

MID-TERM REVIEW
OF THE
SECOND MALAYSIA PLAN
1971-1975



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FOREWORD

In the Second Malaysia Plan, we have a blue-print for rapid socio-economic development, a development in which all Malaysians have the opportunity, the right and the responsibility to participate and share equitably. The fruits of our endeavours for nation building will be enjoyed not only by us in this generation but by many generations of Malaysians. With the launching of the Plan we are in a new era of development, fully committed to meeting the challenges of our time in forging a strong, united Malaysian nation with continued progress and prosperity for all. Guided by the principles of the Rukunegara, we have embarked upon a long-term development strategy to bring about dynamic structural changes in our society and economy—changes designed to meet the over-riding need for national unity.

It is with great pride and pleasure that the Government presents this Mid-Term Review of the Second Malaysia Plan—the most thorough and comprehensive yet undertaken. The Government, in so doing, fulfils the pledge to keep the progress of the Plan under continuous review and to provide solid foundation for the many aspects of the New Economic Policy. This Review is, therefore, not merely one of taking stock and assessing prospects. It incorporates comprehensive measures to overcome new problems that have emerged. It also provides fuller form and substance to the Government's policies and programmes in the coming years.

With this Review, the Government is fortified in its determination to attain the over-riding objective of national unity through the implementation of the New Economic Policy. Our commitment to set a new course for our nation has the massive and overwhelming support of Malaysians from all walks of life. The positive response to the New Economic Policy under the Second Malaysia Plan and the striking progress made during 1971-73, all demonstrate that our strategy of development works and makes good sense. It deserves to be so. It is therefore with confidence and determination that we look to the future in implementing the New Economic Policy.

We can all take justifiable pride in the way in which Malaysians have faced up to the problems at hand, marshalled their efforts, and applied themselves to the challenging tasks of national progress and unity. With such a determined effort, success in attaining our basic objective of making Malaysia a better place for all of us is clearly assured.

Even in the short space of the first three years of this Plan, progress has been remarkable despite the impact on the country of the world-wide downswing in economic activity during 1971-72. Notwithstanding the turmoil in the international monetary situation our Malaysian Dollar is as strong as ever. Indeed, the strength of the Malaysian economy and its growing capacity to respond in a dynamic manner to rapid changes in world economic conditions is encouraging and augurs well for our future.

A continuing climate of confidence has been maintained. Our policies, programmes and projects for all-round socio-economic development have been implemented with great determination. Thus, employment, incomes and output have increased with rising standards of living for an increasing number of Malaysians. The social and physical infrastructure of the country has been expanded while new institutions have been established and existing ones streamlined and strengthened to resolve old problems and meet new needs. All these have accelerated the process of eradicating poverty, restructuring society, speeding modernisation and nurturing confidence and self-reliance among our people.

The prospects for the remaining years of the Plan, too, are good and bright. The progressive strengthening and diversification of our economy will enable us to deal adequately with any difficulties and problems that might arise. Indeed, we have mapped out a strategy to meet any possible slackening of world economic activity—a strategy assuring that the targets of our Second Malaysia Plan will certainly be surpassed.

However, even with these solid achievements, a number of problems remain and much needs to be done. The general increase in the price level is a case in point. While economic development is inevitably accompanied by some price increases, we will have to be vigilant against the dangers of inflation. For its part, the Government will continue to watch the situation most carefully and take whatever measures that may be necessary to curb price increases and alleviate their effects, especially on those with fixed and low incomes. Others, too, are called upon to play their role. The private sector has a social responsibility to make its contribution to improve the situation by an all-out effort to expand production and supplies and refrain from profiteering and malpractices in the distribution system. Management and labour also have a special responsibility to restrain sharp wage increases unrelated to productivity expansion, if inflation is to be avoided.

The Second Malaysia Plan is but one in a series of Plan to advance this nation towards its ultimate goals. To provide us with a clear perspective of the efforts which must be made and to enable us to measure and monitor our efforts meaningfully, as we move from one Plan to the next, an Outline Perspective Plan covering the period up to 1990 has been prepared and is included in this Mid-Term Review.

Our agenda for action is an ambitious one but we will approach the tasks ahead with drive and determination. The Outline Perspective Plan demonstrates that our goals of eradicating poverty and restructuring society, in the context of an expanding economy, are fully feasible and that the broad economic framework to achieve these targets is a viable one. These objectives are certainly attainable and with growing opportunities and increasing resources flowing from a faster rate of growth, no one in Malaysian society need experience or feel any sense of loss or deprivation of his rights, privileges, income, job or opportunity.

We have entered an exciting era. The Outline Perspective Plan addresses itself to some of the major challenges ahead, action on which is already underway. Other emerging problems associated with rapid development will require equal attention. One such challenge is the management of the environment. The Outline Perspective Plan stresses the importance of industrialisation for the country. Yet we also know the environmental costs of industrialisation and urbanisation. We must therefore evolve appropriate policies and programmes so that accelerated industrial development goes hand in hand with sound management of our environment.

Another challenge is the exploitation of timber. While timber is an important product and a vital source of revenue to the country, it should be our policy to carry out exploitation in a planned manner so that we will not only obtain full benefit from this industry but also ensure that there will be continuous supply of timber for future generations. Efforts on reafforestation must therefore be greatly expanded.

Impressive as our achievements have been, we have still a long way to go. We must not allow satisfaction with past progress to lull us into complacency. The years ahead of us will be an exciting period of major challenges and great opportunities for this nation.

Let us all—politicians, government officials, members of the security forces, members of the private sector, farmers, trade unionists, students and youth alike—maximise our capacities as a people to meet these challenges together

as partners in development. And in doing so, we shall have the opportunity—only given to a pioneering people—to create for ourselves and succeeding generations a united nation founded on the resourcefulness and resilience of our multi-racial population—a nation which we shall be proud to serve and defend with our lives.



(TUN HAJI ABDUL RAZAK BIN DATO' HUSSEIN),
Prime Minister, Malaysia

KUALA LUMPUR,
20th November, 1973.

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Part One

Macro Economic Development

CHAPTER I

The New Economic Policy: Progress and Prospects

I. INTRODUCTION

The New Economic Policy (NEP) has as its over-riding objective the promotion of national unity through the two-pronged strategy of:

- (a) eradicating poverty by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race. This is to be achieved by programmes aimed at raising the productivity and income of those in low productivity occupations, the expansion of opportunities for inter-sectoral movements from low productivity to higher productivity activities and the provision of a wide range of social services especially designed to raise the living standards of the low-income groups;
- (b) accelerating the process of restructuring Malaysian society to correct economic imbalance, so as to reduce and eventually eliminate the identification of race with economic function. Programmes for this purpose include the modernisation of rural life, the rapid and balanced development of urban activities, the establishment of new growth centres and the creation of a Malay commercial and industrial community in all categories and at all levels of operation. The objective is to ensure that Malays and other indigenous people will become full partners in all aspects of the economic life of the nation.

2. The efforts to attain these objectives will, in turn, be undertaken in the context of rapid structural change and expansion of the economy so as to ensure that no particular group experiences any loss or feels any sense of deprivation in the process.

3. This Chapter reviews the overall progress and prospects under the two prongs of the NEP. Chapter II focusses on the population and labour force situation and reviews the progress in achieving the employment objectives of the Plan, while Chapter III discusses growth and structural change in the economy. Chapter IV provides an outline of a Perspective Plan for the period up to 1990 against which targets may be set and progress measured in implementing the NEP. Chapter V contains a summary of the public sector programmes during 1971-73 and 1974-75. The financing of public sector expenditures is also covered, together with a discussion of the administrative machinery for planning and implementation of the Government's efforts for socio-economic development. As price increases have become an important factor affecting Malaysia's development, Chapter VI discusses the causes of recent price increases as well as measures being taken to curb them and to alleviate their impact especially on low-income groups. Sectoral Chapters in Part Two of this Review also discuss the details of the programmes and projects in the Plan and review their progress and prospects in the context of the NEP.

II. ERADICATION OF POVERTY

4. In the effort to eradicate poverty, the objective is not only to increase income but also to ensure that the poor have access to such basic needs as adequate nutrition, health, housing, education and transportation. More important, the Government seeks to cultivate the spirit of self-reliance and a positive attitude among the people to actively participate in the whole range of socio-economic development programmes and improve their levels of living and that of generations to come. The task is enormous and much remains to be done.

5. Despite the high and growing levels of *per capita* income in Malaysia, inequality in the distribution of income among Malaysians remains wide. Tables 1-1 and 1-2 describe these inequalities. Analysis of information on household incomes, collected in the Post Enumeration Survey of the 1970 Census of Population, indicates that the mean household income in Peninsular Malaysia was only \$269 per month. As shown in Table 1-1, about 27% of households in Peninsular Malaysia had incomes below \$100 per month, while a further 31% had incomes between \$100 and \$200. Overall, the top one-tenth of all households accounted for nearly 40% of the total income earned in the economy, while the share of the lowest two-fifths of the households amounted to only about 12% of total income.

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TABLE 1-1

PERCENTAGE DISTRIBUTION OF HOUSEHOLDS BY INCOME¹
AND RACE, PENINSULAR MALAYSIA, 1970

<i>Income range (per month)</i>	<i>Malay</i>	<i>Chinese</i>	<i>Indian</i>	<i>Other</i>	<i>Total</i>
\$ 1-99	22.9	2.6	1.3	0.2	27.1
\$ 100-199	19.1	7.8	4.4	0.1	31.4
\$ 200-399	10.4	11.9	3.5	0.1	25.9
\$ 400-699	3.0	5.3	1.2	0.1	9.6
\$ 700-1,499	1.1	2.9	0.6	0.1	4.7
\$1,500-2,999	0.2	0.7	0.1	0.1	1.1
\$3,000 and above	*2	0.1	0.1	0.1	0.3
Total	56.7	31.3	11.2	0.8	100.0

¹ Income includes cash income, imputed income for earnings in kind plus transfer receipts.

² The percentage is negligible in relation to the total.

6. As shown in Table 1-2, there were also considerable differences in the distribution of household income between urban and rural areas. About 90% of households with monthly incomes below \$100 and 76.2% of households with incomes between \$100 and \$200 were to be found in the rural areas. Thus 82.6% of the households in Peninsular Malaysia with incomes below \$200 were located in rural areas. About 34% of the rural households had incomes below \$100 per month, while only 9.4% of urban households were in this category. Overall, the mean monthly income of rural households was less than half the mean income of \$435 of urban households.

7. These marked disparities in income among income classes and between urban and rural areas in Peninsular Malaysia indicate largely the low levels of productivity in much of the agricultural sector and the services sector. Differences in household income between urban and rural areas can also be ascribed to differences in the number of income earners in each family. While information relating to this aspect is not yet available for 1970, the Socio-Economic Survey of Households conducted in 1967/68 indicates that there were significantly more earners per household in the urban areas than in the rural areas. Single-earner households were more prevalent in the rural areas than in the urban areas.

TABLE 1-2

DISTRIBUTION OF HOUSEHOLDS BY INCOME¹, PENINSULAR
MALAYSIA, 1970

Income range (per month)	Urban households as % of total households						Rural households as % of total households						Total						
	Malay		Chinese		Other		Malay		Chinese		Other		Malay		Chinese		Other		
\$ 1- 99	4.4	4.3	1.2	0.1	80.1	5.3	3.7	0.9	84.5	9.6	4.9	1.0	100
\$ 100- 199	7.3	12.0	4.4	0.1	53.5	12.9	9.6	0.2	60.8	24.9	14.0	0.3	100
\$ 200- 399	10.2	21.8	4.2	0.1	30.1	24.2	9.3	0.1	40.3	46.0	13.5	0.2	100
\$ 400- 699	11.6	30.6	6.6	0.5	20.0	25.1	5.5	0.1	31.6	55.7	12.1	0.6	100
\$ 700-1,499	11.7	42.2	9.2	2.0	11.5	19.1	3.3	0.9	23.2	61.4	12.5	2.9	100
\$1,500-2,999	8.5	48.5	10.7	6.6	5.5	13.6	2.9	3.7	14.0	62.1	13.6	10.3	100
\$3,000 and above	6.8	42.7	16.0	13.3	5.3	9.3	1.3	5.3	12.1	52.0	17.3	18.6	100
As a % of total households	7.9	16.1	4.0	0.3	48.8	15.2	7.2	0.5	56.7	31.3	11.2	0.8	100
Mean household income (\$ per month)	328.1	464.3	441.5	1,491.7	154.5	332.6	237.2	563.4	178.7	387.4	310.4	950.5	268.7
Median household income (\$ per month)	227.3	289.9	241.9	1,139.5	111.7	254.4	220.3	87.9	122.3	271.1	195.5	324.2	168.6

¹ Income includes cash income, imputed income for earnings in kind plus transfer receipts.

