

SIN CHEW JIT POH Commentaries I

Economics and Current Affairs

Volume I

by

Professor Lim Chong Yah

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ECONOMICS AND CURRENT AFFAIRS

经济与时事

第一集

by

Professor Lim Chong Yah

林崇椰教授

星洲日報

SIN CHEW JIT POH

经济与时事

ECONOMICS AND CURRENT AFFAIRS

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FOREWORD

I hope this collection of my short essays, originally published weekly in the Sin Chew Jit Poh Sunday Edition, will serve a useful purpose.

The essays are published here in English and in Chinese in one volume. They are thus made available by the publishers to the English educated, the Chinese educated and those who are bilingual in both.

I hope one day they can be translated and published in Malay as well.

LIM CHONG-YAH

**University of Singapore
Bukit Timah Joint Campus
25th October 1978**

前言

本书所收集的是我每星期日在星洲日报「经济与时事」专栏写的短文。我希望这本集子对读者会有用处。

这些文章系以华英两种语文同时刊出，因此，可供英文源流和华文源流学生或通晓两种语文者阅读。

我谨希望有一天，这些文章也能译成马来文而加以刊行。

林崇椰

一九七八年十月廿五日
于星大联合校园

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IS JAPAN ON THE ROAD TO FULL-SCALE RE- ARMAMENT?*

Recently the Japanese military commander-in-chief was sacked for his hawkish public ultarances. He is, however, not the only Japanese hawk around. There are an increasing number of them in Japan today both inside and outside the Japanese self-defence armed forces. The hitherto pacifist mood in Japan has changed and is likely to gain momentum.

Why is it that there are an increasing number of Japanese who have become militant, who want their country to build up her defence capability? The answer lies in what appears to many Japanese as the decline in American military power in the Far East. Added to this is what many of them regard as the increasing military might of the Soviet Union.

The Americans lost the war in Vietnam. They withdrew their military forces from Thailand. They would like to withdraw militarily from South Korea. They have increased their diplomatic contacts with the People's Republic of China, putting Taiwan, their staunch ally and supporter, in a quandary.

To many Japanese, the Korean Peninsula is like a dagger pointing at Japan. If South Korea falls, then the military threat to Japan becomes real and too serious. Some Japanese have thus advocated more military preparedness as a precautionary measure.

* Published on August 6, 1978.

The fear of Russia and her military might is also real. Some Japanese professors told me recently that, should Japan sign the peace treaty with China with the anti-hegemony clause, the Russians might even occupy Hokkaido. The Japanese could do nothing about it if that happens. They are completely helpless militarily.

Other Japanese experts have pointed to Russia's massive military built-up in the Far East. One Japanese economist claimed that the Russians would soon be spending 25 to 30% of their GNP on military expenditure from the present level of 20%, whereas Japan has been maintaining a constant 1% of GNP in defence for the last 23 years.

Japan has been able to rebuild their ravaged economy most miraculously after the War. Today, she is almost equal to the Soviet Union in terms of GNP. In one or two years time, she will no doubt clearly exceed the Soviet Union economically. Japan will very soon have the second largest economy in the world. Her technology and organization are not only by far the most advanced in Asia, she also surpasses those of most advanced Western industrial societies. Indeed, in terms of GNP, in 1950 Japan constituted only 4% of the US GNP, in 1960 this went up to 8%, in 1977 it increased to 45%, and by 1990 it would reach 60% of the GNP of the USA. If both countries grow at the rates they have been growing in the past ten years or so, Japan might even one day have a GNP as large as that of the USA.

Why should such an economic giant be so helpless in protecting herself? Why must she continue to depend only on a what seems to some Japanese an uncertain U.S. for protection militarily? If Germany, after two Wars, had to re-arm again, why not Japan? Indeed, Japan can easily arm herself to the teeth with the most modern of weapons within six months to two years. The problem not to re-arm is purely political, not economic or technological. A giant economy,

based on an advanced technology and organization, can be easily converted into a giant defence system.

In my view, the question currently facing Japan is not whether to spend more or not to spend more on defence. Without doubt, she will spend more. She will spend much more with nuclear deterrent if circumstances compel her to do so. By the next century, if not even by the 1990's or even 1980's, we in Southeast Asia, whether we like it or not, will have to live with a new Asian military giant. Japan will no longer be content to remain as an economic giant only. I only hope and pray that events will prove me wrong. If events prove me right, may I hope and pray that a fully armed Japan will help to tilt the military balance in the Asia-Pacific region in favour of peace. Whatever it is, and for better or for worse, 1990's if not 1980's will witness the dawning of a new era in the Asia-Pacific region with Japan assuming a much more important military role and posture.



