

TEXT OF AN INTERVIEW WITH
PRIME MINISTER LEE KUAN YEW BY
MR TAKUHIKO TSURUTA, EXECUTIVE EDITOR
OF NIHON KEIZAI SHIMBUN, ON 25 NOV 81
AT ISTANA OFFICE WING

Question : Singapore, in recent years, has been striving to create a society based on high technology and high productivity in what can be described as a “Second Phase of Industrialization”. What is your basic guiding principle in nation-building?

Prime
Minister : My basic guiding principle in nation-building is to unite the majority and minority races in Singapore, to impart to them common values, and to make them committed to share good and bad times together. In short, to be aware that Singaporeans share a common destiny, and that whether we prosper or decline depends primarily upon our own efforts. Of course, in an interdependent world, we must work closely with our neighbours in ASEAN, and with our major economic partners: America, Japan, Western Europe, Australia and New Zealand. Further, through the Non-Aligned Movement, the G77 and the UN we do our best to keep in harmony with the main stream of political and economic thinking in the world.

Our forefathers came to Singapore when it was the capital of the British Empire in Southeast Asia. Now Singapore is independent on its own. For 16 years we have maximized the use of our only resource, ourselves. We have created conditions of political and social stability to enable economic development to speed up. We have invested heavily in education and training. We must learn to increase productivity through greater team spirit. We shall learn the lessons from other countries who have been successful, like Japan and Germany, and those who used to be successful but have now fallen back like Britain, Italy, and to a very much lesser extent America. We have to encourage investments from the industrially advanced countries to upgrade our technology and to increase our management and industrial skills.

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In the early 1960s, Singapore was confronted with a low standard of living and high unemployment. Entrepot trade, our chief money earner, could not solve these problems. We attracted labour intensive industries to provide jobs to mop up unemployment.

By 1973, we reached nearly full employment. Unfortunately, in October 1973 came the shock and setback of the first oil crisis.

That slowed us down. Worse, it made us overcautious in moving upmarket. We kept wages down to stay competitive in assembly line products like textiles and simple electronics.

By 1979, the demand for our workers far exceeded the supply. This was because transport, communication, banking and insurance, and tourism had expanded greatly despite the oil shocks. Even our new industries were skill intensive. We realized belatedly that we had been overcautious in our wage policy. We decided we had to force the natural pace of mechanisation, automation and computerisation. We realised that we either get into higher value-added products or we shall face the danger of being trapped in a vicious cycle of low wages and low productivity because of old machines and out of date technology. Then we shall be competing against lower-wage just developing countries exporting similar products. And we shall suffer.

We decided to encourage mechanisation, automation and computerisation. We gave our investors and managers three years' notice of high wage increases, or a free labour market with no more immigrant workers. These three years have seen considerable

advances in productivity, through labour saving, newer machines and tighter management. The increase in productivity in 1978 was 3.9%, in 1979, 2.6% and 1980, 5.0%.

We are expanding our schools, universities and technical training institutions at every level to upgrade our manpower. We have over 5,700 foreign professionals including 2,500 engineers working in Singapore on employment passes. With restructuring, even more engineers and technicians will be needed. We cannot hope to produce enough to replace, even partially, these foreign engineers. Our annual graduate engineer output is 300 and will go up to 600 per annum in 1985. All we can expect is to increase Singapore engineers and managers so that we shall need less foreign engineers and managers.

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We have encouraged the high technology multinationals in Singapore to undertake their applied industrial R&D here. In other words, we are learning from Japan to look and plan ahead, to have a practical vision of the future and to work hard to achieve it, adjusting our plans each year in the face of changing circumstances. We have not got MITI's capacity to have a vision of the 1980's for

Japan moving away from energy intensive industries to knowledge intensive industries and services. Within the limits of our experienced manpower we think ahead. For like Japan we realize that it is a vastly changed world, to stay still is to be overtaken by newer developing countries and to decline.

Question : Singapore has shown a keen interest in a wide range of Japanese system especially corporate management and industrial relations and company welfarism. What is the purpose of its “Learn from Japan” campaign?

Prime

Minister : Because of our history, we inherited several bad features in industrial relations from the British. Also because of the political system we inherited, our workers tend to look to political parties and to the Government to give more and more welfare benefits. We must gradually switch to the Japanese system, where workers look to the company's success for their medical and welfare benefits.

As long as welfare is provided by legislation, with political parties bidding against each other as in an auction at election time, the worker does not see why his work and his company's success is important. On the contrary, the worker squeezes all he can get out of his employer. He believes that if the company collapses, the

State social welfare must look after him. Fortunately, the British have North Sea oil to pay for the welfare of British workers, as Rolls Royce, then British Steel, the British Leyland and then the Coal Board went broke and have to be state subsidised.

