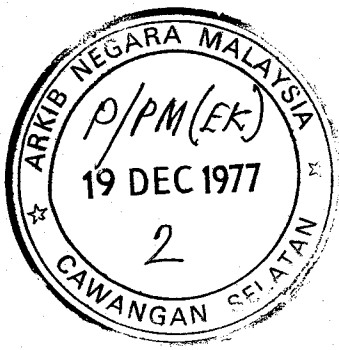


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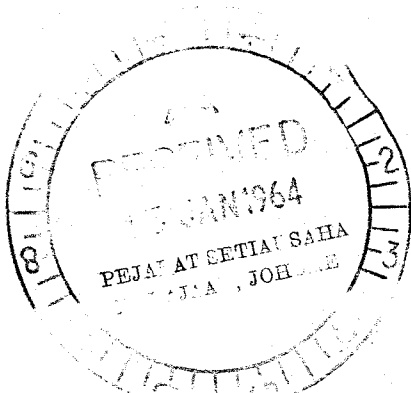
INTERIM REVIEW OF
DEVELOPMENT IN MALAYA
UNDER THE
SECOND FIVE-YEAR PLAN

KUALA LUMPUR
DECEMBER 1963

Harga: \$2.50



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DI-CHETAK DI-JABATAN CHETAK KERAJAAN
OLEH THOR BENG CHONG, A.M.N., PENCHETAK KERAJAAN
KUALA LUMPUR
1964

PREFACE

This report discusses progress in the former Federation of Malaya under its Second Five-Year Plan, which was adopted in January 1961.

Creation of Malaysia presents a host of new challenges, problems and opportunities to all the component States. This is, therefore, an appropriate time to look back at what the Federation's Second Five-Year Plan had accomplished by Malaysia Day, 16th September, 1963.

Malaya's Second Five-Year Plan covers the years 1961 through 1965. Sabah has a Six-Year Plan for 1959-64, Singapore a Four-Year Plan for 1961 through 1964. Sarawak is just completing one Four-Year Plan period, 1959-63, and is embarking on a new plan covering the years 1964-68. It will take until 1966 for all the different States of Malaysia to merge their development plans, and it is expected that the first Malaysia Development Plan will cover the five years, 1966-70. While an increasing amount of co-ordination will take place in development activities during 1964 and 1965, Malaya and the new States will be following their own development courses in large measure. Malaya will be completing work under its Second Five-Year Plan. This interim review covers progress under that Plan until about Malaysia Day, with some discussion of problems and prospects for 1964, 1965 and later years.

The information in this report is as current as circumstances permit. But few statistical series yield data for a particular day, other than a year-end or month-end, even a day as important as Malaysia Day. Most often the statistics herein carry the story to the end of 1962, or through June 1963.

A far more serious limitation on the information presented herein results from the incompleteness of what we know about Malaya, especially in statistical terms. The Ministry of Agriculture and Co-operatives is re-examining its statistics on crop production and fish landings, with the result that sharp revisions must be made in certain previously published figures. Likewise the Statistics Department's new estimates of fixed capital formation are markedly different from earlier estimates. We are now better informed than before on these matters, but still our statistics do not tell all we wish to know. As for the future, the figures herein are, of course, only estimates. Not all of them agree with estimates published elsewhere, but the general character and magnitudes of the variables involved are not in serious dispute.

This report concerns development in the States of Malaya whether reference is to the past, the present or the future. Hereafter Malaya will be developing as part of Malaysia. But we are here concerned with Malaysia's development problems, not *in toto* but in their application to Malaya.

This report was prepared in the Economic Planning Unit, Prime Minister's Department, with assistance from the Ministries and Departments concerned.

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SUMMARY

1. Dramatic and solid progress is taking place under the Second Five-Year Plan inaugurated by the Federation of Malaya at the beginning of 1961. The scale of development activity has risen sharply as a result of the Plan, and investment in new facilities, both public and private, is much greater now than ever before.

