THE PRIME MINISTER'S 1974 NEW YEAR'S DAY MESSAGE

I wish everybody well for the New Year.

However, nobody knows what will happen over the Arab oil embargo. Perhaps it may be lifted, after another few weeks, as progress is made in the peace talks in Geneva. On the other hand, if no substantial progress is made, further oil cuts may be re-imposed.

Amidst this uncertainty, two factors are certain. First, the price of oil has gone up about threefold since October 1973. This increase in oil price is expected to put up price levels of other goods by about 2%. Second, for several months of 1974, oil production will be down to between 85%-87% of levels for September 1973. This shortage of oil means that industrial production may be lower in 1974 than in 1973, unless people can save energy through domestic economies for industrial production.

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In the industrial countries of Western Europe and America, for a 3%-4% economic growth, the consumption of oil goes up by about 10%. And it will be some time after the embargo is lifted before oil production goes up 10% over 1973 production. And when it does, there will be enormous problems of balance

of payments deficits for the oil importing countries. The whole international monetary system will be put to severe strains as the world adjusts to high oil prices. An era of relatively cheap oil for industrialisation has come to an end.

Those countries with oil, or alternative energy sources, like coal or hydro-electric power, will enjoy a decided economic advantage over countries without such resources. This advantage will last till the 1980's until new sources of energy are discovered, or present energy technology, like nuclear power, is perfected.

Singapore has neither oil nor coal. Nor does she produce commodities which can take advantage of dearer petro-chemicals. This is why we cannot afford to go soft. We have to depend on our organisational ability, our skills, our competitiveness. Preliminary figures show that we have done well for 1973, comfortably over 10% growth in our G.D.P. over 1972. But for 1974, we must wait to know when the oil embargo will be lifted. Meanwhile, we must cut down domestic use of energy to keep our industries going. And let us not forget that, every few months, several new factories are ready to start production and need additional energy.

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There is one item of good news. The food shortage of 1973 seems over, as good harvests are reported everywhere. If the oil embargo does not continue too long to cut down the production of fertilisers, then good harvests are also possible in 1974, and food prices will keep going down. But they may never go back to what they were in 1972, before the world-wide food shortages. This is because most of the major industrial countries of the world have been inflating, i.e., issuing more paper money than making the goods or producing the services which the paper money can buy, in order to generate full employment for political reasons. Although we have not issued money without foreign exchange backing, we have been caught by the inflow of more foreign exchange, and by the higher prices of imported foodstuff and machinery.

However, we have always earned our keep and paid for our needs. The world will continue to need the goods we produce and the services we render. Our wages will go up if productivity goes up. This principle holds true whatever the uncertainties of 1974.

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