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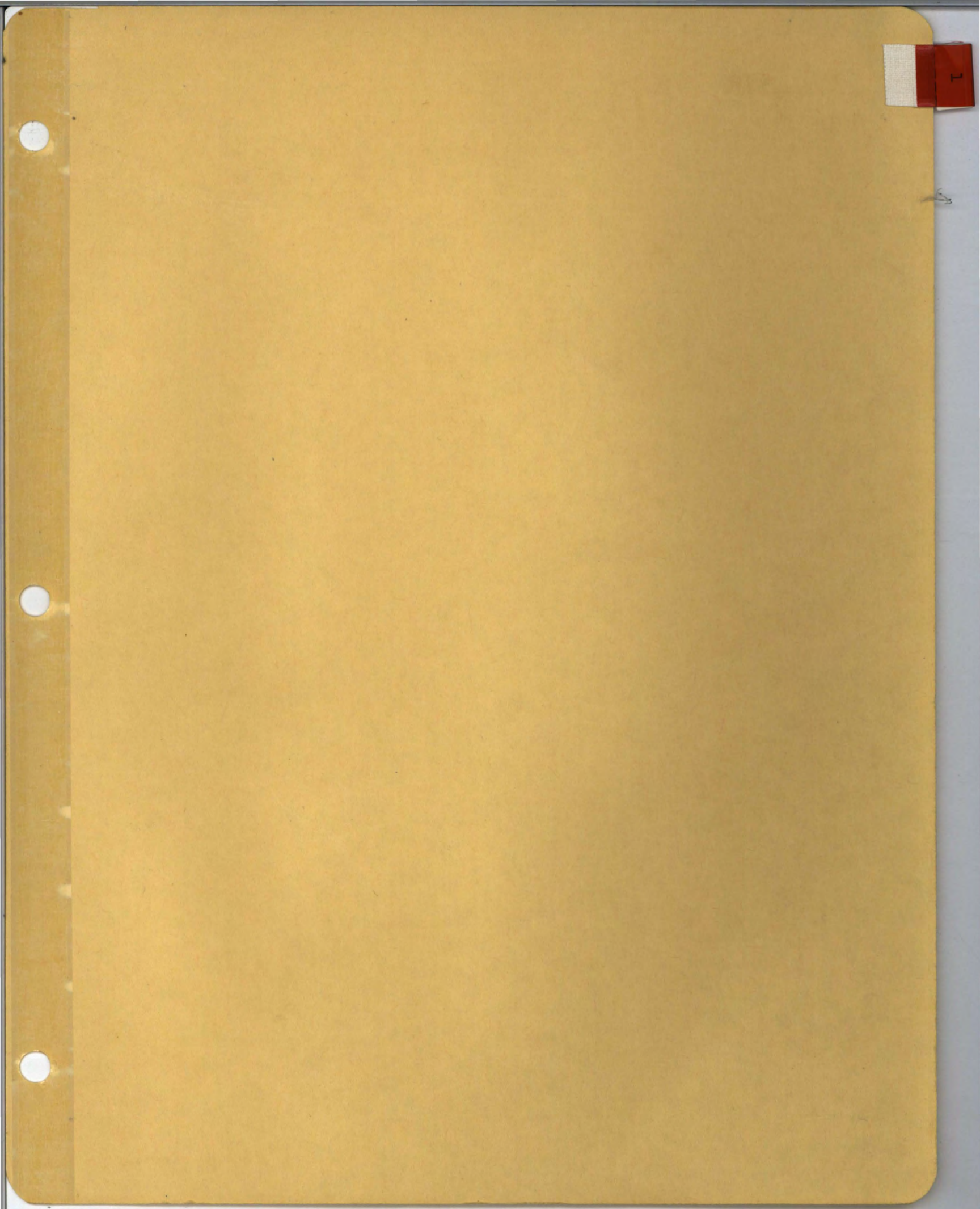


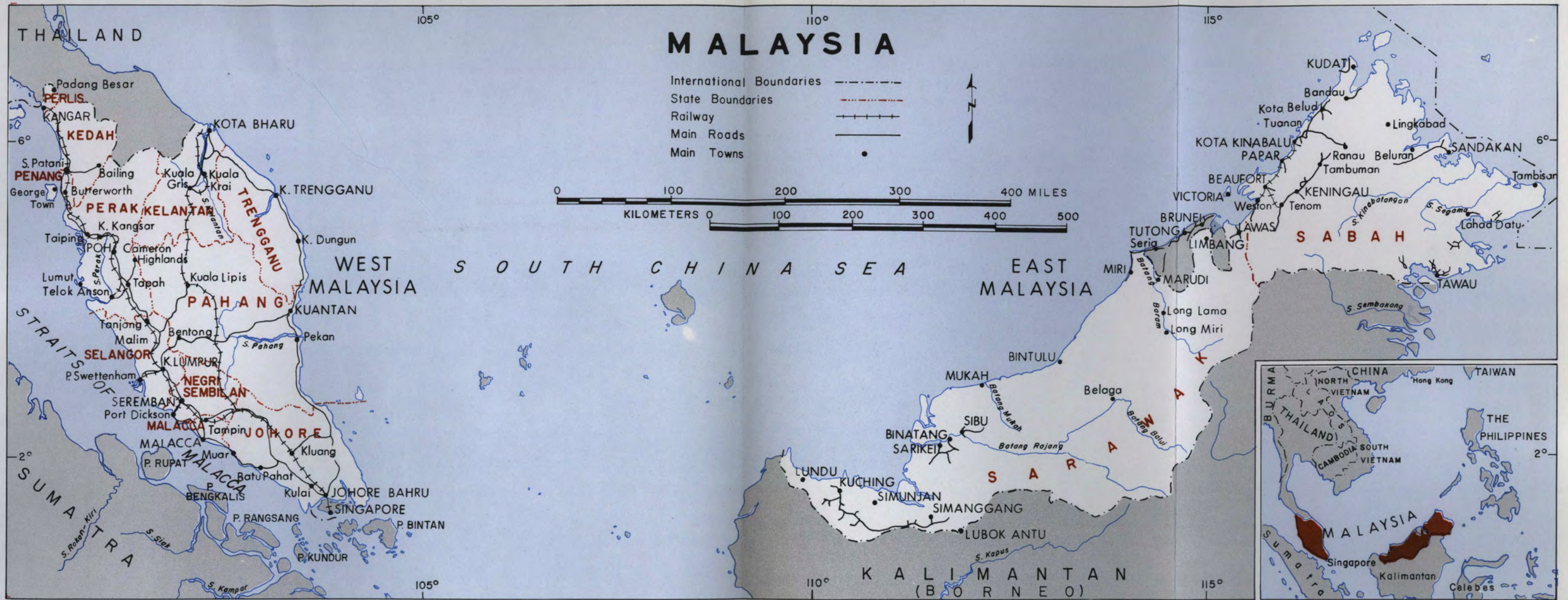
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FEBRUARY 1971

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BASIC DATA - MALAYSIA

Area (in square miles):

West Malaysia	50,840
Sabah	29,388
Sarawak	48,343
Total Malaysia	128,570
Area Under Cultivation	12,995

Political Status:

Federation of States formed 1957, upon independence from Britain. Expanded in 1963 to include Singapore and the Borneo territories of Sabah and Sarawak. Singapore separated in August 1965 and became an independent republic.

Population (Mid-1969 estimate) in million:

West Malaysia	9.02	
Sabah	0.62	
Sarawak	0.94	
Total Malaysia	10.58	
Population Growth (% p.a.)	1961-65 3.0	1966-70 2.7
Urban Population Growth Rate <sup>1/</sup> (% p.a.)		1958-67 4.6
Crude Birth Rate <sup>1/</sup> (% p.a.)	1958 4.3	1967 3.5
Family Planning Acceptors <sup>1/</sup> (% of child-bearing population)		16 <sup>2/3</sup> in 1970 (est.)

Education:

School Enrollment Primary and Secondary <sup>1/</sup> (% of school-age population)	1960 50	1970 75 (est.)
Literacy Rate <sup>1/</sup> (% of population over six years)	1967: 77	

Health:

Population per Hospital Bed <sup>1/</sup> (number)	730 in 1967
---	-------------

Labor Force and Unemployment:<sup>1/</sup>  
(1970)

Labor Force	3,208,000
Unemployed as Percentage of Labor Force	7-8 percent

<sup>1/</sup> West Malaysia only.

Gross National Product: 1970  
(Preliminary)

Total Value at Current Market Prices (M\$ million)	12,083
Gross National Income per Capita (US\$ equivalent at constant prices)	336
Real Growth of GNP - 1965-1970	6.0% p.a.

Industrial Origin of GDP (percent)  
(West Malaysia at current factor cost) 1969  
(Estimate)

Agriculture	29
Mining and Quarrying	6
Manufacturing	12
Construction	4
Wholesale and Retail Trade	15
Other Branches	34

Savings, Investment and Resource Balance  
(as percent of GNP at current market prices) Average  
1961-68

Total Economy: Savings	18.0
Investment	18.7
Resource Deficit	0.3

Money: November 1970 Rate of Change  
(1964-70)  
7% p.a.

Total Money Supply

M\$2,005 million

Prices:

	1965	1968	1969	1970 (2nd qu.)
Consumer Price Index (West Malaysia, 1959=100)	102	108	107	108

Public Sector Operations (M\$ million): 1966 1969 1970 (Est.)

Federal and State Governments Revenue	1,943	2,483	2,774
Federal and State Governments Expenditure	1,799	2,126	2,536
Current Surplus	144	357	238
Public Sector Current Surplus	362	627 <sup>1/</sup>	516
Public Sector Capital Expenditure	813	867 <sup>1/</sup>	895
Overall Deficit	451	240	379
External Finance	128	201	85

<sup>1/</sup> Adjusted for shortfalls.



<u>Balance of Payments (US\$ million):</u>	<u>1965</u>	<u>1969</u>	<u>1970 (Est.)</u>
Merchandise Exports (f.o.b.)	1,226	1,629	1,735
Merchandise Imports (f.o.b.)	<u>1,056</u>	<u>1,146</u>	<u>1,412</u>
Merchandise Balance	170	483	323
Transfers (net)	-19	-56	n.a.
Balance on goods, services and transfers	40	218	n.a.

Concentration of Merchandise Exports (percentage):   1965   1969

Rubber	39	40
Tin	23	19
Timber	9	15
Palm Oil	3	3
Others	26	23

Gold and Foreign Exchange Reserves (End 1970):

US\$ million

Monetary authorities	733
Government and other public authorities	91
Commercial bank (net)	27
Total	<u>851</u>

External Debt:

US\$ million

Total Debt Outstanding (excluding undisbursed) End of 1970	380
Total Debt Service (1970 estimate)	49.7
Debt Service as Percentage of Exports of Goods and Services (1970)	<u>3.1%</u>

Current Exchange Rate:

US\$1.00 = M\$3.06  
M\$ 1.00 = US\$0.327

May 27, 1971





# MALAYSIA

## BACKGROUND NOTES

Population: 11 million (1970 est.)

Capital: Kuala Lumpur

Malaysia, a Southeast Asian federation extending for 1,600 miles in the South China Sea, consists of 11 States of the former Federation of Malaya (West Malaysia) plus the States of Sarawak and Sabah (East Malaysia). With a total land area of 128,553 square miles, Malaysia is slightly larger than New Mexico.

The two parts of Malaysia are separated by about 400 miles of the South China Sea. The mainland (West Malaysia), located on the southern portion of the Malay Peninsula with an area of 50,915 square miles, consists of a spinal mountain range running north-south in the center of the peninsula flanked by coastal plains with a low-level region to the south. About 80 percent of this area is covered by tropical jungle, mountains, or swamps; 12 percent is given to the cultivation of rubber; 2.9 percent to rice; and 2 percent to coconut and oil palms. Thailand and Singapore are the mainland's northern and southern neighbors. The coastline extends for more than 1,200 miles. On the west the coast is practically an unbroken succession of mangrove and mud flats with infrequent bays and other indentations. The east coast is composed of continuous stretches of sand and surf bordered by littoral vegetation.

The East Malaysian State of Sarawak, located on the island of Borneo, is about 500 miles long and 150 miles broad at its widest point and has an area of 48,250 square miles. The coastal plain is alluvial, frequently swampy, with a number of important rivers penetrating into the jungle-covered hills and mountains of the interior.

The other East Malaysian State, Sabah (formerly North Borneo) is also located on the island of Borneo and has an area of 29,388 square miles. Its narrow coastal plain gives way to a mountainous, jungle-covered interior culminating in Mt. Kinabalu (13,455 feet above sea level), the highest peak in Malaysia.

The average daily temperature throughout Malaysia varies from about 70° F. to 90° F., although in the higher elevation areas temperatures are lower and more variable. Malaysia experiences an annual southwest and a northeast monsoon. Annual rainfall averages about 100 inches, although it varies considerably in different locations and from year to year.

Malaysia's flag is composed of 14 horizontal red and white stripes with a yellow crescent and star on a dark blue field in the upper left corner. The stripes represent the equal membership of

the original 14 States in the federation. (There are now 13 States, Singapore having become an independent nation in 1965.) The dark blue stands for the unity of the Malaysian people and the star for unity of the States. The crescent symbolizes Islam. Yellow is the color of royalty.

### THE PEOPLE

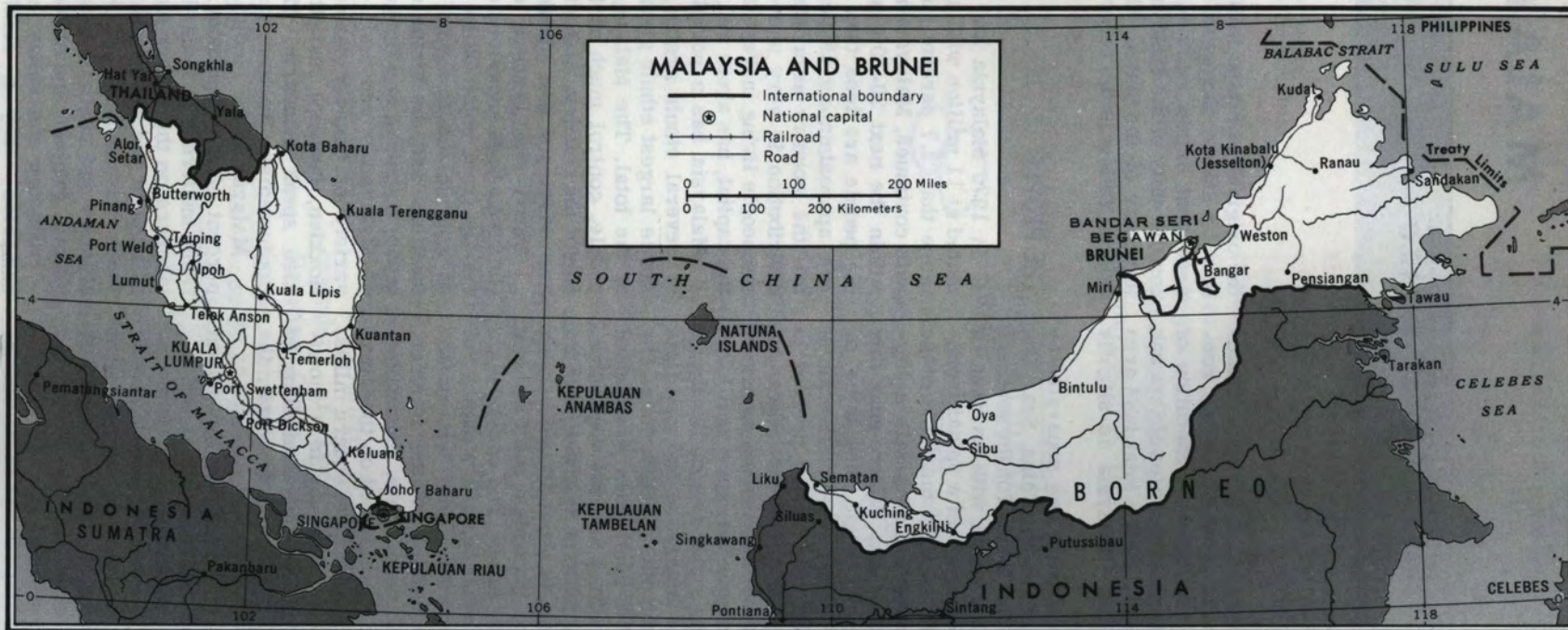
In 1970 Malaysia had a total population estimated at 11 million with an annual growth rate of more than 2.7 percent. If the present high birth rate continues, Malaysia may double its population within the next 20-30 years. About 45 percent of the people are less than 15 years of age. There are approximately 58 persons per square mile for the country as a whole although population distribution is very uneven with the majority of the people living in West Malaysia. Kuala Lumpur, the capital, has about 500,000 inhabitants.

Malaysia has a polyglot population composed of several ethnic groups, of which Malays (the single largest ethnic group) comprise 44 percent of the total. The Malays, predominantly a rural people, control much of the political and social life of the country. Almost without exception, they are Moslems and speak the Malay language.

Thirty-six percent of the population are Chinese whose ancestors came to Malaysia primarily from south China during the 19th century to work in the tin mines. The Chinese are urban dwellers and, by virtue of their professions in trade, business, and finance, possess a great deal of Malaysia's economic power. They speak a variety of Chinese dialects (Cantonese, Hakka, Hokkien, Teochew, and others); educated Chinese also speak Mandarin. The great majority are Confucianists, Taoists, and Buddhists.

Malaysians of "Indian" descent make up 10 percent of the population. Their ancestors came from modern-day India, Pakistan, and Ceylon as laborers on the rubber plantations, which spread throughout the country during the 19th century. Their descendants are Hindus, Buddhists, and Moslem and continue to speak various languages (Tamil, Punjabi, and Sinhalese).

Although non-Malay indigenous tribal peoples comprise only a small portion of the total population (8 percent), they form the predominant group in East Malaysia, making up more than half the population of Sarawak and about two-thirds



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that of Sabah. The non-Malays are divided into several ethnic groups and inhabit distinct territories, but they share some general patterns of living and culture. Until the 20th century most were animists, but a great number have since become Christians or Moslems

About 60-70 percent of the people of Malaysia speak Malay, although with very wide differences in facility. Literacy rates range from 25 percent in East Malaysia to somewhat more than 50 percent in West Malaysia. Some of the indigenous peoples of East Malaysia and the aboriginal people of West Malaysia have adopted elements of the Malay culture and Islam, but otherwise there has been limited cultural assimilation among the various ethnic groups. The Chinese, Malays, and Indians, while considering themselves Malaysians, tend to maintain their own cultural identities. They do, however, develop ties through association in educational, sporting, and cultural organizations.

## HISTORY

The early Buddhist Malay kingdom of Srivijaya, based in east Sumatra, dominated much of the Malay Peninsula from the 9th to the 13th centuries. The powerful Hindu kingdom of Majapahit, based on Java, gained control of the Malay Peninsula in the 14th century. The conversion of the Malays to Islam, beginning in the early part of the 14th century, was accelerated with the rise of the state of Malacca under the rule of a Moslem prince.

The arrival of the Portuguese in Malacca in 1511 marked the beginning of European expansion in this area as the power of the sultanates progressively declined. The Dutch ousted the Portuguese from Malacca in 1641 and in 1795 were replaced in turn by the British, who had occupied Pinang in 1786.

Sir Thomas Stamford Raffles founded a British settlement at Singapore in 1819. In 1826 the settlements of Malacca and Pinang were combined with Singapore to form the Colony of the Straits Settlements. In the 19th and early 20th centuries the British concluded treaties establishing protectorates over the nine Malay States on the peninsula. Four of these States were consolidated in 1895 as the Federated Malay States.

West Malaysia, then known as Malaya, enjoyed a century of prosperity with the gradual establishment of a well-ordered system of public administration, extension of public services, and development of large-scale rubber and tin production. This period was interrupted by the Japanese invasion and occupation from 1942 to 1945. After World War II the local Communists, almost all Chinese, expanded their influence and made plans for an armed struggle. A "state of emergency" was declared in June 1948, and a long and bitter guerrilla war ensued. The "emergency" ended in 1960 as Malaya, in partnership with the United Kingdom, gained the distinction of

being one of the very few countries in the world to control a large-scale Communist uprising. Small bands of Communist guerrillas remain in the Thai-Malaysia border area, and Thailand and Malaysia operate joint patrols to keep them in check.

The Federation of Malaya was established in 1948 and was granted full independence on August 31, 1957. The British colonies of Singapore, Sarawak, and Sabah (North Borneo) joined the Federation of Malaya to form Malaysia on September 16, 1963. The Sukarno government of Indonesia objected to the formation of Malaysia and conducted a program of "confrontation" against the new state which included economic, political, diplomatic, and military offensives. This "confrontation" continued through Singapore's withdrawal from Malaysia on August 9, 1965, and ended only after the fall of the Sukarno regime in 1966. Relations between Malaysia and Indonesia have subsequently become excellent, and cooperation is excellent along the border.

## GOVERNMENT

Malaysia's Constitution was promulgated in 1963. The country has a constitutional monarchy, nominally headed by the Yang di-Pertuan Agong, or Paramount Ruler (Chief of State). The Ruler, who is elected for a term of 5 years by the Sultans of the nine States of West Malaysia from among their own members, performs the duties of a constitutional monarch and is the leader of the Islamic religion for Malaysia.

Executive power is vested in the Cabinet, led by the Prime Minister (Head of Government). The Cabinet is chosen from among members of Parliament in the manner of the British governmental system (i.e., the leader of the political party that wins the most seats in a parliamentary election is named Prime Minister) and is responsible to that body.

The bicameral Parliament consists of a Senate and a House of Representatives. Of the 58 members of the Senate, 26 are elected by universal adult suffrage (two from each State) and 32 are appointed by the Yang di-Pertuan Agong. All sit for 6-year terms. Representatives of the House are elected in single constituencies by universal adult suffrage. There are 144 members in the House of Representatives—104 from the States of West Malaysia and 40 from the States of East Malaysia—are elected to maximum terms of 5 years. Legislative power is divided between Federal and State legislatures.

The Malaysian legal system is based on English common law. The Federal Court, the highest court in Malaysia, reviews decisions referred from the High Courts and has original jurisdiction in constitutional matters and in disputes between States or between the Federal Government and a State. West Malaysia and East Malaysia each has a High Court.

The Federal Government has authority over external affairs, defense, internal security, justice (except Islamic and native law), federal citizenship, finance, commerce, industry, communications, transportation, and other matters. The States of East Malaysia enjoy guarantees of states' rights with regard to immigration, civil service, and customs matters.

The heads of the 13 States in Malaysia are titular rulers whose titles vary. Effective executive power in the States rests in the hands of the Chief Ministers. The Chief Ministers and the members of their state cabinets are selected from the State legislatures and operate under a parliamentary system.

## POLITICAL CONDITIONS

The principal political force in Malaysia has long been the Alliance, a loose association of parties representing the three major ethnic groups of the country—the United Malays National Organization, the Malaysian Chinese Association, and the Malayan Indian Congress. Several legal opposition parties exist, each with a narrow ethnic and/or cultural base. Communist parties are not legal.

The Alliance provided stable and effective government for the former Federation of Malaya and continues to perform the same function for Malaysia. It scored an impressive victory in the elections of 1964 and, together with its counterparts from East Malaysia, held more than a two-thirds majority in the House of Representatives.

The 1969 election showed a gain of strength by opposition parties in West Malaysia. This election was not completed in East Malaysia, however, because of the eruption of racial disorders in the Kuala Lumpur area on May 13, 1969, which led to a temporary suspension of parliamentary democracy and the postponement of elections in East Malaysia until July 1970. At that time the Alliance parties won a thorough victory in both East Malaysian States.

With the suspension of parliamentary democracy in 1969, a "National Operations Council" (NOC) was created, composed of nine members headed by the Deputy Prime Minister, and given full power to restore normal conditions in the country.

Normal parliamentary government was restored in February 1971, although certain "sensitive" topics may no longer be discussed in public or in Parliament.

## ECONOMY

Malaysia has one of the most impressive economies of any country in Asia. In 1970 its gross national product (GNP) totaled U.S. \$3.9 billion, and the per capita income reached \$349, the third highest in independent Asia (after Japan and Singapore). Since 1960 the GNP has increased

at an annual average rate of about 6 percent. The main factors contributing to this growth have been the expanding level of investment, increased production of export commodities, and a healthy economic atmosphere created for private enterprise (foreign and domestic) by the Government. The rate of investment, for example, has risen to almost 18 percent of the GNP since 1959. The export sector is critical to the economy; 45 percent of Malaysia's total production is exported.

Malaysia's financial position is sound. Its foreign exchange reserves amounted to the equivalent of about 7 months' imports, while annual debt service payments represented only slightly more than 2 percent of export earnings. Exports of four major commodities—rubber, tin, timber, and palm oil—together constitute almost three-quarters of gross export earnings.

The civil disorders of May 1969 do not appear to have affected the basic stability of the Malaysian economy.

In 1970 Federal Government revenues totaled \$776 million, while ordinary expenditures reached \$780 million and developmental expenditures surpassed \$183 million. The deficit, which after various adjustments totaled \$230 million, was financed by domestic borrowing supplemented by very moderate borrowing abroad.

## Agriculture & Natural Resources

The predominant sector of the Malaysian economy is agriculture. In 1970 it accounted for about 30 percent of the GNP, provided employment for about 50 percent of the economically active population, and contributed around 60 percent to Malaysia's export earnings. Rubber, timber, rice, and more recently, palm oil, are the main agricultural products.

Natural rubber continues to be the most important contributor to the Malaysian economy. Typically, it accounts for about 30 percent of gross export receipts and 12 percent of the GNP. Pronounced price fluctuations in the international rubber market during the past few years have had an unsettling effect on national export earnings. This has not, however, slowed the pace of programs in the rubber industry which were designed to cut production costs and improve quality and marketing practices. These measures are believed necessary if Malaysian natural rubber is to compete successfully and profitably with other natural and synthetic rubber at the lower prices expected in the future. In 1970 the main purchasers of Malaysian rubber were the United States, Japan, the U.S.S.R., and the United Kingdom.

Tin ranks second in importance and accounts for about 20 percent of gross export receipts. Although tin mines have long been operated in Malaysia and the richest areas are becoming exhausted, it appears that there is enough lower quality tin reserves available to ensure that this resource will remain important to Malaysia's economy for years to come. In 1970 the main

purchasers of Malaysian tin were the United States and Japan.

Timber production has shown dynamic growth recently and is likely to supersede tin as Malaysia's second largest foreign exchange earner. The value of timber exports in 1970—\$286 million—exceeded that of 1969 by \$31 million. The surge in the timber industry accounts in large part for the rapid growth of the State of Sabah's small economy which has expanded at about 12 percent annually during the past several years.

The Government of Malaysia, in the face of uncertainty in the long-term prospects of the natural rubber industry and the steady depletion of tin reserves, has adopted a policy of diversification of economic activities with emphasis on the agricultural sector. It determined that oil palm was a promising new crop and has, therefore, emphasized its cultivation and refining. By 1970 Malaysia had become one of the world's largest producers of palm oil, contributing about one-third of the world's exports, and production of oil palms and palm kernels has grown at an average annual rate of about 16 percent since 1966. Although the growing worldwide surplus of fats and oils may adversely affect the long-term profitability of the palm oil industry, it probably will continue to be an important and profitable sector of the Malaysian economy.

Malaysian agriculture also produces important quantities of pepper (in Sarawak) and coconut products. Until recently it also produced about 60 percent of domestic requirements for rice. In 1965 the Government undertook a program of development of paddies which is expected to make Malaysia almost self-sufficient in rice by the late 1970's.

Small amounts of petroleum products are exported from the East Malaysian State of Sarawak. In 1970 these exports grew about 9 percent over the 1969 level of \$113 million.

## Industry

Malaysia historically has been an importer of manufactured goods, concentrating its energy on the export of raw materials. Therefore, only a few local industries were developed, and engineering industries were limited to repair work and the manufacture of spare parts. After independence in 1957 the Government promoted industrialization to provide employment for the rapidly expanding labor force and to protect the economy from an excessive dependence on exports of rubber and tin. Today Malaysia is still in the early stages of industrial development, and the manufacturing sector's contribution to the GNP continues low. It increased from 8.1 percent in 1961 to 12.1 percent in 1970, of which almost all originated in West Malaysia. The most important industries are natural rubber, tin, and timber.

The Government has developed a more aggressive strategy of development: it will now identify projects it considers feasible and conduct promotion drives to develop Malaysian as well as foreign interest and participation. If

necessary, it will participate in establishing industries either by itself or in joint ventures with the private sector, both local and foreign.

## Development Programs

The economic development programs of Malaysia devote large sums to the planting of higher yield rubber. Nevertheless, Malaysia is also committed to the diversification of its economy to reduce its heavy dependence on rubber and tin and the uncertainties of the world market prices for those two commodities. The Government has encouraged agricultural diversification, land settlement programs, and rural development.

Through 1965 each of the component States of Malaysia had its own economic development plan. In 1966 the first overall 5-year development plan for Malaysia was announced. It envisages the expenditure of \$1.1 billion and lays primary stress on agriculture and rural development. The rural development program, directed by an operations center at Kuala Lumpur, is an outstanding example of rural development in Asia. The plan apparently has been a great success. The second development plan (1971-75) will concentrate on redressing socioeconomic imbalances among the races.

## Foreign Trade & U. S. Investment

In 1970 Malaysia's exports totaled \$1.6 billion. Of this amount its principal exports to the United States were tin (\$119 million), crude rubber (\$110 million), wood (\$10.3 million), canned pineapple (\$5 million), and fish and fish products (\$2.7 million). During that same year Malaysia's imports amounted to \$1.4 billion of which the United States supplied industrial machinery (\$9.2 million), tobacco products (\$9.1 million), power equipment (\$5.6 million), and chemical materials (\$2.4 million). Other major trading partners are Japan, Singapore, and the United Kingdom.

Current estimates place U.S. private investment in Malaysia at more than \$137.4 million, primarily in the petroleum industry.

## FOREIGN RELATIONS

Malaysia is a member of the Commonwealth of Nations, the United Nations and several of its specialized agencies, and various regional organizations, such as the Association of Southeast Asian Nations (ASEAN), the Southeast Asian Ministers of Education Council (SEAMEC), and the Asian Development Bank (ADB).

Having once undergone a Communist insurgency on its own soil, Malaysia is staunchly anti-Communist. It showed the sincerity of its interest in the United Nations by sending 1,000 troops to assist in the Congo from 1960 to 1963. As a recently independent country, Malaysia has shown support for many attitudes of the Afro-Asian bloc in the United Nations,

particularly with respect to resolutions concerning South Africa.

Malaysia has historically depended on the British forces stationed in East Asia for defense. The United Kingdom's announced plan to withdraw these forces by the end of 1971 has created a feeling of insecurity which is aggravated by the Vietnamese war and the Communist insurgencies in Laos, Burma, and northeast Thailand. Malaysia has undertaken several approaches to cope with the imminent change in its defense position, including discussions with the United Kingdom, Australia, New Zealand, and Singapore, to lay the groundwork for a Five Power Defense Arrangement. Malaysia and Singapore have recognized the interdependence of their security.

Of the Soviet bloc countries, Malaysia has diplomatic relations with the U.S.S.R. and Yugoslavia, as well as trade arrangements with Romania and Bulgaria. It has announced its willingness to consider establishing diplomatic relations with the People's Republic of China if the latter will discontinue supporting the Communist insurgents in Malaysia.

## U. S. POLICY

The United States welcomed the formation of Malaysia with its friendly attitude toward the West, stable Government, and notable achievements in economic development and combating Communist insurgency. It has publicly affirmed its support for the independence of Malaysia.

The United States and Malaysia share a dedication to the United Nations and the principles of free democratic government. They also share concern over the Communist threat in Asia. Malaysia has provided training facilities and other assistance to the defense of the Republic of Vietnam.

