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McNamara Papers

Contacts  
Singapore (1970-1976)

The World Bank Group  
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Contacts with member countries: Singapore - Correspondence 01

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WBG Archives

SINGAPORE

SINGAPORE

- 7/18/69 Yoon Chong Howe, Chairman, Housing & Development Board, Permanent  
(Aspen - Secretary, Ministry of National Development  
Eisen. Ex.)
1. 11/4/70 Lee Kuan Yew, Prime Minister (*Filed in L.M.N. office*).  
Ernest Steven Monteiro, Ambassador to the U.S.
  2. 11/15-16/71 Mr. McNamara's Impressions on Visit to Singapore  
(Singapore)
  - 11/15/71 Hon Sui Sen, Minister of Finance  
(Singapore)
  3. " George Bogaars, Permanent Secretary (Economic Development), Ministry  
of Finance
  4. " Lee Hee Seng, Chairman, Housing and Development Board  
William Chee, Secretary of the Board
  5. " I.F. Tang, Chairman, Economic Development Board
  6. " Woon Wah Siang, Chairman, Jurong Town Corporation  
I.F. Tang, Chairman, Economic Development Board
  - " Dinner Meeting hosted by the Acting Prime Minister (Minister of Defense)  
Dr. Toh Chin Chye, Minister of Science and Technology  
Howe Yoon Chong, President, Development Bank of Singapore  
Dr. Augustine Tan, Economist  
Hon Sui Sen, Minister of Finance  
J.Y.M. Pillay, Permanent Secretary, Ministry of Defense  
Cheong Quee Wah, Ministry of Defense  
Chia Choon Peng, Ministry of Defense
  7. 11/16/71 Dr. V.M.S. Thevathasan, Head, Family Planning Board  
(Singapore)
  8. " Michael Wong Pakshong, Managing Director, Monetary Authority of Singapore  
T.M. Attwood, Manager, The Chartered Bank  
Wong Nang Jang, Resident Vice President, First National City Bank
  9. " Howe Yoon Chong, President, Development Bank of Singapore
  10. " Dr. Augustine Tan, Economist  
Dr. Stephen Yeh Kuo-Hwa, Economist  
Dr. Lee Soo Ann, Economist
  11. " R.H. Ho, Chairman, United Vegetable Oil  
Li-Ho, Director of various companies  
Low Guan Onn, Deputy General Manager, Jurong Shipyard
  12. 3/5/73 Lee Kuan Yew, Prime Minister  
Dr. Ernest Steven Monteiro, Ambassador to the U.S.

13. 5/10/75 Lee Kwan Yew, Prime Minister (Lunch at Tracy Pl)  
Ernest Monteiro, Ambassador to the US
14. 10/7/76 Hon Sui Sen, Minister of Finance  
(Manila) (with ASEAN group)
15. 10/6/77 Lee Kwan Yew, Prime Minister  
Sinnathamby Rajaratnam, Foreign Minister  
Goh Chole Tong, Senior Minister of State for Finance  
Punch Coomaraswamy, Ambassador to the U. S.
16. 5/15/79 Prime Minister Lee Kwan Yew  
(Singapore)



## OFFICE MEMORANDUM

TO: Records

DATE: November 10, 1970

FROM: Raymond J. Goodman *RJG*SUBJECT: Visit of the Prime Minister of Singapore.

Mr. Lee Kuan Yew, accompanied by the Singapore Ambassador to the United States, Dr. Monteiro, called on Mr. McNamara at 3 p.m. on Wednesday, November 4. Mr. Knapp and I were present.

Mr. Lee raised two specific matters:

1) He extended an official invitation to the Bank Group to hold its 1973 Annual Meeting in Singapore. Hotel and conference facilities, if not already adequate, surely would be by that time. Singapore, which was centrally located in Asia, was gaining useful experience as host to international conferences, for example the recent meeting of Commonwealth Prime Ministers.

Mr. McNamara said he much appreciated the invitation, and confirmed that he and Mr. Schweitzer were most anxious to hold future out-of-Washington Annual Meetings in the developing countries. The Bank and the Fund had already received an invitation from Kenya to hold the 1973 Meetings in Nairobi and a group of officials would be leaving for that city during the coming week-end. It would be desirable to meet in Africa, which had not yet been host to the Bank/Fund Governors, but Singapore's invitation would be considered in the light of the recommendations by the forthcoming mission to Nairobi.

2) Mr. Lee asked where the proposed University of Singapore project stood, and it was noted that the Bank presently expected to appraise the project in February 1971.

At Mr. McNamara's request, Mr. Lee then gave an account of his personal impressions of development prospects, and conditions generally, in Asia and in some of the countries of Africa that he had visited. The meeting lasted over an hour.

cc: Messrs. McNamara  
Knapp  
Mendels  
Ballantine

President has seen



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Raymond J. Goodman *RJG*

SUBJECT: SINGAPORE - Visit of Prime Minister Lee Kuan Yew

DATE: November 2, 1970

BACKGROUND

The Prime Minister of Singapore, Mr. Lee Kuan Yew, has an appointment with you for Wednesday, November 4, at 3:00 p.m. He will be accompanied by the Singapore Ambassador in Washington, Dr. Monteiro. A brief biographical note on the Prime Minister is attached.

There has been no material change in the Bank's lending program since the review of the Singapore Country Program Paper in December 1969. The CPP is being brought up to date and is scheduled for consideration by Mr. Knapp on December 6, 1970.

The Bank's relations with Singapore are generally good, but the Government, and more particularly the various public statutory authorities, are impatient at times with what they consider is our rather cumbersome approach to project financing, with its emphasis on preparatory studies. There is something to be said for this view, given the very rapid rates of growth and change in Singapore and the need, as the Singapore Government sees it, to provide infrastructure and services in order to attract private investment. It could, of course, be said with equal justice that the authorities sometimes decide on major new schemes on the basis of intuition and business acumen and without what we would regard as adequate preparation. Nonetheless, the Government does look to the Bank for a major part of the borrowing requirements of the public sector and has instructed the statutory authorities to borrow from the Bank.

The Singapore economy has continued its rapid expansion. GNP increased by 14 percent in real terms in 1969, and earlier fears that the withdrawal of the British forces in 1971 would cause serious problems are now receding. Overall employment is increasing and some shortages of skilled labor are beginning to appear. The birth rate has declined further from 23.8 per thousand in 1968 to 22.2 per thousand in 1969 indicating continued success for the family planning program. Investment, particularly foreign private investment, has continued at a high level. The external position has also improved further; the balance of payments surplus was about US\$150 million in 1969, caused mainly by a substantial inflow of private short- and long-term capital. The foreign exchange reserves reached a new high of over US\$1 billion in mid-1970.

*President has seen*



A few years ago, at the time when Mr. Woods was having difficulty raising funds in the market, Singapore was one of the countries which we told could look to the Bank for only a very modest amount of lending. Although we have told the Government that this is no longer the case, the Ministry of Finance is not entirely convinced. Thus, during the Annual Meeting I was asked by the Minister for Finance whether there was any limit on the Bank's lending to Singapore or whether they could propose high priority projects that they would like the Bank to finance. I said that there was no restriction on our lending at least until such time as Singapore attained the income level of the developed countries and so long as it remained creditworthy. There was thus no reason why the authorities should not bring high priority projects to our attention, although obviously we would have to think again if the magnitude of our financing became very large.

As noted above the CPP is presently being revised. There should be no major changes in our lending program during the next two or three years. The program does not include a port project, but the Port of Singapore Authority has approached us for a loan to finance an extension of the container facilities now being constructed under Loan 462-SI. This could be a suitable project for Bank financing if the findings of a Port Master Plan Study, which the Government has agreed should be carried out as soon as possible, are positive. It is also likely that the urban development studies and planning exercises discussed below will lead to projects suitable for Bank financing beyond FY 1974 which was the last year for which projects were included in last year's CPP. The amounts involved could be large.

#### TOPICS FOR DISCUSSION

We have been informed by the Singapore Embassy in Washington that the Prime Minister would primarily like to discuss with you the University of Singapore. In addition we understand that he will invite the Bank Group to hold its 1973 Annual Meeting in Singapore. The following is the background to the University project and to the urban rapid transit and urban development project which you might want to discuss with Mr. Lee.

#### (a) University of Singapore

In 1969 the Government approached the Bank for assistance in financing a new Faculty of Engineering within the University of Singapore to be relocated at a new site, Kent Ridge, which will become available when the British forces are withdrawn from Singapore. We agreed to consider the project provided certain studies were carried out. These were completed last summer and reviewed by a mission in August.

The mission concluded that there is a lack of properly trained, high level technical manpower in Singapore and a need to expand University training in engineering, architecture, accountancy and building management and that the existing University facilities are outmoded and in need of major repairs and alterations to provide up-to-date professional training. The mission recommended, and the Government is now carrying out, further studies and revisions which need to be made prior to appraisal, including a revised manpower survey, comparisons between relocation of the University at Kent Ridge and other development alternatives and proposals for the development and expansion of post-secondary education as a whole. If the timetable for these studies, which was agreed with the mission, is followed and if the studies are satisfactory, an appraisal could be scheduled for February 1971 and, if no problems arise, consideration of the loan by the Executive Directors in June 1971. However, this timetable is very tight.

There are two aspects of this project which Mr. Lee might touch upon. First, we have been told informally by Dr. Toh Chin Chye, who is Vice Chancellor of the University, Minister of Science and Technology and Chairman of Mr. Lee's Popular Action Party, that the Bank mission's suggestion that the Chinese University at Nanyang and the English-speaking University of Singapore might be complementary with one campus for technology and one for liberal arts is politically out of the question. The University at Nanyang, which was started by Chinese businessmen as a reaction against the dominance in higher education of the English language and therefore draws its students from the Chinese stream secondary schools, has had serious problems with respect to academic standards and its graduates have as a consequence had difficulties finding employment. Dr. Toh believes that the number of students at the University of Singapore should be geared to the total manpower requirements of Singapore, at least as far as professional and higher technical manpower is concerned, but that the University at Nanyang must be allowed to continue in existence, and even to expand, as a safety valve for conservative Chinese sentiment even though it will not contribute substantially to meeting the manpower needs of the country. I think we should accept Dr. Toh's judgment on this matter.

The second question that might arise concerns the content of a possible University project to be financed by the Bank. At the Annual Meeting the Minister for Finance asked me whether a possible Bank loan would be used to finance only the transfer and expansion of the Faculty of Engineering, as he had been given to understand by the mission, or the transfer of the University as a whole to the Kent Ridge site. I indicated that we would be prepared to contribute to the redevelopment of the University as a whole but that I would check this point. Since returning from Copenhagen I have mentioned the matter to Messrs. Chadenet and Ballantine. The Education Projects Department's view is that we should confine our assistance to facilities for training "developmental" manpower and that there is no technical reason why these facilities can not be dealt with as discrete elements. However, if the studies now

being prepared lead to an acceptable plan for the relocation of the University I do not see why we should confine our project to the technical departments only. It seems to me that we should consider the University as an integrated whole with common facilities and a common objective, the provision of trained manpower, in the broad sense of the word, to meet the requirements of the rapidly growing Singapore economy which is based on a sophisticated export-oriented manufacturing industry and international commerce. Our loan should contribute to the fulfillment of this objective. The larger project would, of course, require somewhat more time to prepare.

(b) Urban Development

Last year we were approached by the Singapore Government for assistance in the field of urban mass rapid transportation. You will recall that this question was discussed at the December 1969 review of the CPP and you agreed that Singapore was an obvious place for the Bank to start its new program of investigation into the needs of urban development, leading to the identification of projects for financing. In February 1970, an urban reconnaissance mission examined a proposal for a mass rapid transit system and reviewed key aspects of Singapore's urban planning and development. Based on its findings, we recommended to the Government that it carry out further studies of mass transportation and a planning exercise for the development of the Western Corridor between the City of Singapore and the Jurong industrial estate. Both of these exercises could be financed by the UNDP with the Bank as Executing Agency.

