



The Economic Development
of
MALAYA

Report of a Mission organized by the
**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

at the request of

**THE GOVERNMENTS OF THE FEDERATION OF
MALAYA, THE CROWN COLONY OF SINGAPORE
AND THE UNITED KINGDOM**

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PREFACE

THIS IS THE REPORT of a mission to Malaya, organized by the International Bank for Reconstruction and Development at the request of the Governments of the Federation of Malaya, the Crown Colony of Singapore and the United Kingdom.

The task of the mission, as agreed upon by the three Governments and the Bank, was to assess the resources available for future development, to consider how these resources might best contribute to the economic and social development of Malaya, and to make recommendations for practical measures to further such development. Since this was a general survey mission, it addressed itself primarily to broad issues of development policy and general lines of priority investment, rather than to details of particular development problems and issues and of individual investment projects.

The mission consisted of thirteen members. Four of the members, specialists in agriculture and related problems, were nominated by the Food and Agricultural Organization of the United Nations. Eight members (including the Chief of Mission, one of the general economists and the advisers on public finance, mineral resources, transport and communications, industry, power and social services) were recruited by the Bank from outside its staff. One member (a general economist) is a regular member of the staff of the Bank.

The mission arrived in Malaya in January 1954 and remained until May. Members traveled widely and conferred extensively with government officials and private individuals in both the Federation and Singapore. The mission then reassembled in Washington to prepare its report. While the report was being written, close contact was maintained by correspondence with the Governments of the Federation and Singapore. As drafts of findings and proposed recommendations concerning the individual sectors of the economy, the various fields of social services, and the prospective availability and allocation of financial resources were completed, they were submitted informally to both governments for comments. Various international agencies were also given an opportunity to comment on the portions of the report relating to their particular fields of interest, and the Executive Directors and management of the Bank were also invited to comment generally on the report. While all comments were given careful consideration, the entire report and the recommendations it contains are to be regarded as the responsibility of the mission solely. In transmitting the report to the High Commissioner for the Federation of Malaya and to the Governor of the Crown Colony of Singapore in June 1955, the President of the Bank pointed out that since the Executive Directors and the management customarily do not review recommendations of missions in detail, the report represented the views of the mission rather than positive recommendations of the Bank itself. He added, however, that the Bank believed that the findings and conclusions of the mission deserved most careful consideration and discussion.

The report is in five parts. Part I contains a general introduction to Malaya and a discussion of the problems and prospects of Malaya's developments. Part II deals with sectors of the economy which are themselves productive or closely associated with productive activity. Part III is devoted

to the various fields of the social services, including education. Part IV contains the mission's appraisal of the public financial resources which may be expected to be available for development during 1955-59 and its recommendations for certain organizational and institutional changes to facilitate the execution of the development program. Part V consists of twelve Technical Reports (on agriculture and forestry, irrigation and drainage and river conservancy, land tenure, fisheries, mining, power, transport and communications, industrial development, education, public health, social welfare and currency and banking), and a Statistical Appendix.

The mission wishes to express its appreciation for the whole-hearted cooperation and warm hospitality extended to it by Malayan leaders, government officials and members of the business community. In particular, the mission acknowledges the invaluable assistance of its Liaison Officer, Mr. Richard West, and of the other officers in the Federation and Singapore with whom it was most closely associated, including Mr. T. M. Hart, Director of Commerce and Industry, Singapore, and Mr. A. J. D. C. Loch, Controller, Economic Division, Federation of Malaya. The mission also wishes to thank Ruth Hill Falk for her contribution to the portion of the report relating to education.

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EXCHANGE RATES

1 Malayan \$	=	2s. 4d. sterling
	=	\$0.33 U.S.
1 £ sterling	=	\$8.57 Malayan
1 U.S. \$	=	\$3.06 Malayan
1 million Malayan \$	=	£116,667 sterling
	=	\$326,667 U.S.

All figures in the report given in dollars refer to Malayan dollars unless otherwise expressly stated.