The two Governments have consulted on the matter of U.S. programs for the disposal of surplus tin and rubber. The United States has consistently sought to carry out its stockpile disposal programs in a way that would avoid serious adverse effects on the economy of Malaysia.

U.S. friendship and support for Malaysia is demonstrated through the Peace Corps program, a small Public Law 480 (Food for Peace) program conducted through American voluntary agencies, a Fulbright educational exchange program initiated in 1963, a cultural exchange program, and two \$10 million loans from the Development Loan Fund. The United States seeks to promote U.S. trade and investment in Malaysia to the benefit of both countries.

## PRINCIPAL GOVERNMENT OFFICIALS

Paramount Ruler—Abdul Halim ibni Sultan Badlishah

### Cabinet Ministers

Prime Minister; Minister for Foreign Affairs; Defense—Abdul Razak bin Hussein

Deputy Prime Minister; Minister of Home Affairs—Ismail bin Abdul Rahman  
Minister of Culture, Youth, and Sports—Hamzah bin Abdu Samah  
Minister of Agriculture and Lands—Mohamed Ghazali bin Jawi  
Attorney General—Abdul Kadir bin Yusof  
Minister of Commerce and Industry—Mohamed Khir bin Johari  
Minister of Education—Hussein bin Onn  
Minister of Finance—Tan Siew Sin  
Minister of Health—Sardon bin Jubir  
Minister of Information; Special Functions—Muhammad Ghazali bin Shafie  
Minister of Labor—V. Manickavasagan  
Minister of National and Rural Development—Abdul Ghafar bin Baba  
Minister of Sarawak Affairs—Temenggong Jugah anak Barieng  
Minister of Technology and Research; Local Government—Ong Kee Hui  
Minister of Transport—Ganie Gilong  
Minister of Welfare Services—Fatimah binte Hashim  
Minister of Works, Posts, and Telecommunications—V. T. Sambanthan  
Ministers without Portfolio—Ong Yoke Lin and Lee Siok Yew

Ambassador to the U.S.—Tan Sri Ong Yoke Lin  
Ambassador to the U.N.—Zakaria bin Haji Mohamed Ali

Malaysia maintains an Embassy in the United States at 2401 Massachusetts Avenue, N.W., Washington, D.C. 20008.

## PRINCIPAL U. S. OFFICIALS

Ambassador—Jack W. Lydman  
Deputy Chief of Mission—Irving G. Cheslaw  
Political Affairs Officer—John J. Helble  
Economic Affairs Officer—Morris H. Crawford  
Public Affairs Officer (USIS)—Joann Lewinsohn  
Consul for East Malaysia and Brunei—Louis N. Cavanaugh

The U.S. Embassy in Malaysia is located in the A.I.A. Building, Jalan Ampang, Kuala Lumpur, Selangor. The U.S. Consulate for East Malaysia and Brunei is located in the Aurora Chambers, Jalan Tun Haji Openg, Kuching, Sarawak.

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### How To Obtain Background Notes

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DEPARTMENT OF STATE PUBLICATION 7753  
Revised September 1971

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## DEPARTMENT OF STATE PUBLICATIONS

### THE DEPARTMENT OF STATE BULLETIN

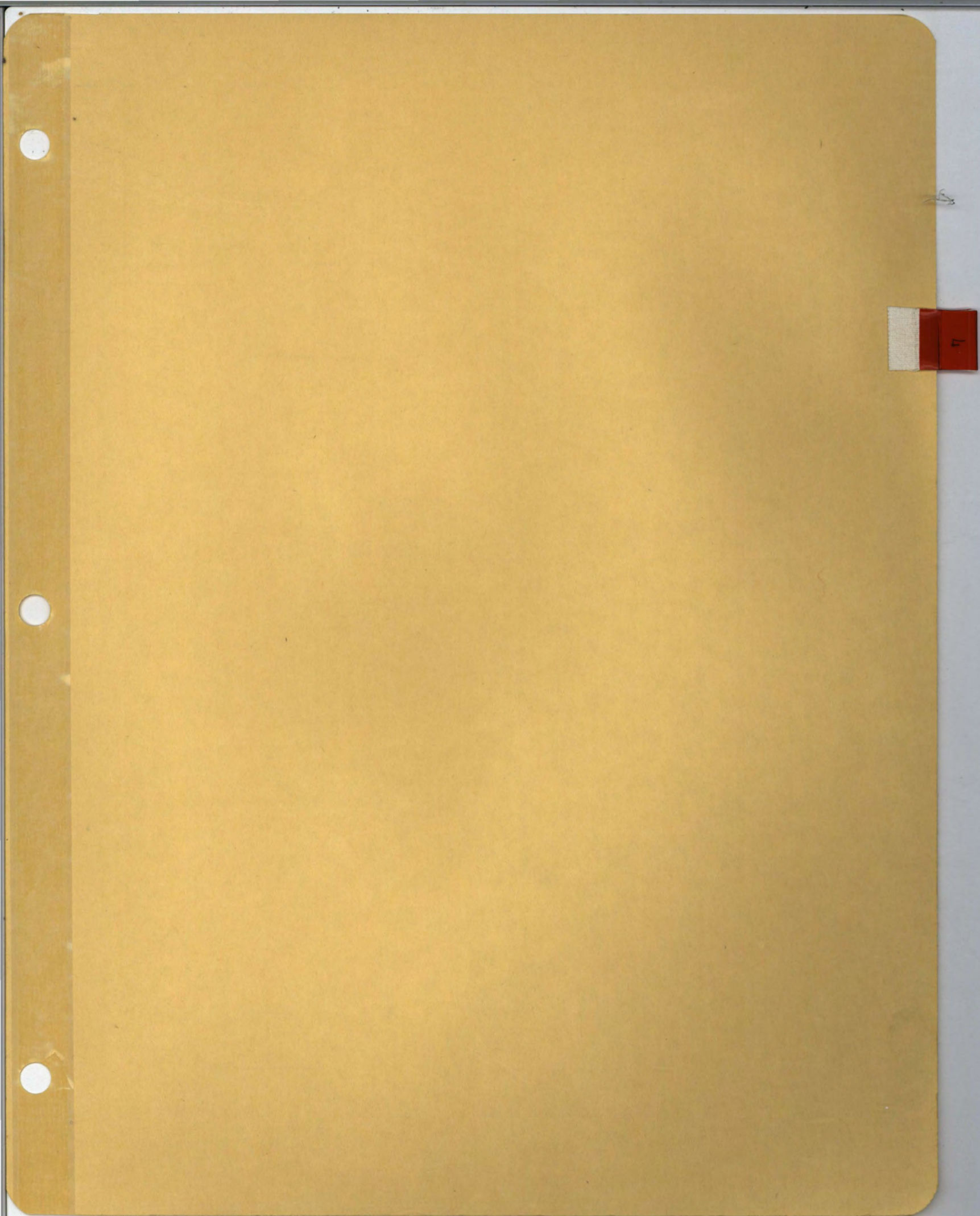
The official record of U.S. foreign policy, this weekly periodical contains statements made by the President, the Secretary of State, the U.S. Representative to the United Nations, and other principal officers of the Government. Authoritative original articles on various aspects of international affairs are also featured. Information is included concerning treaties and international agreements to which the United States is or may become a party. Current publications of the Department, United Nations documents, and legislative material in the field of international relations are listed.

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*Bill Vince Bennett*

*014*

APPENDIX 'A'

Programme for the Visit of Mr. Robert  
McNamara, President of the World Bank  
from 16th to 18th November, 1971

<u>Date</u>	<u>Time</u>	<u>Programme</u>	<u>Venue/Remarks</u>
16 November 1971	1.20 p.m.	Arrival ML 568	Subang. Met by Deputy Minister of Finance
	2.00 p.m.	Check in at Hotel	V.I.P. Suite, Hotel Merlin
	Lunch	Free	
	3.30 p.m. 5.00 p.m.	X Meeting with Chief Secretary and Senior Government Officials	National Operations Room. Attended by Heads of Departments including EPU, ICEU, GPU, Treasury and Bank Negara. Briefing on SMP and problems of implementation of various plans and projects. Special briefing on Pahang Tenggara.
	5.15 p.m.- 6.00 p.m.	X Meeting with Tengku Razaleigh, Chairman of PERNAS and Tan Sri Nik Ahmad Kamil, President of Fed. of Malaysian Manufacturers	Bank Bumiputra Building
	7.45 p.m.	X Call on Prime Minister	Sri Taman
	8.00 p.m.	X Dinner by Prime Minister	Sri Taman
17 November 1971	8.00 a.m.	Leave for Kuantan	By HS 125
	8.30 a.m.	Arrive in Kuantan	To be met by Deputy Menteri Besar and State Secretary
	8.45 a.m.	Flight to S.J.S.B. Scheme in the Jengka Triangle	By Helicopter
	9.30 a.m.	<i>See file</i> Arrive S.J.S.B. Scheme	Met by Chairman and Senior Officials of the S.J.S.B.
	9.30 a.m.- 11.30 a.m.	Visit to S.J.S.B. Forestry Project	By car/Land Rover, Briefing and tour
	11.30 a.m.- 1.00 p.m.	<i>See file</i> Visit to F.L.D.A. Scheme	Met by Chairman and Senior Officials of FLDA. Briefing and tour by car/ Land Rover
	1.00 p.m.- 2.15 p.m.	Lunch at F.L.D.A. Rest House	
	2.15 p.m.- 4.00 p.m.	Continuation of visit to F.L.D.A. Scheme	
	4.15 p.m.	Leave for Kuantan	By Helicopter
	5.00 p.m.	Arrive Kuantan	

ITINERARY FOR VISIT TO JAPAN, THAILAND, PHILIPPINES,  
SINGAPORE AND MALAYSIA, NOVEMBER 2-19, 1971

DATE	TIME	GMT	REMARKS
Nov. 2	1730	2255	Depart Washington--Dulles
Tues.	2021	0421	Arrive Los Angeles
	2100	0500	Depart Los Angeles
Nov. 3	0035	1035	Arrive Honolulu
Wed.	1230	2230	Depart Honolulu
Nov. 4	1605	0705	Arrive Tokyo
Thurs.	1805	0905	Depart Tokyo
	1900	1000	Arrive Osaka
			Evening free
✓ Nov. 5	0800-1000		Breakfast meeting with business leaders (chaired by Mr. Saeki, Pres. Osaka Chamber of Commerce)
✓	1115		Meeting with Mr. K. Matsushita (Pres. of Matsushita Electric Company) - Kyoto
✓	1000		Depart Osaka
✓	1030		Arrive Kyoto
✓	1200		Private lunch with Amb. and Mrs. Kiraa
✓	1330 to 1700		Visit Katsura Detached Palace and Kyoto Castle (accompanied by Professor Mori --expert on Japanese culture)
✓	1630		<del>Briefing on Japanese education and its impact on economic development</del>
✓	1900		Dinner hosted by President of Japan Development Bank and Mrs. Ishihara
✓ Nov. 6	0644		Depart Kyoto (accompanied by Mr. Sawaki, Director General, Bureau of Economic Cooperation /AID/ Foreign Ministry)
✓	0935		Arrive Tokyo
✓	1000		Meeting with Governor of Bank of Japan, Mr. Sasaki
✓	1045		Meeting on Japan's current economic problems (Mr. Miyazawa, Former Minister of Economic Planning Agency)
✓	1130		Meeting with Prime Minister
✓	1300-1500		Lunch with Japanese business leaders-- KEIDANREN (Japanese Federation of Economic Organizations)
?	1515		Meeting with Aid Advisory Group to Prime Minister (including Dr. Okita)
✓	1800?		Meeting with Mr. Ishida, President Japan Ex-ImBank
✓	1600		Meeting with Mr. Takasugi, President, Overseas Economic Cooperation Foundation (concessionary aid)
			Evening free
	17.15		Press conference
✓	18.00		Mtg. w/ Econ. Coop. Council (Jap. Ex Im Bank?)

UL55 (DC10)non-stop  
TW743 (B320) non-stop  
Kahala Hilton Hotel  
JL071(B747)non-stop  
JL123  
Royal Hotel,Osaka

by car

Miyako Hotel,Kyoto

by express train

Okura Hotel

✓ Mtg with MORITA Pres of Sony  
Mtg on agriculture

✓ Dr. Shimomura

Jap. educ. system (Nishida)  
[Mizuta or Fukuda?]

Nov. 7	0900		Briefing on Tokyo-Peking problems	
✓ Sun.	1030		Briefing on Japanese agriculture and land reform	
✓	[1100]		Meeting with Minister of Foreign Affairs, Mr. Fukuda	
	1200		Luncheon hosted by Minister and Mrs. Fukuda	
	1430		Briefing on Japanese economic performance	
✓	1730		Minister of Finance, Mr. Mizuta	
	2000	1900 1800	Dinner hosted by Minister and Mrs. [Mizuta or Fukuda?]	
Nov. 8	0900	0000	Depart Tokyo	JL713 via Hong Kong (DC8S)
Mon.	1455	0755	Arrive Bangkok	
	1545		Depart Bangkok - <i>briefing on 2/3 Reg Plan + Family Plan Prog.</i>	by plane--inflight briefing on Northern Region Plan and Family Planning Program
	1715		Arrive Chieng Mai	
	1730		Visit Chieng Mai University	
	1815		Briefing on Hill Tribes	
	1900		Visit Family Planning Clinic	
	2030		Dinner hosted by Governor, Bank of Thailand	Rincome Hotel
Nov. 9	0800		Depart Chieng Mai	by plane along Mekong River
Tues.				Inflight briefings on Mekong Program and North East development program (NEED)
	0945		Arrive Khon Kaen	
	1000		Visit Khon Kaen University. Briefing on accelerated rural development program	
	1100		Depart for UNDP Experimental Station Kalasin	by helicopter
	1215		Return to Khon Kaen	
	1300		Informal lunch given by Bank of Thailand	
	1400		Depart Khon Kaen	by plane
	1500		Arrive Chainat (Takli Airbase)	
	1515		Visit Agricultural Research Station and multipurpose cooperative	
	1745		Depart Chainat	
	1815		Arrive Bangkok	
	1930		Meeting with General Chalermchai, Director General, Tourist Organization of Thailand (at hotel)	
			Evening free	Erawan Hotel
Nov. 10	0800		Briefing on Third National Development Plan	
Wed.				
	0940		Minister of Education	
	1030		H.R.H. The King of Thailand	
	1145		Minister of Agriculture	
	1245		Small informal luncheon with distinguished industrialists and bankers (six)	
	1430		Visit Kasetsart University	
	1510		Joint briefing meeting with National Research Council and Applied Scientific Research Corporation on nutrition policy and on-going research	

	1645	Meeting with International Finance Corporation of Thailand (at hotel)	
	1745	Meeting with Canadian Ambassador and UNDP ResRep (at hotel)	
	1845	Meeting with young professors (at hotel)	
		Evening free	
Nov. 11	0745	Depart hotel	by car
Thurs.	0815	Meeting with ECAFE	
	0900	Minister of Foreign Affairs	
	1030	Briefing on port development	
	1100	Boat trip, including briefings on urban development (informal lunch on-board)	
	1330	Boat trip ends	
	1400	Meeting with Prime Minister and aides	
	1600	Signing of EGAT loan at Ministry of Finance	
	2000	Small informal dinner hosted by Prime Minister	
Nov. 12		Morning free	
Fri.	<del>1330-1140</del> 0440	Depart Bangkok	KL863(B747)non-stop
	1530 0730	Arrive Manila	
	1630	Meeting with Executive Secretary Melchor and Secretary of Finance Virata (at hotel)	
	1900	Dinner for Mr. and Mrs. McNamara at Development Bank of the Philippines	Stay at Savoy Hotel
Nov. 13	0900-1200	Meeting on Philippines general economic situation, Four-Year Development Plan and social development programs (chaired by President Marcos)	
Sat.	1200	Private lunch hosted by Pres. and Mrs. Marcos	
	1500	Meeting with Congressional leaders (at hotel)	
	1630	Meeting with prominent business leaders (at hotel)	
	1800	Meeting with Ford Foundation representatives (at hotel)	
		Evening free	
Nov. 14	0800	Depart hotel accompanied by Secretary of Agriculture, Mr. Tanco	by car
Sun.	0930	Arrive Los Banos	
	0930	Visit International Rice Research Institute	
	1100	Visit College of Agriculture	
	1200	Informal lunch at Student Union hosted by Mr. Tanco	
	1330	Informal meeting with small group of students	
	1400	Depart Los Banos	by car
	1530	Arrive Manila	
	1600	Meeting with UNDP ResRep (at hotel)	
	1700	Meeting with Mr. Watanabe (at his residence)	
	1930	Dinner hosted by Mr. Melchor	

Nov. 15	0750	2350	Depart Manila	PR501 DC8 non-stop
Mon.	1030	0300	Arrive Singapore	
	1130		Briefing by Secretary of Finance <i>George Bogaars</i>	
			Lunch free	
	1300		Meeting with Chairman of Housing Board <i>(see Hotel Seng + Sec William Chee)</i>	
			(at hotel) followed by visit to Housing Estate	
	1500		Visit to Jurong Town Corporation	
	1900		Meeting and dinner hosted by Prime Minister	Stay at Goodwood Park Hotel
Nov. 16	0830-1200		Individual meetings at hotel with:	
Tues.			Minister of Science and Vice Chancellor	
			University of Singapore; Head of	
			Family Planning Board; and others	
	1235	0505	Depart Singapore	ML568 (B737) non-stop
	1320	0550	Arrive Kuala Lumpur	
			Lunch free	
	1600		General briefing with Chief Secretary	
			and senior governing officials	
	1735		Return to Hotel	
	1830		Meeting with Ford Foundation representative, Mr. Kennedy	
	1945		Courtesy call on Prime Minister at Sri Taman	
	2000		Dinner hosted by Prime Minister, including senior ministers	
Nov. 17	0830		Depart Kuala Lumpur	by executive jet
Wed.	0900		Arrive Kuantan	
			Fly over Jengka Triangle	by helicopter
	1030		Visit to FLDA Land Settlement Scheme	
	1230		Informal lunch at project site	
	1430		Visit to SJSB Forestry Project	
	1610		Depart Project area	by helicopter
	1630		Arrive Kuantan	
	1645		Depart Kuantan	by executive jet
	1715		Arrive Kuala Lumpur	
			Evening free	
Nov. 18	0900		UNDP ResRep (at hotel)	
Thurs.	1000		Meeting with Minister of Finance	
	1045-1145		Meeting with Prime Minister and senior ministers	
	1300		Lunch hosted by Minister of Finance	
	1445		Meeting with Governor of Bank Negara	
	1600		Meeting with Chairman of PERNAS and representatives of Chambers of Commerce	
	1700		Courtesy call on His Royal Highness, the Agong (King of Malaysia)	
			Evening free	
	2140	1340	Depart Kuala Lumpur	Aeroflot 558, via Delhi and Moscow
Nov. 19	0820	0820	Arrive London	
Fri.	1130	1130	Depart London	PA107 (B747) non-stop
	1435	1935	Arrive Washington--Dulles	

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Revised Nov. 2, 1971



*J. Nelayan*

- List of Guests -

Dinner given by Prime Minister on 16.11.71 at  
8.00 p.m. at Sri Taman

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- ✓ 1. Tun Haji Abdul Razak bin Dato' Hussein and Toh Puan Raha Razak.
2. Mr. & Mrs. Robert McNamara.
3. Mr. Raymond Goodman.
4. Mr. Bengt Sandberg.
5. Mr. Clarke,
6. Mr. Christoffersen.
- ✓ 7. Tun Tan Siew Sin and Toh Puan Tan,  
Minister of Finance.
8. Tun V.T. Sambanthan and Toh Puan Uma Sambanthan,  
Minister of Works, Posts & Telecoms.
- ✓ 9. Mr. Mohd. Khir Johari and Mrs. Tom,  
Minister of Commerce & Industry.
10. Mr. Abdul Ghaffar bin Baba & Wife,  
Minister of National & Rural Development.
11. Mr. Hussein Onn and Wife,  
Minister of Education.
- ✓ 12. Tan Sri Mohd. Ghazalie Shafie and Puan Sri,  
Minister of Information and Special Functions.
13. Tuan Haji Abdul Taib bin Mahmud and Wife,  
Deputy Minister to Prime Minister's Department.
14. Mr. Ali bin Haji Ahmad and Wife,  
Deputy Minister of Finance.
- ✓ 15. Tan Sri Ismail bin Mohd. Ali and Puan Sri,  
Governor, Central Bank.
- ✓ 16. Tan Sri Abdul Kadir bin Shamsuddin and Puan Sri,  
Chief Secretary to the Government.
17. Raja Tan Sri Mohar bin Raja Badiozaman and Wife,  
Secretary General to the Treasury.
18. Tan Sri Zaiton Ibrahim bin Ahmad and Puan Sri,  
Secretary-General, Ministry of Foreign Affairs.
- ✓ 19. Tengku Razaleigh bin Tengku Hamzah,  
MP, Chairman of National Corporation.
- ✓ 20. Mr. Musa bin Hitam and Wife,  
Chairman FLDA.
- ✓ 21. Mr. Jamil Jan and Wife,  
Deputy Secretary-General,  
Ministry of Commerce & Industry.
- ✓ 22. Mr. Ishak bin Tadin and Wife,  
Deputy Chairman MANA.
23. Tengku Shahrizan bin Tengku Sulaiman and Wife,  
Director-General of Implementation, Coordination & Evaluation Unit
- ✓ 24. Mr. Thong Yaw Hong and Wife,  
Deputy Director-General,  
Economic Planning Unit.

25. Mr. Raymond Navaratnam,
26. Mr Malek Ali Merican and Wife,  
Deputy Secretary-General to the Treasury.
- ✓ 27. Dr. Agoes Salim and Wife,  
Chairman, Agricultural Bank.
28. Mr. Sulaiman bin Abdullah and Wife,  
Deputy Director General,  
Economic Planning Unit.
- ✓ 29. Mr. Yahaya bin Abdul Wahab and Wife,  
Deputy Director General ICEU.
30. Mr. Mohd. Manafiah bin Omar and Wife,  
Assistant Secretary, Treasury.

DRAFT

J-MJentgen/JLMaddux:dcc

October 29, 1971

AIRPORT STATEMENT - MALAYSIA 11/16/71

I am delighted to be here in Malaysia. It is a particularly interesting time to visit your country, as I am aware of the effort you are making to assure wider participation of all the peoples of the nation in the process of social change and economic progress.

I am looking forward to meeting your Prime Minister again. From him, and from the others I will be seeing, I hope to gain a better understanding of your aspirations, your problems, <sup>and</sup> the prospects of your economy, so that we in the World Bank Group can assess how we can help you most effectively.

I plan to have a firsthand look at your programs in agricultural diversification, <sup>and</sup> land settlement, as well as other projects.

Since 1958, the World Bank has made loans of \$288.7 million here. This has included projects in agriculture and forestry, electric power and telecommunications, water supply, industrial expansion, and school construction.

Last year ~~alone~~ the Bank approved loans totaling almost \$55 million. We hope to maintain this increased level of assistance over the next five years. In the near future there will be plans for the modernization program of the Malayan Railways, and for highway improvement. We will continue to support your efforts in educational development, and hope to be able to respond to your request for assistance in family planning.

The Bank's continuing involvement in Malaysia is evidence of our confidence in your determination to reach your development objectives. We are very pleased to play a supporting role in the achievement of those objectives.

Draft Material for a Possible "Reply to a Toast" in Malaysia

Mr. Prime Minister, Ladies and Gentlemen:

Thank you for your generous remarks, and for the warm hospitality you have extended to all of us.

It is a pleasure to meet with you again, Mr. Prime Minister, and to continue the discussions we had in Washington. Our meeting in the Operations Room this afternoon afforded me a graphic picture of the scope of the development problems you are confronting.

Malaysia's multiracial society can become an example to many other countries of the developing world. Problems may differ in their details, but the central objective of bringing tangible progress within the reach of all the peoples of a society is one of the great tasks of this century on every continent of the globe.

What you achieve here in Malaysia can offer valuable lessons elsewhere.

I am looking forward, Mr. Prime Minister, to my visit to your home city, Kuantan -- and to the Jengka Triangle, ~~Behang and to Muar~~. By having a firsthand look at the projects underway in these various areas of the country I expect to see in detail both the problems and the progress that your development plans are facing.

Development, of course, is never without problems. But the problems themselves are less crucial, perhaps, than the resources of resolve and determination that are brought to bear on them.

We in the World Bank are gratified that we have been able to assist Malaysia in the past, and we intend to go on doing so. In the total picture our role is a modest one. It is you, your Government, and your people, Mr. Prime Minister, who are accomplishing the tasks.

We share the confidence of the people of this gracious land that development can and will succeed. We want to play our part in that great objective.

Mr. Prime Minister, thank you again for your warm welcome. We are very happy to be here. We look forward with keen anticipation to our visit.

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### Biographical Data

Name: Duli Yang Maha Mulia Seri Paduka Baginda Tuanku Abdul Halim Mu'adzam Shah ibni Al-Marhum Sultan Badlishah, DK., DMN., SPMK., DK (Kelantan) DK. (Pahang).

Position: Yang Dipertuan Agong (King).

Date of Birth: November 28, 1927.

Education: His Majesty received his early education at Titi Gajah Malay School and later at the Sultan Abdul Hamid College in Alor Star. In February, 1949, proceeded to the United Kingdom for further studies after a short preparatory course, he was admitted to his father's old college, Wadham College, Oxford. In 1952, he spent two and a half years reading a Diploma Course in Social and Public Administration.

Experience:

1949	Appointed Raja Muda of Kedah while he was still in England.
1955	Returned to Kedah and was attached to the District Office, Alor Star.
1957	State Treasury.
1957	During the absence of His Royal Highness Sultan Badlishah, who was away from the state from March 12 to July 3 1957, he was appointed Regent on March 9, 1957.
1958	On the demise of his father, His Late Royal Highness Sultan Badlishah, he acceded to the throne of Kedah.
1959	He was formally installed as Sultan of Kedah.
1965	Elected Timbalan Yang Di-Pertuan Agong by the Conference of Rulers.
1966	Appointed Colonel Commandant of the Malaysian Reconnaissance Corps.
1970	His Majesty was elected the fifth Yang Dipertuan Agong by the Conference of Rulers.



TUN ABDUL RAZAK

Prime Minister of Malaysia  
Minister of Foreign Affairs  
Minister of Defence

A Biographical Note

Born on March 11, 1922 at Pulau Keladi, Pekan, in the state of Pahang, Malaya (West Malaysia).

Son of Dato' Hussein bin Mohd. Taib (Deceased) who was a member of the Malayan Civil Service and a Territorial Chief of Pahang, and of Hajah Teh binti Haji Daud.

Married to Toh Puan Rahah and has five children.

Educated at Malay College, Kuala Kangsar, Perak. Awarded a scholarship in 1940 to study in Raffles College, Singapore (now University of Singapore). Awarded a scholarship in 1947 to study law in England and in October of that year joined Lincoln's Inn. Passed Bar Final Examination in April 1949 and was called to the Bar in May 1950.

During World War II joined Force 136 Malay Resistance Movement "Wataniah" and was Captain in that force.

While in England from 1947 to 1948 was Secretary, Malay Society of Great Britain and Chairman of Malayan Forum.

In August 1950 inherited from his late father the Title of Orang Kaya Indera Shahbandar (O.K.I.S.) a major Chief of Pahang, Malaya.

In January 1952 was appointed State Secretary, Pahang and in February 1955 was appointed Menteri Besar (Chief Minister) Pahang.

In August 1950 was elected Leader of United Malays National Organisation (U.M.N.O.) Youth Section and became one of its Vice-Presidents.





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In August 1951 became Deputy President U.M.N.O. and has been re-elected yearly since then. Became President of U.M.N.O. in 1971.

A founder member of first United Malays National Organisation-Malayan Chinese Association Alliance. He is Chairman in the ruling Alliance Party.

In February 1951 was appointed an unofficial member of the Federal Council and served until the Council was prorogued. As member of the Federal Council, served on many committees such as the special committee on education.

Elected to Parliament at the first national elections in 1955 and returned at every subsequent elections.

Was appointed Minister for Education, Malaya, on August 9, 1955.

Was the moving force behind the Report on Education in Malaysia (1956) which bears his name and which has guided Malaysian Education in Policy since.

Was member Merdeka (Independence) Mission to London in January 1956.

On Independence of the Federation of Malaya, appointed Deputy Prime Minister and Minister of Defence in September 1957.

Appointed second Prime Minister for Federation of Malaya in February 1959 when the Prime Minister retired in order to campaign for the elections.

In December 1959 became Minister of Rural Development in addition to portfolios of Deputy Prime Minister and Minister of Defence. After 1964 General Elections, continued as Deputy Prime



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Minister and additional portfolios of Minister of National and Rural Development and Minister of Defence. He has been the foremost architect of National and Rural Development in Malaysia. The Rural Development "Red Book" and the National Operations Room co-ordinating projects in Malaysia have been widely emulated by other developing Countries in pushing their new strategies for development.

From June 1967 held an additional portfolio of Minister of Internal Security (later renamed Minister of Home Affairs). On May 16, 1969, following the General Elections and the subsequent May 13 disturbances, appointed Director of Operations under the Proclamation of Emergency.

In addition, held the portfolios of Deputy Prime Minister, Minister of Defence and Minister of Finance in the Emergency Cabinet.

Prime Minister of Malaysia since 1970 and guided the return to Parliamentary government in February 1971.

#### CLUBS AND ASSOCIATIONS

President, Olympic Council of Malaysia.

President, Malaysia United Nations Association.

President, Royal Asiatic Society, Malaysia Branch.

President, Malaysian Historical Society.

President, Malaysian Zoological Society.

President, Malaysia St. John's Ambulance Association.

Chairman, Advisory Council of Malaysia Association of Youth Clubs.

President, Malaysian Hockey Federation.



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HONOURS AND AWARDS RECEIVED

- O.K.I.S. - Orang Kaya Indera Shahbandar.
- S.M.N. - Sri Maharaja Mangku Negara ( Malaysia's highest award other than to Heads of State).
- S.P.M.K. - Sri Pedula Mahkota Kelantan.
- D.P.M.B. - Darjah Paduka Mahkota Brunei.
- S.P.M.T. - Sri Paduka Mahkota Trengganu.
- S.P.M.P. - Sri Paduka Mahkota Perak.
- S.I.M.P. - Sri Indera Mahkota Pahang.
- S.P.M.J. - Sri Paduka Mahkota Johor.
- S.P.M.S. - Sri Paduka Mahkota Selangor.
- S.P.M.P. - Sri Paduka Mahkota Perlis.
- D.K. (Kelantan) - Darjah Kerabat Yang Amat di-Hormati (Kelantan)
- Knight Grand Cordon of the Most Noble Order of the Crown of Thailand.
- Order of the Service Merit First Class (Korea).
- Vietnam National Order Grand Officer.
- Belgian Order of the Grand Cross in the Order of the Crown.
- Associate Knight of the Most Venerable Order of the Hospital of St. John of Jerusalem.
- Grand Order of Merit (Federal Republic of Germany).
- Dutch Grand Cross of the Order of Orange Nassau.
- Bintang Republik Indonesia Kelas Dua.
- Bintang Kartika Eka Paksi (Indonesia).
- Magsaysay Award for Community Development (Philippines)
- Honorary Degree of Doctor of Laws, University of Malaya.

Biographical Data

Name: Thong Yaw Hong, JMN., SMP.

Position: Director-General Economic Planning Unit, Prime Minister's Department.

Date of Birth: June 15, 1930.

Education: B.A. (Hons.) University Malaya, M.P.A. Harvard.