The Government has responded favorably to our proposal regarding mass rapid transit, although it was somewhat reluctant to proceed with the study in view of the size of an underground or other rail transit project. We have, however, reassured the Government that the study would examine critically all available transportation alternatives and would not necessarily recommend a very expensive subway or other railway system. On this basis, agreement has been reached on a study description suitable for UNDP financing and Terms of Reference for the study.

Our recommendations regarding planning of urban development in the Western Corridor has not been either accepted or rejected by the Government. However, the exact nature of this exercise needs to be further explored in the Bank to enable us to fulfill our promise to the Government to provide the further information it needs to reach a decision. There is no doubt, however, that the Government is receptive to Bank advice in this area and we have been told by the Minister for Finance that the Government would welcome Bank financing of projects in the field of urban renewal and development.

Attachment

BIOGRAPHY OF MR. LEE KUAN YEW, PRIME MINISTER OF SINGAPORE

The Prime Minister was born in Singapore on 16th September, 1923 and is married, with three children, two boys and a girl. A former student of the Raffles Institution, Singapore, he took a double first in Law at Cambridge, and in the final examinations was placed first in the honours list, winning a star for special distinction.

A socialist from his student days, Mr. Lee was associated with the trade union movement for many years, and was honorary legal adviser to many trade unions, such as the Singapore Teachers' Union, the Singapore Traction Company Employees' Union and the Singapore Harbour Board Staff Association.

The founding of the anti-colonial and socialist People's Action Party in 1954 saw Mr. Lee elected as Secretary-General of that Party. Elected to the Legislative Assembly in 1955, he resigned his seat in 1957 for re-contest and was re-elected on the issue of constitutional changes for full internal self-government. In the general election of May 1959, his party, the P.A.P., won an overwhelming majority and he became the first Prime Minister of self-governing Singapore.

Under his leadership, Singapore, on 16th September, 1963, became part of the Federation of Malaysia, with autonomy in labour and education.

On 21st September, 1963, he led his party to a massive victory in the general elections and was once again, re-elected as Assemblyman in his old constituency of Tanjong Pagar and he continued as Prime Minister.

A staunch advocate of Malaysia, in January/February 1964, he led a Malaysia Mission on a successful tour of 17 African Nations, where he was also able to counter Indonesian confrontationalist propaganda.

In August 1964, Mr. Lee Kuan Yew attended the Centenary of the Socialist International in Brussels; his analysis of the problems of democratic socialists in newly independent countries won for him and Singapore, international acknowledgement.

In April/May 1965, Mr. Lee visited New Zealand and Australia where he spoke about Malaysia in the perspective of South-east Asian developments.

Following the separation of Singapore from Malaysia on 9th August, 1965, Mr. Lee became Prime Minister of an independent Singapore.

In October 1966, at the Conference of Commonwealth Prime Ministers in London, Mr. Lee made several proposals for action, including tougher economic sanctions, against Rhodesia.

In London, during January 1968, Mr. Lee expressed strong opposition to the United Kingdom withdrawing its military forces from the Far East. On February 7, 1968 he dissolved Parliament in order to hold new elections so that his Government might receive a reconfirmed mandate during a time when Singapore would have to provide increasingly for its own defense as the United Kingdom withdrew. The People's Action Party (Mr. Lee's) won all 58 seats in the new election.

In February 1969, at the Conference of Commonwealth Prime Ministers in London, Mr. Lee spoke on the Rhodesian problem, calling for an African "war of attrition" against the white Rhodesians.

In January 1970, the title Companion of Honour was conferred on Mr. Lee by the United Kingdom.

Source: Singapore Embassy  
Washington, D.C.





February 4, 1972

SUBJECT: SINGAPORE - Meeting with Mr. George Bogaars, Permanent Secretary, (Economic Development), Ministry of Finance, November 15, 1971.  
11:30 - 12:00

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Mr. McNamara met with Mr. Bogaars, Permanent Secretary (Economic Development), Ministry of Finance on November 15, 1971. Messrs. Goodman and Sandberg were also present.

Mr. Bogaars explained that Singapore had not had a formal five-year plan for the last several years. This approach had been tried once but the plan had had to be scrapped because events moved so fast that it became out of date too quickly. In the past few years the emphasis, therefore, had been on action rather than planning.

The most pressing problem had been the withdrawal of the British forces. This had been tackled by concentrating on areas, such as hotel construction and low technology industry, which could absorb manpower. These efforts, which had included the establishment of the Economic Development Board to promote industry, the Development Bank of Singapore to finance industry, and the Jurong Town Corporation to provide infrastructure for industry, had been very successful in attracting low technology high employment industries.

A stage had now been reached in which shortages of manpower were beginning to develop in certain areas. The Government was therefore changing its attitude to planning to take a fresh look at the direction in which the country was going. In this exercise it had had the benefit of advice from its Dutch economic advisor Dr. Winsemius.

The new policy was based on the idea of intermediation. Singapore could develop as an intermediary between Western economies and the developing countries in the region. This was a role that Singapore had played for a long time in trade and the idea was now to spread it to finance and industry. Mr. Bogaars felt that with more effort Singapore could become not only a trade and financial center in the region but also a brainpower center. One new area for development was communications, including not only telecommunications but also air transportation and port management. Consulting services of various kinds might also be developed. In order to achieve this it would be necessary to move into higher technology industry, which in turn would require greatly expanded facilities for technical education.

President has seen



February 4, 1972

In the financial field Mr. Bogaars said that one new development was the establishment of the Asian dollar market. Although not of direct advantage to Singapore (the profits did, of course, accrue to the Singapore based banks), the Government had encouraged this development and also the establishment of an Asian bond market. It drew attention to Singapore and attracted both business and expertise.

The funds for the Asian dollar market consisted mainly of hot money from Indonesia, Malaysia and other countries in the region. The deposit rate was 4-5 percent. If the terms were more attractive the funds could become long term; DBS was planning a 10-15 year US\$10 million issue at fixed interest, and PICA had just raised a US\$20 million 10 year loan at 7 3/4 percent which had been oversubscribed.

The stock market, which was joint with Malaysia, was still very thin. There had been over speculation and better self-discipline was needed. It was now hoped that international stock brokers could be brought in, but there was some apprehension among the local brokers. In any case the exchange was now in order. The Government was also considering reforming its outdated tax system as far as it applied to the financial markets, for instance with respect to the stamp duty. The interest rate structure was also being looked at from the point of view of developing Singapore as a financial center. Other aspects of this same effort were the development of the gold market and the plans for a regional financial newspaper.

Tourism was another potentially expansive sector. Singapore could perform the role of a switching center for the region. Such a development would have spillover effects into air transportation and other related fields. However, tourism needed to be pushed on a regional basis, as was being done in the context of ASEAM.

  
Bengt G. Sandberg

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February 4, 1972

MEMORANDUM FOR THE RECORD

SUBJECT: SINGAPORE - Meeting with Mr. Lee Hee Seng, Chairman of the Housing and Development Board and Mr. William Chee, Secretary of the Board, November 15, 1971. 13:75-14:15

Mr. McNamara met with Messrs. Lee Hee Seng and William Chee, Chairman and Secretary respectively of the Housing and Development Board, on November 15, 1971. Messrs. Goodman and Sandberg were also present.

Mr. Lee said that the HDB was in charge of public housing in Singapore. In the past 11 years it had built 120,000 units, 16,000 in the current year. The plans called for construction of another 100,000 units in the next 5 years.

The average cost was about S\$10-13 per square foot including land. The rents which averaged about 15 percent of family income had been kept constant from the beginning to help keep the cost of living down. The standard size of a one-room flat was 350 square feet. It rented for S\$20 per month or S\$240 per year. The figures for 2 room flats were 450 square feet at S\$40 per month and for 3 room flats 730 square feet at S\$60 per month.

The HDB encouraged tenants who could afford it to buy the 3 room and larger flats. For the 3 room flat the price was S\$7800 of which S\$6300 could be financed through a loan. The cost would be about S\$65 per month.

About 30 percent of present construction was 1 room flats, 40 percent 3 room flats and 30 percent 4-5 room flats. One car park was provided per 4 units. The density was 50 units (250 persons) per acre.

At present some 700,000 persons or 30 percent of the population lived in public housing. By 1975 the ratio was expected to be about 50 percent. There were 52,000 on waiting lists, of these 20,000 wanted to rent and 32,000 wanted to buy their own flats. Some 17,000 of these applicants wanted 1-2 room flats while 35,000 wanted larger flats. No part of the population was excluded from public housing because they were unable to pay the rents. At the lowest income level, say S\$150 month, the rent for a 1 room flat would be about 15 percent of income.

The subsidy element in public housing was small. HDB received a subsidy of S\$8.5 million, which was equal to about one Singapore dollar per month per person living in HDB flats. There was also some subsidy in the S\$10 month paid by flat owners to HDB for maintenance. As far as construction was concerned the only subsidy element was land which was included in the cost at a nominal value equal to 5 percent of construction costs. This did not reflect the true cost of land.

President has seen

HDB has been able to keep construction costs down through a number of special measures and circumstances. By guaranteeing contractors steady employment, fixed prices for certain building materials delivered for HDB plants and prompt payment of bills, HDB had reduced the risks for its contractors and enabled them to reduce their investment in materials and receivables. HDB also kept close supervision over the construction and provided architectural services for the contractors. The increase in the cost per unit that had taken place was caused primarily by improvements like more playgrounds, car parks and recreational facilities in the new housing estates.

Following the meeting the party made a tour of the Queenstown housing estate.



Bengt G. Sandberg



MEMORANDUM FOR THE RECORD

February 4, 1972

SUBJECT: SINGAPORE - Meeting with Mr. I.F. Tang, Chairman, Economic Development Board, November 15, 1971, 15:30 - 15:45

Mr. McNamara met with Mr. I.F. Tang, Chairman of Economic Development Board, on November 15, 1971. Messrs. Goodman and Sandberg were also present.

Mr. Tang said that before 1965 when Singapore was part of Malaysia the major thrust of industrial development had been in the direction of import substitution. After separation in 1965 the limited size of the remaining market led to a decision to concentrate instead on export oriented industries. To this end foreign industries were solicited, on the basis that it would be advantageous for firms with well established markets to use Singapore as a manufacturing and distribution center.

The Government's policy had been extremely successful. Mr. Tang attributed this basically to the favorable investment climate, the peaceful labor relations, and Singapore's unique location. The firms that had located in Singapore were basically of four types; first, firms producing parts and components for their home markets; second, firms providing finished products for the world market, like Rollei; third, firms providing supporting services for the surrounding region, for example for oil exploration, and; finally, firms supplying software and services like engineering consultants, computer service companies and the like.

The Government provided essentially two types of incentives; a 5 year selective tax holiday and provision of industrial sites and buildings. However, Mr. Tang felt that the tax holiday was less important than such factors as the productivity of the labor force and maintenance of political and social stability. As far as sites and construction were concerned there was really no subsidy involved. This was a self-supporting activity, for example of the Jurong Town Corporation, and rents were charged to cover the cost of infrastructure and construction. The cost was estimated at S\$1.50 per sq. foot or US\$30-40,000 per acre. The rate was set to cover all costs.


The main problem in Singapore, as Mr. Tang saw it, was a lack of trained managers and most pressing need, therefore, was manpower development. This was considered so important that if a company was willing to train its workers such training would be subsidized. For example, the Government would share in the cost of overseas training.