2. Productive capacity is expanding, and production is rising. Farms, estates, mines, factories and other productive units are raising their output year by year, and adding to their facilities. Government services are expanding throughout the country. Gross domestic product rose 9.3 per cent during the first two years of the Plan, an average of $4\frac{1}{2}$ per cent a year. Table 1 shows highlights of the progress to date; the statistical Appendix at the end of this report gives more detailed information. Some of the outstanding features of the record are the following:

(a) *Agriculture.* The physical volume of output from estates and small farms has grown impressively, and there has been some increase in crop acreage. Rubber output reached 750,000 tons in 1962; this was an all-time record, and 6.2 per cent above the 1960 level. Rice output rose sharply in the first crop year during the Second Plan, but bad weather brought the next crop down again to only slightly above the 1959/60 level. Despite the growing population, rice imports dropped from 40 per cent of total requirements in 1958-60 to 35 per cent in 1962. Oil palm production continued its upward climb, in 1962 reaching a level 18 per cent above that of 1960 and more than double that of 1953. Most other products of farm, forest, and fishing are growing too, although a few, notably coconuts, have declined.

(b) *Minerals.* The tin industry has recovered in recent years; output is greater than at any other time since the mid-1950's, and prices are at their highest since the Korean War. Iron ore production has continued its irregular growth and in 1962 reached 16 per cent above the 1960 level.

(c) *Manufacturing.* Existing industries are expanding their output, and new industries are coming into production, many under the Pioneer Industries Ordinance. Production is rising rapidly for certain products, including rubber goods, cigarettes, bricks and roofing tiles.

TABLE 1
PRINCIPAL ECONOMIC INDICATORS, FEDERATION OF
MALAYA

(Physical units or values, and index numbers)

	1960	1961	1962	1963 Jan.-June
Population (thousands)	7,017*	7,250*	7,491*	7,611*
	(100)	(103.3)	(106.8)	(108.5)
Gross domestic product (G.D.P.) in constant 1959 dollars (\$ million) ..	5,191	5,458	5,672	
	(100)	(105.1)	(109.3)	
G.D.P. per capita (\$)	751	765	770	
	(100)	(101.9)	(102.5)	
Gross national product (G.N.P.) at market prices	5,665	5,604	5,786	
	(100)	(98.9)	(102.1)	
G.N.P. per capita (\$)	819	783	785	
	(100)	(95.8)	(95.8)	
Exports f.o.b. (\$ million)	2,924	2,622	2,621	1,353
	(100)	(89.7)	(89.6)	
Imports c.i.f. (\$ million)	2,151	2,231	2,447	1,305
	(100)	(103.6)	(113.8)	
<i>Agriculture:</i>				
Rubber production (thousand tons)	708	737	751	365
	(100)	(104.1)	(106.1)	
Rubber price average (RSS 1, cents per pound)	108.1	83.5	78.2	76.4
	(100)	(77.2)	(72.3)	
Rice production (thousand tons) ..	480	525	498	
	(100)	(109.4)	(103.8)	
Oil palm production (thousand tons)	90	93	106	56
	(100)	(103.3)	(117.8)	
<i>Mining:</i>				
Tin production (thousand tons) ..	52	56	59	30
	(100)	(107.7)	(113.5)	
Iron ore production (million tons)..	5.6	6.7	6.5	3.7
	(100)	(119.4)	(116.1)	
<i>Manufacturing:</i>				
Cigarette production (thousand pounds)	7,879	9,517	11,021	6,366
	(100)	(120.8)	(139.9)	
Soap production (thousand hundred- weights)	356	378	384	221
	(100)	(106.2)	(107.9)	
Cement production (thousand tons)	282	326	321	174
	(100)	(115.6)	(113.8)	
Pioneer companies (number) ..	55*	71*	87*	99*
	(100)	(129.1)	(158.2)	(180.0)
Pioneer companies (called-up capital, \$ million)	29*	54*	69*	134*
	(100)	(186.2)	(237.9)	(462.1)

