

ADDRESS BY THE DEPUTY PRIME MINISTER
CUM LEADER OF THE FEDERATION OF
MALAYA DELEGATION TO THE NINETEENTH
SESSION OF ECAFE ON ECONOMIC SITUATION
IN ASIA, MANILA, PHILIPPINES ON 6TH
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I wish to express on behalf of myself and my fellow delegates from the Federation of Malaya Delegation our heartiest congratulation on your election as Chairman of this Session. We are most grateful for the warm welcome and generous hospitality extended to us by your Government and for the excellent administrative arrangements made to ensure that we shall have fruitful meetings and an enjoyable stay here. I would also like to congratulate our two Vice-Chairman on their election and to welcome Western Samoa as a new full member of the ECAFE.

About five years ago, I had the privilege of participating in an ECAFE session held in Malaya and today I am indeed very happy at this nineteenth Session to have the opportunity to meet once again this very distinguished gathering of friends and fellow delegates in the beautiful capital city of the Philippines, a country for which we have very warm affection and high regard.

During recent years we have witnessed continued progress and expansion of ECAFE activities under the able guidance of its Executive Secretary. The Commission has proved to be a valuable forum for the exchange of views and mutual experience in economic and social development and an enormous interest has been engendered among member countries working closely together to raise the standard of living of the people in the area. The ECAFE family ties which draw us together will, I am sure, be further strengthened by the proposed extension of the ECAFE geographical scope to include New Zealand and Australia. These countries, by their close geographic proximity, not only share a community of

interest with us as developing countries but are also already playing an important role to resolve the many complex problems of economic growth which confront the countries of the ECAFE region. My delegation whole-heartedly endorse this proposal to extend the geographic scope of ECAFE.

This year's draft ECAFE Annual Survey is indeed significant. It not only directs our attention to Asia's trade with Western Europe with reference to the European Economic Community but also reviews in some details the region's economic activities and developments during 1962. I would like to express my personal appreciation to the ECAFE Secretariat for making available this excellent study as a basis for our deliberations. I do not propose to deal at length with the problem of Asia's trade with the EEC as it has been thoroughly covered in the Survey before us. However, I would like to make some observations to its possible effects on Malaya's trade and economic development.

Mr. Chairman, like most of the developing countries in the region, trade with non-Asian countries constitutes a higher proportion of total trade than does intra-Asian trade. Being producers of primary commodities we have to depend on trade with the developed countries in the West. For this reason the Federation of Malaya has followed with great interest the developments in economic groupings in Europe especially that of the European Economic Community. We share in the common hope that such groupings should pursue outward looking and trade creating policies and not raise barriers to imports from outside.

It would not appear that the main exports of the Federation to the EEC would be seriously affected for some time to come. Over 80% of Malaya's exports to Europe are rubber and tin for which the tariffs are not to exceed 3%, and at present no duty is imposed on them. There is reason, however, to believe that the Six may decide to impose duty on these principal exports of ours when the Overseas Associated Territories are able to produce them in sufficient quantities, as it would be necessary to give preference to their associated territories. In the short run, Malaya's main exports to

the EEC would not be greatly affected but the establishment of common tariffs which accord substantial preference to the products of the associated overseas territories will in the long run adversely affect Malaya's exports to the Common Market. The tariff barrier also limits the prospects of developing markets for our products within the European Economic Community.

The future of our rubber and tin exports is closely tied up with the future prosperity of Europe. Although the rapidly rising living standards in Europe will mean more consumption of rubber and tin for tyres and tinned foods, the threat remains since as a result of co-ordinated industrial policies within the EEC there might be an expansion in the production and consumption of synthetic rubber as a substitute for natural rubber.

The disturbing trend of the slow growth in export earnings of developing areas has already resulted in most of these countries being unable to finance the necessary imports to support their development. It would be necessary in the circumstances for Western tariffs to be kept to the lowest possible level to encourage local industrialisation for export or to help compensate the loss in earnings by means of generous aid in the form of grants or loans and world-wide commodity agreements.

In past meetings of this Commission, developing countries have appealed to the developed countries to assist in their industrialisation programme by concentrating on the production of the more complex manufactured goods and leaving the production of the simple goods to the developing countries so that serious duplication of production and competition for markets could be avoided. The seriousness of this problem has become more acute as countries in the region become industrialised. This is a vast and complex problem and it would need the sympathy of the developed countries as well as planned and concerted action on the part of everyone to resolve it.

The problem of reducing violent fluctuations in the prices of primary commodities and also measures to offset short-term fluctuations in the export earnings of primary producing countries were

considered by the Commission on International Commodity Trade at its meeting in Rome in May 1962. We are interested in the findings of the Commission with regard to the possibilities of compensatory financing to mitigate the effects of short-term fluctuations in export earnings. Such measures as this might help to stabilise world commodity prices at reasonable levels and contribute greatly to economic stability and progress. We must all re-affirm our determination to secure reasonably stable price levels for our primary commodities either through commodity agreements or through such other measures as the C I C T. (Commission on International Commodity Trade) has under consideration.

As explained in the Survey the year 1962 was on the whole a very satisfactory year for the Federation from the economic and financial point of view. We are among the few countries which were free from financial difficulties. Since 1955 GNP has increased at an annual rate of about 4 to 5% and it is expected there was a further increase of 4.5% in 1962 but this was to some extent offset by the high rate of population growth and the adverse terms of trade so that there was no significant change in per capita real income since 1955 while living costs remained relatively stable.