One of the most successful training programs was an overseas apprenticeship program providing on-the-job training in plants in a number of countries. The Government paid the travel costs and some pocket money for the trainees and the company paid for the training. Many of these apprentices were being trained by companies which did not even have subsidiaries in Singapore but

President has seen

either expected to establish plants there or wished to provide a service for other reasons. There were now 500 apprentices in Germany, and plans called for an increase to 1,000 per year there. Another 1,000 were going to Japan and some 200 to Switzerland. The type of skills learned over periods ranging up to three years included lens grinding, electronics and shipbuilding. The total cost per man/year in this program was estimated at US\$8,000 in Germany, of which the Government paid less than half. Some of these costs were recovered from the firms who ultimately hired these people.

On the whole Singapore was lucky in that there was virtually no brain drain. Few apprentices or others sent abroad for training did not return home. On the other hand, more and more Singaporeans were used to staff subsidiaries in other countries of the regions. Some Japanese companies were, for example, using Singaporeans in middle management positions in Indonesia, Malaysia and Thailand. In other words, the limited training facilities in Singapore were used to supply scarce high and middle level management manpower to surrounding countries. While this practice had the advantage of being a factor in attracting foreign firms to Singapore, it also had the disadvantage of reducing the number of people in these categories available in Singapore. On the whole it was a problem with which Singapore could live.

  
Bengt G. Sandberg

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February 4, 1972

SUBJECT: SINGAPORE - Meeting with Mr. Woon Wah Siang, Chairman, Jurong Town Corporation, November 15, 1971, 16:15 - 16:30

Mr. McNamara met with Mr. Woon Wah Siang, Chairman, Jurong Town Corporation, on November 15, 1971. Mr. I.F. Tang, Chairman of the Economic Development Board and Messrs. Goodman, Clark, Sandberg, Christoffersen and Navaratnam, Alternate Executive Director of the Bank, were also present.

Mr. Woon showed pictures of the original site of the Jurong Town, most of which had been a swamp when work started about nine years ago. Now there were 324 factories in production employing some 36,000 people. There were 7,000 families living in housing units in Jurong with another 3,000 on waiting lists. The plans called for ultimate industrial employment to reach 70-80,000. The town would have a population of some 400,000 people about 1980.

The Jurong Town Corporation provided the companies with lots served by roads, electric power, telephone lines, water, etc. The land was leased rather than sold to avoid speculation. The cost to the industry was about US\$3.6 cents per square foot.

As far as housing was concerned the Jurong Town Corporation provided the same type of flats as the Housing and Development Board and in addition luxury flats, bungalows and other single family dwellings. The policy was to sell the housing units to the extent possible in order not to tie up large amounts of capital in housing.

The Jurong Town Corporation was also responsible for other industrial estates, including "flatted factories" close to the housing estates, which contained some 300 factories employing about 60,000 people. Jurong Town Corporation was also involved in the development of tourist facilities on Sentosa Island.

The approach to foreign firms was flexible as far as local participation and local value added was concerned. The Japanese for instance were very keen to have Singapore partners both when the intention was to do business with Singapore and also to trade with Indonesia. The government did not insist on a formula but generally felt that firms producing largely for the local market should have local partners. Substantial local participation was less important in the case of firms exporting all or most of their production. With respect to value added the government also followed a flexible policy and was mainly concerned with the intention and plans of the individual firms. In most cases it had been found that the company itself wanted to produce as large a proportion of the product as possible locally.

*President has seen.*

In response to a question by Mr. McNamara Mr. Tang said that the investment per job created in Jurong was about US\$9,000 excluding working capital and land. Mr. McNamara noted that this was not as high as in some other countries.

Following the meeting the party made a tour of Jurong Town.



Bengt G. Sandberg

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February 4, 1972

SUBJECT: SINGAPORE - Meeting with Dr. V.M.S. Thevathasan, Head,  
Family Planning Board, November 16, 1971. 08:30-09:00

Mr. McNamara met with Dr. Thevathasan, Head of the Family Planning Board on November 16, 1971. Messrs. Goodman and Sandberg were also present.

Dr. Thevathasan said that promotion of family planning had been started in Singapore by a voluntary organization, the Family Planning Association, with some government support. In 1964 the Association appealed to the Government to take over its activities. The Family Planning Board was established in that year by an act of Parliament and made fully responsible for all family planning activities in Singapore.

The Board had adopted a five-year program covering the years 1966-1970. The target was 180,000 acceptors. In actual fact about 160,000 women had accepted family planning or had been sterilized during this period. It was estimated that about 64 percent of the population had been reached. The acceptors were found in all ethnic groups and the program had been particularly effective in reaching the younger women and the lower income groups.

There had, however, been a big drop in the number of new acceptors in 1970. It was believed that this was due to the fact that those remaining outside the program were "hard core refusers" and new methods and programs were needed to motivate them. It was noted that 85 percent of the refusers were over 30 years of age.

In 1970 there had also been a slight increase in the number of births after five years of continuous and rather sharp decline. The crude birth rate had dropped from 29.9 per thousand in 1965 to 22.1 in 1969. In 1970 the rate had remained at 22.1. This was due to the post-war baby boom which was reflected in a large number of women in the 15-19 age group. Dr. Thevathasan noted that 70 percent of all births occurred in the 20-34 year age bracket. Although about 90 percent of all 20-24 year old women were family planning motivated, it was expected that the large increase in the number of women between 20 and 34 years of age would lead to a very serious problem in the next few years and make it difficult to maintain the momentum in the family planning program.

There were, according to Dr. Thevathasan, a number of reasons for the success so far of the program, which was estimated to have been responsible for about half the reduction in the birth rate:


*President has seen*

February 4, 1972

1. Singapore had a small area and good communications.
2. The mass media reached the entire population through community centers equipped with TV.
3. Singapore had a social infrastructure with a well-developed system of maternity and child clinics. 75 percent of all births were in hospitals and the rest attended by general practitioners or qualified midwives. Not only had this system led to a reduction in the infant mortality rate to 20 per thousand, but it also facilitated post partum family planning counseling.
4. All births had to be reported, which also facilitated the post partum program and made it relatively easy to follow up.
5. All marriages also had to be registered so that all newlyweds could easily be visited for counseling.
6. Strong social pressures had developed in favor of limitations in the number of children per family. Also there is no child allowance after the third child.
7. The public housing program under which about 30 percent of the population living in public housing estates had facilitated the transmittal of social pressures.
8. The accouchement fees were progressive up to S\$100 for the fourth child, which had considerable effect in the lower income groups.
9. The literacy rate in Singapore was high, 85 percent.

Dr. Thevathasan described the new Abortion and Sterilization Act which was complementary to the Family Planning Program. In determining whether an abortion should be permitted or not account was taken of medical, psychological and environmental factors. Only 10-12 percent of the applicants were rejected mainly for reasons of frivolity or advanced (over 16 weeks) pregnancy. He noted that some 5 percent of those seeking abortions were unmarried.

Mr. McNamara asked if demographic studies of the future population in Singapore had been made. Dr. Thevathasan said that such studies had been made. They indicated that the population would be 40 percent larger in 1992 even using the low probability assumption based on best efforts in family planning.

  
Bengt G. Sandberg

8

February 7, 1972

SUBJECT: SINGAPORE - Meeting with Mr. Michael Wong Pakshong, Managing Director, Monetary Authority of Singapore, November 16, 1971. 09:00 - 09:45

Mr. McNamara met with Mr. Michael Wong Pakshong, Managing Director, Monetary Authority of Singapore on November 16, 1971. The following were also present:

Mr. T. M. Atwood	-	Manager, The Chartered Bank
Mr. Wong Nang Jung	-	Resident Vice President, First National City Bank
Mr. Goodman		
Mr. Sandberg		

Mr. Wong explained that the Monetary Authority had been established at the beginning of the year. Together with the Currency Board it performed all normal central bank functions. Its role was largely to impose discipline in monetary matters.

The Government was trying to develop the financial sector. The Asian dollar market had started off successfully although the unrest in the international money markets could have adverse short term repercussions. Efforts were also being made to develop the Singapore money market. There were a number of technical difficulties, for example the stamp duty, which was holding back the development of Certificates of Deposit, but these difficulties could be overcome.

The present thinking was to try to develop a London type money market. A start would be made with government paper followed by other safe paper. Treasury bills were sold directly to private corporations and particularly to the commercial banks. The intention was to tap the liquid assets of the private corporations which kept their liquid assets in the form of bank deposits yielding from 6 percent for 12 month deposits to  $5\frac{1}{2}$  percent for 3 month deposits. The interest rate for treasury bills was  $4\frac{1}{2}$  percent and the bills could be discounted.

The Asian dollar market consisted mainly of non-resident Chinese businessmen's short-term funds. 3 to 6 months funds were most actively bid. The funds were laid off in London, Japan or other Asian countries at roughly equivalent terms. There was interest arbitrage between the Eurodollar and Asian dollar markets on straight deals. An effort was being made to develop long-term deposits part of which would go into Asian dollar bonds. Small amounts were already going into bonds, for instance the PIGA offering, but not very much.

Mr. Wong said in response to Mr. Goodman that the benefits to Singapore of the Asian dollar market consisted mainly of the tax collected on the profits. In addition, the market played a useful role in making Singapore a financial center attractive for foreign businesses. There might also be certain beneficial effects on the Singapore economy itself.

*President has seen*

February 7, 1972

With regard to the stock market Mr. Wong said that it was like a casino because of its limited size. International brokerage firms, including Japanese and British, were interested in establishing offices in Singapore mainly to work in the Asian bond market. The exchange control, which was tough on paper but lax in practice, was the only major obstacle, although there was also some opposition from local brokers who were concerned about the effect on the market if outsiders were allowed to come in. The Government had so far refused to enter into this question since it felt that it had to be solved by the exchange itself.

In response to Mr. McNamara's question everybody agreed that it was more difficult to admit foreign brokers than to permit foreign banks to operate in Singapore. For one thing there was greater scope in the banking business because the stock market was very small both in terms of issues and turnover. Moreover, the banks were subject to closer control including inspection and audit. Nevertheless, the Government was also selective in admitting foreign banks to Singapore taking into account the need for diversification of services, contacts with the bank's home country, etc.

With respect to the banking structure in Singapore Mr. Atwood said that the banks were effectively controlled. He said that the Government's development efforts were also leading to a parallel development of the financial markets. The new banks coming in would strengthen Singapore's position as a financial center and they would bring an increase in business which could be shared by all the banks. He also noted that there were no restrictions at present on merchant banks. Such banks were being set up, two were operating at the moment with some more likely to follow, essentially to provide services not otherwise available to smaller business firms. For example they underwrote bonds and stocks for such companies, usually at fees varying between 1 and 1½ percent.

Mr. Wong added that although there had been no special restriction on foreign banks established before 1970, new banks were not allowed to operate in the retail banking field. They were essentially Asian dollar banks and would have only one branch office and were not allowed to open savings accounts and could accept other deposits from Singaporeans only in very large amounts.

In response to Mr. McNamara's question about the source of financing for the construction industry, Mr. Wong Nang Jung said that the main source of funds was the trading banks. The banks had begun to make medium-term loans but for the moment overdrafts that were rolled over was the main source of finance. The problem with this kind of financing was that maturities were not matched and there were no amortization schedules. In addition, some ventures were highly geared. He noted that there were restrictions as to the amounts that the banks



February 7, 1972

could put into construction financing but some banks were quite clearly already above the limit. He said that a sharp drop in hotel occupancy would have a large impact on the local banks, who had been mainly concerned with the collateral and the balance sheets of their clients rather than their expected cash flow. The prevalence of this type of lending had so far not led to difficulties, however, because of the satisfactory cash flow of most of the major borrowers.

