more British teachers are to be recruited to Singapore schools. Dr. Goh and Mr. Lee are determined that the cultural links with Britain, from which they and their contemporaries benefited, shall be maintained. The implication for our interests is obvious.

13. Nor has Mr. Lee forgotten Mandarin. A campaign urging its use as a link language between dialect groups is now under way. Its slogan - " Use More Mandarin And Less Dialects "-seems to demonstrate a less than perfect command of English! Many, including several of Mr. Lee's closest colleagues, doubt whether dialect speakers will bother to learn Mandarin for such a limited purpose. Certainly nothing like the expense or effort that is being put into English goes into this campaign, and the amount of Mandarin that people are being urged to learn is pretty modest.

British Interests

14. The five years or so of neglect when no British Cabinet Minister came here were brought to an end by the visit in January of the then Secretary of State for Trade. But the official visits which Mr. Cecil Parkinson and Mr Peter Blaker paid here in July and September were particularly effective since they demonstrated the interest of the new administration at the outset of its term of office. The attentions which we have paid to the ASEAN Heads of Mission in London and to their representatives in New York and the increased tempo of consultation on issues of joint concern have not passed unnoticed.

15. The visit in March of His Royal Highness The Prince of Wales to the United World College of South-East Asia gave great pleasure to the British community, as, too, did the visit of a large Royal Navy Task Force in October. Mr. Harold MacMillan and the Governor of the Bank of England were notable among the many eminent people from Britain who have called at Singapore. Concorde has encouraged their numbers to grow.

16. Mr Lee wants to see Britain freed from a preoccupation with Africa, which, in his eyes, has meant giving insufficient attention to the concerns of Asia. Encouraged by our robustness over Vietnam, he hopes we will so handle Brunei's transition to independence that any threat of instability is averted. Perhaps because of this regard for the new Government, Singapore accepted without public outcry our withdrawal of recognition from the Pol Pot regime in December.

17. British exports were up 5 per cent in value on last year (when they returned a heartening increase of over 28 per cent) but down in volume, thanks to industrial troubles and the strength of sterling. With S\$175 million of new investment committed or in the pipeline, we now hold 16 per cent of all foreign investment here and have elbowed the Dutch into third place; the Singapore Government hopes that the abolition of exchange control will pave the way for more: Two major projects of great interest to us—a dual-fired power station and a mass rapid transit system—have not yet received the green light. But we are well up with the game; the award of the consultancy for the MRT to a British consortium was particularly good news.

18. In November, an executive of Slater Walker, after a protracted fight against extradition from Britain and a four-month trial, was found guilty of five charges against the Companies Act and sentenced to six months imprisonment. Luckily, the trial did not provoke any criticism of Britain, although several members of our community were revealed in an uncomplimentary light as fools rather than knaves. The Singapore Government went to great, some would say unnecessary, lengths to reaffirm the standards of commercial ethics it expects, and has made its point.

19. Finally, the vexatious squabbles between Australia and Singapore over air services, in which Singapore mustered ASEAN solidarity to defeat what they saw as a protectionist threat, was composed without our ever finding ourselves in the target area alongside the unfortunate Australians.

20. All in all, a good year for Singapore and quite a good one for us.

21. I am copying this despatch to my colleagues at other ASEAN posts, to Her Majesty's Ambassadors in Washington, Tokyo and Peking, to the Governor of Hong Kong, the British High Commissioner in Brunei and to the Permanent Representative to the European Communities.

I am Sir,

Yours faithfully