Experience:

1954	Malayan Civil Service. Posted to Ulu Langat District Office, Kajang.
1955	Assistant District Officer, Kinta South, Perak.
1957	Posted to the Economic Secretariat, Prime Minister's Department, Kuala Lumpur.

Biographical Data

Name: Tengku Razaleigh Hamzah, S. P.M.K.

Position: Chairman/Managing Director, Bank Bumiputra Malaysia Berhad.

Date of Birth: April 13, 1937.

Education: Sekolah Melayu Pedang Garong, Kota Bharu, Kelantan; Malay College, Kuala Kangsar, Perak; Anderson School, Ipoh, Perak; Queen's University of Belfast; Lincoln's Inn, London.

Experience: Executive Director, Bank Bumiputra Malaysia Berhad.

Biographical Data

Name: Tun Tan Siew Sin SSM., JP.

Position: Minister of Finance.

Date of Birth: March 21, 1916.

Education: Raffles College, Singapore.

Experience:

1946 - 1949	Commissioner of the Malacca Municipal.
1948	Member of the Federal Legislative Council.
1950 - 1951	President of the Malacca Rotary Club. Member of the Federal Legislative Council's Standing Committee in Finance.
1956 - 1957	President of the Malaya Estate Owner's Association. Member of the Joint Consulta- tive Council of Planting Industries. Member of the Council of the University of Malaya as Representative of the High Commissioner and the Ruler.
1957	Chairman of the Malacca Branch of M.C.A.
1957 - 1961	President of M.C.A.
1957	Minister of Commerce and Industry.
1958	Hon. Treasurer Alliance Party.
1959	Minister of Finance.
1964	Elected Member of Malacca Tengah Constituency in the Parliamentary Election.
1969	Re-elected and appointed Minister with Special Functions. Chairman of the Capital Investment Committee.

Honours and Awards: Conferred the Honorary Degree of Doctor of Laws by the University of Malaya in 1965.

Biographical Data

Name: Tuan Haji Mohd. Khir Johari.

Position: Minister of Commerce and Industry.

Date of Birth: January 29, 1923.

Education: Educated at the Sultan Abdul Hamid College, Alor Star.

Experience:

1955	Elected Member for Kedah Tengah Constituency. Member of the Federal Council.
1956	Appointed Assistant Minister Economic Affairs.
1957	Appointed Minister of Education.
1959	Elected member for Kedah Tengah Constituency Parliamentary Elections.
1960	Appointed Minister of Commerce and Industry.
1962	Became Minister of Agriculture and Cooperatives.
1964	Elected Member for the Kedah Tengah Constituency in the Parliamentary Elections.
1969	Re-elected and appointed Minister of Commerce and Industry.
	Vice-Chairman of the Capital Investment Committee.
	Appointed Minister of Agriculture and Coopera- tives in Malaysian Cabinet until early February 1965 when he took over the Education Portfolio.

Honours and Awards: Chairman of the Federal School for the Deaf and the Inter-Religious Organizations.

He was conferred the degree of Doctor of Laws in January, 1966 by the University of Malaya.

Biographical Data

Name: Tan Sri Abdul Kadir bin Shamsuddin, PSM., JMN., AMN., LLB.,  
Bar-at-Law, IOC.

Position: Chief Secretary to the Government (Chief of Civil Service).

Date of Birth: November 3, 1920.

Education: Educated at Kajang High School and Raffles College, Singapore.  
Awarded Queen's Scholarship to read Law at Bristol University.  
He was called to Bar.

Experience:

1939	Joined Postal Department as Probationer.
1948	He was transferred to Assistant Supt. of Posts.
1952	Assistant State Secretary, Pahang.
1955	Assistant Secretary Ministry of Defense.
1956	Attached to the War Office, London. Was Principal Assistant Secretary to the Cabinet prior to Merdeka. He was responsible for the organization of the Cabinet Office and held post until 1958.
1959	Attended one-year course at British Imperial Defense College, on his return he was appointed Deputy Secretary for Defense.
1967	Head of the Malaysian Establishment Office, now known as Director-General of Public Services.



Biographical Data

Name: Tan Sri Ismail bin Mohd. Ali, SRI., PMN.

Position: Governor, Bank Negara.

Date of Birth: September 16, 1918.

Education: Educated at the Victoria Institution, Kuala Lumpur; and University of Cambridge, Middle Temple, London.

Experience:

1946	Malayan Civil Service.
1948 - 1950	Assistant State Secretary, Government State of Selangor.
1950 - 1953	Economic Division of Treasury.
1954 - 1955	Economic Officer, Penang.
1955 - 1957	Controller of Trade, Ministry of Commerce and Industry.
1957 - 1960	Minister at Malaysian Embassy, Washington.
1958 - 1960	Executive Director of International Bank for Reconstruction and Development, Washington.
1960 - 1962	Deputy Governor of Bank Negara, Malaysia.
1962	Governor Bank Negara. Member of the National Development Planning Committee Council of the University of Malaya. Director of the Malaysian Industrial Development Finance, Berhad. President of Malaysian Inst. of Management.

Biographical Data

Name: Tan Sri Muhammad Ghazali bin Shafie PMN., DIMP., PDK.

Position: Minister with Special Functions and Minister of Information.

Date of Birth: March 22, 1922.

Education: Educated at Raffles College, University of Wales, Lincoln Inn, London School of Economics and Political Science, University of London, Institute of Commonwealth Studies, London. Passed L.L.B. Hon. and Post Graduate Certificates in Int. Studies.

Experience:

1944	Intelligence Officer, Resistance Movement.
1946	Indian Field Security Secretary.
1950	Served as Member Railway Enquiry Commissioner.
1951	Second Assistant State Secretary, Selangor.
1952	First State Secretary, Negri Sembilan.
1957	Commissioner for Malaya in India, New Delhi.
1962	Member of Commission of Enquiry, North Borneo and Sarawak (under chairmanship of Lord Cobbold).

Biographical Data

Name: Jamil bin Mohd. Jan, KMN.

Position: Director Secretary General, Commerce and Industry; and Chairman of Federal Industrial Development Authority.

Date of Birth: January 1, 1930.

Education: King Edward VII School, Malay College and University of Malaya. Attended Budgetary Course under Colombo Plan in New Delhi.

Experience: Executive Secretary of the Urusetia Hal Ehwal Awan (Section of Civil Affairs - National Unity Department).

Leader of the Malaysian Delegation to the International Rubber Study Group Meeting.

Led the Malaysian Delegation to meetings of UNSTADI, Geneva.

Deputy leader to the Joint Commission of the Indonesia-Malaysia Trade Agreement.

Led Malaysian Trade Mission to Europe, United States, South America and Africa.

Acting Chairman of the Pineapple Industry Board.

Biographical Data

Name: Alexander Foster Campbell

Position: Regional Representative of the United Nations Development Programme in Malaysia, Brunei and Singapore.

Date of Birth: September 22, 1919.

Education:

1938 - 1940	University of Otago, Dunedin, New Zealand B.A. History.
1946 - 1948	Victoria University of Wellington - University Senior Scholarship.

Experience:

1941 - 1945	Military Service, New Zealand Army.
1949 - 1953	Assistant Secretary, New Zealand National Commission for UNESCO - became Acting Secretary in 1951 and Secretary-Executive Officer in 1953.
1952 - 1959	Carried out Colombo Plan technical assistance negotiations in India, Thailand, Burma, Viet Nam, North Borneo, Sarawak, Singapore and Indonesia - New Zealand Government.
1952 - 1953	Head of the Technical Assistance Unit of the Department of External Affairs (representative for New Zealand Colombo Plan policy and operations and New Zealand participation in the Expanded Programme).
1960 - 1961	Senior Executive Officer in the Department of Education, Wellington.
1961 - 1963	Resident Representative of the United Nations Technical Assistance Board in Liberia.
1963 - 1965	Resident Representative of the United Nations Technical Assistance Board and Director of Special Fund Programmes in Ghana.
1965 - 1969	Regional Representative of the United Nations Development Programme in the Caribbean, Port of Spain, Trinidad and Tobago.

Nationality: New Zealander

Biographical Data

Name: Dato Ya'acob bin Hitam SMJ., PBS.(Sarawak), BCK., AMN., PIS.

Position: Chairman Urban Development Authority.

Date of Birth: October 14, 1915.

Education: English College and Technical College, Kuala Lumpur.

Experience: Senior Assistant Telecommunications Department, Klang.

Board of Managers of Simpang Lima School, Methodist Girls  
Primary School and National Type School, Klang.

Member of Klang-Port Swettenham Rotary Club.

Biographical Data

Name: Agoes Salim.

Position: Director of Research, Department of National Unity.  
Chairman Bank Pertanian.

Date of Birth: April 17, 1934.

Education: B.A. Hons. in economics from University of Malaya, Singapore. M.A. and Ph. D. in agricultural economics from the University of Wisconsin.

Experience: Directed research on problems pertaining to national unity.

Served as Joint Secretary to National Unity Advisory Council.

Advised various Government agencies in their work on matters which impinge on race relations.

Assisted various Government agencies in socio-economic planning and implementation.

Biographical Data

Name: Ishak bin Tadin.

Position: Chief Executive Director, MARA. Chairman, SJSB.

Education: B.A. Honours (University of Malaya) History.

Experience:

1959	Administrative Officer (MCS).
1961	Assistant Secretary at Ministry of National and Rural Development.
1962	Acting Principal Assistant Secretary at Ministry of National and Rural Development.
1964	Assistant Secretary.
1966 - 1968	Deputy Secretary at Ministry of National and Rural Development.
1970	Secondmen Service to MARA as Chief Executive Director.

Biographical Data

Name: F. W. Fearman.

Position: General Manager SJSB (Cantrans).

Date of Birth: October 30, 1918.

Education: Engineering, University of British Columbia, Vancouver, Canada

Experience:

1938 - 1941	Canadian Whitepine Company Ltd.
1941 - 1943	F. W. Fearman Ltd.
1943 - 1945	Royal Canadian Navy.
1946 - 1950	Canadian Whitepine Company Ltd. (Sales Manager).
1950 - 1961	MacMillan, Bloedel Ltd., Manager Saw Mill.
1961 - 1964	Williams Lake, British Columbia (General Manager).
1964 - 1970	The Cattermole-Trethewey Contractors, Ltd. (Manager of Lumber Division).
1970	General Manager SJSB under Cantrans contract with SJSB-MARA.

Nationality: Canadian



Biographical Data

Name: Mohd. Rasli bin Mohd. Nawi.

Position: Managing Director SJSB.

Date of Birth: 1928.

Education: B.A. Malaya.

Experience: 1952 - 1962 Rural and State Development Officer in various states.

1963 - 1965 Acting Deputy Chairman LKPP.

1965 - 1969 Various positions in MARA.

1970 Managing Director SJSB.

Biographical Data

Name: D. R. L. Massey-Collier.

Position: Executive Director, Jengka Triangle Federal Land Development Agency.

Date of Birth: March 30, 1915.

Education: Tonbridge School, Kent, United Kingdom. Matriculated in 1934.

Experience:

1934 - 1937 Preparatory School Assistant Master.

1937 - 1941 Assistant on Rubber Estates, Malaysia.

1946 Worked with Sime Darby and Socfin Estates and appointed Group Manager in 1959 with Socfin.

1963 - 1967 Planting Adviser in Socfin and also Head Technical Manager.

1967 - 1968 Commissioned to inspect Palm Oil Estates by Belgian Company.

1968 Appointed Executive Director, Jengka Triangle Project by the United Nations Development Programme.

Biographical Data

Name: Musa bin Hitam.

Position: Chairman, Federal Land Development Authority.

Date of Birth: April 18, 1934.

Education: B.A. University of Malaya.  
M.A. University of Sussex.

Experience:

1957 - 1959	Active in international student movements and worked at the International Student Secretariat, Leyden, Holland.
1959 - 1963	Civil Service.
1964 - 1965	Political Secretary to Minister of Transport.
1965 - 1969	Executive Secretary, United Malays National Organization.
1969	Deputy Minister to Deputy Prime Minister.
1970	Sabbatical (study) in United Kingdom.
1971	Lecturer at University of Malaya.
1971	Appointed Chairman, FLDA on September 1, 1971.

Biographical Data

Name: Raja Muhammad Alias bin Raja Muhammad Ali.

Position: Director-General, Federal Land Development Authority.

Date of Birth: August 10, 1932.

Education: B.A. Hons. (Class II Upper), University of Malaya, 1958.  
Certificate from the Royal Institute of Public Administration,  
London, 1963.

Experience:

1958 - 1966	Joined Malaysian Civil Service and held various appointments at District, State and Federal levels.
1966	Appointed Deputy Chairman, FLDA.
1969	Appointed Director-General, FLDA.

Honours and Awards:

1968	Federal Honours, - K.M.N.
1970	Negeri Sembilan State Honours - P.J.K.

Biographical Data

Name: Surjit Singh.

Position: Director of Budget and Planning, Federal Land Development Authority.

Date of Birth: February 10, 1940.

Education: B.A. Hons. (Class II Upper), University of Malaya, 1962.  
Fellow of the Economic Development Institute, IBRD.  
Fellow of the Asian Institute for Economic Development and Planning.

Experience:

1962 - 1965	Joined FLDA as Regional Secretary. Served in Negeri Sembilan, Perak and Sarawak.
1966	Appointed Chief Planning Officer.
1970	Appointed Special Assistant to the Director-General.
1971	Appointed Director of Budget and Planning.

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MALAYSIA  
CABINET MINISTERS

- ✓ 1. Y.A.B. Tun Haji Abdul Razak bin Dato Hussein, SMN  
Prime Minister  
Also Minister of Foreign Affairs and Defense respectively
- no. 2. Y.A.B. Tun Dr. Ismail bin Dato Abdul Rahman, SSM  
Deputy Prime Minister  
Also Minister of Home Affairs
- ✓ 3. Y.A.B. Tun Tan Siew Sin, SSM, JP  
Minister of Finance
- ✓ 4. Y.A.B. Tun V.T. Sambanthan, SSM  
Minister of Works, Posts and Telecommunications
- ✓ 5. Y.B. Tan Sri Haji Sardon bin Haji Jubir, PMN  
Minister of Health
6. Y.B. Tan Sri Ong Yoke Lin, PMN  
Minister without Portfolio
- ✓ 7. Y.B. Enche Mohamed Khir Johari  
Minister of Commerce and Industry
8. Y.B. Tan Sri Temenggong Juga anak Barieng, PMN, PDK, PNBS  
Minister of Sarawak Affairs
9. Y.B. Tan Sri V. Manickavasagam, PMN, SPMS  
Minister of Labor
10. Y.B. Tan Sri Haji Mohd. Ghazali bin Haji Jawi, PMN, DPCM  
Minister of Agriculture and Lands
- ✓ 11. Y.B. Enche Abdul Ghafar bin Baba  
Minister of National and Rural Development
12. Y.B. Dato Abdul Ghani Gilong, PDK, JP  
Minister of Transport
13. Y.B. Enche Lee Siok Yew, AMN, PJK  
Minister without Portfolio
14. Y.B. Dato Hamzah bin Dato Abu Samah, SMK  
Minister of Culture, Youth and Sports
15. Y.B. Tan Sri Fatimah binte Haji Hashim, PMN  
Minister of Social Services

16. Y.B. Tan Sri Abdul Kadir bin Yusof, PMN, PJK  
Attorney-General
- ✓ 17. Y.B. Enche Hussein bin Onn  
Minister of Education
- ✓ 18. Y.B. Tan Sri Muhammad Ghazali bin Shafie, PMN, DIMP, PDK  
Minister of Broadcasting and Special Functions
19. Y.B. Dato Ong Kee Hui, PNBS  
Minister of Technology, Research and Local Government

ASSISTANT MINISTERS

- ✓ 1. Y.B. Enche Abdul Taib bin Mahmud  
Assistant Minister  
Prime Minister's Department
- ✓ 2. Y.B. Enche Ali bin Haji Ahmad  
Assistant Minister of Finance
- ✓ 3. Y.B. Dato Abdul Samad bin Idris, JMN, PJK  
Assistant Minister of Agriculture and Lands
4. Y.B. Enche Lee San Choon, KMN  
Assistant Minister of Labor
5. Y.M. Tengku Ahmad Rithauddeen bin Tengku Ismail, PMK  
Assistant Minister of Defense
6. Y.B. Enche Mohamed bin Yaacob, PMK SMT  
Assistant Minister of Home Affairs



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MALAYSIA

IBRD Capital Subscription and Payments  
(figures in US dollars or dollar equivalents)

1. <u>Capital Subscription</u>	
a) Original subscription	25,000,000
b) 100% increase in capital subscription (1959)	25,000,000
c) Special increase in capital subscription (1965)	83,300,000
d) Special increase in capital subscription authorized by Board of Governor's Resolution No. 258. Malaysia has indicated it will take up subscription but has not yet acted. (1971)	25,400,000
Total subscribed and authorized capital	<u>158,800,000</u>
2. <u>Payments in US Dollars</u>	
a) Original subscription	500,000
b) 1965 special increase	<u>833,000</u>
Total	<u>1,333,000</u>
3. <u>9% Portion</u>	
Released on fully convertible basis	

MALAYSIA

IDA Subscriptions and Payments  
(figures in US dollars or dollar equivalents)

1. Subscription	2,520,000
2. Authorized under Third Replenishment Resolution. Notification received.	<u>98,080</u>
Total	<u>2,618,080</u>
3. Payments of 10% Portion	252,000
4. 90% Portion	no release

MALAYSIA

IFC Subscription  
(in US dollars)

Subscription

277,000

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MALAYSIA  
STATEMENT OF BANK LOANS  
As at September 30, 1971

<u>Loan No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	Amount	
				<u>Bank</u>	<u>Undisbursed</u>
				(US\$ million)	
210-MA	1958	Central Electricity Board	Electric Power	28.6	-
348-MA	1963	Malaysian Industrial Development Finance Ltd.	Industrial Finance	7.9	-
350-MA	1963	Central Electricity Board	Electric Power	51.1	-
434-MA	1965	Government of Malaysia	Irrigation	45.0	13.7
458-MA	1966	National Electricity Board	Electric Power	29.5	2.8
500-MA	1967	Government of Malaysia	Irrigation	10.0	6.1
533-MA	1968	Government of Malaysia	Land Settlement	14.0	8.7
560-MA	1968	Government of Malaysia	Telecommunications	4.4	4.0
561-MA	1968	Government of Malaysia	Water Supply	3.6	2.7
579-MA	1969	National Electricity Board	Electric Power	9.5	4.9
599-MA	1969	Government of Malaysia	Education	8.8	8.6
672-MA	1970	Government of Malaysia	Land Settlement	13.0	11.9
673-MA	1970	Government of Malaysia	Forestry	8.5	2.3
700-MA	1970	National Electricity Board	Electric Power	20.0	19.5
753-MA	1971	Government of Malaysia	Telecommunications	18.7	-
774-MA	1971	Sabah Ports Authority	Ports	16.1	-
Total (less cancellations) of which has been repaid to Bank and others				288.7	
Total now outstanding				19.4	
Total now outstanding				269.3	
Amount sold				10.2	
of which has been repaid				7.9	2.3
Total now held by Bank				267.0	
Total undisbursed					120.00



STATEMENT OF IFC INVESTMENTS

(As of Sept. 30, 1971)

<u>Year</u>	<u>Obligor</u>	<u>Amount</u>		<u>Remarks</u>
		<u>Loan</u> (US\$ '000)	<u>Equity</u>	
1963	Malaysian Industrial Development Finance Ltd. (MIDF)	-	818	In conjunction with Bank loan 348-MA
1966	Tasek Cement Ltd.	1,275	284	Joint operation with MIDF
1967	Malayawata Steel Ltd.	2,451	1,012	- " -
1969		-	231	
1969	India-Malaysia Textiles Ltd.	1,250	248	- " -
		-----	-----	
		4,976	2,592	
	Less sales and repayments	2,156	320	
		-----	-----	
	Total held by IFC	2,820	2,272	



MALAYSIA

IFC Brief - November 1971

(M\$3.06 = US\$1)

I. Membership

Malaysia became a member of IFC on May 20, 1958. Its subscription to IFC capital stock is \$277,000 (0.26% of total) and its number of votes is 527 (0.4% of total).

II. Existing Investments

Approved Investments		\$ 8,058,545
Less: Repayments	452,875	
Sales to others	2,513,508	<u>2,966,383</u>
Investments held by IFC		\$ 5,092,162

Malaysian Industrial Development Finance Berhad (MIDF) (development finance company) - Equity Investment of M\$2,500,000 (\$817,500 equivalent) and Standby Equity Investment of M\$1,500,000 (\$490,000 equivalent) approved July 11, 1963.

MIDF was established in 1960; in 1963, at the request of the Government and the shareholders, the Bank and IFC assisted in the reorganization and strengthening of MIDF. IFC subscribed to 25,000 shares at par value each and made a standby commitment (not exercised) for an additional 10,000 shares. In 1970, MIDF's share capital was increased from M\$25 million to M\$35 million by a rights issue at a price 10% above par value. Foreign shareholders including IFC complied with MIDF's request to waive their pre-emptive rights in order to increase Malaysian shareholding from 31% to 51%. As a result, IFC's equity participation was reduced from 10% to 7%.

Tasek Cement Berhad (cement) - Loan Investment of US\$1,275,000, and Equity Investment of US\$284,000 (sold 1968), approved February 8, 1966.

Tasek is one of four cement plants in Malaysia. IFC financing was for an expansion, doubling plant capacity from 200,000 tons per year to 400,000 tons per year. IFC considers this project as one of its model investment projects. ←

Malayawata Steel Berhad (steel mill) - Loan Investment of \$2,451,000 and Equity Investment of M\$3,110,000 (\$1,011,722 equivalent), approved May 11, 1967. Equity Investment of M\$937,291 (\$306,304 equivalent), approved April 22, 1969.

Malayawata is the only integrated steel mill in Malaysia. The plant is designed to use indigenous raw materials to the fullest extent such as

iron ore, and charcoal from rubber trees cut down in the process of normal replantation. Phase I of the project, giving the company a capacity of 70,000 metric tons of rolled products per year, was completed in 1967. Phase II to bring capacity up to 143,000 metric tons was completed in October 1970. Malayawata now plans to establish an electrolytic tinning mill, the first in Malaysia. It expects to finance this project without IFC participation.

India-Malaysia Textiles Berhad (polyester/cotton textiles) - Loan of \$1,250,000 and Equity Investment of M\$765,000 (\$248,175 equivalent) approved on December 2, 1969.

India-Malaysia is building an integrated textile mill for the production of approximately 7.3 million square yards of suiting, shirting and dress fabrics made of natural and synthetic fiber blends. The project is a joint venture between Malaysian investors and the Birla Group of India. Birla expects that the mill can start production before the end of 1971.

### III. Active Applications

None

### IV. Preliminary Projects

None

IFC has expressed interest in principle in an integrated pulp and paper mill sponsored by MIDF, with Japanese involvement. This has been gestating for a long time; we now understand that Canadian consultants are currently preparing a feasibility study, which IFC will review upon completion.

### V. Other Matters

- a) Both local and foreign exchange financing is easy to obtain in Malaysia, with five year money available from commercial banks at 8<sup>1</sup>/<sub>2</sub>%. Thus IFC terms are not attractive except for occasional very large or complicated investments or those requiring longer term financing.
- b) During the last Annual Meeting, Mr. Gaud met Governor Ismail, who expressed his view that it would now be appropriate for IFC to sell its shares in MIDF because MIDF is now fully established and self-reliant and IFC's objectives in creating MIDF have been fulfilled. Governor Ismail also wanted the other foreign shareholders out of MIDF since they no longer serve a useful purpose. Mr. Gaud said that IFC was willing to entertain a definite proposal specifying the number of shares to be purchased, the proposed buyers, and the price. IFC will await answers to these three points.



ASIAN DEVELOPMENT BANK

OPERATIONS IN MALAYSIA

I. PROJECTS APPROVED

(a) For Loans

September 19, 1968

Penang State Water Supply \$ 7.2 million

February 11, 1969

Bukit Mendi and Bukit Goh Palm Oil Mills \$ 2.8 million

September 22, 1970

Besut Agricultural Development \$ 3.3 million

(b) For Technical Assistance

November 13, 1969

Feasibility Study on Development of  
Kuala Lumpur - Karak Highway \$192,000

II. PROJECTS UNDER CONSIDERATION

(a) For Loans

January 1971

Kuala Lumpur - Karak Highway \$12.5 million

(b) For Technical Assistance

Sarawak Development Finance Corporation (Request withdrawn)



MALAYSIA

UNDP Projects in Special Fund Component

As of July 31, 1971

Project	Agency	Approved by Governing Council	Governing Council earmarkings
Faculty of Engineering University of Malaya, Kuala Lumpur	UNESCO	Jan. 1965	\$ 758,800
Food Technology Research and Development Centre	FAO	Jan. 1966	\$1,177,600
Pilot Plantations for Quick-Growing Industrial Tree Species	FAO	Jan. 1967	\$ 823,200
Telecommunications Train- ing Centres (Phase II)	ITU	Jan. 1967	\$ 683,600
Transport Survey	IBRD	June 1967	\$1,315,100
Forest Industries Development	FAO	Jan. 1968	\$1,710,600
Ipoh Polytechnic Institute	UNESCO	June 1968	\$1,549,800
Fishermen's Training Institute	FAO	June 1968	\$1,336,700
Industrial and Trade Instructor Training Programme	ILO	Jan. 1969	\$1,148,700
National Institute for Scientific and Industrial Research	UNIDO	Jan. 1970	\$ 455,300
Department of Statistics	UN	Jan. 1970	\$1,081,700



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COUNTRY PROGRAM PAPER

MALAYSIA

Postscript

70. This paper was reviewed in a meeting with the President on March 30, 1971. Mr. McNamara said that the following considerations should be taken into account in framing the Bank's lending program for Malaysia:

(a) The presently dormant Consultative Group for Malaysia would serve a useful purpose and should be reactivated. The interest of donors and Malaysia would be revived if it were made clear to them that the Bank felt it were playing too large a role in meeting Malaysia's requirements. 

(b) The proposed operations program contained too many loans. Effort should be made, within existing Bank policy guidelines (e.g. on local currency financing), to channel the proposed financial transfer through a smaller number of projects.

(c) The ADB should be encouraged to increase its lending activities in Malaysia. The 3:1 relationship between IBRD:ADB in the proposed lending program was imbalanced and the Bank should explore whether the ADB could finance some of the projects in the proposed operations program.

71. The President said that the operations and lending programs did not need to be changed immediately but the above considerations should be taken into account in the formulation of future lending programs for Malaysia.

East Asia and Pacific Department  
April 22, 1971



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APR 04 2013

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March 10, 1971

COUNTRY PROGRAM PAPER

MALAYSIA

*serious deforestation in  
short to identify +  
purpose budget  
leads to low rate public inv.*

		IBRD Lending Program (US\$ million)		
		FY64-68	FY69-73	FY72-76
1970 Population	: 10.8 million	165.9	221.8	276.0
1970 GNP per capita (current prices)	: US\$366	Operations Program		
Current Population Growth Rate (1966-70)	: 2.7% p.a.	241.8 <sup>a/</sup>		368.0
Current Exchange Rate (Malaysian Dollar)	: US\$1.00=M\$3.06	Annual Average per capita (US\$)		
		3.1	4.1	5.1

A. STATEMENT OF PROBLEMS AND POLICIES

The Political Context

1. Political calm has continued in Malaysia for nearly two years since the communal riots of May 1969. The Prime Minister since independence in 1957, Tunku Abdul Rahman, was able to step down in September 1970 and Tun Razak, his Deputy Prime Minister, took over as Prime Minister. Parliament, which was suspended following the riots, was reconvened in February, political party activity having been allowed to resume last October. Nevertheless, uncertainty still pervades the political atmosphere. A ban continues on public discussion of such sensitive issues as the special privileges of Malays in the Constitution, the position and authority of the Sultans in the States, Malay as the national language and Islam as the national religion. Malay fear of loss of their political supremacy and dissatisfaction with a secondary role in the economy are said to be continuing sources of communal irritation. So are the worries of the non-Malays over possible additional discrimination in favor of the Malays. And all this raises doubts about the permanence of the tacit social compact - political dominance of the Malays and economic dominance of the Chinese - which was thought to provide the basis for Malaysian communal harmony.

*economic growth to  
accommodate  
e.g. high needs, low debt  
service, low  
interest rate  
b-i-h and*

Development Strategy in the Multi-racial Society

2. Against this tangled social and political background, Malaysia is groping for a development strategy which will both promote economic growth and improve racial relations. The extent to which these objectives are mutually compatible or competing has been the subject of considerable

a/ Operations Program approved at last year's Country Program Review was US\$216.3 million.

but not very fruitful official consideration. This and related macro-economic preoccupations of the planners have delayed the completion of a new Malaysian development plan for 1971-75 and distracted attention from difficult sector, project and implementation problems.

3. In so far as there is an official view of the communal relations problem it is seen largely as one of Malay discontent over the limited Malay participation in the more modern and dynamic sectors of the economy - in industry, commerce and finance. The corresponding objective of a relative increase in such Malay participation has been officially articulated in only the most general terms and effective means for pursuing the objective remain unclear. So does the reaction of the non-Malay community which might well be adverse with consequent aggravation of some communal irritations while allaying others. Finally, the real nature and extent of Malay dissatisfactions does not seem well established and it is not at all clear that communal harmony would necessarily ensue from a relatively larger Malay role in the modern economy.

4. Hence, much of the discussion of the relative priorities of upgrading the Malay role in the economy and of economic growth seems rather sterile. Perhaps, Malaysia's favorable current economic situation encourages an under-emphasis of economic growth objectives and a too ready acceptance of the costs in terms of growth of Malay improvement programs of uncertain efficacy. In the absence of a more clearly based and well articulated program for improved communal relations, it seems reasonable to conclude that communal problems can best be managed if economic growth is as rapid as possible. Furthermore, there is no basis for complacency about the future course of the Malaysian economy in view of lagging investment and employment. Hence, it would seem that Malaysian development strategy should be to continue to put economic growth in the forefront of development priorities and to be wary of diversions of development resources and effort to programs of benefit to Malays as a group which seem in any case of uncertain benefit for communal relations.

#### Problems in the Economy

5. The current course of the Malaysian economy is, paradoxically, one of satisfactory economic growth and financial stability in spite of lagging private and public investment and gradually rising unemployment. Despite sluggish investment, the economy is buoyed by rising output from heavy investments of the early 1960's, especially from the planting and replanting of rubber and oil palm which have long gestation periods and development of timber resources. Continuing the trend of the early 60's real GNP increased at about 6 percent a year between 1965 and 1970 as indicated in the table on the next page.

Growth of Income and Production, 1965-70  
(in M\$ million)

	<u>1965</u>	<u>1970</u>	<u>Annual Change</u> (percent per annum)
Gross National Product (current market prices)	8,776	12,083	6.6
(1965 market prices)	(8,776)	(11,808)	(6.1)
Gross Domestic Product (West Malaysia: 1965 factor cost)	6,844	8,976	5.6
Agriculture	1,956	2,888	8.1
Mining	598	624	0.9
Manufacturing	701	1,132	10.1
Construction	315	412	5.6
Public Utilities	131	190	7.7
Others	3,143	3,730	3.5
Gross National Income <u>a/</u> (in 1965 market prices)	8,776	11,270	5.1
Population	9,421	10,800	2.7
Per capita GNI (in US\$)	932 (304)	1,044 (341)	2.3 (2.3)
Employment <u>b/</u>	2,635	2,980	2.5
Labor force	2,811	3,267	3.1
Unemployment Rate	6.3%	8.8%	-

a/ Purchasing power, in 1965 prices, of the current value of GNP, obtained through adjustment of terms-of-trade changes.

b/ Estimated by extrapolation of the 1962-67 trends.

