

SPEECH BY THE DEPUTY PRIME MINISTER ON  
FREE MALAYA SURGES AHEAD IN ECONOMIC  
PROGRESS, IN KUALA LUMPUR ON 22ND  
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The economic progress made by the Federation of Malaya in the past four years of our independence as a sovereign nation is remarkable by any comparable standards for under-developed countries and is certainly one of the brightest spots of Asia today.

Why is it that I can make this statement with complete confidence? First, there are the tangible and visible signs, evident to any citizen or visitor; the face of Malaya is changing all around us. Second, there are the intangible, invisible signs—the general climate of confidence which other countries have in the integrity and stability of the Government and the administration, and the high prestige Malaya has earned for her independent views on world affairs, particularly on human rights and problems of progress.

Fundamentally, Malaya's outstanding progress justifies our general approach to the nation's development. Our approach is direct and practical. We do not wish to disturb but to promote economic progress. We believe in full freedom of trade and enterprise. We aim to create and maintain conditions of stability and prosperity. By these means our objective is to level up the economic imbalances of society, and so improve the standards of living all round and everywhere, particularly in the rural areas. In short, to provide our people material benefits, peace and security, and full opportunity to live a better and richer life.

Why has this policy proved so successful? How has it come about that Malaya can change for the better so rapidly in so few years? I can answer best by quoting from a recent editorial in the *Nanyang Siang Pan*, one of the leading Chinese-language newspapers circulating in the Federation.

On July 29, the *Nanyang Siang Pan* wrote: "Since the attainment of Merdeka, the people of the Federation have never failed to rally to the support of the Government in any nation-building endeavour. This is because the people and the Government share the same ideals and aspirations."

That statement sums up present-day Malaya in a nutshell. From the very moment of the historic Declaration of Malaya's Independence on August 31, 1957, the nation and the people, sharing a release of spirit and energy, working in unity and co-operation, have swept forward together in a surge of progress and achievement such as Malaya has never known before.

Since independence so much has happened in Malaya that is completely new, so many events of importance to the building of the nation have taken place that to list them alone would make an inventory, not an article. Let me make this point by referring to some land-marks of progress in the past year or so since Malaya brought an end to the twelve-year old national Emergency which in itself was an astonishing achievement.

In the past year the Federation has sent its own Armed Forces overseas for the first time to join the United Nations Command in working for peace in the Congo, passed its first \$1,000 million budget; initiated an immense \$5,050 million economic development plan; conducted nation-wide local elections at all levels from village to City Councils; announced a programme of free primary education to commence next year; expanded the national University which opened after Merdeka, now has 1,010 students and is spending \$7,000,000 this year alone; opened a magnificent new Military College; taken a major role on apartheid in the Commonwealth Prime Ministers' Conference in London; is engaged on twenty-five new major schemes to clear land for the landless; established Malaya as the world's leading producer of both rubber and tin; concluded Trade agreements with Japan and New Zealand and an Investment Guarantee Agreement with West Germany; attracted more millions of dollars of new industry, and launched in co-operation with the Philippines, and Thailand a practical organisation for an "Association of South-East Asia" to work in mutual concert in the economic, social and cultural fields.

These examples are typical of the tempo and sweep of forward progress in the Federation of Malaya. Hardly a day passes without the opening of some new factory, school, bank, public works project or office building. These are the outward signs of a rapidly expanding economy, as the people of Malaya respond to the challenge of the Second Five-Year Development Plan.

This Plan for 1961-1965 was presented to Parliament by me as Deputy Prime Minister on February 7, 1961. It is an ambitious but realistic Plan aimed at solving the economic problems of the country associated primarily with our population growth (at the rate of 3.3% per annum, one of the highest in the world) our dependence on two major export commodities, rubber and tin, and third, the economic imbalance between the rural and urban areas.

It is the declared and determined policy of the Government to give maximum effort in implementing this Plan, especially in the economic development of the rural areas.

With these objectives in view, it is hoped to provide the rural people with higher income and social well-being; to provide employment for the country's growing population which is likely to increase by about 15% in the next five years; to develop other suitable agricultural products besides rubber; to encourage industrial expansion, and to improve and expand the social services.