I see these dangers before Singapore, unless we change the system from British-type antagonism to Japanese-style cooperation between workers and management.

Gradually, Singaporeans must become aware that the Government can only provide the broad framework of good administration for social stability and for equal opportunities in education and basic medical services and housing for the poor. The extras, welfare benefits, holidays, higher standards of life must depend on the success of the companies they work for.

Japan has avoided the pitfall of excessive state welfare. The personal interest of managers for their workers leads to excellent industrial relations. Company welfarism gives Japanese managers and workers their deep sense of loyalty to and identification with their company.

I am keen to discover which parts of the Japanese system can be adapted to suit Singapore circumstances. I believe team spirit is crucial for group success.

Question : Economic relations between Singapore and Japan have been coming around to a new state. It has been reported, for example, that Japanese new commitment of investments in Singapore declined last year. What in your view should be the desired future relations between our two countries?

Prime

Minister : New investments depend on whether investors are convinced that the comparative advantage of good location, infrastructure and skilled workers, with wages lower than Japan's makes Singapore a promising and profitable site in the Japanese companies' world-wide network of manufacturing and servicing centres for their global market. Japanese companies in Singapore have been successful. The prospect for the future is better because our infrastructure has improved, our manpower training is more developed, and our administration more experienced and can respond swiftly to changing circumstances.

As Japan moves on to newer technology, supporting sectors can be sited in Singapore. For instance, as Japan moves into

advanced computers and VLSI Micro-Electronics, Japanese computer and electronic industries can expand their computer software development and IC Wafer Diffusion Technology in Singapore.

Japan investment commitments for the first 9 months of 1981 reached S\$213 million. S\$135 million (or 63%) were commitments made by Japanese firms expanding and upgrading their Singapore operations. Japanese managers in Singapore have persuaded their head offices to install automated production methods equal to those in Japan and so maximize labour productivity and product quality. Their experience with skilled Singaporean workers has given them the confidence to upgrade machinery and move upmarket.

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Singapore's most important task is better standard of training of more engineers, more technicians, and more skilled workers.

Japan has helped to set up two joint training institutions and has arranged exchanges of university and technical institutions staff.

These help our manpower development.

Question : Since President Reagan of the United States took office

this year, he had been pursuing the question as to how he should deal with the Soviet Union pointing to the mounting Soviet Union's threat to the world peace, but recently President Reagan made some kind of disarmament proposal concerning the European intermediate, Theatre Nuclear Force, and Mr Brezhnev had, however, made a different kind of proposal to Prime Minister Schmidt. How do you see the American and Russian relation will develop in the future and what is the implication of this relations to Asia and the region?

Prime

Minister :

The rivalries between the Soviet Union and America -

their respective influence over or control of critical or strategic parts of the world have continued unabated. The Soviet Union has been gaining the upper hand in the last ten years particularly since the defeat of the Americans in Vietnam, followed by Soviet success in Angola, Ethiopia, South Yemen and Afghanistan. The policy of President Reagan is the reaction of the American people to these successive losses and continuing decline in American influence and power. Hence, in spite of inflation and a high budget deficit, the American public opinion and Congress have supported increased defence spending. In other words, they are sending a clear signal that they will not concede more losses.

The policy in Europe offering the zero option for the TNF was well timed, well presented and well received by the Europeans.

That it was not well received by the Soviet Union is a matter for regret.

In Asia, the Soviet Union is encouraging the Vietnamese in their occupation of Kampuchea supporting them with arms, it is alleged with chemical and biological weapons, to use against the Kampuchean people. It is right that the Americans should resist Vietnamese expansionism which can only take place because of massive Soviet backing and support. If it is not checked, then there will be great troubles in Southeast Asia, and also for Japan and her access route to the Gulf.

Question : What is Singapore's role in ASEAN's economic cooperation? Among the ASEAN's five members, Singapore alone has achieved outstanding economic performance as a so-called newly industrialising country. Does the gap in economic growth between Singapore and the rest of ASEAN pose any difficulty in the way of intra-ASEAN cooperation?

Prime
Minister : Singapore has worked closely with the other ASEAN countries to expand economic cooperation. All of us are striving for greater intra-ASEAN cooperation.

The different pace of economic development in each member country has not prevented us from working towards this objective. All recognize that any proposal for economic cooperation must be beneficial to each country. Far from being a hindrance, the different stages of economic development have facilitated complementation by each country concentrating on the areas of greatest comparative advantage. Meanwhile, ASEAN is moving towards greater trade liberalisation with more and more items added each year to the preferential trading list.

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Question : Regarding the Cambodian question, Singapore in early September became the site of the conference of the three anti-Vietnam forces where it was agreed to establish a coalition Cambodian government, but both Vietnam and the Heng Samrin regime remain adamant, making an early breakthrough a dim possibility. What are the prospects for a breakthrough?

