

# LEE KUAN YEW'S LESSONS FOR ARMENIA

*Monica Harutyunyan\*, Simon Saradzhyan\*\**

## *Introduction*

There is hardly a statesman left in the world who has not heard about Singapore's economic miracle, which began almost 50 years ago and continues to date. If there is a single person without whom Singapore's phenomenal transformation would not have been possible, that person is Lee Kuan Yew.

Lee's record of transforming Singapore has become the subject of dozens of books, but there is one recent book that stands out, written by U.S. statesmen Graham Allison and Robert D. Blackwill, with the help of Harvard University researcher Ali Wyne. Published in March 2013, *Lee Kuan Yew: The Grand Master's Insights on China, the United States, and the World* mostly focuses on China's rise. However, the book also represents a comprehensive collection of practical advice from the founding father of Singapore on how to build and run an effective public administration system that every statesman of any country would find useful.

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\*Consultant to the World Bank and graduate of Harvard University Kennedy School of Government.

\*\*Research fellow at Harvard University's Belfer Center for Science and International Affairs.

### ***Miracle of Singapore and Rise of China***

When Singapore first declared independence from Great Britain in 1963 and later from Malaysia in 1965, the newly-born state did not appear particularly promising. Located on 63 islands and populated by different ethnic groups, Singapore had a number of powerful neighbors. At the time of independence, Singapore had a GDP per capita of a mere \$500 per year. Yet, Singapore not only survived as an independent state, it also became one of the wealthiest nations in the world. Its GDP per capita increased by 24,500% between 1965 and 2011, reaching \$46,241 per year according to the World Bank. If measured in purchasing power parity terms, the Lion City now boasts the world's third highest income per capita.

The credit for transformation of Singapore's economy rightfully belongs to Lee Kuan Yew, who is among the founding fathers of independent Singapore and who served as its prime minister from 1959 to 1990. In his own words, Lee's greatest achievement is that "In one generation (1965 to 1990), we made it from third world to first. The next 20 years until 2010, Singapore acquired the poise and polish of a vibrant and lively city."

Dozens of nations including the United States and China have acknowledged Lee's wisdom and sought his expertise. He has acted as an advisor for a number of U.S. presidents, most recently Barack Obama. He has also advised Chinese leaders, including Deng Xiaoping and its current president Xi Jinping. So, it should come as no surprise that prominent U.S. scholars and former high-ranking officials, Graham Allison and Robert Blackwill, decided to pick Lee's brain on what is behind China's rise, and how the United States and the rest of the world should adjust to it.

“The Chinese have calculated that they need 30 to 40, maybe 50 years of peace and quiet to catch up, build up their system, and change it from the communist system to the market system. They must avoid the mistakes made by Germany and Japan,” Lee told the authors of the book. He added, “The Chinese leadership has learned that if you compete with America in armaments, you will lose. So, avoid it, keep your head down, and smile, for 40 or 50 years.” While becoming a world leader, China will neither join the club of Western nations - the way Japan did after World War II - nor will it become a democracy, according to Lee who has no love lost for liberal democracy. “China is not going to become a liberal democracy; if it did, it would collapse,” Lee is quoted in the book as saying.

Lee’s prediction of China’s continual rise is backed by research done by the International Monetary Fund and the U.S. National Intelligence Council, which are betting that China will overtake the United States economically in 2016 and 2030, respectively.

### *Lee’s Insights Relevant for Armenia*

Given certain economic and demographic similarities between Armenia and Singapore at the time of their independence<sup>1</sup>, we believe that Armenian policy makers may find Lee’s insights to be of practical use.

If Lee’s prediction of China’s rise to global leadership turns out to be true (and we believe it will), then Armenia should act now to build a special partnership with the world’s future leader. Such a partnership would increase both Armenia’s benefits from the rise of China and

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<sup>1</sup> At the time of independence both nations had a population of several million and a GDP per capita of less than \$400.

China's stake in the peaceful development of Armenia.<sup>1</sup> But China's path to global leadership is not without obstacles; one such obstacle is China's own culture and language, according to Lee. "Can the Chinese break free from their own culture? I do not know if China will be able to overcome the language barrier and the attendant difficulty in recruiting outside talent unless it makes English the dominant language, as Singapore has," Lee mused. "While I once advised a Chinese leader to make English the first language of China, clearly that is not realistic for such a great, confident country and culture. But it is a serious handicap," he continued.

