SPECIAL LECTURE BY THE PRIME MINISTER, MR. LEE KUAN YEW, AT THE 26TH WORLD CONGRESS OF THE INTERNATIONAL CHAMBER OF COMMERCE, ORLANDO, ON 5 OCTOBER 1978

EXTRAPOLATING FROM THE SINGAPORE EXPERIENCE

Prospects Brighten for ASEAN

Three years ago, after the communist victories in Cambodia and Vietnam, the future looked distinctly bleak for non-communist Southeast Asia. The tightly organised society in North Vietnam had worn down and overcome all that the Americans could do to prevent them from winning. There seemed nothing to prevent Vietnamese drive and zeal from speedily repairing the ravages of war and reconstructing their economy. And in 10-15 years, Vietnam could have become an industrialising communist society with capacity to spare to spread revolution and liberation to all the unenlightened, capitalist-ridden countries around them.

But history has its discontinuities. After 30 years of incessant guerilla wars, communist victories in Vietnam and Cambodia did not lead to peace and reconstruction. Instead, there have been violent clashes between Vietnam and Cambodia across their common border, killing and maiming soldiers and civilians and wreaking havoc. On the Cambodia-Thai border, innocent Thai villagers have been butchered and disembowelled. On the Vietnam-China border, border guards and civilians have been killed.

No one could have predicted that after more than 20 years of highly skilled diplomacy in keeping neutral in the Sino-Soviet conflict, and receiving aid from both China and the Soviet Union, Vietnam would become a member of COMECON in June this year. And in July, she was in conflict with China, engaged in vociferous acrimony over the fate of ethnic Chinese in Vietnam.

One must assume that the communist leaders of Cambodia, Vietnam, and China know that all this feuding and killing is not helping the other communist parties and their liberation forces in non-communist Southeast Asia. Yet, they seem unable to resist their impulses to pre-empt each other’s future role and influence in Southeast Asia. The impact on the non-communist peoples of Asia of those unexpected developments has been profound, as they watch in bewilderment, if not disbelief. Communism means something much grimmer, more gruesome than the coloured pictorials depicting gloriously happy workers and peasants working together and enjoying equal happiness and material comforts in a classless society.

When the Chinese Communist Party won in China, communism was equated with agrarian reform, which was humane, gradualist, and flexible. Communism was said to have wrought a miracle. Instead of chaos, corruption, hyper-inflation, and disintegration, communism was reported to have created a social order in China which enhanced human dignity. China's economic progress and socialist transformation were believed to be making a morally superior society. Some even believed that it made the Chinese super warriors, for how else could the poorly equipped armies of China cross the Yalu River in 1950 to drive the Americans and other UN contingents down the Korean peninsula?

For two decades, China was shrouded in mystery. The world outside believed a great socialist industrial transformation was taking place. In 1964, the first Chinese atomic bomb was exploded. More news followed of scientific triumphs in advanced nuclear explosives. Who, outside China, really knew that in 1966, China was to be caught in a great internal convulsion? Fewer still expected that the Cultural Revolution was to last more than 10 years, causing great social and economic havoc, until Mao died in 1976.

People in the world outside had to wait till after President Nixon's visit to China in 1972 before they could gradually piece together the true picture of triumphs and failures of China.

In Indochina, however, communist victories in 1975 have been followed by a dreadful catalogue of displacement of people, inhuman dispersals of city populations, misery, privation, despair, and exodus. Communism has had a very different meaning for the world outside. Nowhere else is the impact of these tragedies felt more than in the neighbouring non-communist countries of Southeast Asia. Spasmodic ejections of refugees, already over 350,000, have not stopped. Whole families, whole clans, risk everything to flee from their homeland, although they know that even if they escape a watery grave, it will only mean months, if not years, festering away in refugee camps in Thailand, Malaysia, or elsewhere.