  
Bengt G. Sandberg

9

MEMORANDUM FOR THE RECORD

February 3, 1972

SUBJECT: SINGAPORE - Meeting with Mr. Howe Yoon Chong, President of the Development Bank of Singapore, November 16, 1971, 10:00-10:30 a.m.

Mr. McNamara met with Mr. Howe Yoon Chong, President of the Development Bank of Singapore on November 16, 1971. Messrs. Goodman, Clark and Sandberg were also present.

Mr. Howe said that the DBS was set up in 1968. It could enter into any aspect of banking, but had adopted a policy of not competing with the commercial banks. Deposits were only accepted in very large amounts, over S\$50,000 and DBS actually had less than 200 such accounts. 51 percent of the shares of DBS were held by local and international banks. They were quoted on the stock exchange; at the moment at a premium.

DBS expected to make about S\$100,000 million per year in new commitments. The actual amount would depend on whether some big projects materialized or not. At the moment discussions were going on with Mitsubishi about a shipyard venture for which DBS expected to make a substantial commitment.

The lending rate varied between  $8\frac{1}{4}$  and  $10\frac{1}{2}$  percent and the term between 5 and 15 years. In addition DBS has some cheap money provided by the Government at 4.5 percent and lent at 7 percent for industries qualifying for government support. The criteria used were that the industry used reasonably advanced technology and was export oriented.

Mr. McNamara, turning to the Raffles International Center project, said that it was an interesting project but he was not certain what the Bank could do since it had never financed a project of this kind before. In any case he promised that if the Bank could not finance the project it would give a clear no within a reasonable period of time, say two months. Of course yes in principle would only involve a commitment to study the project further and final approval would be subject to the results of appraisal.

Bengt  Sandberg

*President has seen*

10

MEMORANDUM FOR THE RECORD

February 3, 1972

SUBJECT: SINGAPORE - Meeting with Drs. Augustin Tan, Stephen Yeh Kuo-Hwa and Lee Soo Ann, Economists, November 16, 1971, 10:30 - 11:15 a.m.

Mr. McNamara met with three economists, Drs. Augustin Tan, Stephen Yeh and Lee Soo Ann, on November 16, 1971. Messrs. Goodman and Sandberg were also present.

Dr. Tan began by saying that in his opinion the situation in Singapore was satisfactory. Internal political stability was being maintained and the Government was in general doing the right things. However, Singapore was, of course very vulnerable to external events and especially to developments in the neighboring countries.

As far as Malaysia was concerned Dr. Tan was less optimistic than in the case of Singapore. He felt that the Government was pursuing the wrong policies and was in fact cutting off the growth points. For example the Government was promoting the wrong kind of entrepreneurship for political reasons. Increased unemployment would be the most serious consequence of these policies; unemployment already stood at 8 percent and even higher in certain areas. Even if the Second Malaysia Plan succeeded, which did not seem likely, the unemployment rate would still be 7 percent. Malaysia was also suffering from the poor performance of primary products, which was seriously affecting the public sector. As far as the private sector was concerned Dr. Tan felt that businessmen were reacting to certain short-term incentives, but he expected the investment boom to come to a halt soon.

Regarding Indonesia Dr. Tan said that he expected continued political stability because the Indonesians had had enough of Sukarno-type policies and problems.

Dr. Lee said that he was not as optimistic as Dr. Tan regarding the situation in Singapore. There were serious problems that needed to be tackled. One was the fact that the educational system was not producing the needed manpower. Foreign workers, 50 percent of whom were skilled, made up about 10 percent of the labor force. The inflow was likely to increase in the next few years spurred by continued high unemployment in Malaysia and the social and economic pull exerted by the rapid development taking place in Singapore. This could cause severe social strains, for instance with respect to national service and the provision of social services.

Drs. Yeh and Tan agreed that the foreign workers might cause a problem if they were to demand social services. However, they also felt that there might be a reduction particularly in the number of Malaysian construction workers if construction activity expanded in Johore. In any case Singapore was playing a useful role as a safety valve for Malaysia.

*President has seen*

In response to a question by Mr. McNamara about the state of the hotel industry Dr. Tan said that there had been a severe shortage of hotel rooms a few years ago. The Government had wished to promote tourism and had therefore provided various incentives for hotel construction, which had partly been responsible for a boom in hotel construction. A surplus of rooms was now expected to develop in the next few years, but he did not think that the surplus would cause severe problems. Dr. Lee added that this would depend on whether or not the Japanese market could be tapped. Dr. Tan said that this could be done by lowering prices which should not be difficult since most hotel owners expected to recover their equity in a very short period of time and could easily absorb a rate reduction.

Mr. McNamara referred to the shift in age-distribution of the Singapore population and noted that the increase in the number of women of child bearing age was causing problems for the family planning program. Even though the program was highly successful it was expected that the population would increase by 40 percent over the next 20 years. The labor force might grow even faster, and he wondered what sort of plans Singapore had to deal with this situation.

Dr. Tan said that it would be difficult to do any real planning to meet this problem. What the Government could do was to improve the economic infrastructure, provide a stable environment for business and certain incentives for investors in order to build up sufficient momentum to make the growth process self-generating. It should try to get foreign investment to Singapore and try to ensure they had adequate training programs to raise skills and productivity. This would be the base for generating the necessary entrepreneurial activity within the system itself.

Dr. Tan felt that if Singapore could continue to grow rapidly over the next few years they would have nothing to worry about. The process would become self-generating and the growth itself would provide the necessary financial and other resources needed to sustain it. At that point the Government would have to develop strategies to deal with a number of problems, for example the social problem that might be created by the large increase in immigration that would be necessary to sustain a very high growth rate. As far as the growth rate was concerned he did not think that there would be any difficulty in keeping it up and the economy, including the tax system, was sufficiently responsive to generate the necessary resources. Furthermore, Singapore had ample creditworthiness to borrow abroad, in addition to very large foreign exchange reserves. These resources had not been used hitherto.

Dr. Tan acknowledged, in response to a question by Mr. McNamara, that little financial planning had been done. Physical planning was carried out by the State and City Planning Board and others, but there was little or no macro-economic or even financial planning. This situation had historical

reasons going back to the problem of separation from Malaysia in 1965 when all the plans were disrupted. More interest was, however, being shown in financial planning particularly in the Ministry of Finance under the new Minister.

Dr. Lee interjected that there was a movement in the direction of more planning. He for his part felt that long range manpower planning would be the most important in the future.



Bengt G. Sandberg





MEMORANDUM FOR THE RECORD

February 4, 1972

SUBJECT: SINGAPORE - Meeting with Messrs. R.H. Ho, Chairman, United Vegetable Oil, Li-Ho, Director of various companies, and Low Guan Omn, Deputy General Manager, Jurong Shipyard, November 16, 1971, 11:15 - 12:00 noon.

Mr. McNamara met with Messrs. R.H. Ho, Li-Ho and Low Guan Omn, industrialists, on November 16, 1971. Messrs. Goodman and Sandberg were also present.

Mr. Ho said that Singapore would have to step up its human resource development efforts if the industrialization process was to keep up momentum. At present engineers and technical people had to be recruited abroad. Mr. Low added that the main problem related to the middle and top management levels. However, the Government was stepping up its training efforts particularly in science and technology. Recruitment abroad of graduate engineers, mainly from Taiwan, Indonesia, Malaysia and Japan was not difficult because Singapore salaries were relatively high.

Mr. Ho went on to say that he was also worried about a more general problem, namely a lack of roots and loyalty on the part of the labor force. To cope with this problem he saw a need to accelerate the process of nation-building and at the same time to instill in the work force a new sense of pride in work and loyalty to employer.

Mr. Low said that in his view there are two types of Singaporeans. On the one hand there were the younger people, particularly those who had completed national service, who were completely committed to Singapore as a nation and proud of their citizenship. The older people, on the other hand, many of whom had come from Malaysia and had close relatives there, often felt divided in their loyalties and were disturbed by the separation of Malaysia and Singapore.

As far as training was concerned he said that the Jurong Shipyard had about 300 men in a two-year apprenticeship program in Japan. They were spread among a number of shipyards and were being trained in a variety of skills. The program was being subsidized by the Government, but Mr. Low expected that the company would have to bear a larger part of the cost of the second group of apprentices to be sent out.

In reply to a question by Mr. McNamara, Mr. Low said that Jurong Shipyard, which had started in 1963, had so far concentrated on repairing ships and had built only small crafts. It was now moving into the building of larger ships while also expanding its ship repairing business. The first ship would be launched in March 1972 and it was expected that production would reach 5-6 ships per year after 1975, mainly for the National Shipping Line and for Japanese shipping companies registered in Singapore. It was estimated that 60% of the materials for the first 15 ships was imported, but it was expected that the proportion would be gradually reduced to 35%.

*President has seen*

The shipbuilding activities of the company were initially being subsidized by the Government but in the long run the company was expected to be able to compete successfully without subsidies because of its low labor costs. The ship repair business would also continue to grow because of the favorable location. The bulk of the ships repaired were tankers which discharged their cargoes in Singapore.

With respect to financing Mr. Low said that his firm had received loans from the Development Bank of Singapore and the Exim-Bank of Japan. He had not experienced any shortage of capital. However, over the long term he foresaw difficulties in financing the export of ships since only about 20% of the price could be expected to be paid in cash. The company would try to raise money on the Euro-dollar and Asian dollar market, but the rate of interest was high, and Mr. Low could foresee considerable difficulties in this area.

Mr. Ho agreed that there was no shortage of capital and that overdraft facilities were readily available for working capital. The main problem faced by his company was to make a profit since it processed imported raw materials, but because of the very small home market it had to rely on exports to neighboring countries, including Vietnam, and the U.S. However, it was able to make a profit on its bulk transactions, which produced substantial savings particularly in shipping costs.



Bengt G. Sandberg



Visit of Mr. Lee Kuan Yew, Prime Minister of Singapore, April 5, 1973

Present: Mr. Lee Kuan Yew, Mr. McNamara, Dr. Ernest Steven Monteiro, Ambassador of Singapore, Messrs. Knapp and Goodman

The Prime Minister said that the economy of Singapore is highly geared to trade and had therefore been very sensitive to recent currency changes. In general, he felt that it was regrettable that the trade between developing countries had declined over recent years and trade of the developing countries with developed countries had increased. He wondered what has happened to regionalization. Each country wants to export everything it can and few are willing to make the adjustments necessary to create a regional unit. The smallest upset means that the organization falls apart.

Mr. McNamara agreed and mentioned the examples of East Africa and Latin America where the Bank has spent a great amount of effort trying to promote regional integration. The most efficient producer must sacrifice something for the unit to be stable. Another example is a cement plant in Togo which the Bank is currently considering.

The Prime Minister felt that most of the obstacles are emotional and ideological. He mentioned the difficulties of creating cooperation in tourism between the countries neighboring Singapore. Mr. McNamara mentioned similar problems in East Africa between Kenya and Tanzania.

The Prime Minister said that progress towards regional integration would inevitably be slow. He referred to the fact that Singapore had been separated from Malaysia by the British at the time of Independence but had been unable to reunite. He thought this was partly due to Singapore pushing too hard rather than developing a network of economic ties over a longer period of time. Mr. McNamara asked if Singapore is doing so now, since he had seen few signs of this neither in his visit to Singapore nor in Malaysia. The Prime Minister mentioned futile attempts to run a common airline where demands on the part of the Malaysians to include uneconomic routes had made the whole company fall apart.