	1960	1961	1962	1963 Jan.-June
<i>Transportation:</i>				
Motor vehicles registered—all types (thousands)	185* (100)	219* (118.3)	253* (136.6)	273* (147.6)
New roads completed (miles) ..	260 (100)	461 (177.3)	764 (293.8)	240
<i>Communications:</i>				
Telephones (thousands)	76* (100)	82* (107.9)	90* (118.4)	94* (123.7)
Post offices (number)	212* (100)	213* (100.5)	221* (104.2)	221* (104.2)
Mobile post offices (number) ..	23* (100)	33* (143.5)	42* (182.6)	46* (200.0)
<i>Electric Power:</i>				
Installed Capacity (thousand Kw)..	328* (100)	338* (103.0)	327* (99.7)	380* (115.9)
Transmission lines (miles)	3,928* (100)	4,263* (108.5)	4,757* (121.1)	5,221* (132.9)
Generation (million Kwh)	1,200 (100)	1,300 (108.3)	1,500 (125.0)	800
<i>Education (fully assisted schools):</i>				
Primary enrolment (thousand pupils)	974* (100)	1,051* (107.9)	1,074* (110.3)	1,100* (112.9)
Secondary enrolment (thousand pupils)	96* (100)	111* (115.6)	147* (153.1)	164* (170.8)
Class-rooms (thousand)	23* (100)	26* (113.0)	26* (113.0)	28* (121.7)
Primary teachers (thousand) ..	35* (100)	39* (111.4)	41* (117.1)	40* (114.3)
Secondary teachers (thousand) ..	3.6* (100)	4.3* (119.4)	5.7* (158.3)	6.3* (175.0)
<i>Health (Government services only):</i>				
Hospital beds (thousand)	21.1* (100)	21.5* (102.0)	21.7* (102.8)	21.7* (102.8)
Dispensaries (number)	355* (100)	356* (100.3)	373* (105.1)	373* (105.1)
Health centres (number)	133* (100)	134* (100.8)	146* (109.8)	155* (116.5)
Health sub-centres (number) ..	8* (100)	11* (137.5)	50* (625.0)	84* (1,050.0)
Midwives' clinics (number) ..	26* (100)	55* (211.5)	273* (1,434.6)	422* (1,623.1)
Dental clinics (number)	146* (100)	149* (102.1)	245* (167.8)	245* (167.8)
Doctors (number)	391* (100)	419* (107.2)	438* (112.0)	451* (115.3)

	1960	1961	1962	1963 Jan.-June
<i>Water Supplies:</i>				
Number of supplies	140*	141*	148*	156*
	(100)	(100.7)	(105.7)	(111.4)
Output (million gallons per day) . .	84*	87*	92*	
	(100)	(103.6)	(109.5)	
<i>Irrigation:</i>				
Areas that can be double-cropped (thousand acres)	38*	78*	85*	95*
	(100)	(205.3)	(223.7)	(250.0)