After the shock of the collapse of the non-communist regimes of South Vietnam, Cambodia, and Laos, the other non-communist governments of Southeast Asia, Indonesia, Malaysia, Philippines, Singapore, and Thailand, have co-operated more closely together in ASEAN. Differences were reconciled or muted in the quest for peace and harmony, for survival as non-communist societies. All seek greater economic growth, through greater stability, unity, and cooperative approach to regional problems.

On the other hand, the communist countries of Vietnam and Cambodia, and China and Vietnam, are locked in deep conflict. Had they continued to display the solidarity which Marx attributed to the working classes of the world, as they appeared to have done in the long years of war against America, the future would be ominous. But long years of war have made them devotees of Mars more than Marx. Now, both Vietnam and China are seeking the friendship and understanding of each of the ASEAN countries, and of ASEAN as a regional economic organisation. Both Mr. Pham Van Dong, the Vietnamese Prime Minister, and Mr. Teng Hsiao-ping, China's Vice-Premier, are scheduled to visit the ASEAN countries in October and November respectively. The kaleidescope has turned once more, and a fascinating, if complicated, pattern is unfolding. It holds out the promise of more years of relative peace and stability for the non-communist countries of ASEAN. There is more time for more economic progress to be achieved, and for some of the social and political problems to be lessened, if not resolved.

These changes are one facet of the overall change in the great power balance in East Asia and the Pacific. After successive shocks from the time of

President Nixon to President Carter, Japan has shown a reluctance acceptance of her position in this changed world. She is a great economic power in her own right. After six years of dithering since 1972, she has signed the treaty of peace and friendship with China. The Chinese made it easier by allowing Japan, first, to subscribe to her clause against hegemonism, and, next, specifically to state that it does not affect Japan's relations with any third party, namely the Soviet Union. Japan seems poised to be a major exporter of capital equipment and technology to China. At a time when Japanese exports to America and Europe are the cause of friction over huge trade surpluses, this could be one way to redirect her economic activities.

The Japanese have also been forced to rethink their defence posture. President Carter's announcement at the start of his Presidency more than 1½ years ago of total pull-out of American ground troops from South Korea by 1981 was a profound shock. Between Congress and the White House, the pace of the pull-out has been moderated. But the writing is on the wall.

Now, China's forthright senior Vice-Premier, Mr. Teng Hsiao-ping, has publicly told Japanese correspondents that Japan is fully justified in preparing to defend herself against we know who. The most senior Japanese uniformed officer, General Kurisu, allowed himself to be sacked in July 1978 rather than retract his statement that the military forces could not respond adequately to a surprise attack.

These developments coincide with a large excess capacity of steel and other industrial capacity. The proper equipping of a significant Japanese Self-Defence Force makes economic, besides strategic, sense. It will help the economy, increase GNP, create jobs, and without exasperating trading partners who continually threaten reprisals for Japan's huge balance of trade surpluses.

If these open discussions had happened 5 years ago, the people and leaders in ASEAN countries would have expressed alarm at the resurgence of Japanese militarism. All the present generation of ASEAN leaders have personal experience of Japanese militarism and occupation in 1941-45. However, 33 years after the war, different circumstances and new developments have presented more dangerous threats to our relative prosperity and progress. Most leaders realise and accept the fact that an effective Japanese defence capability is inevitable. Provided the Japan Self-Defence Agency does not have nuclear weapons, and works under the US nuclear umbrella, it can be a positive contribution to a quadrilateral great power balance in East Asia and the Pacific. The geopolitical realities of East Asia and the Pacific have changed. They have changed more than that of West Europe and the Atlantic in the last decade.

The Singapore Experience

I sometimes wonder how much of this change is objective, and how much is subjective, a change in men's minds, their thinking, their perspectives of the future extrapolating from the present. Twenty-four years ago, in 1954, I viewed the Vietnamese communist victory at Dien Bien Phu over the French with very different feelings. I felt exhilaration over the triumph of a subject people over their colonial masters. Better the communists than the colonialist I thought. In Singapore, I was myself in a united front with cadres of the Malayan Communist Party, actively fomenting political unrest to make the British position in Singapore and Peninsular Malaya untenable, and to force them to hand over power.

