



Malaysia

編號	248
購日期	

THE 1967 BUDGET

WINDING-UP SPEECH

by the Hon'ble **Tan Siew Sin**,
Minister of Finance

PUSTAKA PERDANA



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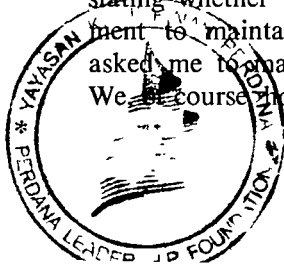
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Text of Speech by the Minister of Finance, Enche Tan Siew Sin, winding up the Debate on the Supply (1967) Bill in the House of Representatives on January 30, 1967:—

TO begin with I must admit that I am very happy indeed to note that the general reaction to the proposals contained in our Budget for 1967 has been so favourable. Practically all sections of our population have understood that it was necessary to do what we proposed to do in order to maintain our economic stability and financial viability. Even the Stock Exchange has responded favourably and in no uncertain fashion as share prices rose markedly in spite of the additional taxation proposed. If I may say so, many of the speeches made in this House, including a number made from the Opposition benches, were both helpful and constructive. On behalf of the Government, therefore, I would like to thank all those who have shown such a sympathetic understanding of the difficulties facing us and thus appreciated that we had no choice in this matter. I shall now deal with the major issues which have been raised in the course of this debate and which come within the purview of the Treasury.

Currency

I had taken pains on previous occasions to explain the procedure that will be followed when Bank Negara takes over currency issuing functions as from 12th June next, but the Honourable Member for Batu still appears to labour under a number of misapprehensions. He charged me with not stating whether "every effort will be made by this Government to maintain parity of the new currencies" and he asked me to make a statement on this point in my reply. We course hope that it will be possible to maintain parity



of the three new currencies for a long time more because this is clearly a desirable objective. Although I cannot speak on behalf of the Singapore and Brunei Governments, I have reason to believe that they are as anxious as we are to maintain this parity for as long as possible. At the same time, one must also accept the fact that the maintenance of such parity will only be possible if all the three countries concerned follow broadly similar financial and economic policies.

If at any time in the future such policies were to diverge fundamentally, it is clear that parity cannot be maintained. Although I have some say in the financial and economic policies of the Malaysian Government. Honourable Members will, I am sure, appreciate that I cannot possibly formulate the policies of the other two Governments, and thus I just cannot guarantee that such parity can be maintained forever. Unlike the Honourable Member for Batu, I do not claim to be a prophet and thus am in no position to foretell the future. All I can say at the moment is that we will try to maintain the same parity for the three currencies for as long as possible but as many of the factors involved in this exercise are beyond my control, I clearly cannot give a guarantee for the future. The most I can say is that we will do our best. It is, of course, hardly necessary for me to state once again that in so far as the new Malaysian dollar is concerned, the Government is determined to maintain the parity of our new dollar, whose issue will commence on 12th June, 1967, at the rate of one Malaysian dollar to 0.290299 grammes of fine gold, which is also the equivalent of 2s. 4d. sterling.

The Honourable Member for Batu has also raised the bogey of what he calls a currency war between Malaysia and

Singapore as a result of a scramble to secure as high a proportion as possible of the external assets of the Currency Board. In the first place, the procedure for the withdrawal and redemption of Currency Board notes and coin is clearly set out and in great detail in the Currency Agreement, 1960. Secondly, unlike him, I have a rather better opinion of the Singapore Government than he has and cannot believe that that Government would stoop to the device suggested by him, namely, offer a bonus for the old notes turned in. In any case, I wonder if the Honourable Member realises that by offering "bonuses" of the nature described, the currency issuing authority concerned is, in fact, devaluing its own currency vis-a-vis Currency Board currency and the other new currencies. Be that as it may, the effects of such a device, even if used, would be purely temporary, because if basic confidence in a currency is lacking, it is only a question of time, if the free interchangeability of the three currencies is permitted, before such notes are exchanged for notes in which the holder has more confidence. When this happens, and this is inevitable if confidence is lacking, a government which stoops to such a device would be worse off in the long run than if it had done nothing.