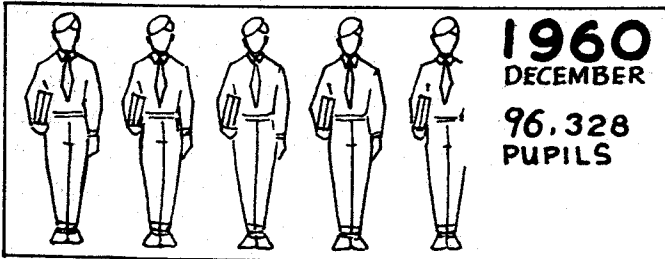
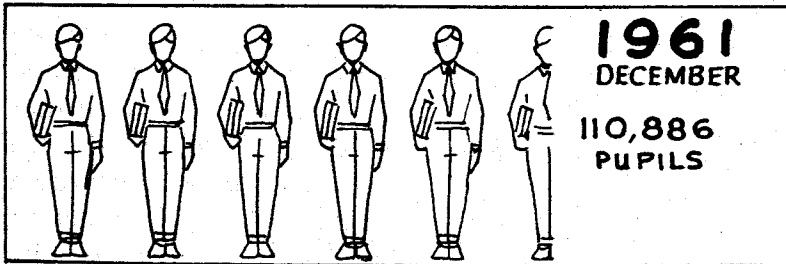
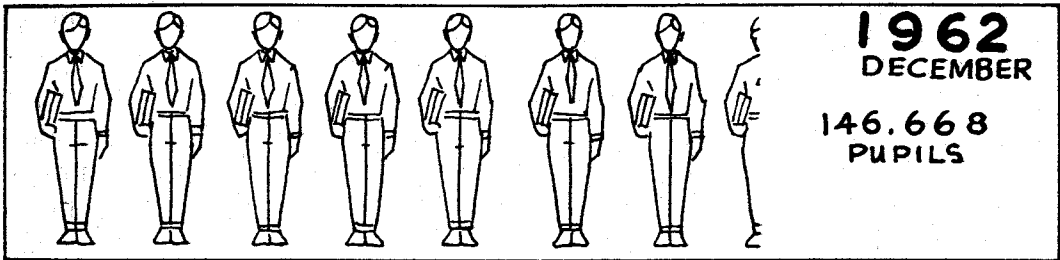
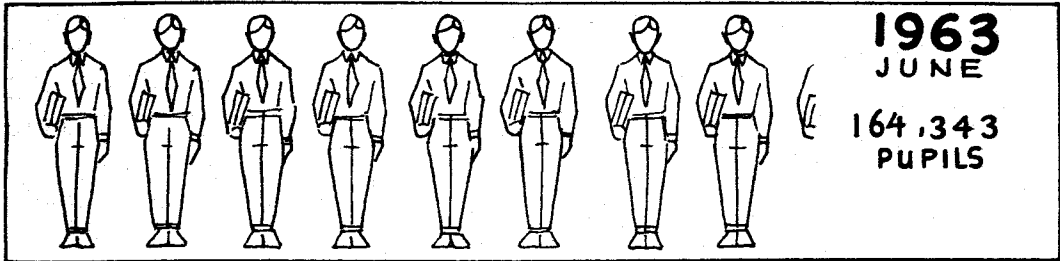
Notes: * As at end of period.

Figures in parentheses are indices based on 1960 as 100.

Source: Department of Statistics.

- (d) *Transportation.* Motor transportation is expanding rapidly. Road mileage is growing; newly constructed roads totalled 764 miles in 1962, almost three times as much as in 1960. The total number of registered motor vehicles of all types rose 48 per cent between the end of 1960 and the middle of 1963. Railway traffic on the other hand did not grow: passenger traffic declined a little; freight business was held only by rate reductions, and railway revenue consequently declined slightly. Air traffic is expanding rapidly: passenger landings rose 29 per cent on internal flights and 58 per cent on international flights in just two years between 1960 and 1962.
- (e) *Communications.* The number of telephones in the Malayan States rose by 24 per cent between the end of 1960 and the middle of 1963. Radio services have been extended, and now most residents of Malaya have access to Radio Malaysia.
- (f) *Electric Power.* A modern society depends heavily on electricity for many kinds of activity. Malaya's rapid development has brought particularly fast growth in the amount of electric power used. In 1962, 25 per cent more power was generated than in 1960. Installed capacity of the Central Electricity Board in June 1963 was 26 per cent above the 1960 level, and by the end of this year is expected to reach 75 per cent above the 1960 level. Total installed capacity of other producers of electric power is increasing somewhat less rapidly.
- (g) *Education.* The number of children in school is growing rapidly. Primary enrolment in fully assisted schools rose 10 per cent in two years, secondary enrolment 53 per cent. To care for these students Government has provided more classrooms and more teachers. Emphasis has been placed on expanding secondary schools in areas outside the large towns such as Kuala Lumpur, Penang and Ipoh, thus spreading such facilities more widely and meeting the needs of the rural population.

