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PRIME MINISTER,
SINGAPORE.

18th December, 1967.

PRIME MINISTER'S
PERSONAL MESSAGE

SERIAL No. T 326^A/67

The Rt. Honourable
Harold Wilson, O.B.E.,
Prime Minister,
10, Downing Street,
London, S.W. 1.

My dear Prime Minister,

Knowing other more massive matters pressing for your attention, I would not normally have written you this letter.

The first news of Britain's East of Suez withdrawal was broken first in April and finalised in a Defence debate last July. It was the first severe test of confidence in Singapore's future. Denis Healey will confirm that I was more concerned with a possible crisis of confidence which it could have led to, with repercussions on investment and the expansion of jobs in Singapore's economy. Up till now we together have successfully handled this problem.

Then came the momentous news of devaluation on 17th November. Your Acting High Commission will tell you of the great distress and public unrest this caused, because our old currency, pegged to sterling at 2s. 4d. to one dollar had not been completely converted to our new currency. The Malaysian Finance Minister told our

20 DEC 1967

/2
Copied on MYE 4/2/1

Finance Minister at 7.45 p.m. (GMT 1215 hrs.) on Saturday, 18th November, barely two hours after both Governments were informed by your respective High Commissions, that they would not devalue their new Malaysian dollar. This left us with no choice but to keep the new Singapore dollar at par with the new Malaysian dollar, namely at 2s. 8d. instead of 2s. 4d. to the new dollar.

We have ridden this shock with no cracks in our economy or morale, though there were widespread riots in Malaysia.

But now we may be in for a third blow. The newspapers have been carrying news agency reports that at a meeting with President Johnson next month, you will propose to him the choice of two alternatives, either Britain's withdrawal East of Suez completed by 1970, or the withdrawal of some 5,000 to 10,000 British troops out of the 50,000 Britain maintains as part of her NATO commitments in Germany.

I remember your firm assurance when we last had lunch in No. 10, Downing Street on the 26th of June that you had promised Denis Healey that this was the last defence review that he would be asked to undertake in the life of this Parliament. Nevertheless, I am seriously concerned over the effect this will have on confidence in Singapore's future, particularly when we are doing so well in attracting a large number of Hongkong industrialists who, instead of expanding their Hongkong factories, are setting up alternative or subsidiary factories in Singapore.

I write to ask if you could make a firm statement as early as convenient that the East of Suez reductions in personnel and base facilities in Singapore has been settled, namely a cut to half the force levels by 31st March, 1971, and that the future position is as you have stated in the House, that all the British forces will leave the bases in Singapore by the middle 70's, i.e., between 73 to 77, and the precise date to depend upon conditions in the area.

We have weathered two crises successfully. This has been possible only because we have quietly exuded confidence and maintained an industrial climate of complete peace, with a trade union movement keen to increase productivity. If you could add to this prevailing confidence, I am sure we will ride our problems successfully.

On another matter, your new Chancellor of the Exchequer, Roy Jenkins has written to my colleague, Goh Keng Swee, Minister for Finance. As Goh has replied, we have never moved any of our sterling holdings in London throughout all the past three years when sterling was under pressure. But we did deem it prudent to place our budget surpluses which we had for the fiscal years 1965-66 and 66-67 in non-sterling securities, largely American and West European.

Even so, Singapore's sterling holdings in London, both Currency Board assets and holdings of our Statutory Boards in loans to Borough and City Councils and other gilt-edged securities, have cost us a loss of \$157 million, being 14.3% of the total sterling we held in Britain:-

Currency Board loss	..	\$ 69 million
S'pore Government loss	..	\$ 65 million
Statutory Authorities loss	..	\$ 23 million
		<u>\$157 million</u>

I would be loath to believe that temporary

- 4 -

difficulties could disrupt the trust and confidence we have in each other's good intentions, goodwill and good faith. I stand by my statement at Scarborough that on our part we shall see that the last of the British forces will be given a ceremonial send-off when they leave their bases in the middle 70's.

With best wishes,

Yours Sincerely

Henry -