Mr. McNamara asked the Prime Minister's views on mass transit. The Prime Minister said that there would be a definite policy of limiting the number of automobiles. Singapore would not have an automobile industry and the policy of limitation would probably be carried out through a system of permits or price incentives. Cars above a certain number are a luxury item and Tokyo is not a model for Singapore. Mr. McNamara stressed that the Bank would finance urban transit schemes only if there were a well-defined role for the private automobile. The Prime Minister mentioned that the tax system is such that he pays approximately \$200 for his car each year.

The Prime Minister likened the system of disincentives to automobiles to that of population stabilization. Singapore now has a policy of reducing maternity leaves as the number of children increases and increasing the portion of hospital fees to be paid by the family itself. The provision of housing also provides a disincentive to large families. The fertility rate is presently at 24 per 1,000 and this has been the result of a very successful program which, however, according to the Prime Minister, had not used undue pressure. The population is now expecting a rapid increase in the standard of living over the next five years, through the provision of improved housing, schools, hospitals and recreation facilities.

President has seen

In order to limit consumption, especially in the form of purchase of automobiles, there is a system of forced savings whereby the employer contributes 12% and the employee an equal amount of the salary to be placed in an account which will only be opened for the purchase of a house or retirement pension. Currently 40% of the population is housed in public housing and 45% of those are in the process of purchasing their housing units. The remaining 55% do not yet have the possibility of doing so due to the large size of families and lack of income which can be allocated to savings. The eventual objective is to have 70% of people living in public housing owning their own units.

Mr. McNamara asked the Prime Minister if he would forgive a question on why 31% of the population voted against him in the last election. The Prime Minister responded that about 10% would be due to personal disappointment with the policies, 12%-15% was the Communist vote and the remainder would constitute people who felt there should be an opposition. The Communists still exist but are not recruiting from schools as they did previously and the Communist movement has changed due to the split in the international Communist system. In the next election (1977) he expected to receive only 50%-55% of the vote due to the rapid increase in expectations for increased standard of living and the real existence then of a democratic alternative.

Mr. McNamara expressed his admiration for the work done by the Prime Minister since the British pulled out of Singapore. The Prime Minister mentioned that Singapore is now building a super-tanker drydock and Mr. McNamara mentioned those being built by Dubai in the Arab Gulf.

Mr. McNamara said he had been impressed with the system of training workers abroad and asked whether Malaysia is doing the same. The Prime Minister said that there is a time lag of three to five years between Singapore's initiative and Malaysia's following but he expressed regret that the policy in Malaysia of switching to a native language rather than maintaining English. Mr. McNamara said that this was particularly difficult in university education and the discussion went on to the problems encountered in Ceylon, where universities teach in three languages and textbooks must be translated. Many students from Malaysia study in Singapore. Of those, 60% go back, 20% stay in Singapore and 20% continue abroad to Canada, Australia and elsewhere. Mr. McNamara said that the United States is creaming off the medical expertise of the rest of the world, and the Prime Minister said that Singapore had prohibited U.S. medical examinations to be held in Singapore.

The Prime Minister expressed concern that aid was perhaps diminishing to Singapore due to the World Bank's "limit" of \$1,000 on the eligibility for Bank loans. Mr. McNamara said that other countries do not slavishly follow the Bank and that the Bank has no such limit. He mentioned the examples of Finland and other countries with higher per capita incomes to which the Bank lends. He strongly suggested that Singapore join IDA as an example of a country which has been helped and now is prepared to help others. The Prime Minister agreed in principle to the idea of this form of "recycling."

Mr. Knapp asked whether Singapore's experience in development could be conveyed to neighboring countries. The Prime Minister mentioned that the country has set up a consultancy service to which poorer developing countries can turn for assistance. Mr. Knapp mentioned the possibility of Singapore helping to reorganize the port of Rangoon to which the Prime Minister responded in the affirmative.

The Prime Minister expressed some of his philosophy regarding change and said that in Singapore no change of language is forced upon the population but that certain incentives are given to use English as a working language, although the

possibility exists to attend an English or a Chinese school.

The Prime Minister said that, when judging the level of development of a certain country, the national product per capita should not be the sole measure but instead one test could be the percentage of indigenous population in upper management echelons. This figure is currently 30% in Singapore.

AL  
April 6, 1973

2859  
OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: April 4, 1973

FROM: Hollis B. Chenery *HBC*SUBJECT: Discussion with Prime Minister Lee Kuan Yew of Singapore

Since you will be meeting the Prime Minister tomorrow, you may be interested in the topics that he raised with me today. Our discussion was essentially a continuation of talks that we had in Singapore in January, which in turn stem from the period that he spent at Harvard as a fellow at the Kennedy Institute of Politics. (Given your interest in the Institute, I would judge that Lee Kuan Yew's visit was one of its great successes.)

We discussed the following topics:

1. Political and military prospects in Southeast Asia.
2. Possibilities for economic assistance to North and South Vietnam.
3. Effects of the realignment of exchange rates on the developing countries.
4. Bank policy on aid to high income countries.

Lee's views on the last topic were quite interesting in connection with the policy paper that we are currently preparing. He appears to be more concerned about technical assistance and fears that the bilateral donors will follow the Bank's lead and cut off technical assistance whenever the Bank stops lending. In response I merely said that we were studying the general question of lending to countries with over a \$1000 per capita income.

cc: Messrs. J.B. Knapp, R.J. Goodman, E. Stern,  
M. Haq, H. Amin-Arsala

HBChenery:csm

President has seen

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: April 4, 1973

FROM: Raymond J. Goodman, Director, East Asia and Pacific Department

SUBJECT: SINGAPORE - Visit of Prime Minister Lee Kuan Yew

Prime Minister Lee Kuan Yew of Singapore will be meeting you on April 5 at 11:30 a.m. He will probably be accompanied by the Singapore Ambassador to Washington, Dr. Monteiro. We are not aware of any specific issues that he wishes to discuss with you; but as on the occasion of his last visit (November 4, 1970) he may speak to you about recent politico-economic developments and their possible impact on the developing countries, particularly those in Southeast Asia. These may include the recent world monetary crisis, the US withdrawal from Vietnam, and the Bank's possible role in the post-war reconstruction of Indochina. It is possible, though less likely, that he may also discuss prospects for continued Bank assistance to Singapore.

Mr. Chenery will see Mr. Lee today. Should these discussions touch on any topics of interest to you he will brief you prior to your meeting with the Prime Minister. Attached is a brief background note on Singapore and our lending operations there.

Biographic data for the Prime Minister and the Ambassador are given in Attachment 2.

Attachments (2)

cc: Mr. Knapp  
Mr. Chenery

Hamin-Arsala/LKeough/pme



Background

Economic: The current position and prospects of the Singapore economy showed no significant change between the release of the last economic report on January 24, 1972 and the review by Mr. Knapp of the Country Program Note on January 18, 1973. An Updating Economic Mission is scheduled to begin on April 9, 1973. The economy has grown vigorously in recent years with GDP having increased by some 14 percent annually since the mid-1960's. Manufacturing, which is largely export oriented, continues to be the leading growth sector, with direct foreign investment playing the principal role. The importance of the entrepot trade has been markedly reduced by the dynamic growth of the manufacturing sector and the more active trading policies of Singapore's neighbors. Singapore's emergence as a leading financial center is evidenced by the recent growth of the Asian Dollar Market whose gross resources were unofficially estimated at US\$1.5 billion in mid 1972. Despite a recorded trade deficit of US\$1.2 billion in 1972 the balance of payments continues to be very strong reflecting large private capital inflows which have boosted foreign exchange reserves to about US\$1.5 billion. The current account deficit is somewhat overstated due to unrecorded trade and underestimated invisible earnings. Despite this commendable performance, the Bank's continued involvement in Singapore seems justified by the country's heavy reliance on external trade which renders it extremely vulnerable to international fluctuations. The continuance of this condition is dictated by the small size of the country, its lack of natural resources, and its geo-political position.

Political: In the last elections, held in September 1972, Mr. Lee's Party--the People Action Party (PAP)--received 69 percent of the total votes, winning all of the 65 seats in Singapore's unicameral parliament. The remaining 31 percent was distributed among the four opposition parties. While this ensures the continuance of Mr. Lee's able and dynamic Government for another five-year term, the Government may be somewhat concerned by the size of the opposition vote which appears substantial in light of Singapore's virtual absence of effective political opposition. While the majority of the voters appear to be happy with the progress made under the PAP Government, recent events suggest some impatience among the lower income groups with the slow and uneven dissemination of the benefits of high levels of growth and development. This may lead to some revisions in the Government's policies such as larger expenditures in the social sectors, faster increases in wages and greater employee benefits, etc.

Bank Lending Program: We have, to date, made eleven loans to Singapore for projects in power, telecommunications, water supply, sewerage, ports, industry and education. These loans totalled US\$124.8 million and the amount effectively held by the Bank, as at February 28, net of cancellations and repayment, was US\$108.5 million. The execution of all Bank financed projects has been satisfactory and disbursements have mainly proceeded as expected.

The average annual Bank lending to Singapore during FY74-78 is tentatively programmed at US\$18 million. We expect to make two loans during FY74--one for a second sewerage project and another for a second education

project. One project which may form the core of Bank lending during the next five years and for which Singapore will need considerable financial and technical assistance is a mass transit project. The Bank is currently acting as the Executing Agency for a UNDP-financed Mass Transit Study; in the lending program we have included two loans of US\$25 million each for this Project. However, these amounts are only notional, and if the Bank participates in the financing of the Project, the actual loan amounts may be substantially higher.

BIOGRAPHIC DATA

Mr. Lee Kuan Yew - Prime Minister of Singapore

Mr. Lee Kuan Yew became the first Prime Minister of Singapore on June 3, 1959 when the People's Action Party won the first general elections held in Singapore following the attainment of internal self-government. He was elected Secretary-General of the People's Action Party when it was founded in 1954 and voted to the Legislative Assembly (which had an elected majority of 25 out of 32 members) in 1955.

Mr. Lee, born in Singapore on September 16, 1923, was educated at Raffles Institution and Raffles College in Singapore and at Cambridge University, where he took First Class Honours in both parts of the Law Tripos. He is a Barrister of the Middle Temple. A socialist from student days, he became honorary legal adviser to many trade unions on his return from Cambridge to Singapore.

Mr. Lee continued as Prime Minister when the People's Action Party won the second general elections on September 21, 1963, just after Singapore became a State within the Federation of Malaysia on September 16, 1963. He was in office when Singapore separated from Malaysia on August 9, 1965.

In April 1968, Mr. Lee was again returned to office as Prime Minister when the People's Action Party won the third general elections.

Mr. Lee married in 1950 and has three children. His wife is also a Barrister of the Middle Temple. She is a practising advocate and solicitor.

Professor Ernest Steven Monteiro - Singapore's  
Ambassador to the United States

Born on December 21, 1904, attended the Raffles Institution in Singapore. He graduated as a doctor from King Edward VII College of Medicine, Singapore, in 1929 and later obtained an M.D. from the University of Malaya (Singapore) in 1950.

Assignments: Professor of Clinical Medicine, University of Malaya (Singapore) in 1948-1956; Dean, Faculty of Medicine, University of Malaya (Singapore) 1956-1960; Deputy Principal, University of Singapore, 1960; Acting Vice-Chancellor of both the Universities of Singapore and Malaya in 1960; Elected Emeritus Professor of the University of Singapore; Ambassador Extraordinary and Plenipotentiary to the Kingdom of Cambodia, 1966-1968.

Professor Monteiro is married and has four children.