PARTS I–IV

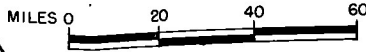
THE MAIN REPORT





PART I

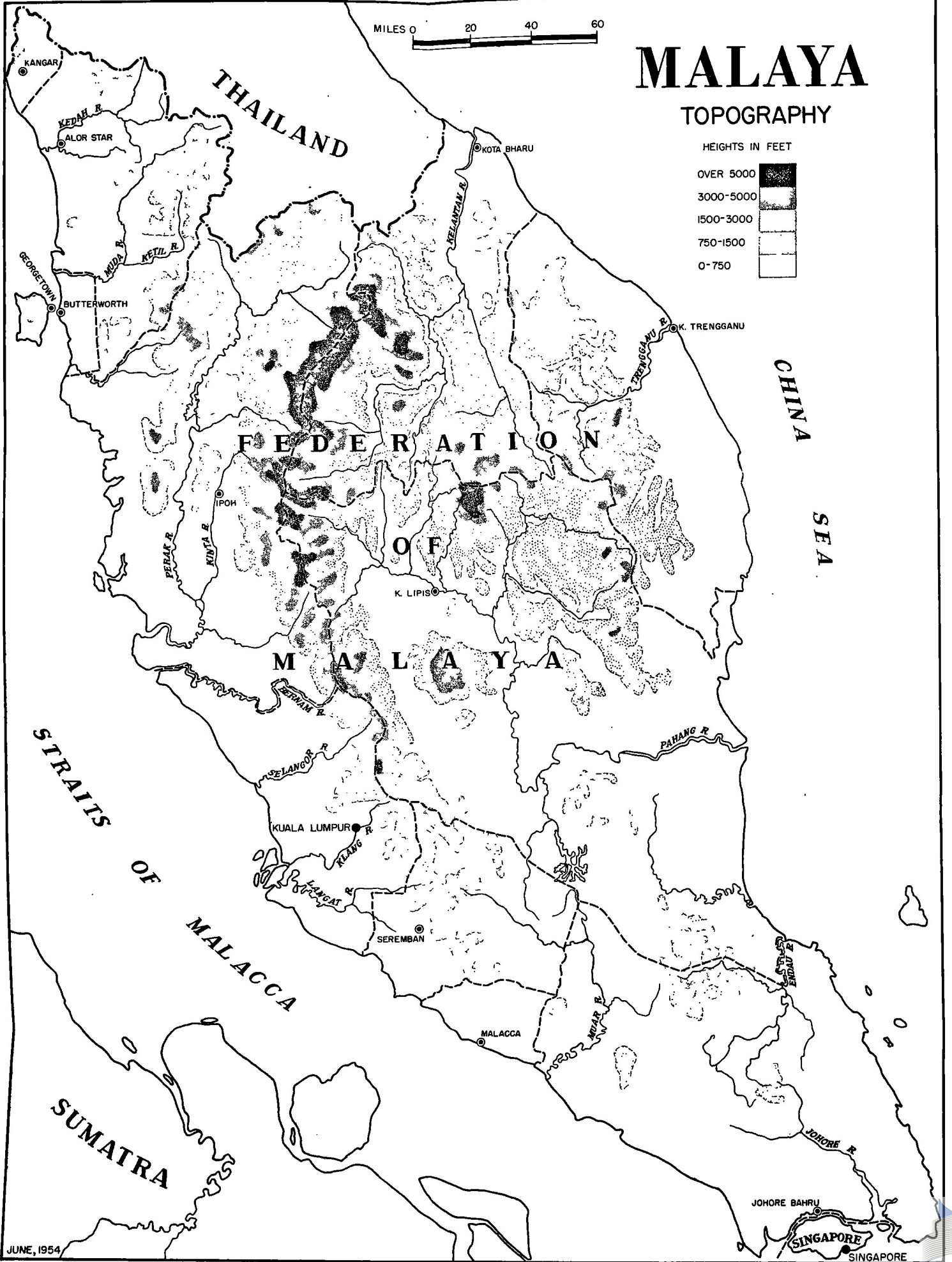
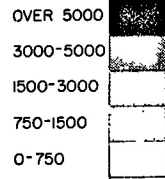




MALAYA

TOPOGRAPHY

HEIGHTS IN FEET



JUNE, 1954

CHAPTER 1

Introduction to Malaya

I. GEOGRAPHY AND CLIMATE¹

MALAYA, COMPRISING the Federation of Malaya and the Colony of Singapore, lies to the south of Thailand in the long narrow peninsula which reaches out southward from the southeastern corner of Asia to near the equator. Singapore Island, at the peninsula's southern tip, is joined to the mainland by a causeway across the Straits of Johore. To the west, across the narrow Straits of Malacca, lies the large island of Sumatra and smaller islands, also forming part of the United States of Indonesia, lie within 10 miles of Singapore.