8. Compounding the problem of income levels and their distribution is the situation with respect to conditions of living. Available information indicates that poor nutrition and lack of access to adequate health, housing, education and transportation facilities remain a sizable problem. As shown in Table 1-3, while rural households have a lower number of occupants per dwelling, they experience a serious lack of piped water, electricity and adequate sanitation facilities. Density of occupation per dwelling is higher in the urban areas. The relative congestion of living quarters and the lack of adequate water and sanitation facilities in many urban areas add to the greater conditions of squalor for the urban poor. Educational enrolments also remain a matter of serious concern in the rural areas and in the poorer urban areas.

Sources of poverty

9. The poor include the unemployed, the underemployed and those in low income occupations in agriculture, industry and services. The poor agricultural workers, many of whom are Malays, are mainly coconut and rubber small-holders, single crop padi farmers, tenants and sharecroppers in padi and rubber cultivation and inshore fishermen. Their low incomes are primarily the result of uneconomic sized holdings, agronomically poor or unsuitable plots of cultivation, traditional methods of farming and lack of access to modern agricultural inputs. The urban poor of all races comprise the unemployed or those engaged in low productivity traditional urban activities such as small artisans, petty traders, hawkers, stall-holders, household servants and others pursuing a multitude of activities requiring little or no initial skill or training. In recent years, their number has been swelled by migrants from the rural areas.

TABLE 1-3

DISTRIBUTION OF HOUSEHOLD AMENITIES, BY STRATA, PENINSULAR MALAYSIA, 1970

<i>Strata</i>			<i>Average number of persons per dwelling</i>		<i>% of households with piped water</i>		<i>% of households with adequate toilet facilities</i>		<i>% of house- holds with electricity</i>
Metropolitan	..	..	7.48	..	89.6	..	95.1	..	85.6
Urban large	..	..	6.96	..	71.4	..	84.6	..	79.6
Urban small	..	..	6.77	..	61.5	..	83.4	..	68.1
Rural	..	..	5.49	..	32.3	..	59.7	..	24.6
Total	..	..	6.06	..	47.5	..	69.8	..	43.7

Poverty eradication: Progress

10. The Government's efforts to improve living conditions of the poor were adversely affected by sluggish economic growth and declines in agricultural commodity prices, especially rubber, during 1971-72. However, incomes of the poor generally improved in 1973 with the pick-up of economic activity but it is likely that the increases in the general price level have affected the growth of real incomes.

11. The prospects for the future are good for significant improvements in real earnings in smallholder agriculture as a result of the past and continuing programmes of new land development, increases in size of holdings and agricultural modernisation policies. In the agricultural sector, about 410,000 acres of land were provided with drainage and irrigation facilities, of which over 210,000 acres were brought under double-cropping during 1971-73, representing about 71% and 63% of Plan targets, respectively. Total acreage of rubber replanted during the same period amounted to 170,000 acres, about 47% of the target for the three years.

12. To promote the commercialisation of agriculture, Bank Pertanian and Bank Bumiputra extended credit amounting to some \$38 million during 1971-73. The amount of loans given to small-scale agro-based industries by MARA, MIDF and Bank Bumiputra was around \$300 million. The total value of small loans of less than \$10,000 extended by all commercial banks was \$487 million. Further, several new institutions such as the Farmers' Organisation Authority (FOA), National Padi and Rice Authority (LPN), Malayan Rubber Development Corporation (MRDC), Rubber Industry Smallholders Development Authority (RISDA) and the Credit Guarantee Corporation (CGC) were formed to extend marketing, capital, financial and technical assistance to the small-scale agricultural sector.

13. In the effort to accelerate the movement of rural farmers from traditional to modern agriculture, FELDA developed 224,000 acres of land during 1971-73, representing 81% of its original Plan target, FELCRA 46,600 acres, or 47%, and RISDA 18,000 acres, or 12%. The total acreage developed was 594,244 acres or 55% of the total Plan target. In the same period, however, due to the increased size of holdings and some time lag in settlement, FELDA settled 8,400 families in its schemes, or 42% of its target, bringing the total number of families settled up to the end of 1973 to 29,000.

14. In assisting the movement of Malays from traditional agriculture to the modern industrial and commercial sectors, MARA, the SEDCs and UDA play an indirect role by providing technical, financial and capital assistance for

Malays and other indigenous people to enter such sectors. Several constraints, however, exist in the realisation of this objective, in particular their lack of education and experience.

15. Several measures have also been taken to increase the availability of physical and social infrastructure in poor areas. Thus during 1971-73, the Government spent about \$32.5 million in rural electrification (about 46.4% of the total Plan target) and \$23.3 million in rural health services (about 64% of the total Plan target). Recognising the importance of education, particularly science, technical and vocational education, the Government is establishing more residential schools to cater mainly for rural students.

16. Two measures of major significance in improving living conditions of rural dwellers were undertaken during the period. The first was the special programme to improve conditions in the New Villages, through the provision of roads, electricity, drainage, play-grounds and improved community facilities. The second was the move initiated by the Government to improve amenities and facilities in estates and mines. Enforcement measures are being undertaken to ensure that adequate facilities such as housing, water supply, sanitation, nurseries, medical treatment and land for cultivation and grazing are provided to workers and their dependents on estates and mines. The Government with the participation of the managements of estates and mines has also launched a home ownership scheme for the workers. Both these measures are designed to infuse new life into these communities and to draw them fully into the mainstream of the social and economic life of the nation.

17. A major development during the period was the strong growth in employment leading to a decline in the overall rate of unemployment. In all, some 348,000 new jobs were created during the period. In addition, a number of programmes were initiated to improve the living conditions of low-income groups. Housing is one such programme. In 1971-73, over \$32 million was spent on public housing, representing 6,357 units or 50.4% of the total Plan target. There was also improvement and expansion of basic services such as public transportation, education, health and other social infrastructure.

Poverty eradication: Prospects

18. For the remaining years of the Plan, efforts will be intensified to increase employment and the productivity of those in low income occupations, to increase movements of people from the traditional to the modern sector of the economy and to expand the physical and social infrastructure of the country. These programmes are reviewed in the sectoral Chapters in Part Two.

19. In agriculture, the main focus of activity will be to provide smallholders with economic-sized holdings in new land schemes. With expected lower prices

for a number of agricultural commodities, the consolidation of existing uneconomic-sized holdings is vital if the productivity and incomes of farmers in this group are to be enhanced.

20. FELDA, which is an important agency for the provision of adequate sized holdings, has increased the acreage allotted to settlers from 10 acres to 12 acres for rubber holdings and from 10 acres to 14 acres for oil palm. It has now targetted to develop 403,000 acres of land during 1971-75 as compared to the original Plan target of 275,000 acres. To reduce the dependence of farmers on rubber and oil palm, FELDA has also started to diversify into sugar cane and cocoa. FELCRA plans to develop fringe and rehabilitation schemes to compensate for its shortfall in youth land schemes in 1971-73.

21. The recently established Farmers' Organisation Authority(FOA) will co-ordinate farming activities and ensure better credit and marketing facilities. FAMA will participate in the processing and marketing of fruits, maize, pepper, cocoa, groundnuts and other cash crops, while Bank Pertanian will expand its operations in the rural areas, particularly in padi areas. Research and extension services will be stepped up by MARDI, RISDA and FOA. Other agencies such as the Fisheries Development Authority (MAJUIKAN) and the National Livestock Corporation (MAJUTERNAK) will undertake several projects to increase productivity and income in these sectors.

22. A co-ordinated effort will be made to expand the industrial and commercial sectors to provide greater employment opportunities for urban workers, as well as to enable a rapid pace of absorption of workers from other low productivity sectors. The programmes of urban renewal, public housing, and improved services and amenities will be intensified. To help in the modernisation of rural areas, continued efforts will be made to equip these areas with adequate infrastructure, thus exposing and linking these areas to modern activities. Equal emphasis will be given to education and training to meet the new demands arising out of the development of these areas.

23. To help refine its policies, programmes and projects for poverty eradication, the Government is conducting a household budget survey which will give valuable information on the consumption patterns, as well as the sources and distribution of income by race and region. A major study of the extent and sources of poverty is also being initiated.

III. RESTRUCTURING OF SOCIETY

24. The second prong of the New Economic Policy is aimed at accelerating the process of restructuring Malaysian society through reducing existing imbalances in income, employment and the ownership and management of productive assets in the economy.

Extent of racial economic imbalance

INCOME IMBALANCE

25. As already indicated, inequality in the distribution of income in the country remains wide. This inequality is compounded by the fact that the racial distribution of income is also uneven. These differences in income between the races have their origin in the concentration of the various races in different sectors of the economy and differences in their occupational position in these sectors.

26. As shown in Table 1-2, the mean monthly income of Malay households in 1970 was \$179, while that of Chinese and Indian households was \$387 and \$310, respectively. Malay households accounted for nearly 85% of all households in the income range below \$100 in Peninsular Malaysia. The share of Chinese and Indian households in this income range was 9.6% and 4.9%, respectively. In contrast, in the middle income range of \$400 to \$699, Chinese households predominated with nearly 56% of the total. Malay households constituted over 31% and Indian households about 12% in this income range.

27. Racial income differences are also reflected in the concentration of households among particular income groups. As shown in Table 1-1, Malay households were concentrated in the less than \$100 per month income group. On the other hand, Chinese households were more evenly distributed, though the largest number, approximately 38%, were in the \$200 to \$400 income group. As for Indians, their largest concentration was in the \$100 to \$200 income group, with about 41% falling within this group.

EMPLOYMENT IMBALANCE

28. The overall structure of employment reflects fairly well the racial composition of the country's population. However, severe imbalances exist in employment in the various sectors of the economy as well as within particular industries. Malays are concentrated in the agricultural sector, particularly in low productivity agricultural activities, while non-Malays are predominantly in non-agricultural activities, particularly in commerce and industry. Furthermore, within each sector Malays are heavily concentrated in the lower occupational levels of the job hierarchy, especially in the unskilled and semi-skilled categories. Although significant changes have occurred in the structure of Malay employment, with rising shares in manufacturing, commerce and services, nearly 70% of employed Malays are still to be found in agriculture.

29. Total employment in Peninsular Malaysia in 1970 was about 2.8 million, with Malays accounting for about 51%, Chinese 37% and Indians 11%, in line with the racial composition of the population. Taking into account the

sectoral distribution of employment, however, Malays accounted for about 67% of total employment in agriculture and only 25% in mining and quarrying, 29% in manufacturing, 24% in commerce and 22% in construction. On the other hand, the Chinese constituted 66% of those employed in mining and quarrying, 65% in manufacturing, 72% in construction and 65% in commerce. Indian employment was 10% in agriculture, 8% in mining and quarrying, less than 6% in manufacturing and construction and 11% in commerce.

30. A large number of Malays are in modern agriculture—rubber, oil palm, tea and coconut estates—where Malays constitute about 31% of total employment. However, many of the Malays are found in traditional low productivity activities in the rural areas. The Chinese and Indians form about 25% and 35%, respectively, of total employment in modern agriculture. Within the manufacturing sector, Malays are concentrated in the agricultural processing, wood products and textiles industries, where incomes per worker are lower than in such industries as chemical products, petroleum, basic metal and metal products and machinery, where Malay participation is relatively small.

31. Similar imbalances are reflected in employment by occupation. Indicative of this pattern is the situation in the manufacturing sector in 1970. In the professional and managerial group, only 7% were Malays compared to 68% Chinese, 4% Indians and 18% foreigners, mainly on short period assignments in the newer industries. About 46% of Malay employment in this sector was unskilled compared with 26% and 34% for the Chinese and Indians, respectively. The pattern is similar in the mining and construction industries.

OWNERSHIP IMBALANCE

32. Ownership and control of wealth or assets is an important source of household income, accounting for almost one-half of total personal income. Inequality in the ownership of assets, particularly in urban-based activities, is far more pronounced than other forms of inequality. Progressive reduction of the present wide inequitable distribution of assets is therefore important. An important element in this regard is the ownership of capital in the corporate and non-corporate sectors of the economy.

33. The pattern of ownership in the corporate and the non-corporate sectors for Peninsular Malaysia for 1970 is summarised in Tables 1-4 and 4-7. A number of features of the ownership pattern can be highlighted. First, there is clear dominance by foreign interests in the ownership and control of the Malaysian economy. In 1970 they accounted for about 61% of the total share capital of all limited companies. Their dominance is the highest in

agriculture, mainly rubber (75.3%), and in mining (72.4%) and lowest in the transport sector (12%). Second, the Chinese accounted for 22.5% of the total, with Malays holding 1.9%, Indians 1% and other Malaysian residents (individuals) and locally controlled companies holding 13% of total corporate share capital.

34. The sectoral ownership pattern shows that Chinese participation is the highest in the construction sector (52.8%), followed by transport (43.4%) and commerce (30.4%). Malay and Indian ownership are both negligible, with the highest Malay share being in transport (13.3%).

35. In terms of fixed assets in the corporate industrial sector (*see* Table 1-4), foreign ownership of the total values of fixed assets was 57.2%, while the Chinese share was 26.2%. Malays and Indians together accounted for only 1%. In the corporate sector of modern agriculture, foreign ownership of total planted acreage was 70.8% of the total. Malays and Indians owned only 0.3% each of this total, while the acreage under Chinese ownership was 25.9%. Foreign ownership of the non-corporate portion of modern agriculture was only 5.9% of the total planted acreage. Malays accounted for 47.1% of this total, mainly through participation in public sector schemes such as that of FELDA. Chinese ownership was 32.8% and Indians 10.1%.