While authors of this review would never propose that Armenia adopt English as first language, we do believe that universal and thorough knowledge of the English language, and preferably another lingua franca, would significantly improve the quality of human capital in Armenia, allowing its companies to become more competitive in the age of globalization. The authors of this article could not find any government data on the number of Armenians who speak English fluently, but we do know that as of 2012 Armenia had 2,249 English language teachers, 3,480 Russian language teachers, and 844 teachers of other foreign languages, such as French and German, in its 1,441 primary, secondary and high schools.<sup>2</sup>

Armenian remains the language of instruction in all public schools in Armenia; with only few private schools offering educational

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<sup>1</sup> For detailed recommendations on how Armenia should transform the relationship with China into a special partnership see Simon Saradzhyan, "Armenia and China—Case for a Special Partnership," Noravank, April 4, 2012, available at [http://noravank.am/eng/articles/detail.php?ELEMENT\\_ID=6385](http://noravank.am/eng/articles/detail.php?ELEMENT_ID=6385).

<sup>2</sup> Ministry of Education and Science of Armenia. "Statistical data on the secondary education in 2011-2012", p.51, available at [http://www.edu.am/DownloadFile/5668arm-2011-2012\\_hanrakrtutiun.pdf](http://www.edu.am/DownloadFile/5668arm-2011-2012_hanrakrtutiun.pdf)

instructions in English or other foreign languages. Only a few universities offer educational instructions in foreign languages. These include the Russian-Armenian (Slavonic) University, the American University of Armenia and the French University in Armenia. In comparison, Georgia adopted a policy of making English the second language in the country and made it mandatory in schools. The Georgian Ministry of Education has launched the “Teach and Learn with Georgia” program which seeks to place 10,000 native English-speakers in schools throughout the country by 2014.<sup>1</sup>

Even more important for a nation’s success is its ability to attract talent, according to Lee. The United States “will lose that gradually over 30, 40, 50 years unless you are able to keep on attracting talent, and that is the final contest, because the Chinese and other nations are going to adopt parts of what you have done to fit their circumstances, and they are also going around looking for talented people and building up their innovative, enterprising economies,” Lee predicts. Lee’s warning to the United States should also resonate strongly in Armenia, which has been bleeding talent for years. An estimated 700,000-1,300,000 people have emigrated from Armenia since 1991.<sup>2</sup> Although the volume of emigration has decreased in the past few years and the profile of migration changed from permanent to temporary or seasonal migration, this phenomenon remains to be a major concern. The majority of emigrants from Armenia are well educated and at the prime of their working abilities. About 60% of the male emigrants and 40% of the female emi-

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<sup>1</sup> Molly Corso, “Saakashvili Pledges to Create a Nation of English Speakers EurasiaNet, September 2010, available at <http://www.eurasianet.org/node/61895>

<sup>2</sup> “Migration Presents Challenges and Opportunities for Armenia, New Report Says,” UNDP, Yerevan, Armenia, May 12, 2010, available at <http://europeandcis.undp.org/news/show/87DF8BDD-F203-1EE9-B9C5C954A9A8E0D8>

grants have general secondary education; 15.5% of male emigrants and 21.6% of female emigrants have a higher level of education, and 15.5% of male emigrants and 18.1% of female emigrants have secondary vocational education. The average age of male emigrants and female emigrants is 36 and 31, respectively.<sup>1</sup>

Armenia will lose what Lee has termed the “final contest” with its neighbors if it does not stop the brain-drain and start attracting talent. We believe that the Armenian diaspora, which comprises an estimated total of up to 7-8 million, represents the greatest and most obvious pool of talent that Armenia should tap on. Armenia should develop a dedicated policy toward attracting talent from its diaspora, which includes scores of established and successful professionals.

However, we also think that Armenia should not limit itself to attracting diaspora Armenians only. If the language barrier is removed and incentives are put in place, then talent will flow to Armenia from all over the world. In our opinion, if the government of Armenia promoted the education of the English language to the same level of fluency that is commonly found in continental Europe, then it would help the country attract the badly needed talent. As Lee argues, “the English language makes it easy to attract foreign talent.”