The Federation, with an area of approximately 51,000 square miles, is slightly larger than England without Wales, or the State of New York. About one-quarter of its area has an elevation of more than 1,000 feet and rather more than one-sixth is above 1,500 feet. Nearly four-fifths is covered by dense jungle.

Singapore Island, with adjacent islets, has an area of only 225 square miles.

The Federation's coast line extends for over 1,000 miles. Along the west coast, wide plains only slightly above sea level and consisting in many places of mangrove swamps and mud flats extend inland almost to the foot of the mountain ranges. On the east, the coast for the most part is flat, palm-lined beach, offering no natural harbors. Topographically, the northern half of the country is split by a series of low mountain ranges, which have their greatest development in the north central area, where some of the peaks reach an elevation of over 6,000 feet. Southward the mountains diminish in altitude but the characteristic of steep, jungle-covered hillsides rising abruptly from the coastal plains or narrow valleys persists.

The main mountain range runs approximately parallel to and about 50 miles from the west coast and forms a continuous watershed from the Thailand border to Malacca. Most of the rivers to the west side of this watershed thus have comparatively short courses. Gradients in the upper reaches are very steep, many of the rivers dropping over 4,000 feet in less than 15 miles before emerging into the coastal plain. The easterly flowing rivers are longer and have flatter gradients in their upper reaches. In nearly all parts of the country the drainage assumes a trellis-like pattern, the hill slopes being cut by small transverse streams or gullies.

Malaya's climate is equatorial, its characteristic features being uniform and fairly high temperatures throughout the year, abundant rainfall and high humidity. The seasons are marked by the incidence of rainfall rather than by changes in temperature. Over most of the country, rainfall is heaviest

1. Much of the descriptive material in this Chapter has been included for the benefit of readers unfamiliar with Malaya.

during the months of October to December or January and lightest in February or July. In total it varies substantially from year to year and place to place but averages around 100 inches annually. With the exception of a few spots in the mountain ranges, the east coast has the highest rainfall, with averages of over 120 inches. In other parts of the country, the averages lie between 80 and 120 inches, being somewhat lower in the northwestern and southwestern regions than elsewhere.

II. POLITICAL DEVELOPMENT AND MACHINERY OF GOVERNMENT

At the time of the Japanese occupation at the beginning of 1942, the Straits Settlements of Singapore, the island of Penang (with Province Wellesley on the mainland) and Malacca were administered as a Crown Colony, while the nine Malay States were protectorates under treaties made with Great Britain between 1874 and 1914. The treaties provided for the appointment of a British Resident or Adviser in each State whose advice had to be followed except in matters concerning Malay religion and custom. The Governor of the Straits Settlements was High Commissioner for the Malay States. The four central States of Perak, Selangor, Negri Sembilan and Pahang were constituted a federation in 1895, with a largely centralized government: a Federal Council, appointed by the High Commissioner, had most of the legislative power. A measure of decentralization was introduced in 1932 by returning to the States some of the legislative power as well as the control of some departments, but the States remained dependent upon block grants voted by the Federal Council. The other five States (Johore, Trengganu, Kelantan, Kedah and Perlis) while administered with the aid and advice of British officials, remained unfederated, each a separate political entity.

In 1945, after the Japanese occupation, this political and constitutional structure was profoundly altered. The Rulers of the Malay States agreed to a transfer of sovereignty to the British Crown, and a unitary state, the Malayan Union, was created, embracing the former Federated and Unfederated Malay States and the Settlements of Penang and Malacca. Singapore remained outside the Union as a Crown Colony. The Malayan Union's constitution created a common citizenship not restricted to Malays but open to all—Malays, Chinese, Indians and others—who could claim to belong to the country by reason of birth or a specified period of residence.

The new constitution evoked the resentment and hostility of the Malays, who feared that a common citizenship and a unitary form of government would undermine their old political status. The upshot was the reversion to the Rulers of the power and jurisdiction they had enjoyed before the Japanese occupation and the formation, under the protection of Great Britain, of a federation comprising the same territories as the Malayan Union, in which there would be a common federal citizenship for all persons qualified by birth or residence. The Federation came into being on February 1, 1948.