6. The good measure of economic growth was achieved in the face of a continuing deterioration in terms of trade, which cost Malaysia a real income loss of about 5 percent between 1965 and 1970, or roughly one percentage point a year. Considerable advances have been made both in production and productivity, particularly in natural rubber, due to the massive replanting programs of the early 1960's and improved production techniques. Exports have also been diversified into palm oil and forest products. Malaysia is now the single largest exporter of natural rubber, tin, palm oil and tropical hardwood. At the same time, import-substitution in agriculture and manufacturing has reduced imports from 47 percent of GNP in 1965 to 42 percent in 1970. The main impetus of growth has been from the private sector, supported by public infrastructure works and financial stability.

7. Despite these gains, unemployment increased by 26 percent in the period 1962-67 according to surveys in West Malaysia, and current unemployment is estimated at 8-9 percent of the labor force. The highest rate of unemployment is found among new entrants to labor markets (20 percent in the 15-19 years age bracket) while it is less than 2 percent among family heads. The labor force increase, which was 2.6 percent a year in 1962-67, will probably go up to 3.3 percent a year in 1970-75. Unless the pace of employment creation is faster than the recent rate of 2.5 percent a year, which would be difficult to achieve because of increasing labor productivity in export agriculture<sup>1/</sup>, the rate of unemployment could in fact reach as high as 12 percent in 1975<sup>2/</sup>.

8. Sluggish investment is of concern when more rapid economic expansion and employment generation are needed. Public and private investments rose less than GNP in 1965-70, which was in sharp contrast to the more favorable investment trend of the previous five years.

Investment and Savings, 1960-70<sup>a/</sup>

	as % of GNP			Annual Change in %	
	1960	1965	1970	1960-65	1965-70
<u>Investment<sup>b/</sup></u>	14.0	18.9	16.5	12.5	3.5
Private Sector	10.4	12.0	11.2	9.3	5.0
Public Sector	3.7	6.8	5.3	19.8	0.9
<u>Savings<sup>c/</sup></u>	19.6	18.7	21.0	5.4	9.5
Private Sector	n.a.	14.6	16.1	n.a.	8.9
Public Sector	n.a.	4.1	4.9 <sup>d/</sup>	n.a.	11.3

a/ To net out cyclical influences, the three-year moving averages are used for 1960 and 1965. For 1970, the two-year average is used.

b/ Includes stock changes.

c/ GNP less consumption less transfers abroad (mostly family remittances abroad). The savings may be over-estimated because of a large negative errors and omissions item in the balance-of-payments. Part of errors and omissions is regarded as unrecorded imports of goods and services.

d/ Estimate by the Bank economic mission.

1/ Rubber estates have for instance increased production while reducing the number of plantation workers by about 10,000 a year or considerably more than the number of new jobs created in manufacturing.

2/ While the social significance of the present rate of unemployment of 8-9 percent is difficult to judge, particularly because of the prevailing extended family system and the fact that the smallest ethnic group, the Indians, has the highest rate of unemployment, a rate of unemployment of 12 percent would, of course, be a serious social and political problem.

9. The major reason for the slowdown in private investment was the continuous decline of investment in plantings and replantings of rubber by about 50 percent in the past five years. The fall in rubber replantings was mainly due to the virtual completion of the massive post-war programs of replanting with high-yielding trees. Even higher yielding varieties are now available for commercial application but the plantation companies are having difficulty in obtaining new land or are refraining from further investment in rubber for other reasons. Investment in new tin mines was small. In contrast to a large increase in 1960-65, the number of tin mines increased little in recent years, mainly due to the fact that by 1965 the rising prices had already brought most marginal mines into operation.

10. Public investment has been limited by the insufficient capacity of the government to identify, prepare and carry out investment projects. This constraint has become more apparent in the last five or six years with the continuous departure of expatriate staff and the government's efforts to Malayanize the civil service. As a result investment at both the federal and state levels and also by public authorities has stagnated since 1965. Initiation, preparation and coordination of public sector investment programs are primarily the responsibility of the Economic Planning Unit (EPU) (since 1967 assisted by the Harvard Advisory Group), the Treasury and the respective operating ministries. EPU's few competent and experienced planners are over-burdened and have inadequate supporting staff. The operating ministries suffer from a general shortage of staff at the technical and sub-technical levels because of difficulties both in recruitment and retention of staff; over 25 percent of authorized positions, including over 40 percent in top skill categories, in the Public Works Department (PWD) of the Ministry of Works and Communications, which is responsible for carrying out almost half of public sector investment, are vacant.

11. Sluggishness in investment trends may have little impact in the near term because of continuing rising output from past investments. However, it probably will have serious adverse effects on longer-run growth. First, if the present declining trend of rubber plantings and replantings were extrapolated into the future, the current steady growth rate of natural rubber production at over 8 percent a year would gradually slow down to about 2½ percent a year towards the end of this decade. This would slow down considerably the pace of export growth, thus resulting not only in a slower growth of domestic production but also in a less favorable balance-of-payments position. Secondly, the future expansion programs for annual crops are uncertain. During the 1960's, the government prepared and commenced construction of major irrigation projects for double-cropping of rice and large-scale land development schemes for rubber and palm oil production. On the basis of currently available geographical and hydrological knowledge, no new possibilities for major irrigation projects exist. Furthermore, diversification into other crops after rice self-sufficiency is achieved, is handicapped by the inadequacy of adaptive research. Thirdly, the limited management capacity of the public sector hampers the pace of new land development.

Growth Prospects for 1971-75

12. A major factor in Malaysia's future economic expansion will be, as in the past, the trends in exports which are projected to increase on the average by 4½ percent a year in 1971-75 (taking account of probable price declines) implying a considerable slowdown from the 5.3 percent in the previous five-year period. Production of rubber and palm oil is expected to increase steadily, as the plantings and replantings in the 60's mature, and as a chemical stimulant to increase yields of old rubber trees is more widely applied. Prices of both rubber and palm oil in the world markets are likely to decline further, although the strong competitive position of Malaysian producers should enable them to utilize nearly all productive capacity at a profit. The high volume of exports of tin and timber at favorable prices should continue.

Macro-Economic Targets, 1975<sup>a/</sup>

	Unit	1970	1975	Average Annual Changes (% p.a.) 1970-75 <sup>b/</sup>
GNP, 1970 market prices	US\$ million	3949	5113	6.0
Population	million	10.8	12.4 <sup>c/</sup>	2.9
GNP per capita	US\$	366	412	3.1
Gross Investment	% of GNP	17.3	19.0	7.3
Gross Savings	% of GNP	19.6	18.2	3.8
Exports, goods & services	US\$ million	1807	2072	4.5
Imports, goods & services	US\$ million	1665	2058	5.0
Transfer payments, net	US\$ million	53	59	-
Capital Inflows, net				
Private <u>d/</u>	US\$ million	-111	-97	2.7
Public	US\$ million	37	93 <sup>e/</sup>	20.4
Debt Service Ratio	% of exports	2.5%	3.3%	-

a/ The Bank targets based on the projections made by the economic mission. The macro-economic framework of the SMP is under preparation by the government.

b/ Annual average rates calculated from the 1970 trend values, which are obtained by extrapolation of the 1961-69 period. Because the 1970 exports were unusually high, the use of the 1970 actuals as base-year data would distort the picture of the projected change.

c/ UN projections.

d/ Includes short-term capital movements and errors and omissions.

e/ Includes official grants.

13. Given this outlook for exports, it should still be possible to maintain a GNP growth rate of 6-6½ percent a year, provided Malaysia can raise the level of investment and diversify production. The process of import substitution is expected to continue both in agriculture and manufacturing industries, but its pace will depend on the nature and magnitude of assistance and incentives (and removal of existent disincentives) provided by the government to the private sector in the coming years. These problems are discussed below.

Strategy for the Second Malaysia Plan 1971-75 (SMP)

14. It is clear that a major objective of the SMP should be to raise substantially the level of investment, not only in order to accelerate the growth of income and employment in the immediate future but more importantly to lay the basis for more rapid economic expansion in the longer-run. In the private sector, this would mean increasing the amount and scope of investments. Potential opportunities no doubt exist; Malaysia possesses considerable land and possibly mineral resources yet to be developed. Further manufacturing development should be possible for both the domestic market, as suggested by manufactured goods imports of US\$690 million or 16 percent of GNP, and for export. Finance does not seem to be a serious problem, nor is lack of entrepreneurial and managerial capability a serious bottleneck in the private sector. Rather, the problem appears to lie in the existing system of incentives and disincentives which induces only moderate investment. In agriculture, the States are unwilling to make land available to foreign investors and they are also reluctant in the present political atmosphere to do so for private Chinese development. Furthermore, European plantations have little interest in new long-term projects, partly because of international uncertainties about the future of rubber and palm oil and partly because of more attractive investment opportunities in other producing areas. The Malay business community is not expected to contribute to large-scale land development. Furthermore, lack of adequate infrastructure makes the opening-up of new land difficult without participation by the government.

15. Although expanding at a pace 80 percent faster than GDP, manufacturing in Malaysia remains undeveloped. This is due primarily to Malaysia's successful specialization in export crops in the past, which discouraged both the government and the private sector from taking a more positive view of industrial opportunities in Malaysia. The government's efforts to promote industrialization are relatively recent. The Chinese business community is predominantly mercantile and has entered into manufacturing only recently. The openness and modest size of the economy, coupled with better investment opportunities in Singapore, Hong Kong, Korea and Taiwan, are reasons for the relatively small foreign investments in Malaysia.

16. A strategy to bolster private investment would seem to require the following policies. Firstly, a device must be found to utilize the existing expertise in land development and management of the private estate sector on a large scale in order to supplement the limited capacity

of the public sector. The unwillingness of private estates to increase their financial commitment to Malaysia may not change, and political obstacles to new private European and Chinese estates may continue. For these reasons, the main thrust of new land development has to come from the public sector. This should be possible not only by means of public land development schemes but also with the participation of private estate concerns in public land schemes either in joint ventures with the States or as managing agents. The joint venture was a fairly common form of participation of Chinese capital and management in public land development before the communal troubles in 1969 and in the improving political climate it should be possible to revive it. In addition, the building-up of sufficient infrastructure in currently inaccessible but suitable land areas would make possible more effective private smallholder development.

17. Secondly, Malaysia's industrialization efforts should be strengthened in order to sustain and accelerate the past growth of investment and production. Up to now, Malaysia's industrial policy combined public development of industrial infrastructure and official financing with moderate fiscal incentives and tariff protection. However, application of these incentives and protective measures involved cumbersome and extended firm-by-firm examinations and decisions by the government, which taxed its already scarce manpower resources and resulted in bureaucratic inefficiency and limited scope for competitive private initiative. Fiscal incentives appear to have been also of limited effectiveness. Moreover, the policy of "Malay participation", for instance in the form of employment quotas, if pursued more forcefully in the future, would tend to have some disincentive effects. Greater emphasis on industrialization within the existing policy framework would not only put further pressure on the government's manpower resources but more importantly would lead to over-protection of non-competitive industries as well as under-protection of worthwhile industrial projects. Because of the limited domestic market, Malaysia will have to look to exports for an important part of the demand for industrial production, an aspect of industrial policy which is not sufficiently emphasized at present. These shortcomings of the present policy point to the need to dispense as much as possible with ad hoc case-by-case promotion, protection and control of specific firms by the government and to provide instead additional general incentives applicable to the manufacturing sector as a whole but with special emphasis on the export sector. One such method would be to establish uniform blanket import tariffs for broad categories of manufactured goods. The adverse effects of such a tariff policy on manufactured exports might at the same time be neutralized by a system of export subsidies during the course of developing an expanded and capable industrial sector.

18. Thirdly, construction should be encouraged. It grew slowly in recent years, partly because of stagnating investment. Faster increases in both private and public investment would stimulate non-building construction. However, the encouragement of residential and commercial building, which account for a large part of private investment, would require more aggressive government policies, including arrangements for longer term financing and the establishment of a Public Housing Authority



now under consideration by the government. Increased construction activities, labor-intensive by nature, would also have a favorable effect on employment.

19. A preliminary target of US\$2,000 million of public sector development expenditures has been set for the next five years, a 47 percent increase over estimated actual expenditures during the last five. This appears to be a reasonable target figure, which would allow for the completion of on-going programs and projects as well as for new investments. Nevertheless it will be difficult to achieve, unless implementation capacity can be quickly and substantially improved.

20. There are however indications that the situation is worsening rather than improving because of the government's preoccupation with upgrading the role of the Malays. While this is a legitimate objective, it can only be achieved over a number of years as far as the key government departments and agencies are concerned. Quotas which ensure preponderance of Malays in government service are of long standing. In addition, a number of other measures have been taken fairly recently, of which the requirement for proficiency in the Malay language is one, which tend to favor Malays for recruitment and advancement in government service, even though the specialized skills which are particularly needed have traditionally attracted and are still attracting mostly non-Malays. Non-Malay graduates therefore hesitate to seek government employment if other openings are available and non-Malay government officials, who might prefer to continue government service given more promising career possibilities, often see no alternative but to seek employment in the private sector and, in the case of the most highly qualified, abroad. No doubt better management and operational techniques would allow for a more efficient use of available manpower and equipment, but they are difficult to implement in a situation where the basic problems of personnel shortage and loss of competent and experienced people have not been solved.

21. So far the government has not faced up to the lack of implementation capacity in the public sector and no satisfactory analysis has been made by Malaysian planners of the manpower needed to achieve the public investment target. The limited planning capacity available in the government has been used excessively on the establishment of the social objectives and macro-economic framework of SMP and too little on the evaluation of manpower requirements and availabilities, the development of sector strategies, the formulation of sector programs and the preparation of investment projects. As a result, neither a clear strategy nor specific policy measures for improvement of the government implementation capacity have yet been formulated.

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22. Since the reasons for the lack of implementation capacity are fundamentally political there is relatively little scope for outside assistance in removing them. Nevertheless the Bank has played, and will continue to play a useful role both as advisor to the Government and, more directly, by providing assistance within the framework of its lending program in solving these problems on a project by project basis as discussed in Section D. In the first capacity we sent an economic mission, including several sector specialists, an agriculture sector review mission and an UNESCO education ~~review~~ ~~sector~~ mission to Malaysia during the final stages of preparation of the Second Malaysia Plan. The conclusions of these missions have been, or will be conveyed to and discussed with the Malaysian Government before the plan is submitted to the Malaysian Parliament. A further analysis of the final plan document will be made by an economic mission currently scheduled for September 1971.

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B. ECONOMIC SECTORS

23. The commodity targets of the government and the recent economic mission are presented in the table below. They both assume that agricultural production will follow past trends as a result of the large investments in the 1960's and that the timber boom of the 1960's will slow down, although domestic processing of timber will increase. Manufacturing targets are modest in both estimates but they could probably be exceeded with effective government support. There is a divergence of outlook on mining with the government forecast of a decline and the mission's projection for an increase.

Production Targets 1975

	Unit	1970 <sup>a/</sup>	1975 Targets		Annual % Change 1970-75	
			Govt.	Bank	Govt.	Bank
<b>Agriculture</b>						
Rubber	'000 l.tons	1,340	1,767	1,800	5.7	6.1
Palm Oil	'000 l.tons	436	1,320	1,270	24.9	23.8
Rice	'000 l.tons	937	n.a.	1,270	n.a.	6.3
<b>Forestry</b>						
Round Timber	'000 l.tons	11,970	16,620	14,090	6.8	3.3
Sawn Timber	'000 l.tons	1,983	2,780	2,510	7.0	4.8
Plywood	mil.cu.ft.	302	833	760	22.5	20.5
<b>Mining</b>						
Tin	'000 l.tons	73	69	78	- 1.1	1.3
Iron Ore	'000 l.tons	4,200	4,000 <sup>b/</sup>	2,000	- 1.0	-13.8
<b>Manufacturing<sup>c/</sup></b>						
(Gross Value Added)	US\$ million	370	578	578	9.3	9.3
Electricity	Million Kwh	3,111	4,560	4,560	8.0	8.0
Water Supply	'000	4,475	n.a.	6,250	n.a.	5.9
(Population served)	% total population	44.2	n.a.	51.2	-	-

a/ Bank mission estimates.

b/ Government projections did not take into account the recent closure of two iron ore mines.

c/ At current factor cost: West Malaysia only.

Agriculture

24. Malaysian agricultural policy should give priority to:  
(a) expanding exports by increasing the rate of land development and by replanting remaining low-yielding smallholder rubber, and (b) import substitution of which the obvious feasible possibility, after Malaysian rice self-sufficiency, is expanded production of feed grains.
25. In accelerating land development, the government faces two major problems. Firstly, a difficult crop choice has to be made. In view of the likely further declines of rubber and palm oil prices, the government is aware of the danger of continuing with planting of these two crops. Yet lack of applied research other than on rubber and oil palm makes large-scale development of other crops an unrealistic objective for the time being. The recent Bank agricultural sector mission concluded after examination of diversification possibilities that a larger proportion of new land should be planted with rubber than in the past. Rubber seems likely to have a steadily growing market at 6-7 percent a year, compared with fats and oils for which demand is estimated to grow at 2.5 percent a year and for which supply surpluses are at times expected. With new techniques and planting material, rubber can be grown profitably at projected world prices. Secondly, with the decline in investment by private estates, the responsibility for land development lies very largely with the public sector. However, the development capacity of the public sector is severely limited by lack of managerial and technical manpower. While the organization and management of the Federal Land Development Authority (FLDA) can and should be further improved it can not be expected to carry the whole burden of public land development, and a device must therefore be found to draw on the existing expertise in private estates (see para.16).
26. In view of the importance of smallholder replanting, and the difficulties of self-financing by smallholders it would seem advisable for the government to subsidize the full cost of smallholder replanting. It should also place emphasis on complementary activities such as inter-cropping of young rubber and the use of new yield stimulants on old rubber trees.
27. Export prospects for annual crops are poor, and increased production will have to be primarily for the domestic market. With the expansion of double-cropping and the introduction of high-yielding rice varieties, Malaysia is expected to reach self-sufficiency in this crop within the next few years. Steps should be taken to find alternative production opportunities for rice farmers with marginal single-cropped land, so as to enable the government to lower the support price of rice (which is currently about 30 percent higher than the world market price) eventually towards the world market level. For double-cropping farmers, a lower producers' price would be more than offset by an increase in income from a second crop.

28. As a result of an expected rapid expansion of livestock production, particularly pigs and poultry, demand for feed grains is likely to grow very rapidly over the next decade. Domestic production of maize and sorghum should be encouraged to prevent the already high level of imports from increasing.

29. An expansion of feed grain production is contingent upon applied research to develop better yielding varieties and improved husbandry techniques and upon establishing production systems for exploiting peat soils. To this end it is essential that the Malaysian Agricultural Research and Development Institute (MARDI) be better staffed and geared in a systematic way to providing the technical guidance which Malaysia needs for agricultural diversification. Personnel constraints also apply to the development of the Bank Pertanian (Agricultural Bank) as a major institutional source of credit and the expansion of its activities beyond its present pilot credit schemes in rice. The need exists for the Bank Pertanian to diversify into longer term credit activities and into crops other than rice. For this to be feasible, however, the Bank must strengthen its organization and improve and broaden its recruiting policy sufficiently to build up an effective operational staff.

#### Forestry

30. In recent years Malaysia has become one of the world's major timber exporters, and forest products now comprise more than 15 percent of export earnings. However, present methods of exploitation are resulting in inefficient use and unnecessarily rapid depletion. Action is necessary to correct several major deficiencies. Firstly, Malaysia's exports are mostly logs, while sawn exports account for only 10 percent of volume and about 28 percent of value. Malaysia thus loses potential value added. Secondly, many potentially commercial species are not utilized under present systems of forest exploitation. Thirdly, cutting in West Malaysia is faster than can be sustained on a continuing basis and more land is cleared than needed for agriculture. Programs are needed to determine the marketability of different forest species, to establish overseas markets for Malaysian sawn timber, to set up a joint forest program for all the states of West Malaysia taking account of resource maintenance and alternative land use, and to rationalize the marketing system so as to provide financial incentives for the production and export of sawn timber. In Sabah, export outlets should be diversified so that more species can be marketed, while in Sarawak infrastructure is needed to start exploiting the inland forests.

#### Manufacturing

31. Faced with the need to accelerate employment and with a political climate which demands more extensive participation by Malays in the modern sector, the government now displays a more positive attitude to industrialization. Its current thinking is that the administrative involvement in the promotion of specific industries should be maintained, if not strengthened. However, it is unrealistic to expect the government to

determine which proposals are likely to be the successes and the failures in the industrialization process or those which have the most promise as exporters. A better approach would seem to be towards a uniform framework of industrial incentives giving broad inducements to offset some of Malaysia's handicaps for more rapid industrialization. Thus Malaysia's industrial strategy should aim at:

- removal as much as possible of administrative control over entry into industry; ✓
- replacement of the ad hoc tariffs, quantitative import controls, and import duty exemptions by multi-level "band tariffs" with maximum nominal levels of, say, 40 percent; and ✓
- encouragement of industrial exports through more effective export incentives. ✓

32. Effective export incentives are important, not only to offset the discriminatory impact of import tariffs on manufactured exports but also to widen the horizons of Malaysian industry by increasing the practical export capability of Malaysian manufacturers.

#### Mining

33. There is at present little prospect for a substantial increase in the number of new tin mines and an annual tin output of 75,000 tons could be maintained only if world market prices remain at the present high level. Mining prospects beyond 1975 may change, however, if new tin ore deposits are discovered in off-shore and "Malay reservation" areas. Negotiations are underway for off-shore exploration and development rights between the government and international mining companies, but are proceeding slowly. Copper ores are expected to be mined in Sabah but exports will start only in the middle of the 1970's. Off-shore oil exploration along the shore lines of East and West Malaysia are proceeding but significant results have not yet been reported. Iron ore deposits are depleting rapidly, and two large iron ore mines, accounting for one-half of Malaysia's production have already closed down.

#### Transportation

34. Due to substantial investments in the transport sector in the late 1950's and the early 1960's, the basic transport system in West Malaysia is fairly well developed. In East Malaysia, on the other hand, an internal transport system hardly exists: such facilities as exist are confined to the immediate hinterlands of the ports, with coastal shipping catering to the limited goods traffic and civil aviation to passenger traffic.

35. An overall transport survey to establish a proper framework for future development of the transport sector was completed in 1969. The study was financed by the UNDP, with the Bank acting as executing agency.

The main conclusions of the study were that in West Malaysia for the foreseeable future the emphasis should be on improving and expanding existing facilities in all modes to meet growing demands; in East Malaysia, priority should be given to the improvement of port facilities and, in view of the difficult terrain and sparse population, to the provision of air services to remote, inaccessible areas.

36. The government's capacity to plan and carry out a major transport investment program and to operate and maintain the facilities and services needs to be strengthened. This deficiency was emphasized in the Transport Survey and the government has since set up a Transport Planning Unit in the Ministry of Transport and a Highway Planning Unit in the PWD. UNDP is financing the services of expatriate advisors for these units and the foreign training for Malaysian officials. These efforts should improve coordination and planning. However, the shortage of implementation capacity in the Public Works Department which can only partly be remedied by employing private foreign and domestic contractors, could become a serious constraint on the execution of the investment program in transport, particularly in highways.

#### Public Utilities

37. In the past decade, considerable progress has been made in establishing extensive and efficient electricity, water supply and telecommunications systems in West Malaysia.

38. The National Electricity Board, responsible for most electricity in West Malaysia, is well operated and organized and its expansion program is well and efficiently carried out. A subsidized rural electrification program is continuing at a satisfactory pace. By contrast, systems and capabilities in East Malaysia are much less developed. Improvements are being sought through staff training programs run by the National Electricity Board and by external technical assistance for system planning.

39. Water supply services, the responsibility of state governments, have been steadily extended and the financing and pricing policies pursued have been generally sound. While substantial improvements have been made in organization and management in the State of Selangor (Kuala Lumpur), similar improvements are yet to be made in the other states. Sewerage projects deserve greater priority and support.

40. Telecommunications are well run and efficiently organized from the standpoint of engineering and operations. There are, however, deficiencies of financial management which are expected to be corrected as a result of the introduction of commercial accounting arrangements during 1971.

#### Education

41. Primary and general secondary education in Malaysia is relatively well developed. School enrollment ratios - 92 percent in primary and 30

percent in secondary of school-age population - are among the highest in Asia. The development of technical and vocational education on the secondary level, however, has been unsatisfactory, partly because of the shortage of trained teachers and partly because of concentration on expanding general secondary education in rural areas to provide the rural Malays with opportunities for higher education. Thus, Malaysia's educational system has not been geared to the manpower requirements of the economy.

42. After a recent review of the education system, as required by the Bank in connection with its loan for the first education project, the government is now devising a new education plan which is expected to conform more closely to the educational needs of the country by reducing imbalances between general and technical education, improving the distribution of educational opportunities as between regions, responding better to manpower requirements and, equally important, aiming at qualitative improvements. An UNESCO mission to Malaysia in September/November 1970, reviewed these proposals and also assisted the government in identifying overall needs in the education sector.

#### Family Planning

43. A national family planning policy was adopted in the mid-1960's, aiming at a successive reduction of the rate of population growth from 2.8 percent in 1970 to 2.0 percent in 1985. In order to attain this target, the government established the National Family Planning Board (NFPB) in 1966. In the 1967-70 period, the NFPB's program, largely an oral pill program, was first implemented in large cities and towns, where it found ready acceptors. In the first two years, targets were exceeded. The present cumulative number of acceptors adjusted for a 60 percent retention ratio is about 10 percent of West Malaysia's female population in child-bearing age.

44. However, as the program is expanded into rural areas, achievements are lagging considerably behind targets. Family planning practices are less accepted and communal suspicions and objections are strong in these areas and the NFPB, therefore, intends to integrate its rural campaign with rural health service and carry out action studies and service demonstration programs. However, the problem does not appear so complex that the proposed studies are necessary. Instead they might further delay the effective implementation of the program in rural areas. Malaysia has already a good health system including rural health facilities that could effectively deliver contraceptive devices. So far NFPB has been assisted by the Swedish International Development Authority for the supply of contraceptive devices, vehicles and audio-visual equipment, by the Ford Foundation for research and fellowships and by UNICEF for the training of mid-wives.



C. EXTERNAL FINANCE

45. Malaysia's need for public capital inflow in 1971-75 will be larger than the actual inflow in recent years. In 1966-70, the total gross inflow amounted to US\$365 million or about 19 percent of Malaysia's development expenditure. Although the actual inflow was smaller than planned, requirements also proved to be less than expected, primarily because high export prices and slow growth in the demand for capital goods imports led to sizeable current surpluses in 1969 and 1970.

Balance-of-Payments Projections, 1971-75  
(In US\$ millions)

	<u>1966-70</u> (actual)	<u>1971-75</u> (projected)	<u>Change</u> <u>1971-75/1966-70</u> (% p.a.)
Exports of Goods	7,042	8,970	5.0
less: Imports of Goods	5,666	7,340	5.3
less: Service Payments, net	781	1,450	13.2
less: Transfer Payments, net <sup>a/</sup>	320	300	-3.3
equal: Current Balance	<u>275</u>	<u>-120</u>	-
plus: Private Long-term Capital	257	380	8.1
less: Other Outflows <sup>b/</sup>	688	680	-0.2
equal: Balance of Payments Gap	<u>-156</u>	<u>-420</u>	-
<u>Finance of Gap</u>			
Official Capital, net	184	345	13.4
Official Grants	83	75	-2.0
Reserve Use (-: increase)	-111	0	-

a/ Excludes official grants, which are treated as compensatory inflows.

b/ Mainly net errors and omissions.

Because of the openness of Malaysia's economy the nature of errors and omissions is unknown. Combinations of understated and/or unrecorded imports, export proceeds retained overseas and other private capital outflows are possible explanations.

46. The balance-of-payments projections for 1971-75, summarized in the table above, indicates that a moderate current deficit is likely to appear if investment expansion and the accompanying import growth are to be sustained in the future. Merchandise exports are likely to slow down, and net service payments are projected to increase because of the British military withdrawal. After taking into account the likely increase in private long-term capital inflows and the net errors and omissions, an aggregate balance-of-payments gap of US\$420 million is projected for the period 1971-75, or about 50 percent more than the actual inflows in 1966-70.

47. In order to finance this gap by official capital inflows, gross inflows of US\$557 million (or US\$420 million, net) are required. In view of past experience, inflows of this magnitude, equivalent to 21 percent of the total development expenditure, are undoubtedly ambitious, but not unattainable. The table below compares inflows of official capital during the First Malaysia Plan with the projected requirements during the Second Malaysia Plan.

Public Capital Inflows and Projected Requirements  
(In US\$ million)

	<u>1966-70</u> (actual)	<u>1971-75</u> (projected)
Project Loans, gross	220	382
Bilateral	91	130
Multilateral (IBRD)	129 (129)	252 (221)
Repayments	61	86
Net Disbursements	159	296
Market Loans, gross	62	100
Repayments	37	51
Net Disbursements	25	49
Grants	83	75
Total External Finance, gross	365	557
Total Repayments	98	137
Total Net Disbursements	267	420
Public Development Expenditure	1,380	2,000
External Finance as % of Dev. Exp.	19.3%	21.0%
Gross Project Loan as % of Dev. Exp.	15.9%	19.1%

48. The prospects for grant aid are not bright at this moment. The grants Malaysia received in the past consisted mostly of military aid and budgetary support, both of which are likely to be marginal in future. Since an increasing portion of grants is tied to pre-investment studies for development programs, disbursements will be slow and unlikely to exceed US\$75 million for the five-year period.

49. While it is difficult to assess with any accuracy the prospects for borrowing on the world capital markets for a given country over a five-year period, US\$100 million can be accepted as reasonable in the light of present circumstances. Since 1967, Malaysia has raised on the average US\$20 million a year through one public bond issue in London, two issues in Germany, and one private placement with New York banks.<sup>1/</sup>

<sup>1/</sup> In March 1971, Malaysia raised US\$50 million through a private placement with a syndicate of New York banks. It was a five-year loan (including a two-year grace period) at a variable interest rate equivalent to the prime rate plus ½ percent a year with a condition that 15% of the loan proceeds should be deposited with New York banks in interest-free time deposits. This arrangement gives the banks, in effect, 1½% over prime while allowing Malaysia to claim that it is able to borrow at a very favorable rate.

50. The disbursements from project loans required to reach the external finance target of US\$420 million - after deducting grants and market borrowings - amount to US\$382 million for 1971-75. Disbursements from loans already committed - including IERD loans - would provide about US\$160 million. Thus, the remainder amounting to US\$220 million would have to be financed by disbursements from new project loans. Judging from past experience, the amount implies that Malaysia will have to obtain project loan commitments amounting to US\$440 million within the plan period. This target is ambitious, not in terms of availability of credits, but in terms of the government's capacity to prepare projects for external financing and to implement them within the Plan period. Moreover, public investment programs consist generally of small-sized projects and of projects with small direct import contents, which often make them unattractive for financing by some external aid sources. Also the government's insistence on international competitive bidding for all foreign procurement has been restricting the use of bilateral aid offers. The targets could be achieved only if the preparation and implementation capacity of the government were improved (See para.20) and if part of project loans could be used for financing of local expenditure.

51. With the exception of part of the U.K. Special Aid, all bilateral aid offers have been tied to direct imports; so far ADB has also confined its financing to the foreign exchange component of projects. Hence the Bank has been the major external source of local cost financing, and further needs for such financing would probably have to be provided under the Bank loans for transport, agriculture, and education projects which have high priority but small direct import contents.

52. Malaysia's external reserves of US\$860 million at the end of 1970 are equivalent to over six months' imports and are about US\$100 million higher than the US\$750 million average of the past five years. At this level, reserves might be used to cover possible shortfalls in capital inflow in an amount of about US\$100 million and still leave Malaysia with a reserve at about the 4-4½ months of the annual import level in 1975.

