Nurturing the Malayan economy

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One of the enduring legacies of the pre-independent Malayan government was the five-year planning that set targets and assessed economic progress, writes JOHN GULLICK

GOVERNMENT built infrastructure and left private enterprise to pursue its own road to profitability. In 1946, government officials did not, so far as I know, include a single qualified economist on its permanent establishment.

In 1948, after the unlamented departure from the post of economic adviser of a Whitehall bureaucrat, he was ultimately succeeded by a veteran of the Labour Department of whom it was said that "any connection between this person and economics is purely coincidental".

However, the post-war Malayan economy was too important in the sterling area to be left to amateurs.

Oscar Spencer, transferred from Ghana where he had made a reputation in economic development, began a new era.

He was a London School of Economics graduate who had experience of banking in the City of London — an able, energetic, if rather abrasive and excitable personality.

MERDEKA MEMOIRS

Malaysiaku Gemilang

High commissioners, preoccupied with the Emergency and politics, allowed Spencer a free hand in applying his esoteric expertise.

Perhaps the most enduring legacy of modern Malaysia of the 1950s was the use of indicative five-year planning to set targets and assess progress.

Spencer inherited a rather inadequate first (1950-1955) plan and much improved later quinquennial plans.

Malaya also made its first bow on the international scene in providing advisers, including local businessmen such as H.S. Lee, to guide the British missions to international conferences, aimed at stabilising the world prices of rubber and tin. Malaya also benefited from local projects financed and guided by the Commonwealth Development Corporation.

There were still some unwelcome relics of the immediate post-war period, notably a government monopoly of the import of rice and sugar.

This was also a period of concern lest the Korean war should be followed by another wider conflict in Southeast Asia.

To sustain itself during the initial disruption of imported supplies that such a war would cause, Malaya was required to maintain government stocks of rice at a prescribed level.

How long does milled rice remain edible in store? The reply to London was: Six months. In all their wisdom, the planners sent word that Malayan reserves should be raised to the level of nine months normal imports.

Fortunately, it was impossible to buy that amount of rice on the Southeast Asian market.

Meanwhile, the local press imputed to the officials who managed the reserve stocks a self-interest in prolonging the system.

We were in fact very glad to be relieved of a thankless task when it was wound up in the mid-1950s.

The collapse of the price of rubber after the Korean war boom coincided with competition from synthetic rubber supplies, which improved in quality and increased in quantity.

The more progressive parts of the Malayan plantation industry had begun to replant their estates before the war with high-yielding rubber, thus increasing output and reducing cost of production.

But many estates and almost all smallholdings had not done so and were on their knees.

The government took the matter in hand by imposing a replanting cess on all rubber exports and using the proceeds to make grants towards the cost of actual replanting.

This control of their affairs was anathema to the London rubber barons and led to some noisy recrimination, but it worked.

For technical reasons, it is not possible to plant rubber successfully on a clearing of less than one acre, and so the rehabilitation of smallholdings led to various other schemes, of which the Felda projects (planting large areas for division into smallholdings) was the most striking, if somewhat bureaucratic.

The fragmented electricity supply industry was consolidated and much expanded under Spencer as chairman.

The official history of Tenaga Nasional observes that he was "noted for ending any public function at which he presided with three ringing cries of Merdeka" (causing consternation among the expatriates in his audience).