A rocket unit of the Ground Self-Defense Force of Japan parades before the reviewing stand during the annual military review held at Camp Asaka in Saitama Prefecture on Oct. 29, 1978. (PANA PHOTO)

日本自卫队的地面火箭部队参加常年军事检阅仪式（泛亚社照片）

鹰派人物日益增加

日本正在重整军备？

日本自卫队参谋总长最近因为在公共场合摆出鹰派姿态而被撤职，但他并非是日本国内唯一的鹰派人物。今天，日本自卫队内外的鹰派人物，数目正日益增加。日本向来所弥漫的那种和平情绪正在改变，而且日益加速。

为什么有越来越多的日本人成为鹰派，希望他们的国家建立起本身的国防力量呢？许多日本人认为原因在于美国在远东的军事力量已经削减。另一方面，苏联的军事力量又日益壮大。

美国在越南打了败仗，它从泰国撤军，并也打算从韩国撤军。美国人也增加和中国的外交联系，使它的忠实盟国及支持者——台湾——陷于窘境。

对许多日本人来说，朝鲜半岛就象一柄指向日本的匕首，如果韩国陷落，那对日本的军事威胁就成事实，而且非常严重。因此，有些日本人倡议在军事上有更充份的准备，作为预防之计。

对苏联及其军事力量的恐惧也是确实的。最近日本一些教授告诉我说：如果日本和中国签了那份附有反霸权条文的和平条约，则苏联人甚至可能占领北海道。如果事实真的如此，日本人也无可奈何。在军事上，他们是毫无反抗的余地。

日本的其他专家也指出苏联正在远东地区大事建军。日本一名经济学家认为：苏联目前的军事开支，约占其国民总生产值的廿巴仙，但不久将增加到廿五至卅巴仙；而另一方面，日本在过去廿三年来，国防开支一直保持在国民总生产值的一巴仙。

日本在战后几乎是奇迹地重新建设起它的经济。今天，它的国民总生产值几乎与苏联相等。在一两年内，日本必然会在经济

上超越苏联，成为世界上第二经济强国。目前，它的工艺技术和经济组织不但在亚洲是最先进的，甚至超越了西方最先进的工业社会。

以国民总生产值来说，在一九五〇年，日本只是美国的四巴仙，到一九六〇年增加到八巴仙。在一九七七年，更增加到四十五巴仙。到了一九九〇年，它将会再增加到六十巴仙。如果美日两国各保持它们在过去十年的经济增长率，那日本的国民总生产值，可能有朝一日与美国相等。

为何这样一个经济巨人却不能保护自己呢？为何它必须继续依赖美国的军事保护？而有些日本人认为美国是不可靠的。如果西德在两次世界大战后，都能重整军备，为何日本不能呢？事实上，日本可轻易地在半年到两年内，使自己拥有最现代化的武器。不重整军备的问题，纯粹是政治问题，不是经济或技术上的问题。建立在先进工艺技术和经济组织的庞大经济体系，是可以很容易地就转变为一个强大的国防系统。

我认为：日本目前的问题，不在于是否应有较多的国防开支。无疑地，日本会在国防上花更多钱在建立核子阻吓力量。到了下一世纪，或甚至在一九九〇年代或一九八〇年代，在东南亚的我们，不论喜欢与否，都必须面对一个新的亚洲军事强国，那时日本将不再满足于只是个经济巨人而已。我祈望事情的发展能证明我的预测是错的。如果是对的话，那我祈望全面整军的日本能为了和平，使亚洲——太平洋地区的军事均衡局势改变。不论以后的发展如何，是好还是坏，到了一九九〇年代（如果不是一九八〇年代），我们将可见到亚太地区进入一个新纪元。那时，日本将扮演一个更为重要的军事角色和姿态。

（编者按：林崇椰教授的言论，是以经济学家的身份发表，并不代表任何大学或有关机构。）

一九七八年八月六日

WILL THERE BE ANOTHER INTERNATIONAL OIL CRISIS? *

In January 1974 the price of crude petroleum was increased by four times. Most economies, developed as well as developing, found it very difficult to deal with this shock, this oil crisis. Most countries in that year registered a very low or even a negative real growth rate. For example, West Germany had a real growth rate of 1%, Great Britain — ½%, the United States — 1¼% and Japan — 3¼%. These countries also experienced very high inflation rates. Japan, for example, had an inflation rate of 24.4% in that year.