36. Information on the ownership of the smallholding sector is scanty. However, available data indicate that almost all smallholdings are Malaysian owned. Most of the padi farms are owned by Malays. Malays and non-Malays share equally in the ownership of rubber smallholdings in Peninsular Malaysia, estimated at slightly over two million acres. However, the average size of Malay smallholdings is only about 3.3 acres, compared to the national average of some 6.6 acres. About 42% of Malay smallholdings are below three acres with another 46% ranging from three to ten acres. The larger smallholdings are mainly owned by the Chinese.

37. The overall picture indicates that foreign corporate ownership of assets in Malaysia is substantial in agriculture, manufacturing and mining, though this is already declining in agriculture and mining. Further, ownership and control is largely concentrated in the hands of a relatively small number of multinational foreign firms with diversified economic interests. Among Malaysians, Chinese own the highest shares in the corporate sectors, with their share in the non-corporate industry sector exceeding 92%. Malaysian ownership in the non-corporate sector of modern agriculture is more balanced.

38. The value of assets accounted for by the non-corporate sector is small relative to the total. As shown in Table 1-4, in modern agriculture, the non-corporate sector comprised 29.6% of the total planted acreage. In industry, the non-corporate sector made up only 12.6% of the total value of fixed assets.

TABLE 1-4

**OWNERSHIP OF ASSETS IN MODERN AGRICULTURE AND
INDUSTRY, PENINSULAR MALAYSIA, 1970**

Ownership	Modern agriculture ¹ (planted acreage)				Industry ² (fixed assets)			
	Corporate sector		Non-corporate sector		Corporate sector		Non-corporate sector	
	(000 acres)	(%)	(000 acres)	(%)	\$ (million)	(%)	\$ (million)	(%)
Malaysians ..	515.0	29.2	697.6	94.1	559.7	42.8	167.2	97.6
Malay ..	5.0	0.3	349.3	47.1	11.2	0.9	3.9	2.3
Chinese ..	457.0	25.9	243.3	32.8	342.3	26.2	158.0	92.2
Indian ..	4.9	0.3	74.8	10.1	1.5	0.1	3.9	2.3
Other ..	48.1	2.7	13.2	1.8	187.2	14.3	1.4	0.8
Government ³ ..	—	—	17.0	2.3	17.5	1.3	—	—
Non-Malaysians ..	1,249.6	70.8	44.0	5.9	747.3	57.2	4.1	2.4
Total ..	1,764.6	100.0	741.6	100.0	1,307.0	100.0	171.3	100.0
% of total ..		70.4		29.6		87.4		12.6

¹ Modern agriculture covers estate acreage under rubber, oil palm, coconut and tea. FELDA is included in this category—under the non-corporate sector. Ownership is in terms of total planted acreage.

² The industry sector covers manufacturing, construction and mining. Ownership is in terms of fixed assets. Total excludes unallocatable assets amounting to \$25.2 million.

³ Government ownership of 17,000 acres in modern agriculture is included in the non-corporate sector, while its ownership of \$17.5 million of fixed assets in industry is included in the corporate sector.

Restructuring of society: Progress

39. The major elements in the strategy to achieve economic balance include modernisation of economic activities in the rural areas, measures to bring about a balanced employment pattern in line with the multi-racial composition of the population, education and training, urbanisation and the creation of a Malay commercial and industrial community. By their very nature, the full impact of these measures in reducing existing economic imbalances can only be felt over a period of time. However, some progress has already been achieved although a number of problems remain to be resolved.

Balance in employment

40. Comprehensive information on the current overall racial distribution of employment is not available. In pioneer industries, the fastest growing sector in the manufacturing field, however, overall participation by Malays in employment is satisfactory. While they accounted for about 45% of total employment in pioneer industries as of June 1973, only about 12% of the managerial and professional group and about 20% of the technical and supervisory group were Malays. Some 55% of Malays employed were unskilled workers. In contrast, the Chinese accounted for 77% of the professional and managerial group and 73% of the technical and supervisory group. For Indians, the corresponding proportions were 4.3% in the managerial and professional group and 6.1% in the technical and supervisory group.

41. Significant improvement of the position of Malays in the job hierarchy depends on an adequate supply of Malay managerial, professional and technical personnel. Clearly the role of educational and training institutions is crucial in this regard. The current stock of qualified Malays at the managerial, professional and technical levels requires substantial expansion and this will necessitate increasing the proportion of Malays pursuing courses in science, technology, economics and business administration and other professional courses. In 1970, Malays formed 39.7% of the total number of students enrolled in degree courses in Malaysian Universities. However, only 12% of them were pursuing courses in science and technology. In 1973, the percentage of Malays in degree courses in these institutions was 52.7%. Of this number, 19% were in science and technological courses. At the College level, however, the situation was much better as shown in Chapter XI (*see* Tables 11-4 and 11-5).

42. Most of the Malay lawyers, engineers, architects, accountants, surveyors, doctors and dentists are employed in the public sector. Out of a total of 749 Malay professionals enumerated in the Survey of Professions in 1971, about 60% were in the public sector. To ensure adequate Malay representation of professionals in the private sector, the Government has encouraged Malay scholarship holders to enter the private sector on completion of their studies.

Creation of a Malay commercial and industrial community

43. The agencies which spearhead the Government's efforts in the creation of a Malay commercial and industrial community include MARA, FIMA, PERNAS, UDA and the SEDCs. Their activities are wide-ranging and comprise, *inter alia*, the development of modern commercial and industrial activities in the rural areas, new growth centres and in existing urban centres. They have an important role in expanding opportunities for participation by Malays and other indigenous people in these sectors through financial, technical and other assistance to help them start and sustain their own commercial ventures. They also have the role of acquiring share capital in existing and new enterprises to be held in trust for the Malays and other indigenous groups until such time as they are in a position to acquire these shares on their own.

44. During the period under review, MARA's commercial and industrial projects included a number of raw material-based industrial ventures, construction of shophouses and the mobilisation of Malay capital. The allocation of \$73 million to MARA for commercial and industrial activities under the Plan has been spent. Since 1967, Amanah Saham MARA continued to expand its portfolio investments and made profits amounting to \$8.6 million. The formation of a Kompleks Kewangan with an initial capital of \$40 million is specially aimed at mobilising and channelling capital into productive investment in commerce and industry and in promoting the active participation of Malays and other indigenous people in the capital and securities market. It will contribute substantially towards the objective of increasing their ownership and management of industries. MARA also provides commercial and industrial advisory services. In 1971 and 1972 about 500 projects were so assisted.

45. PERNAS, which was incorporated as a public company in 1969, commenced operations in January 1970 and has formed seven wholly-owned subsidiaries, apart from entering into a number of joint-ventures in various fields. PERNAS subsidiary companies cover insurance, construction, trading, properties, engineering and securities, while joint-ventures have been established in mining, containerisation, consultancy, hotels and trading. The sum of \$100 million earmarked for PERNAS under the Plan has now been disbursed.

46. *State Economic Development Corporations (SEDCs)* have been set up in all States. Their activities have expanded in scope. Currently they are actively engaged in various commercial and industrial projects including the manufacture of sugar, textiles, dessicated coconut and wood-based products and the processing of fish, prawns and groundnuts. In addition, the SEDCs also provide industrial estates for industries, business and office-premises and

housing and participate in wholesale and retail trading, tourism, transport and mining ventures. Expenditures between 1971 and 1973 exceeded the Plan allocation of \$46 million.

47. *The Urban Development Authority (UDA)* was launched in November 1971. UDA has implemented a variety of short-term and formulated a number of medium and long-term projects for commercial and property development, mainly in Kuala Lumpur. Among its short-term projects are the leasing, purchase and construction of commercial premises for Malays and other indigenous people for printing, tailoring, offices, restaurants, shops, a mini-market, travel agency and wholesale trade. In addition, UDA has entered into joint-ventures with domestic and foreign investors for the construction of large commercial complexes.

48. *Malaysian Industrial Development Finance Berhad (MIDF)* expanded its activities during 1971-73 and has now utilised the entire allocation of \$100 million provided under the Plan. Of the 265 loans approved during 1972-73, some 90 were for Malays and other indigenous people, amounting to \$36.4 million. Three subsidiary companies—MIDF Industrial Consultants Sendirian Berhad (MIDFIC), Asian Appraisal (M) Sendirian Berhad and Malaysian International Merchant Bankers Berhad—were incorporated between 1970 and 1972 to provide complementary services, particularly consultancy services. MIEL, another subsidiary, invested a total of \$20.2 million for the building and design of 236 factories for small-scale industries up to March 1973. MIDF has established branch offices in Penang, Kuching, Kota Kinabalu, Kuantan and Kota Bharu and also provides advisory services to the SEDCs.

49. In order to expand the supply of capital to small-scale businessmen, the Government established a *Credit Guarantee Corporation (CGC)* under Bank Negara Malaysia in July 1972. The Corporation provides guarantees of up to 60% of the total value of loans, with the remainder underwritten by the commercial banks themselves. Up to mid-1973, the Corporation had guaranteed a total of 617 loans amounting to \$1.9 million. About \$1 million were loans to Malay businessmen and farmers.

50. In the effort to bring about racial balance in the ownership of share capital, the Government stipulates that a portion of the total share capital of approved manufacturing projects in the private sector be reserved for Malays and other indigenous people. The amount of share capital in approved companies so reserved has been rising and by mid-1973 amounted to \$353 million. However, only about one-half of this amount has been taken up in view of the lack of capital and uncertainty about the viability of some of the projects for which share participation has been invited. To help overcome such problems, a *Bumiputra Participation Unit* and a *Trust Fund* for share acquisition have been established in the Ministry of Trade and Industry.

51. In the agricultural field, *Bank Pertanian* was established in 1971. Apart from the provision of agricultural credit to farmers and fishermen for agricultural inputs, equipment and vehicles, the Bank is also engaged in the promotion of agro-based industries.

Restructuring of society: Prospects

52. To ensure the achievement of the objective of creating a Malay commercial and industrial community, the universities and other training institutions including the Institute of Technology MARA, Industrial Training Institute, MARA's Vocational Institutes and the Polytechnic will continue to accelerate their programmes to expand the supply of qualified Malays and other indigenous people for effective participation in commerce and industry and the professions.

53. Under the Mid-Term Review, the allocation for the education and training programmes of MARA has been increased from \$85 million to \$169.7 million. During 1974-75, MARA will construct four additional Junior Science Colleges in Alor Star, Kuala Trengganu, Kuantan and Kota Kinabalu. In addition, MARA plans to construct two Vocational Institutes at Lumut and Kuantan.

54. MARA's role in assisting Malay and other indigenous businessmen will be strengthened. Two new important projects which will come into fruition during the remaining years of the Plan are the development of the Kompleks Kewangan and the Lembaga Kraftangan Malaysia.

55. The activities of PERNAS in industry and commerce will continue to expand at a rapid pace during 1974-75. PERNAS will accelerate its programmes in the fields of construction, engineering, mining, properties and securities, insurance and trading. An additional allocation of \$50 million has been made to PERNAS for 1974-75.

56. At the State level, the activities of the SEDCs will expand significantly during the remaining years of the Plan. They will provide a strong stimulus for the development of the less developed States and widen opportunities for Malays and other indigenous people in these States to engage in a wide range of commercial and industrial activities. For these purposes, the allocation for the SEDCs has been revised upwards from \$45.6 million to \$192.9 million under the Plan.

57. The programmes and projects of UDA in commercial and property development in Kuala Lumpur and other urban centres will be accelerated during 1974-75 to contribute towards expansion of the ownership and management of urban property by Malays and other indigenous people. They will also be geared towards bringing about better balance between commercial and

residential development. UDA will increasingly expand its activities to other urban centres as well. An allocation of \$99.7 million has been made to UDA for 1974-75, in addition to the \$60.3 million already provided in 1971-73.

58. MIDF and its subsidiary companies will continue to play an important role in the provision of finance for industrial growth, especially for small-scale industries. Furthermore, such industries will also be supported by an increasing range of consultancy services. The CGC's programmes in providing guarantees for commercial bank loans to small-scale businessmen and farmers will also increase in scope.

IV. REGIONAL DEVELOPMENT UNDER THE NEW ECONOMIC POLICY

Economic imbalances between States

59. The different regions in Malaysia do not share equally in the economic progress of the nation. The less developed East Coast States of Peninsular Malaysia, Sarawak and the rice growing States of the north, for example, have a relatively smaller share of the national income. In so far as these inequalities coincide with the higher proportion of Malays and other indigenous people in these poorer States, the reduction of regional disparities will be an important means to bring about overall racial balance.

