

keeps us moving along the path of progress. I urge that during your discussions you consider this aspect seriously, and most of all. in practical terms.

Let us not confine our deliberations to theory, but consider ourselves as a group with an accumulation of years of practical experience based on the knowledge of our people and the environment of this region, and with reservoir of experience and talent I hope that there will be established not only a recognition of co-operation but a continual need of exchanging ideas.

If you approach the Seminar in this spirit. I feel certain that new and useful ideas will emerge from which we will all benefit. Lastly, it is my sincere wish that you should see as much of Malaysia, as possible, and bring back with you the satisfaction not only that you have learned something from us but that we Malaysians have been able to learn from you just as much if not more. We can then pride ourselves of having carried out a successful Envelopment "transplant" operation!

## **THE GREAT TRANSFORMATION**

### **MALAYSIA GETS PRAISE FROM WORLD BANK PRESIDENT**

*At a symposium entitled, "Great Economic Debates" held at Dewan Tenitkit Chancellor. University of Malaya on 2nd October; 1967. Tun Razak, in his opening address, gave details of the progress attained by the Alliance Government in the various spheres of development entered into since the attainment of Merdeka. He brings home the fact that it is well within the scope of each and every one who has the welfare and progress of the country at heart to contribute individually and collectively to the common cause.*

It always gives me a pleasure to come to this University because it reminds me of the visit I made to this place 11 years ago in 1956 when I walked on the site which was then covered with rubber trees and secondary jungle in order to decide on the establishment of this University. So I had obtained a little

satisfaction over the fact that I played a small part as Minister of Education at that time in the establishment of this University and in providing the opportunities for the best education we could give to our young men and women in this country.

It is with some hesitation that I address this gathering of economists and budding economists for I am not an economist. My only claim to fame is one of simplicity. I am a straightforward politician with a simple uncomplex background. And I claim to know something about Development and the desirability of Development in this country, particularly. Rural Development, because I myself started life in a rural and remote kampong. I started my schooling in a school with an attap roof above me and an earth floor beneath me. I still remember vividly the feel of the mud-floor on my shoe-less feet. I also make no claim to be an academic. I only had the good fortune of being able to study law at the Inns of Court in London years later, and although I started to study a little bit of the elements of Economics, I had to give it up owing to the untimely death of my father.

When I was studying like you. at your age, I mean those of you who are under-graduates. I thought a lot about politics because in those days our country was not yet independent and was governed and administered by a custodian Colonial Government. I decided with many others, to enter politics with one aim. a sincere aim to be able to serve my people and my country without much thought of personal gain. I looked upon politics, not in the philosophy of opportunism but rather in the spirit of opportunity to be of service to our country to help in the fight for independence and to serve our newly emerging nation Malaya at that time.

There went; hundreds of others who were in politics at that time. Whatever their faults and short-comings might have been, they have done one great service to our country and their contribution will be written by historians in letters of gold. They assisted us in bringing about independence to our country and with independence, came progress and opportunities for our people for a better and higher standard of living and for a fuller and a richer life.

Let us now look back to the newly independent Malaya of 1957. Let us turn the pages of history to a decade ago and get our

thinking on Development in perspective. I am sure you will agree with me, being economists, you must do everything in perspective and also apply your economic theories with perception in perspective. We went through a period of trials and tribulations during the Japanese Occupation. No sooner was this over, instead of moving forward into an era of hope and progress, our country was faced with a long and drawn-out Emergency caused by militant Communism which drained our time, our money and our energy, and distracted us from the task of Development. The Emergency was still very much with us when the country gained its independence in 1957.

Our first task was to rid ourselves of this Communist menace and to devote our energy and resources to bring about peace in our country, and we could not seriously set about the task of development and nation building. We were not able to apply the full forces of financial and human resources to the tasks of pushing our nation along the path of progress until July 1960, when the Emergency was brought to an end.

