

Singapore  
April 14, 1967

Dear Homer:

Geographically, Singapore is as integral a part of the Malay Peninsula as New York City is a part of New York State. A flat island of 224 square miles (compared to 22 square miles for the island of Manhattan), it is a part of the same land mass, separated by the straits, not nearly so wide or deep as the Hudson River. To further the analogy, western Malaysia (the Malay Peninsula) is just about the size of the State of New York.

But, in any other than geographic terms, the separation of Singapore and Malaysia is far wider.

The beginning of this separation dates back to 1819 when Sir Stamford Raffles, impressed with the possibility of its great natural harbor (just 80 miles north of the equator) as a trading base to serve all of Asia and the east coast of India, moved into what had been largely uninhabited (except for a few Chinese fishermen), since the earlier villages had been destroyed by the Javanese in the fourteenth century, and founded the "City of Lions."

In 1867 the Straits Settlements were incorporated with Singapore as a Crown Colony (comparable to Hong Kong). The British gradually cleared away the semi-tropical forest (except for some twelve square miles that are preserved as a park) and built a great colonial city (expanded by thousands of Chinese immigrants) and settled down to a delightful colonial life, prospering on the tin and rubber trade and fortifying the island to the point that it was impregnable against attack from the sea.

But early in 1942 the Japanese marched down the Malay Peninsula and were able to fly, shoot and ultimately wade across the narrow straits and conquer the guns that pointed in the other direction. We are told that in the first week they killed thousands of young men of fighting age (17 to 40 years). In all, some 50,000 Singaporeans were murdered.

Upon the bombing of Hiroshima, the Japanese surrendered to the British, who again administered the government and continued to raise the living standard even as they planned independence. In 1946 the Straits Settlements were dissolved. Penang and Malacca were incorporated into the Malayan Union and Singapore became a separate Crown Colony. In 1959 it became self-governing. In 1963 it joined with its geographical parent, Malaya, and with it, Sarawak and Sabah became Malaysia.

But the non-geographic differences became increasingly obvious. The British were still present with their great naval and military base which provides one-quarter of Singapore's very substantial per capita income of \$450,\* itself a second distinguishing characteristic. Thirdly, Singapore is primarily (75 per cent) Chinese with perhaps eight per cent Malays -- in contrast with a more heavily Malay ancestry on the Peninsula. Fourthly, Singapore is primarily Buddhist, whereas Malay is primarily Muslim.

These differences led to unlike attitudes and aims. The Malaysian constitution frankly distinguished between citizens of different origin and gave preference to the Malays. This irked the Chinese population of Singapore. The Singaporeans claim that the Malaysian government was corrupt, its officials lazy, and that the public funds were spent for show rather than for useful service. On the other hand, the Malay government felt that the Singaporeans play too close to the communists. Thus, on August 9, 1965, Lee Kuan Yew, a Cambridge-educated lawyer, later communist trained, aggressive head of the People's Action Party, and head of Singapore's provincial government since 1953, pulled his country out of Malaysia to go it alone.

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\* According to John Scott, it is East Asia's most prosperous community.

This frightened our government, for we feared a communist takeover. Some of Lee's statements were not reassuring.

"We are non-communist. We like Mr. Nehru's attitude. We believe in working with communists as long as they play by the rules. If they begin to play in order to abolish the rules, then they must be suppressed. This is the situation in the Federation. But not here in Singapore. The suppression of the communist party here was unnecessary."

Lee, who at one time may have been a communist and initially felt that he could work with them, reacted to their pressure and, resentful of their attempt to dominate him, elected to pursue an independent and more central course.

This morning, when I asked our Ambassador Galbraith if he thought the Singapore economy could achieve viability alone, he replied, "It is viable," and apparently it is. Of course, it derives great income (though less direct employment) as a port, the fifth most active in the world. Not only Malaysian, but also Indonesian, rubber and tin pass through Singapore and the hands of the commercial firms established there.