Armenian leaders should also ponder adopting Lee’s following dictum as a motto in their effort to draw skilled workers from such countries: “My definition of a Singaporean...is that we accept that whoever joins us is part of us. We need talent, we accept them. That must be our defining attribute.”

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<sup>1</sup>“Armenia Extended Migration Profile,” Building Migration Partnerships, 2011, , available at [http://www.imap-migration.org/fileadmin/Editor/Profiles/PPTI/Armenia/Armenia\\_Extended\\_Migration\\_Profile\\_EN\\_FINAL.pdf](http://www.imap-migration.org/fileadmin/Editor/Profiles/PPTI/Armenia/Armenia_Extended_Migration_Profile_EN_FINAL.pdf)

We believe that in order to improve the quality of human capital in Armenia the government should expand programs, such as the Luys scholarship for Armenian students admitted to leading foreign institutions of higher learning, and complement them with creation of jobs, especially in the post-industrial sector of the economy.<sup>1</sup>

We also believe that Armenia should boost its effort to attract talent via the use of the Internet, as some of the greatest minds of the diaspora may not feel comfortable relocating to Armenia, but would be happy to contribute to the development of their homeland with the help of IT technologies; e.g. teaching online courses, or participating in research or consulting.

While luring and retaining the best brains is vital for a nation's development, it is also important to assimilate the immigrants, according to Lee. He bluntly warns that multiculturalism can “destroy” countries. “Nobody likes to lose his ethnic, cultural, religious, even linguistic identity. To exist as one state, you need to share certain attributes, have things in common. If you pressure-cook, you are in for problems,” Lee warns. While avoiding multiculturalism, a nation does need to adjust its culture to become more competitive. “Language and culture must both change to enable a people to solve new problems. I think this one is important, but not easy to tackle,” Lee notes in the book. He argues that there are three basic essentials for successful transformation of any society: “First, a determined leadership...two, an administration which is efficient; and three, social discipline.”

Lee believes that the effectiveness of a public administration system can be ensured through attraction of top talent that is adequately

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<sup>1</sup> According to data published by Luys Foundation current number of Luys scholarship recipients exceeds 250. Available at <http://www.luys.am/en/armenianworld/>.

compensated, whose performance is judged by merits of what they have achieved and who is subject to robust oversight.

“Unless we have a steady stream of high-quality people to serve as PM and ministers, Singapore as a little red dot will become a little black spot. We did not bring Singapore from the Third to the First World by head-hunting ministers willing to sacrifice their children’s future when undertaking a public service duty. We took a pragmatic course that does not require people of caliber to give up too much for the public good. We must not reduce Singapore to another ordinary country in the Third World by dodging the issue of competitive ministerial remuneration,” Lee is quoted in the book as saying.

The current wages in Armenia’s public sector can hardly be described as competitive. The average monthly salary in that sector is approximately USD 280 compared to approximately USD 420 in the private sector.<sup>1</sup> An Armenian minister is paid approximately USD 800 per month.<sup>2</sup>

However, paying competitive wages is just one of the elements needed to succeed in building a world-class state. Other elements include robust oversight and meritocracy, both of which are even more important for success than adequate material compensation.

According to Lee, “One of the reasons why a privileged society based on the privilege of property and rank must give way to a society where people are rewarded according to their ability and their contribution to society is that it is only when people are encouraged to give their best that society progresses.”

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<sup>1</sup> National Statistical Service of Armenia. “Socio-economic Situation in Armenia, January 3013”, Yerevan, 2013. [http://www.armstat.am/file/article/sv\\_01\\_13a\\_00.pdf](http://www.armstat.am/file/article/sv_01_13a_00.pdf)

<sup>2</sup> Law of the Republic of Armenia on Salaries of Key Positions in the Legislative, Executive and Judicial Bodies (adopted Dec. 2002).



Lee's recipe for success should resonate especially strong in Armenia, given similarities in challenges that he faced when setting out to transform Singapore and challenges that post-Communist Armenia is facing. "When I started, the question was how Singapore can make a living against neighbors who have more natural resources, human resources, and bigger space. We had to differentiate ourselves from them, or we would be finished. How did we differentiate ourselves from them? They are not clean systems; we run clean systems. Their rule of law is wonky; we stick to the law. Once we come to an agreement or make a decision, we stick to it. We become reliable and credible to investors. World-class infrastructure, world-class supporting staff, all educated in English. Good communications by air, by sea, by cable, by satellite, and now, over the Internet."