The Agreement establishing the Federation, made between the British Crown and the Rulers of the Malay States, expresses the desire of all parties for progress towards eventual self-government and provides for a Federal Government comprising a High Commissioner, a Federal Executive Council to aid and advise the High Commissioner, and a Federal Legislative Council with a membership of 75. All members of the latter, other than three *ex-officio* members and 11 representatives of the State and Settlement Councils,

are appointed by the High Commissioner; many are, however, the nominees of organizations representative of special interests, such as labor, mining, agriculture and commerce. The Executive Council includes, as a step towards full ministerial responsibility, unofficial members of the Legislative Council who have responsibility for various Federal subjects and departments. Each State has a State Executive Council to aid and advise the Ruler, and an appointed legislative body styled a Council of State. Each of the two Settlements has a Settlement Council with legislative powers similar to those of the Councils of State.

In addition, the Federation Agreement set up a Conference of Rulers to provide a formal opportunity for discussion and consultation between the Rulers and the High Commissioner. The Agreement specifically requires that the Conference shall be consulted on immigration policy and provides that the Conference may, if it wishes, discuss proposals concerning salary scales of the Federal officials and the creation or major reorganization of a Federal department. A standing Committee of the Conference gives the Rulers' assent to legislation passed by the Federal Legislature. Their assent, as well as that of the High Commissioner, is required by the Agreement.

The constitutional division of powers between the Federal Government and the State and Settlement Governments is unlike the division found in federal systems elsewhere, in which federal and regional governments are coordinate and each is independent in its own sphere. Indeed, the preamble to the Agreement proclaims the intention to form a federation "with a strong central government," and accordingly the list of matters with respect to which the Federal Government is empowered to legislate is extremely comprehensive; the area in which the State and Settlement Governments may legislate is very small indeed, though it includes, in the case of the States, the important subjects of the Malay religion and custom. But while virtually the whole of the legislative power—and therefore the policy-making power—is vested in the Federal Government, the Agreement requires that laws made by the Federal Legislature in many of the most important fields of government shall confer the executive authority on the State and Settlement Governments "except insofar as matters of policy common to any two or more of the States and Settlements are involved." In this way it was sought to achieve another of the main objectives of the framers of the Agreement: the maintenance of the individuality of each of the States and Settlements.

We comment later on this compromise between a unitary system and a federal system as it affects economic development.

The other tier of government in the Federation comprises the Municipalities of George Town (Penang), Malacca and Kuala Lumpur and a medley of town councils, town boards, rural boards and local councils. The development of responsible local government has come slowly, and only in the last few years has it received a stimulus. Present policy aims at a structure of municipalities for the largest towns, town councils for the smaller towns and a network of local councils. All will have a majority of elected members; their authority will range from the responsibility of the municipalities for all local government services to the very limited responsibilities of local councils in the less advanced areas. In pursuance of this policy, the wholly nominated town boards are being replaced gradually by town councils, and a large number of local councils have been established. Steps are also being taken to give greater financial autonomy to town councils and town boards.

Singapore has a much simpler political and constitutional structure. Founded in 1819, it was administered first by the East India Company and then by the Government of India until 1867, when it passed to the control of the Colonial Office and, with Penang and Malacca, became the Crown Colony of

the Straits Settlements.² In 1946 it was constituted as a separate Colony, and Penang and Malacca became part of the Malayan Union. The Order in Council constituting the Colony provides for a Governor, an Executive Council and a Legislative Council. Nine of the Legislative Council's 25 members are elected by the public and three by the Chambers of Commerce. Members of the Legislative Council elect two of their number for appointment to the Executive Council.

Local government functions are discharged in the urban area by a City Council which is for the most part an elective body, and, to a much more limited extent, by the Rural Board in the rural area and adjacent islands.

Both the Federation and the Colony are on the eve of important constitutional changes.³ In both, the legislatures are to be enlarged and altered in character by popular election of a majority of the membership. In the Federation, the Federal Executive Council will continue to be advisory to the High Commissioner but the appointment of its members (other than the official members and representatives of the State and Settlement Councils) will be made only after consultation with the members of the Legislative Council commanding the major support among the elected members. In Singapore, however, the Executive Council is to give way to a Council of Ministers which, subject to the Governor's reserve powers, will assume full responsibility for policy in all matters except external affairs, internal security and defence. At the outset, the Council is to consist of three official members and six members appointed from among the elected members of the Legislative Assembly after consultation with the leader of the largest party (or coalition) in the Assembly.⁴ The Council will have collective responsibility for its decisions.

