

TEXT OF A TALK BY THE PRIME MINISTER,
MR. LEE KUAN YEW, RECEIVED AS A VOICECAST FROM
LONDON AND BROADCAST BY RADIO SINGAPORE
ON 9TH JULY, 1963.

Good Evening:

Last night we initialled the agreement that will set up Malaysia on the 31st of August this year, less than 8 weeks from now. Singapore will be an integral part of Malaysia; the geographic centre; the commercial hub; and with common market written into the Constitution, the industrial face of Malaysia. This was what the Tengku meant when he said, "Singapore will be the New York of Malaysia.", and that is as it should be. The geography, the history of Singapore, and the dynamism of a young and industrious people make it inevitable that it should be so.

As it was expected, it had been too arduous and gruelling a week of detailed arguments and negotiations. There were some tense moments when there was fear that some may lose their nerves and all would be lost; but logic,

reason, and a sense of fair play triumphed in the end and we got a fair and just settlement. Fair and just to all in Malaysia. We have not got everything our way.

You will remember, I said that there were three important points unresolved when I left Singapore. The first was that they wanted 28% of our total revenue or 40% of our national taxes. I said then and I still say now that our obligation is in fact to pay only 23% of total revenue or 34.3% of national taxes. Before leaving Singapore, we had offered the Federation 27.3% of total revenue or 39% of national taxes. Now we have agreed to pay 28% of total revenue or 40% of national taxes. However, there will be a review immediately after the end of 1964 and if, as we anticipate the account shows that we have overpaid them, then our contribution must and will be adjusted.

In November 1961, when the White Paper on merger was agreed, we calculated that our contribution to the Central Government would not exceed 25% of our total revenue. The figure now agreed to is 28% and you will ask why this additional 3%. Well, we know that there would be a review at the end of the first, third, fifth, and every two years. Let me give you the reasons.

First, defence expenditure for Malaysia has been stepped up considerably following the Brunei revolt and the confrontation policy of

Indonesia. Army and Police units are to be doubled in size; but, even more to the point is that when the Federation agreed to write into the Constitution the terms of Malaysian common market we felt that we could go some way to meeting the Federation's claims. You all know how hard we have tried over the last four years to establish a common market between Singapore and Malaya, and the Federation has consistently been unable to agree. Long at last, we have got the common market as part of the constitutional framework of Malaysia and these common market terms cannot be changed without our consent. Those of you who are businessmen or manufacturers will know what this means to industry. But even the ordinary man understands how important it is today; for our industrial plan must succeed and Jurong must be covered with factories and rustled with activities to provide jobs for our young and a higher standard of living for all of us. This could only be come about with the common market. Now, not unnaturally, the Malaysians feel that we have made a great concession. I think it is no secret that some harsh words were said before agreement was reached and there were some anxious moments when some people doubted whether agreement would ever be reached. But all of us knew that Malaysia with Singapore is so important that a fair solution must be found and it was found.

The gradual implementation of the common market spread over a period of 12 years will ensure that our entreport trade, the continuance of import and export in Singapore as a duty free area for most of the essentials of life, will give us an opportunity to adjust as we industrialise and produce goods in Malaysia. Our merchants and our workers engaged in the entreport trade will find from the full text of the constitutional agreement that our interests have been protected. For the first five years after Malaysia, no taxes will protect goods manufactured in Malaysia, can be put out imports into Singapore without the recommendations of the Tariff Board; and even, if the Tariff Board recommends protective tariff we can postpone it for one year in order to give our merchants and our workers who may be affected time to adjust their trade. And after 5 years, there will be a review by the Tariff Board and then after the review over the next 7 years a total of 12 years in all, there will be a gradual equalisation of all tariff in Malaysia.

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Now, in view of the generous gesture made by the Deputy Prime Minister, Tun Abdul Razak, in accepting the main recommendations of the World Bank's report and giving them constitutional validity, we on our part agreed to improve our loan offer. We have agreed to waive interest on a \$100-million for 5 years for developments of the Borneo States. Interest on another \$50-million to be lent will be paid straight away. It means every year for five

years we shall lend them \$30-million, \$20-million interest free, \$10-million at current rate of interest. This is not an ungenerous concession to help develop the Borneo States, and after they have developed at the end of 15 years, they will pay back the money.

And, more important, in building and construction projects for which this money is used, the two Borneo States must, if they have not got enough workers and artisans, they must get them from Singapore instead of getting them from Hong Kong as they have done in the past. Of course, when our craftsmen and workers have finished their job, they can return to Singapore. And, this is a condition of the loan. We help them with capital, but our labour must be used to help them to develop.

You all know that in the last few months there have been some sharp exchanges from time to time between Federation Ministers and ourselves. Perhaps this was not such a bad thing for in this process it made everybody understand the differences in economic situation and the political approach between Singapore and Kuala Lumpur, and these differences cannot be wiped out overnight on the 31st of August just by the promulgation of independence. They will continue for many years after Malaysia and it is important that Ministers both in Singapore and Kuala Lumpur should recognise this. Fierce

words had been said, tough bargains have had to be discussed, but all is well that ends well. A fair and just settlement has been achieved and we have paid a fair price for the common market they have given to us. You know, in the end both Governments must strive for the same thing, raise the level of prosperity, the rate of economic growth throughout Malaysia. We shall have Malaysia on the 31st of August on terms which ensure not only Singapore's success as the industrial and commercial hub of Malaysia, but Malaysia's success as a striving and a forward looking nation. Singapore will prosper in Malaysia, but good sense must always continue to prevail. Our only guarantee of continued success lies in the unity of our many people in Singapore and the rest of Malaysia by living in tolerance in a happy and prosperous society.

Good Night.

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9th July, 1963.