

1957 NEW YEAR MESSAGE - BY LEE KUAN YEW

1956 was a relatively prosperous year for Malaya. Business was good. Traders and Businesses made good profits. With the Suez crisis intermittently more and then less acute and finally breaking out into Anglo-French-Israeli invasion and war, rubber and tin boomed. It seems to be the fate of Malaya, dependent on rubber and tin, to "boom" every time there is a threat or danger of world war.

Workers, too had a relatively good year. With organised and militant unions they gained wage increases and improved conditions of employment. This trend which began with the elections in 1955 continued in 1956. But in Singapore, the Government's purge of "subversive" elements in the trade unions has caused a temporary set back. But less temporary a set back in the workers' fight for a higher standard of living has been the rise in the cost of living towards the end of the year.

The Federation Government became quite alarmed and threatened the traders with price control. The traders say it is the Suez canal war and the blockage of the canal which has caused the increase in freight and in prices. Some quarters say it is the tax increases on consumer goods which has caused the increase. Still other quarters say the traders are profiteering. The truth probably is that all three reasons have contributed to the increase in the cost of living.

But whatever the reasons, the workers have suffered a fall in their real wages. The same money they earn will buy less of the goods they need because the prices have gone up. And there are no signs yet that 1957 will see this trend reversed.

But the 1957 business prospects for many employers is also not so good. Although the Federation and Singapore budgets for 1957 passed in November 1956 were very kind to limited companies and employers generally, by leaving income tax on companies and personal incomes still low, yet some manufacturers in Singapore have been adversely affected by the Federation tariff on many commodities, like soap, biscuits etc., manufactured in Singapore. The situation created by this move of the Federation Government, brings home the lesson that the two territories are economically and should be politically one. Any move that will separate the two territories politically will separate them economically. In the short term, of course, it will be Singapore, that will suffer from the sort of narrow "nationalist" policy of the Federation which treats Singapore as if it were a foreign country. Industries or trades badly affected by the Federation's tariff policies will move from Singapore to the Federation. Those which cannot move will just suffer in Singapore, probably even close down. But the workers are not so mobile as the employers. Some may move to the Federation as the industries and businesses move to the mainland. But the majority of workers have families and homes in Singapore and it is not so easy to

find not only a job, but a house along with the job, a house to which they can bring their families.

If we only think of the stupidity of humans in organising human beings in society, we can get quite angry. Temporarily a selfish "nationalist" policy will harm Singapore and probably bring some good to the Federation by making industries move to, or start in the Federation. But in the long run, the Federation will be even more hurt by this. It may mean in the immediate phase, more unemployment in Singapore and consequently greater social and political unrest. But in the ultimate phase, an economically unsound Singapore with its 1,200,000 population is an immense political liability for the Federation. For the one mile causeway cannot prevent the economic, and political discontent from infecting the Federation more seriously than an "subversion" that the Communists can think of.

But this is a long term problem. With the present political climate in the Federation, merger of the two territories into one greater Malaya may take a few years. The problem fundamentally is how the predominantly Chinese Singapore can convince the predominantly Malay Federation that the Chinese are loyal Malays not loyal Chinese, that they can and will work and co-operate with the Malays for the benefit of all, and not, to exploit and dominate the less commercial -minded Malays.

The immediate problem for 1957 is, how Malaya is to avoid having to bear a part of Britain's impending economic crisis. Already both the Federation and Singapore Governments have passed legislation to introduce petrol rationing. This is the immediate and visible effect of Britain's disastrous armed invasion of Egypt. Her oil supplies have drastically dropped with the Suez Canal blocked, and the oil pipe line and pumps in Syria blown up. So we in Malaya as part of Britain's empire must cut our oil consumption although our oil comes primarily from Indonesia and Borneo not from the Middle East. But more serious economic consequences are to follow. The increase in freight charges because of the long Cape route will no doubt make goods from Europe more expensive. But it is more serious than just this.

Our Malayan \$ Dollar is tied and fixed to the English £ sterling. Britain's financial condition is serious. Already there is talk of unemployment in Britain and the devaluation of the £ sterling. This means devaluation of the Malayan \$ dollar as against non-sterling currencies, unless we can, with our Malayan earnings of U.S.\$ dollars break from the pre-war fixed rate of the Malayan \$ dollars to the £ sterling. If we don't do this, then all our imports will cost more while all our exports of rubber and tin will bring in less in foreign currency. If this happens our cost of living will rise even more and our earnings of foreign currency to pay for our imports will fall.

The whole of Malaya, employers and workers, will be worse off, and all because of Britain's folly in the Middle East.

With our march to political independence we must this year turn our thoughts to economic independence, or Merdeka will not bring us the economic benefits we all want. Indonesia was politically free by 1949, but economically she was still controlled by the Dutch through Dutch control of her economy through Dutch-owned plantations and factories, Dutch control of her banking, insurance and other commercial institutions. Last year the Indonesians burdened and exasperated by Dutch economic exploitation repudiated the "debts" which the Dutch forced on them as the price of independence. But even this will not completely solve Indonesia's economic difficulties.

Let us take a lesson from Indonesia's experience of Western colonialism and economic exploitation, which continued even after Merdeka. Let Malayan politicians who are giving away millions of dollars to British civil servants to quit their jobs in Malaya remember that it is the people's money they are giving away. The people have not elected them to squander the nation's wealth. It is their first job after winning political freedom to secure economic freedom, to conserve and increase the wealth of Malaya, produced by the country's natural resources and the people's labour, for the people Malaya, with the prospect of political independence in

the Federation this August and internal self-government in Singapore at the next Merdeka conference, our attention must be more closely focussed on our economic problems. For with Merdeka, we must see that the country's labour and natural resources will bear more economic fruits than ever before. And we must so order our society that these fruits are distributed for the benefits and enjoyment of all our people, not for any privileged exploiting group be they foreign or local. Then only will Merdeka have its full meaning for all the people of Malaya.

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