

# Singapore's growth story: LEADERSHIP AND INNOVATION

The sixth president of the Republic of Singapore, **S.R. Nathan**, talks about leadership and innovation as the key foundation stones in Singapore's growth story in this interview with Rajendra Srivastava.



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**The Singapore you see today is very different from the harsh and difficult environment you grew up in. You witnessed the war and the Japanese Occupation. Looking back, what do you think are some of the key factors that worked for Singapore once it gained independence from Malaysia in 1965? What is it that saw the country truly 'take off'?**

When the British left, there was total uncertainty. One way to manage that uncertainty was to create your own destiny, and do the right things right.

When the British decided to grant the right to 'Internal Self Government' in 1959, there was great doubt as to how Singapore was going to manage. Unemployment was high, and no new jobs were being created to absorb the thousands coming out of school and into the employment market. Labour unrest was high and political agitation was becoming increasingly prominent.

How to create our own destiny by doing the right things right was the pre-occupation of the leadership.

In 1965, following Independence and our separation from Malaysia we faced many serious challenges, and Singapore was left plagued with doubts if it could survive. There was the loss of the hinterland, which Malaysia had retained, and we were also racked with financial issues and resources held in pound sterling that were plummeting in value. At that point, we could have either caved in, or 'thought positively'. Our leaders chose to do the latter, and a decision was made to prioritise Singapore's industrialisation. JTC, formerly known as the Jurong Town Corporation, was set up soon after to develop industrial sites beyond Jurong, which was our first industrial site. The Government also took over the shipyard in the naval bases left by the British and converted it to a government shipyard, which was later privatised. Likewise, the shipyard belonging to the Port Authority transformed the swampland of Jurong into our first thriving industrial estate.

Basically, society has to look forward. And Singapore believes in being forward-looking. In fact, we are always thinking of what to do next and there has been a continuous transition from an economy based on raw materials trade (rubber and tin), to higher value products such as palm oil, and then on to manufacturing, services, and now technology. Innovation has been a cornerstone of our growth, together with a disciplined societal leadership.

**Can you elaborate on the role leadership has played in developing Singapore? Why does 'thinking positively' seem to have worked in Singapore and not in most other places?**

In India, for example, as well as in some other nations, one day the British were in charge, and the next day they were in charge. Perhaps those who took over chose not to do anything

differently compared to the British. For instance, India handled its economic uncertainty differently. It chose to close itself off from uncertainty.

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Somehow our leaders in Singapore were more willing to take a path that was different. They realised early on about the reality of our political and economic circumstances that saw us without adequate means to feed three million people and a (shrinking) economy. I think it is very important to remember that leaders have got to do the right thing, given the circumstances, and prioritise what is important for society as well as realistically deliverable. They may be unpopular, they may not be good solutions, but they are things that need to be done and you have to be brave enough to see them through, taking the necessary risks and managing the transition.

We had as leaders a core group of men seized with a sense of mission, supported by able administrators who saw to it that there was collaboration across all sectors in the translation of policies into reality. They recognised that there was a need for the government to drive growth, especially as it was faced with limited capital and skills as well as a shrinking market. This was admittedly quite contrary to Western philosophy, which is usually opposed to government intervention in the economy, but Singapore did not have the luxury of adopting the free market mechanisms advanced by others, and had to push for

planned growth in its own way. We tried our best to learn from others, but ultimately decided to take approaches that were modified to suit our own circumstances, needs, and our limited resources and capabilities.

**What were some of the specific actions that Singapore's leaders took with regard to the external world in order to set up a platform for growth?**

There were many things we did. We recognised our dire circumstances, and focused on seriously addressing our economic problems—thinking about what we needed to do to overcome the problems it might generate in the long-term, should they remain unresolved.

We also took a pragmatic approach to our neighbours in the region. Take our relationship with Japan. At that time, there was a lot of turbulence in the region, and several countries wanted to extract their economic revenge against Japan. This was much like what Western Europe did to the Germans after World War I, when they made it so painful for Germany that it was almost impossible for the country to pay off all that it owed. Several people held that same sentiment here. However, our first prime minister, Lee Kuan Yew, stepped in and took steps to settle the issue. He reminded the people that no amount of money could ever resolve the pain that they had suffered. Through his efforts the matter was put to rest, with Japan agreeing to pay S\$50 million in compensation, half of which was a grant and the rest a loan. This was taken as both a gesture of atonement and as a gesture to put the past behind us. It helped make a new start for the Japanese and our own people to find a way to work together. This helped us build our economy with Japanese investments; and was in contrast to other countries that were still demanding reparations. Subsequently, as a result of the improved political relations, large companies

like Mitsubishi, Ishikawajima-Harima and Sumitomo began to step in and invest in Singapore's economy, as well as take part in our industrialisation effort.

And then, as I mentioned earlier, we also realised we had very little in the way of resources—with no hinterland, no agriculture and no minerals. We were just a small island, but nevertheless still a very important trade and maritime centre for the region. This was an asset we chose to build on. Clearly we had to find ways to attract financial capital. As there was limited human capital available, we had to be very open to bringing in people with skills while at the same time ensuring that we were also focused on developing our own people. Priority was accorded to education to meet the demands of an economy that was beginning to need trained manpower that went beyond schooling.