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 9, 1975

FROM: Leslie Helmers, Acting Director, EAP Programs *pkh*  
(Through Mr. S. Kirmani, Acting Regional Vice President, EAP) *t*SUBJECT: Singapore: Briefing Paper

1. Because of Singapore's high level of economic development, our lending program is modest. There are three projects scheduled through FY80. An environmental control project will be negotiated later this month and will be presented to the Board in early June. In addition, we have scheduled two Mass Transit projects, arising out of the UNDP-financed Mass Transit Study for which the Bank is currently acting as executing agency. However, in view of past delays in the progress of this study, we have two back-up projects in mind, namely the third phase of the expansion of the University of Singapore and a third sewerage project. A brief description of the three scheduled projects and the status of each are attached (Annex 1).

2. Singapore's growth has been in considerable part a function of the size of long-term private capital inflows. The current outlook for foreign investment is somewhat uncertain. Certain factors which in the past have favored Singapore as a venue for foreign investment continue to prevail, namely, stable politics, a good communications network, an effective and disciplined work force, a minimum of red tape and no corruption. However, inflation and the possibility of skilled labor shortage could become serious further deterrents to the future growth of foreign investment. Long-term capital inflows fell from US\$263 million in 1972 to US\$254 million in 1973, a 16 percent drop in real terms. With the further development of the financial sector it is likely that local capital will play an increasingly important role in the expansion of existing industries. However, Singapore remains inevitably vulnerable to external economic fluctuations, as evidenced by the economy's slowdown during the past two years. While Singapore's per capita GDP of \$1,300 (in 1972) is high for a less developed country, a large part of the income accrues to foreigners. As a result, per capita GDP figures for Singapore overstate the level of goods and services available to the indigenous population. Bank lending can be expected to be phased out over the next five years. For the time being, however, given the budget deficit, the decline in foreign reserves, and the vulnerability of the economy to external influences, the continuation of project lending on a limited scale appears justified to us. A discussion of recent economic developments and recent economic data are in Annex 2.

3. Regarding the recent events in Indochina, Singapore, in unison with the other members of Asean (Thailand, Malaysia, Indonesia and the Philippines) offered to recognise the new Cambodian Government on April 18. However, whether the new Government has accepted this recognition is not yet known. As regards the new Government of South Vietnam we heard from the State Department that so far only Malaysia has offered to recognise it, but we feel that the other Asean countries will follow soon. At public speeches

TO: Mr. Robert S. McNamara  
(Through: Mr. S. Kirmani)

- 2 -

May 9, 1975

Mr. Lee Kuan Yew has stated that as a consequence of the recent events Asean countries will have to depend on their own forces for their national security and that they should learn to live with the new governments. However, as the Economist (April 26, 1975) said: "his forthright anti-communism, and the fact that he is Chinese to boot, will probably make it harder for him than for any other regional leader to come to terms with the new balance of power in Indochina." It may well be possible that Singapore will decide to further strengthen its already powerful and elite army.

Attachments:

cc: Mr. Knapp

LHelmerts:ms

SINGAPORE LENDING PROGRAM

Environmental Control Project

The project is comprised of (i) the construction of a 400 ton per day capacity incineration plant, (ii) the purchase of about 200 refuse collection vehicles and (iii) staff training and consulting. Singapore is conscious that pollution threatens the quality of life and implies significant social costs. This project reflects that concern. Solid waste disposal is a serious problem for land-scarce Singapore. Domestic, commercial and industrial sources now generate 1,790 tons daily of solid waste, an increase of more than 50 percent since 1969. By 1986 this is expected to reach 3,800 tons per day. The proposed project is the least cost solution to this problem. However, within the next decade, the Government will have to look for alternative measures to cope with the problem, perhaps additional incinerators, sea disposal or land reclamation.

Total project costs are estimated at US\$55 million, with a foreign exchange component of about US\$40 million. The proposed Bank loan of US\$25 million would finance about 62 percent of the estimated foreign exchange, with the balance of the financing to be provided by the Government. Negotiations are scheduled for later this month and no problems are foreseen. Board presentation is scheduled for June 17.

Mass Transit (two loans)

The project will establish a combination of rail and bus mass transit systems. The rail component would be in the inner city area and would include about 10 miles of underground, 4 miles on embankment, and about 11 miles underground. This would be complemented by an extensive bus network including express lines for corridors not served by rail, local services, circumferential services and feeder lines with suitably placed terminals. The project was identified in Phase I of a UNDP-financed study for which the Bank acted as executing agency. The Bank is also acting as executing agency for the second phase, a detailed feasibility study, which has just begun and is expected to take approximately eight months. Upon completion appraisal can be undertaken very shortly thereafter, i.e. hopefully in mid-1976. Project costs, very tentative at this early stage, are estimated on the order of US\$500-600 million. Bank financing of about US\$80-100 million in two loans is proposed.

SINGAPORE - RECENT ECONOMIC EVENTS

Singapore's recent economic growth has been affected by the world-wide inflation and recession. In 1973, the rate of growth of GDP in real terms was 11 percent, but in 1974 it fell to 6.8 percent. The consumer price index was 26 percent higher in 1973 than in 1972 and increased by 22 percent in 1974. During 1974, almost 17,000 Singaporean workers lost their jobs. Unemployment among Singaporeans now stands at about 4 percent. In addition, of the 100,000 foreign workers on temporary work permits, a substantial number left for lack of employment. While Singapore is vulnerable to the economic situation of its trade partners, the impact of the higher oil prices has been relatively modest. Singapore's balance in the petroleum trade changed from a 1973 surplus of US\$67 million to a deficit of US\$44 million in 1974.

The main concern of economic policy in Singapore is to combat recession without creating further inflationary pressures. The FY1974 budget showed an estimated deceleration of the revenue growth rate, coupled with almost a doubling of expenditures, largely because of a threefold increase (in current terms) in allocations to statutory authorities. The result is an overall budgetary deficit for the first time of US\$318 million. This is a sharp drop from the FY1972 surplus of US\$54 million and US\$18 million in FY1973. The budget for FY1975 is counter-recessionary in its allocation of more funds for development purposes, with Development Estimates of US\$968 million, up from US\$691 million in FY1974.

The Government has set up a Committee on Profiteering and Inflation to formulate, coordinate, and implement anti-inflationary and anti-profiteering measures. Steps taken include identifying new and cheaper sources of essential



commodities, abolishing import duties on a number of commodities, official stockpiling of rice and sugar, and instituting a program of consumer education and information. In addition, the National Trade Union Congress and other individual groups have opened cooperative supermarkets, with prices lower than at other retail outlets.

In early 1974, monetary measures taken to check inflation included the raising of interest rates and the introduction of selective credit control. By mid-1974, the slowdown in growth and tight international liquidity induced the authorities to reduce the minimum cash balance for banks and finance companies, to provide more funds for economic activity, and to increase interest rates, in order to reduce capital outflows from Singapore. In the fourth quarter, the minimum cash balance was lowered once more, and interest rates were lowered, to align domestic rates with the downward trend in interest rates abroad. In spite of these expansionary measures, the growth in money supply, due to a declining demand of the private sector, slowed from an annual rate of 15 percent at the end of 1973 to 8 percent at the end of 1974.

In an attempt to control imported inflation, without sacrificing the basic openness of the economy, the Singapore dollar was allowed to float, beginning in June 1973. This move has exposed the lack of adequate forward exchange facilities, which has forced Singapore's traders to assume considerable exchange risks.

Trade is an important part of Singapore's economy. In 1974, the value of imports and exports together was about two and one-half times the value of GDP. Recession in Singapore's external markets has had a negative effect on Singapore's export earnings. While growing trade deficits have been offset by surpluses from services and by long-term capital inflows, official foreign exchange reserves were reduced from six months' worth of imports in 1973 to about four months in 1974.

Singapore's external public debt position shows US\$642 million outstanding (including undisbursed) as of December 31, 1974. About 21 percent of this is due to the Bank, 16 percent to the Asian Development Bank, and 17 percent ~~of~~ <sup>to</sup> the UK Government; suppliers' credits represent about 10 percent. The debt service burden was US\$40.5 million in 1974, of which US\$12.5 million, or about 31 percent, was due to the Bank. The total debt service in 1974 represented about 1 percent of domestic exports. By 1978 Singapore's outstanding external debt (including undisbursed) is expected to reach US\$120 million, or about 5 percent of domestic exports. Of the projected total outstanding external debt in 1978, about 20 percent will be due to the Bank, giving rise to about 22 percent of Singapore's total debt service in that year. Singapore is creditworthy for external borrowing on conventional terms.

ECONOMIC INDICATORS

GNP PER CAPITA in 1972<sup>1/</sup>: US\$ 1,300

	GROSS NATIONAL PRODUCT IN 1974 <sup>2/</sup>		ANNUAL RATE OF GROWTH (% constant prices)		
	US\$ Mln.	%	1960-65	1965-70	1974
GNP at Market Prices	5,600	100.0	6.2	10.0	25.1
Gross Domestic Investment	1,770	31.6	26.0	23.0	48.9
Gross National Saving	1,335	23.8	24.0	28.0	19.8
Current Account Balance	-1,273	22.7	-	65.0	110.8
Exports of Goods, NFS	8,004	142.9	-	9.4	65.9
Imports of Goods, NFS	9,116	162.8	-	14.9	71.8
Errors and Omissions	1,006	18.0			

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1972

	Value Added		Labor Force <sup>3/</sup>		V. A. Per Worker	
	US\$ Mln.	%	Mln.	%	US \$	%
Agriculture	72.0	2.8	.003	0.5	..	..
Industry	608.7	23.5	.192	35.0	..	..
Construction	195.7	7.5	.031	5.7	..	..
Services	1,719.3	66.2	.322	58.8	..	..
Total/Average	2,595.7	100.0	.548	100.0	..	..

GOVERNMENT FINANCE<sup>4/</sup>

	General Government <sup>5/</sup>			Central Government		
	(S\$ Mln.)	% of GDP		(S\$ Mln.)	% of GDP	
	1974	1974	1970-73	197	197	196-7
Current Receipts	2,405	19.8	22.3	.	.	.
Current Expenditure	1,703	14.0	21.8	.	.	.
Current Surplus	702	5.8	0.5	.	.	.
Capital Expenditures <sup>6/</sup>	1,421	11.7	8.5	.	.	.
External Assistance (net)	100	0.8	1.3	.	.	.

MONEY, CREDIT and PRICES

	1968	1970	1971 <sup>7/</sup>	1972	1973	1974 <sup>2/</sup>
		(Million)	outstanding end period)			
Money and Quasi Money	901	1,228	1,450	1,812	2,351	..
Bank credit to Public Sector	219	211	330	373	259	297
Bank Credit to Private Sector	544	813	1,003	1,315	2,149	2,536

(Percentages or Index Numbers)

Money and Quasi Money as % of GDP	69.4	70.6	76.2	67.9	59.9	..
Consumer Price Index (1970=100)	99.9	100.0	101.9	104.0	131.2	160.9
Annual percentage changes in:						
Consumer Price Index	..	4.0	1.9	8.8	26.2	22.6
Bank credit to Public Sector	..	13.7	56.4	13.0	-30.6	14.7
Bank credit to Private Sector	..	22.3	23.4	31.1	63.4	18.0

1/ The Per Capita GNP estimate is at 1972 market prices, calculated by the same conversion technique as the 1974 World Atlas. All other conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

2/ Preliminary figures.

3/ Total labor force; unemployed are allocated to sector of their normal occupation. Domestic servants, some own account workers and itinerant workers are excluded.

4/ Years refer to fiscal years, which run from April 1 to March 31; i.e. 1974 refers to April 1, 1974 to March 31, 1975 in keeping with Singapore's terminology.

5/ Budget Estimate

6/ Includes net lending

7/ Not comparable to earlier data due to improved sector classification in regard to resident and non-resident assets.