A further change of considerable significance is to be made in local government: an elected Singapore City and Island Council is to replace the present City Council and the Rural Board and is to be responsible for all local government functions on an island-wide basis. The geographical area of jurisdiction of the Colony Government and of the City and Island Council will therefore be coterminous.⁵ The City and Island Council will be free from financial control by the Colony Government, except that the raising of public loans will continue to be subject to the government's approval.

A number of public agencies perform a variety of functions in both the Federation and the Colony. In the Federation, the Malayan Railway Administration⁶ operates the railway and provides port or harbor facilities at Port Swettenham, Prai and a number of minor ports; the Central Electricity Board operates and develops public power supplies; the Penang Harbour Board⁷ provides port facilities at Penang and maintains a ferry service to the mainland; the Rural and Industrial Development Authority (RIDA) is charged with the task of promoting economic development in the rural areas, in which the bulk of the Malay population lives, and assisting the rural population

2. The Straits Settlements also included Labuan, now part of North Borneo.

3. Since this was written, the constitutional changes have come into effect in Singapore.

4. The Constitutional Commission envisaged the possibility that one of the four nominated unofficial members of the Assembly might be appointed a Minister on the advice of the leader.

5. Except that the Council will have no responsibilities in Christmas Island and the Cocos-Keeling Islands in the Indian Ocean.

6. The Railway Administration, though a department of the Federal Government, is an entirely separate accounting unit.

7. The Board is shortly to be merged into a Penang Port Authority which will also operate the port installations at Prai on the mainland.

to improve its living standards by providing better essential services and amenities; the Housing Trust has broad responsibilities to meet housing needs; the Petaling Jaya Authority is responsible for the development of a satellite town to Kuala Lumpur, and the Rubber Industry (Replanting) Board supervises the replanting of rubber smallholdings and makes grants towards the cost of such replanting.

In Singapore, the Harbour Board owns and operates the ocean harbor proper (as distinct from the roadstead) and the Singapore Improvement Trust is the government's agent for all matters concerning housing, town planning, and land use.

In addition, the War Damage Commission assesses claims for war damage and settles them on behalf of the two governments and the British Government; and the Commissioners of Currency, Malaya and British Borneo, is the sole issuing authority for notes and coins for use as currency in the Federation, Singapore, Sarawak, North Borneo and Brunei.

British officials predominate in the higher levels of the civil service but in both the Federation and Singapore the civil services are being Malayanized as rapidly as qualified persons become available.

III. THE PEOPLE

The Federation has a plural society in which Malaysians⁸ and Chinese are the two main racial and religious groups and Indians and Pakistanis form a substantial minority. A very much smaller minority includes other Asians, Europeans (mainly British), Eurasians, etc.

Singapore's population is overwhelmingly Chinese.

Both populations have been growing very rapidly. Both the Federation and Singapore have high birth rates and low death rates.

Table 1 indicates the composition of Malaya's population in mid-1953.

TABLE 1
ESTIMATED POPULATION OF MALAYA, MID-1953
(Millions)

	<i>Malaysians</i>	<i>Chinese</i>	<i>Indian and Pakistanis</i>	<i>All Others</i>	<i>Total</i>
Federation ..	2.80	2.15	.67	.08	5.70
(per cent of total) ..	(49)	(38)	(12)	(1)	(100)
Singapore ..	.14	.86	.08	.04	1.12
(per cent of total) ..	(12)	(77)	(8)	(3)	(100)
	2.94	3.01	.75	.12	6.82
(per cent of total) ..	(43)	(44)	(11)	(2)	(100)

Source: Registrar of Statistics.

On the basis of these estimates, the over-all density of population in the Federation is 113 persons per square mile. This figure, however, has little significance since a large part of the Federation's surface is covered by dense tropical jungle. If account is taken only of the area of alienated land and Crown or State land not under forest—in 1952, 13,183 square miles out of a total area of 50,690 square miles—the over-all density then becomes 433 persons per square mile.

8. Indigenous Malays and immigrant Indonesians of similar stock.