In this matter of the distribution of the external assets of the Currency Board, it is, of course, not possible to estimate with any degree of precision what the eventual out-turn will be, as much will depend on the amount of Currency Board notes and coin turned in by each monetary authority, i.e. each country. By and large, this will be determined by the amount of Currency Board notes and coin circulating in each territory but it is possible that if public confidence is greater in one currency than in another, the new currency which has attracted a greater degree of public confidence might secure for its country of origin more external assets

of the Currency Board than the amount of Board currency actually circulating in its territory would justify. In other words, public confidence can play a significant role in upsetting estimates based purely on mechanical factors. In so far as the residual assets of the Currency Board are concerned, their distribution will be based on the proportions applicable to the distribution of currency profits in 1963, i.e. the year immediately preceding that in which the notice of replacement was lodged with the Board. This will mean that the residual assets will be distributed as follows: 74% for Malaysia; 18.3% for Singapore; and 7.7% for Brunei.

Banking

The Honourable Member for Ipoh has raised the question of Malayan Banking Limited in spite of the advice I gave to those Members of the Opposition who insisted on exposing, for reasons best known to themselves, what they believe are the weaknesses of this bank. I should, of course, make it clear that my refusal to discuss the affairs of a duly licensed bank publicly or to reveal details of its individual business transactions either with its directors or anybody else, is based on two very good grounds. In the first place, it is an elementary principle that such things should not be discussed publicly. In fact, it would be highly improper for me to divulge this information to the public for reasons which are obvious. Secondly, I would like to make it clear that this stand does not mean that the Government approves of offences against the law or even unethical practices the part of its management. If things have gone wrong and have to be put right, I can assure the House that we will do so, but clearly our efforts will come to nought if there is a run on the bank and as a result it crashes. In such a case everyone, including the bank's depositors, will be the loser.

If any directors have offended against the law, they will be punished in due course, but there is no need to bring down the bank as well merely because they have sinned against the law.

Unfortunately, some Opposition Members want to punish not only the directors, assuming that they have broken the law, and I have made it clear that in point of fact Malayan Banking has complied with the provisions of the law, they want to smash up the bank as well. They will, of course, protest that this is not their object but if one judges from their actions rather than their words, one cannot escape this conclusion. For example, this House will be interested to know that when the first run took place just before President Johnson's visit, the worst panic arose in respect of bank branches situated within the constituency of the Honourable Member for Batu. Even more strange, we have reason to believe that some of the people who crowded into at least one bank branch on 28th and 29th October last were not depositors at all. I shall leave it to Honourable Members and the public to draw their own conclusions as to where such people came from, bearing in mind that the worst panic occurred in bank branches located within the constituency of the Honourable Member for Batu and immediately prior to President Johnson's visit, about which, incidentally, the Labour Party of Malaya held rather strong views. It might also be significant that the first and only run on the bank occurred soon after a speech on this subject made by the Honourable Member in this very House. The Honourable Member for Batu will, of course, suggest that this was merely a series of remarkable coincidences! For his sake and for the sake of this country, I sincerely hope that he is right.

In this connection, it is relevant to add that the soundest and largest bank in the world will crash if a run on its deposits by depositors is continued for any length of time, for the simple reason that no bank in this whole wide world would be in a position to pay all its depositors if all of them ask back for all their money at the same time. If a bank fails because a run is continued for too long, it does not therefore necessarily mean that that bank was basically unsound, because any bank, in order to operate at all, has to lend out a large part of the money deposited with it, and if all its depositors want all their money back at the same time, it clearly cannot call in its loans and advances from its customers straightaway in order to pay its depositors without damaging the economy of the country and the damage could be very serious if the bank in question is large enough. That was why I asked Honourable Members to exercise restraint and discretion in their public remarks on our commercial banks, whose position is quite different from that of ordinary commercial institutions. It is so easy to bring about the downfall of a bank, however strong, sound and blameless it may be.

