Economic Change in Singapore, 1945-1977

Cheng Siok Hwa
Department of History, Nanyang University, Singapore.

The economy between the immediate postwar period and the mid-1970s developed and grew in so many directions and at such rapid rates that from an underdeveloped country heavily dependent on entrepot trade Singapore joined the ranks of the newly industrialized countries and built up an economy based not only on trade but also on manufacturing, transport and communications, banking and finance, and tourism. Indeed, it has become increasingly a matter of argument and contention as to whether Singapore should continue to enjoy the status and assistance that a less developed country (LDC) is accorded in matters of international trade and finance. It was only after months of discussion that the International Monetary Fund decided, in June 1978, to continue to regard Singapore as an LDC. This paper is an attempt to show how the recent economic situation was brought about and to trace the major changes in the economy, the growth of the gross domestic product, and the performance of the major economic sectors, in particular, the remarkable development of the manufacturing sector.

The Immediate Postwar Economy

From the point of view of the economic history of Singapore, the Japanese Occupation of three and a half years, from 15 February 1942 to 5 September 1945, was merely a short and temporary interlude. Though the disruption to the economy was severe while it lasted, recovery after the war was very rapid. This was because compared with the wholesale physical destruction of, for example, Manila and Rangoon, Singapore suffered much less. Besides a few places hit by bombs or damaged by scorched-earth tactics such as the harbour and wharf facilities, the infrastructure on the whole—streets, buildings, public works, etc.—degenerated mainly through lack of maintenance and general neglect. The people, on the other hand, suffered much more as they went through a traumatic experience due to the acute shortages of the basic necessities of life and the tension, shock and insecurity accompanying any war, so that by the end of the period the population was undernourished, disease-ridden, poorly-housed and with inadequate educational, health and welfare facilities. But though there were some executions and deportations Singapore was not depopulated and quite quickly the people picked up the threads of normal life again, facilitated immediately after the war by the law and order imposed by the British Military Administration which gave way to a civilian govern-
ment in March 1946. By 1947 the foundations of the economy had in large measure been restored and the effects of the war on production and commerce were disappearing fast.

The immediate postwar economy on recovery was heavily dependent on entrepot trade, defined broadly to include all goods that pass through Singapore from a foreign source to a foreign destination, even when some degree of processing is undertaken. The main components of this trade at the time were rubber, tin, copra, pepper, petroleum, textiles, vehicles, machinery, rice and other foodstuffs. Compared with the prewar composition of entrepot trade the main changes were the decline in the trade in Straits produce defined as the natural products of the surrounding South-east Asian territories, with the one important exception of rubber which was traded at a considerably higher volume. On the other hand, there was a substantial increase in the volume of trade in manufactured goods such as textiles and machinery and in foodstuffs such as condensed milk, canned fish, cigarettes and beverages that were brought to Singapore for distribution throughout the region. Also showing a spectacular increase in trade were petroleum products which were traded at three to four times the prewar volume.

Main Trading Partners in the Late 1940s

As in prewar days, Singapore's most important trading partner in the immediate postwar period was the Malay Peninsula the bulk of whose trade passed through Singapore. In 1949, for example, Singapore handled approximately 71 percent of Malaya's imports and 63 percent of her total exports. This trade amounted to about a quarter of Singapore's total trade.

Serving as the chief port and trading centre for the Malay Peninsula, Singapore naturally become the head-quarters of a host of economic and commercial enterprises ranging from import-export firms, agency houses, banks, shipping firms, insurance companies and other service firms, and branching out to all parts of the Peninsula, in particular, the more economically developed west coast states. Thus there were close links between Singapore and the Peninsula in all areas of trade and commerce and activities in the two territories were so intertwined that for most practical purposes the region was looked upon as one.

Next in importance in terms of trade was Indonesia where despite earlier Dutch attempts to channel trade through their own ports, traders and smugglers persisted in using the more efficient and cheaper services provided by Singapore. In the immediate postwar period, due to the intense struggle for national independence, surveillance and restrictions on trade were lax so that trade with Singapore increased, but while unsettled political conditions precluded the strict regulation of trade, production in some areas was adversely affected. Once independence was achieved, normal activities resumed and the Indonesian government was in a better position to encourage direct trade with consumer and supplier countries. Despite some success in this direction, many businessmen, especially small traders who visited villages on the numerous inlets and islands of the archipelago, continued to find Singapore a convenient marketing centre.