TRADE PAYMENTS AND CAPITAL FLOWS

BALANCE OF PAYMENTS

	1972	1973	1974 <sup>1/</sup>
	(Millions US \$)		
Exports of Goods, NFS	3,016	4,826	8,004
Imports of Goods, NFS	3,512	5,307	9,116
Resource Gap	- 496	- 481	-1,112
Interest Payments (net)	- 35	- 119	- 125
Net Transfers	2	1	36
Balance on Current Account	- 529	- 604	-1,273
Capital (net)	393	599	573
Non-Monetary Sector (net)	264	357	755
Monetary Sector (net)	129	242	- 182
Errors and Omissions	471	417	1,006
Increase in Reserves	335	412	306
Total Cumulative Official Foreign Reserves (valued at cost)	1,719	2,367	2,814

MERCHANDISE EXPORTS (AVERAGE 1972-74)

	US \$ Mln	%
Rubber	2,543	22.5
Petroleum Products	1,843	16.3
All other commodities	690	61.1
Total	11,287	100.0

EXTERNAL DEBT, DECEMBER 31, 1974

	US \$ Mln
Public Debt, incl. guaranteed	641.6
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	641.6
<u>DEBT SERVICE RATIO for 1974<sup>2/</sup></u>	%
Public Debt, incl. guaranteed	1.1
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	1.1

IBRD/IDA LENDING, FEBRUARY 28, 1975 (Million US\$):

RATE OF EXCHANGE

Through Nov. 1971  
US \$ 1.00 = S \$ 3.06  
S \$ 1.00 = US \$ 0.327

Dec. 1971 to Feb. 1973  
US \$ 1.00 = S \$ 2.82  
S \$ 1.00 = US \$ 0.355

From Feb. 1973 to June 21, 1973  
US \$ 1.00 = S \$ 2.54  
S \$ 1.00 = US \$ 0.394

Floating since June 1973  
Dec. 1973:  
US \$ 1.00 = S \$ 2.49  
S \$ 1.00 = US \$ 0.402

since Dec. 1974:  
US \$ 1.00 = S \$ 2.24  
S \$ 1.00 = US \$ 0.446

	IBRD	IDA
Outstanding & Disbursed	104.3	..
Undisbursed	35.4	..
Outstanding incl. Undisbursed	139.7	..

1/ Preliminary  
2/ Ratio of Debt Service to Exports of Goods and Non-Factor Services

.. not available  
.. not applicable

COUNTRY DATA-SINGAPORE

AREA  
581 km<sup>2</sup>

POPULATION  
2.15 million (mid-1972)

DENSITY  
.. Per km<sup>2</sup> of arable land

SOCIAL INDICATORS

	Singapore		Reference Countries		
	1960	1970	Cyprus 1970	Japan 1970	Belgium <sup>a</sup> 1970
	GNP PER CAPITA US\$ (ATLAS BASIS) /1	420	1,300 /a	1,180 /a	2,320 /a
<b>DEMOGRAPHIC</b>					
Crude birth rate (per thousand)	39	22 /b	22 /a	19.4 /b	13.3 /b
Crude death rate (per thousand)	6	6 /b	7 /a	6.6 /b	12.1 /b
Infant mortality rate (per thousand live births)	35	20 /b	25 /c	11.7 /a	17.0 /b
Life expectancy at birth (years)	..	68	71	73 /a	71
Gross reproduction rate /2	2.9	2.0 /d	1.4 /d	1.0 /d	1.3 /d
Population growth rate /2	4.8	2.2 /e	1.1 /e	1.1 /e	0.5 /a
Population growth rate - urban	4.4 /f,g	8 /g	2 /h	3 /i	0.9 /i
<b>Age structure (percent)</b>					
0-14	43 /k	37 /a	32 /c	24.0 /c	23.4 /c
15-64	55 /k	59 /a	60 /c	68.8 /c	63.1 /c
65 and over	2 /k	4 /a	8 /c	7.2 /c	13.5 /c
Age dependency ratio /4	0.8 /k	0.7 /a	0.7 /c	0.4 /c	0.6 /c
Economic dependency ratio /4	1.1 /k	1.3	1.0	0.6	1.0
Urban population as percent of total	63	100	43 /b,h	72 /i	87 /b,i
Family planning: No. of acceptors cumulative (thous.)	30.4 /l	193	..	..	..
No. of users (% of married women)	8.3 /m	40.7 /m	..	..	..
<b>EMPLOYMENT</b>					
Total labor force (thousands)	480 /k	730	270	53,200	4,000 /b
Percentage employed in agriculture	9 /k	3	36	19.1	3.7 /b
Percentage unemployed	8.7 /n	10.4	..	1.4	3.6 /b
<b>INCOME DISTRIBUTION</b>					
Percent of national income received by highest 5%	..	..	14 /l,o	..	..
Percent of national income received by highest 20%	..	..	39 /l,o	..	..
Percent of national income received by lowest 20%	..	..	8 /l,o	..	..
Percent of national income received by lowest 40%	..	..	20 /l,o	..	..
<b>DISTRIBUTION OF LAND OWNERSHIP</b>					
% owned by top 10% of owners	..	..	..	..	..
% owned by smallest 10% of owners	..	..	..	..	..
<b>HEALTH AND NUTRITION</b>					
Population per physician	2,300 /p	1,520 /q	1,280	880	650
Population per nursing person	..	460	610	240	480
Population per hospital bed	270 /p	270	190	80	120
Per capita calorie supply as % of requirements /5	..	103 /r	100 /r	106	128
Per capita protein supply, total (grams per day) /6	..	63 /r	78 /r	76	94
Of which, animal and pulse	..	34 /r	33 /r	45	56
Death rate 1-4 years /7	..	0.5 /c,s	..	1.0 /e	0.9
<b>EDUCATION</b>					
Adjusted /8 primary school enrollment ratio	111 /t	105 /t	83 /u	100	111
Adjusted /8 secondary school enrollment ratio	32	47	58 /u	90	84
Years of schooling provided, first and second level	12	12	12 /u	12	14
Vocational enrollment as % of sec. school enrollment	2	9	12 /u	20	61 /v
Adult literacy rate %	..	75 /w,x	85 /x	99 /w,y	99 /z
<b>HOUSING</b>					
Average No. of persons per room (urban)	..	2.9 /1,z,af	1.0 /c,aa	1.0 /aa	0.6
Percent of occupied units without piped water	..	20 /1,ac,af	23 /c,aa,ac	5 /v,ad	13 /ad
Access to electricity (as % of total population)	..	87 /1,af	99 /c,ae	..	100
Percent of rural population connected to electricity	..	..	90	..	98
<b>CONSUMPTION</b>					
Radio receivers per 1000 population	..	150 /c	265 /a	658 /a	367 /a
Passenger cars per 1000 population	..	82 /a	117 /a	117 /a	234 /a,ag
Electric power consumption (kwh p.c.)	34.9 /ai	1,464 /a	1,186 /a	3,909 /a	4,078 /a,ah
Newsprint consumption p.c. kg per year	5.6 /ag	10.4 /a	2.8 /a	19.6 /a	19.5 /a,ah

Notes: Figures refer either to the latest periods or to the latest years. Latest periods refer in principle to the years 1956-60 or 1966-70; the latest years in principle to 1960 and 1970.  
/1 The Per Capita GNP estimate is at market prices for years other than 1960, calculated by the same conversion technique as the 1972 World Bank Atlas.  
/2 Average number of daughters per woman of reproductive age.  
/3 Population growth rates are for the decades ending in 1960 and 1970.  
/4 Ratio of population under 15 and 65 and over to population of ages 15-64 for age dependency ratio and to labor force of ages 15-64 for economic dependency ratio.  
/5 FAO reference standards represent physiological requirements for normal activity and health, taking

account of environmental temperature, body weights, and distribution by age and sex of national populations.  
/6 Protein standards (requirements) for all countries as established by USDA Economic Research Service provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are somewhat lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.  
/7 Some studies have suggested that crude death rates of children ages 1 through 4 may be used as a first approximation index of malnutrition.  
/8 Percentage enrolled of corresponding population of school age as defined for each country.

/a 1972; /b 1973; /c 1971; /d 1970-75; /e 1960-72; /f 1947-60; /g City of Singapore; /h Six districts towns and Nicosia suburbs; /i Cities ("Shi") having 30,000 or more inhabitants; /j Cities, urban agglomerations and urban communes; /k 1957; /l 1966; /m Acceptors as a percentage of women in reproductive age; /n 1965; /o Households (urban); /p 1962; /q Number on the register, not all working in the country; /r 1964-66; /s Rate computed on population excluding transients afloat and non-locally domiciled military and civilian services personnel and their dependents; /t Including overage students; /u Not including Turkish schools; /v 1968; /w 15 years and over; /x Definition unknown; /y 1969; /z Total, urban and rural; /aa UN estimate; /ab Date refer to dwellings; /ac Piped water inside only; /ad Piped water inside or outside; /ae Urban only; /af Data refer to households; /ag 1963; /ah Belgium and Luxembourg; /ai 1961.

<sup>a</sup> Belgium has been selected as an objective country because of its similarities in size, population, and resource base.



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MEMORANDUM FOR THE RECORD

From : Gregory B. Votaw December 8, 1976

Subject : 1976 Annual Meeting - ASEAN Finance Ministers'  
Meeting with Mr. McNamara

1. At the initiative of the Finance Ministers of ASEAN member countries, Mr. McNamara met them on October 7 to discuss the possibilities of Bank financing for ASEAN's "regional" projects.<sup>a/</sup> The Ministers asked Mr. Hon Sui Sen (Minister for Finance, Singapore) to be their spokesman. Others attending were Mr. Cesar Virata (Philippines), Messrs. Ali Wardhana and Rachmat Saleh (Indonesia), Mr. Tengku Razaleigh Hamzah (Malaysia) and Mr. Amnuay Viravan (Thailand). Also attending were Messrs. Thavil Khutrakul, J. Burke Knapp, B. R. Bell, G. B. Votaw and Ng.

2. Mr. Hon Sui Sen reviewed the Ministers' earlier conversation with Mr. Bell. Mr. McNamara responded that he and his colleagues in Bank Management were intensely interested in regional projects and believed that plans the ASEAN countries were developing had real potential. The Bank had assisted other regional initiatives, for instance in both East and West Africa; Mr. McNamara was interested in supporting similar efforts toward regional cooperation in East Asia.

3. The Ministers stated that institutional support from IBRD would have a very positive effect. Specifically, Mr. Hon Sui Sen said the ASEAN countries had in mind Bank assistance with specific project feasibility studies and more general market surveys; they hoped for IBRD assistance either directly or with IBRD serving as Executing Agency under a UNDP grant. When it came to financing specific projects, the ASEAN Ministers hoped that IBRD assistance would be additional to whatever the Bank otherwise planned to lend to their countries.

4. On the question of additionality Mr. McNamara responded that there was always the question, "additional to what?" Nevertheless, it was desirable that there be no misunderstanding and he therefore had to say that, particularly with a fixed ceiling on aggregate Bank lending, the answer was that Bank loans for any of the ASEAN regional projects could not be additional to whatever lending the Bank would do to these countries. Priority decisions clearly would need to be made. At the same time the Bank welcomed and strongly endorsed regional economic cooperation and would like to do all it could in this instance, as it had in several others, to support it.

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a/ Urea in Malaysia and Indonesia, superphosphate in the Philippines, soda ash in Thailand and diesel engines in Singapore. See Mr. Bell's memorandum of June 6, 1976, recording his meeting on the subject on the occasion of the ADB Meeting in Jakarta.