Federal Government Finance

I was glad to note that there was general support for the proposition that the Government must exercise the strictest economy in order to reduce our budgetary deficit to the maximum extent possible. Opinions differed, however, as to whether it was necessary to impose a general pay cut on the Public Service or to retrench or to do both. I should like to make it clear that I did not actually recommend these measures but I do suggest that these admittedly extreme measures might be unavoidable unless we proceed with very great caution in the matter of public expenditure. Let us

remember that we sometimes have to do things which are extremely distasteful merely because we have no other choice, and I myself hope that it will not prove necessary to go to such lengths. Whether we do or whether we do not will depend on the measure of our success in curbing our spiralling recurrent expenditure, and for this we need the support of this House and of the country. At the same time, I would be less than honest if I did not voice my concern at the increasing tendency to depart from the only sound principle of pay increases, and that is that increases in pay must be directly related to an increase in productivity. We depart from this principle at our peril. Certainly, if we want to industrialise as rapidly as we would wish to, we cannot afford to depart from this principle.

A number of Honourable Members suggested that re-organisation and streamlining of the Public Service might equally well do the trick. We, of course, hope that by re-organising and streamlining the Public Service, we might reduce expenditure somewhat, but it is a moot point whether this can effect savings of the magnitude required. The Honourable Member for Bungsar, and in this connection, I would like to compliment him on a thought-provoking, balanced and constructive speech which clearly showed that he studied and analysed my own speech carefully, raised a question as to whether the \$250 million allocated for defence in the Ordinary Budget represents only part of a future and larger bid for funds. I can assure him that this amount is intended to be the total provision for defence for the year, and is meant to include the personal emoluments of the air-men and sailors who are to man the planes and ships which are to be bought with the allocation for defence included in the Development Estimates.

Public Debt

Considerable concern has been expressed at the increase in our public debt and debt service charges. Total Federal Government debt rose from \$977 million at the end of 1957 to \$3,010 million at the end of 1966 while debt service charges rose from \$45 million in 1957 to the \$220 million estimated for 1967. There has, therefore, been a twofold increase in the public debt over a period of 9 years, and not a fivefold increase over 8 years, as stated by the Honourable Member for Bungsar. Nonetheless, I agree that the increase is extremely rapid. I suggest, however, that a more rational way of looking at this question is whether such increased public borrowing and the cost thereof can be paid for out of correspondingly enhanced revenues. In this respect, so long as borrowed money is used to finance economic, i.e. revenue earning projects, they are worthwhile and indeed necessary in many cases. For this purpose, a fairer criterion would be the cost of servicing the debt as a proportion of total public expenditure. In this respect, public debt service charges amounted to 5.7% of total expenditure in 1957 compared to 12% estimated for 1967. Although this is admittedly a steep increase, it can be justified if in due course of time the additional income generated thereby is likely to bring it down to lower levels. In any case, this is the price we have to pay if we want to achieve a more rapid rate of development and I suggest that the price we are paying now is not too high.

The Honourable Member for Bungsar, while expressing grave concern over this question, has at the same time urged the Government to spend more on education and health. I might point out that expenditure on social services like education and health do not result in increased income—at

least not for a very long time more to come. If we are really serious about bringing down the level of our public debt service charges, this is the very type of expenditure which we should reduce in future. We cannot have it both ways, in other words, you cannot have your cake and eat it as well.

I shall now deal with the major points which have been raised in regard to the revenue proposals themselves.