Lee's economic advisors recognize, and he accepts, the fact that, without Malaysia's agricultural and industrial production, Singapore would be at a disadvantage. Unlike Sukarno and some other oriental rulers, Lee operates his government as a team and, having attracted good men, he listens to their advice and encourages them to carry out their recommendations -- with excellent results.

Singapore has a balanced budget. It has continued to maintain a pleasant arrangement with the British, who have recently stated their intention to keep their military base here as long as conditions continue as they are.

Lee's government has stimulated foreign investment by legislative encouragements:

1. Bank accounts of non-residents are taxed at only one-quarter of the rate on residents' accounts.
2. Interest paid on overseas loans for approved capital equipment is tax-exempt.
3. Export sales (if over 20 per cent of the total) are taxed at only one-tenth the regular rate (of 40 per cent).
4. Property taxes are substantially reduced for urban renewal and waived entirely during construction (six months plus one additional month for each story of the building).

The budget, taxes and prices have all been kept quite stable.

After the "confrontation" between Indonesia and Malaysia, which threatened Singapore with a tragic loss of all of Indonesia's rubber and tin shipments, such trade is now back to almost pre-confrontation levels. \*  
Indeed, the relationship between Singapore and Indonesia is now very satisfactory. With Indonesia desirous of having Singapore as the official trading base for traffic between Indonesia and Hong Kong, and with China and East

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\* Today's STRAITS TIMES reports that Indonesia and Malaysia will resume full diplomatic ties by the end of this month.

Europe, which find its political climate neutral, its activity is rising rapidly.

But Lee's interest in business is not to benefit his friends (his is by all odds the most honest in the Orient -- the slightest suspicion of corruption causes immediate dismissal). His purpose is to improve the lot of his people. They badly need income. Ten per cent are unemployed and, though he has family planning centers in every part of the island and is achieving a real reduction in births, young people (previously conceived) are entering the labor market at the rate of about 1,000 per week. Lee, anxious to provide them all with jobs, is strongly pushing to expand industry. A newly-built area, the Jurong Industrial Estate, has been developed about fifteen miles outside the city and already has a steel plant, a sugar refinery, a textile mill, Mobil's oil refinery, and a cement plant.

Labor rates run from about \$1 to \$2 (U. S.) per day (low by our standards, but above those in Taiwan and Korea), but Lee does not see this wage level as a deterrent to industry. His present disappointment is that the banks, which are used to self-liquidating commercial bills, have not been willing to provide the long-term loans which his economic advisors tell him are needed for industrial expansion.

The banks, mostly quite small (even though they may have a dozen or more branches), are quite liquid and have reasonable ratios of

loans to capital funds. They have been and are still regulated by the Central Bank of Malaysia which is soon to be superseded as the regulatory agency by the Accountant General of Singapore. It is likely that he in turn will delegate the supervision to a Commissioner of Banking, though as yet no such legislative provision has been introduced. Present regulations call for 20 per cent liquidity and a reserve requirement of 3-1/2 per cent. The prime rate is 7-1/2 per cent, but with other loans rising above 10 per cent, the average rate is around 9 per cent. The banks pay 5 per cent on time deposits and 3 per cent on savings -- a nice spread.

The government is deeply committed to public housing (over 70,000 units have been built) and to social welfare. Social services amount to \$275,000,000 (Malaysian dollars, or one-third of that in U. S. dollars) out of a budget of \$560,000,000. Schools have also been expanded, but attendance is not compulsory. Literacy is about 60 per cent.

That is enough economics.

If one came here directly from the United States, Singapore would be overwhelming, but the visitor who comes here from Hong Kong finds little that is bigger or more colorful.