In the united front, united against the British, were socialists, communists, and some simply anti-colonialists. Both sides, the non-communist socialists and communists, knew that the united front was a convenience. Both knew that after the British had handed over power, they would clash. In 1959, we, the non-communist socialists, won the elections, and I took office in an internally self-governing Singapore. And clash with the communists we did. Fortunately, the communists did not come out on top. In 1963, Singapore merged with the Federation of Malaya to form the Federation of Malaysia. Malaysia was "confronted" by Dr Sukarno's Indonesia. In 1965, Singapore was separated from the Federation of Malaysia. Suddenly, my colleagues and I found ourselves in a Singapore independent on its own.

On our island of 224 square miles were two million people. We inherited what was the capital of the British Empire in Southeast Asia, but dismembered from the hinterland which was the empire. The question was how to make a living? How to survive? This was not a theoretical problem in the economics of development. It was a matter of life and death for two million people. The realities of the world of 1965 had to be faced. The sole objective was survival. How this was to be achieved, by socialism or free enterprise, was a secondary matter. The answer turned out to be free enterprise, tempered with the socialist philosophy of equal opportunities for education, jobs, health, housing.

Fortunately, an answer was possible, given the favourable economic conditions of the world in the 1960's. A hardworking people, willing and not slow to learn new tasks, given a sense of common purpose, clear direction, and leadership, these were the ingredients that turned adversity to advantage. Instead of a capital city suffering from ever increasing pressure from the drift of population from the rural areas in search of jobs in the bright lights of the city, we were able to check the drift of rural people and regulate the flow to such numbers as were manageable and useful to our economy. We developed an economy in which the enterprise of American, European, and Japanese MNCs transformed British military bases into industrial facilities for manufacturing, and for servicing of ships, oil rigs, aircraft, telecommunications, banking and insurance. Manufacturing which formed 11.4% of the GNP in 1960 more than doubled to 25.4% in 1977. Then the British decided to withdraw from their bases in January 1968, British military spending constituted 12.7% of Singapore's GNP in 1967. What threatened to be a major economic setback was converted into an economic opportunity, as military facilities and technicians working them were released for productive civilian industries.

Did I ever contemplate nationalisation, socialist planning for industrialisation and economic transformation? Frankly, no. For there was precious little to nationalise, apart from office furniture and equipment, bank offices, shops, hotels, and some factories. Further, I had before me, by 1965, the salutory lessons of U Nu's Burma, Bandaranaike's Ceylon, and Sukarno's Indonesia.

Some Asian governments took a socialist view of the exploitative nature of private enterprise. This was natural as their economies were dominated by the European colonial power. So when they got their independence, they expelled nearly all non-indigenous entrepreneurs, the Europeans and the other ethnic minorities. They put bureaucrats in charge of enterprises they took over, and established socialism through people's shops and state-corporations. Their economies declined. In some countries, like Indonesia, the army intervened in this madness and set about correcting the errors. The present government of President Suharto reversed these policies of nationalisation. Foreign investments were welcomed. The people have benefited as the economy recovered. Thailand and the Philippines have always allowed free enterprise and their economies have diversified and grown as a result. The Malaysians have also upheld the free-enterprise system.

Those countries in Asia that have allowed free enterprise have done incomparably better than those that have tried nationalisation and socialist state-corporations. And this is so even where free enterprise has been shackled by legislative and administrative regulations which require the entrepreneur to give a portion of the equity and part of the management to indigenous shareholders and managers.

For the period 1960-73, Singapore achieved faster economic growth than other countries in Southeast Asia. After the oil crisis in 1973, several countries like Malaysia and Indonesia, both major oil and commodity exporters, have recorded higher growth rates than Singapore.

Was Singapore's faster economic growth because she had more entrepreneurs per thousand of population than the other countries of Southeast Asia? I would like to believe that this was a reason. But the facts do not bear this out.