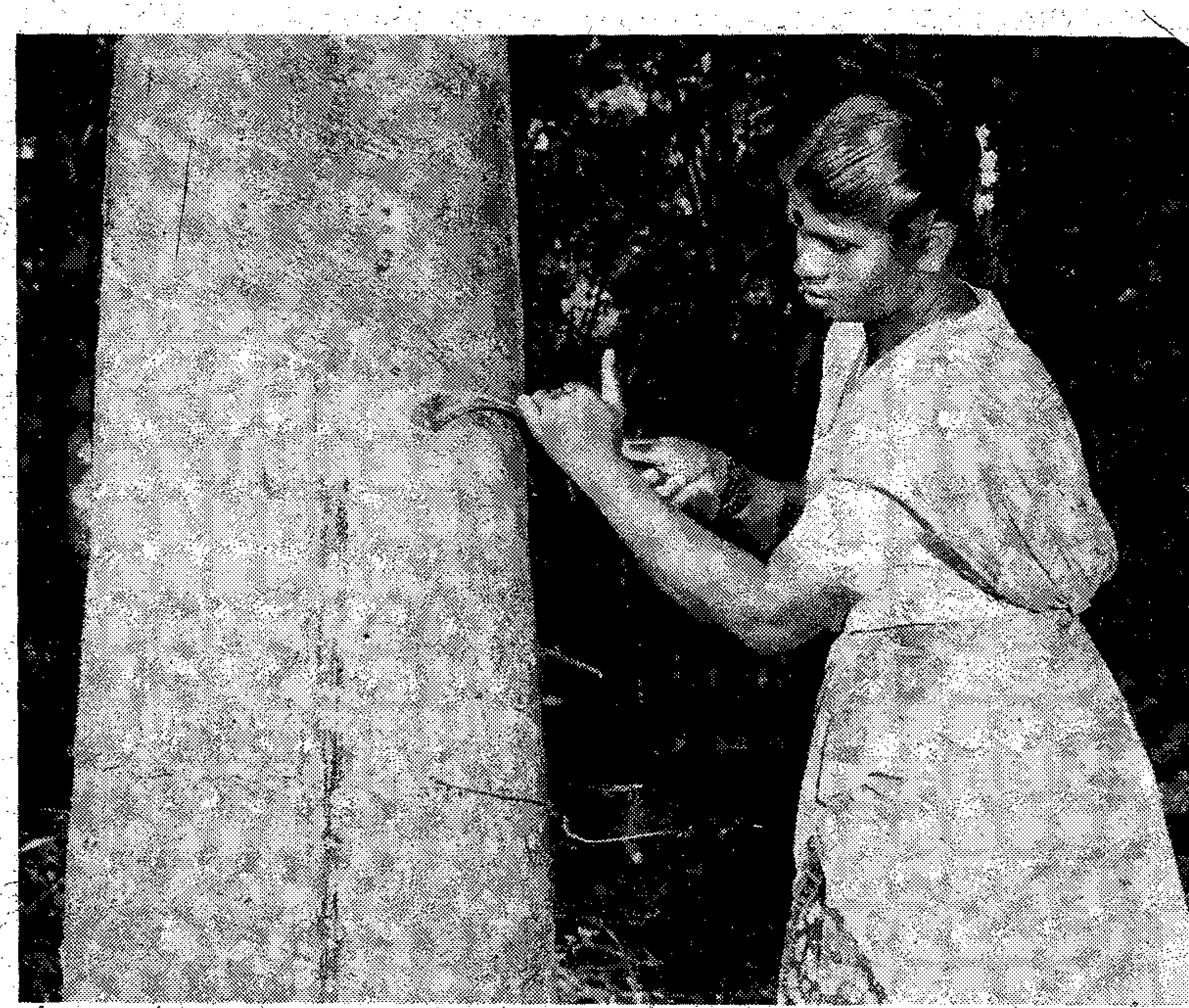
There was perhaps a double meaning here as Spencer engaged in a power struggle of a different kind against ministerial efforts to control and direct this first major venture in industrial development.

Here, he was in conflict with Tun Tan Siew Sin, and this led eventually to Spencer's abrupt departure from the Malayan scene.

The story goes that after a row over government duty on imported fuel oil, Tan told Spencer that Malaya no longer needed an economic adviser as such.

In a way, that is a verdict on the economic history of the 1950s.

There was still a vast amount to be done, especially in the development of manufacturing industry, but the decade had seen the appearance on a national scale of the machinery of economic management. — MPS



A rubber tapper in the early 1950s.

A street trader in Taiping in 1886.

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