Development Tax

The Honourable Member for Bungsar expressed the fear that this levy might require "every hawker, every ka-chang puteh men and every trishaw pedlar to fill in an intricate income tax form" for the purpose of paying this tax. I have already made it clear that a business whose net income does not exceed \$500 per annum would be exempted from this tax. This exemption limit should take care of the smallest businesses on whose behalf he pleaded. He was also worried about the impact of this tax on family partnerships. The reason why we have sought to deal with partnerships in the way proposed by us is because we are aware that many partnerships are formed for the purpose of avoiding income tax by fragmenting the income from the business. Very often the partners are only partners in name as the whole of the income accruing therefrom goes to a single person. The practice of tax avoidance, if not evasion as well, is much more prevalent in partnership businesses and is also much more difficult to detect. If it is felt that the incidence of development tax is falling unfairly on a partnership business, because there are too many partners liable to the minimum tax of \$100 per annum, the remedy is in the hands of the partners themselves. They could form

a company to which the business could be transferred and this would be in keeping with the Government's policy to encourage the formation of more companies. Admittedly a small amount of additional expenditure might have to be incurred by such a company. This is, however, a small price to pay for the benefits of operating as a limited liability company, the chief of which is that the liability of the shareholders is limited.

We have been asked to broaden the tax base and this is certainly one way of doing it. In point of fact, the exercise is necessary because out of a population of 10 million people, less than 200,000 are paying income tax. It has been asked why the salaried employee and the fixed wage earner have been exempted from development tax. The reason is simple. Businessmen, unlike taxpayers in the fixed income groups, have many more opportunities of increasing both their wealth and their income, and it is, therefore, only fair that this tax should apply to them and not to the latter. When the economic weather worsens, those in the fixed income groups would be the first to feel the pinch, but when the economic weather improves, these are normally the last people to enjoy its benefits, and therefore it is right that occasionally they should get slightly more favourable tax treatment.

One Honourable Member asked whether this new levy would entail an increase in staff. The answer must clearly be in the affirmative, but I should add that the cost of collection is estimated at 1% of the yield, and this compares very favourably with the present cost of collection of all Inland Revenue levies which comes to 1.8% of the total yield.

It has been suggested that the Government should have imposed additional taxation on the rubber and tin industries as both industries can afford to pay more. My reply to this suggestion is that that is exactly what the Government has done since the development tax applies to the rubber and tin industries as well. It is, however, pertinent to add that taxation will now absorb approximately 55% of the profits of the rubber industry and 65% of that of the tin industry before taxation. The saying that one should not kill the goose which lays the golden eggs is worth remembering because it is valid.

Business Registration Fees

The Honourable Member for Bungsar has asked why rubber smallholdings of less than 25 acres have been exempted from registration, as he maintains that the capital value of such properties quite often exceed that of hairdressing saloons, coffee and sundry goods shops, and so on. In the first place, the existing Ordinance exempts rubber smallholdings of even 50 acres, provided they do not employ more than 5 persons each, and the proposed amendment should, therefore, improve the position greatly from the Honourable Member's point of view. Secondly, this exemption limit has been decided upon because it is extremely difficult to locate rubber holdings of less than 25 acres, as such holdings are regarded as smallholdings, and thus information about them is woefully inadequate at the moment. We, therefore, have to be realistic about this.

Disallowing Certain Payments Relating to Timber in Income Tax Computations

It is rather odd that the loudest objection to this measure should come from Sabah of all places, because even the

Chief Minister, who is not happy with it, has admitted that a number of timber businesses there are making huge profits. Honourable Members, I think, will be as surprised to learn as I was, that the profits made in this business are so staggering that when I looked at one of these files for the first time I thought that someone had inadvertently added an extra zero to the profit figure, as I could not believe the evidence of my own eyes. This is not all. I recently received a letter from the Finance Minister of Sabah expressing concern at the amount and extent of tax evasion prevalent in this industry in this State, and judging from the figures which were submitted to me by him, I have a feeling that he had good grounds for being concerned. In other words, in spite of the fact that the profits declared to the Department of Inland Revenue are staggering by the standards of Asia, they are still less than the true profits. I am, therefore, at a loss to understand the suggestion made by the Chief Minister of Sabah that the Government should get what it wants from the timber industry in Sabah by raising income tax rates when his own Finance Minister tells me that this method has resulted in an excessive amount of evasion. When it is realised that the amount we expect to get from Sabah in this respect is only of the order of \$3 million or thereabouts, I find it difficult to believe that the timber industry there will be ruined by an additional levy which is only a fraction of what they are making now.