A comparison of how Armenia and its South Caucasus neighbors have fared against Singapore in the aforementioned categories is especially enlightening when we think about what the Armenian state needs to do in order to become successful in spite of being land-locked, smaller and poorer in natural resources than its neighbors.

In 2013, Armenia ranked 32<sup>nd</sup> in the world on ease of doing business as measured by the World Bank and International Financial Corporation. That represents a significant improvement compared to the 50<sup>th</sup> place that Armenia occupied in this rating in 2012. Georgia and Azerbaijan respectively ranked 9<sup>th</sup> and 67<sup>th</sup> while Singapore was Number 1 in 2013. Although Armenia significantly improved on the overall rating, it has not improved across all the areas measured, and continued to rank quite low in 2013 in such important areas as enforcing contracts (91), while Georgia ranked 30<sup>th</sup> on enforcing contracts and 38<sup>th</sup> on trading across border. Azerbaijan ranked 25<sup>th</sup> and 169<sup>th</sup>, respectively, in these criteria.

“There is a fundamental need for the rule of law. It ensures stability and predictability,” says Lee. Armenia’s observance of the rule of law is well below the world average according to the 2013 Index of Economic Freedom put together by the Heritage Foundation.

In that rating Armenia’s score on property rights was 30 while its score on freedom from corruption was 26 compared to the world average of above 40. In comparison, Georgia scored 45 on property rights and 41 on freedom of corruption. Azerbaijan scored 25 on property rights and 24 on freedom from corruption, while Singapore scored 90 and 92 in these categories.

Of the key drivers of national growth and competitiveness identified by Lee in the book, we believe the following four are of special relevance for Armenia: (1) standard of living, which depends on availability of resources, technological competence, educational standards and culture and discipline of workforce; (2) demographic growth driven not only by migration, but also by pro-creation; (3) quality of manpower; and (4) economy “driven by new knowledge, new discoveries in science and technology.”

Of these drivers, technology is especially important, in Lee’s eyes. “Technology and globalization have created a more level playing field. Because goods and services can be manufactured or produced anywhere, this has reduced the traditional competitive advantages of geographic location, climate, and natural resources. All countries can harness information technology and air transportation and join the global trading community in goods and services. Countries must ensure that their laws and institutions facilitate the global flow. There is a fundamental need for the rule of law. It ensures stability and predictability. Next, between participating countries, a congruence of laws and rules governing

trade and investment will develop. It eases economic activity by lowering transaction costs,” according to Lee.

If Lee is right that geography matters less and technologies more (and we believe he is), then these trends represent a greater chance for land-locked nations like Armenia to succeed, but pursuit of new technologies requires lifelong education of the population. “The key to innovation and technology is people. Our education system is being revamped to nurture innovation and creativity, from kindergarten to university, and to lifelong learning,” Lee told the book’s authors.

It should be noted that during his 2009 visit to Armenia, Lee said that Singapore’s experience shows that at the base of efficient development is high quality education for which all necessary conditions should be created, providing the young people with the opportunity to study abroad.

“This is now an age when you will not have military contests between great nations because you will destroy each other, but you will have economic and technological contests between the great powers,” according to Lee. Among the new technologies that nations need to excel, the use of the Internet is the most important, he says. “Internet... is technology, the human conquest of nature that has changed the world forever. People must stay abreast of the state-of-the-art technology, but must never lose their core values. Science and technology are decisive in determining future progress,” Lee is quoted in the book as saying. Again as Armenian business leaders think of how to develop a land-locked, semi-blockaded country, they should pay attention to models that emphasize use of Internet to minimize transportation costs and maximize added value, in our opinion.

### ***Discipline of People and Quality of Leaders***

Of course, charting pathways toward success is much easier than actually walking the road, especially for a country that faces serious external and internal challenges, including being located in a turbulent neighborhood and semi-surrounded by hostile neighbors, one of which is actively preparing to wage a war. Nonetheless, we believe that Armenians can walk that road if they display the will and faith that have allowed them to survive centuries of existential struggle against all the odds. As Lee asserts in his book: “A nation is great not by its size alone. It is the will, the cohesion, the stamina, the discipline of its people, and the quality of their leaders which ensure it an honorable place in history.” We could not agree more.

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