Chart I
ENROLMENT IN SECONDARY SCHOOLS
(FULLY ASSISTED SCHOOLS ONLY)



20,000 PUPILS

SOURCE: TABLE A-1

Drafted by Department of Information, Malaysia

(h) *Other Government Services.* Health services are expanding. Every year there are more medical facilities and staff to man them. Most of the new health centres, sub-centres and midwives' clinics are in rural areas. Water supply systems are increasing, both in number and in output. The Federal Government, in co-operation with State governments, is also providing large-scale assistance to developing new agricultural land, and increasing the potential farm output through irrigation and drainage schemes. Agricultural education, research and extension are expanding to provide even small farmers with new, more productive, methods of cultivation.

(i) *Avoidance of Inflation.* Despite very sharp increases in government expenditures, and some rise in private investment, prices and costs of living have remained remarkably stable. Public investment is running at more than $2\frac{1}{2}$ times its rate during the First Five-Year Plan. Recurrent Federal expenditures are now more than 25 per cent higher than in 1960. With income from rubber declining as a result of lower prices, these increases in public expenditures mean Federal deficits instead of the surplus that occurred in 1960. Nevertheless, prices within Malaya have been very stable. The "all races" retail price index (1959=100) averaged 99.8 in 1960, 99.6 in 1961 and 99.7 in 1962; in July 1963 it stood at 101.6.

3. Despite all these signs of progress, Malayan development is being hampered by two formidable factors: falling rubber prices and the rapid growth in Malaya's population. Rubber prices have fallen faster and further than was expected when the Second Five-Year Plan was adopted, and since rubber makes up such a large part of the country's production, the value of total domestic production has risen very little. While physical production in Malaya rose by an average of 4.5 per cent a year in 1961 and 1962, its value rose by hardly more than 1 per cent a year. Because population has continued to grow rapidly, national income *per capita* has declined slightly from the peak level reached in 1960. Population rose by 3.2 per cent a year, and *per capita* national product declined by about 4 per cent in 1961 and stayed at nearly the same level in 1962. Fortunately, capital imports from abroad have been large enough to prevent general consumption levels from falling.

4. Among the most important development problems remaining for 1964, 1965 and later years are the following:

(a) *Financing further development.* In view of the falling price of rubber and of rising demands for imports of capital and consumer goods, the foreign exchange requirements of the States of Malaya are likely to exceed by a substantial margin its earnings of foreign exchange in

1964 and 1965. At the same time the Federal budget is incurring deficits that grow each year. The methods of financing these deficits will have important implications for Malaysia's credit standing and thus for its ability to carry out a broad plan for Malaysian development in the years ahead.

- (b) *Possible costs of Indonesian confrontation.* Indonesia is attempting to interfere with Malaysian commerce and fishing, and is sending guerrilla forces into the Borneo States, as well as marauding with gunboats in the Straits of Malacca. Up to a point, it is possible for Malaysia to meet these threats and challenges without any general decline in living standards or slackening in the pace of development activity. The Government has repeatedly expressed its determination to prevent confrontation from interfering with development. But if our neighbour, with its 100 million population, should pursue its hostile policy with determination over an extended period of time, Malaysian economic life would inevitably be affected.
- (c) *Problems of integrating the various parts of Malaysia into one nation.* The sharp dissimilarities among the various parts of the new nation of Malaysia pose questions of trade and tax policy, of economic programmes, of public administration, and of ensuring harmony among peoples of different communities, religions, and languages.
- (d) *Employment.* Some 6 per cent of the labour force is reportedly unemployed, and among those who are employed, many are working at less than maximum effectiveness for lack of sufficient work to do. This under-utilization of human resources constitutes both a problem and a challenge to Malaysia. Making more effective use of the work force will not only help the individuals concerned, but also add to our production, our defence capability or both.