There also appears to be some misunderstanding about the incidence of the proposal to disallow the whole of payment made for the use of a licence or permit to extract timber as a deductible expense for income tax purposes, because it has been suggested that this will hit the small operators or those who cater for them, namely co-operative societies. I should like to make it clear that so long as a

licensee or the person to whom a permit is issued works it himself and does not transfer the licence or permit to another person—in which case the former would make money without doing any work at all solely because the licence or permit is in his name—this disallowance would not apply. In other words, this proposal would not touch those who work themselves, it will only apply if licensees engage in the practice of name lending. I really do not see how anyone can object to a measure designed to discourage a practice which everyone agrees is highly undesirable in the long term interests of the licensees themselves.

The Honourable Member for Bungsar also made the point that there might be more direct ways of skimming off the excessive profits in this industry, and more direct methods might also be used to discourage the transfer of licences, i.e. the practice of name lending. Both the Department of Inland Revenue and the Treasury cannot think of a simpler or fairer method than the one adopted by us. It is not only easy to administer, the quantum of revenue yield is directly related to production on the one hand and to the size of the transfer on the other.

I would also like to deal with the technical issues raised in respect of this particular exercise. It has been suggested that the proposal to disallow 50% of royalty or the whole of any amount paid for the use of a timber licence as deductible expenses for income tax purposes, is an act of discrimination against the timber industry in Sabah. This cannot be true since the amendments will apply to the whole of Malaysia, and more timber is extracted from West Malaysia than from Sabah. As a matter of principle, too, these two amendments are justified because otherwise the Central Government would lose a corresponding and sub-

stantial amount of revenue whenever royalty rates are increased by a State Government, and would suffer similarly when timber licences are transferred or sold to third and subsequent parties. In other words, these two amendments are not so much aimed at raising revenue as to prevent substantial losses of revenue which would have accrued to the Central Government but for the action of a State Government on the one hand, and the perpetuation of an undesirable practice on the other.

The irony of the whole situation is that the loudest protests have come from Sabah where the profits are highest, although timber production in West Malaysia is greater than that in Sabah. Even more ironical is the fact that the Chief Minister of Sabah himself knows that the main cause of the inflation in that State is undeniably the fact that too much money is concentrated in the hands of too few people, namely the timber concessionaires there. Far from this change hurting the State, it might by reducing the volume of disposable income even go some way towards reducing the cost of living there.

Diesel Oil

A number of Honourable Members who spoke on this subject agreed that the additional burden placed on motorists using high speed diesel oil was fair enough, in the case of motor cars doing over 1,000 miles per month, as in such case the total tax burden would be less, compared with petrol driven cars, even after taking into account this increase in duty. The Honourable Member for Bungsar, however, was concerned that this might result in an undue increase in transport costs. The same point was made by the Chief Minister of Sabah who felt that it might have adverse effects on the cost of living in Sabah. If a case can be made out

to indicate that as a result of this increased duty, the total tax burden of the transport and haulage industry in Sabah is excessive, the Government would be prepared to consider measures aimed at offsetting the effects of this additional impost. I hope, however, that the Chief Minister of Sabah is aware that revenue from the increased duty in Sabah accrues to the State Government. At the same time, I should also add that I am informed that, in so far as the road haulage industry in general is concerned, the increase in rates proposed should not impose an excessive burden on this industry as its competitive position is strong.