To attain these objectives, the Federation Government has made provisions for the investment of \$5,050 million. Of this sum, \$2,150 million will be invested in the public sector and \$2,900 million in the private sector. The average percentage in the distribution of this amount is as follows—Economic sector, about 71%; Social sector, 24½%; Government sector 4½%.

With this rate of investment it is hoped to increase the output of the economy by 4% a year, provide employment to more than 340,000 people in the next five years, and accommodate 200,000 more children in primary schools. Incidentally, one of the finest achievements of the new Malaya is the provision for the first time of school places for all primary age children, more than 1,250,000 today.

The most significant factor in the Five-Year Plan is the implementation of the rural programme which was launched on January 1, 1960, and is now operating in top-gear throughout the country.

The establishment of a special Ministry of Rural Development was the most important announcement made by the Prime Minister, Tunku Abdul Rahman Putra, on assuming office again after the 1959 General Elections.

During the first year of top-priority emphasis on rural progress, a great programme of collation of basic data was carried out in every District throughout the country. In brief, each District was

asked to state its needs for land, roads, water supplies, irrigation, river clearing, schools, health centres, playing fields, marketing facilities, small industries, co-operative development, telecommunications, electricity supply, without any regard to finance, and to enter all these in special "Red Books". The Federation Government stated that the problems of finance, material and equipment would be theirs to worry about.

Following up this, Malaya began in 1960 the active implementation of the Plan, now in its second year. Up-to-date, the following projects have been completed—651 bridges, costing \$1,116 million—886 water supplies including wells at a cost of \$659,500—138 community halls costing \$494,500—286 irrigation projects costing \$448,000—forty-seven jetties costing \$105,600—and twenty-five playing fields costing \$69,700.

The Rural Development Programme got another big boost this year when Parliament adopted the Development Estimates amounting to \$450,000,000. The plan for this year is to provide more educational and health facilities, particularly in the hinterlands of Malaya.

In 1960 the Ministry of Health and Social Welfare got into actual operation 146 dental clinics, (sixty with dental officers, fifty-five in schools with dental nurses, twenty attached to health centres, ten mobile clinics and one marine). There will be further expansion this year, 1961.

In 1960 the medical side established 281 dispensaries (161 static, 120 mobile), seventy-four maternity and child clinics, and 443 "working points" regularly visited by medical teams. This year, with more than 30% of the plan already completed the Ministry is establishing eleven main health centres, forty sub-centres and 280 midwives clinics.

In the days before Merdeka nothing like this ever happened in the rural areas. The health and well-being of the rural people is now a top priority concern of the administration. The schools are being looked after, too. As acquisition of suitable land is either slow, difficult or expensive, the rural effort for schools this year is concentrated on 168 existing sites, enlarging the present schools to ensure that all new primary-age children can start their education.

In addition, the Federal Land Development Authority has initiated a comprehensive scheme to give land to the landless. Already twenty-five separate projects are under way. Plots of ten and a quarter acres are provided to each family of settlers on jungle cleared land planted with eight acres of high yielding rubber, the remaining acres being intended for fruits, vegetables and quick growing cash crops. A quarter acre is set aside for the house, and tools, equipment and material are provided to build it.

Settlers are drawn from the lowest income group earning not more than \$75 a month. They receive an allowance of \$70 a month maximum for the first two years while cash crops develop and \$50 a month for the next four years until the rubber is yielding. Settlers repay these allowances to Government over periods from ten to twenty years or sooner when they become entitled to permanent ownership. It is estimated that such farms can produce a net income of \$350 a month.

The programme provides for the clearing of 250,000 acres to settle 25,000 families. So far nearly 4,000 families have benefited. In addition, another scheme for group settlement is aimed to clear 80,000 acres to settle 8,000 families. Schemes on these lines for either individual or group settlements have been launched in every State.

