Abstract

THE TRADING RELATIONSHIPS BETWEEN SINGAPORE AND WEST MALAYSIA,
(1960 - 1971)

West Malaysia had been losing her importance both as an exporter and an importer of goods to and from Singapore over the period of 1960 - 1971. Because of the services and geographical advantages of the great deep water port, Singapore served as an entrepot centre of West Malaysia for more than a hundred years. But with the separation in 1965, West Malaysian's government accelerated her industrialization pace, and also emphasized in using her own ports, at the same time, Singapore expanded her overseas trading area and simultaneously accelerated her industrial development, this trading tendency affected the trading pattern between two territories.

West Malaysia's share in Singapore's world trade had been decreased since 1964. The percentage in 1971 was 14.1% as against 22.4% in 1960. This was mainly caused by a rapidly increase of the contribution of other countries, especially Japan, United States and Australia, to Singapore's world trade. Since 1970, Japan became Singapore's chief trading partner. In absolute terms, there was a decline in 1967 and 1968, but the tendency on a whole, over the period of 1960 to 1971 showed a raising trend.

The absolute values of imports from West Malaysia showed a raising trend from 1960 to 1971, except in the years of 1967 and 1968, there were a decline of imports value, mainly due to the severe reduction in the value of rubber imports, while there was a drop in prices of crude rubber. The expansion of West Malaysia's rubber processing industries and the direct exports of West Malaysia's crude rubber also given some influences. Although West Malaysia increased her direct exports to overseas, the volume of crude material imports from West Malaysia did not decline, this was caused by a rapid increase of crude material production in West Malaysia. In relative terms, the increased importance of Japan and United States in Singapore's total imports responsible declining of West Malaysia's share in Singapore's total imports.
Not only that the percentage share of West Malaysia in Singapore's total exports to the world indicated a falling trend, the absolute values of Singapore's exports to West Malaysia also decreased over the period of 1960 to 1971. The main factors responsible for the declining trend were:

(1), West Malaysia desired to industrialize, and with the help of import quota and tariff protection since the separation, enable her to reduce the imports from Singapore. West Malaysia also adopted import substitution policy in her initial stage of industrialization, this encouraged her to reduce a lot of consumer goods formerly imported from Singapore. Since the separation, the sudden imposition of wide ranging tariffs influenced Singapore's exports of manufactured goods to West Malaysia, although this was a reflection of simple economic nationalism and was inevitable.

(2), The production of rice in West Malaysia increased quite rapidly over the years, this responsible for the decreased value and volume on West Malaysia's imports of rice indirectly from Singapore.

A large part of Singapore's trade with West Malaysia was made up of entrepot trade. The study of the value of entrepot trade between two territories showed that Singapore still served her important role of being an entrepot centre of West Malaysia, although there was a decline over the period of 1966 to 1968.

The composition of trade between Singapore and West Malaysia changed slightly over the years, but the pattern of trade between two territories remained its colonial characteristics. Singapore served as a middle man, collected crude materials, especially crude rubber, wood-in-rough and palm oil, from West Malaysia for processing and re-export to industrialized countries, and the manufactures and foodstuffs were exported to West Malaysia. A important change was that a increasing importance of palm oil in Singapore's imports from West Malaysia. This was caused by the progress in diversification of agricultural products and a very rapid expansion of oil palm industry in West Malaysia.

West Malaysia tried very hard to improve and modernize her own ports, especially Port Swettenham and Penang, Economists' notions of comparative advantage fell by the wayside as West
Malaysia tried to lessen her dependence on Singapore's entrepot facilities, and the tendency was that she tried to process and export crude material directly to consuming countries and to import directly their domestic requirements through her own ports. However, with the skills, services, and geographical advantages of the great deep water port providing Singapore a more effective basis than any other ports in West Malaysia.