60. A comparison of the *per capita* GDP for States expressed as a proportion of the mean for Peninsular Malaysia, as indicated in Table 1-5, shows that Selangor's *per capita* GDP in 1970 was about one-and-a-half times that of the average for Peninsular Malaysia while Kelantan's was just about one-half. Five States, namely Selangor, Sabah, Negri Sembilan, Perak and Pahang had *per capita* GDP above the average for Peninsular Malaysia, while *per capita* GDP for Johore and Sarawak was just below the average.

61. The structure of each State's economy shows even more striking differences. More than 90% of manufacturing output originated from the more developed West Coast States of Penang, Perak, Selangor, Negri Sembilan and Johore, with Selangor alone accounting for more than 50%. These States also contribute more than 80% of mining output and, together with Kedah, almost 80% of agricultural output.

62. All States, except Selangor and Penang, depend predominantly on the primary sector.¹ Furthermore, with the exception of Perak where mining is important and Pahang with forestry, these States rely mainly on agriculture. At the extreme is Perlis with 53% of output originating from agriculture, of which rice forms 77%. Johore is the most important agricultural State contributing almost 20% of Peninsular Malaysia's agricultural output, mainly from the plantation crops of rubber and oil palm.

¹ Agriculture and mining.

TABLE 1-5

PER CAPITA GDP OF STATES AS PROPORTION OF
PENINSULAR MALAYSIA MEAN GDP, 1963-70

				1963	1964	1965	1966	1967	1968	1969	1970
Selangor	..	..	..	1.53	1.56	1.47	1.48	1.56	1.52	1.49	1.49
Sabah	..	..	..	—	—	—	—	1.18	1.22	1.21	1.25
Negri Sembilan	..	..	..	1.30	1.06	1.11	1.18	1.14	1.14	1.16	1.16
Perak	..	..	..	1.03	1.09	1.12	1.09	1.09	1.06	1.08	1.07
Pahang	..	..	..	1.10	1.16	1.11	1.12	1.06	1.06	1.05	1.04
Johore	..	..	..	0.97	0.95	0.99	0.97	0.93	0.90	0.97	0.98
Sarawak	..	..	..	—	—	—	—	0.87	0.93	0.92	0.99
Perlis	..	..	..	0.70	0.77	0.76	0.81	0.84	0.91	0.85	0.80
Kedah	..	..	..	0.81	0.86	0.83	0.84	0.84	0.83	0.81	0.81
Penang	..	..	..	0.67	0.71	0.73	0.75	0.75	0.77	0.76	0.78
Malacca	..	..	..	0.82	0.75	0.73	0.79	0.70	0.69	0.79	0.69
Trengganu	..	..	..	0.69	0.68	0.61	0.57	0.61	0.58	0.57	0.60
Kelantan	..	..	..	0.58	0.57	0.52	0.47	0.47	0.49	0.51	0.52

63. In terms of services enjoyed by each State, education is fairly well distributed to all the States reflecting the continuing efforts of the Government to reduce disparities. In health services, however, where private practitioners play an important role, the service is generally poorer in the lower income States. A further indication of disparities in the standards of living between States is the uneven distribution among States of basic household amenities, particularly those of water supply, sewerage and electricity.

The strategy for regional development

64. The aim of regional development is to reduce the marked economic disparities which currently exist between States. However, the underlying objective is the development of the totality of the nation's resources wherever they may exist so that they contribute to the optimum implementation of the New Economic Policy. The strategy will thus involve the full exploitation of presently untapped economic resources especially in the less-developed States; the promotion of population migration to areas with large economic potential; and the expansion of the infrastructure and social services in those States and areas which now lag in development so as to achieve greater balance between the various regions and people residing therein.

65. The strategy adopted is pragmatic. In some cases, it will be possible to accelerate development where population is concentrated. In others, it will be necessary to induce people to move to areas where there is greater potential. Indeed, the full development of the nation's vast natural resources will require substantial movements of labour to the better endowed regions.

Potentials for development

66. The major potentials for new agricultural and land development are in Pahang, Johore, Trengganu and Kelantan, for which masterplans have been formulated. In the West Coast States, large areas for new land development are found in Perak, Negri Sembilan and Kedah. Potentials for new land development are also good in Sabah and Sarawak, in particular in the Kina-batangan Valley of Sabah and in the Fourth Division of Sarawak.

67. Forestry provides a second major opportunity in the primary resource field. Sabah and Sarawak have the largest potential, while in Peninsular Malaysia, the States of Pahang, Kelantan, Johore, Trengganu and Perak have sizable timber resources.

68. As undeveloped land and forest resources are largely located in the East Coast States of Peninsular Malaysia, Sabah and Sarawak, the major thrust in new land and forestry development will be in these States. In this connection, there will be a need for inter-State migration since the population of these States will not be sufficient to meet labour requirements for development and settlement. This is particularly true for Pahang where massive land development projects are being planned and implemented.

69. Currently, the most attractive opportunities for the development of manufacturing and service industries are in the West Coast States of Peninsular Malaysia. A major part of the country's population is located in these States, where the infrastructure and system of public services are more developed. In so far as they already contain a network of secondary and tertiary industries, they also generate external economies inducing new industries to agglomerate there.

70. Perpetuation of this overall regional pattern will not be optimal in terms of the attainment of the objectives of the New Economic Policy. The Government recognises that the development of primary industries alone in natural resource-rich States will not provide the long-term solution for reducing regional disparities. The sizable opportunities for developing natural resource-based manufacturing activities should also be seized. These will, in turn, open up further opportunities for other secondary industries to establish in these areas. These, however, require time to be effected but in the process

of developing each region's natural resources, with appropriate planning of settlements and infrastructure, the foundation will be laid for secondary industrial development. In this connection, the Government recognises that it is only when towns reach a threshold level of 30,000 to 50,000 people that general industrial activity begins to accelerate. Consequently, development will be strategically located in new growth centres. Such new growth centres will also provide opportunities for introducing larger numbers of Malays and other indigenous people into modern urban activities.

71. The development of these centres will also reduce the drift of people to already established large urban centres. Such a drift will create problems of congestion, squatter settlements and physical problems of overloaded infrastructure. While Penang, Johore Bahru and Ipoh are rapidly developing as important first order growth points, other centres which can be readily identified as second order growth points include Alor Star, Taiping, Klang, Shah Alam, Seremban, Malacca, Muar, Batu Pahat, Kluang, Kuantan, Kuala Trengganu and Kota Bahru. These are towns where the population has grown large enough to support a wide range of services and industries. Within such a hierarchical order of urban growth centres, third order towns, which have not yet reached the threshold population level, will require special planning efforts to promote their rapid growth. These towns include such larger district capitals as Sungei Patani, Kulim, Kuala Pilah, Segamat, Temerloh/Mentakab, Chukai, Kuala Dungun, Pasir Mas and the new growth centres of the regional masterplan areas in Pahang Tenggara and Johore Tenggara.

Progress in regional development

72. During the first half of the Plan period, several major regional development projects were completed or initiated. The regional masterplans for Johore Tengah and the Tanjong Penggerang, Pahang Tenggara and Klang Valley were completed and the implementation of these plans is already underway. Further, the implementation of projects arising from the Trengganu Regional Economic Development Plan was accelerated with the establishment of the Trengganu Tengah Development Authority.

73. During the period, studies were also initiated to prepare plans for the development of the Miri-Bintulu Region and the State of Kelantan. These studies are now well underway. In order to consolidate the development of the Jengka Triangle, planning for the development of urban centres for the Jengka Triangle was undertaken.

74. Apart from these comprehensive masterplan projects for the development of specific regions, various other projects which were initiated will also have an impact on distributing growth at the regional level. These include the

development of the ports at Pasir Gudang and Tanjong Gelang, the East-West Highway, land development projects in the eastern half of Negri Sembilan and the completion of the linkage of the East Coast with the National Electricity Grid. A river basin study project, primarily in relation of flood control of the Pahang River basin, was also initiated. A similar study will also be undertaken for the Trengganu River basin for the purpose of irrigation, flood control and power development.

Integration of regions

75. The Government's efforts to bring about greater cohesion among the various States of Malaysia continued to focus, *inter alia*, on the integration between Peninsular Malaysia and Sabah and Sarawak. This process of integration between Peninsular Malaysia and Sabah and Sarawak was accelerated with the implementation of the Plan. Indicative of this is the increasing intra-regional trade between Sabah and Sarawak and Peninsular Malaysia. Imports by Sabah and Sarawak from Peninsular Malaysia increased by 51 % between 1971 and 1972, while their exports to Peninsular Malaysia grew by nearly 109 %.

76. Other important aspects of integration include tax harmonisation, extension and strengthening of the activities of Federal institutions such as FAMA, FIDA, MIDF, MARA, LPN, MAJUTERNAK, PERNAS, MAJU-IKAN, MARDI, RRI, EPF and SOCSO in Sabah and Sarawak. In addition, the transport and communications links between both regions are being strengthened through the operations of MAS, MISC and better telecommunications facilities. The introduction of T.V. into Sarawak in the remaining years of the Plan will further accelerate the integration process. In education, Sarawak has now begun to use Bahasa Malaysia as the main medium of instruction, while Sabah has already adopted Bahasa Malaysia as its sole official language, in line with the rest of the country.

Programmes and policies for 1974-75

77. For the remaining years of the Plan, implementation of projects in the completed regional masterplans will be accelerated. Masterplans will also be prepared for the development or redevelopment of regions where problems are beginning to arise. These include the development of South Johore, North Perak, North-East Negri Sembilan, the South-West Johore and the Kuantan regions.

CHAPTER II

Population, Labour Force, Employment and Manpower Development

I. INTRODUCTION

78. The creation of productive employment opportunities as well as expansion of the supply of skilled manpower are important elements in the Plan's strategy to eradicate poverty and to correct racial economic imbalance. The employment objective of the Plan was to create some 596,000 new jobs so as to absorb the greater part of the 645,000 new entrants in the labour force during the period. The industry and the services sectors were expected to provide most of the jobs, while the agricultural sector, with a share of 25% of the new job creation, mainly from new land development, was expected to provide largely for fuller utilisation of the labour force in the rural areas. Progress during the period under review in achieving these targets was substantial.

II. POPULATION, LABOUR FORCE AND EMPLOYMENT, 1970

79. The population, labour force and employment framework in the Plan has been revised in the light of more recently available information from the 1970 Population Census and subsequent labour force surveys. As shown in Table 2-3, the 1970 population, labour force and employment bases are lower than those estimated in the Plan.

80. The population of Malaysia is estimated at 10,810,000 in 1970, with 9,181,000 in Peninsular Malaysia¹, 653,550 in Sabah and 976,100 in Sarawak. Of the total population, 55% were Malays and other indigenous people, 34.4% Chinese, 9.1% Indians and 1.5% Others. In Peninsular Malaysia,¹ 52.7% of

¹ Adjusted for under-enumeration as indicated by the Post Enumeration Survey on the Population Census, 1970.

the population were Malays, 35.8% Chinese, 10.7% Indians and 0.8% Others. In terms of sex, there were 101.4 males per 100 females. The sex composition showed wide variations among the races. The proportion of males was less among Malays, whereas there were more males to females among the Chinese and Indians. The sex ratio for Chinese and Indians was considerably more balanced in 1970 than in earlier Censuses, reflecting the demographic transition in which a heavily male immigrant dominated population structure was gradually replaced by a more balanced one created by natural increase.

TABLE 2-1

SEX RATIO OF POPULATION
(Males per 100 females)

				<i>Malays and Indigenous</i>	<i>Chinese</i>	<i>Indians</i>	<i>Others</i>	<i>Total</i>
Peninsular Malaysia:								
1957	..	..	..	98.7	108.0	134.0	153.7	106.5
1970	..	..	..	98.7	101.8	113.7	109.9	101.4
Sabah:								
1960	..	..	..	99.6	113.6	—	188.0	108.6
1970	..	..	..	102.4	110.3	—	143.7	108.2
Sarawak:								
1960	..	..	..	97.9	110.6	—	127.1	101.9
1970	..	..	..	99.6	105.3	—	122.1	101.5

81. The age structure of the population indicates the extreme youthfulness of the population. About 44.7% of the population of Malaysia was in the age group 0-14 and 25.7% in the age group 15-29. The population in the working age group 15-64 was 52.1%.

82. By strata, 26.9% of the population in Malaysia was located in urban areas and 73.1% in rural areas. Within the urban areas 27.4% of the population were Malays and other indigenous people, 59.2% Chinese, 11.7% Indians and 1.7% Others. In the rural areas, on the other hand, 65.2% were Malays and other indigenous people, 25.3% Chinese, 8.1% Indians and 1.4% Others.