I remember well those days how our people in the villages suffered for 12 years—they had to live behind barbed-wires in temporary huts, they had little to eat and were living from hand to mouth; they were not properly clothed, some of them were half-naked; and many of their children were not able to go to school. That was the situation at that time. Our country was living in a state of gloom and despondency. Although we achieved Independence, it meant very little to most of our people. Our people in the villages and the kampongs could not see any hope for a prosperous and happy future.

In a situation such as that, what were we to do? The obvious thing for the Government to do, was to give immediate assistance to our people to lead them out of this state of despondency and helplessness; to give them the bare necessities of life; to show them that there was hope for the future, that the Government was in earnest in endeavouring to give them a better and a higher standard of living and that as citizens of an independent Nation, they could have a rightful place among the free Nations of the world. So that was the situation we had to face and that was the way in which we had to tackle the problem. We had to feel the pulse of our people, both in the rural and the urban areas and devise ways and means of increasing our National pulse-beat from a sub-normal pace to that of a natural and lively speed.

I decided to divert our nation's finances and energies towards development. Our first task was to gear the machinery of Government towards development. Towards achieving quick and immediate results, we had to shed the shackles of Colonial thinking and Colonial methods. We had to make every department and every Government servant orientated towards dynamic Development. We had to change their way of thinking, their attitude of mind and to pool all their energies and resources towards bringing about quick results in this field of Development.

We had to implement our Development Plan phase by phase. We had to show to the people that the Government was in earnest to help them to bring them the bare minimum amenities of life, and to lift them from the hopeless situation which they were in. So the Government had to do its part to build roads to get access to these villages to enable us to bring amenities of life to them. We had to do all these minor projects, such as building of Community Centres, places of worship, bridges, water-supplies and such like, in order to invoke confidence, enthusiasm and hope among our people living in such depressed conditions for a better life. Also, it was necessary to lay down a sound framework and infrastructure of development before we could call on the people themselves to contribute their own part in the development of their country. That was why we carried out development in phases.

The first phase was action by the Government and after we had implemented this first phase for 18 months, and having invoked this confidence and enthusiasm among the people, we started our second phase. We called the people to action to play their part in improving the standard of living, in increasing their income and improving the conditions in their homes and in their villages. Some purely academic observers of our National Development Programme have criticised such minor projects in the rural areas as the building of Community Centres, places of worship and other minor projects which they call uneconomic. But, that part of our development programme was negligible compared to the overall effort on sound economic projects.

*Development is like a four dimension film: pure hard and fast economics and an economic theory is not enough. One has got to take into consideration equally important aspects. the human aspect, the social aspect and the political aspect.*

## NEW BRIDGE IN PERAK



Tun Abdul Razak and party walking on a new bridge-cum-bridle path at Parit Alas, Kuala Kurau, Krian District, Perak after its opening ceremony on 23rd July, 1960.

## GREETED BY VILLAGERS



Picture shows Tun Razak being greeted by villagers during his tour of Batu Talam, Raub to see the progress of rural development projects in that kampong.

Our Five-Year Plan after Independence did bring success in transforming the rural sector to increase the income of the people to provide the social amenities as are to be found in the urban areas and generally to make political independence meaningful by economic progress.

The small things—a small road to a kampong, a small clinic, a small community centre, a place of worship; these sort of things are equally important both psychologically and politically in so much that they create an awareness amongst our people, no matter how remote and far away they may be from our towns. An awareness to realise that development is part of their lives, that things are happening, that our nation is marching forward, and that they themselves must join in this forward movement and make their own contribution on their own land and in their daily work and in their efforts to increase production—indeed in improving their standard of living and way of life and in our efforts towards our National Development. A road leading to a village is important in that it is a means of bringing better health services, better education, better government services, better information services, better contact with other people and even better contact with you Economists who want to go and study the economics of National Development

There have been impressive achievements since Merdeka which give reason for pride and satisfaction in the past and for real confidence in our future.