My ministers and economic advisers did not take long to convince me that the rate of development necessary if we were to generate the jobs to mop up unemployment, running at 10% of the workforce in 1960, could never be achieved at the pace at which Chinese and Indian Singaporean enterprise was slowly moving from traditional retail and entrepot trade into new manufacturing or servicing industries. They saw far greater potential in the expanding subsidiaries of American, European, and Japanese corporations.

That made Singapore different in the 1960's from most other countries of Southeast Asia was that she had no xenophobic hangover from colonialism. The statue of the founder of Singapore, Sir Stamford Raffles, still stands in the heart of the city to remind Singaporeans of his vision in 1819 of Singapore becoming, on the basis of free competition, the emporium of the East, on the route between India and China. There were then 120 people on the island. They lived by fishing. Within five years of its founding, there were 5,000 traders, British, Arabs, Chinese, Indians, and others drawn in by this principle of free and equal competition, regardless of race, language, or religion. Had the Dutch who governed the then Netherlands East Indies accorded these same ground rules for trade and commerce in the Indonesian Archipelago, Singapore might never have got started. These were our origins. So we have never suffered from any inhibitions in borrowing capital, know-how, managers, engineers, and marketing capabilities. Far from limiting the entry of foreign managers, engineers, and bankers, we encouraged them to come.

Mankind's progress has been what it is because one man's discovery, whether it is in the first spark of fire, or the first atomic explosion, does not have to be painfully and painstakingly rediscovered by all those who seek the benefits of the original discovery. Had we tried to go into industry on our own, working from the first principles, we would never have made it. Only continental nations, like China, with massive populations and great national resources, could afford such sturdy self-reliance. And even China, since 1976, seems keen to cut out learning time by importing machines and know-how, if not management.

Singaporeans were smart enough to recognise those more enterprising than themselves. That was the key to our rapid development. On paper, our success was enough for the IMF to classify us together with Israel, Greece, and Spain, with countries whose per capita GNP exceeded SDR 1,400 (US$1,699) in 1973 and SDR 1,600 (US$1,924) in 1974. As a result, we were to have been promoted, against our own wishes, into the ranks of those countries which could afford not to take their share of the profits arising from the sale of part of the IMF gold holdings. The loss of the gold profits, though not to be sneezed at, did not alarm us half as much as the consequences and implications of this premature promotion into the category of the developed countries, like losing exports under GSP concessions to developing countries. These implications made us ferret out the detailed contribution made to our GNP by the enterprise of the industrial countries of America, Europe, and Japan

IMF officials, after close examination of the breakdown figures, conceded that value-added accruing to resident foreigners and resident foreign companies amounted to 14.5% in 1973 and 17.7% in 1974 of our GNP. This brought our indigenous per capita GNP for 1973 and 1974 below the cut-off point for promotion into the ranks of the more developed, including now the Mediterranean countries of Israel, Greece, and Space. The IMF Board of Directors, in March 1978, restored our share of the gold profits and restored our name in the list of eligible developing countries.

Another interesting and significant statistics which turned up in this scrutiny was that 12,000 foreign managers, engineers and technicians, or 20% of the total workforce in these categories, had come to Singapore to manage and operate the capital equipment. They and their enterprises in manufacturing, services, and commerce, help to employ some 250,000 workers or about 30% of the total workforce.

Over the period 1960-77, per capita GDP at constant 1968 market prices increased from US$457 (S$1,400) to US$1,442 (S$4,413) more than 3 times in 17 years. In current 1977 prices, it was US$2,857 (S$6,971) per capita. This was the result of economic growth plus a family planning programme that reduced crude birth rates from 38 per 1,000 in 1960 to 17 per thousand in 1977, or a reduction in net population increase of 3.5% in 1960 to 1.2% in 1977.