Prime

Minister : The agreement between Sihanouk, Son Sann and Khieu Samphan in Singapore in September 1981 to form a coalition government represented an advance in the Cambodian struggle. All factions have agreed to set aside their differences and rivalry for the sake of greater resistance against the occupying Vietnamese.

The coalition will make Vietnamese occupation of Cambodia more costly. It will also be harder for them to make out to the world that they are fighting only against the Khmer Rouge.

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In the coming months and years, the non-communist

Cambodian groups will build themselves up as a credible non-communist alternative to the Khmer Rouge. Because the Soviet Union and Vietnam realize this, they both have openly opposed this development.

A solution to the Cambodian conflict will come when Vietnam realizes, after several years of deprivation and pressure, that it is better to negotiate a political settlement. ASEAN is not playing the game of any great power in this conflict. We want a compromise political settlement. The ICK conference in July 1981 and the 27 Oct 81 UNGA resolution 36/5 contain guidelines for such a settlement: a Vietnamese withdrawal and UN supervised elections in which force is excluded from interfering with the free choice of the Cambodian people.

Question : What can and should Japan do to help?

Prime

Minister : Japan has supported ASEAN's position on the

Cambodian question. Japan should continue to make clear to

Vietnam that there will be no development aid to Vietnam until it withdraws from Cambodia and negotiates a political solution.

Recent visits of Japanese parliamentary groups, including members of the Liberal Democratic Party to Hanoi and Phnom Penh could have given the wrong signals to Vietnam.

Question : How do you see the new proposal being put forward by

Mr Rajartnam in solving the Kampuchean problem? Do you see it being accepted?

Prime

Minister :

Mr Rajaratnam has put forward this practical and sensible arrangement to bring together three parties which do not agree on political objectives. In fact, two of them highly and rightly suspicious of the Khmer Rouge. It is to bring them together for one specific purpose, namely, to get the Vietnamese to withdraw from Kampuchea and for the Kampuchean to be allowed to choose their own government. It is a good proposal. We hope that the Khmer Rouge will accept it. If they do not accept it, they may have to face gradual loss of international support. If they insist on going on, totally on their own, making use of the two partners just ornamental camouflage for the Khmer Rouge, they will find a drop in international support for them in the UN and elsewhere.

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Question :

Is it true that Singapore will then give military aid to non-communist forces as stated by Mr Rajaratnam?

Prime

Minister : Yes, but our resources are limited. Aid must also come from stronger powers besides the ASEAN countries.

Question : Singapore has long stated that it will be the last among the ASEAN members to normalise relations with China. How soon do you expect that normalisation of Singapore-China relations with materialise?

Prime

Minister : I do not know when Indonesia and China will normalise their relations. This is a matter for them to settle. An important consideration for Indonesia is whether China will cut off her ties with and withhold support from indigenous communist liberation movements.

Question : In which field can Singapore play most active role for economic modernisation of China?

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Prime

Minister : To modernise, China will need capital to pay for new technology. China wants increased trade in goods and services with Singapore to increase her foreign exchange earnings.

Singapore does not possess the high level technology China needs. These come from America, Japan and Western Europe.

Singapore has over twenty years of experience working with major multinationals. Working with and through them, Singapore can help facilitate the transfer of technology, know-how, management and skills. Premier Zhao told me last August, in Singapore, that “China can be compared as the stomach and Singapore as the eyes and mouth. While China had a lot of capacity to digest, Singapore could be an open channel for technology”. He cautioned against any quick progress because they have many domestic problems to sort out, bureaucratic entanglements, shortage of middle level technocrats and infrastructure, or power stations, harbours, warehouses, railroad, and roads which are inadequate and not efficiently sited. So Singapore takes a long view of developing economic relations. We are patient and will keep up and build up the contacts and the confidence.

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We have discussed with the Chinese and several multinationals co-production schemes (multinationals setting up plants in Singapore and parts of the products produced in factories in China). Singapore will market the final products internationally. China will acquire better designs and up-to-date production and management methods at little cost in foreign exchange.

Question : You have often mentioned that smooth leadership transition is the most crucial question in Singapore. How have you been going about raising the next generation of leaders?

Prime

Minister : My senior colleagues and I have been combing through our whole population for men and women with high ability, undoubted integrity, a deep sense of commitment to Singapore, and proven performance either in industry, commerce, academia, the public service, or the professions. We are a small island with a small population of 2.4 million. No talent can be hidden for long. The crucial unknown is political sensitivity, touch and judgment. They are vital in a good leader. The younger leaders are learning, some quicker than others. There is a strong team spirit being forged between them. They will have to decide between themselves who is to be captain. The captain of the team must have the gift of moving and mobilising the people. My task and that of my senior colleagues is to bring together the broadest range of experience and disciplines into this team.