We in Singapore too had a tough time. True, our real GDP in that year could still grow by 6.8%, but that was by far the lowest growth rate we had since Independence in 1965. Taiwan, which before the oil crisis, like Singapore, had a double digit real growth rate, fared much worse in that year, showing a real growth rate of 0.6% only. Other than slowing down GDP growth rate, the more serious contributory impact of the oil crisis in Singapore took the form of an astronomical and unprecedented increase in the consumer price index of 22.3% in 1974 alone.

The shock of the 1974 oil crisis is now almost over, at least to most countries. They have more or less made the painful adjustment. However, is another oil crisis imminent? Will there be a substantial oil price increase in the foreseeable future? The answer depends very much on the collective

** Published on August 13, 1978.*

stand of the Organization of Oil Exporting Countries (OPEC), the price setter. As it is, OPEC is most unhappy about the present oil price level. There are two main reasons for this unhappiness.

One is that since January 1974 OPEC has only increased oil price twice, once in October 1975 by 10% and another in December 1976 also by 10%. But according to the Department of Economics of OPEC, the prices of OPEC imports of goods from developed countries since January 1974 to the end of 1977 have gone up by as high as 200%! OPEC thus often speaks about the need for price indexation, that is, to increase the price of their oil exports by the extent of the rise in the prices of imports of goods from developed countries. If OPEC does this and could do this, then we would have another serious oil crisis at hand, though of a lesser magnitude than that of January 1974.

Another area of unhappiness of OPEC is that their oil is valued and sold in US dollars. But US dollars have fallen drastically in value in terms of other currencies, such as the Japanese yen, the German mark, the Swiss franc, the French franc and even the British pound. OPEC countries buy the bulk of their goods from non-US sources and they have to pay much more for them. Moreover, their gigantic accumulated US dollar holdings have been greatly devalued. This comes to about 40% since January 1974. What can OPEC do about it? Can they designate their oil price in Japanese yen, in German mark or in Special Drawing Rights (SDRs)? But these are not widely accepted international currencies. Many of us still carry with us US dollars or US travellers' cheques, though knowing that their value has been falling.

Whatever it is, the best way out for OPEC is to raise the price of oil even in terms of US currency. But why don't they do it? Indeed, many OPEC countries such as Venezuela and Algeria are in favour of raising prices. And do not forget

that petroleum is an exhaustible asset; once it is removed, it cannot be replaced.

The main reason why OPEC does not want to raise the price of oil is that at this moment there is a glut of oil in the market. At the prevailing price, the supply of crude petroleum exceeds the demand. This excess is about 11 million barrels per day. This excess production capacity works out to about 2½ months of current world production. Under such a circumstance, it is very difficult to raise the price of oil. Moreover, because of the glut in the market, some countries like Saudi Arabia, which is the largest oil producer in OPEC, are not in favour of an oil price increase.

Incidentally, in Singapore, our oil companies buy their oil from OPEC countries in US dollars and sell to us the consumers in Singapore in Singapore dollars. Since US dollars have fallen so much in value vis-a-vis Singapore dollars, is there a case for a cut in petroleum prices in Singapore in Singapore dollars?

However, coming back to OPEC, and if OPEC decides to cut output and can ensure that every member cuts output to the extent that it wants, then the price of oil in US dollars can still go up significantly. But OPEC, as it is structured is not an organisation that has the power to oversee the cutting of output in each of its member country. It is not a classic cartel. Most of the poorer OPEC countries simply cannot afford to and therefore do not wish to cut output. They want Saudi Arabia to do it.

Moreover, once the price of oil is too high, many members of OPEC fear that there will be much more serious attempts to use more widely other sources of energy supply such as coal, natural gas, shale oil, solar energy and nuclear energy.

In the foreseeable future, therefore, if there is going to be any oil price increase, it is likely to be moderate. Almost for sure there will be no oil price increase by OPEC for the rest of this year. For 1979, if there is any increase at all, it is likely to be moderate, say 5 to 7%. However, if for various reasons, such as the outbreak of a full-scale Middle East War resulting in another oil embargo on nations allied to Israel, the price of oil could still go up. How much it would go up depends on to what extent OPEC members, particularly Arab members, are prepared to cut down production and export and for how long.

Lastly, although there has been oil price stability of late and in the foreseeable future, this does not mean that the breathing space for us in Singapore should be wasted. There is always the need for conserving energy. This is particularly important for a nation so dependent on oil and on oil import as we are. There is always a need to prepare for a rainy day.



Saudi Arabia's Sheik Ahmed Zaki Yamani, centre, surrounded by his country's delegation, seen at the opening ceremony of OPEC's 52nd meeting in Abu Dhabi, Saturday, December 16th, 1978. (AP)

石油输出国机构于去年十二月间开会之情形。中为沙地阿拉伯石油部长耶曼尼。(美联社照片)