Of further benefit to the rural areas is the heightened interest evident everywhere in improved techniques of agriculture. Double-cropping, a better irrigation system, improved selection of seeds, more scientific techniques of soil preparation, have helped to increase the production of padi. Since Merdeka this all-round effort has resulted in Malaya becoming 70% self-sufficient in rice production. At the same time, the farmers get better returns for their padi to the nearest maximum guaranteed price of \$15 a picul, as compared to \$8 or \$9 in the past. In addition, farmers are paying much more attention to-day, to the improvement of orchards, and to the raising of live-stock and poultry.

A major role in raising the living levels of the rural rakyat is being carried out by the co-operative movement, which has bounded ahead since Merdeka with the result that there are now 2,730 various types of co-operatives with a membership of 300,000 and a working capital of \$130,000,000.

One unique co-operative, only fifteen months old, is the National Land Finance Co-operative Society which aims at a membership of 80,000 rubber workers to buy large estates to offset the dangers of fragmentation. There are 15,000 members at present and they have paid down one million dollars to acquire a 3,000 acre estate in Kedah at a cost of \$3,000,000. Co-operative ownership of this estate began this month.

A final note on agriculture. The average annual rate of growth of agriculture production during the past ten years was about 1% a year, but since Merdeka it has averaged more than 3% a year.

Fishermen have benefited from co-operative sources, and these societies, together with the introduction of modern methods of fishing, mechanised boats and sampans with up-to-date gear, are enabling fishermen to increase their catches and produce more income.

In 1956 the number of motor-powered fishing boats was 5,641; by the end of 1960 there were 8,987. In the same period the number of fishermen's co-operative societies grew from nine to seventy one and membership from 714 to 5,064. By the end of 1960 the total Government loans to the East Coast co-operatives amounted to \$1,250,000. In addition, the Federation Government has contributed \$700,000 to the Colombo aid project sponsored by Canada to provide refrigerated fish storages on the East Coast.

I have dealt so far with the rural economy, but before I mention developments in industry and commerce, I think it is well to look at the production of the Federation of Malaya as a whole, giving a capsule picture of both rural and urban efforts.

The volume of production for the whole Malayan economy in 1960 was the highest in the history of the country. The volume of production of rubber, rice, palm oil, timber and iron ore was also the highest. Some agricultural statistics will illustrate the upsurge in production. Take the years 1959 and 1960. The figures in thousands of long tons, with the 1959 figures in brackets are: Rice (410,600), 560,200; rubber (637,100), 707,600; copra (144,000), 172,800; palm oil (56,500), 90,300. In 1958 the total production of iron ore was 2,800,000 tons, but in 1960 the figure was 5,700,000. In 1957 the timber production figures were 57,000,316 cubic feet; in 1960, the figures were 79,451,700 cubic feet.

In the period from 1956 to the present, as compared with 1955, the output of goods and services, increased by more than 20%, a higher rate than the population increase. The growth rates in construction, utilities, manufacturing and public services were more rapid. Manufacturing for instance, increased up to 25%.

The Gross National Product (at factor cost) increased from an estimated \$4,710 million in 1956 to an estimated \$5,900 million in 1960. The total gross investment in same period was more than 30% above the average for the period 1950-55. In the period from 1956 to the present, this amounted to about 12% of total income, which is about 4% lower than the rate operating in the economically more advanced countries of the world. These facts alone tell their own story of great progress.

On the commercial side, trade in the Federation of Malaya has shown continuous improvement since Merdeka. Between 1958 and 1960 the total trade rose from \$3,539 million (imports \$1,656.1 million plus exports \$1,882.9 million) to \$5,078 million (imports \$2,150.6 million plus exports \$2,927.4 million). At the same time the Federation has relaxed all import restrictions and no longer maintains any import restrictions or procedures for imports from the dollar area and the non-Sterling countries with the exception of only those few still retained for health and security reasons.

Steps have also been taken to maintain the existing markets and open up new ones for exports. Towards this end, the Federation has acceded to the GATT and has concluded trade agreements with Australia, Japan and New Zealand, which are some of the important trading partners of the Federation.

Government efforts are mainly directed towards strengthening the competitive position of primary industries to secure for major export commodities a fair price and a fair share of world trade. The policy of replacing old uneconomic holdings of rubber with modern high-yielding strains has been stepped up with the result that up to the end of last year no less than 1,250,000 acres (46% of the total acreage) had been replanted with high-yielding rubber. The Federation has now emerged on the world scene not only as the world's leading tin producer, but also is the world's largest producer of natural rubber.