83. Table 2-2 shows the distribution of population between urban and rural areas by race for Peninsular Malaysia between the 1957 and 1970 Censuses. A notable feature of the trends between the inter-censal years is that

TABLE 2-2

DISTRIBUTION OF POPULATION BY STRATA AND RACE,
PENINSULAR MALAYSIA, 1957 AND 1970¹

Strata	1957					1970					Average annual growth (%)				
	Malays	Chinese	Indian	Others	Total	Malays	Chinese	Indian	Others	Total	Malays	Chinese	Indian	Others	Total
Urban ² ..	349,605	1,042,668	213,863	60,833	1,666,969	694,935	1,491,871	324,223	28,858	2,539,887	5.4	2.8	3.2	-5.6	3.3
(% of urban)	21.0	62.5	12.8	3.7	100.0	27.4	58.7	12.8	1.1	100.0					
Rural ..	2,775,869	1,291,088	482,323	62,509	4,611,789	3,976,939	1,639,449	612,118	41,164	6,269,670	2.8	1.9	1.9	-3.2	2.4
(% of rural)	60.2	28.0	10.5	1.3	100.0	63.4	26.1	9.8	0.7	100.0					
Total ..	3,125,474	2,333,756	696,186	123,342	6,278,758	4,671,874	3,131,320	936,341	70,022	8,809,557	3.1	2.3	2.3	-4.3	2.6

¹ 1957 and 1970 Censuses unadjusted figures.² Urban means centres with population of 10,000 and above.

the urban population has grown annually by 3.3% and the rural population by 2.4%. A good part of the increase in urban population is explained by migration from rural to urban areas and growth of new urban areas. Migration from rural to urban areas has brought about shifts in the urban age, sex and race structure. Malay urban population grew at a much faster rate than that of non-Malays. Between 1957-70 Malay urban population grew at 5.4% compared to 2.6% for non-Malays. This represents increasing opportunities for the urbanisation of Malays, as well as emphasises the need to ensure that rural underemployment is not simply transformed into urban unemployment and underemployment.

84. While the basic problem in Malaysia is not yet one of an excessive level of population in relation to resources, the present rates of rapid population growth pose a number of socio-economic problems.

85. The first problem of such population growth between the inter-censal period is a rise in the youth dependency ratio, that is the ratio of the population below 15 to the population in the working ages 15-64. In Peninsular Malaysia, the ratio rose from 82.1% in 1957 to 85.3% in 1970, while for Sarawak and Sabah, this ratio rose from 83% in 1960 to 91.3% in 1970. Although the dependency ratio is expected to fall in the period 1971-75 and after, with declines in rates of population growth, it will still remain high, implying the need for a continuous increase in public expenditures on health, education and other social services, which might otherwise be diverted to expanding the productive capacity of the economy. It also imposes increasing strain on many families in providing food, shelter and clothing, all of which reduce personal savings and investment.

86. A second problem also arises from the age composition. The very large number of young people who are and will be maturing to reproductive ages means that, even though fertility rates continue to decline, as they have been, population growth will continue at a relatively high rate for several decades. Between 1970 and 1975, the number of women in child-bearing ages is expected to increase twice as fast as the total population. This underlines the need for an increased effort in family planning.

87. A third problem is the increase in the number of young people entering the labour force each year in search of jobs. While during the period 1957-70, the labour force in Peninsular Malaysia grew at an average of 2.7% per year, it is expected to grow at 3.2% during 1971-75, with youths between the ages 15-24 accounting for some 38% of the expansion.

88. The implications of these shifts in the population structure are being studied. Migration flows within the country are of particular significance from the standpoint of restructuring society, reducing rural poverty and

developing new growth centres. If the rates of rural urban migration that prevailed between 1957 and 1970 continue into 1975, some two million people would have changed their places of residence during the five-year period. The decline of the birth rates and the advancing age of marriage also carry important implications that call for careful study. They enable women to stay longer in school and to spend more years in the labour force, which together help to reduce birth rates. Further analysis of these and other aspects of the population structure and growth will be undertaken when the detailed tabulations of the 1970 Population Census are available, thus enabling the formulation and implementation of integrated population and development policies.

89. The labour force¹ of Malaysia is estimated at 3,597,000² in 1970. About 55.4% were Malays and other indigenous people, 33.8% Chinese, 9.1% Indians and 1.7% Others. In terms of sex, 67.7% of the labour force were males and 32.3% females. Those in the age group 15-24 comprised 32.4% of the labour force.

90. Employment³ in the 15-64 age group is estimated at 3,328,000. The Agricultural sector accounted for about 53% of employment, with Industry and Services contributing 19% and 28%, respectively. Unemployment⁴ was 269,000, implying an unemployment rate of 7.5% in 1970.

III. REVISED POPULATION, LABOUR FORCE AND EMPLOYMENT FRAME, 1970-75

91. On the basis of the results of the Population Census, 1970, the Post Enumeration Survey on the Census and other labour force information, as well as revisions to the macro-economic frame of the economy during 1971-75, the population, labour force and employment estimates indicated in the Plan document have been revised as shown in Table 2-3 below. With these revisions, the increase in the labour force is estimated to average 3.2% per year, thus adding some 625,000 new entrants into the labour force over the Plan period, instead of 645,000 as envisaged in the Plan. By 1975, the labour force will contain slightly larger proportions of Malays and other indigenous people and youths. With the rapid rise in enrolments in primary and lower secondary education during the past decade, the new entrants into the labour force will, on the average, be better educated. There will be fewer workers with no formal education and many more with at least primary schooling.

¹ The labour force is defined as those persons within the ages 15-64 who are either employed or unemployed.

² The Census figures on labour force have been adjusted in the light of information from labour force surveys.

³ The employed are defined as those persons who work for pay, profit or family gain at any time during the reference week. Thus employed include the underemployed and those who work less than full-time.

⁴ The unemployed are defined as those persons who are without work but are actively looking for work, and capable of accepting a job, if offered one.

TABLE 2-3

REVISED POPULATION, LABOUR FORCE AND EMPLOYMENT
ESTIMATES, 1970-75
(000)

	Plan original			Revised		
	1970	1975	Average annual growth (%)	1970	1975	Average annual growth (%)
POPULATION:						
Peninsular Malaysia ..	9,300	10,600	2.7	9,181	10,490	2.7
Sabah and Sarawak ..	1,600	1,900	3.5	1,629	1,865	2.7
Malaysia ..	10,900	12,500	2.8	10,810	12,355	2.7
WORKING AGE POPULATION (15-64):						
Peninsular Malaysia ..	5,010	5,849	3.1	4,800	5,720	3.6
Sabah and Sarawak ..	870	1,017	3.2	820	957	3.1
Malaysia ..	5,880	6,866	3.1	5,620	6,677	3.5
LABOUR FORCE (15-64):						
Peninsular Malaysia ..	3,150	3,690	3.2	3,026	3,580	3.4
Sabah and Sarawak ..	618	723	3.2	571	642	2.4
Malaysia ..	3,768	4,413	3.2	3,597	4,222	3.3
EMPLOYMENT (15-64):						
Peninsular Malaysia ..	2,900	3,395	3.2	2,783	3,316	3.6
Sabah and Sarawak ..	593	694	3.2	545	612	2.3
Malaysia ..	3,493	4,089	3.2	3,328	3,928	3.4
UNEMPLOYMENT:						
Peninsular Malaysia ..	250	295		243	264	
(% of labour force)	8.0	8.0		8.0	7.4	
Sabah and Sarawak ..	25	29		26	30	
(% of labour force)	4.0	4.0		4.6	4.7	
Malaysia ..	275	324		269	294	
(% of labour force)	7.3	7.3		7.5	7.0	

92. Based on the projected growth of output and developments within the various sectors of the economy, employment during the Plan period is estimated to grow at 3.4% per year, a rate slightly faster than the rate of growth of labour force. At this rate, a total of 600,000 jobs is expected to be created during the period, as compared to an addition to the labour force of 625,000 persons. The resultant unemployment in 1975 is therefore estimated at 294,000 or about 7% of the projected labour force.

93. The sectoral distribution of employment for the period 1971-75, as revised, is shown in Table 2-4. As in the recent past, net absorption of labour is expected to be low in agriculture even though sizable production increases are projected for rubber, rice, palm oil and other major agricultural products. Much of these output increases is likely to result from productivity gains rather than new employment. The revised Plan target for new agricultural employment during the Plan period is 167,000.

94. Non-agricultural employment is projected to rise by 433,000 jobs, with 161,000 in the manufacturing sector and 204,000 in services. However, the service sector has a substantial degree of underemployment. Though some productivity increases will occur in this sector as compared to the recent past, it is not likely that underemployment in the sector will be reduced significantly during the Plan period.

95. Overall output growth in the economy is expected to average 7.8% a year, with some 45% of this growth arising from new employment growth and the remainder reflecting increases in worker productivity. As the economy modernises and as investments are made to increase income of the masses of rural and other labour, productivity may be expected to accelerate in the future. The continued availability of surplus labour in the economy emphasises the need to focus attention on high employment growth industries.

IV. EMPLOYMENT CREATION, 1971-73

96. As shown in Table 2-4, employment creation during the period under review amounted to 348,000 jobs, about 58% of the original Plan target for the five year period of 596,000 jobs.

97. The share of the agricultural sector in job creation during the period amounted to only 28%, though agriculture still accounts for some 50% of the total employed. The low share of the sector's contribution is largely due to declines in employment in the rubber estates, about 11,000 during 1971-73, although some of those laid-off would have been absorbed into smallholdings and oil palm employment. Land development, providing 65,000 new jobs,

TABLE 2-4

REVISED EMPLOYMENT GROWTH, BY SECTORS, 1971-75

	Revised sectoral employment, 1971-75						Estimated employment growth, 1971-75				Projected employment growth, 1974-75			
	Estimated employment, 1970 (000)	Share of total (%)	Target, 1975 (000)	Share of total (%)	Increase, 1971-75 (000)	Average annual growth of employment (%)	Average annual growth of output (%)	Increase, 1971-75 (000)	Share in job creation (%)	Average annual growth (%)	Increase, 1974-75 (000)	Share in job creation (%)	Average annual growth (%)	
Agriculture, forestry and fisheries ..	1,749	52.6	1,916	48.8	167	1.8	8.3	96	27.6	1.8	71	28.2	1.9	
Mining and quarrying ..	87	2.6	92	2.3	5	1.1	10.6	2	0.6	0.8	3	1.2	1.7	
Manufacturing ..	318	9.6	479	12.2	161	8.5	14.0	100	28.7	9.5	61	24.2	7.0	
Construction ..	91	2.7	124	3.2	33	6.4	7.2	18	5.2	6.2	15	5.9	6.7	
Electricity, water and sanitary services ..	23	0.7	32	0.8	9	6.8	10.9	5	1.4	6.8	4	1.6	6.9	
Transport, storage and communications ..	129	3.9	150	3.8	21	3.1	5.2	13	3.7	3.3	8	3.2	2.8	
Wholesale and retail trade ..	309	9.3	390	9.9	81	4.8	4.7	46	13.2	4.7	35	13.9	4.8	
Banking, insurance and real estate ..	17	0.5	27	0.7	10	9.7	9.5	6	1.7	10.6	4	1.6	8.3	
Public administration and defence	284	8.5	324	8.3	40	2.7	3.4	26	7.5	3.0	14	5.5	2.2	
Services ..	321	9.6	394	10.0	73	4.2	4.0	36	10.4	3.6	37	14.7	5.1	
Total ..	3,328	100.0	3,928	100.0	600	3.4	7.8	348	100.0	3.4	252	100.0	3.4	

accounted for the major part of job creation in this sector, an achievement which would have been higher if not for the increase in acreage allotted to FELDA settlers.

98. The manufacturing sector accounted for nearly 29% of the new employment during the period under review. This was the result of significant growth in industrial development, brought about by Malaysia's attractive investment climate coupled with the vigorous promotional efforts undertaken by the Government during this period.

99. Reflecting the boom in industrial, commercial and residential construction, in both the public and private sectors of the economy, employment in the construction sector increased by about 6.2% per year accounting for more than 5% of total new employment.

100. The services sector is estimated to have contributed about 114,000 jobs. However, this sector is likely to continue to have a significant degree of underemployment. Within the services sector, public administration and defence accounted for 7.5% of all new jobs created during 1971-73, largely arising out of the rapid build-up of institutions in both the Federal and State Governments and the expansion of the armed forces and police.

101. Overall, unemployment declined from 7.5% of the labour force in 1970 to 7.3% in 1973. Successive rounds of the labour force sample surveys have clearly indicated a downward trend in the unemployment position since 1970. These surveys, however, show that unemployment rates among youths between the ages 15-19, and in urban areas, though declining, remain high. In the rural areas, while the unemployment rates are lower, underemployment continues to be a problem. The surveys also indicate a marked improvement in the unemployment position among Malays, while that of the Chinese shows a slight improvement. Unemployment among Indians, however, has worsened considerably.

V. PROSPECTS FOR EMPLOYMENT, 1974-75

102. The prospects for employment growth in the remainder of the Plan period and into the Third Malaysia Plan are promising. With the achievement of the projected GDP growth of 7.6% per year for 1974-75, job creation for this two-year period will amount to 252,000. The major part of this new job creation will be in agriculture, manufacturing, commerce and other services.

103. The primary sources of employment growth in the manufacturing sector are expected to be in the fast-growing wood-based, electrical machinery and appliances, electronics and textiles industries, all of which have relatively high rates of labour absorption.