The gross fixed assets of foreign investors were US$1 billion (S$2.7 billion) in 1973 and US$1.3 billion (S$3.1 billion) in 1974. The capital we could have raised from domestic savings and foreign loans. However, to acquire the know-how, to develop the management and the markets, would have cost us dearly. We would have had to learn the hard way, paying for every mistake. As it was, Singaporeans were being paid whilst learning, and their instructors were making a fair return on investments, whilst instructing them on the job.

A point worth underlining is that the same 12,000 managers, engineers, and technicians, using the same US$1 billion (S$2.7 billion) of capital assets in their various domestic economies in America, Japan, or Europe could not have generated this value-added of US $0.83 billion (US$1 = S$2.51) (S$2.09 billion) in 1973 and US$1.19 billion (US$1 = S$2.51) (S$2.99 billion) in 1974. (See Table 1)

They would have been uneconomic because of high labour costs in their home countries. They needed Singaporean workers at lower Singaporean wage costs, stable political and social conditions to be profitable and productive.

In the 1960's, the industries we started with were labour-intensive (wood products, sawmills, plywood and veneer, textiles, garments, and plastics). Hongkong had started these in the 1950's.

We had learned from the difficulties of other developing countries who had been ahead of us in economic development and industrialisation. As a result, today, textiles and garments constitute about 5% of our domestic exports, compared to 50% of Hongkong exports. We consciously sought more skill-intensive and less export-sensitive industries like machine tools, electronic meters, miniature ball-bearings. Such industries need workers who are literate and skilled in working machines. They can employ more managers, engineers, and technicians from our two universities and two polytechnics for the same 1,000 workers on the factory floor. We invested heavily in our younger generation since they were our most precious resource, education was universal and was both academic and technical and from primary to tertiary levels. Because we had a trained and educated workforce ready, industries needing such a workforce came and set up operations in Singapore. And because they employed more sophisticated and automated machines, they could pay higher wages. This raised general wage rates and forced the low-wage factories to do likewise, increasing productivity by using better machines, or to move to a low-wage country.

Sample surveys showed that the average monthly wage of production and manual workers was US$62 in 1966 (S$3.06 = US$1) and US$146 in 1977 (S$2.44 = US$1), up to 2½ times in US$ and 2 times in Singapore $ in 11 years. The Singapore $ had appreciated against the US$ during this period by 25%. The older factories, whose products had a high labour content, flour mills, sawmills, textiles, simple assembly of integrated circuits, stopped expansion in Singapore. Some have moved out, first to Malaysia, and later to Indonesia. Some have moved to Thailand. Others are planning to move to Sri Lanka and Bangladesh. Small Singapore shipyards are expanding abroad instead of in Singapore. Singaporean shipbuilders and ship repairers are in joint ventures with Philippines, and are discussing terms with Bangladesh. Singapore entrepreneurs, like the MNCs, are caught in the cycle of change, as rising costs and keener competition force them to look for new low-wage countries with good workers and stable social and political conditions. Only then can they stay competitive. The government, actively encourages this, for the transfer of labour-intensive industries frees valuable land and labour in Singapore for higher skill and capital-intensive factories.

A study by our Economic Development Board of all export-orientated industrial firms set up since 1960 disclosed several significant conclusions on entrepreneurship. First, the bigger and more established an MNC is in his field, the higher his success rate and the bigger his contribution to jobs and GNP. There have been a few casualties, as is inevitable in all risk-taking. But not a single major MNC has failed. The second conclusion is that the less experienced the industrialist and the less advanced his technology, the higher the failure rate. Wholly owned foreign enterprises from US, Europe and Japan had a failure rate of only 6%. (See Table 2) Other wholly owned foreign enterprises, mainly from Hong Kong and Taiwan, had twice as high a failure rate of 13%. The failure rate for wholly owned Singaporean enterprise was 38%, six times that of the foreigners from the advanced industrial countries. However, when Singaporeans went into joint ventures with US, European, or Japanese foreign entrepreneurs who provided the know-how, the experience, and the marketing, their casualty rate went down from 38% to 7%, just 1% higher than the 6% failure rate of the wholly foreign enterprises. When Singaporeans had less advanced partners from Hongkong and Taiwan, their failure rate was 17%, 2½ times higher than the 7% failure rate with partners from the advanced industrial countries. One could, I suppose, attribute the lower failure rate where partners were from the advanced industrial countries to the keener enterprise of the Singaporeans in choosing such partners.