5. Mr. McNamara went on to say that, among other things, the Bank would be happy to help in mobilizing co-financing and that Bank involvement in planning and appraisal of the projects and Bank effort to help mobilize finance from other sources might well attract such financing which would otherwise not be available, and which would as a result be "additional." Mr. Knapp cited a recent project in Africa (Togo Cement), where substantial co-financing had been attracted to a regional scheme serving a multi-national market. When IBRD is involved, projects often find complementary financing otherwise not available or obtain better terms.

6. The Ministers observed that the five projects they listed were on the first five. More ASEAN projects were expected to emerge as soon as the first five started. They explained the financing pattern envisaged in which the host country would have responsibility for finding 60% of the capital, the other four ASEAN members would have the option to put up 10% and any one of the five could assign up to 2/3 of their share to private sector or other partners in exchange for marketing outlets, production technology or similar participation.

7. Mr. McNamara asked if there might be a role for IFC. The Ministers answered with a definite "yes." Mr. McNamara also asked how well prepared the projects were and when their implementation might begin. All seem to be some time away from firm definition; no formal studies had been completed, and Secretary Paterno had been designated to organize and coordinate appropriate studies for all five projects. The Ministers observed that they saw no special difficulty with any of the projects; for instance, the Indonesian fertilizer project would be the country's third or fourth urea plant and more or less a replication, albeit in a new location, of its predecessors.

8. Mr. McNamara urged that a task force be established for each of the projects, and a person designated in each country to keep in contact with IBRD/IFC on the progress of preparations, so we could be ready to respond when Bank assistance in planning studies or appraisal was called for.

9. The Ministers reported that Secretary Paterno would shortly send a questionnaire to each government on the various projects as a step toward finalizing arrangements for preparatory studies; Paterno would also follow up on the task force idea. Studies are necessary to determine markets in each country, tariff arrangements, the terms of any long-term purchase agreements, etc.

10. Mr. McNamara repeated the request that the Bank be informed as soon as possible of the officer in each country responsible for each ASEAN project. It was agreed that copies of the documents on the Togo project would be sent to each Minister from Washington.<sup>a/</sup>

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<sup>a/</sup> Done by Votaw's office in November.



11. Before the meeting broke up (with repeated mutual assurances of intentions to work closely together to implement ASEAN regional industrial schemes), some of the Ministers spoke of the importance to their countries of working out international agreements, which would improve their earnings from commodities such as rubber, tin and sugar. There was general acknowledgment that an improvement in international commodity markets would be of very considerable benefit to many developing countries, especially those in the ASEAN group.

12. Subsequent to this meeting, Mr. Bell met with Secretary Paterno, related to him the foregoing discussion and suggested that in his capacity as Head of the ASEAN Committee concerned with these projects he pass on the information to the members in each country and indicate that individually and collectively they follow up on the suggestions Mr. McNamara had made. He said he would.

cc: Mr. Burmester (2) ↙  
Mr. Knapp  
Mr. von Hoffmann (IFC)  
EAP Programs Division Chiefs

*BRB*  
GBVotaw/BRBell:c1/bcl

Mr. Robert S. McNamara

October 5, 1976

Bernard R. Bell

ASEAN Countries - Your Meeting with the Finance Ministers 12 noon,  
Thursday, October 7, 1976

In connection with the meeting with you which the Finance Ministers of the five ASEAN countries have requested and which you have set for 12 noon, Thursday, I am attaching a copy of my memorandum to you of June 6 reporting on my meeting with the same group in the course of the ADB Annual Meeting in Jakarta in the last week of April.

My understanding from Ministers Virata and Wardhana, both of whom spoke to me of their desire to have this meeting with you, is that they will raise with you precisely the same questions they raised with me in Jakarta. My further understanding is that since late April they have firmed up, among themselves, agreement for understandings with respect to the equity participations of the various countries in each of the agreed ASEAN industrial plants.

I presume you wish me to be present at the meeting and I am planning accordingly.

BRBell:ea

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 6, 1976

FROM: Bernard R. Bell *BRB (ea)*SUBJECT: ASEAN Countries - Meeting with the Finance Ministers

In the course of the end-April Annual Meeting of the Board of Governors of the Asian Development Bank in Jakarta, the Finance Ministers of the five ASEAN countries (Indonesia, Malaysia, Philippines, Singapore, Thailand) asked that I meet with them as a group which I, of course, did. The five were: Ali Wardhana for Indonesia, Tengku Razaleigh Hamzah for Malaysia, Cesar Virata for the Philippines, Hon Sui Sen for Singapore, and Snoh Unakul for Thailand. The latter is not the Minister of Finance but Governor of the Bank of Thailand.

The group said that I no doubt was aware, as I was, of the agreements reached at the second meeting of the ASEAN Economic and Planning Ministers which was held in Kuala Lumpur in March 1976 pursuant to decisions reached by the ASEAN heads of Government at their meeting in Bali in February 1976. At the Kuala Lumpur meeting, they had agreed on an initial group of five industrial projects which would be established as ASEAN industrial plants:

Indonesia:	Urea
Malaysia:	Urea
Philippines:	Superphosphates
Singapore:	Diesel Engines
Thailand:	Soda Ash.

They had also agreed that each of the countries in which these industrial plants were to be established would offer to each of the other ASEAN members the opportunity to participate in ownership and financing, but that such participation would be at the option of these other countries. They had further agreed that they would negotiate with respect to preferential trading arrangements, priority of supply and purchase and prices in the case of products of each of the plants. They had also agreed that they would continue consultations toward similar decisions with respect to other industrial plants, including those in the steel and petro-chemical industries, and also the following: machine tools, fisheries, electrolytic tin plating, heavy duty tires, and electronic components.

They said that they had the following main questions for the World Bank:

- (a) Was the Bank prepared to assist in the financing of, at least initially, the five projects on whose country locations they had already reached firm agreement, assuming of course that further investigations of their technical and economic feasibility produce satisfactory results?

- (b) Would any financing the Bank provided for these products be additional to the loans which the Bank was already planning in the five countries?
- (c) Could the Bank provide assistance in the conduct of the further feasibility studies and planning of the specific projects?

I responded by saying:

- (a) That we welcomed and regarded as highly desirable the steps which had been taken to promote regional economic cooperation and the further steps which were under investigation and consideration. Accordingly, we were definitely interested in giving as much assistance as we could to this effort and were prepared to assist in financing those of the projects which proved, after further study, to have substantial merit and to command high priority in the development programs of the individual countries and of the region as a whole.
- (b) Our resources were, as they knew, by no means unlimited, and they were all familiar with the fact that for the years immediately ahead there was a specific limit on the aggregate amount which the Bank could lend. The question of additionality was therefore not a real question. Conceivably the special benefits and advantages of regional cooperation could, along with other factors, have some positive influence on the country allocations in the course of the rationing process. It seemed to me, however, that it was out of the question that loans made to assist in financing these specific projects would, in the sense in which they put the question, be additional to other lending to the five countries. At best, the influence on the country allocations would be marginal and it would probably be wise to assume that there was no additionality and that in the case of each country, and of the countries as a group, the question which they and the Bank would need to address would be that of priorities.
- (c) I added that furthermore the costs of the projects were likely to be such that loans for them would, in the case of each country, represent quite significant parts of the total which could be lent to each country, and that it would probably therefore be wise to think in terms of the possibility that the Bank might contribute to the financing of the individual projects but that co-financing by other external lenders would be required. Such co-financing might be available from the ADB, the OPEC countries and Funds, official bilateral sources, and private financing sources. I said that in the appropriate cases, if they wished, we would be prepared to give the maximum possible assistance in mobilizing finance from other possible sources.

June 6, 1976

- (d) I said that we would certainly be prepared to provide Bank staff assistance in the planning and guidance of the further feasibility and planning studies which were necessary in the case of each of the plants. Whether we could also help in financing the employment of outside consulting services which might be required for the purpose was uncertain, but we might, at least in some of the cases, find ways in which we could do that.
- (e) Finally, I said we wanted to be as helpful as we could with respect to the whole matter but that our resources were limited. I hoped that they would take what I had said to be positive and constructive and realistic, rather than negative.

The Ministers were not surprised by my response although I am sure they had hoped for something more. They said that they would need, among themselves, to think further about the matter and would look forward to further discussions of how we might proceed with them in the near future.

In the meeting our delegation had with Mr. Inoue and his staff, we learnt that there had been an identical discussion with the ADB. Mr. Krishna Moorthi asked that I come to Manila from Jakarta to discuss, among other things, how the ADB and we could cooperate in this matter. I explained that because of other commitments, I would not be able to visit Manila prior to his departure for Washington, and we agreed we would discuss the matter while he was in Washington early in June. Unfortunately, in the several days when Mr. Krishna Moorthi was here, we were not able to fit our schedules together and this further discussion has not yet occurred.

cc: Messrs. Knapp  
Votaw ✓  
Kirmani  
Fuchs

BRBell:ea



Mr. McNamara

Meeting with Prime Minister Lee Kuan Yew of Singapore, October 6, 1977

Present: Mr. McNamara, Prime Minister Lee, and Messrs. Rajaratnam, Minister of Foreign Affairs, Goh Chole Tong, Senior Minister of State for Finance, Punch Coomaraswamy, Singapore Ambassador to U.S., and John Holdridge, U.S. Ambassador to Singapore

Prime Minister Lee expressed his concern over the fact that Singapore had recently been regraded by the IMF (together with Israel, Greece and Spain) because of its per capita income exceeding 1400 and 1600 SDRs in 1973 and 1974, respectively. The country is thereby excluded from the list of LDC recipients of the profits from the IMF gold sales. Pointing to Singapore's economic vulnerability, the Prime Minister said that the IMF's decision might set a precedent and lead to general premature removal of support which could endanger Singapore's free trade model of development. For example, as a result of the IMF's action, generalized Special Preferences might not be granted to Singapore's manufactured exports which in turn might lead to a withdrawal of private foreign investors. The country was still extremely dependent on expatriate manpower at top management levels. The Prime Minister emphasized that external support should only gradually be phased out over a period of about 10 years. Mr. McNamara argued that the IMF's reclassification of Singapore would turn out to be rather a benefit to the country because it reflected a recognition of the country's economic strength, resulting from wise management of scarce resources, and would lead to increased access to other sources of finance, namely, private investment funds and commercial bank lending. However, he agreed that the expansion of Singapore's exports might in the future be endangered by the general trend towards protectionism building up in the developed countries.

Mr. McNamara argued that the real danger for Singapore lies in a potentially unstable political situation, both internally and externally. The ASEAN group was presently strong but involved an area of potential instability. He therefore urged Singapore to increase its participation in international affairs, particularly through ASEAN but also by contributing a modest amount to IDA. Such an IDA contribution would be politically important for both Singapore and the Bank. The Bank could continue to assist Singapore through the financing of ASEAN projects and by providing technical assistance (e.g., on industrial development) for modest compensation. The planned ASEAN diesel plant at a cost of about US\$250 million could become a demonstration model of such Bank assistance to ASEAN. Other possibilities might be ASEAN fertilizer plants in Indonesia and Malaysia. In general, the Bank wanted to stimulate regional development efforts in different parts of the world.

The Prime Minister said that the demonstration effect of Singapore's successful model of development could be valuable to the Bank in its work with other LDCs. Mr. McNamara pointed out that Singapore had acquired considerable expertise in several sectors (e.g., urban transport planning, port development, low-cost housing) which should be made available to other LDCs.

After the meeting, Mr. McNamara met privately with Prime Minister Lee and it was agreed to strengthen cooperation between Singapore and the Bank by aiming at the establishment of a core of consultants in Singapore's areas of expertise (e.g., urban transport, low-cost public housing) which could be used by the Bank in its work in other countries, particularly Indonesia and Malaysia.

cc: Mr. Husain

CKW  
October 10, 1977