Development expenditure in the public sector achieved a remarkable increase of about 50 per cent over the performance of the previous year. The response to the Government's policy of encouraging private investments in industries continued to be favourable and modest increase in new employment opportunities was recorded in the manufacturing sector. Private investment, estimated at M\$490 million in 1962 was greater than in 1961, although fell short of the annual average target of M\$590 million envisaged in the Second Five Year Development Plan. Our export earnings from rubber were lower while the value of imports was higher than in 1961, the balance of trade remained favourable but was insufficient to prevent the balance of payments from showing a large deficit on current account. Nevertheless, total foreign exchange reserves of the country at the end of the year were estimated to be adequate to cover one full year's import requirements at the current rate.

Comparisons indicate that the Federation of Malaya was second only to Japan in prosperity among the countries of Asia. Our present state of progress and prosperity can be largely attributed to the multi-racial harmony, economic and political stability obtained in the country and our determined efforts to promote economic and social development. We have geared the whole government machinery at all levels and mobilised the efforts and resources of our people towards the implementation of our national rural development programmes which form the "cope" of Second Five Year Plan. This Plan has as its main objective the narrowing of the gap between the haves and the havenots and the levelling up of the incomes of the less fortunate ones of the population. In short, our strategy for development aims at meeting the needs, aspirations and the desires of our people particularly those in the rural areas. As Minister of Rural Development, I am happy that the people throughout the country have responded in spirit and in action to our National call and pressed ahead towards the realisation of our goals.

The Federation of Malaya, however faces the prospect of lower prices for natural rubber which would affect not only the country's foreign exchange earnings but also the Government's revenue and available financial resources for development. Although finance did not present a problem during the first two years of the Plan, it is unlikely that this favourable situation will continue in the immediate and foreseeable future. The financing of our Second Five-Year Development Plan was based on the assumption that the average price of rubber would be 80 Malayan cents per pound but with the downward trend in the longterm market prospects for natural rubber it will be necessary to mobilise all available resources. The deficiencies may have to be made up by an expansion of exports and increased trade among the ECAFE countries supplemented by foreign economic assistance if the present rate of development is to be sustained.

We are deeply conscious of the need for greater exports and of the importance of developing new exports to overcome the so-called sluggish markets for traditional exports.

In this connection the Federation Government is laying greater stress in the development plan on increased agricultural production and diversification and industrial development. The plan is now under review but measures have already been taken to encourage the planting of those alternative crops such as oil palm, coconut, rice and other crops which have been studied sufficiently to justify an increase in capital investment. Efforts are also being made to undertake a comprehensive economic land use survey for the exploitation of the potential resources of the country. These measures reflect the Government's realisation that the country's economic stability and prosperity cannot depend on the varying fortunes of rubber alone as it has been in the past.

With regard to industrialisation, the Government is giving incentives to induce rapid industrial development in the private sector to supplement public investment. We adhere to the principle of individual initiative and of private enterprise tempered with social and civic responsibility and plan towards the attainment of our targets so that the nation at large may derive the fullest benefit from these programmes. The Federation Government strongly believe that the private sector has an important role to play in the economic development of the country and the Government is confident that private enterprise will play its proper role in this process. As industrialisation is an essential ingredient of accelerated economic development, the Government will increasingly assume a more positive role in shaping the scope and rate of industrial development in the country and providing greater incentives. A more rapid industrialisation, especially in light industries, could well provide, within a reasonably short period of time, increased employment opportunities for the expanding work force. But our efforts alone will not be sufficient to take the economy into a stage of self-sustaining growth. We members of this region have to play a much more important role in assisting one another in our common goal of economic development than what has been done so far. There is need for bold thinking and concrete action to realise close regional or sub-regional co-operation. As the Survey rightly suggests, the member countries should expand trade among themselves and ensure closer co-operation in our plans for agricultural and industrial development so as to avoid competitive and wasteful duplication of efforts.

A beginning in this direction has been made. The Survey has correctly noted that the Federation of Malaya, the Philippines and Thailand have under the auspices of ASA entered into treaty arrangement to co-operate in liberalising trade and foreign exchange regulations and to work jointly for stabilising prices of primary export commodities and other related matters which will increase trade within the region. Regional co-operation along these lines, I admit, make a real contribution to the economic development of the countries and we should re-dedicate our efforts and determination to demonstrate the sincerity of our common desire in raising the standard of living of the people in member countries.

We wish nothing more than to help quickly realise the aspiration of the people for independence, for social advancement and for better conditions of life. I would therefore urge that we continue steadfastly to do our share in promoting greater understanding and co-operation among members of ECAFE so that the scarce and urgently needed resources will not be diverted for purpose other than to promote economic development and closer regional co-operation in peace. All member countries will, I am sure, agree that without peace and stability in the world our concerted efforts at economic development and the vast amount of material aid channelled into this region will make no difference at all because then we and our children will not be around to enjoy the fruits of our labours.

But there is reason to expect further economic progress in this region if we continue with determination and confidence, as, I am convinced, we surely will do, to maintain peace and stability and meet the challenge of our times. And, God willing, we shall all move forward in peace, happiness and prosperity.

Thank you.