104. The commerce and services sectors will also contribute significantly to job creation, largely in response to growth in the modern sectors of the economy. Tourism will also contribute substantially to job creation, with the expansion and development of the tourist industry. New job creation in the public sector will continue to be significant as the Government expands its development activities.

105. *With the increase in employment generation, unemployment is expected to be reduced from 7.5% of the labour force in 1970 to about 7% in 1975.* However, it is likely that unemployment rates for youths, especially for those in the 15-19 age group and in the urban areas, will continue to be high in view of the rapid expansion of the labour force in these categories.

106. The major problem in the field of employment policy continues to be low productivity and other forms of underemployment in respect of a significant number of those classified as employed. Detailed analysis of the data from the 1967/68 Socio-Economic Survey of Households in Peninsular Malaysia, for instance, shows that there is significant scope for more intensive utilisation of the labour force, taking account of the skills they possess, their potential productivity and the labour hours still available for work. The extent of under-utilisation of the labour force is particularly marked in the rural areas. Such low levels of utilisation of the labour force demonstrate the continuing need to implement development policies which stress not only employment creation but also the harnessing of the full productivity of the labour force. The vast expansion in education and training programmes has greatly improved the quality of the labour force, thus facilitating the implementation of such policies.

VI. EMPLOYMENT EXPANSION AND MANPOWER DEVELOPMENT

107. The Plan identifies a number of major policies for helping to attain its employment objectives. A major policy in this regard is an accelerated pace of overall economic activity, the performance and progress of which is reviewed in Chapter III. The remaining elements of the Plan's employment strategy are reviewed below. More details of these are contained in the respective sectoral Chapters.

Land development

108. Land development will continue to be the most important means for expansion of agricultural employment and enhancing rural incomes. The Plan target for land development by both the public and private sectors is over one million acres. During the first three years, 55% of the Plan target was achieved, involving the development of a total of 594,244 acres. In Peninsular

Malaysia alone, a total of 224,000 acres were developed by FELDA, involving the settlement of 8,400 families. Shortfalls in settler intake were primarily the result of increases in the size of settler holdings to ensure adequate incomes for the settler families. In this connection, too, the activities of agencies such as RISDA, FELCRA and others were expanded to bring about fuller employment of the presently underemployed farm labour.

Employment growth industries

109. Continued efforts will be made to encourage the establishment and expansion of high employment growth industries such as textiles, electronics, wood products, rubber products, footwear, non-metallic mineral products and tourism. Encouragement will also continue to be given to the adoption of labour-intensive technology in both the public and private sectors of the economy. Labour utilisation incentives were provided to a total of fifteen companies between September 1972 and June 1973. In the public sector, efforts to promote the adoption of labour-intensive techniques of production will be continued in, among others, land clearing and planting and road construction and maintenance.

110. While efforts will be made to encourage labour-intensive technology, wherever feasible, it should be appreciated, however, that the opportunities for adoption of such technology on a large scale will be limited. As the opportunities which now exist for labour-intensive technologies are increasingly taken up, Malaysia will have to rely mainly on a high level of economic activity in the country and on exports to provide the base for expanding the nation's employment generating capacity.

Education and training

111. Education and training will continue to be a major avenue to provide the skilled manpower for the nation's development. They are vital for the achievement of the objectives of increasing productive employment opportunities and of restructuring society under the New Economic Policy.

112. During the period 1971-73, education at all levels expanded significantly with emphasis given to teacher-training and tertiary educational facilities in the fields of science and technology. Details of the progress made in these programmes are described in Chapter XI.

113. While substantial expansions in education and training programmes have taken place, sizable manpower shortages continue to exist in engineering, agricultural research and extension, science and technical education, medicine, health and management. In the public sector, a survey of needs indicates

vacancy rates for engineers, architects and surveyors of over 23%, and for middle-level technicians of 25%. The vacancy rate for medical and agricultural personnel was as high as 25%. As the country gears its education and training programmes to the requirements of a modern technological society, the Government will increasingly focus its attention on the development of middle-level manpower. The present imbalance is reflected in the fact that while some 11,749 students have been enrolled in degree courses, only 8,184 students are enrolled in the diploma courses.

114. Rapid progress has been made to increase the supply of professional manpower. Enrolment in science and technical courses in Malaysian universities has expanded. The impact of these programmes, however, will only be felt later, as the increased enrolments lead to expanded supplies of manpower at this level. To meet current shortages in such fields as management, medicine, health, engineering, science and technical education, overseas recruitment has been undertaken. This is only a short-term measure to alleviate existing shortages until trained Malaysians become available.

115. With respect to middle-level manpower where shortages are more serious in relation to its requirements, enrolment at the Ungku Omar Polytechnic in Ipoh has been expanded. In addition, a second Polytechnic is to be established in Kuantan, while the ITM's programmes are being extended to Sabah and Sarawak.

116. At the craftsmen level, substantial expansion has been carried out in the existing vocational training programmes of the Ministry of Education, MARA, ITI and the National Youth Pioneer Corps. Efforts have also been made to overcome the shortage of skilled personnel for the rapidly growing construction industry. Towards this end, special training programmes have been mounted by the Ministry of Labour and Manpower, Ministry of Culture, Youth and Sports and MARA.

117. Measures have also been taken to co-ordinate industrial training with the private sector to expand and improve the quality of training. The National Industrial Training and Trade Certification Board has been set up to establish national standards at various levels in the training programmes. To improve selection of candidates for vocational training institutions, a national system of selection and testing procedures is being formulated.

118. Additional efforts will be made to accelerate the pace of management development. Special attention is being given to the creation of a Malay management cadre. To this end, a study of management development needs has been undertaken with a view to formulating policies and programmes in co-operation with industry to speed up the pace of management development.

The study notes the present lack of a systematic effort in this direction. The recommendations of the study are being actively considered by the Government for implementation. They include the creation of national awareness for management development, the development of adequate facilities and technical expertise for management training and the promotion of tertiary education, with a practical bias, in management.

Labour market policies and programmes

119. The Government recognises the importance of an efficient system of labour market information and placement services for effective employment promotion. The Labour Market Information Service of the Ministry of Labour and Manpower has been strengthened to provide continuous information on the needs of industry so as to match available labour supply with demand. The information on the supply of trained personnel from the various training institutions is also being collated to help channel them to areas where shortages exist and to new industries. The computerisation of information giving detailed characteristics of job-seekers distributed by regions, and on vacancies, has enabled the Employment Service to render more efficient placement services for the benefit of job-seekers as well as the industries concerned.

Youth employment programmes

120. Recognising that unemployment in Malaysia is largely a youth problem, the Government has designed special measures for the training of youth for productive employment. A special focus of the National Youth Pioneer Corps in this regard is the preparation of youth for self-employment. In addition to the youth land schemes, youth brigades have also been established, comprising dependents of FELDA settlers to undertake land clearing and preparation. While these special programmes have a role, in the final analysis, it must be appreciated that reduction of unemployment among youth can only come from training, preparation, discipline and motivation which equip them for effective participation in the accelerated development of the country.

VII. MANPOWER SURVEY

121. The Government has launched a nation-wide Manpower Survey to assess the extent of shortages of trained personnel in various occupations in both the public and private sectors of the economy. The Survey will provide a wide range of information on the structure of employment and occupations, the nature of demand for various skills and the extent of on-the-job training undertaken within industry.

122. The information provided by the Survey will help in the preparation of medium and long-term forecasts of skilled manpower requirements and the formulation of education and training programmes to meet these needs. The information will also provide a useful basis for co-ordination between the private and public sectors in manpower planning and development.

CHAPTER III

The Malaysian Economy: Performance and Prospects

I. INTRODUCTION

123. The performance of the economy affects fundamentally the achievement of the objectives of the New Economic Policy. It is only within the context of a fast growing economy that adequate employment, income and investment opportunities can be created to provide the means for reducing significantly the poverty and disparities that exist in Malaysian society.

II. PROGRESS: 1971-73

124. The growth targets in the Plan are set in terms of an average rate of growth of GNP *at current prices* of 6.5% during 1971-75 and a real *per capita* income growth of 2.9% per year, giving an annual income of \$1,232 by 1975, as compared to \$1,066 in 1970. The performance during 1971-73, as indicated in Table 3-1, shows that, on the average, the economy expanded by 11% annually, a rate higher than the Plan target. This achievement was brought about by the high growth rate of 20.4% in 1973, in contrast to moderate expansion in 1971 and 1972 when GNP grew by 5.6% and 7.5%, respectively.

125. The achievement *in real terms*, however, was lower as prices increased at an average of 4.1% per year. (Price developments are discussed in Chapter VI). Real output of the economy grew at a rate of 6.9% per year during 1971-73 as compared to the Plan target of 6.8%. The real purchasing power of GNP, taking into account the impact of price changes for exports and imports, also increased but at a slower rate of 5.5% per year, reflecting largely the rise in import prices. With population growing at 2.7% per year, real *per capita* income is estimated to have grown by 2.8% per year, reaching \$1,166 in 1973, largely as a result of the exceptionally high growth in 1973.

TABLE 3-1

GROSS NATIONAL PRODUCT, 1970-75
(\$ million)

	1970	1971	1972	1973 (Estimated)	1974 (Projected)	1975 (Projected)	Cumulative total, 1971-73	Cumulative total, 1971-75	Average annual growth rate (%)		Plan target
									1971-73	1971-75	
<i>Real output (1970 prices):</i>											
Malaysia	16,207	39,760	71,149	6.9	6.9	6.8
<i>At current prices:</i>											
Malaysia	17,705	41,355	75,848	11.0	8.8	6.5
<i>Real purchasing power (1970 prices):</i>											
Malaysia	14,147	37,493	65,484	5.5	4.0	5.8 ¹

¹ The Plan target figure of 5.8% is not comparable with the revised target of 4% as it was expressed in 1965 prices and does not take into account import price changes.

126. As in previous years, external economic conditions continued to have considerable influence on the performance of the Malaysian economy. Analysis of past data indicates an average lag of about four to six months for external conditions to be reflected in the behaviour of Malaysian exports. Export performance, in turn, after a longer time lag, affects the level of imports and private investment in the country. Thus, the stagnation of industrial production in the major world economies during 1970-71 and the first few months of 1972 has been responsible for the relatively slow growth of the Malaysian economy during these years. The recovery in the world economy since early 1972 led to the strong growth of the Malaysian economy in 1973.

127. The adverse effects of external conditions in 1971 and 1972 were partly compensated by the vigorous expansion of public sector consumption and investment expenditure. The counter-cyclical influence of measures taken by the Government helped maintain the momentum of aggregate demand and the general level of economic activity. This is in contrast to the experience in the 1950's and early 1960's when a drop in export demand led to an overall slackening in the rate of growth of the economy.

III. PRODUCTION BY MAJOR SECTORS, 1971-73

128. The relative slowness in the expansion of total output of the economy *in current prices* in 1971 and 1972, compared to its high growth rate in 1973, reflects the still considerable influence that the export-oriented agricultural sector has in the economy. In 1972, net output in agriculture in current prices actually declined but recovered strongly in 1973 following the stimulus provided to agricultural production, primarily rubber and timber, by the sharp recovery of export demand and prices. Production in tin mining continued to decline in importance. There was, however, greater stability and dynamism in the growth trends of the other sectors particularly manufacturing and construction. Though still small, these sectors are increasingly taking on the role of growth leaders in the economy. Within the services sector, which contributes over two-fifths of total value added in Malaysia, trade has a relatively large share. As in the past, the trade sector grew at a slightly slower rate than total GDP. Banking and insurance is a relatively small sector but expanded at a fast rate. Income from public administration and defence as well as from other services, which comprise also a number of public services such as education and health, was boosted by substantial salary revisions.

129. Overall, the GDP *in current prices*, as indicated in Table 3-2, grew on the average by 11.3% per year during 1971-73. The performance during 1971 and 1972 was lower but this is offset by the estimated 21% increase in 1973. In terms of *real output*, GDP recorded a growth rate of 8% per year, in view of the sharp increases in the general price level.

TABLE 3-2

GROSS DOMESTIC PRODUCT BY SECTOR OF ORIGIN, 1970-75
(\$ million)

In current prices

Sector	1970	1971	1972	1973 (Estimated)	1974 (Projected)	1975 (Projected)	Average annual growth rate (%)	
							1971-73	1971-75
Agriculture	3,125	3,178	3,056	4,184	4,125	4,075	10.2	5.5
Rubber planting	1,045	942	873	1,487	1,384	1,227	12.5	3.3
Agriculture and livestock	1,278	1,396	1,398	1,537	1,698	1,814	6.3	7.2
Forestry	520	532	491	852	719	693	17.9	5.9
Fisheries	282	308	294	308	324	341	3.0	3.9
Mining and quarrying ..	580	620	685	712	715	855	7.1	8.1
Manufacturing	1,354	1,467	1,687	2,116	2,412	2,660	16.1	14.5
Construction	384	430	477	601	698	741	16.1	14.1
Electricity, water and sanitary services	254	270	300	343	378	408	10.5	9.9
Transport, storage and communications	440	465	487	542	591	634	7.2	7.6
Ownership of dwellings ..	460	472	498	535	579	614	5.2	5.9
Wholesale and retail trade	1,407	1,464	1,556	1,859	1,941	2,028	9.7	7.6
Banking, insurance and real estate	207	226	254	290	315	338	11.9	10.3
Public administration and defence	655	752	937	1,003	1,072	1,136	15.3	11.6
Other services	1,085	1,185	1,411	1,541	1,648	1,727	12.4	9.7
Gross domestic product at factor cost	9,951	10,529	11,348	13,726	14,474	15,216	11.3	8.9

Agriculture, forestry and fisheries

130. The Plan projected substantial increases in output in major portions of the agricultural sector. The projected growth of net agricultural output, or value added by the sector to GDP, was 6.7% per year during 1971-75¹. Production of rubber, palm oil and kernels and rice was expected to grow rapidly.