Intensive research goes on to reduce production costs and to improve quality. All research and development units have undergone a major reorganisation to bring about greater co-ordination

and control. Steps are under way to establish a Rubber Exchange to build up international confidence in the Federation's rubber market.

In the tin mining sector there was a sharp drop in production by about 20% between 1955 and 1959 as a result of the tin recession. However, production is now picking up with the lifting of restrictions on the export of tin imposed under the International Tin Agreement, and more mines are being opened up.

The Federation took an active part in both the setting up of the first International Tin Agreement and also to bring into force the second International Tin Agreement. Vigorous research goes on to improve production methods and techniques of mining recovery.

The development of iron ore production in the Federation since Merdeka is phenomenal. In 1958 the total production was 2,800,000 tons but it almost doubled by last year, 1960, to rise to 5,700,000 and is expected to increase to six million tons by the end of this year.

Just over two weeks ago the new Rompin Mining Company Ltd, announced that it expected to go into production at Bukit Ibam, Pahang, at the end of a sixty mile new rail line from the hinterland to the sea. The total cost of getting this mine into operation, including marine craft for lightering off Rompin itself, will be more than \$90 million. Only recently, also, a plan was announced to establish a \$50 million joint Malayan-Japanese steel mill to process iron ore.

The pineapple industry is stronger today. Export has increased, prices maintained, and new markets found. A national cannery and a central sales organisation will shortly be set up.

Planned expansion has also benefited the timber industry. Production of sawn timber has increased three and a half times since 1950 and export of sawn timber has jumped five times in the same period.

One of the most significant signs of economic expansion in Malaya today are the results achieved by the industrialisation policy which started in 1958. Since then no less than fifty-three industries and 254 products have been declared of pioneer status,

and sixty-three companies have received pioneer certificates. The total nominal capital of these companies is about \$190 million: called up capital amounts to \$35,800,000 of which \$16,500,000 is raised locally.

Companies with pioneer status may now be granted relief from income tax for periods of up to five years. Products already manufactured, or about to be manufactured, by pioneer status firms include batteries, bolts and nuts, canned foodstuffs, cement, asbestos products, pharmaceuticals, chemicals, condensed milk, cotton wool, medical dressings, electrical cables, metal containers, paints, textiles, toilet preparations and others.

New industrial areas have grown up at Petaling Jaya near Kuala Lumpur, and/or are under way at Johore Bahru, Ipoh, and Butterworth. It is intended to establish more special industrial estates.

Other measures to stimulate industrial development include a new Tariff Advisory Committee, the passing of anti-dumping legislation, the establishment of a Malayan Industrial Development Finance Co., Ltd, with the capital of \$15 million, and the setting up of a National Productivity Centre.

The Federation Government has also signed Investment Guarantee Agreements with the United States and the Federal Republic of Germany, as well as concluding a "Double Taxation Treaty" with the United Kingdom Government.

The importance of tourism as a major industry has not been overlooked, a Tourist Promotion Section being established two years ago. A practical result of the increased attention to tourism is the construction today of new airstrips at Kuala Trengganu, on Pulau Langkawi, and near the National Park, with the object of opening up direct air links to these centres. Planned publicity has created a great impact resulting in a marked increase in tourist traffic in Malaya. The Federation is a member of the Pacific Area Travel Association (PATA), the International Union of Official Travel Organisation (IUOTO) and the South-East Asia Travel Commission (SATC).

All this evidence of upsurge in the economy of free Malaya must of course be necessarily based on sound financing, but first I would like to give a few more general indicators of economic progress.

In private savings there was a relatively large increase in time and savings deposit of the private sector with commercial Banks from \$213 million in 1958 to \$292 million in 1959. In the same period deposits in the Post Office Savings Bank also rose from \$128 million to \$139 million, while the total number of depositors increased from 537,560 in 1956 to 756,494 at the end of 1960.