53. Malaysia's outstanding external debt is small, US\$380 million at the end of 1970. The Bank has been the single largest lender since 1964 and the outstanding Bank loans account for 40 percent of the total debt. The debt service ratio is only 3 percent. It is likely to remain between 3 and 5 percent throughout the 1970's. Malaysia is creditworthy for substantially more external borrowings than it will be able to absorb. ←

D. BANK PLAN

54. The Bank should aim at a lending program for FY 1972-1976, which will effectively support Malaysia's development requirements and contribute to her foreign exchange needs, and at an operations program which will be adequate to support such a lending program, taking into account expected slippage particularly as a result of the limited capacity of the public sector to carry out projects. It would mean that the Bank would maintain its role as the largest single lender - 41 percent of total foreign aid commitments for the First Malaysia Plan (1966-1970). The proposed lending program is equal to about the same proportion of a larger total foreign aid. It would also mean that the Bank should be prepared in appropriate cases to finance some local currency expenditure, for which there is, as indicated earlier in this paper, a case on country grounds. Thus, in the case of land settlement, highway and education projects, all of which have relatively small foreign exchange component, the program envisages Bank financing of 50 percent of the total cost. The amount of local expenditures financed by loans in the lending program is estimated at US\$45 million or 16 percent.

55. As in the past, the Bank would continue to urge the government to use bilateral sources of finance available on reasonable terms. Consequently, the loans for telecommunications to be made this fiscal year and being proposed for FY 1976 and those for power listed in the program for FY 1973 (distribution and sub-station equipment for the Temengor hydro-electric project, for which Canada has offered a Can\$50 million loan) and FY 1976 (a new thermal plant) would finance only the residual foreign exchange cost. Substantial offers of bilateral financing on reasonable financial terms, not yet committed to specific projects, are still available. But they are mainly export credits and they are all tied, except for a portion of the U.K. Special Aid. The use of these offers has therefore been limited by the scarcity of suitable projects, and also by the government's rather rigid policy requiring international competitive bidding for all its external procurement. Parallel financing by the Bank and bilateral sources after international bidding should therefore be arranged in suitable cases.

56. The limited capacity of the public sector to carry out projects reflects, as pointed out earlier, a difficult political problem with which the government will have to come to grips. In these circumstances the Bank cannot be of direct assistance in solving the problem, but it should continue to initiate and assist in the preparation, and in certain cases in the financing of pre-investment studies, of which a tentative list is attached as Annex 2, and to finance consultants to improve the management of project executing agencies, training abroad of staff from these agencies, and, in suitable cases, expatriates to advise or manage them.

57. All highway loans listed in the program include the financing of pre-investment studies for subsequent highway projects to be financed by the Bank, the ADB and others. The Bank will continue to coordinate closely in the field of pre-investment studies with other donors, in

particular the UNDP which has allocated US\$15 million for its assistance to Malaysia in 1972-76 and with the government which has allocated US\$11.5 million for this purpose in the Second Malaysia Plan. The Bank expects to act as executing agency for the proposed UNDP Klang Valley Regional Development Study (Kuala Lumpur - Port Swettenham corridor). The Bank and UNDP are cooperating in strengthening the organization and management of FLDA. The pre-investment studies required for the projects to be financed under the proposed Bank loans Highways I and II in FY's 1972 and 1973 are being financed by U.K. Special Aid and UNDP respectively. Feasibility studies and pilot operations in preparation for the proposed Bank loan for livestock in FY 1974 are being carried out by New Zealand. Preparation of land settlement projects to be financed under Bank loans listed in FY's 1974, 1975, and 1976 will take into account the findings of the master plan studies for the Pahang-Tenggarra and the Southern and Central Johore regions now being carried out by Canada and the U.K. respectively.

58. In short, the Bank as the largest single lender active in all major sectors, expects to continue as in the past, to cooperate closely with the government and interested foreign donors in the coordination of pre-investment and lending activities, in working out joint financing arrangements for individual projects and in other activities. As discussed above, lack of implementation capacity is the main obstacle to a larger flow of foreign aid. The causes of this problem are, however, largely political and it can therefore hardly be solved within the framework of the Consultative Group. To reactivate the Group would not, in this situation, serve a useful purpose. The government also feels that there is no need for coordination arrangements beyond the informal contacts and discussions which now take place with the Bank, the Asian Development Bank and other interested donors. Local missions of major donors concur. We shall, of course, take every opportunity to increase and to strengthen these informal contacts.

59. Preparation of the Second Malaysia Plan has been delayed and the draft plan documents are now expected to be completed in early March for submission to Parliament in April. However, it is unlikely that the final version of the Plan will add much to the considerable information we have already obtained and discussed on Malaysia's macro-economic framework, the sector programs, coordination among them, and their project content. Bank views on the economy and the proposed Bank lending and operations programs are based on the findings of our recent economic mission, our agricultural sector review mission, the UNESCO sector review and project identification mission, the UNDP Transport Survey and our more recent transport follow-up mission. In addition, the Bank has reviewed development in manufacturing and mining as well as the draft sector programs of the Second Malaysia Plan for power, telecommunications, water supply and sewerage.

60. The proposed lending program is designed to assist Malaysia in covering part of its justified borrowing requirements, and in solving some of the sectoral problems discussed in Part B of this paper, including

advisory services and assistance in institution building. As far as public utilities are concerned, continued lending to the National Electricity Board (NEB) for electric power is designed mainly to maintain our advisory role with NEB, particularly on system and project planning. NEB has been strengthened as an organization and is obtaining external financing from non-Bank sources. Similarly we are advising the Sabah Electricity Board (SEB) on system planning and we are prepared to assist in project financing when the need arises. The Sarawak Electricity Supply Corporation is being assisted by the ADB. The Bank program includes a third loan for telecommunications in FY 1976, since we believe our continued involvement will be necessary to introduce all the steps required for improving TDM's<sup>1/</sup> financial management. We will continue lending to the Water Supply and Sewerage Branch of the State of Selangor PWD, assist in strengthening further its organizational set up, which the government wants to adopt for other States and assist in the preparation of the first comprehensive sewerage project for the greater Kuala Lumpur area, which could serve as a model for other towns. Preparation of this project will be coordinated with the proposed UNDP-financed Klang Valley Regional Development Study.

61. In transport, the investment needs are ~~substantial~~ and the priorities are relatively well identified. We expect our involvement to ensure greater coordination among the various modes of transport and the proper planning of projects, including those involving urban transportation and to strengthen the organization of the Malayan Railways. The limited implementation capacity of the PWD will be a problem primarily affecting the highway program.

62. In education our lending will support an educational development program which we hope will correct the imbalances between general and technical education and thus alleviate the existing shortages of specialized skills and which will aim at qualitative improvements of education.

63. In family planning our lending program (loan proposed for FY 1973) is expected to support the efforts of the National Family Planning Board to strengthen its campaign in rural areas where so far achievements have lagged considerably behind targets.

64. In agriculture the Bank will continue to assist in expanding land settlement (loans proposed for FY's 1972, 74, 75 and 76), in improving drainage, and in building up Bank Pertanian as an institutional source of credit for agriculture and, as indicated earlier, in strengthening FLDA. A first loan to Bank Pertanian is listed in the program for FY 1972, but timing will depend on program of Bank Pertanian in the recruitment of competent personnel. Two other agriculture sector loans are listed for FY 1972, Jengka III, which could be delayed because of the need to rephrase the clearing and planting programs for the Triangle in view of apparent changes in rainfall following land clearing, and a loan for replanting of smallholder rubber. This is a new project

<sup>1/</sup> Telecommunications Department of Malaysia.

proposal, recommended by the agriculture sector review mission. Detailed arrangements have still to be worked out and to be discussed with the government. The livestock loan already in the Bank program for FY 1973 will have to be postponed to FY 1974, awaiting the results of a feasibility study and pilot operations. Two forestry loans are being proposed, in FY 1974 for a project in West Malaysia, in FY 1976 for a project in Sarawak. The Sarawak project will consist of the development of inland forestry resources, and will require substantial transport investment; feasibility has not yet been established.

65. The program lists two loans to MIDF, in FY 1973 and 1975. MIDF is currently reviewing its lending forecasts and will require foreign financing beyond the amounts it can borrow locally. MIDF intends to seek loans from the Bank, but we are still separated on the question of commitment charges. Our future lending to MIDF is being discussed by a mission currently in the field.

66. IFC has been active in Malaysia since 1963,<sup>1/</sup> but the scope for IFC-type financial assistance has been limited because availability of foreign exchange has not been a constraint on private investment. An IFC mission to identify new investment opportunities and to explore how IFC's role could be broadened has just returned from Malaysia. IFC may participate in the financing of a tin-plate mill to be established by Malayawata and of a pulp and paper mill provided the feasibility of these projects can be established.

67. The total amount of Bank loans included in the proposed operations and lending programs for the next five years, FY 1972-76, is estimated at US\$368 million and US\$276 million respectively. Disbursements during the period from the loans in the lending program would average US\$35 million a year leaving an undisbursed balance of some US\$83 million at the end of FY 1976. Outstanding debt (excluding undisbursed) to the Bank in FY 1976 will be about 47 percent of Malaysia's total estimated debt of US\$760 million (excluding undisbursed).

68. The proposed lending program takes into account the limited implementation capacity of the public sector, particularly in the PWD, which could affect Malaysia's highway construction and school building programs. The operations program is designed to support this lending program. The indicated slippage is 25 percent, which is large but

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<sup>1/</sup> IFC invested US\$818,000 in MIDF in conjunction with Loan 348-MA. Subsequently, it took part in two financing operations with MIDF, Tasek Cement Ltd. in 1966 (US\$1,559,000) and Malayawata-Steel Ltd. in 1967 (US\$3,693,000). In 1969 it invested US\$1,500,000 in India-Malaysia Textiles, Berhad.

justified since it provides an incentive for the Malaysian Government to come to grips with its implementation capacity problem. The lending program could, in other words, exceed present expectations if these problems are solved and a larger number of projects prepared.

69. The lending program, together with disbursements from Bank loans already made, would provide about 40 percent of the annual flow of funds needed to fulfill the target discussed in para. 47 above. It will also effectively support Malaysia's development requirements particularly in such key sectors as agriculture, education and transport and continue "institution building."

Attachments:

1. Malaysia - Actual and Proposed Lending Through FY 1976
2. Pre-Investment Studies and Related Technical Assistance
3. Malaysia - Indicators of Development
4. Malaysia - Long-Term Public Debt Projection
5. Map of Malaysia

East Asia and Pacific Department  
March 10, 1971



Population: 10.8 million  
Per Cap Inc: \$366

Annex 1

MALAYSIA - OPERATIONS AND LENDING PROGRAMS THROUGH FY 1976  
(\$ millions)

		1972	1973	1974	1975	1976	Total 1964-68	Total 1969-73	1972-76
Agricultural Credit I	IBRD	10.0							
Agricultural Credit II	IBRD				10.0				
Land Settlement - Jenyka III	IBRD		15.0						
Land Settlement - Johore	IBRD			20.0					
Land Settlement - Pahang-Tenggarra	IBRD				20.0				
Land Settlement - Other	IBRD					20.0			
Agriculture - Johore (unidentified)	IBRD		20.0						
Livestock - Sabah	IBRD			4.0					
Forestry II - West Malaysia	IBRD			10.0					
Forestry III - Sarawak	IBRD					15.0			
Communications III	IBRD				20.0				
Education II	IBRD	10.0							
Education III	IBRD			10.0					
Education IV	IBRD					10.0			
Population	IBRD		4.0						
Power - NEB VI - Temengor-substation and distribution	IBRD		10.0						
Power - NEB VII - New Thermal Station	IBRD					20.0			
Highways I - Federal Highway	IBRD	10.0							
Highways II - Route I	IBRD		25.0						
Highways III - Other	IBRD				18.0				
Sabah Highways	IBRD			7.0					
Railways I	IBRD	16.0							
Railways II	IBRD			10.0					
Water Supply - Kuala Lumpur II	IBRD		10.0						
Sewerage - Kuala Lumpur	IBRD			8.0					
Sewerage - East Malaysia	IBRD				5.0				
Unallocated	IBRD					15.0			
Operations Program	Total	46.0	84.0	69.0	73.0	80.0		234.3	352.0
	No.	4	6	7	5	5		19	27
Lending Program	Total	46.0	64.0	52.0	53.0	55.0	165.9	214.3	270.0
	No.	4	5	5	4	3	6	18	21

East Asia and Pacific Department  
October 13, 1971

Population: 10.8 million  
Per Cap Inc: \$366

MALAYSIA - ACTUAL AND PROPOSED LENDING THROUGH FY 1976  
(\$ millions)

Attachment 1

		Through 1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	Total 1964-68	Total 1969-73	Total 1972-76
Agricultural Credit I	IBRD										10.0							
Agricultural Credit II	IBRD													10.0				
Land Settlement - Jengka I	IBRD				14.0													
Land Settlement - Jengka II	IBRD							13.0										
Land Settlement - Jengka III	IBRD										15.0		20.0					
Land Settlement - Johore	IBRD													20.0				
Land Settlement - Pahang-Tenggarra	IBRD														20.0			
Land Settlement - Other	IBRD																	20.0
Smallholder Rubber Rehabilitation	IBRD										10.0							
Drainage - West Johore	IBRD											15.0						
Irrigation - Muda	IBRD				45.0													
Irrigation - Kemubu	IBRD					10.0												
Livestock - Sabah	IBRD												4.0					
Forestry I - Jengka	IBRD								8.5									
Forestry II - West Malaysia	IBRD												10.0					
Forestry III - Sarawak	IBRD																	15.0
Communications I	IBRD							4.4										
Communications II	IBRD									19.0								
Communications III	IBRD													20.0				
DFC - MIDF I	IBRD		8.0															
DFC - MIDF II	IBRD																	
DFC - MIDF III	IBRD																	10.0
Education I	IBRD							8.8										
Education II	IBRD										10.0							
Education III	IBRD												10.0					
Education IV	IBRD																	10.0
Population	IBRD											4.0						
Power - NEB I	IBRD	35.6																
Power - NEB II	IBRD		51.9															
Power - NEB III	IBRD					37.0												
Power - NEB IV	IBRD							11.5										
Power - NEB V	IBRD									20.0								
Power - NEB VI - Temengor-substation and distribution	IBRD											10.0						
Power - NEB VII - New Thermal Station	IBRD																	20.0
Malaysia Airports	IBRD																	
Highways I - Federal Highway	IBRD										10.0							
Highways II - Route I	IBRD																	
Highways III - Other	IBRD																	
Sabah Highways	IBRD																	18.0
Railways I	IBRD												7.0					
Railways II	IBRD																	
Sabah Ports	IBRD									15.5								
Water Supply - Kuala Lumpur I	IBRD							3.6										
Water Supply - Kuala Lumpur II	IBRD											10.0						
Sewerage - Kuala Lumpur	IBRD											8.0						
Sewerage - East Malaysia	IBRD													5.0				
Unallocated	IBRD																	15.0
Operations Program	Total No.										67.0 6	73.0 7	69.0 7	83.0 6	80.0 5		244.3 22	372.0 31
Lending Program	Total No.	35.6 1	59.9 2	- -	45.0 1	47.0 2	14.0 1	28.3 4	21.5 2	54.5 3	42.0 4	78.0 7	52.0 5	53.0 4	55.0 3	165.9 6	224.3 20	280.0 23
Asian Development Bank								10.0	8.1	12.7	15.0	15.0	18.0	18.0	18.0	-	60.8	84.0
IBRD o/s inc. undisbursed		27.3	84.1	83.3	127.4	171.3	183.5	209.0	223.0	274.9	316.4	393.5	445.2	497.6	551.6			
exc. undisbursed		20.0	22.3	35.3	50.6	69.9	92.0	111.1	122.2	151.1	190.1	255.7	300.8	345.6	381.6			
IBRD - gross disbursements		21.2	5.4	14.0	16.3	22.2	24.0	21.9	17.6	33.0	38.4	52.6	48.7	50.1	41.0	81.9	163.5	230.8
- net disbursements		21.2	4.9	13.0	15.3	20.9	21.8	17.1	12.3	26.2	31.3	44.4	40.2	41.0	29.2	75.9	131.3	192.1
- net transfer		19.7	3.9	11.6	13.5	18.6	18.3	11.6	5.4	18.7	22.1	33.0	26.4	24.4	12.1	65.9	90.8	118.0

Pre-Investment Studies and Related Technical Assistance

This list includes studies which have been identified by the Bank's sector review missions in October/November 1970 as being of high priority and which the government has agreed in principle should be undertaken early during the Second Malaysia Plan period. The list does not include on-going studies or studies for which an interested donor has been found and preparatory work has begun. Minimum Bank involvement will include assistance in the preparation of the terms of reference.

Project Preparation

- Forestry Project, Sarawak: Feasibility study, including investment in transport, following completion of UNDP forestry survey (end 1971).
- Kuala Lumpur Sewerage Project: Detailed study of the sewerage disposal problems in the greater Kuala Lumpur area to provide a basis for investment decisions.
- West Johore Drainage Project: Technical and economic feasibility study for this project consisting of improved drainage of poorly drained land in West and South West Johore, used for a number of crops, among which coconut and pineapple.

Other Pre-Investment Needs

- Survey of Groundwater Resources, West Malaysia: With growth of industry and emphasis on land development schemes, surface water resources are expected to become less reliable and more costly as future sources for domestic water supplies and in some areas for agricultural use. Development of ground water sources should therefore be thoroughly investigated.
- MARDI Research Program: The newly set-up Malaysian Agricultural Research and Development Institute should give priority in its research program to (i) studies on technical and economic management of peat soils (ii) research on varieties and husbandry techniques for feedgrain production (iii) research on livestock husbandry techniques, for which the Institute may need technical assistance.
- Rice Sector: Socio-economic study to determine locations and alternative use of marginal paddy lands.
- Johore Bahru Urban Development Area: Economic growth in this area situated opposite the causeway from Singapore is likely to be substantial; a study similar to the Klang Valley study should be undertaken to evaluate its development potential and to recommend a development plan for the area.

- PWD Highway Branch: Assistance for developing programs in both West and East Malaysia for plant and equipment maintenance including an assessment of new equipment needs based on operational and economic considerations.

M A L A Y S I A  
INDICATORS OF DEVELOPMENT<sup>a/</sup>

	Unit	Annual Average			
		1961-65	1965-70	1971-75	
<b>I. ECONOMIC &amp; STRUCTURAL INDICATORS</b>					
1. Gross Domestic Product <sup>b/</sup>	% Change	5.3	6.0	6.3	
2. Manufacturing Output (WM) <sup>c/</sup>	"	12.1	10.1	9.3	
3. Agricultural Output (WM) <sup>c/</sup>	"	3.3	8.1	8.0	
4. Imports of Goods and NFS	"	2.5	4.5	4.2	
5. Exports of Goods and NFS	"	3.9	5.3	3.1	
6. Domestic Price Level (WM) <sup>d/</sup>	"	0.5	1.1	n.a.	
		<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>
7. Gross National Savings <sup>e/</sup>	% GNP	21.5	19.9	19.6	18.2
8. Resource Gap	"	-9.5	-3.8	-6.5	-1.8
9. Net Factor Payment Abroad	"	3.0	2.8	4.2	2.6
10. Gross Domestic Investment	"	15.0	18.9	17.3	19.0
11. External Public Debt Service	% exports	n.a.	1.2	2.5	3.3
12. Government Current Revenue <sup>f/</sup>	% GNP	20.3	21.0	23.0	25.0
13. Government Current Surplus <sup>f/</sup>	"	4.8	1.7	2.0	1.8
14. Public Expenditure on Social Services	"	5.5	6.7	6.4	7.4
15. Military Expenditure	"	3.0	5.6	6.6	6.7
16. Manufacturing Output (WM)	% GDP <sup>g/</sup>	8.1	10.2	12.6	14.4
17. Electricity Consumption	million kwh	1067	1860	2935	4490
		<u>1961-65</u>	<u>1966-70</u>	<u>1971-75</u>	
<b>II. SOCIAL INDICATORS</b>					
18. Population Growth Rate	% per annum	3.0	2.7	2.9	
19. Urban Population Growth Rate (WM)	"	4.6	in 1958-67		
20. Crude Birth Rate (WM)	"	4.3 in 1958; 3.52 in 1967			
21. Family Planning Acceptors (WM)	% of child-bearing population	16 in 1970 (estimated)			
		<u>1960</u>	<u>1965</u>	<u>1970</u>	
22. School Enrolment, Primary and Secondary (WM)	% of school-bearing pop.	50	51	75 (est.)	
23. Literacy Rate (WM)	% of population over 6 years	76.8 in 1967			
		<u>1960</u>	<u>1965</u>	<u>1970</u>	
24. Unemployment Rate (WM)	% of labor force	4.8	6.3	8.8	
25. Population per hospital bed (WM)	Number	730 in 1967			

- Note: a/ Where an indicator is not available for Malaysia as a whole, that of West Malaysia is substituted and indicated by (WM). Where 1960 data are not available, 1961 is used instead. 1970 data are estimates by the government. The Bank Mission projections are used for 1975.
- b/ Gross domestic product in 1964 prices for 1961-65 and in 1965 prices for the rest of the periods.
- c/ Gross value added in constant prices.
- d/ Consumer price index.
- e/ GNP less consumption less net transfer payment abroad.
- f/ Consolidated position of Federal and States Governments; does not include other public authorities nor a government agency for social security.
- g/ Gross value added in terms of GDP at constant factor cost.

MALAYSIA: LONG-TERM PUBLIC DEBT PROJECTION a/  
(Calendar Year; US\$ million)

Attachment 4

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
<b>National Income Accounts</b>																					
GNP	2,871	3,091	3,216	3,397	3,708	3,949	4,195	4,444	4,689	4,924	5,134	5,461	5,811	6,182	6,592	7,014	7,460	7,861	8,284	8,730	9,260
Plus: Net Factor Income Payments	86	78	39	43	98	77	84	98	109	121	133	149	166	181	199	216	234	252	270	289	311
Equals: GDP	2,957	3,169	3,255	3,440	3,806	4,026	4,279	4,542	4,798	5,045	5,267	5,610	5,977	6,363	6,791	7,230	7,694	8,113	8,554	9,019	9,571
Consumption	2,281	2,473	2,581	2,700	2,826	3,123	3,361	3,568	3,771	3,967	4,145	4,394	4,683	4,975	5,293	5,620	5,982	6,297	6,619	6,971	7,395
Gross Investment b/	544	570	588	611	609	685	763	818	872	926	975	1,049	1,127	1,212	1,318	1,417	1,522	1,619	1,723	1,833	1,945
Gross National Saving c/	571	583	589	650	827	773	790	832	874	918	945	1,026	1,089	1,169	1,263	1,359	1,447	1,535	1,637	1,733	1,840
Imports of Goods and NFS	1,195	1,232	1,221	1,312	1,349	1,511	1,563	1,640	1,718	1,790	1,863	1,963	2,092	2,218	2,356	2,497	2,661	2,797	2,933	3,089	3,271
Minus: Exports of Goods and NFS	1,328	1,358	1,308	1,441	1,720	1,734	1,718	1,796	1,873	1,942	2,010	2,130	2,259	2,394	2,536	2,690	2,851	2,994	3,145	3,304	3,502
Equals: Resource Gap (as % of GDP)	-133 (-4.5)	-126 (-4.0)	-87 (-2.7)	-129 (-3.8)	-371 (-9.7)	-223 (-5.5)	-155 (-3.6)	-156 (-3.4)	-155 (-3.2)	-152 (-3.0)	-147 (-2.8)	-167 (-3.2)	-167 (-2.8)	-176 (-2.8)	-180 (-2.7)	-193 (-2.7)	-190 (-2.5)	-197 (-2.4)	-212 (-2.5)	-215 (-2.4)	-231 (-2.4)
<b>Finance of Resource Gap</b>																					
Multilateral: IBRD	12	20	23	25	21	37	44	39	45	49	44	39	35	37	40	42	45	47	50	52	56
AsDB	-	-	-	-	-	3	5	5	6	7	8	10									
Bilateral Loans	3	2	13	24	23	13	19	24	16	15	18	28									
Private Suppliers' Credits	-	-	8	1	3	4	7	6	5	9	10	4									
Market Borrowings	25	-	21	6	35	-	20	20	20	20	20	20									
Gross Loan Disbursements	40	22	65	56	82	57	95	94	92	100	101	101	112	117	123	130	141	147	154	160	168
Minus: Amortization	7	9	17	19	22	31	24	28	39	23	23	44	40	48	47	56	57	64	77	75	81
Equals: Net Loan Disbursements	33	13	48	37	60	26	71	66	53	77	78	57	72	69	76	74	84	83	77	85	87
Grants d/	19	30	18	15	9	11	15	15	15	15	15	16	16	16	16	16	18	18	18	18	18
Net Official Inflow	52	43	66	52	69	37	86	81	68	92	93	72	88	85	92	90	102	101	95	103	105
Other Inflows, Net e/	-99	-91	-114	-138	-342	-183	-157	-139	-114	-123	-107	-90	-89	-80	-73	-67	-58	-46	-37	-29	-25
Minus: Net Factor Income Payments	86	78	39	43	98	77	84	98	109	121	133	149	166	181	199	216	234	252	270	289	311
Equals: Resource Gap	-133	-126	-87	-129	-371	-223	-155	-156	-155	-152	-147	-167	-167	-176	-180	-193	-190	-197	-212	-215	-231
<b>Memorandum Items</b>																					
Interest on Debt	10	10	11	13	17	19	14	21	27	32	37	42	46	51	55	59	63	68	73	78	83
Total Debt Service	17	19	28	32	39	50	38	49	66	55	60	86	86	99	102	115	120	132	150	153	164
Average Interest Rate f/	5.3	4.5	4.7	5.0	5.6	5.4	3.7	4.7	5.2	5.6	5.7	5.8	5.9	6.0	6.0	5.9	5.9	5.9	5.9	5.9	5.9
Debt Service Ratio	1.3	1.4	2.1	2.2	2.3	2.9	2.2	2.7	3.5	2.8	3.0	4.0	3.8	4.1	4.3	4.5	4.5	4.5	4.8	4.6	4.7
Total Debt Outstanding	221	233	258	294	354	380	451	517	570	647	725	782	854	923	999	1,073	1,157	1,240	1,317	1,402	1,489
IBRD Debt Outstanding - Excl. Undisbursed	45	65	86	108	125	157	195	228	265	306	342	371	396	421	447	473	501	528	557	588	620
- Incl. Undisbursed	132	168	176	195	207	215	248	296	345	399	451	505	530	555	581	607	635	662	691	722	754
IBRD Debt Service	3	3	4	7	10	12	14	17	20	23	26	31	33	36	40	44	48	52	56	58	62
IBRD % Gross Inflow g/	20.3	38.5	27.7	35.2	23.1	54.4	40.0	35.8	42.1	42.6	37.9	33.3	27.3	27.8	28.8	28.8	28.3	28.5	29.1	29.2	30.1
% Debt Service	17.6	15.8	14.3	21.9	25.6	24.0	36.8	34.7	30.3	41.8	43.3	36.0	38.4	36.4	39.2	38.3	40.0	39.4	37.3	37.9	37.8
IBRD % Debt Outstanding	20.4	27.9	33.3	36.7	35.3	41.3	43.0	44.1	46.5	47.3	47.2	47.4	46.4	45.6	44.7	44.1	43.3	42.6	42.3	41.9	41.6

a/ 1970 data are preliminary estimates. The projections for 1971-85 are in constant US\$ of 1970. For conversion into US\$, the exchange rate of US\$1 = M\$3.06 is used.

b/ Includes stock investment.

c/ GNP less consumption less net transfer payment abroad.

d/ Includes grants for defense purposes.

e/ Includes all other capital movements and transfers not itemized above, including net errors and omissions.

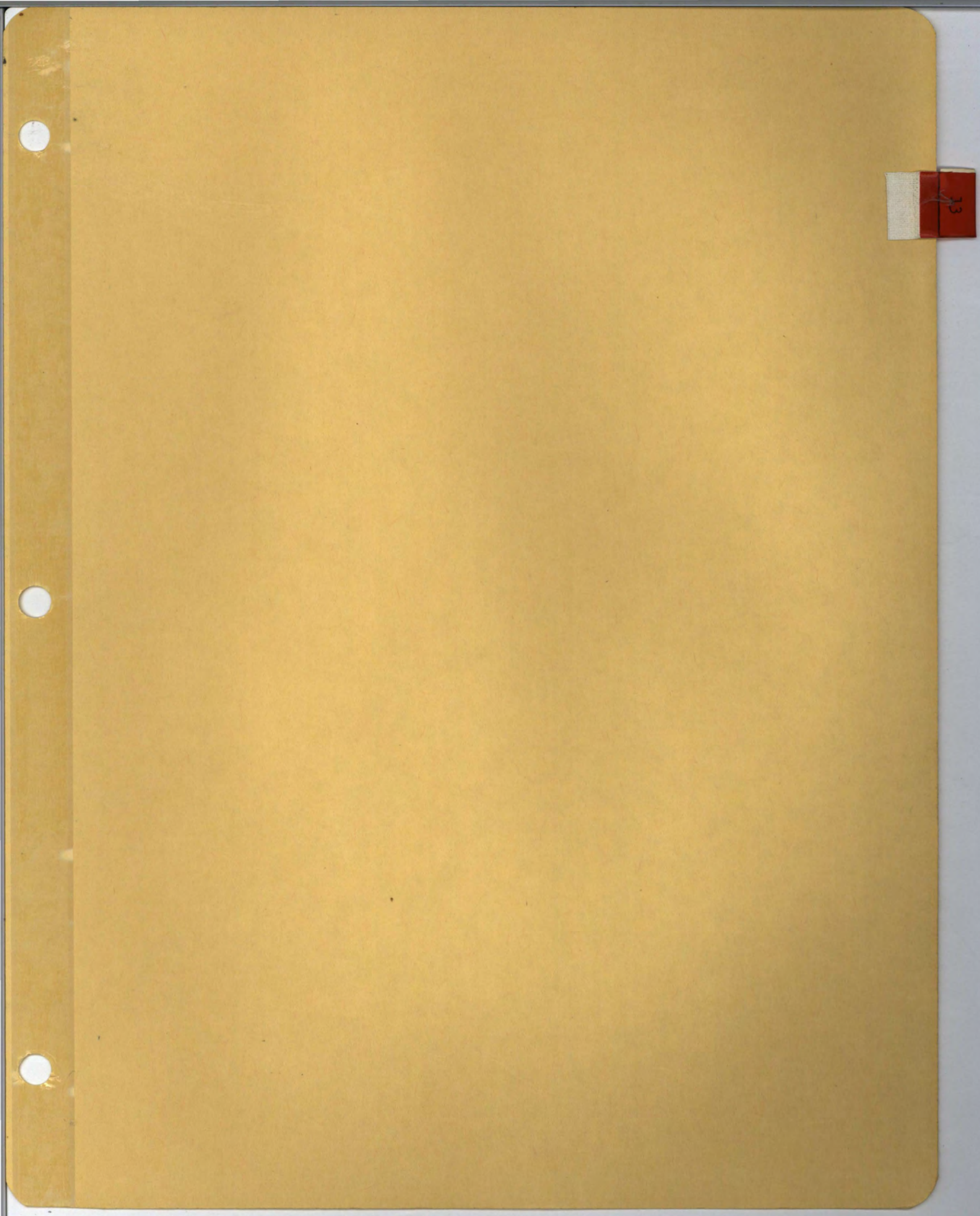
f/ Current interest payment as percentage of outstanding debt at the beginning of the period.

g/ Includes grants.