131. Agricultural output reacted adversely to the unfavourable export prices in 1971 and 1972, primarily in respect of rubber. Rubber production which had increased by 6.6% per year from 906,000 tons to 1,249,000 tons, between 1965 and 1970, increased by only 4.4% in 1971 and stagnated at 1,303,000 tons in 1972. In 1973, however, production improved significantly by 14.4% and reached an estimated 1,490,000 tons in response to buoyant export demand. In the rubber sector, it was mainly the smallholders who reacted strongly to the price movements, while estates continued to maintain steady increases in production.

132. In contrast to rubber, the value added by palm oil and sawlogs continued to increase. Palm oil and palm kernel account for about 6% of total value added by the agriculture sector, while the share of sawlogs was about 17% in 1970. The impressive performance of these two commodities during 1971-73, despite the unfavourable prices in 1972, compensated somewhat for the slow growth of rubber production. Palm oil and kernel production doubled between 1970 and 1973 to reach 850,000 tons, thus exceeding the average annual growth rate of 20.7% projected in the Plan. The most rapid increase occurred in the smallholder sector, including FELDA and other public sector land development schemes. As a result, smallholdings now account for about 30% of total palm oil production. Sawlog production grew more rapidly in 1973 than in the previous two years. Besides favourable prices, increased demand by the domestic timber processing industry provided the main stimulus to the growth of sawlog production in 1973.

133. Although there were reductions in cultivated acreage, production of padi has expanded rapidly in recent years as a result of increases in yields and double cropping. In 1972, however, this growth trend was interrupted by adverse weather conditions. Padi production in 1972 was 1.8 million tons, showing a growth rate lower than the increase in 1971. The decline in the rate of growth of Malaysian production occurred at a time of a general world shortage of food grain. This world shortage contributed to sharp increases in the price of rice in 1973. Padi production is estimated to have grown by about 9% in 1973, reaching about two million tons.

¹ The Plan target of 6.7% per year referred only to Peninsular Malaysia as data was not available for Sabah and Sarawak. A comparable total Malaysian target would not have been significantly different as the bulk of agricultural production is from Peninsular Malaysia.

134. Progress was made in other agricultural production, including fish, pepper and livestock. These activities, however, were not significant enough to offset the unfavourable performance particularly in the rubber smallholder sector in 1971 and 1972.

Mining and quarrying

135. This sector, which had grown at the rate of 3% annually between 1967 and 1970, continued to expand despite the closure of the two largest iron ore mines at Bukit Besi and Rompin and the very slow growth of tin output since 1969 due to the gradual depletion of existing tin deposits. The mining sector expanded at an average annual rate of 7.1% between 1970 and 1973 largely as a result of increases in crude petroleum production.

136. The most striking developments in crude petroleum production took place in Sarawak where production increased from a mere 845,000 tons in 1970 to 3,224,000 tons in 1971. Production in 1973 is expected to reach 4,560,000 tons, or 24% of net output in the mining sector.

Manufacturing

137. Manufacturing, though now a leading growth sector in the economy, accounted for only about 14% of total GDP in 1970. Output growth in the sector during 1971-73 was rapid, averaging 16.1% annually, thus exceeding the Plan target of 12.5%. Most of the increase took place in pioneer and export-oriented industries. The growth leaders were the wood processing, palm oil processing, tobacco products, textiles and clothing, footwear, rubber products (especially tyres and tubes) and plastic goods industries. The construction boom since mid-1971 acted as a powerful stimulus to a number of building materials industries, such as sawn timber, bricks, paints, cement, steel and iron products. Recent experience indicates that the supply of a number of these materials was unable to match the rapidly growing domestic demand for these products. On the whole, the manufacturing sector is becoming increasingly export-oriented. In 1973 its growth is estimated at 25.4% with exports expanding by 48%.

Construction

138. The main factors behind the 16.1% average annual growth rate in the construction industry during 1971-73, exceeding the 9.4% target in the Plan, were the housing boom since mid-1971, the acceleration in public sector development expenditure and the continued increase in private sector investment in industrial, commercial and residential construction. The promotion of home ownership for public sector employees and the activities of the SEDCs were also important factors in this regard.

Services

139. The services sector accounted for about 41% of GDP in 1970. The sector comprises transport and communications, wholesale and retail trade, utilities, banking, insurance, public administration and defence, hotels, catering and personal services. These activities expanded at 11.3% per year, in step with the increased demand for such services generated by the rapid pace of overall economic development. Malaysian Airline System (MAS), Malaysian International Shipping Corporation (MISC) and the streamlining of the Telecommunications Department were mainly responsible for the satisfactory expansion in transport and communications services. Consumption of electricity increased by 10.5% per year during the period, in response to accelerated industrial development and the general rise in the standard of living in both the rural and urban areas.

IV. PRODUCTION FOR DOMESTIC USE AND EXPORTS

140. The Malaysian economy has, historically, been an export-oriented one. Exports, in turn, have been concentrated on a narrow range of primary commodities. Since Independence, however, efforts have been made to develop the economy on a more diversified basis. Reflecting the rapid increases in investment and consumption in both the public and private sectors of the economy, the share of production for domestic use in the total product *in constant prices* has grown from 55% in 1970 to 57% in 1973.

141. Notwithstanding these structural changes, significant expansion of exports will be required to sustain the long-term growth momentum of the economy, in the light of the relative smallness of the domestic market. For this purpose, the Government will devote increased attention towards promoting the growth and expansion of manufactured exports.

142. During the period under review, as indicated in Table 3-3, merchandise exports grew by 10% per year, as compared to 6.4% during 1966-70. Overall export performance continued to be governed by rubber exports which accounted for about 32.6% of total export earnings in 1973. Following the slackening of economic activity in the industrialised countries, prices fell by 26% and the value of rubber exports declined by 25% between 1970 and 1972. With the recovery of world economic activity in the latter part of 1972, rubber prices picked up strongly in 1973. For the year as a whole, the f.o.b. unit value is expected to be 140.8 cents per kilo (64 cents per lb.) compared to 94.8 cents per kilo (43.1 cents per lb.) in 1972. In consequence, the value of rubber exports in 1973 is estimated to expand by a sizable 72.7% over 1972. For the whole period under review, rubber exports registered an average annual growth rate of 9.2%.

TABLE 3-3

EXPORTS, 1970-75

		1970	1971	1972	1973 (Estimated)	1974 (Projected)	1975 (Projected)	Average annual growth rate (%)	
								1971-73	1971-75
<i>Rubber</i>									
Volume (000 tons)	..	1,324	1,368	1,343	1,564	1,539	1,579	5.7	3.6
Price (cts/lb.)	..	58	48	43	64	58	50		
Value (\$ million)	..	1,724	1,460	1,298	2,242	1,999	1,768	9.2	0.5
<i>Tin</i>									
Volume (000 tons)	..	91	86	88	83	80	78	-3.0	-3.0
Price (\$/ton)	..	11,135	10,576	10,477	10,700	10,450	10,450		
Value (\$ million)	..	1,013	906	924	888	836	815	-4.4	-4.0
<i>Sawlogs</i>									
Volume (000 tons)	..	6,288	6,178	6,431	6,949	6,819	7,042	3.4	2.3
Price (\$/ton)	..	102	104	92	135	108	100		
Value (\$ million)	..	643	641	590	938	736	704	13.4	1.8
<i>Sawn timber</i>									
Volume (000 tons)	..	961	925	1,203	1,690	1,677	1,772	20.0	13.0
Price (\$/ton)	..	209	208	229	350	280	230		
Value (\$ million)	..	201	192	275	592	469	407	44.0	15.2
<i>Palm oil</i>									
Volume (000 tons)	..	394	564	683	800	1,115	1,295	27.0	27.0
Price (\$/ton)	..	668	674	529	580	550	530		
Value (\$ million)	..	263	380	361	464	613	685	21.0	21.0
<i>Palm kernel oil</i>									
Volume (000 tons)	..	—	5	48	70	87	94	—	—
Price (\$/ton)	..	—	826	626	700	630	580		
Value (\$ million)	..	—	4	30	49	55	55	—	—
<i>Crude petroleum</i>									
Volume (000 tons)	..	3,684	6,419	3,089	2,712	2,319	3,615	-9.5	-0.4
Price (\$/ton)	..	45	51	55	68	71	74		
Value (\$ million)	..	165	328	170	184	165	268	3.7	10.2

TABLE 3-3—(cont.)
EXPORTS, 1970-75—(cont.)

		1970	1971	1972	1973 (Esti- mated)	1974 (Pro- jected)	1975 (Pro- jected)	Average annual growth rate (%)	
								1971-73	1971-75
<i>Partly refined petroleum</i>									
Volume (000 tons)	..	1,038	1,388	1,085	960	1,006	1,372	-2.5	5.8
Price (\$/ton)	.. ..	37	45	49	56	57	60		
Value (\$ million)	..	38	62	53	54	57	82	12.4	16.6
<i>Petroleum products</i>									
Volume (000 tons)	..	2,790	1,539	1,358	1,300	1,300	1,340	-22.0	-13.5
Price (\$/ton)	.. ..	56	69	67	79	80	81		
Value (\$ million)	..	156	106	91	103	104	109	-13.0	-7.0
<i>Copper</i>									
Value (\$ million)	..	—	—	—	—	—	45	—	—
<i>Pepper</i>									
Volume (000 tons)	..	26	28	27	30	33	38	4.9	7.9
Price (\$/ton)	.. ..	2,282	2,334	2,230	2,300	2,275	2,250		
Value (\$ million)	..	59	66	61	69	76	86	5.3	7.8
<i>Copra</i>									
Volume (000 tons)	..	15	32	34	51	60	69	52.0	36.0
Price (\$/ton)	.. ..	464	458	326	500	450	400		
Value (\$ million)..	..	7	14	11	26	27	28	55.0	32.0
<i>Coconut oil</i>									
Volume (000 tons)	..	48	43	27	39	38	38	-10.0	-4.5
Price (\$/ton)	.. ..	895	872	617	900	640	640		
Value (\$ million)	..	43	37	17	35	24	24	-7.0	-11.0
<i>Canned pineapple</i>									
Volume (000 tons)	..	62	58	59	55	56	59	-4.1	-1.0
Price (\$/ton)	.. ..	698	702	706	720	750	780		
Value (\$ million)	..	43	41	41	40	42	46	-2.5	1.3
<i>Other merchandise exports</i>									
Value (\$ million)	..	808	780	922	1,192	1,402	1,515	13.9	13.4
<i>Total merchandise exports</i> (\$ million)		5,163	5,017	4,844	6,876	6,605	6,637	10.0	5.2

143. Tin was the second biggest single export item accounting for some 20% of total exports in 1970. Sluggishness in world economic activity contributed to an excess of world supply over demand causing prices to decline, thus forcing the International Tin Council to impose export controls as from January 1973. These export controls, which have now been lifted, restricted Malaysian production to about 73,000 tons for 1973, with the result that export receipts fell by 4.4% per year during 1971-73.

144. The emergence of timber and palm oil as major export items in recent years partly compensated for the loss in the export receipts from rubber and tin. Palm oil exports increased by 21% annually during 1971-73. Sawlog exports increased in value in 1973 despite the selective ban on the export of logs from Peninsular Malaysia. During the period 1971-73, the exports of crude petroleum, partly refined petroleum and petroleum products declined, primarily as a result of reduced imports from Brunei for re-export. This trend is expected to be reversed only towards the end of the Plan period as production of crude petroleum from Malaysia itself accelerates.

145. Exports of manufactured products, which now account for about 22% of total merchandise exports, have been growing at double the rate of increase of total exports, reflecting a significant and progressive shift from exports of raw materials to exports of processed products. The major export growth items were processed wood products, textiles, footwear and rubber products. Net exports of textiles, clothing, footwear and rubber products which amounted to \$96.7 million in 1972 were nearly 8% higher than in 1971. In 1973 they were even higher, amounting to \$106 million, representing an increase of about 9.4% over 1972. Exports of sawn timber, the most important export product in the wood processing industry, are forecast to increase by about 115% in 1973 to reach \$592 million, due partly to strong price increases. Other major wood products exports comprise plywood, wood chips and mouldings. Their net exports were \$92 million in 1972, compared to only \$44 million in 1970. In 1973, net exports of these wood products are forecast to reach \$143 million, a growth rate of 55%.