*It is a source of satisfaction to us all that the President of the World Bank, Mr George Woods, at the annual meeting of the Bank last week, made special mention of our country's impressive economic achievements.*

More recently, Dr B. R. Sen, the Director-General of F.A.O. has complimented us for our plans for economic development and, in particular, our efforts to achieve self-sufficiency in rice by 1970 after having seen for himself the steps that had already been taken towards this goal and also I quote "the precise way we had planned them." The World Bank and F.A.O. make it a point to be well-informed and our sense of satisfaction is all the greater in the knowledge that praise from such sources is not lightly earned.

Let us now take a quick look at what we have achieved in the last ten years. During 1960-65, Malaysia's national income grew

by 5.8 per cent per annum. As population rose by 3 per cent per annum, average incomes increased by 2.7 per cent, a good achievement indeed. During the same period, employment grew by 3 per cent per annum, enabling us to absorb increases in the labour force. All this has been made possible by sound and progressive economic policies. A measure of our commitment to national economic development may be best illustrated by the increasing proportion of our national income, allocated to investment. While in 1955 we invested 9 per cent of our national income, in 1965 we allocated no less than 19 per cent of our national income to investment.

As to land development, 183,000 acres of virgin land have been opened by the F.L.D.A. to settle 11,000 families involving a total of some 65,000 persons. A further 160,000 acres have been opened up and planted under State schemes. As you know, the Jengka Triangle Scheme, which is now in the planning stage, will be our biggest land development Scheme which will help settle thousands of families and give them land and an estimated income of \$350 a month. In rice production, the area under padi cultivation expanded from 790 thousand acres in 1960 to 900 thousand in 1965, of which about 160 thousand acres have been made capable for double-cropping. With the implementation of two major drainage and irrigation schemes in the Muda River and the Kemubu area, and the use of RIA, a new rice variety which will double yields. Malaysia will soon become self-sufficient in her basic food crop by the early seventies. As far as rubber production is concerned, the far-sighted rubber replanting programmes initiated in the fifties have considerably strengthened our ability to compete with synthetic producers. Our estates are now more than 80 per cent replanted with high clonal seedlings, while smallholdings have been replanted to the extent of 60 per cent.

Supporting these production increases have been a wide range of infrastructure improvements. In roads, for example, the network expanded from nine thousand two hundred miles in 1960 to thirteen thousand three hundred in 1966, an increase of about 50 per cent in six short years. As regards electricity, the total power generated doubled from 1,233 million kilowatt-hours in 1960 to 2,510 million kilowatt-hours in 1966. In addition, the expanded education and health programmes pay particular emphasis to bringing these facilities to places which do not already have them. Indeed, expansion of our educational system has been truly

phenomenal. School places provided have risen from three quarters of a million in 1952 to two million in 1966. This is an increase of the order of 150 per cent. At the same time, our educational system is being restructured to provide the types and levels of training required by a modernising economy. The rapid growth of the University here and the excellent facilities provided for you all, are testimony of the progress in education. This is an accomplishment that will ring through generations of Malaysian history. Improved medical and health facilities have slashed the death and infant mortality rates. At the same time, a programme for family planning is under way to ensure better economic opportunities for our younger generation and to safeguard the health of mothers.

All this then is indicative of the solid economic progress achieved in this country under the Alliance Government. Now let us turn to the future. For this, the path of development has been mapped out in the First Malaysia Plan. This Plan is the first of a series of plans framed in the context of a twenty-year perspective which covers the country's long-term strategy, objectives and targets. Our current high income level has been produced mainly by the growth of the rubber and tin industries, the twin pillars of our economy. However, both these commodities face uncertain prospects. In the case of rubber, the long-term world price is falling steadily while, with regard to tin, known reserves are being depleted. If, therefore, we are to bring about rapid economic and social development in Malaysia, we will have to re-structure this economy by creating new patterns of economic activity involving diversified agricultural expansion and industrial development. This process has already begun. For example, we now produce more than enough cement to meet all our constructional requirements. We shall be self-sufficient in rice in the seventies. And we have embarked upon wholly new lines of economic activity in basic steel, fertilizer and petrol-chemicals. With every month that goes by production for the domestic market accounts for an increasing proportion of our gross national product. But all this is not enough. In the quest for development, no nation should ever be satisfied with its accomplishments.