The same period, 1956 to 1960, saw rapid increases in road transport and air traffic. The number of registered private motor cars rose from 62,213 to 92,217 and motor-cycles more than doubled, from 19,496 to 49,056. Lorries and vans increased by more than 7,000 to 28,922, and road rollers and trailers by more than 3,000 to 8,189. The air traffic statistics reveal that passengers on internal flights increased from 58,890 to 70,340 and on international flights they doubled, reaching 12,022.

Other interesting economic indicators are wireless licences and telephones and mail. Wireless licences issued increased from 157,540 in 1956 to 226,828 at the end of 1960. In 1957 the total number of telephones in Malaya was 59,974; by July this year the total was 79,347. At the end of 1957 the Post Office had handled letters and packages totalling 167,609,645 but by the end of 1960 there was an increase of 26 1/2% to the figure of 212,004,167.

The fact that the economic achievements of the Federation since Merdeka have been impressive is shown by the relatively high standard of living, the best in Asia, and world-wide recognition of both our financial and political stability.

Among the major achievements financially is the establishment of the Bank Negara Tanah Melayu, which came into operation in January, 1959. This Central Bank, acting not only as banker and financial adviser to the Government, has a great responsibility and a vital role to play in our financial affairs.

Although the Bank has in law sole authority over the issue of currency in the Federation, its powers are withheld for the time being to allow for full consideration of matters connected with the existing Federation economic and financial ties with Singapore and the Borneo territories. Meanwhile, a new currency agreement more in keeping with the Federation's status as an independent nation has been negotiated with Singapore, Brunei, Sarawak and North Borneo.

With the attainment of Independence, the Federation has also become a member of international financial institutions including the International Monetary Fund, the International Bank for Reconstruction and Development (the World Bank), the International Finance Corporation and the International Development Association.

The Ministry of Finance, in conjunction with the Central Bank, has taken measures to foster the growth of the first real stock Exchange in the Federation, and also to develop a Money Market.

Of particular importance to the financial strength of the Federation is the continued growth of the Employees' Provident Fund. At the end of 1960 there were 1,141,700 registered contributors with \$593 million standing to their credit as compared to 866,571 registered contributors with \$354 million to their credit at the end of 1957.

Since 1957, the Federation has raised loans from the World Bank for the giant hydro-electric project in the Cameron Highlands, two loans from the U.S. Development Loan Fund for roads and bridges and for the building of a new port on the North Klang Straits at Port Swettenham, another loan from the U.K. Export Credit Guarantee Department for vast telecommunications projects, more than half completed, and also a loan of \$100 million from Brunei. The credit standing of the Federation abroad is high, and the Federation would be able to raise more foreign loans if needed to finance its development programmes.

Financially speaking, the Federation has fared very well in the years since independence. The recession in 1958, the first year of independence, was not as grave as originally feared; since then the price of rubber has been favourable. In 1960, it averaged as high as 108 cents per lb. As a result, the estimated Gross National Product of the Federation rose to a record level, higher than even in 1951, the year of the Korean War boom.

Federal Government revenue rose in 1960 to a peak exceeding the \$1,000 million mark for the first time largely as a result of the high price of rubber for the year. The level of reserves is satisfactory as a result of the favourable outcome of 1960. Excluding the Federation's share in the reserves of the Currency Board (which are held entirely in Sterling), the gold and foreign

exchange reserves of the Federation Government and its agencies, the Central Bank and the Commercial Banks increased from \$1,176 million in 1959 to \$1,538 million in 1960.

Finally, the record of Malaya's economic progress since Merdeka would not be complete without reference to the work and research of the Economic Planning Unit in the Prime Minister's Department and the current establishment of an Economic Division in the Treasury, and the co-ordination of the Central Working Committee on the Five-Year Plan operating on the policy laid down by the Special Economic Committee of the Cabinet.

The inter-action of these three organisations in producing policy and planning I might well describe as the "brains" of economic progress in the Federation of Malaya. Their tasks are to ensure the success of the Second Five-Year Development Plan, which ends in 1965, and to work ahead on the organisation of a Third Five-Year Development Plan to make the future of Malaya even better and brighter than it is today.

As our Prime Minister, Tunku Abdul Rahman Putra, has rightly observed, "Free Malaya is a New Malaya".