

*General/Economic Distribution*

SINGAPORE 29 January, 1981

**SINGAPORE: ANNUAL REVIEW FOR 1980***British High Commissioner at Singapore**to the Secretary of State for Foreign and Commonwealth Affairs***SUMMARY**

In the General Election before Christmas the People's Action Party again carried every seat. The subsequent Cabinet reshuffle continued the cautious transfer of responsibility to the younger generation of leaders (paragraphs 1 and 2).

2. A good year for the new economic policy: 10 per cent growth rate; 9 per cent inflation; and the flow of investment maintained. First steps towards becoming a computer technology centre (paragraphs 3 and 4).

3. The trade union movement as coadjutor to the People's Action Party. The power of large unions to challenge the Government reduced; Mr. Lee Kuan Yew intervened to put an end to a dispute at Singapore Airlines (paragraphs 5 and 6).

4. Further changes made to the education system, but it is not yet satisfactory. Dr. Tony Tan, the Minister for Education, performed well as Vice-Chancellor of the new National University (paragraphs 7 and 8).

5. External affairs. Singapore's Cambodia policy, pursued at UNGA and during Mr. Lee's visit to Peking. Relations with Malaysia, and Mr. Lee's welcome for Mr. Fraser's initiative over the Five Power Defence Arrangements. Singapore continues to be helpful over Brunei (paragraphs 9-12).

6. British interests. Singapore's appreciation of British diplomacy. A Royal Naval Task Group visited Singapore; and Her Royal Highness Princess Margaret paid a welcome visit. The British Council continues to make a distinguished contribution, which included the visit of the Sadler's Wells Royal Ballet. Our exports increased to £330 million, and we are the third largest investor (paragraphs 13-17).

*Singapore, 29 January, 1981.*

My Lord

In a General Election two days before Christmas, Mr. Lee Kuan Yew's People's Action Party carried every Parliamentary seat for the fourth time in succession. A number of the longer serving members took the opportunity to retire from political life (or heeded Mr. Lee's persuasions that they should), so that of the 75 seats of the new Parliament, 18 are filled by fastidiously chosen new men. (Still no women!) Just under half the seats were contested and only 22 per cent of the votes cast were lost to the Government, so the interest lay in whether any individuals might dent the PAP's image of impregnability by chalking up a substantial personal vote. Two did.

2. A few days after Christmas, Mr. Lee reshuffled his cabinet, dispensing with four of his former colleagues so that the younger generation of leaders whom he has identified may be further groomed-and tested-in the responsibilities of government. What political interest there is here lies mainly in observing the deliberation and caution with which Mr. Lee masterminds the transfer to younger men in both party and Government of the care of the society he has created. He sets about this dutifully, but does not relish it. For some years to come, his two most trusted colleagues from the earliest days, Dr. Goh Keng Swee and Mr. Rajaratnam, continue at his side as Deputy Prime Ministers, but, come the next election, only he may remain. In an election speech he said "I spent a whole lifetime building this, and, so long as I am in charge, nobody is going to knock it down ". Yet there are pointers-Mr. Lee may not welcome them-that Singapore is changing, and will change more as the younger men take over. None of them casts so long a shadow as he, and no one ever will again.

**The Economy**

3. This was the second year of the new economic policy intended to propel Singapore into capital intensive technology by raising labour costs and so making labour intensive processes uncompetitive. A few refinements were introduced, but in general the Government seems satisfied with the way the policy is biting, although it has warned that 1981 will be a more difficult year. A flattering 10 per cent growth rate was chalked up, for the first time

since 1973, and though, in response to events outside and the high wage policy within, inflation nearly doubled to stand at around 9 percent this was less than the amount by which wages went up. The flow of foreign investment was maintained: new projects, worth about \$520 million, all consonant with the objectives of the new policy, got under way in the first half of the year and others worth \$1,000 million are in the pipe-line. The new policy caused some industrial closures, but the consequent unemployment was only temporary: over the year it remained at about 3 per cent. Productivity also improved faster than in previous years, and the labour retraining programmes began to get under way. The first steps were taken, with some rather over-publicised offers of help from France, Germany, Japan and IBM, to provide training in computer sciences and the production of computer software, which Mr. Lee has identified as the basis for Singapore's aspirations to maintain its prosperity in the Twenty-First Century by becoming a centre for brain services.

4. Dr. Goh Keng Swee, who relinquished the Education portfolio in May to become a trouble-shooter at large, moved back into his old stamping ground of finance by assuming responsibility for the Monetary Authority and the Currency Board from the Minister of Finance. Given Dr. Goh's impatience and strong Views, it was not altogether surprising that differences should develop between him and Mr. Michael Wolig Pakshong, the highly-regarded managing director of the Authority, who has guided it from its creation 10 years ago. Nevertheless, Mr. Wong's resignation early in January was unexpected. What it portends is not yet clear.

### **The Trade Union Movement**

5. The Trade Union movement here is seen as the coadjutor of the party in the government of the State. Throughout the year, its leadership has been busy educating its members in, and mobilising their support for, the new economic policy. At the same time, the reorganisation of the movement on an industry-wide basis-so that there can be no large island-wide unions with sufficient clout successfully to challenge the government-has been pressed ahead. Though his predecessor, Mr. Devan Nair, remains on hand as President to help (and oversee) him, Mr. Lim Chee ann, the Secretary-General, has gained in confidence and authority. His abilities and promise were recognised later in the year by his appointment to the Cabinet as a Minister.

