From Self-Government to Separation: 1959, 1963, 1965

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Between 1946 and 1965 Singapore changed its constitutional status four times. It became a separate Crown colony when the Straits Settlements were dissolved in 1946, a self-governing state in 1959, a constituent state of the Federation of Malaysia in 1963 and an independent republic in 1965. Each change altered the rules under which merchants traded, banks lent and governments raised revenue. Within twenty years the port moved from a colonial economy run from London to a sovereign economy that had to find its own markets, issue its own currency and defend its own territory.

This chapter follows that path and asks what it meant for the economy that later became a financial centre. It begins with the postwar colony and the first elections, turns to the constitution of 1959 and the economic programme of the new government, and examines the merger of 1963 together with the financial bargain on which it rested. It then describes the separation of August 1965 and its legal form, before assessing the economic consequences of independence: the loss of the common market, the creation of fiscal and monetary sovereignty and the

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reorientation of the economy from its Malayan hinterland to the world. A section on the legal legacy of these years for present-day practice and a comparison with Geneva close the chapter.

The comparison with Geneva is instructive from the start. The volume on Geneva recounts how the restored republic entered the Swiss Confederation in 1815 and became a canton, giving up its own foreign policy and, after 1848, its own currency in exchange for the protection of a larger state. Singapore attempted a similar bargain in 1963, a bargain that lasted less than two years. Its failure forced the city to become what Geneva had ceased to be: a sovereign city-state. Much of what distinguishes the financial centre of Singapore today, from its central reserves to its open capital account, has its roots in the decisions of those years.

Essentials

Singapore became a separate Crown colony on 1 April 1946, held its first limited elections in March 1948 and gained a largely elected Legislative Assembly after the election of 2 April 1955. The State of Singapore Act 1958 led to full internal self-government in 1959, when the People's Action Party won 43 of 51 seats in the election of 30 May 1959. After a referendum on 1 September 1962, Singapore joined Malaysia on 16 September 1963 under the Malaysia Agreement of 9 July 1963, which gave it a common market to be phased in over twelve years in return for 40 per cent of its national tax revenue. Political and economic friction, Indonesian Confrontation and the race riots of 1964 led to the Independence of Singapore Agreement of 7 August 1965, and Singapore became a sovereign state on 9 August 1965. Separation cost Singapore its hoped-for common market and led to its own currency in June 1967, while the Republic of Singapore Independence Act 1965 preserved the continuity of the existing law.

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