Surtax

I have received appeals from the business community of Penang Island to the effect that the imposition of the 2% surtax has hit the entrepot trade and those engaged in it, as the Department of Customs and Excise has levied this tax on goods involved in this trade. As I made clear in my Budget speech, it is not the Government's policy to hurt the entrepot trade at all. I am asking the Comptroller-General of Customs and Excise to go to the Island as soon as possible and meet the traders concerned to ensure that this policy is implemented. I can assure the traders concerned that the Department will be asked to adopt a flexible and liberal attitude in this matter. If we are certain that particular goods imported into Penang Island have not in the past, and are not likely in the future, to enter the Principal Customs Area, I am even prepared to add these items to the list of those exempted from surtax in order to make it easy for everybody concerned. In other cases, we would ask the trade to establish bonded warehouse facilities and this is where the Department of Customs and Excise can make it easy

for the trade by adopting a flexible and liberal attitude. In cases where surtax has already been paid on goods which can be proved to our satisfaction to have been subsequently re-exported, I am prepared to refund the tax if this is administratively possible. Honourable Members will, therefore, appreciate that the Government is prepared to do everything it can to ensure that surtax does not interfere with the entrepot trade at all.

Diversion of Rubber from Kelantan, Trengganu and Pahang to Port Swettenham, and Export Duty on Loose Rubber

The Honourable Member for Batu in a characteristic intemperate outburst alleged that the imposition of an additional export duty of 2 cents a lb. on all loose rubber exported from West Malaysia with effect from 1st April next, and the introduction of measures to encourage the export of rubber grown in the East Coast States of Kelantan, Trengganu and Pahang through Port Swettenham, is grossly unfair to Singapore. In fact, to quote his exact words, "this was a blatant attempt to stick a knife in the back of Singapore." If processing our own raw rubber is regarded as sticking a knife into the back of another country, we clearly should export all our raw materials and not process them ourselves. If he is right, we should not turn our raw rubber into tyres, shoes and manufactured rubber goods, we should export tin ore rather than tin metal, because smelting the ore might deprive another country of the opportunity of doing it for us. If he is right, we should not turn our copra into coconut oil, we should not use our palm oil for making soap, we should not turn our iron ore into steel, we should not can our pineapples. In other words, we should confine our-

selves to producing raw materials only because by processing them we might hurt some other country which could process them for us. What we have proposed, however, in this particular exercise is even simpler. Surely, it is ridiculous by any standards for us to export loose rubber when such rubber could be processed so easily by our own people. This House will be interested to know that soon after this proposal was announced, my Honourable Colleague, the Minister of Commerce and Industry, and I met representatives of the rubber industry and the rubber trade and they all welcomed this proposal though many felt that they required more than 2 months to establish the required facilities. This, however, is a different matter and the Government is looking into this point. If it is convinced that a longer period is required in order not to disrupt the trade, it will certainly reconsider this aspect of the proposal and give more time to the trade to establish the necessary facilities. The Honourable Member for Batu also thinks that it is a crime for us to ship our rubber through our own ports. I must say that I fail to understand his logic, particularly when our port capacity is not fully utilised. One sometimes wonders on whose behalf he is speaking if he feels that it is a crime for us to do what we can to provide more employment opportunities and income for our own people in this way.

Honourable Members will be interested to know that the export duties, both new and increased rates, proposed for loose rubber, timber and other raw materials, should eventually result in providing, at a conservative estimate, 5,000 additional jobs for our own people, apart from the additional income thereby generated. I suggest that this

is not an inconsequential consideration if one really has the interests of Malaysia at heart.

I believe that there is some anxiety on the part of sawmillers and oil mill operators on Penang Island that the export duties on timber and copra will increase their costs of production as their raw materials come from the mainland. If these export duties apply to them, I agree that this is likely to be so. It is now, however, the Government's intention that such duties should apply to them and I agree that in this respect Penang Island should be regarded as part of West Malaysia in spite of the existence of the Principal Customs Area. Here again, I am looking into this question as a matter of urgency and would be prepared to modify the arrangements, so that such raw materials, and indeed other raw materials on which new export duties have been imposed, can enter Penang Island duty free provided such raw materials are processed on the Island itself. These special arrangements which I have just announced will, I hope, impress upon the Island's business community that the Central Government has gone out of its way to allow them to have the best of both worlds so that in this respect they would still retain their special position vis-a-vis the rest of Malaysia.