Looking to the future, this Government will lead this country to capitalise upon our inherent potentialities to an extent never possible before and this despite increasing external difficulties. We are probably unique among developing countries in having

a combination of virgin land and under-utilised human resources available for development. We are probably unique among developing countries in the strength of our private and public capital position. And we are surely unique in the quality and quantity of our social and economic infra-structure with which those people, and that capital and land can be combined. To draw forth and mould these resources and these potentialities for the public good, this Government will press for liberal land alienation. To provide gainful employment to the additions to the labour force over the years and eliminate the back-log of unemployment. we must move rapidly to put our arable land to the best productive use.

We will undertake all that is necessary' to encourage private participation by all our people and by foreigners in agricultural development and diversification and in industrial development. Such is the purpose of the forthcoming Investment Incentives Act which will bring under one piece of legislation all Government incentives offered to industries, widen the scope of these incentives in some cases and provide for flexibility in their administration,

I should like to emphasise here that it is not enough for us merely to look to our domestic market. We must strive to expand our exports, both agricultural and industrial. This country has done well to avoid a situation where local industries are by and large not efficient and operate under high protective tariffs. Having high tariff rates not only distorts the allocation of resources but raises the cost of production of almost everything else. In effect, the consumer ends up subsidising inefficient producers. It is essential for local manufacturers in producing for the export market to strive continuously for greater efficiency.

Recent developments in the price of rubber are matters of serious concern to us; they may not, however, spell disaster for our First Malaysia Plan. It is true that the price of rubber had declined more sharply than envisaged in the Plan; it is true as a result we have lost considerable foreign exchange earnings, especially in the last two years. However, despite this adverse trend of rubber price, our export receipts for 1967 are expected not to fall too much below the level anticipated in the Plan. Export receipts from sources other than rubber for the remaining years of the Plan will grow more rapidly than originally projected in 1965. The reason is the increasing quantity of oil palm, timber and minor exports produced.

These developments indicate that the implementation of our First Malaysia Plan will not be unduly jeopardised. Government will see to it that the momentum of economic and social development in the country will not be hindered.

While determined to achieve the Plan targets we have set ourselves, we are equally determined not to create inflationary pressures which could undermine this country's financial stability. In this connection, it is noteworthy that our general price level has remained relatively stable over the years. The index right now is just over 104 on a 1959 base of 100. Surveying the situation as a whole, we do indeed have ample cause for satisfaction with our past performance and with our prospects. We enjoy political and economic stability. The credit-worthiness of our country is high and our public debt is at a relatively low level. Our reserve position is good. Given the sense of dedication, self-reliance and with determined efforts, our people can look forward with confidence that Malaysia will have a bright and prosperous future.

As Minister of National Development. I have opened many new roads, many new schools and a hundred and one thousand new development projects. Never in my life have I been asked as a politician to open a "pipe-line", but to-night in opening your Symposium. I should like also to open a pipe-line of ideas; a pipe-line of economic thinking; a pipe-line of constructive thought for the development of our nation, which will link our nation's University with our National Development Programme. I hope that in the next few years, all of you will get down to some constructive thinking and produce some ideas that are worthwhile for the future of our country.

Let us not waste our brain power; let us not create a brain-drain in arguing over the defects of the past, but let us put our brains together and produce a constructive plan for the future so that our nation may progress even more in the next ten years than it has succeeded in progressing in the last ten years.

. . . . Our national rural development policy was designed to give full recognition to the universal principle that no nation anywhere in the world can hope to progress to any extent except by the full-hearted co-operation and energetic efforts of each and everyone of its citizens \* . . . "

*Tun Alxiul Razak.*