

Minister's pledge to chamber: We won't fritter away our reserves . . .

SINGAPORE, Thurs. —
The Singapore Government will continue to manage the Republic's economy in a sound and efficient manner to ensure that the reserves of its new Currency Board as well as its official reserves are not frittered away.

This assurance was given today by the Minister of Finance, Mr. Lim Kim San, in a message to the annual meeting of the Singapore International Chamber of Commerce.

Mr. Lim mentioned two points to indicate the "sound basis" on which the new Singapore dollar would start.

UNDER the new Currency Board system, there was no room for the Government, faced with a Budget deficit to borrow from the Board, as no fiduciary issue whatsoever was permitted.

DESPITE the Republic's unfavourable balance of trade its official foreign exchange reserves had been increasing year by year.

Strict

Speaking of the Currency Board system, Mr. Lim said:

"This strict system will in our estimation, establish a Singapore dollar that will enjoy the confidence of people both in and outside Singapore.

"In a trading and open economy like Singapore's it is imperative that our money remains convertible and stable."

The fact that Singapore suffered from an unfavourable balance of trade had at times been cited as a sign that it would find difficulty in maintaining the value and stability of its currency.

Mr. Lim said: "Singapore, as an entrepot, must naturally expect to have an adverse trade balance, which in itself will not contribute towards an unstable currency.

"It is really the overall balance of payments position that is important.

"Many countries — for instance, Denmark, Japan and Switzerland — have unfavourable balances of trade. This has not affected their currency.

Invisible

"Singapore's unfavourable balance of trade is compensated by a favourable invisible balance. Our invisible earnings come from tourism, the entrepot trade, spending of the British Armed Forces, and services and facilities which Singapore as a focal point in South-East Asia has been able to provide."

"Despite our unfavourable balances of trade, Singapore's official foreign exchange reserves having been increasing year by year.

"This is a sound financial basis to start the Singapore dollar with.

"It will be our policy that in future years the Singapore dollar will maintain if not improve upon, the stability of the Straits dollar to enjoy the confidence of our people and the business community abroad."

It had often been argued that only a country with natural resources could maintain a stable value for its currency.

"The truth is that whilst natural resources can contribute towards stability of a currency a more important factor is sound financial administration on the part of the Government," the Minister said.