6. The somewhat individual flavour of labour relations here was demonstrated in November when some aircrew of Singapore Airlines, having failed to negotiate better pay and conditions of service, started to work to rule. Faced with a threat to an image of Singapore's success, Mr. Lee, overriding the established procedures for conciliation, intervened. Castigating the Pilots' Association, the airline management and the Ministry of Labour alike, he imposed a cooling-off period and extracted a promise from all to restore any damage the dispute might have caused the airline before anything was done to remedy the grievances. Mr. Devan Nair, who is also a member of the airline's board of management, has been appointed a one-man conciliator.

### **External affairs**

9. In foreign affairs, Singapore's main concern has been to maintain international support for ASEAN's stand on the issue of Kampuchea, the containment of Vietnam and the security of Thailand. With her partners, she worked hard and successfully to button up support in the UN General Assembly for the continued recognition of the Government of Democratic Kampuchea and for a resolution endorsing ASEAN's proposals for a Kampuchean settlement. Mr. Lee sees the Kampuchean problem as a manifestation of the Sino / Soviet dispute. He draws parallels between the Vietnamese action in Kampuchea and the Russian incursion into Afghanistan. With this perspective, Singapore is perhaps more reconciled to a long haul than some of her partners, and more relaxed in her assessment of the influence China may seek to exert in the region, seeing the Soviet Union as the greater and more immediate threat. And Mr. Lee has been heartened by the election of President Reagan, who, he believes, can be relied upon to pursue more robust policies towards the Soviet Union than did his predecessor; he has described him as "consistent, coherent and stark; no intellectual but a stable and clear thinker".

10. Singapore does not believe that indignation against the Pol Pot regime should determine attitudes towards the Heng Samrin regime, but she knows that she must take account of the international obloquy which the Khmer Rouge have attracted to themselves. She is therefore active in the search for a "third force" in Kampuchea, and, during the visit he paid to China in November, Mr. Lee judged that he had detected (or induced) some flexibility in Chinese attitudes. He had hoped to balance the visit to China with one to Moscow, and was a little disconcerted by its cancellation at the last moment on the score of Mr. Kosygin's illness.

11. Singapore took particular pleasure in the visit here of the Malaysian Prime Minister in May: the personal regard which Mr. Lee has for Datuk Hussein Onn is an important factor in the relations between the two countries, and the Singapore Government was disquieted at the end of the year by reports about the Malaysian leader's health. Mr. Lee warmly welcomed Mr. Fraser's initiative at the Regional Meeting of Commonwealth Heads of Government in Delhi for breathing a bit more life into the Five Power Defence Arrangements.

12. Singapore continues to play a helpful role in the affairs of Brunei. The Sultan paid an official visit here in January and in October Mr. Lee went again to Brunei to the marriage of one of the Sultan's sisters. On both occasions, he continued to ply the Sultan and his father with good counsel. The Singapore Government is generous in providing training facilities for Brunei officials, and takes great care while they are here to try to give them insights into the way modern institutions of government work.

### **British Interests**

13. The Singapore Government warmly welcomed the successful denouement of the Rhodesian problem, and, during your call on him on your way back from the ASEAN /EEC Foreign Ministers' meeting in Kuala Lumpur, you were able to see how sincerely Mr. Lee applauded this exercise of skilful British diplomacy; he looked to our playing a more active role in other problem areas of the world, now that we were freed from this African incubus.

14. A Royal Naval Task Group of nine ships spent three months in South- East Asian waters, using the facilities we retain at the former naval base at Sembawang for maintenance. These facilities have been in great demand over the past year with the increase of American and other allied naval activity in the Indian Ocean in response to events in Afghanistan and the Gulf. Their organisation and manning needs to be looked at anew if we are to provide the service our allies expect of us, and for which they pay handsomely.

15. Her Royal Highness the Princess Margaret paid a happy and welcome visit here in April, which gave much pleasure, and the appearance here in September of the Sadler's Wells Royal Ballet, of which Her Royal Highness is Patron, easily took the palm as the most prestigious cultural event of the year. In the field of education, the British Council continues to make a distinguished contribution, the importance of which to our wider interest in Singapore cannot be overstated. In addition to recruiting British teachers for its secondary schools, Singapore will also be looking to Britain for university teachers, as it seeks to improve teacher / student ratios and improve the quality of the teaching in the National University and other tertiary institutions.

16. British visible exports amounted to almost £330 million, an increase of over 21 per cent on 1979; in view of the strengthening of sterling over the period, this must represent an increase in real volume. We have maintained our place as the third largest investor in the Republic, and the most diversified, and with \$S107 million of new investment committed in the first half of the year, we now hold a creditable 16.5 per cent of all foreign investment. The two major projects in which we are most interested—a coal-fired power-station and a mass rapid transit system—both experienced hiccups in the course of the year, as ministers shied away from making a commitment to them without further time-consuming studies. But in both we maintain the advantageous position we had previously acquired. Sadly, rising fuel costs, route difficulties over the Middle East and the refusal of Singapore Airlines to renegotiate the financial basis of its operations caused the withdrawal of the Concorde service in November; it is, however, still possible to see Concorde flying over Singapore on the design of the \$20 bank- notes!

17. I am sending copies of this despatch to my colleagues at ASEAN posts, to Her Majesty's Ambassadors at Washington, Peking, Tokyo and Hanoi, to the British High Commissioners at Canberra, Wellington and Brunei, to the Permanent Representative to the UN and the European Communities, and to the Governor of Hong Kong.

I am Sir

Yours faithfully