Learning from scratch in the Singapore experience proved a costly business. For Singaporean entrepreneurs to go into industry when their past experience has been entrepot trading, the least hazardous way is to choose an experienced and expert guide.

Two examples illustrate how learning is more difficult with a less experienced instructor in a less established business. We wanted to develop our own generation of manger-entrepreneurs. So we started our own shipping line in 1968, under a shrewd and experienced Pakistani. We called it Neptune Orient Lines. It owns 31 vessels, including 5 under construction, with a total dead-weight of 927,000 tons, it operates regular scheduled freight runs between Japan-Singapore-Europe, Singapore-West Malaysia-Australia, and Japan-US. The company also operates a tramp fleet comprising both dry cargo freighter and tankers. Singaporeans took 6 years, 1968-74, to learn to take over the management of a new company. It lost money for 8 years until 1976. Only now, after 10 years, is it showing profits.

Contrast this with Singapore Airlines. It was started 31 years ago by British shipping enterprise. It started under the name “Malayan Airways”. It made profits right from the start. It became a partly owned government company in 1969, and a wholly owned government company since 1972. Today, it operates a fleet of 29 long, medium, and short-haul jets (seven Boeing-747s, ten 707s, six 727s, five 737s, and one DC10). The management became less British and more Singaporean gradually from 1959 to 1969. From 1972, it became wholly Singaporean. The airline has stayed profitable throughout.

The contrast between the shipping and the airline performance was startling and discomforting. The quality of Singaporean management was the same. What was different was the learning environment between a shipping line started from scratch and an established ongoing airline.

Those Developing Countries Seen to Succeed

What does this add up to? That managers can be trained and educated both at graduate school and on the job. Their function is supposed to be that of risk analysers and spreaders. Entrepreneurs are defined as risk takers. Like water diviners, they are either born with this knack, or according to professors in Business Schools, teaching will not help. Even if this were more than the natural modesty of teachers in business schools, my experience leads me to conclude that developing countries can get their industries going with good indigenous managers, provided they have experienced foreign co-managers to show them in the early stages what not to do.

For developing countries without rich natural resources or large domestic markets, the best way forward is to adopt tried and tested methods of productions of proven products, adapting work procedures to the local culture and environment, and through lower wage costs and lower overheads, supply a segment of the global market more cheaply and profitably. This is more the business of risk-analysing and spreading.

In today's world of instant communications and jet travel, learning about and from each other is a strong factor for change. It accelerates development and progress. Why try what has repeatedly been shown to be unworkable or impractical, however logical and attractive the theory might be? What policies have succeeded in other countries? Despite differences in geography, history, ethnic characteristics, culture, religion, languages, what are the common features of these more successful developing countries? They have a disciplined, hardworking, increasingly better educated labour force. The workers are rewarded in accordance with the output and performance. They have a stable and orderly society which allows learning and working to be rewarded. And if the economic benefits of development are spread and enjoyed through all socio-economic groups, then that society is likely to continue to progress with minimal social or political stress.

Several developing countries which had taken the socialist road to nationalisation, like Sri Lanka, Bangladesh, have recently elected governments whose leaders have read the lessons of the last 30 years.

