

In Common Cause: Two Retrospectives

My 17 Years with Jurong Shipyards

By Kiyohiko Sakurai



I joined Ishikawajima-Harima Heavy Industries Co. (IHI) in October 1945. IHI founded the Jurong Shipyard Ltd. (JSL) in April 1963 as a joint venture with the government of Singapore. Initially capitalized at S\$9.5 million, JSL started out as a ship repair operation, with myself as managing director. IHI had an equity share of 51% and the Singapore government 49%.

JSL has faced many crises. Right after its founding there was an outcry over the acts perpetrated by the Japanese Army during World War II. An oil crunch hit the industry in 1973-1974, followed by another in 1978. There was even rioting between Chinese and Malays, culminating in a curfew.

JSL, however, persevered. Today it is a powerful enterprise, capitalized at S\$95 million and with a workforce of 1,700. In addition to ship repair, it builds its own ships and remodels old ones. Equipped with 90,000-deadweight ton (dwt) and 300,000-dwt repair docks, one 200,000-dwt building dock, one 6,500-dwt building slip, a hull shop, an outfit shop and a machine shop, JSL has boosted its annual sales to S\$130 million.

Returning to Japan in 1980, I have since served as president and adviser to Ishikawajima Ship and Chemical Plant Co., adviser to the Japan Productivity Center and chief adviser to the Productivity Development Project in Singapore. But of all my many duties, few have been as absorbing as my 14 years as managing director of JSL.

The Singapore government first proposed founding JSL in 1962 when Dr. Goh Keng Swee, then Singapore's Minister of Finance, attended a general meeting of the U.N. Economic Commission for Asia and the Far East (ECAFE) in Tokyo. Singapore asked IHI for tech-

nological cooperation in its project to industrialize the Jurong area and foster shipbuilding as the country's key industry.

Intrigued by the overture, IHI directed me to lead a survey mission to Singapore. Based on our favorable report, IHI began negotiating the details of a joint venture, and a year later the company was founded. Construction work commenced in 1964, and the Jurong yard went on full stream in 1965.

IHI considered JSL its next important overseas project following the construction of a shipyard in Brazil begun in 1959. President Toshiwo Doko, Vice President Renzo Taguchi and Managing Director Hisashi Shinto took the lead in propelling the project. On the Singaporean side, the Economic Development Board (EDB) acted as the joint project partner, and upon its founding JSL obtained a long-term loan matching its capital from EDB.

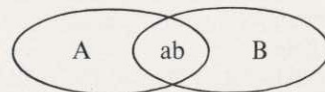
Construction started with a fire, not accidental, but set deliberately to clear away the jungle at the shipyard site. Phase 1 work by Kajima Corp. took 18 months, during which time a 1,700-ton floating dock from Japan was used for ship repair. In this way local employees were able to get on-the-job training, and be paid for it, too. What counts in ship repair is not theory but experience. Workers can master techniques only by using them on the job.

JSL was able to overcome local distrust of Japan dating from the war because the Singapore government held the technological and managerial capabilities of the Japanese shipbuilding industry in such high esteem. In 1968, five years after its inauguration, JSL was able to write off all its accumulated debts and started paying dividends.

The pullout of British troops from Singapore in May 1968 paved the way for

another milestone in the country's shipbuilding history. It was to cope with the resultant structural and qualitative changes in Singapore's economy that a three-way venture was formed between the Singapore government, IHI and JSL for full-fledged ship construction. The new company, Jurong Shipbuilders Private Ltd. (JSBL), built a 200,000-dwt dock in December 1968 for large oceangoing vessels and sent workers to Japan for training at IHI shipyards. Eventually, in July 1976, JSBL was merged with JSL to operate as the latter's shipbuilding division.

What impressed me most during my 17 years with JSL was how infrequently the interests of investing parties in a joint venture mesh vis-à-vis economic activity. In government-level ventures, in particular, there are bound to be differences over policy implementation. The fact is that the parties involved tend to gravitate in different directions. In a nutshell, joint ventures work well only when all parties have common interests. Conceptually, this relationship can be illustrated like this:



If A and B are the areas of interest of each party, there is actually very little overlap. Only in "ab" do their interests converge. It is here where a joint venture can function to both A's and B's mutual satisfaction. In my view, the responsibility of the officers and managers named by A and B is to place themselves in zone "ab" and to work to enlarge the interests in that region. The more "ab" expands as a result of their efforts, the less the incompatibility and the more zone "ab" contributes to both parties.

When common interests exist, there can be economic cooperation in the rational sense of the term. I firmly believe that in dealing with the problems they face, Japan, ASEAN and other developing countries should remain dispassionate and rational if they are to succeed in deepening their cooperative ties. ●

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