Projection Summary (1970-85)

GDP Growth . . . . .	6.0% p.a.
GDP Per Capita Growth . . . . .	3.4% p.a.
Private Consumption Per Capita Growth . . . . .	2.9% p.a.
Exports of Goods Growth . . . . .	5.3% p.a.
Exports of Services Growth . . . . .	3.1% p.a.

East Asia and Pacific Department  
February 12, 1971





Population: 10.8 million  
Per Cap Inc: \$366

Annex 1

MALAYSIA - OPERATIONS AND LENDING PROGRAMS THROUGH FY 1976  
(\$ millions)

		1972	1973	1974	1975	1976	Total 1964-68	Total 1969-73	1972-76
Agricultural Credit I	IBRD	10.0							
Agricultural Credit II	IBRD				10.0				
Land Settlement - Jengka III	IBRD		15.0						
Land Settlement - Johore	IBRD			20.0					
Land Settlement - Pahang-Tenggarra	IBRD				20.0				
Land Settlement - Other	IBRD					20.0			
Agriculture - Johore (unidentified)	IBRD		20.0						
Livestock - Sabah	IBRD			4.0					
Forestry II - West Malaysia	IBRD			10.0					
Forestry III - Sarawak	IBRD					15.0			
Communications III	IBRD				20.0				
Education II	IBRD	10.0							
Education III	IBRD			10.0					
Education IV	IBRD					10.0			
Population	IBRD		4.0						
Power - NEB VI - Temengor-substation and distribution	IBRD		10.0						
Power - NEB VII - New Thermal Station	IBRD					20.0			
Highways I - Federal Highway	IBRD	10.0							
Highways II - Route I	IBRD		25.0						
Highways III - Other	IBRD				18.0				
Sabah Highways	IBRD			7.0					
Railways I	IBRD	16.0							
Railways II	IBRD			10.0					
Water Supply - Kuala Lumpur II	IBRD		10.0						
Sewerage - Kuala Lumpur	IBRD			8.0					
Sewerage - East Malaysia	IBRD				5.0				
Unallocated	IBRD					15.0			
Operations Program	Total	46.0	84.0	69.0	73.0	80.0		234.3	352.0
	No.	4	6	7	5	5		19	27
Lending Program	Total	46.0	64.0	52.0	53.0	55.0	165.9	214.3	270.0
	No.	4	5	5	4	3	6	18	21

East Asia and Pacific Department  
October 13, 1971

(7) Population

A project preparation/preappraisal mission is now in Malaysia to study this project. If successful we hope to present the loan to the Executive Directors early in FY 1973.

(8) Power - NEB VI

This project was identified and prepared under the UNDP-financed General Transport Survey for which the Bank was Executing Agency. It consists of upgrading and improvements of a portion of the North-South Highway between the Thai border and Singapore. Detailed engineering has recently begun and the project can probably be appraised in late summer 1972.

(10) Water Supply - Kuala Lumpur

Consultants are presently assisting the Water Supply Division of Selangor State in carrying out field studies for the second phase of a project to supply water to Kuala Lumpur. The first phase was partly financed by the Bank. The studies are expected to be completed in early 1972 and the project could then be appraised during the summer of 1972.

BGSandberg:vmk  
October 19, 1971

## NOTES TO OPERATIONS AND LENDING PROGRAMS

The following are short notes on the loans in the operations program for FYs 1972 and 1973:

### (1) Agricultural Credit I

This loan would be made by the Bank Pertanian (Agricultural Development Bank) and would be used primarily to finance its lending for smallholder rubber replanting, livestock (pig and poultry) development and small agroindustry. The preparation of the Bank Pertanian's lending program is taking more time than anticipated. A project preparation/pre-appraisal mission is scheduled for mid-November.

### (2) Education II

The project, which has just been appraised, would consist of a) the construction, furnishing and equipping of a national curriculum development center, the science complex at the University of Penang, secondary vocational schools and one secondary technical school and (b) equipment for educational TV.

### (3) Highways I - Federal Highway

This project would consist of widening and upgrading, including construction of grade separated crossings, of part of the road from Port Swettenham to Kuala Lumpur. Supplementary economic studies and preliminary engineering have been completed and detailed engineering will start about November 1. A pre-appraisal mission is due to visit Malaysia about November 15.

### (4) Railways I

This project, which includes investments in wagons and track renewal, is part of the effort to modernize, mainly through dieselization, the Malayan Railway to enable it to maintain reasonable financial viability while performing its economically vital role in the economy. Negotiations have taken place and the loan is expected to be presented to the Executive Directors on November 23.

### (5) Land Settlement Jengka III

The project would be the third and final phase of the Jengka land settlement program for which the Bank has already provided two loans. Preparation is currently being carried out by the Federal Land Development Authority. It is expected that the project can be appraised early in 1972.

### (6) Agriculture - Johore (unidentified)

We have received a master plan study for the region of southern Johore prepared by Huntings Associates. Although we have included a major land settlement project based on this study in FY 1974 we also hope to be able to identify a project suitable for a loan in FY 1973. The economic mission now in Malaysia has been asked to look into this question.



October 14, 1971

MEMORANDUM FOR THE RECORD

SUBJECT: Visit to the Prime Minister of Malaysia.

On Tuesday evening, October 5, Mr. McNamara called on the Prime Minister of Malaysia, Tun Abdul Razak, at the Malaysian Ambassador's residence. The Finance Minister, Tun Tan Siew Sin, the Ambassador, Mr. Thong Yaw Hong, Head of the Economic Planning Unit, Mr. Navaratnam and I were also present.

In welcoming Mr. McNamara the Prime Minister confirmed the Government's invitation to visit Malaysia, which Mr. McNamara said he was looking forward to with great pleasure. The Prime Minister said that he wanted to mention particularly the Second Malaysia Plan, whose main objective would be to correct imbalances in the economy and inequalities among economic and social groups. It was clear that growth in the past had not been sufficient to create enough jobs, particularly for young people joining the labor market. He hoped that the Bank would continue to help Malaysia as it had in the past. There were, for example, a number of large land-development schemes which were important for the improvement of the rural sector. He knew that we wished Malaysia to make more use of the ADB and of foreign credits that had been extended to it. However, ADB had not proved easy to deal with and seemed to have had difficulties with respect to certain projects, e.g. in Sabah and in Johore, that Malaysia had put to it. ADB also did not seem to have much money available for Malaysia. (The Finance Minister later said that ADB had plenty of funds, but this inconsistency was not resolved during the discussion.)

As regards foreign credits, these were really commercial credits which Malaysia was prepared to use if a supplier from the country concerned was successful in the bidding for a particular item, but apart from that their use would involve penalties. The Prime Minister asked whether Mr. McNamara would expect Malaysia to depart from its long standing policy of full international competitive bidding.

Mr. McNamara said that the Bank would certainly continue to help Malaysia; there was no question of reducing the scale of our lending. Nor was there any question of suggesting that Malaysia back away from its policy of international competition. However, he could not understand why as much as 1/3 of the Japanese credit remained uncommitted after five years and suggested that the Malaysian government had not been aggressive enough in seeking ways of using this and other credits. Neither did he understand the nature of the difficulties with ADB. He asked why the proposal for an ADB loan to MIDF had been dropped. The Finance Minister said that ADB's

terms had been the problem - in any case MIDF had no need for foreign exchange, and its local currency needs were taken care of by the Government. The Japanese procedures were cumbersome and time-consuming; Japan had been asked to finance ships, which were very important to Malaysia - they needed to spend as much as M\$100 million over the next few years - but had refused.

The Prime Minister mentioned that he would be visiting Japan shortly and it was agreed that this would help to dispel misunderstandings between the two countries.

Winding up a rather confused and inconclusive discussion, Mr. McNamara said he still felt Malaysia should take more initiative in finding ways to use the foreign aid at its disposal but said he would be glad to look into this matter more thoroughly during his forthcoming visit to Malaysia.

*RJG*

Raymond J. Goodman

cc: Mr. McNamara  
Mr. Knapp  
Mr. Cope

Mr. Fontein  
Mr. Street  
Mr. Sandberg ✓

RJG/rf/am

Files

October 5, 1971

Bengt G. Sandberg

MALAYSIA - Mr. McNamara's Meeting with Tun Tan Siew Sin on October 4, 1971

Mr. McNamara met alone with Tun Tan Siew Sin, Minister of Finance of Malaysia, on October 4. The following is a record of the meeting based on Mr. McNamara's report to Mr. Goodman.

Tun Tan expressed the hope that the Bank would not reduce its lending to Malaysia because

- (a) Malaysia was not utilizing existing lines of credit or
- (b) it had unusually large foreign reserves or
- (c) it was not borrowing more from the ADB.

With respect to the first point the Minister pointed out that most of the British Special Aid and about two-thirds of the Japanese credit had been or would shortly be utilized. In the Japanese case the Malaysian Government had suggested that the credit be used to finance the purchase of ships for the national shipping line but had been rebuffed. The Minister had asked for a report on this and other credits arising from the 1966 meeting of the Consultative Group and would pass it on to the Bank. He hoped that the Bank would not insist on Malaysia's using these credits at a penalty. In discussing this point, Messrs. McNamara and Goodman agreed that the Bank could hardly press Malaysia to back away from its policy of requiring full international competitive bidding.

Regarding the exchange reserves the Minister agreed that they were rather high. However, in view of the uncertainties surrounding the prices of Malaysia's main export commodities - rubber, tin and palm oil - he felt that they had to be high.

Borrowing from the ADB was difficult. The ADB had refused to finance a number of projects proposed by the Malaysian Government including the Johore Port. There were also difficulties about projects in Sabah. The Minister had the impression that ADB was reluctant to move into new fields such as education and agriculture.

Mr. McNamara noted the Minister's points and said that the Bank would study the situation and that he would be glad to talk about it during his visit to Kuala Lumpur in November.

Tun Tan also urged the Bank to consider what it might do to assist in establishing buffer stocks of primary commodities to stabilize the continually declining prices of such commodities. Mr. McNamara said that the Bank had been concerned about this problem for a long time and that it had also been studied by the Pearson Commission among others. He did, however, intend to direct the Bank staff to carry out further detailed studies in this field in preparation for the Fourth Replenishment of IDA.

cc: Messrs. McNamara(2), Knapp, Cope, Hoffman  
Goodman, Fontein, Street

BGSandberg:vmk

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BRIEFING PAPER - 1971 ANNUAL MEETING

MALAYSIA

I. MEMBERS OF DELEGATION

Tun Tan Siew Sin (Minister of Finance and Governor of the Bank), Tan Sri Ismail bin Mohamed Ali (Governor of the Central Bank of Malaysia and Governor of the Fund), Raja Tan Sri Mohar bin Raja Badiozaman (Secretary General to the Treasury and Alternate Governor of the Bank) and Malek Ali Merican (Deputy Secretary General to the Treasury and Alternative Governor of the Fund).

Biographical notes on Tun Tan and Tan Sri Ismail are attached (Attachment 1).

II. BACKGROUND

(a) The Economic Situation

There have been no material changes in our evaluation of the situation and prospects of the Malaysian economy since the review of the country program paper last March and the release of the latest Bank economic report last May.

(b) The Lending Program

The operations program for FY 1972 and FY 1973 has changed considerably since the review of the CPP last March. Four projects have been dropped from the program, two because the Government does not wish the Bank to finance them, one that may be financed by the ADB and one which has been incorporated in one of our FY 1972 loans, and one project has been added. Because of revised estimates of the loan amounts the lending program is virtually unchanged in amount. These changes are consistent with the views expressed at the review of the CPP that the operations program contained too many projects and that efforts should be made to achieve the planned financial transfer through fewer projects.

III. TOPICS FOR DISCUSSION

(a) The Second Malaysia Plan

Mr. Navaratnam has informed us that the Minister would like to talk to you about the new Second Malaysia Plan, its strategy and financing.

The Second Malaysia Plan (1971-75) was approved by Parliament in July. It envisages an average annual growth rate of 6.5 percent for GNP and 3.7 percent for per capita income. The Plan gives high priority



to the reduction of economic disparities between Malays and Non-Malays and between the Eastern and Western states of the country. To improve the serious unemployment situation, especially among the young, it is planned to create nearly 600,000 new jobs, or 30 percent more than during the preceding five years. Planned total investments would be nearly 50 percent greater than during the 1966-70 plan. The Plan calls for development outlays of M\$14.35 billion (US\$4.69 billion) about half in the public sector.

The general framework of the Plan seems acceptable and incorporates many of our policy recommendations as outlined in the latest CPP and Economic Report. There are, however, notable differences between the Bank's balance of payments projections and those in the Plan. The Plan makes more favorable assumptions for rubber and timber exports and lower estimates for import requirements, than we consider reasonable. In line with this, the official Plan target for net capital inflow for 1971-75 is only M\$910 million (including M\$190 million grants), or M\$182 million a year. Our forecast is M\$1,290 million (including M\$230 million grant aid), or M\$258 million a year.

Malaysia's requirement for long-term capital inflow is not very large in the light of her substantial creditworthiness. However, project preparation and implementation capacity in the public sector will need to be significantly improved to expand her absorptive capacity. The Bank has on several occasions pointed out to, and the Malaysians agree, that this is the main constraint for a successful implementation of the Plan. The Government is now taking steps to alleviate the situation.

An economic mission will visit Malaysia in November to update our economic information and to discuss the Plan and its implementation.

(b) Consultative Group

The Minister is cool to the idea of calling a meeting of the Group, which has not met since 1966, as long as the capital exporting countries continue to offer only export credits. We have explored informally the views of Japan, which does not favor a meeting unless Malaysia is willing to consider the views of the Group, and the UK does not want to take the lead since it is not contemplating major capital assistance to Malaysia. The US has never had an aid program for Malaysia. We intend to sound out other member countries and ADB during the Annual Meeting. In the absence of a more positive attitude by Malaysia, it is very doubtful whether a revival of the Group would be worthwhile.

(c) Technical Assistance

The Minister has requested Bank assistance in preparing and implementing projects. You have indicated that we would be prepared to continue to provide assistance within the framework of our lending program or as Executing Agency for the UNDP to the extent our manpower resources permit. We will explore further at the departmental level what type of assistance the Minister has in mind.

(d) Shipping

Last year the Minister asked for assistance in financing the national shipping line, a request that has since also been made to ADB. You indicated that IFC might consider a request but so far they have heard nothing from Malaysia presumably because the Malaysians consider IFC terms too hard. The ADB has turned down the request. We have been given tentative indications of the shipping company's investment program. The information is, however, inadequate and incomplete and before considering a Malaysian request for financing we would have to have financial and operational data as well as organizational charts, legal documentation etc. Consideration of a project would be subject to our very limited staff resources in the field of shipping.

(e) Issue of Bank Bonds in Malaysia

You will recall that the Minister proposed last year that the Bank consider an issue of Bank bonds in Malaysia. In Copenhagen you indicated that we were not sure that such an issue would be desirable but that we would keep the proposal under consideration. It should be noted that the Government made a successful issue of government bonds in August.

(f) Increase in Capital Subscription

Malaysia is entitled to subscribe an additional US\$25.4 million to the capital of the Bank under the resolution approving such capital increases adopted by the Board of Governors on July 31, 1970. You might enquire about Malaysia's intentions regarding its entitlement and if they intend to subscribe to urge that they continue to release the 9% portion of the subscription.

Attachment

BRIEF BIOGRAPHICAL NOTES

TUN TAN SIEW SIN

Personal Information: Born in 1916 in Malacca to a rich merchant family.

Education: A graduate of Raffles College, Singapore, the then only higher educational institute in Malay Peninsula. Conferred honorary degree of Doctor of Laws by the University of Malaya in 1965.

Present Position: Minister of Finance since September 1970 and Chairman of Capital Investment Committee; President of Malayan Chinese Association (M.C.A.) since 1961, one of three member organizations of the coalition ruling party known as Alliance Party; Honorary Treasurer of Alliance Party since 1958. Known as a conservative financier commanding confidence of the business establishment of Malaysia.

Previous Activities and Functions: Up to 1957, mainly connected with various rubber estate businesses, and also active in politics as officer of the M.C.A. and member of various governmental councils. From 1957-59, was Minister of Commerce and Industry and from 1959 to 1969, Minister of Finance, when the May 1969 general elections revealed results unfavorable to the M.C.A., he withdrew from the Cabinet. Under the NOC rule, however, he was appointed a Minister with Special Functions and remained de facto Finance Minister.

TAN SRI ISMAIL BIN MOHAMED ALI

Personal Information: Born of Malay ancestry in 1918 in Port Swettenham.

Education: Took economic training in Trinity Hall, Cambridge in 1938-41; legal training in Middle Temple, London in 1941-43, with qualifications of a Barrister-at-Law.

Present Position: Governor of Bank Negara Malaysia, the Central Bank of Malaysia, since 1962; Chairman of the Malaysian Industrial Development Finance, Bhd., a private development bank with an extensive government participation. Known as a cautious, conservative financier, a strong ally of Tun Tan Siew Sin. As a senior member of the National Development Planning Committee, the highest economic policy-making organ of the government on the civil service level, he exerts strong influences over all aspects of economic policies.

Previous Activities and Functions: Since 1946, worked mainly as economic or commercial officer in Treasury and in the Ministry of Commerce and Industry. Minister at the Malayan Embassy in Washington in 1957-60, and Executive Director of IBRD in 1958-60. Deputy Governor of Bank Negara Malaysia, in 1960-62.



## MALAYSIA

### UTILIZATION OF FOREIGN AID OFFERS

Availability of external financing either from multilateral lending institutions or from bilateral sources in the form of grants or loans on acceptable financial terms was not a serious constraint during the First Malaysia Plan (1966-1970). At the meeting of the Consultative Group in May 1966 substantial offers of aid were made. The total amount of these offers, some of which had no ceiling and the amount of which was therefore only contingent on the availability of projects and suitable procurement in the donor country, is estimated at M\$720 million (US\$240 million) of which M\$320 million (US\$107 million) had been committed for development purposes and M\$117 million (US\$39 million) for defense purposes at the end of 1970. In addition, multilateral institutions had made new loan and grant commitments amounting to M\$575 million (US\$192 million).

At the end of 1970 there were available substantial uncommitted aid offers (see Attachment I). They were, however, mainly export credits and therefore tied to procurement in the respective donor country. This type of aid has proved to be very difficult to commit throughout the period, because of a lack of suitable projects and Malaysian insistence on full international competitive bidding for all procurement. Although not necessarily incompatible with tied aid, provided substantial untied funds or a wide variety of tied funds are available, this Malaysian practice makes it unlikely that substantial further commitments will be made from these sources before the offers expire. Some progress has been made, however, and the Delegation to the Bank Annual Meeting expressed the hope that at least another M\$50 million of the Japanese offer will be committed before it expires in November 1971. Recent reports indicate that about US\$9 million have been committed for a sugar factory.

The experience during the First Malaysia Plan is not a happy one either for the donors or for Malaysia. The Ministry of Finance believes that financing will not be a major bottleneck in the execution of the Second Malaysia Plan unless the implementation capacity of the public sector can be dramatically improved. Although we project the required net capital inflow at a level higher than the Malaysians, we basically share this view. In this situation the Ministry is not disposed to compromise with respect to the competitive bidding requirement or to make other major concessions in order to attract a larger flow of aid. Instead they feel that the amount they can borrow from ADB, IBRD and can get from UNDP together with "absorption" of other foreign offers in suitable cases and in accordance with Malaysian principles, will suffice at least in the next year or two.

While this view is held fairly strongly by the Minister of Finance efforts are being made, partly caused by our prodding to increase the "absorption" of foreign credits particularly from ADB and Japan. Following the Annual Meeting we had meetings with ADB at which it became clear that the Malaysians are now proposing projects, some of which are or have been in our operations program, which ADB is more likely to find attractive. The Prime Minister, Tun Razak, has also been making a strong plea for more aid during his visit to Japan. He was successful in that he obtained long-term loans totalling US\$100 million, half from the

Overseas Economic Cooperation Fund at  $3\frac{1}{4}$  percent interest and half from the Export Import Bank at  $5\frac{1}{2}$  percent interest. However, a list of projects to be financed under these loans is still to be negotiated and it remains to be seen whether Malaysia and Japan can overcome their former difficulties in finding suitable projects with substantial procurement in Japan.

In the past the Government has focused mainly on the public sector in its efforts to utilize existing aid offers or lines of credit. The private sector has not been seriously considered although the Government has lent the Malaysian Industrial Development Finance Berhad (MIDF), a privately controlled development finance company, substantial amounts, part of which have been used to finance expenditures in foreign exchange.

MIDF is estimated to need some M\$200 million in new funds over the next two or three years. Of this amount an estimated M\$75 million (US\$25 million) would be foreign exchange. Although MIDF has raised loans in foreign exchange over the past year from Banque Nationale de Paris, Kreditanstalt fuer Wiederaufbau and US Export Import Bank the prospects for utilizing these loans are not good because they are tied to procurement in the respective creditor country.

In addition, MIDF has always had difficulties utilizing external sources of finance because its borrowers have been unwilling to accept the foreign exchange risk attached to foreign exchange loans when they have had the alternative of borrowing convertible Malaysian dollars from the commercial banks. Since neither the Government nor the Central Bank have been willing to assume this risk, domestic finance, made available by the Government, has quite naturally been, and is, much more attractive to MIDF than foreign exchange loans.

There are indications, however, that the Government is now putting some pressure on MIDF to increase its "absorption" of external loans. Mr. Leembruggen, the Managing Director of MIDF, has indicated that MIDF has been told to borrow abroad to cover its foreign exchange needs. As a first step, negotiations have been reopened with ADB with respect to the loan which MIDF turned down in 1970, because of the increase in the ADB interest rate, after negotiations had been completed.

The Government thus appears to realize that it has been financing expenditures in foreign exchange, which could have been financed from abroad, and that MIDF might be used to increase the "absorption" of foreign credits. This can, however, only be achieved if the Government, or the Central Bank, assumes the foreign exchange risk and if MIDF borrows primarily untied funds from multilateral agencies or tied funds from competitive supplying countries such as Japan and Germany. The renewed approach to ADB and cautious sounding out of us during the Annual Meeting indicate that this is also the line of thinking in Kuala Lumpur.

External Aid Offers and Commitments 1966-1970

	<u>Offers</u> M\$	<u>Commitments</u> M\$		<u>%</u>
<u>Australia</u>				
Grants	ns	23.3		
Export credits	ns	<u>1.6</u>	24.9	2.7
<u>Belgium</u>				
Grants	ns	0.8		
Export credits	18.5	<u>-</u>	0.8	0.1
<u>Canada</u>				
Grants	ns	6.2		
Gov't loans	4.2 p.a.	9.1		
Export credits	ns	<u>39.5</u> <sup>1/</sup>	54.8	6.0
<u>Denmark</u>				
Grants	ns	1.0		
Gov't loans	12.2	<u>0.4</u>	1.4	0.2
<u>France</u>				
Gov't loans	62.0	<u>3.0</u>	3.0	0.3
<u>Germany</u>				
Grants	ns	5.1		
Gov't loans	ns	<u>25.3</u>	30.4	2.5
<u>Italy</u>				
	ns	-	-	
<u>Japan</u>				
O.E.C.F loans	50.0	6.0		
EXIM Bank loans	100.0	<u>36.6</u>	42.6	4.7
<u>Netherlands</u>				
Investment Bank	1.7	-		
Export credits	22.0	-		
<u>New Zealand</u>				
Grants	ns	<u>6.2</u>	6.2	0.7
<u>Sweden</u> <sup>2/</sup>				
Export credits		<u>31.0</u>	31.0	3.6

External Aid Offers and Commitments 1966-1970

	<u>Offers</u> M\$	<u>Commitments</u> M\$	<u>%</u>
<u>U.K.</u>			
Special Aid	183.7	147.4	
Export credits	ns	<u>20.6</u> 168.0	18.1
<u>U.S.</u>			
EXIM Bank	120-150	49.0 <sup>1/</sup>	
PL480	<u>15-30 p.a.</u>	- 49.0	5.4
Total bilateral credits	718.6	412.1 <sup>3/</sup>	44.3
ADB		94.7	
IBRD		375.9	
UNDP		31.0	
World Food Program		<u>13.5</u>	55.7
Total multilateral credits		515.1	55.7
Grand Total		<u>927.2</u>	<u>100.0</u>

ns - Not stated at time of agreement.

1/ For military purchases.

2/ Not a member of Consultative Group for Malaysia.

3/ Of which M\$296.4 million for development and M\$115.7 million for military purposes.





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## THE FEDERATION OF MALAYSIA: POPULATION AND DEVELOPMENT

by Willard A. Hanna

January 1971

The Federation of Malaysia is an improbably successful composite of thirteen states, large and small, adjacent and scattered, of varying degrees of political, economic, social, and racial cohesion. This fragile-seeming federation spans hundreds of miles of open seas to link two geographically and administratively distinct segments: East Malaysia, which occupies the northern third of the Island of Borneo, and West Malaysia which occupies the southern half of the Malay Peninsula. The total population is 10,650,000—9,250,000 in the western and 1,400,000 in the 50 per cent larger eastern region. This population is compartmentalized on the basis of race as well as of geography and is stratified within the compartments on the basis of rural-urban domicile, economic status, and education. Approximately 44 per cent of the total population is classified as ethnic Malay, 35 per cent as Chinese, 11 per cent as Indian (of whom 10 per cent are in fact Pakistanis and 2 per cent are Ceylonese), 8 per cent as indigenous tribespeople, and 2 per cent as other minorities.

Between East and West Malaysia the differences are often more striking than the similarities. Functional integration had a good start long before 1965, when the two came together as a new nation, and it has proceeded reasonably well ever

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since. But it is not yet possible to write of the country and especially not of its people without constantly distinguishing West and East. Detailed population statistics, for instance, have not yet been consolidated and perhaps should not be, so deceptive would be the apparent pattern. In other respects, too, it is generally more appropriate to describe not the whole but its parts. With regard to West Malaysia it is still necessary, furthermore, frequently to differentiate between the east and west coasts, with occasional asides to the neighboring island-state of Singapore. In East Malaysia one must deal separately with Sarawak and Sabah and introduce incidental references to the small freakish, British-protected Sultanate of Brunei.

### Population Profile

West Malaysia, with a population of 9,250,000 in 1970, has recently undertaken what promises to be a successful family planning program.<sup>1</sup> It seeks to slow down its recent 3 per cent annual rate of increase to 2.5 per cent in 1975 and 2.0 per cent by 1985. The population should then be less than 15 million rather than 17 million or even more, and the per capita income M\$1,650 rather than M\$1,450 or less. Malaysia thus aims to better its already impressive performance in planning, financing, and implementing for itself a national development program which has steadily improved the standard and quality of living. Except only for Singapore, from which it has derived inspiration,

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1. See Willard A. Hanna, *Family Planning in Malaysia: Programs and Prospects* [WAH-3-'71], Fieldstaff Reports, Southeast Asia Series, Vol. XIX, No. 6, 1971.

Malaysia is unique among Southeast Asian nations in making an early analysis of its problem of population, devising a realistic program, and getting results. In its project of population control, however, as in all others, Malaysia encounters problems of great delicacy and complexity by reason of its racial diversity.

The population of West Malaysia today is approximately 50 per cent Malay, 35 per cent Chinese, 11 per cent Indian (in which category are included always Pakistanis and Ceylonese), and 4 per cent other minorities. Its 50 per cent presumably indigenous Malay element—or a bare and dubious 50 per cent-plus element—is no monolithic plurality. It proves, on close examination, to be neither genuinely indigenous, for only the aboriginal tribespeople can lay claim to such status, nor genuinely native-born, for it includes recent Indonesian immigrants. Political, economic, and social tensions and rivalries are such that any program which attracts attention to relative numbers and more especially to shifts in numbers and hence in checks and balances is vulnerable to sudden trouble. Table I gives birth and death statistics for the three different population groups.

The infant mortality rate shows wide but diminishing discrepancy among the various races. The Malay rate dropped from 75 to 53/1000 between 1962 and 1967, the Chinese rate from 36 to 30, the Indian rate from 57 to 52. The rate for all races in 1967 was 45.

The approximate 50:35 ratio of Malays to Chinese and the differing rates of increase—2.98 per cent:2.62 per cent—suggest the exercise of reconstructing the past and projecting the future with regard to majority-minority status, now a factor of prime political importance. The calculations become extremely complicated, however, by reason of certain inadequacies and anomalies in the records. It is always difficult to determine just what percentage of the statistical Malays are locally born and how many are Indonesian in origin. Many Malaysians who are now loosely referred to as Malays are not Malays at all but various tribespeople who, when grouped with the Malays, constitute a statistically and politically convenient "indigenous majority." In the past it seemed to most analysts that the Chinese element in the

population was growing faster than the Malay. In the prewar years the major factor was immigration; in the early postwar years the reasons were lower mortality and higher birthrates. The Chinese growth rate was offset to some degree by emigration to Singapore, but so too was that of the Malays. It seems quite clearly established that at present the natural rate of increase of the Malays is higher than that of the Chinese but not that the Malays are as yet a genuine majority or even about to become such. The whole subject of racial ratios is one of such sensitivity that it is perhaps better, as Malaysian statisticians are now disposed to believe, to slight rather than to stress its importance, indeed even to blur certain distinctions.

The 8,655,299 population of West Malaysia in 1967 (the latest detailed official estimate) was composed of 4,351,021 Malays, 3,157,423 Chinese, 957,944 Indians, and 188,911 of other races. These figures are based upon the detailed and accurate 1957 national census, as brought up-to-date by well-kept statistics on births and deaths. The crude birthrate in 1967 was 35.2 and the crude death rate was 7.5. The infant mortality rate, as noted above, was 45, the maternal mortality rate 1.79. The rate of growth as of 1967 was 2.77 per cent—not 3 per cent, a figure which applied earlier on but is still commonly used even today. The fertility rate is 5.2. The population is preponderantly youthful—46 per cent being under fifteen years of age. The urban-rural distribution is approximately 25:75, counting as urban the score or so of towns and cities with population of 50,000 or over, the ratio in 1957 was 13:87. Current statistics and projections indicate that without family planning the population would grow to 12,500,000 in 1975, 14,500,000 in 1980, 17 million in 1985, and 26 million by the year 2000. Given the success of the present program, however, it will be only 12 million in 1975, 13,250,000 in 1980, 14,750,000 in 1985, and 19 million in the year 2000.

#### Population Distribution and Movement

The West Malaysian population is where and what it is today as the result of the successive impacts of various outsiders. The aboriginal inhabitants, now numbering perhaps 50,000 persons, who seem to be either assimilating or

TABLE I  
VITAL STATISTICS WEST MALAYSIA  
BY ETHNIC GROUP

ETHNIC GROUP		Crude Birth Rate	Crude Death Rate	Rate of Natural Increase	OTHER MORTALITY RATES		
					Infant	Toddler++	Maternal
MALAY	1950	41.9 (100%)	18.7 (100%)	23.2 (100%)	121 (100%)	N.A.	N.A.
	1955	45.1	14.0	31.1	97 (80.2%)	16.30	N.A.
	1960	43.3	11.2	32.1	87 (71.9%)	10.90	N.A.
	1965	39.1	8.9	30.2	61 (50.4%)	7.80	N.A.
	1966	41.3	8.6	32.7	58 (47.9%)	6.80	N.A.
	1967	38.0 (72.1%)	8.3 (44.4%)	29.1 (125.4%)	53.3 (44.0%)	7.37	N.A.
CHINESE	1950	41.7 (100%)	12.7 (100%)	28.9 (100%)	74 (100%)	N.A.	N.A.
	1955	40.6	9.0	31.6	53 (71.6%)	7.25	N.A.
	1960	37.5	7.6	29.8	42 (56.8%)	4.40	N.A.
	1965	34.1	6.7	27.4	32 (43.2%)	3.00	N.A.
	1966	33.3	6.4	26.9	31 (41.9%)	2.60	N.A.
	1967	32.5 (77.9%)	6.3 (49.6%)	26.2 (90.7%)	30.2 (40.8%)	2.48	N.A.
INDIANS & PAKISTANIS	1950	44.9 (100%)	13.6 (100%)	31.3 (100%)	114 (100%)	N.A.	N.A.
	1955	43.9	9.5	34.4	78 (68.4%)	8.60	N.A.
	1960	43.4	8.7	34.7	65 (57.0%)	6.70	N.A.
	1965	37.8	8.4	29.3	53 (46.5%)	5.30	N.A.
	1966	36.5	8.2	28.3	51 (44.7%)	5.10	N.A.
	1967	35.3 (78.6%)	8.2 (60.3%)	27.0 (86.3%)	51.5 (45.2%)	5.28	N.A.
OTHERS	1950	30.1 (100%)	13.6 (100%)	16.5 (100%)	67 (100%)	N.A.	N.A.
	1955	31.0	7.4	23.6	47 (70.1%)	5.00	N.A.
	1960	30.3	4.8	25.4	37 (55.2%)	2.80	N.A.
	1965	19.4	3.6	15.8	30 (44.8%)	2.70	N.A.
	1966	16.6	3.1	13.5	32 (47.8%)	2.10	N.A.
	1967	15.3 (50.8%)	3.0 (22.1%)	12.3 (74.5%)	28.5 (42.5%)	1.62	N.A.