Singapore, a city of more than 2,000,000, is literally teeming with people, at least 80 per cent of whom are Chinese. They -- and, when you speak of Chinese, you unconsciously include their business -- spill out over the sidewalks and onto the streets. People, food, charcoal braziers,

cooking pots, displays of shoes, a box of dark glasses, bicycles, children running back and forth, old men sitting in the sun, so crowd the walks that one has to move slowly just to avoid bumping into hundreds, or walk in the street where one is likely to be bumped into by hundreds of bicyclists and dozens of cars. Once you get off the more important streets, you are so pressed on all sides that it reminds you of coming out of a football stadium at the end of a game, except that here the people are going in many different directions or just standing still. Alone and unsure of directions (I manage to get lost for a little time each day), one can even experience a moment of uneasiness. Yet, though I experienced considerable scrutiny (I think it is my heavy felt hat on this tropical island), there was not one gesture of rudeness. Perhaps because they live every minute in a crowd, they have learned to avoid giving offense.

It is hot (about 98 today) and humid. The national costume for men is slacks and a short-sleeved shirt, but many of the Chinese wear only a pair of cotton shorts. Yet I have not been conscious of body odors, but that may be because of the over-riding stench of food -- food cooking all around you in the narrow open-front restaurants and on the sidewalks, old food rotting in the gutters or in the open garbage cans in the street. The odors, the crowds, the street-side shops, the disintegration of plaster walls (due to excess humidity), and the presence of numerous Indians along



with the Chinese reminded both Mrs. Freeman and me of our arrival in Calcutta four years ago.

Also like Calcutta or Hong Kong, Singapore has what John Scott referred to as "stodgy Victorian buildings and the fauna of the stubbornly vigorous British Colony, the careful lawns and clubs of a comfortable suburbia."

The hoards of people and the signs in Chinese are not unlike Hong Kong, but Singapore is not nearly so much of a tourist center. In the central area there are few new buildings and those only up to four or five floors. The traffic is more pedestrian and less hurried. It is closer to the equator -- and much further from home.

Singapore Harbor, with berths for 25 ocean vessels, is more significant than Hong Kong's, but you don't see it from the city (unless, as Horace Sutton suggests, you climb Mount Taber, "the local Alps -- a dizzying 350 feet above the sea.")

Singapore would like to become (as it claims it is) Hong Kong's equal as a shopping center, but it does not have the luxurious shops that cause the Westerner to believe that the gems are genuine or the gold is 18 carat. Its watches are Chinese rather than Japanese and, more important, it does not have the tourists.

Mrs. Freeman reports that Singapore's antique shops have many beautiful old porcelains, exquisite screens and lovely old sculptured

figures, but the United States will not allow any of this to be brought into our country unless it can be proved to have been outside of China since before the Korean war. The certificate of a shopkeeper is not satisfactory proof.

Mrs. Freeman found the Chinese market most fascinating, with thousands of items, most of them food, haggled over with great excitement. Chickens are sold live and carried out by the feet. Turtles are sold live, but, if the buyer doesn't want the entrails, they are killed and gutted on the spot.

Lodging and food are good. There is an Intercontinental hotel, "The Singapura," with a cabana-ringed pool, and a Hilton is being built next door. Most of the restaurants specialize in such delicacies as spiced squid, pigs' tripe and gizzard, fish heads in a bowl, stewed ducks' feet, and sea slugs with rice (which I can get along without), but at the Raffles Hotel I had a "Singapore Sling" and curried prawns which, washed down with a decent local beer, were much more satisfying than Mrs. Freeman's finger sandwiches.

We took a short drive through the country, past banana trees, palms (for palm oil) and pineapples. We saw a beautifully kept orchid farm and such flowers flourish in this high temperature and humidity.

There are some minor aggravations for the tourist. In Japan everything is expensive, but prices are fixed and there is little tipping. The Chinese are not so simple. All prices are subject to negotiation (and it's imperative to undertake this in advance), tipping is unavoidable and constant, but, with the Malaysian dollar worth only one-third of ours, generosity is not too painful.

As we leave Singapore (after less than 24 hours) for the 45-minute flight to Kuala Lumpur, we are grateful for the opportunity to have been here, but quite content to move on.

With very best regards,

A handwritten signature in cursive script, appearing to read "Sale".