I am happy to hear from the Chief Minister of Sabah that in view of the financial difficulties of the Federal Government, his State is prepared to finance some of the development projects in Sabah which are normally financed by the Federal Government. I am aware that Sabah has had large revenue surpluses since 1963 and I would certainly welcome the State Government's offer to take over some of the projects of the First Malaysia Plan relating to Sabah which, under the Constitution and the

terms of the Inter-Governmental Committee Report, are properly the responsibility of the State Government. These include road, agricultural and medical and health projects. In this manner, it may be possible to speed up development in that State which otherwise might not have been possible in case of a shortfall in external aid. While on this point, I would urge the Sabah Government to refrain from financing projects which are outside the First Malaysia Plan without consulting the National Development Planning Committee because in computing the public sector resources likely to be available for financing the First Malaysia Plan, we have taken into account all the resources that are available from the Federal and State Governments and other public authorities in the country. The adoption of projects outside the Plan would, therefore, mean that the total resources available for Plan projects would be reduced by the amount diverted to non-Plan projects.

We have taken note of the other points raised in the course of this debate, but which have not been touched upon in my reply. Where suggestions are considered promising, they will be seriously considered and, if finally found acceptable, implemented.

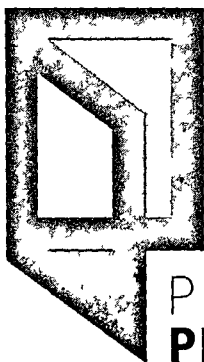
Before I close, I would like to touch upon one issue which is not my concern as Minister of Finance, but which does concern me as President of the M.C.A. I refer to the language issue and the argument that the M.C.A. had no right to barter away the rights of the non-Malay communities in this field in exchange for concessions from the U.M.N.O. on the citizenship issue. I do not think this is the right way of looking at these two questions. To begin with, neither the U.M.N.O., the M.I.C. nor the M.C.A. in 1956 regarded these vital issues as fit subjects for horse

trading. Each issue was decided on its own merits. In the matter of citizenship, the concessions made by the U.M.N.O. were regarded as satisfactory by both the M.I.C. and the M.C.A. In the same way, the U.M.N.O. was satisfied with the compromise reached on the language issue. At the end, what we agreed upon were embodied in the Constitution. It is clearly not right for us at this stage to go back on the word we gave in 1956 on any issue. If one party were to feel that a particular issue should be reopened, then it cannot object if the other party were to feel that another major issue should also be reopened. This question may only be of academic interest at the moment, but it is appropriate that at least the record should be set straight.

Both the Prime Minister and the Deputy Prime Minister have spoken on the language issue in reply to the observations of Opposition Members in this debate. The Honourable the Prime Minister has, in fact, given Honourable Members a picture of the likely position after 31st August next. Those assurances and those assessments of things to come should go a long way towards easing genuine anxieties on this score. We in the Government think that it should be possible to devise arrangements which, while giving pride of place to Malay as the national and sole official language of this country, would at the same time make provision for the use of other languages, including English, when such use is considered either necessary or desirable. If all of us look at this question without emotion and with realism, in a spirit of understanding and give I take, I have no doubt that this issue can be settled to the satisfaction of the bulk of the members of the major communities in this country. If in the course of the next few months we come up with such a solution, and I have every reason to believe that we will do so, it will once again prove

to the world that the Alliance method of settling emotional and controversial issues behind closed doors instead of through the medium of the public Press has worked once again.

We have now come to the close of an instructive and memorable debate, at least it has been instructive and memorable for me. In my Budget speech I stated, at its conclusion, that "so long as the Government is prepared to play its part, the people of this country too must play their part." This Budget has shown that our people can respond to a challenge if it is presented to them clearly and fairly, and if they are also convinced that the Government can also rise to the occasion. We in the Government accept that we cannot fail them, as they appreciate that their hopes and aspirations cannot be achieved without paying the cost. So long as this attitude prevails, we need not fear the future, and indeed we should be able to face calmly and with confidence whatever trials and difficulties that lie ahead.



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Printed by Kum Printers, Jalan Dua, Jalan Sungei Besi, Kuala Lumpur.

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