++Toddler mortality as percentage of total deaths.

Source: Planning and Research Division, Ministry of Health. National Family Planning Board, Malaysia, Proceedings of the Second Annual Family Planning Seminar on General Consequences of Population Growth 16-17 March 1970. Kuala Lumpur, 1970.

dying out, retreated centuries ago to the remote swamps and mountains, conceding the more accessible regions to later-comers. The Malays, most of whom came originally from Indonesia, especially Sumatra, beginning well over 1,000 years ago, settled at the mouths and in valleys of the often flooded jungle rivers and there built up *rajadoms* (during the period of Hindu influence) or

sultanates (after the advent of Islam). Amphibious and ambivalent, these small *kampong* kingdoms devoted themselves to farming and fishing, trade and commerce, banditry and piracy. Meanwhile other Asians frequently visited Malaya, which was both the bridge and the barrier between India and China, Siam, and Java. They came as pilgrims, warriors, traders, fugitives, and adventurers. The

ubiquitous Chinese established trading enclaves in the towns, of which the greatest by far was Malacca.

Then came the Portuguese to seize Malacca in 1511 and to make of it a major regional stronghold of Western commerce, religion, and arms. The Dutch later dislodged the Portuguese, and the British the Dutch. Everywhere the Chinese alternately led or trailed the Europeans in the vigorous pursuit of profit. Originally it was to be found in the bazaars but eventually in the jungles of the interior, which proved to be exploitable, first for tin, later for rubber. Europeans, Chinese, and Malays found that their special interests sometimes converged but as often collided. In the subsequent carving out of spheres and division of spoils, they established a pattern which long persisted. The Malays clung tenaciously to the seacoast and the river banks. There they maintained their traditional manner of living. Their small weak kingdoms, which stretched theoretically into the far interior, were in part enervated by British suppression of banditry and piracy, in part gilded and romanticized by British subsidy to their rajas and sultans as reigning but not really ruling monarchs and patronage of minor royalty as trained and respected civil servants. Before, during, and after the days of Portuguese ascendancy, the Chinese handled much of the trade. Later they opened tin mines, developed rubber estates, became craftsmen, merchants, industrialists, and financiers. The British were the colonial officials and the mentors and rivals to the Chinese as the big businessmen. To work the mines, to plant and tap the rubber, to perform the other onerous labor which the small Malay population was unable or indisposed to undertake, the British permitted the immigration of many thousands of indentured Chinese. When they needed still more laborers, especially in the early 1900s, they recruited Indians, Pakistanis, and Ceylonese. Many of the immigrants—especially the Chinese—decided to remain in Malaya and to make it their home. As years went by female migrants followed the males and stable families were established. Normally, within a generation or two, the Chinese rose from laborer to entrepreneur and turned bourgeois.

In West Malaysia today, in consequence, the urban areas are predominantly Chinese in population and enterprise, the rural areas are predominantly Malay. The Chinese-dominated west

coast is thickly populated and highly developed, the Malay-dominated east coast is sparsely populated by comparison and seriously retarded. The urban-rural, Chinese-Malay, innovational-traditional dichotomy is so marked that it seems at times as though there are in fact two quite distinct Malaysias, jointly administered and much interrelated, but with nothing approximating an assimilated population or an integrated economic, social, cultural system.

Today well over 90 percent of the Chinese population live in the eight west coast states; here live also 70 per cent of the Malays, but the Malays on the fringes and the Chinese at the main centers. Only 10 per cent of the Chinese, thus, live in the three big east coast states in which live 30 per cent of the Malays, who outnumber them about 20 to 1 along most of the seacoast. The major cities—Kuala Lumpur, Penang, and Ipoh—are about 60-75 per cent Chinese in population, and the Malay community is outnumbered by the Indian. In most other cities and town the Chinese are so numerous and conspicuous that even if they are not a majority, they seem to be so. In the three big east coast states, however, the Chinese population is only about 5 per cent of the whole in Kalantan, 30 per cent in Pabang, and 6 per cent in Trengganu. These states, which constitute about 50 per cent of the nation's land area, account for only about 15 per cent of its total population and much less than a commensurate part of its wealth. Approximately 75 per cent of the Chinese live in cities, towns, and villages of 1,000 population or over, as compared with about 20 per cent of the Malays. The Chinese concentration in the more heavily populated areas was intensified during the nation-wide "Communist Emergency" of the 1950s, when the rural Chinese were removed and resettled into barbed wire encircled, heavily patrolled "new villages" which have since become flourishing towns in which the once reluctant population now prefers to remain.

The Malays themselves are readily distinguishable on the basis of class, domicile, and antecedents. Their elite group numbers no more than 5 per cent at most of the Malay total population. The more conspicuous elite includes the members of the dozen or so quite wealthy royal families and many of their numerous and still pensioned and titled progeny generations removed

from the palace. It includes also a more vigorous and independent demifeudal element who trained for the civil service and branched out later into politics and occasionally into business. And it includes the new generation of modern educated young men and women entering government service, the professions, and to a limited extent commerce. A parallel but quite distinct subelite—no more than one per cent—is that of the Muslim religious community. They are the village elders who have mastered the Koran, made the pilgrimage to Mecca, and achieved local status as *ulama*. These two elites—the one liberal Western-oriented, the older generation Anglophile; the other Mecca-oriented and often strongly Sinophobe—are not always friendly rivals. Their influence upon the community can be most divisive, as shows in the political polarization within the presumably United Malay National Organization which dominates the government.

The mass of the Malay community, mostly farmers and fishermen, divides into east and west coast Malays of nearer or remoter ties to Indonesia. The east coast Malays are the more traditional, the least developed, and furthest from Indonesia. They are closer to the not very happy Malay majority of Thailand's southern provinces, co-heirs with these Thai Muslims to the vanished and never very glittering glories of the ancient kingdom of Pattani, rival to Malacca. The west coast Malays, many of whom derive from east coast migrants, more of whom derive directly from Sumatra, Java, Kalimantan (Borneo), or Sulawesi (Celebes), are the more vigorous, advanced, and prosperous. Whether the differences are attributable to environment, or to Chinese competition, or to genetic reinvigoration, or all, or none, the east-west differences are both real and serious. It is from the west coast that most of Malaysia's contemporary Malay national leaders come, mainly from the states of Kedah, Johore, and Selangor. Kedah, curiously enough, has been traditionally under the influence of Thailand and the east coast, Selangor under the influence earlier on of the Bugis pirates from Sulawesi and later that of the culturally and commercially aggressive Minangkabau of Sumatra, Johore under the influence always of the Javanese.

The subject of Indonesian infusion and influence is one to which available statistics supply no wholly satisfactory evidence. Significant

Indonesian migration into Malaya began over a millennium ago and continued up until World War II, serving to counterbalance the numbers of the Chinese. According to 1947 census figures, the last which throw light on the subject, it seems that 43.2 per cent of the Malay population of the State of Selangor was born outside of Malaya, as was 31.4 per cent of the population of Johore, and 16.2 per cent of the population of Perak—these three states having been the major points of recent Indonesian immigration. Since World War II, immigration from Indonesia has been of no statistical consequence and the assimilation of earlier migrants seems to have been nearly complete. There has been occasional speculation, however, that Malaysia might open itself to a new influx of Indonesians, partly to improve the racial balance vis-à-vis the Chinese, partly to gain skilled manpower. Immigration now seems improbable, but recruitment of experts—a few score of teachers of mathematics, for instance—has already begun.

The Malaysian Chinese originate mainly from South China and classify basically as Hokkien, Cantonese, Hakka, Tiechiu, Hainanese, Kwongsai, and Hokchiu, named in order of numerical strength which in 1947 ranged from 827,411 for the Hokkien to 48,094 for the Hokchiu. These Chinese "tribes" have maintained their distinct identity until quite recent years, their sense of differentness being reinforced by linguistic barriers and the building of oftentimes exclusive guilds, schools, secret societies, temples, and other centers of community life. Important as the tribal differences have been, the more important factors have been length of residence in Malaya and progress up the economic and educational ladder.

The early Chinese of Malacca and Penang founded many of the clans and families which are most prosperous and prominent today. These and others like them—once known to themselves as "the Queen's Chinese"—have often become Anglicized to the point that in language, religion, and manner of living, working, and thinking, they are almost as far removed as are the Europeans from the mainstream of traditional Chinese life. Among the more recent immigrants, the pattern, generation by generation, has been to acquire more and more property, and to move into the modern sphere, meaning the English language schools and the world of semi-Westernized commerce and

society. The day laborer, the farmer, the small shopkeeper, the craftsmen and their families remain close to the Chinese ghetto. Even the ghetto, however, is distinctively an Overseas Chinese world with closer similarities to Chinese communities elsewhere in Southeast Asia than to those of the China homeland. In recent decades this Overseas Chinese world of Malaysia has been torn by conflict over communism, communalism (racism), nationalism, Afro-Asianism, and other ideological values while seeking some clear concept of its own local role and rights in a region which regards any Chinese as alien interlopers and exploiters.

The Indian, Pakistani, and Ceylonese communities are normally combined for statistical purposes but actually they include one major and half a dozen minor elements. The Tamils constitute an 80 per cent majority (including some 80 per cent of the 22,762 Ceylonese), and then come Malayali, Telugu, Punjabi, Sikh, and assorted other small minorities. This "Indian" community traces itself to two waves of migration. The earlier, minor, but long-continued movement was that of soldiers, guards, policemen, domestic servants, clerks, craftsmen, and traders from northern India, including what is now Pakistan. Some of these northerners remained, no few of them prospered, and their descendants are the better educated, the better off, the more prominent members of the contemporary Indian community. The second wave, mainly Tamils from the south, were brought in during the first several decades of the twentieth century as contract labor for the rubber plantations. The greater number eventually returned to India. Others stayed—60 per cent of them still on the rubber estates, the remainder mainly urban day laborers. The Indians normally entered Malaysia originally by way of Penang, the port nearest to India. Well over 50 per cent of the 707,000 total (1957) have settled into the states of Penang, Selangor, and Perak. The Tamil laborers constitute the most disadvantaged element in the national population. Most of them qualify on the basis of years of residence for Malaysian citizenship and all its benefits, but many of them are too ignorant or too indifferent to assert their claims.

The racial communities in Malaysia have scarcely even begun to mix and blend in a manner likely to produce a new citizen who will be neither

Malay, Chinese, Indian, but rather Malaysian. There has been remarkably little intermarriage. The early Chinese pioneers might have been expected to take local wives or mistresses, since Chinese women did not begin to migrate to Malaysia in any considerable numbers until quite late; in fact, however, it was a small minority of the Chinese who did so—generally those who remained permanently in Malaya and founded families, in which the children were treated as ethnic Chinese. The ratio of Chinese females remained badly out of balance (142:100 in 1931) until female immigration was encouraged in the 1930s and male immigration prohibited. Since then the ratio has come close to correcting itself—106:100 in 1967. Intermarriage has always been frowned upon by the Malays themselves, their Muslim religious tradition prohibiting marriage with the infidel. Up until modern times the incidence of Malay-Indian or even Malay-Pakistani marriages has been even less significant than that of Malay-Chinese. The mixed marriages of greatest statistical and social consequence have been those between Europeans and Asians. The Eurasian population today numbers about 20,000 (1947), among them prominent families dating back to the Portuguese and the Dutch periods.

Among the other minorities, the most important are the 20,000 or so Siamese. These Thais—the majority of whom are Thai Muslims (ethnic Malays)—are to be found mainly in the Malaysia-Thailand border region, beyond which lie Thailand's five southern-most provinces, predominantly Thai Muslim in population. The Thai Muslims are bound by historic, cultural, religious, and family ties to the Malays of Kelantan and Trengganu, and serious tensions sometimes arise over moves for closer political relationship. In the Thai-Malayan border area, furthermore, there is seasonal movement of a few thousand laborers seeking temporary employment, particularly during the rice harvest. There is also a continuing movement of smugglers, bandits, and Communist jungle guerrillas. Minor crises keep recurring over outbursts of violence and attempts at its suppression.

In Malaysia the Malay-Chinese, urban-rural, east coast-west coast dichotomy becomes dramatically clear to anyone who comes to a sharp focus successively upon some small area within each of the two main regions. The first of these regions is a

fifty-mile wide, intensively developed, thickly populated, phenomenally prosperous coastal strip which runs all the way from Singapore to the Thai border. The second is all that lies between that strip and the South China Sea—primitive mountain jungle and the poor but picturesque east coast.

Seventy-five per cent of the nation's population lives in or very close to the west coastal strip. Here are all but a few of Malaysia's important towns or cities. The trunk lines of the railway and the highway and a network of good local roads make for excellent communications. The electric lines, the telephone lines, and sometimes for many miles the water pipes follow the roadways. Most of the land has been cleared and planted almost solidly in rubber or other crops; much of the rest has been mined for tin or converted into urban and extra-urban development. This is Malaysia's long, narrow, vital core-land—and everywhere at the center of things are the Chinese and on the edges the Malays. The Chinese seem irresistibly attracted and the Malays, until quite recently, repelled by the lights, the noise, the stir, and the boom.

The rest of West Malaysia is hinterland. But new development projects mean that jungles are being cleared, hills and swamps levelled or filled, rubber or oil palm planted, and settlers moved in. Today, Malaysia's 500-mile-long west coast miracle strip is rapidly stretching itself into the hinterland, and the changes are becoming especially visible on the east coast. The east coast already produces some rubber, mines some iron, cuts some timber, and provides much of the nation's rice. It does not yet account for anything like its proportionate share of the nation's productivity.

In Malaysia the vital products are rice and rubber—rice, the staple food, being the major preoccupation of the Malays, rubber, a major cash income earner, being the major agricultural interest of the nation. Malaysia has long been able rather easily to keep up with the demand of the Malay community but not that of the urban population. Malaysia's rice lands are very restricted in area, being confined mainly to Perlis, Kedah, and Penang on the west coast and Kelantan and Trengganu on the east; they are not particularly fertile; and production is as yet far more dependent upon natural flooding than upon irrigation. But Malays

are industrious and skillful farmers and the government has undertaken large scale projects of irrigation and reclamation. Furthermore, the introduction of new strains, chemical fertilizers, pesticides, and modern equipment are contributing to crop increases. Malaysia aims at self-sufficiency in rice within a few year's time, but it still imports approximately one-third of its supply, at a cost in 1968 of M\$150,000,000—just about offsetting what it earns from palm oil and kernels, its fifth most important export after rubber, tin, timber, and iron ore.

It is debatable whether rice is a desirable crop for extra emphasis. Production is so seriously handicapped by natural factors of soil and terrain that imports are probably cheaper than local costs of production. In any event the nation both needs and seeks greater diversification of agricultural production and increased involvement of Malays in other industries. Greater numbers of the younger generation should be encouraged to leave the rice fields, from which, in any event, they are being crowded out, and to mix and compete with the Chinese elsewhere. Unemployment and underemployment among Malay rural youth have already reached almost crisis proportions.

The total national labor force is estimated to be 2,700,000, out of the four million persons in the 15-65 age brackets. Half of this total is engaged in agriculture, and half of that half—some 650,000 farmers, almost all of them Malay—in rice production. Of the total national labor force, including the agricultural, 7 per cent is officially registered as unemployed. This probably signifies that at least another 7 per cent is also either unemployed or seriously underemployed. The shortage of jobs affects not only Malays but also large numbers of urban Chinese and Indians, especially the medium-well educated youths, who cannot get the white collar jobs they prefer and are not eyed with favor by the employers of manual labor. The government aims to create 460,000 new jobs, both urban and rural, within the present planning period. This is one of the goals which looks unattainable. At mid-period, for instance, the records showed that of a projected total of 36,000 new jobs in industry, only 11,000 had actually yet been created, and for every new job there were many new candidates.



The other half of the agricultural labor force is engaged mainly in the production of rubber, which, it should be noted, is sometimes combined with rice farming or other employment. On the big estates, which account for about 55 per cent of production but employ a smaller percentage of the total rubber workers, the labor force is about 50 per cent Indian, 30 per cent Chinese, and 20 per cent Malay. On the small holdings—properties of less than 100 acres which account for about 45 per cent of production—the laborers are miscellaneous Malay, Chinese, and Indian. The great majority of the smallest plantings are owner-operated by Chinese and Malay families. Rubber everywhere offers steady employment, but wages and benefits fluctuate with rising and falling prices.

The other half of the total national labor force is distributed approximately as follows: 17 per cent in services, 11 per cent in trade, 8.5 per cent in manufacturing, 8 per cent in construction, utilities, and transportation, 3 per cent in mining and quarrying. In these categories the labor force is mainly Chinese.

The unemployment problem, overlying, as it does, the race problem, has created certain incidental dilemmas. The government has imposed rigorous limitations upon overtime work and upon trade union prerogatives—such as the right to dispute discharges—and it has created a Youth Development Corps to provide military and vocational training. All such actions lead to suspicion of a growing authoritarianism with racialist overtones. The government has also taken steps to require all non-Malaysians employed in Malaysia to apply for work permits, which are not easy to get or of long validity. The work ruling raises questions of discrimination against tens of thousands of Indian rubber tappers, who have never before realized the importance of acquiring citizenship, and also against tens of thousands of Chinese, many of whom are actually Singaporeans. Singapore has retaliated by requiring Malaysians employed in Singapore also to acquire work permits, and there has already been semi-involuntary exchange of thousands of workers across the causeway. There are perhaps 50,000 Singaporeans still employed in Malaysia and 50,000 Malaysians in Singapore, so this movement of population may still continue. The movement is minor, however, in comparison with what many people fear and some

anticipate: a large-scale exodus of Malaysian Chinese seeking asylum in Singapore from real, fancied, or threatened discrimination.

### Population and the Economy

West Malaysia is an example of resourceful human beings making the most of an apparently resourceless country, one which long seemed positively repellent to development, so formidable were the swamps, jungles, mountains, insects, crocodiles, and tigers, so sparse was the original population and so meagre its skills. People were aware, to be sure, from very early times that the peninsula held rich deposits of tin. But wealth from tin did not amount to much until tough Chinese prospectors combatted the jungles, the Malays, and each other in the mid-1800s and the British imperially imposed peaceful and systematic administration. Even at that, progress and prosperity did not become really spectacular in Malaya until the early twentieth century, when vast tracts of jungle land were cleared and planted in rubber. Tin and rubber financed the roads, the railroads, the cities, the modern facilities of every description which made the 50-mile-wide coastal strip along the Straits of Malacca the most efficiently developed piece of real estate in Southeast Asia, a testimonial to reasonably enlightened colonialism.

After 1945 the British enlisted Malay and Chinese cooperation in swiftly rehabilitating the country while at the same time combatting Chinese Communist guerrillas. Before and after achieving independence in 1957, the nation has replaced most of its old rubber trees with new, high-yield stocks, it has improved rubber technology, it has undertaken with considerable success to modernize and diversify its agriculture and to build new industries. West Malaysia, in short, has successfully carried out three successive and increasingly ambitious Five Year Plans and is now embarking upon the fourth. By prudent outlay of MS4,839 million in public funds between 1966 and 1970, plus an anticipated MS5 billion or more in private investment, the government aims to maintain or improve its recent 6.7 per cent annual economic growth rate (1966-1968) and to expand social services which are already excellent by regional standards. The per capita income has grown from MS820 in 1960 to MS986 in 1968—an achievement unfortunately flawed by the fact that increase in retail

prices has just about matched increase in real income, the rate for each being about 1 per cent per year. In terms of new houses, schools, hospitals, mosques, roads, bridges, ports, airports, power plants, telephones, refrigerators, motor scooters, and automobiles the increase was more dramatic.

Tin, rubber, and most recently timber—these and a well organized people have brought prosperity almost unexampled in the region to a land where the soil is poor, the terrain is tortured, and all depends upon human muscle, brains, and discipline. Yet in applauding the human triumph which West Malaysia represents, one runs the risk of exacerbating the human problems which threaten at times to undermine that very triumph. They relate to the different capacities and contributions of the Europeans, the Chinese, the Indians, and the Malays. Modern Malaysia, to put it bluntly, is not the handiwork of the Malays. At the same time it could not have been created if the indigenous population had been less tolerant of outsiders, less receptive and responsive to outside influences, or more jealous of alien privilege and prosperity. But the Malays themselves have not until very recently ventured into commerce or industry except on a most modest and generally insecure scale. The 50 per cent Malay element controls much less than half of the national wealth. The only really well-to-do or wealthy Malays are the members of the pensioned and propertied royal families, the new generation of officials, and the politically potent new entrepreneurs. Yet the Malay-dominated regime administers development programs which still bring greater material benefits to other elements of the population than to the Malays themselves.

The Malays, who are heirs to a British tradition of honest and efficient administration and rely upon the Chinese and the Indians for much of the know-how, themselves exhibit a flair for national development, or at the very least a flair for engaging others in the developmental process. They operate on the basis of rational planning which allows for a blending of socialist and capitalist methods and motives without imposition of the doctrinaire rigidity that has frequently crippled planning and development elsewhere. But the nation's commercial, technical, managerial, executive, and professional element is mainly Chinese,

although deliberate effort is now being made to encourage and to train Malays.

Malaysia's programs with regard to rubber and timber are particularly significant, rubber being still the mainstay of the economy although seriously threatened by synthetics, timber being a new bonanza which may provide the necessary insurance against a rubber market disaster. Malaysia has carried out a gigantic program of subsidized and on the whole carefully supervised replanting of rubber. The program has now resulted in replacement of superannuated trees with new high-yield stock and great increase in production. Exports more than doubled in volume during the decades of the 1960s. Such was the decline in world prices, however, that total annual value remained almost constant. The greatest significance of the program extends well beyond the statistics on tons and dollars. As a major exercise in planned national development, this was far from being flawless—natural rubber is perhaps a poor long-term gamble against synthetics and administrative anomalies were not lacking. The rubber project was, however, a concerted nation-wide effort which reached into all levels of the economy and the society, from the 10,000 acre foreign-owned estates to the quarter-acre Malay small holding. It brought emphasis upon modern techniques of planting, tending, processing, and marketing, and reinvestment of profits in social as well as economic ventures.

Timber introduces even more complicated problems and judgments. The theory and to a reassuring extent the practice is that the government can very profitably license a contractor to cut the timber. It sometimes requires him to develop the newly cleared land by installing drainage, building roads, planting rubber or oil palm, and putting up clusters of simple houses. Onto the new land are moved colonies of settlers to become the owner-operators of ten-acre plots sufficient to yield an annual income of M\$300-350 per month, out of which will be paid back a major part of the development costs. To date some 16,000 families have been successfully resettled, and projects are under way for resettlement of at least as many more. There are flaws here too. There has been corruption, for instance, in the granting of timber licenses and development contracts, and the new settlers are not always selected or treated strictly on the basis of merit. Nevertheless, this looks like by far the

most promising scheme of all of Southeast Asia for creating new opportunity by opening new land.

### Population and Development

Malaysia presents the compelling spectacle of two races with quite sharply divergent attitudes toward change progressing on the whole harmoniously together, although at different rates of speed and in different directions. The Malaysian Chinese whose ancestors, of course, deliberately sought change in leaving their homeland, seem instinctively to anticipate and to accept a new trend, especially if it implies financial profit. They are neither celestial nor Communist but rather Overseas Chinese who have already made major adaptations to a new environment and know they can make still more. They look beyond the framework of family, guild, temple, and school, if only because they have relatives in Singapore, Djakarta, Bangkok, not to mention Canton, and thus often both direct and indirect contact with the big, troubled, rapidly moving outside world. Even ghetto Chinese are alert and agile and the 25 per cent or more who have already ventured far outside the ghetto have an outlook toward change, progress, and development which is at least as modern—for the worse as well as for the better—as that which prevails in the Western world.

It is only a small minority of the Malays—no more than 10 per cent at most—who welcome or accept with any tranquillity any deviation from the world of the *kampung*, the mosque, or even the "Malay Reservations," the extensive enclaves which have been almost exclusively the domain of the Malays since the British sought by granting them protected territory to shield them from the shock of the twentieth century. Even for the 10 per cent minority change signifies not, as it does for the highly competitive, risk-taking Chinese, vigorous involvement in a world in which one rises or falls on the basis of skill and luck and wins prizes of which the cash value is clearly known. It implies more the assertion of prestige and prerogative. Without really neglecting the acquisition of new qualifications and new possessions, Malays are motivated mainly by the idea of participating in a newly evolving order in which status is as clearly defined and as directly rewarded as it was in the feudal and colonial past. The elite Malay's concept of development and of his own role in it is that of

a dignified, orderly process, to be presided over by himself and his peers as they progress like British colonial officials, from envied and well-salaried posts to early and well-pensioned retirement. The leisure, the calm, and at best the urbane proficiency of Malays may or may not mesh with the bustle, the hustle, and at best the surpassing efficiency of the Chinese, for the one can deteriorate into somnolence, the other into sheer freneticism. But it is on the basis of these two half-conflicting, half-complementary qualities that the composite Malaysian nation is developing swiftly and successfully but also unequally and inequitably. To date, the Chinese have enjoyed the greater economic benefits, while the Malays have arrogated to themselves the greater political privilege. Both are becoming worried about just what national development can, does, or should imply.

The cleavages within the Malay community are between the mobile 10 per cent and the 90 per cent who are still satisfied with the rice field, the fishing boat, the Friday prayers in the mosque, and the occasional court ceremonials, plus those improvements being almost gratuitously conferred by the government in the way of schools, clinics, mosques, roads, electricity, water, etc. Modern Malays, particularly when they move to Kuala Lumpur, as is the inevitable trend, tend to lose contact with the rice roots. And within this group itself there are cleavages: the old-timers in positions of power who may have become fossilized or at any rate popularly regarded as antiques; the jealous rivals of the old-timers, who not infrequently argue that they themselves can confer more benefits upon devout Malay Muslims and exert greater control over crafty, usurious, infidel Chinese; and finally the newer, younger, leaner, hungrier types who speak not just of change but sometimes of revolution. But as yet, 90 per cent of the Malays are mainly passive participants in the briskly bubbling new world which their children may soon bring to a boil.

The cleavages within the Chinese community are even more complex. First there are the cliques of the old and the new *towkays*—men of great and often sudden wealth who exploited realistically and often ruthlessly the power which wealth brings. The old-style *towkays*, most of whom have died off, often began life as illiterate coolies but ended up as multimillionaires, much given to

mansions, marriages, and minions, and also, perhaps simultaneously, both to secret society gangsterism and showy philanthropy. The new-style *towkays* are more sophisticated and subtle and have shrewdly associated themselves with the ruling clique of Malays. This modified *towkay* set persists, conservative if not reactionary, variously emulated and excoriated by the younger generation of Chinese and hated by the Malays, some of whose own spendthrift royal princelings dismay the Chinese.

Otherwise the Chinese community divides up largely on the basis of education in the English or the Chinese language schools and hence Western or Eastern orientation. It splits also on the generally parallel basis of laborers and shopkeepers vs. the bigger-scale entrepreneurs and professionals, and also of course on the basis of age. The younger generation is more worried than the older ever was, even in the time of conflict over colonialism, communism, and emerging nationalism, over the contemporary dilemmas of role, identity, and ideology. This concern is especially bewildering to an advanced and mistrusted alien minority in a relatively retarded Southeast Asian society.

The fundamental Chinese-Malay dichotomy, which related to the urban-rural, the technological-traditional, the materialist-cultural, the changeability-stability syndromes, is readily observable in the nation's microcosm, the capital city of Kuala Lumpur. Twenty-five years ago Kuala Lumpur was a quaint city of 100,000 inhabitants. Its rambling official bungalows and pseudo-Moorish administrative buildings were set in a beautifully gardened British colonial enclave. In spacious, shaded, quiet residential areas lived the well-to-do to wealthy British and Chinese businessmen. Street after street of Chinese "shop houses" (store below, living quarters above, arcaded sidewalk in front) constituted the real Chinese city. The rather incidental Malay quarters included both the imposing town palaces of royalty and the *kampongs*, which were in fact Malay reservations, with small neat frame houses set in gardens of fruit trees and flowers. Kuala Lumpur has since exploded into a city of 500,000 with high-rise buildings, highway overpasses, luxury and low-cost housing developments, industrial estates, a national university, a national mosque, a House of Parliament, and other huge new government buildings. It has all the problems

of a modern metropolis, including squatters, gangsters, traffic jams, and eyesores and earsores of every description. Nevertheless, Kuala Lumpur remains exceptionally well administered, orderly, clean, and prosperous. But it is anything but a Malay city. The inconspicuous Malay minority is to be found either in the *kampongs*, as before—save that now they are bigger—or else in government, occupying the fine new administration buildings, living in new suburban homes purchased on government-subsidized easy payment plan.

The growth of the other cities of Malaysia has been comparable to that of Kuala Lumpur, and none of them is Malay. These cities are magnets to youth, more and more Malay as well as Chinese, but unless Malays come first to get a higher education, these youths are still seldom equipped to cope. Nevertheless, with jobs in short supply, Chinese youths often feel themselves discriminated against by employers who seem sometimes, in the effort to repair the imbalances of the past, to put Malay race at the top of the list of job qualifications. For all the remarkable success of the Malaysian economic and social development programs, the government has not been able to create either opportunity or equalized opportunity commensurate with the size and demands of the new generation. The rancorous question often arises whether opportunities do not exist for one racial element because they are monopolized by another.

### Population and Society

West Malaysia has three distinct societies. First is the traditional, conservative, introverted Malay society centered on the *kampung*, the mosque, and the court. Second is that of the ghetto Chinese, both urban and rural, which is South China transported to the tropics but far better ordered, more mobile, more given to innovation than traditional China ever was. Third is the much Westernized interracial modern world of the English language educated. Within and among these societies exist many groupings, some insulated, some transitional. There are certain ignorant, impoverished, isolated Indian enclaves of urban and plantation laborers. Medieval Muslim religious communities still cluster about Koranic schools. Aborigine settlements persist in the swamps or mountains. Small bands of Chinese Communist jungle guerrillas live on the Thai border. Malay east

coast and west coast communities are further subdivided into those which are oriented toward Kedah or Johore, Kota Bharu or Pekan. There are many others, but the first three—the *kampong* Malay, ghetto Chinese, and mixed-modern have long been and still remain the key distinctions.

The national ideal, vaguely envisioned and slow to evolve, has been the merging and blending not of racial groupings but of outlooks in the evolution of a harmoniously composite new society distinctly Malaysian in orientation. The social differences are still formidable, however, and the danger of violent conflict is perennial. The official emphasis to date, therefore, has been less upon the development of a formula for assimilation, or even upon definition and elimination of immediate areas of friction, but rather upon pragmatic programs of development. It has been the hopeful assumption that if only conflagration can somehow be avoided and prosperity guaranteed, then the racial problems which look irreconcilable today will transform themselves into different and more manageable problems tomorrow.