These leaders have experienced what does not work. They have seen what works and why. The question is how to reproduce some of the essential conditions for successful development in, say, Sri Lanka. How long will it take her to repair the infrastructure of roads, power, water, harbours, telecommunications? If money can be found to finance these, then in only a few years. But other conditions are more difficult to achieve, for they are not like turn-key projects, which consultants and contractors can tender for and carry out. How will Sri Lanka take to produce a hardworking workforce out of voters who have been, for over two decades, promised, and given, subsidised rice and sugar? How long will she take to get workers to take training and discipline seriously after they have played fast and loose with employers for 20 years under communist and Trotskyite union leaders? How long will she take to rebuild an effective administration made flabby and unreliable by nepotism and the intrusion of political partiality and incompetence into the ranks of formerly neutral administrators? How long will she take to persuade her talented and experienced administrators who have emigrated to work for UN and other international agencies to return to help rebuild the administration? They have the human resources. The question is the time required to marshall them, for it must be done before the next elections due in five years.

In the 1950's, they may have been some doubt which of the two economic and political system works better, free enterprise in a free-market economy, as in America, Europe, and Japan, or socialist planning, as in the Soviet Union and China. India, Indonesia, and Egypt, the leaders of the non-aligned world, were going for state planning and state corporations base on Soviet-type 5-year plans. By the 1970's, there are no doubts that state planning and state corporations have not brought about the economic transformation.

Loss of Nerve

The irony is that just as the truth is becoming apparent to the leaders of the developing countries, the new models for growth - South Korea, Taiwan, Hongkong and Singapore, and two others in Latin America - face the danger of protectionism in the industrial countries. Plagued by high inflation and high unemployment, for which no easy solution has been found since the oil crisis, I sense a loss of nerve in some leaders in government and in industry, and amongst some academics in the West. Their confidence in working the free-market system has been shaken. Their despondency has enlarged the threat in their minds of more unemployment over imports like textiles, shoes, electrical and electronic products from NICs (Newly Industrialising Countries). Their reaction has been to heavily protect their no longer competitive industries. Some are using older machinery than those they have exported to the NICs. Some Europeans now propose organised free trade. The EEC has, in disregard of the Multi-Fibre Agreement, forced agreements on a whole group of developing countries to cut back on their exports of textiles and garments. Now, EEC Ministers have proposed in the MTN (Multilateral Trade Negotiations) in Geneva, in July, that there be “safeguard” clauses to enable them to raise tariffs and block imports, not against all countries as required by the present rules of

GATT, but only against specific countries, namely the NICs, which are disrupting an industry awaiting restructuring.

American unions have urged the cancellation of tax deferrals. They want the Administration and Congress to discourage the export of jobs, and to block transfers of capital and technology, which will otherwise take place because they can be more profitable abroad.

The crux of the problem is whether leaders in both industrial and developing countries have adjusted intellectually and emotionally to this being one interdependent world. When the oil crisis came upon us in October 1973, and stock markets in all the capitals of the OECD countries collapsed like nine pins, that was one moment of truth. The world was, all of a sudden, seen and felt as one interdependent world.

NICs should be encouraged, not obstructed, in their further economic growth. They are demonstration models to other developing countries of how they also can move up the industrial ladder if their leaders and people set out to organise their societies, educate, and train their people. Then they can modernise agriculture and make it productive with less farmers, take their surplus rural population into new towns in which investments in industry can provide jobs. To make it difficult for these countries to export competitively, is surely defeatist and self-defeating. For it negates the principles through which all poor and underdeveloped countries have been told they could work their way into the ranks of the developed countries.

In the 1950's, Singapore suffered high unemployment, slow economic growth, social and political unrest. Many bright, eager-beaver types joined the communist underground cells for guerilla revolution. Strikes, riots, arson, and assassinations were part of the dreadful repetitious calendar of weekly events. Today, the same bright, eager-beaver types are in industry as young engineers and managers. Now, communist recruitment has dropped in quality and in numbers. This political transformation would not have happened but for our rapid economic development. This development would not have been possible if Singapore had not been able to plug into the world grid of industrial power houses in America, Europe, and Japan.