And we were always looking for ways to improve, or what I call 'learning how to learn'. We looked at what was successful in Asia and beyond. Initially we looked to Hong Kong and Taiwan for industries to absorb our unemployed. We then concentrated on investment promotions in Europe and the U.S.—always seeking to try and get ideas, but ultimately recognising that we had to focus on what we possessed in Singapore and decide for ourselves about how to best adapt or adopt their ideas.

### Could you elaborate on some of the internal policy innovations that took place?

With independence in 1965 and the permanent loss of our hinterland, the urgency to attract foreign direct investment became more than urgent. The pro-Communist labour organisations were still agitating and disrupting the industrial peace. Singapore faced a daunting challenge to get those supporting the governing party to tone down their militancy and opposition in order to attract the multi-national corporations that were prepared to

come and invest in Singapore, bringing with them capital, know-how, skills and markets.

Faced with such challenges from within, I remember the Prime Minister confronting some prominent leaders of the Labour Movement and saying that he had the moral duty to find jobs for the growing number of unemployed, and that was his priority—and not to protect those who already had jobs and wanted more benefits, at the expense of those without work. He reminded them that if he had to fight them, he would do so. However, if they appreciated our circumstances and helped the coming of the MNCs, he would ensure that their jobs were secure and that they would be assured of fair treatment and reasonable wage increases in line with national economic performance. Out of that debate sprang the seeds of tripartism and orderly annual wage increases as determined by the tripartite National Wages Council—which continues to this day.

To the credit of organised labour, it saw a way of co-operating, after holding its own 'Modernisation Seminar' to discuss and determine what it had to do in the circumstances.

With an improved labour relations climate, efforts were made to attract MNCs looking for production locations to consider Singapore as a venue for their operations. Singapore's policy of focusing on English in our schools and an emphasis on science and technology made us attractive as a source of workers for such investors. With MNCs entering, and the economic growth that came with oil explorations in Southeast Asia, our employment picked up and within two to three years, we had wiped out our unemployment.

At the same time and through the investment promotion efforts of our Economic Development Board (EDB), foreign investment in manufacturing and services was beginning to bear fruit.

Government efforts thus provided the

boost for various industries and services that are prominent in our economy today. DBS Bank, for example, came out of an EDB service to support investors with funding to facilitate their growth. Industries like ST Engineering, and other defence-related industries that are now prominent in the market, came out of industries established to support our defence effort and become self-reliant in critical areas of military application.

To ensure that we were perceived as business-friendly, we kept our tax structure very close to that of an economic free trade zone (Hong Kong is our closest competitor), but safeguarded this with strong regulations and policies to steer and guide the development, as well as phased out sunset sectors.

And all the while, we went out of our way to ensure that there was clear transparency in everything we did. Even today, for example, if you visit the Urban Redevelopment Authority (URA) office, you will find a three-dimensional model that shows what Singapore is going to look like ten years from now. The URA has clearly identified the regions that are going to be developed, and those that are going to be preserved. And when it comes to selling land, the government auctions every square metre of land in this country, ensuring that the opportunity to buy is transparent and open to competitive bidding on an equal basis. These are just a few examples of the innovations that took place.

### What do you think are some of the lessons that policy-makers, leaders and managers in other developing countries can learn from Singapore's journey?

To begin with, these countries need to recognise that being open to importing capital and human capital is not a negative. This is especially so for those without capital, skills and markets: there is no other

option than to import foreign capital that brings with it what one does not have. However, it is even more important to have a clean and arm's length dealing with such foreign capital, without placing oneself hostage through corrupt practices.

And pointing to colonialism and its exploitive side will also not solve today's problems. Nowadays, it is you who are in control. We need to understand that if people are coming into the country, seeking to invest, then it's a business transaction. They are here for no other reason than to earn an income, not to love us. In our experience, every time someone from the EDB went around the world seeking to attract investment, not just from the MNCs, but even from small entrepreneurs who were doing potentially exciting work, the emphasis was always on learning from them or partnering them in some form of joint economic endeavour.

The second point to remember is that government intervention can be a great positive. And in this context, I want to emphasise that there are no hand-outs. Citizens need to be given the fishing rod to fish, as opposed to soup lines.

The third element that we learnt very quickly in Singapore is how critical it is for us to develop our own human capital. And this is particularly important for countries with a large unskilled workforce that needs jobs—after all, what is the point of some having tertiary education, if the majority of our young people lack skills or a job-related education?

Finally, these countries must remember that for multinationals to come in and help you, you must offer them transparent opportunities to succeed. After all, they have a primary responsibility to their shareholders, not to your country. But above all, you must stand by your word, both written and unwritten.

This has a lot to do with setting in place a culture that pushes to develop your own people. I see a tendency in some developing

countries for its people to behave like crabs in a fisherman's basket. If one crab is trying to get out, the others will pull it back. They do not want to see the other succeed.

### To conclude, what would you like to see for Singapore, now that it has travelled from 'underdog to top dog'?

Perhaps humility. Are we humble enough to recognise that we still have weaknesses and faults despite our high per capita income and good quality of life? To recognise that not everything is hunky-dory on the island? Singapore is at a crossroads once again, and it must again use its strong leadership and innovation to navigate the changing currents. And I certainly hope that we continue to interact with the rest of the world, learning from them, seizing opportunities, surmounting constraints, and always staying ahead of emerging competition.

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