There is impressive evidence that the new generation of all the races is moving out of the respective racial matrices into the modern multi-racial society. The great difficulty is that Malays must somehow be pulled or pushed much more rapidly forward and the Chinese must somehow be slowed down if the gap between the two is ever to close. The Malay-dominated government holds that equalization can best be achieved by recognition of special Malay indigenous rights. As now interpreted in the national constitution and in administrative practice, these include the acceptance of Malay as the national language, and the assignment of certain priorities to Malays in education, government service, and economic enterprise. Increasing emphasis upon the Malay language, however, means a corresponding de-emphasis not only of Chinese but of English. It may thus mean a tendency toward educational and cultural parochialism rather than the cosmopolitanism which has seemed the bright promise of Malaysia's future. It signifies also certain disabilities imposed upon Chinese students, no matter what may be their proficiency in Malay. But these disabilities are in no measure comparable, according to the Malays, with those imposed upon Malay students by reason of the long term inadequacies of the Malay

language educational system. Special job quotas for the Malays in government service signify also discrimination, although, say the Malays, nothing like the discrimination already practiced in Chinese-dominated business enterprise. Priority for Malays in the award, for instance, of timber concessions serves from various points of view to develop Malay entrepreneurship or merely to afford opportunity for unscrupulous Chinese sub-contractors to practice corruption and reap profit.

Strong pressures thus exist and may yet grow stronger for imposition of a distinctive and traditionalistic Malay orientation and consequently may retard rather than accelerate the rate of modern development, which, in Malaysia, must benefit all or none of the races. The emerging new Malaysia nevertheless holds promise of being a truly open society. In the Malay sector, the road upward has been accessible in the past mainly to the sons of aristocratic families. (Women, at whatever level of the society, have been relegated far to the background.) The Malay elite class is now being rapidly expanded by deliberate recruitment of ordinary Malay youth out of the primary schools, where Malay education normally used to stop, into the secondary schools and on into the universities. Malay language secondary schools, which enrolled only 20,000 students as recently as 1963, now enroll 130,000 (1968). The MARA Institute, which began about a decade ago by training a few office workers and skilled craftsmen, is now being swiftly expanded into the MARA Instituté of Technology, enrolling 2,500 Malay students, male and female, and is beginning to confer degrees in science. This new project was deliberately calculated in conjunction with other aspects of the education program to enable Malays to supply a proper proportion of the specialized manpower of a developing nation ten to 20 years from now.

Among the Chinese, upward mobility has been the pattern ever since the toughest and luckiest of the coolie pioneers found that they could parlay an indenture into a grubstake, a grubstake into a mine, and no pedigree into a fine family. The Chinese built and operated their own Chinese language schools, packed the missionary or government operated English language schools, and always operated on the basis that brains and energy counted for at least as much as family, financial, or political pull. It is only in the Tamil community

that upward mobility has not been a pattern of the past or yet of the present, in large part because the practice even in more recent times has been for the more prosperous and energetic of the group to return home to India rather than to remain in Malaysia.

For all the cultural and economic differences, Malaysian society is already very well organized in the sense that the central government really does reach down from Kuala Lumpur into the remotest hamlet to perform not just the routine chores of administration but to implement well-coordinated development projects. The machinery of government and the reputation of government are remarkably good. To be sure, between the central and the state administrations—particularly with regard to the east coast states—there is serious rivalry and friction, and at the local level the quality of personnel often leaves much to be desired. But by Southeast Asian standards the Malaysian administration is honest, competent, dedicated, and responsive to the public mood. It is a sign of social health that the people themselves, Malay, Chinese, Indian, and others alike, regard the government official not as a lofty and distant dignitary but as a familiar public servant—and that normally he so regards himself.

Malaysian government efficiency is conspicuously exemplified in its provision of social services. For the last ten years the nation has been moving steadily toward universal primary school education in Malay, Chinese, Tamil, or English. It now enrolls a total of 1,338,454 pupils at primary level (1968), or approximately 91.4 per cent of all those in the 6-11 age group. At the secondary level the Chinese medium now enrolls 18,557, the Malay medium 131,881. The English medium—by far the most popular with all communities, but scheduled to be converted gradually to Malay language medium by 1982—enrolls 333,061. Various vocational schools, including teacher training colleges, enroll a few thousand more. The University of Malaya and the MARA Institute of Technology had student bodies of 4,560 and 2,500 respectively in 1968. Curriculum is prescribed by the central government and progress upward is based upon uniform examinations, but there are noteworthy differences in standards. Malay medium schools have not for the most part attained the level of the Chinese or the English, nor are government schools

usually as good as the state-subsidized private schools, nor rural as good as urban, nor those of the east coast on a par with those of the west.

The government outlay on education now comes to M\$433,700,000 per year (1969), plus large additional funds out of the development budget—M\$391 million over the 1966-1970 period. This means almost 25 per cent of the ordinary and 8 per cent of the development budget. School enrollment seems certain to rise at all levels and educational expenses to mount. The current rate of M\$225 per year for each of the 1,800,000 students is already a major drain upon an economy which yields M\$986 per capita income. Every "prevented birth" can thus save the government at least M\$225 per year in educational outlay alone and release that amount for other developmental programs.

West Malaysia's nation-wide public health service, as supplemented by private hospitals and private practice, is the best in Southeast Asia outside of Singapore. Some of the statistics are quite dramatic: decline in death rate from 12.4 in 1957 to 7.5 in 1967; decline in infant mortality rate from 76.0 in 1957 to 48.0 in 1966; decline in maternal mortality rate from 3.2 in 1957 to 1.79 in 1966. The government has conducted major programs which have resulted in eradication of yaws, sharp reduction in the incidence of tuberculosis, and great progress in elimination of filariasis, malaria, leprosy, and various other diseases.

The government itself operates 60 hospitals with a total of 16,695 beds, 338 dispensaries, 39 traveling dispensaries, 39 main health centers in rural areas, 139 subcenters, 703 midwives clinics, and 450 dental clinics. In 1968 it reported 491,653 hospital admissions; 5,915,757 outpatient treatments; 1,425,443 dental clinic attendances; 7,554,085 health center attendances; 1,819,650 home visits by health staff, and 71,658 home deliveries. The rural health services alone provide for the medical and dental care of some 3,500,000 persons—about 60 per cent of the total rural population—and are rapidly being expanded. In government service today there are 2,120 trained nurses, 2,348 assistant nurses, and 2,807 midwives. The national total of medical doctors is approximately 1,600. In order to maintain and increase the supply of medical personnel, the government

has recently built and opened a splendid new Faculty of Medicine in conjunction with the University of Malaya.

In West Malaysia the mass media are on the whole well developed. The press is still dominated, however, by two Western-owned and edited English language newspapers, which, together with ten smaller Chinese-owned English language papers, have a circulation of about 200,000. Twenty-six Chinese language papers have a circulation of 300,000, and eight Malay language dailies and weeklies a circulation of 80,000, the most important of the latter published in romanized, the others in Arabic type. A couple of small Indian language papers have a total circulation of 27,000.

The Government Information Department operates radio and TV which broadcast programs

in English, Chinese, Malay, and Tamil over an excellent nationwide network. The Information Department also conducts extensive programs by means of mobile units, of which it maintains 127 on the roads and 24 on the rivers. In the year 1968, for instance, the units conducted 2,391 civics courses attended by 270,000 people, projected film shows viewed by 6,900,000 persons, held group discussions in which 864,000 persons took part, and staged 49 live entertainments viewed by 78,250 persons. The statistics are less revealing than the mere fact that the government does have a long established, well-developed project of supplementing the press, radio, and TV by carrying information direct to the people and targeting it specifically toward the remoter rural areas such as can be reached only over jungle trails or by river boat.

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## OFFICE MEMORANDUM

TO: Dr. K. Kanagaratnam

FROM: I. Z. Husain and H. M. Jones

SUBJECT: MALAYSIA - Reconnaissance Mission -  
Back-to-Office Report

DATE: July 29, 1971

Introduction

1. A reconnaissance mission consisting of H. M. Jones and I. Z. Husain visited Malaysia from June 28 to July 1, 1971.
2. The objectives of the mission were to ascertain the enthusiasm and support of the government for assistance from the Bank for its family planning program, to get first-hand information about the program, and to establish a local team to do the preparatory work for the later missions for Bank's possible population project.
3. The mission discussed aspects of the program with the officers of the National Family Planning Board (NFPB), Federation of Family Planning Association (FFPA), Ministries of Health and Education, and the Economic Planning Unit (EPU) of the Prime Minister Department.
4. The mission also met representatives of UNDP, UNESCO, WHO, Ford Foundation and IPPF.

Government Interest

5. The mission visited Malaysia at the invitation of the EPU. The interest of the EPU in family planning was a somewhat transparent effort to seek assistance for the development of health services, particularly in the land resettlement areas such as the Jengka triangle. It became clear that neither the NFPB nor the Ministry of Health were fully aware of EPU's thinking on family planning. In spite of political sensitivities, there is, however, a genuine interest in trying to reduce the birth rate. But the national program is not moving quickly and seems to have reached an impasse in its efforts to extend its services. The mission's visit may be seen as an attempt on the part of the EPU to act as a catalyst. It was not very successful as neither the NFPB nor the Ministry of Health seemed fully aware of mission's visit. But discussing the program with various agencies and giving the EPU a broad overview of its findings, the mission did, in fact, fulfill this role. The mission also suggested to EPU that it should call the NFPB and the Ministry of Health together to discuss a common approach to possible Bank's assistance. This was accepted by EPU, and subsequently endorsed by Dr. Ariffin bin Marzuki, Director, NFPB. To stimulate development, the mission recommends that the Bank writes to EPU summarizing the mission's recommendations, suggesting various approaches and asking for further action.

### Working Team

6. Mr. Sulaiman Abdullah Deputy Secretary, EPU expressed his reservations for setting up a team. He thought that the officers of the National Family Planning Board would help the mission in getting the required data and in arranging the meetings with the officials of different Ministries. Therefore, a counterpart team was not needed. But the mission feels the necessity of setting up a Committee with representatives of the NFPB, the EPU and the Ministries of Health, Information, Education and Rural Development. The committee may be the locus of all discussions with the members of the later missions. The members of this committee should be high level officials to represent the view points and commitments of their respective organizations.

### Population Problem

7. Malaysia with a 10.8 million population has a birth rate of 35 and a death rate of 7.5. The annual rate of growth of population is, therefore, 2.7 percent per annum. The birth rate declined from a high level of around 40 in 1962 to 35 in 1969. The birth rate might increase to 37 or more from 1975 onwards due to the current age composition of the population. The target of the government is to reduce the birth rate to 31 in 1976.

### Program Organization

8. Family Planning Association was established in 1958. The services were first delivered through State Family Planning Associations which, whilst retaining their autonomy, grouped into a federation. The FPPA receives substantial financial support from the Government and plays an integral role in the total program. In 1966, however, the Government took the lead in family planning with the creation of the NFPB, an inter-ministerial organization having statutory power and a certain degree of autonomy. The program is officially confined to West Malaysia. In addition to representation of Government Ministers, the Board includes representatives (in their private capacity) of commerce, labor, education, the social services and professions. The Chairman of the Board is Mr. E. Kir Johari, presently Minister of Commerce and Industry. The Director, Dr. Ariffin bin Marzuki, is a gynecologist, formerly a consultant and associated with the medical school of a university. He has recently been appointed Vice Chancellor of the new National University and proposes to retain his post with the NFPB. Assessed independently of personality, the organizational pattern of the NFPB is not structured to function effectively without the close involvement of the director in routine operations. The director has no one to whom he can delegate authority. With the other pre-occupations of the present director, this problem is compounded. At present the program is run rather mechanically by the six bureau heads who, whilst probably efficient in their own fields, have neither competence nor authority to take decisions. In the development of a Bank project, this problem will have to be faced. The minimum requirement would appear to be the creation of a post of deputy director, through whom policy decisions can be transmitted downwards, who could effectively exercise day-to-day control over the entire program. The mission understands that such a proposal would not be unacceptable to the director.

### Family Planning Program

9. Family planning services in Malaysia are mainly delivered through the NFPB and the FFPA. Up to 1970 there were 222,217 acceptors of family planning out of which more than 60 percent were served by NFPB, about 30 percent by FFPA and the rest by other agencies like Rubber Estates, Federal Land Development Authorities and private practitioners. The annual number of acceptors of family planning in the country increased from about 21,000 in 1967, to 75,000 in 1968 and subsequently declined to 71,000 in 1969 and 56,000 in 1970. The main problem, at present, seems to be to reach the rural areas where about 70 percent of the population resides. The program is being implemented in phases beginning with urban metropolitan areas in the first phase and gradually extending it to rural areas in the fourth phase. The establishment of clinics exceeded the targets in the first three phases (1967-1969) but was much below it in the fourth phase (1970). The extension of services to rural areas by the NFPB itself is largely constrained by the shortage of trained medical and para-medical staff and lack of physical facilities. The entire population of West Malaysia (8.5 million) is covered by 77 static and 413 mobile clinics run by the full time staff of the NFPB. The FFPA had 188 clinics up to the end of 1969, besides 138 in rubber estates. There were 217 field workers of all types engaged in family planning by the end of 1970. The oral pill is the primary method of the national program. Out of the total acceptors 93 percent accepted the pill; 1.7 percent IUD; 3.5 percent tubal ligation and vasectomy; and 2.3 percent condom and other methods.

### The Future Plans

10. The National Program is entering its fourth phase in which services are being extended to rural areas. Aware of the shortage of staff and physical facilities the plan is to integrate family planning with health services. A population of 3.5 million would be covered by the integrated program. At present there are 48 Health Districts. In the initial phase of the integrated program a population of 1.1 million through 8 Health Districts in West Malaysia would be covered. The later phase of the program would cover another 2.5 million population through the rest of the 40 Health Districts. The implementation of the second phase of the program, it is stated, would depend much on the existing infra-structure of the rural health units, the completion of first phase of the integrated program, training of health personnel and availability of other resources. By the end of June 1970, four states had implemented the integrated program. The first phase of the program is anticipated to be completed by the end of August 1971. Out of the integrated Health Districts two are selected for a detailed study called the "Study Areas". These studies will be used to determine the nature, extent and level of possible integration with existing health facilities as well as to assess the administrative and functional implications of integrations.

### Implementation of the Integrated Program

11. It is stated by the NFPB that the proposed integration is a cooperation between the Ministry of Health and the NFPB to provide an extended family planning services to rural areas without jeopardizing any of the activities now in existence in the rural Health Centers. Integration is therefore only functional and not physical. The NFPB will still continue to exercise and

maintain an overall responsibility in the development and continuance of family planning program. A Central Coordinating Committee (CCC) that has already been set up with State Coordinating Committees will be responsible for the implementation of the program. The final approval of the plan of CCC will be made by NFPB Integration Committee consisting of Director General of Health Services and Director of NFPB. The Deputy Director of Health services Raja Ahmad Noordin is the Chairman of CCC. The mission had a long discussion on the functioning and schedule of integrated program with him. He could not give any idea about the schedule of implementation and informed that the process of integration might proceed on the basis of preliminary results of the studies being conducted in the two areas. It is apparent that no firm decision has so far been taken either by the Ministry of Health or the NFPB regarding the ultimate date or scope of integration. If integration is to be effected, as it possibly would, decision on its time schedule is important in view of the urgency of extending the services to rural areas. The relative positions of the NFPB and the Ministry of Health in the integrated program has also to be made clear. Early decisions on all these aspects of the program are important, as they will determine the structure and place of the system's development.

#### Limitations of the Program

12. Besides the organizational problems mentioned in the preceding discussions, other limitations of the program include:
- (a) **Physical Facilities:** In urban areas, family planning services are offered daily in maternity/general hospitals and district hospitals. There are at present fifty-two such centers manned by the Board's staff. With the expansion of hospital activities the NFPB envisages difficulty in effectively maintaining family planning as a component service of these institutions. Lack of privacy, inadequate space for delivery of services including IUD and sterilization has impeded progress. In rural areas lack of physical facilities seriously inhibits the development of the program.
  - (b) **Personnel:** Shortage of medical and para-medical personnel has been the principal factor behind the move towards integration in rural areas. It has not yet been determined whether and to what extent the current staffing position will be a constraint in the integrated program. But due to the important role of nurses in family planning, introduction of teaching in family planning in the nursing curricula would be essential for the successful delivery of services and motivation efforts.
  - (c) **Training:** The Board conducts short-term training courses for personnel engaged in family planning program. Both the quantitative and qualitative aspects of such training are constrained by lack of living and teaching spaces for students. The practical part of the training program is confined only to urban areas due to shortage of vehicles and short duration of course. Enlarged training capacity is required in rural based operational aspects of the program.

- (d) **Evaluation:** Considerable research work has been conducted by the evaluation unit of the NFPB in collaboration with the University of Michigan. Several interesting studies are in progress and attempt has been made for the analysis of service statistics in their collaboration. The problem is that of creating capacity for evaluation on a continuous basis and taking over the work later. The whole staff of the unit consists of only two assistants and one head. This evaluation unit of the NFPB, therefore, needs to be strengthened.
- (e) **Research:** The last population census was taken in 1970. Valuable data are obtained from the census and are also being collected during the post enumeration check. Inadequate facilities exist for analysis of these data because of lack of trained demographers and an independent research unit. Moreover, the program requires studies in its evaluation, management and organizational aspects.
- (f) **Mass Communication and Education:** UNESCO sent a mission in May-June 1969 to study the mass communication frame work. It made a specific proposal for an action program but its work and the implementation of its recommendation were impeded by adverse press reports. The information unit of NFPB is organizing group talks at present. Due to political sensitivities the use of radio, TV and Press in the family planning program is limited. On the question of population education, the Government did not feel that external inputs were required. Its introduction into school curricula has been approved and the main task now is to implement the decision. A seminar for the purpose will be held in December 1971, and from its findings opportunities for assistance for the revision of curricula and production of text may result. For reaching the rural population well established information units at the central level or in each state are required to cater to the regional requirements. The Family Planning Association, due to its voluntary nature will play a useful role in the information and education program.

#### Possible Areas of Bank's Assistance

13. It was not possible for the mission to identify with confidence a population project during its short stay. But the preliminary observations in this context are as follows:

- (a) To extend family planning services in rural areas adequately, the extension of existing health units and/or construction of additional units may be required. Additional equipment including service vehicle may be also needed for some of the existing and the new units. The exact number and nature of such units, their location may be determined later on the basis of information on the number of acceptors, utilization of existing facilities and size of population in each region.

- (b) To overcome the possible shortage of trained nurses the availability and utilization of existing personnel for family planning service under the integrated system requires detailed analysis. But it seems that the training of nurses would have to be improved to introduce teaching in family planning. A nursing advisor may be necessary for such work. The enlargement of capacity of training such personnel may also be considered if required.
- (c) For creating additional motivation and expertise in all types of personnel in family planning, the short-term training program needs strengthening. It can be achieved either through the establishment of a training center in one of the rural areas or through several such units on the regional basis.
- (d) For continuous internal evaluation of the program and its feedback, the evaluation unit of the NFPB may also require support through the supply of data processing equipment. Also the financing of an evaluation adviser and overseas fellowships may build the capabilities within the country.
- (e) To support the program through research in population problems and evaluation, management and organizational aspects of the program, the possibility of establishment of a population center in one of the universities may be explored.
- (f) To create additional demand for family planning services, the establishment of information units on a regional basis along with the provision of equipment for production of publicity material and mobile vans need assesement. For the long term success of the program, it would be essential to expedite the introduction of population education in schools. Financing of technical advisors may be needed to advise on population education and effective use of mass media.
- (g) To strengthen the existing post-partum motivation program, more maternity beds may be needed.

14. Swedish International Development Association, UNICEF and Ford Foundation are providing assistance for family planning. It is largely for the pills, vehicles, some audio-visual equipment, etc. The possible components of the project given above are tentative and based on preliminary discussion of the mission. It has to be examined in detail by the preparation mission scheduled for the late fall.

IZH/HJ/eo

cleared with Mr. B. Baldwin

cc: Messrs. Chadenet	Lind
Baum	Chad
Engelmann	Sandberg
Baldwin/G. Zaidan	Jentgen
Lithgow	Mrs. Ibrahim
Urquhart	Operational Files
King	
Lee	

Number: 83144/9

Subject: ECONOMICS

Reference:

Reference: JPM. H-1



ECONOMIC PLANNING UNIT,  
PRIME MINISTER'S DEPARTMENT,  
KUALA LUMPUR,  
MALAYSIA

28th April, 1971

BY HAND

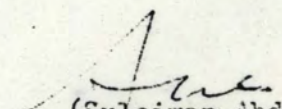
Mr. Bengt G. Sandberg,  
International Bank for Reconstruction & Development,  
1818 H Street, N.W.,  
Washington D.C. 20433,  
U.S.A.

Dear Mr. Sandberg,

....

I attach herewith a set of data in response to the Questionnaire which Mr. Asanuma left with me relating to information for a population project in Malaysia in a Memorandum dated March 9th. As I mentioned previously the necessary information is readily available in various forms but it will need some expertise and assistance to finalise the project and I hope to know any further step being contemplated in this regard.

Yours sincerely,

  
(Sulaiman Abdullah)

for Chief Secretary to the Government,  
Malaysia

A. MAJOR ACCOMPLISHMENTS, 1966-1970

The National Family Planning Board was established in June, 1966, by Act of Parliament, as a semi-autonomous agency, operating under the Prime Minister's Department. Prior to this, organized family planning efforts had only existed in the private sector, through the Federation of Family Planning Associations and its eleven State FPAs, which subsequently continued to operate as part of the national programme. The Board was established in recognition of the adverse effects of the high growth rate on developmental efforts, to help reduce the population growth rate from about 3 per cent in 1965 to 2 per cent by 1985, in <sup>con</sup>cordance with the overriding aim to improve the national welfare and increase the per capita income to M\$1500 by 1985.

The family planning program was phased to spread outward from the metropolitan and urban areas, where motivation was assumed to be already high and facilities readily available, into the less accessible smalltown and rural areas.

By the end of 1970, the Board had 217 clinical and field staff serving 76 static clinics and 413 satellite clinics, throughout West Malaysia, while also providing services to 186 estates, and through 100 Board registered physicians. In addition, the FFPA was in 1970 contributing through 42 static and 122 mobile clinics, while also providing services to 148 estates.

During the period from May 1967, when the NFPB began field operations, until the end of 1970, 222,217 new family planning acceptors were registered with the national programme. Approximately one third of this total, which excludes private commercial contraceptives, derives from non-NFPB contributions to the national programme, with the FFPA contributing the major part of this.

That the programme has emphasized the oral contraceptive pill is reflected in the fact that 91.4 percent of all new acceptors chose this method, with most of the remainder being divided amongst male and female sterilizations and the IUD.

Approximately 63 percent of new acceptors are found to be continuing users at the end of 12 months, while about 44 percent



are estimated still to be continuing users after 24 months. This continuation rate compares very favourably with the experience of other countries with national family planning programmes, and implies an average continuation span of 30 months per new acceptor.

Based on past fertility experience of married women in Malaysia, this achievement is estimated already to have resulted in 57,600 fewer births than would otherwise have occurred. In addition, with prevailing continuation rates, extended use by women enrolled in the programme before the end of 1970 might be expected to result in an additional 78,400 prevented births after 1970.

The total cost of preventing one birth was approximately M\$ 123 in 1970. This 1970 figure represents best current estimates of cost per prevented birth, and is lower than the cost experienced in the first two years of the program, when many non-recurrent expenses of establishing the family planning infrastructure had to be met, and when still relatively few continuing users had been enrolled. While it is possible that costs per prevented birth will decline further, if more acceptable and less expensive methods should be forthcoming, it is considered more likely that costs will actually rise, as the programme reaches out to less well-motivated women and to less accessible areas.

Besides the government allocation, the costs on which this estimate is based include a sizeable input from the FPPA, plus a non-governmental component of foreign assistance.

In addition to the routine evaluation performed by the programme in its assessment of performance, several special studies have been conducted or initiated during the past four years. Notable among these are the Family Survey of West Malaysia, 1966-1967, and the Acceptor Survey of 1969. More recently, research has been initiated to study the most appropriate ways for providing family planning services to the rural population through the integration of family planning into the rural health services. This study will cover the first two years of the integration project, and will be used to guide the subsequent spread of the program into the remaining rural areas.

During the past years several steps have been initiated which, while not directly involving the national family planning programme, may be expected to contribute to some degree toward desired fertility limitation. Notable in this is the recent extension of family planning services to FLDA schemes, and the proposed limitation of maternity benefits for government workers to include only the first three children, an example which is now being considered also by several private organizations. Recent approval of a proposal to introduce population related subject matter into public school curricula may also have a delayed effect on fertility levels.

B. PLAN FOR FAMILY PLANNING, 1971-1975

The family planning strategy envisioned for the coming years has been based largely upon two major considerations. First, while the programme have achieved reasonable success in metropolitan and urban areas, the rural population does not as yet enjoy the same access to family planning services, even though they bear a larger share of the social and economic burdens of excessive fertility. Second, the current age composition of the Malaysian population contains a very high proportion of young people who in this decade will entre the reproductive age group. This factor of age structure is so pronounced that the crude birth rate, now around 35 per thousand, will rise to 37 by the end of 1975, and will eventually rise to above 40, if current age specific fertility rates continue. This sobering observation accentuates the need for markedly increased efforts and expenditures in the population field, and the introduction of new approaches to programme implementation, if the long term social and economic goals are to be achieved.

To meet the two interrelated objectives indicated, that is, to make services available to rural Malaysians, and to bring the birth rate down to 32 by 1975, in concordance with long range national development plans, a multi-pronged and expanded programme is envisaged.

In terms of new acceptors the programme goal is to reach 600,000 women during the next 5 years, with the annual target rising steadily from 80,000 in 1971 to 160,000 in 1975. Continuing users will meanwhile rise from a 1970 level of about 105,000 users to an estimated 267,400 in 1975.

With recent introduction of family planning into the rural health services, the first step toward meeting this ambitious but attainable goal has already been initiated. The integration of rural health services and family planning has been initiated both in order to combat the problems encountered by the national programme in establishing and staffing rural family planning clinics, and also because provision of family planning as part of the total "total package" provided by rural health services may be expected to help to promote and maintain family planning use in rural areas. For the first two years, this project will be limited to selected areas where it studied intensively will be in order to determine the best way to implement the integration of health and family planning throughout the remaining rural areas in 1973 and 1974.

For metropolitan and urban areas already covered by the national program, increased efforts to recruit new acceptors will focus particularly on active motivational and educational efforts, aimed particularly at young couples in the early reproductive ages. In addition, efforts to promote methods which have thus far met with only modest acceptance will be made, especially through training physicians for male and female sterilization, and for IUD insertion, thereby making these methods more readily available.

It is anticipated that the private sector will continue to play a significant role, with the FPA particularly being encouraged to maintain its current level of contribution, while private physicians will also continue to be recruited, and expansion of services to FLDA Schemes and estates will push forward.

The NFPB also intends to further encourage non-programme activities which will increase public consciousness of the effects of excessive fertility and growth rates on individual and the nation. Thus efforts to introduce awareness of population related topics, which already is being tackled by teachers' training institutes, may be further fostered by providing in-service seminar to teachers whose earlier training neglected this aspect. Included amongst other topics to be examined are existing income tax policies, possible incentive schemes, as well as regulations pertaining to therapeutic abortion. These will be examined in terms of their total impact, as well as their pro-or antinatalist effects, with the recognition that existing policies should perhaps be modified.

In addition to spreading family planning services to less accessible rural areas, the program will given consideration to initiating activity in the East Malaysian States of Sabah and Sarawak, where the only organized activity thus far has been through the FPA.

Estimation of budgetary requirements for the coming years is complicated by the uncertainty of several assumptions which contribute to the estimates. First, while we can estimate the number of births to be prevented, it is less certain how many of these will be prevented by non-program factors, such as continuing rise in age at marriage, or increasing a acceptance of a small family norm, through such influences as education living standards, and urbanization. Second, while <sup>we</sup> ~~as~~ <sup>can</sup> ~~estimate~~ the past cost of each prevented birth, or per program user, we can only speculate on future costs. Thus, it is quite possible that once the early program acceptors, constituting the most highly motivated women, have been recruited, the cost per acceptor will rise. Further, the cost may change as different methods are used, and the cost to the government could be further affected by the variable contribution from non-government sources.

The following cost estimates are presented therefore as rough guidelines, based on the ratio of costs per acceptor and continuing users in 1969 and 1970, and the total expenditure by all source in 1970. This leaves unanswered the question of how much of this cost will be borne by the Government, either indirectly by the health ministry in rural integrated areas, or directly by the NFPB, and how much may continue to be contributed by the FFPA and by foreign donors.

Table I:

Anticipated costs of meeting targets required for lowering the birth rate from 35 in 1970 to 32 in 1975, plus target number of new acceptors and continuing users, by year.

<u>Year</u>	<u>new acceptors</u>	<u>continuing users</u>
1970	55,981 <sup>(1)</sup>	105,000 <sup>(1)</sup>
1971	80,000	123,500
1972	100,000	155,200
1973	120,000	184,500
1974	140,000	224,750
1975	160,000	267,400

	Cost for		Total required <sup>(2)</sup>
	New Acceptors	Continuing Users	(M \$)
1970	M\$ 971,000	M\$ 2,182,000	3,153,000 <sup>(1)</sup>
1971	1,390,000	2,570,000	3,960,000
1972	1,740,000	3,230,000	4,970,000
1973	2,090,000	3,840,000	5,930,000
1974	2,440,000	4,680,000	7,120,000
1975	2,680,000	5,560,000	8,240,000

Notes: (1) 1970 figures for acceptors, continuers, and total cost are based on actual figures, rather than projected need.

(2) This total includes direct and indirect governmental expenditures, plus FFPA budget (est.) + foreign assistance.

Based on cost of M\$17.40 per New Acceptor, plus M\$20.80 per annum per continuing user. This estimate is based on the 1969-1970 acceptors and continuers.

While it may be premature to look too into the future, a few observation on projections of the West Malaysian population under varying assumptions of future fertility and mortality may usefully put into perspective the magnitude of the longer range challenge faced by the national planners in the sphers of economic and social development, and thereby will accentuate the need for increased efforts, both directly through family planning and indirectly through other developmental approaches and antinatalist influences to lower the rate of population increase.

As has been previously indicated, Malaysia's present age structure is disproportionately represented by young people who are beginning to enter the reproductive age group. This means that Malaysia's birth and natural increase rates, already high but declining, can be expected soon to rise again, unless increased efforts to overcome this trend are instituted urgently.

Projection prepared by the Department of Statistics, and based on varied assumptions of further fertility and motality, indicate a rise in W. Malaysia's population of between 48 and 57 percent in the 15 years between 1970 and 1985. These projection all postulate a growth rate which will still be above two percent in 1985. However,

the targets for new acceptors and continuing users of family planning presented here are based on the assumption that active steps will be taken to reduce the annual growth rate to two percent by 1985, by committing the necessary financial and personnel resources to the task facing the nation and its national family planning programme.

From a strictly benefits-to-cost ratio standpoint, many economists contend that for developing nation, family planning stands ahead of all other developmental programmes, in terms of raising per capita output, while also providing a more favourable dependency ratio for optimising re-investment for the improve quality of the population, through educational, health, and other social and welfare measures.

In summary, while family planning cannot be considered as a substitute for other developmental programs, it is <sup>an</sup> integral component of overall development plans, since it is a powerful tool in rendering other projects more successful, by providing an improved dependency ratio, thus permitting a greater per capita re-investment in both the social and economic spheres.