Other developing countries should be encouraged and helped to plug into this grid. How soon and how effectively they can tap this world grid depends upon them, upon how realistic and pragmatic their governments are in their policies, so as to strike a bargain with those who have the capital, technology, and management, to help produce goods for their own people, and, perhaps also for export to competitive international markets. In other words, the more rationally governments take advantage of their relative backwardness and low wage costs, the more benefits they will derive from the international division of labour. For them not to try, is to court more misery, more coups, more totalitarian, and eventually more communist regimes.

Meanwhile, the problems of slow growth, high inflation, and unemployment still trouble the industrialised countries. But this is no reason for the industrialised countries to radically modify the principles of free trade and free capital flows, and technology transfers freely negotiable, except where national security decides otherwise. Enterprise and the operation of the free market have got us to the highest level of production and consumption ever in man's history. It will be enterprise, operating in a free market, not subsidies and protectionism, which will lead the way out of this present economic trough. This is more than an act of faith. It is the lesson of history, the history of the Great Depression (1929-33), followed by protectionism. There must be a saner and more rational solution to our present problems.

INDIGENOUS GROSS NATIONAL PRODUCT AT CURRENT MARKET PRICES (1966-1977) TABLE I

(Million Singapore dollars unless otherwise stated)

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977*
1. Total Gross National Product (S$m)	3437	3844	4402	5105	5861	6813	8086	9837	12110	13216	14286	15669
2. Total Gross Domestic Product (S$m)	3331	3746	4315	5020	5805	6823	8156	10205	12543	13373	14615	16091
3. Share of Resident Foreigners and Resident Foreign Companies in GDP (S$m)	310	384	624	800	1072	1234	1516	2090	2990	3059	3344	3636
(US$m)	100	125	203	259	355	422	574	834	1191	1273	1398	1526
4. Indigenous GDP (S$m) (2)-(3)	3021	3362	3691	4220	4733	5589	6640	8115	9553	10314	11271	12455
5. Net Factor Receipts of Singaporeans from Rest of the World (S$m)	251	236	231	252	256	237	244	294	413	481	442	524
6. Indigenous GNP (S$m) (4)+(5)	3272	3598	3922	4472	4989	5826	6884	8409	9966	10795	11713	12979
Per Cent of GNP (%) (6)÷(1)	(95.2)	(93.6)	(89.1)	(87.6)	(85.1)	(85.5)	(85.1)	(85.5)	(82.3)	(81.7)	(82.0)	(82.8)
Number of Singaporeans (‘000)	1934	1978	2012	2043	2075	2110	2147	2185	2219	2250	2278	2308
7. Per Capita GNP (S$) (1)÷(7)	1777	1943	2188	2499	2825	3229	3766	4502	5457	5874	6271	6789
8. Per Capita Indigenous GNP(6)÷(7) (S$)	1692	1819	1949	2189	2404	2761	3206	3849	4491	4798	5142	5623
(US$)1/	548	592	634	708	795	944	1215	1536	1789	1997	2150	2361
(SDR)2/	548	592	634	708	795	944	1119	1288	1488	1645	1862	2022

Source: Department of Statistics * Preliminary

1/ Following the method used in the World Bank Atlas, S$ was converted to US$ using three-year average exchange rates, weighted by real GDP.

2/ US$ was converted to SDR using average annual exchange rates.

lky/1978/lky1005.doc

Table 2

EXPORT-ORIENTED INDUSTRIES ESTABLISHED

BETWEEN 1960 AND 1978

Ownership	Total (1)	In Production (2)	Ceased Operations (3)	Percentage Ceased Operations (3)÷(1)
Wholly Foreign	275	253	22	8.0%
American, European and Japanese	(197)	(185)	(12)	(6.1%)
Asian, excluding Japanese	(78)	(68)	(10)	(12.8%)
Joint Ventures	185	159	26	14.1%
American, European and Japanese	(55)	(51)	(4)	(7.3%)
Asian, excluding Japanese	(130)	(108)	(22)	(16.9%)
Wholly Singaporean	81	50	31	38.3%
Total	541	462	79	14.6%

Figures compiled by Economic Development Board, Singapore