V. AGGREGATE DEMAND, 1971-73

146. Strong growth in aggregate demand played an important role in the expansion of production in the economy. Total consumption, as shown in Table 3-4, grew by 10% per year during 1971-73, with growth more rapid in the public than in the private sector. In addition to expenditures in support of the increasing range of social and economic development programmes, the acceleration in public consumption was also the result of payments of salary arrears amounting to \$340 million in 1971 and 1972 for public employees,

TABLE 3-4

GROSS NATIONAL EXPENDITURE, 1970-75

(\$ million)

	1970	1971	1972	1973 (Estimated)	1974 (Projected)	1975 (Projected)	Cumulative total, 1971-73	Cumulative total, 1971-75	Average annual growth rate (%)
									1971-73 1971-75
Consumption	9,213	10,024	10,972	12,271	13,341	14,254	33,267	60,862	10.0 9.1
Private	7,151	7,543	7,975	9,092	9,910	10,614	24,610	45,134	8.3 8.2
Public	2,062	2,481	2,997	3,179	3,431	3,640	8,657	15,728	15.5 12.0
Investment	2,055	2,304	2,706	2,954	3,389	3,662	7,964	15,015	12.8 12.3
Private ¹	1,362	1,452	1,398	1,535	1,857	2,082	4,385	8,324	4.1 8.9
Public	693	852	1,308	1,419	1,532	1,580	3,579	6,691	27.0 17.9
Gross national product ..	11,617	12,273	13,194	15,888	16,788	17,705	41,355	75,848	11.0 8.8
Surplus on goods and services account	+ 349	- 55	- 484	+ 663	+ 58	- 211	+ 124	- 29	- -

¹ Including stock changes.

including teachers and the armed forces, to cover retrospective salary adjustments. Taking into account these salary revisions and other price increases, *real* total consumption grew by 5% per year during the period, with public consumption growing at 7.1% in contrast to the 4.4% annual growth of private consumption.

147. The rapid growth of consumption was also accompanied by expansion of fixed investment, which increased at the rate of 15.9% per year *in current prices* during 1971-73. But fixed investment *in real terms* is estimated to have expanded at a slower rate of 7.1% per year, in view of the rapid price increases in investment goods. Private investment growth was sluggish during most of the period reflecting the adverse effects of depressed export earnings on investible funds. The main source of increase of total fixed investment was thus the public sector. Public investment by the Federal and State Governments and public authorities expanded by 27% per year during 1971-73. This included special items such as the purchase of ships and aircraft for the MISC and MAS amounting to \$17 million in 1971, \$207 million in 1972 and \$141 million in 1973. Adjusting for these special items, public investment expanded by 20.5% in 1971, 31.9% in 1972 and 16.1% in 1973.

148. Following the big upsurge of 24.8% in 1970, fixed private investment grew by 11.3% in 1971, declined by 5% in 1972 but recovered strongly by 20.1% in 1973, giving an average annual rate of growth of 8.2% during 1971-73. Taking into account increases in the prices of investment goods, particularly those imported, private investment *in real terms* declined by 1% per year over the period, as shown in Table 3-7. Investment in machinery and equipment, the most significant part of private investment, was slack. In fact, industries relying on the domestic market operated with rather sizable excess capacity. The main source of growth in private investment came from buildings and construction, reflecting the construction boom in the country since mid-1971. The overall data conceal, however, the fact that the strong decline took place mainly in Sabah and Sarawak where investment in machinery and equipment decreased by 31% in 1972, in view of the depressed export earnings in 1971-1972. In Peninsular Malaysia, the slowdown in investment activity was compensated by a sizable number of new projects, many of them catering for the export market, which helped to increase fixed investment in 1971 by 12.4% and maintain it in 1972 at the high 1970-71 level. The new project approvals in 1968-72 numbered 1,181, of which 665 or 56.5% had been implemented by February 1973. Most of the new projects materialised during 1971-72. Out of the 58 approvals granted since January 1972 for electronics firms, 25 are in production.

149. Imports grew by 4.7% per year during 1971-72. Food imports, which have been declining in recent years as Malaysia gained increasing self-sufficiency in rice, rose by 1.6% in 1972 and 15.4% in 1973, primarily as a result of price increases. Imports of consumer durables and investment goods also increased, reflecting the impact of higher prices of imported manufactured goods. The increase also reflects, to some extent, the high import content of the industries being established. Among investment goods, imports of transport equipment rose sharply in 1972 due to the \$207 million purchase of MAS aircraft and MISC ships. With the pick-up of private investment, imports are expected to rise by about 17% in 1973, giving an average annual rate of increase for the period under review of 8.6%. The effective appreciation of the exchange rate of the Malaysian Dollar, as a result of its floating, should after a short lag have the effect of lowering import prices in terms of Malaysian currency, thereby somewhat offsetting rising prices of exports of the advanced countries. The main impact of this, however, is likely to be felt only in 1974.

150. The faster expansion of aggregate demand in the face of slower growth of exports in 1971 and 1972 meant that national expenditure grew faster than GNP during these years. The higher rate of growth of national expenditure over that of GNP in 1971 and 1972 converted previous surpluses in foreign trade into deficits and brought about a fall in the ratio of gross national savings to GNP, as shown in Table 3-5. However, capital inflows and increased domestic borrowing helped to bridge the savings gap. The inadequacy of savings was felt more in the public than in the private sector. Private savings expanded between 1971 and 1973 with net inflows of private long-term capital. The pressure on public savings came from the Federal Government where revenue growth declined while Government current expenditures increased steadily, particularly with salary adjustments and payments of arrears of salary to public employees and the expansion of Government services.

151. With the dramatic increase of exports in 1973, national expenditure grew more slowly than GNP and led to a substantial surplus in the foreign trade account.

VI. BALANCE OF PAYMENTS

152. In the light of the trade performance discussed earlier, the merchandise surplus was substantially reduced in 1971 and 1972; the combined surplus for these years was about the size of the surplus recorded in 1970. However, the trade balance improved significantly in 1973, with a record surplus of \$1,383 million. The services account, which traditionally records a large deficit, continued to deteriorate during this period due mainly to increasingly large payments abroad for freight and insurance, investment income and travel. Services payments increased at an average annual rate of 10.9% in 1971-73,

TABLE 3-5
SAVINGS AND INVESTMENT, 1970-75
(\$ million)

	1970	1971	1972	1973 (Estimated)	1974 (Projected)	1975 (Projected)	Cumulative total, 1971-73	Cumulative total, 1971-75
Gross investment	2,055	2,304	2,706	2,954	3,389	3,662	7,964	15,015
External surplus (+) or deficit (-):								
Goods and services ..	+ 349	- 55	- 484	+ 663	+ 58	- 211	+ 124	- 29
Transfer payments ..	- 183	- 167	- 158	- 155	- 158	- 156	- 480	- 794
Current account ..	+ 166	- 222	- 642	+ 508	- 100	- 367	- 356	- 823
Domestic savings	2,221	2,082	2,064	3,462	3,289	3,295	7,608	14,192
Domestic savings as % of GNP	19.1	17.0	15.6	21.8	19.6	18.6	18.4	18.7
Gross investment as % of GNP	17.7	18.8	20.5	18.6	20.2	20.7	19.3	19.8

with the rate in 1973 being 11.3%. Services receipts expanded at about the same annual rate during this period, with the bulk of the improvement being centred in 1973, on account primarily of improved tourist receipts and higher investment income, as against a nominal annual rate of growth for 1966-70. As a result, the deficit on services account totalled \$2,114 million for 1972-73. After adjusting for net transfer payments abroad, the yearly balance on current account reflected largely trends over the business cycle. The net position showed increasing deficits in 1971 and 1972 after a year of surplus in 1970. With the present export boom, the current account recorded a sizable surplus in 1973 (*see* Table 3-6).

153. Over the review period, movements in the capital account were much more volatile than anticipated, as indicated by the erratic behaviour of the item: errors and omissions, including short-term capital, reflecting primarily the effects of periodic crises in the international monetary situation. The inflow of private long-term capital (including re-investment), particularly into the manufacturing sector, expanded steadily. This position was supplemented over the period by sizable net inflows of official long-term capital, especially in 1971 and 1972, on account of substantial market loan receipts and large drawings on project loans from abroad. These inflows of long-term capital were more than sufficient to offset the current deficits in 1971 and 1972 so that on the whole, the annual basic balance of payments positions over the review period were consistently in surplus.

154. As a result, net external reserves of the country have been estimated to rise by nearly \$840 million in the review period, nearly all of which would be in the form of official reserves. As at the end of September 1973, official external reserves amounted to \$3,374 million, sufficient to finance about eight months of retained imports at the current level. These reserves were more than double the amount of Malaysian currency in circulation at this time. The country's strong reserves position has enabled the Government to maintain the gold parity of the Malaysian Dollar in the face of several major international currency realignments and uncertainties in the international monetary situation and enhanced its credit-worthiness in the international financial community.

VII. PROSPECTS: 1974-75

155. The overall economic outlook for Malaysia during the remaining years of the Plan shows a rate of growth of GNP *in current prices* of 5.6% per year. *In real terms*, however, the economy is expected to maintain the rate of growth of 6.9% per year as achieved during 1971-73. The projected slower rate of growth in current prices is accounted for by expectations of a lower rate of

TABLE 3-6

BALANCE OF PAYMENTS, 1970-75
(\$ million)

	1970	1971	1972	1973 (Esti- mated)	1974 (Pro- jected)	1975 (Pro- jected)	Cumulative total, 1971-73	Cumulative total, 1971-75
<i>Goods and services</i>								
Receipts	5,666	5,543	5,360	7,559	7,302	7,325	18,462	33,089
Payments	5,317	5,598	5,844	6,896	7,244	7,536	18,338	33,118
Net position ..	+349	-55	-484	+663	+58	-211	+124	-29
<i>Transfers (net)</i>								
Private	-199	-188	-176	-185	-188	-186	-549	-923
Government ..	+76	+21	+18	+30	+30	+30	+69	+129
Balance on current account	+166	-222	-642	+508	-100	-367	-356	-823
<i>Long-term capital (net)</i>								
Public	-5	+397	+526	+262	+303	+255	+1,185	+1,743
Private	+160	+160	+180	+207	+200	+200	+547	+947
Basic balance	+321	+335	+64	+977	+403	+88	+1,376	+1,867
<i>Errors and omissions including short-term capital</i>								
	-264	-210	+27	-477	-250	-44	-660	-1,154
Overall surplus(+) or deficit(-)	+57	+125	+91	+500	+153	-156	+716	+713
<i>Allocation of IMF Spe- cial Drawing Rights¹ ..</i>								
	+64	+61	+60	—	—	—	+121	+121
<i>Net change in external reserves (increase-) ..</i>								
	-121	-186	-151	-500	-153	+156	-837	-834
Official	-105	-254	-136	-500	—	—	-890	—
Commercial banks ..	-16	+68	-15	—	—	—	+53	—

¹ (—) denotes accumulation and (+) denotes drawdown.

increase in the general world price level as policy measures adopted by industrialised countries to combat inflation take effect. The primary impact of this slackening of activity in industrialised countries will be on the prices that Malaysia receives for her exports. Exports of goods and non-factor services *in current prices* are projected to decline by 1.8% per year.

156. Taking the period 1971-75 as a whole, estimated *real output* growth is 6.9% per year, exceeding the target in the Plan of 6.8% per year. *Real per capita* income is expected to be \$1,145, compared with the *implied* Plan target of \$1,232 by 1975. An assessment of this expected performance in terms of real *per capita* income against the original Plan target, however, seems inappropriate at this time, as the Malaysian economy is being exposed to the impact of two troughs of the world business cycle within the time-span of a single five-year plan—a development in external economic conditions over which Malaysia has little control. Losses from the terms of trade arising from declines in export prices and increases in import prices alone are expected to reduce real output growth in purchasing power terms by about 40%. More than 80% of this reduction is accounted for by the substantial increase in import prices.

157. The overall outlook for the Malaysian economy beginning in 1976 is even brighter in the light of the expected upswing in the world business cycle and projected improvement in the terms of trade. This is expected to increase Malaysian exports further and induce a steady expansion of the economy.

VIII. PRODUCTION BY MAJOR SECTORS, 1974-75

158. After the high rate of expansion of output in 1973, GDP *in constant prices* will grow by 7.6% during 1974-75. *In current prices*, however, the rate of growth of GDP will be 5.3% per year as a result of declines in the prices of Malaysia's exports. With the expected recovery in world economic activities after 1975, GDP *in current prices* is likely to grow much more strongly.

Agriculture

159. Value added in agriculture is expected to expand by 6.8% per year in 1974 and 1975. However, the prices of a number of agricultural commodities including rubber, sawlogs and palm oil are likely to decline. Value added *in current prices* is therefore projected to decline by an average of 1.3% per year after the remarkable growth of 36.9% in 1973. With the upswing in the world business cycle after 1975, the value of output from this sector will pick up rapidly.

160. In contrast to previous experience, the main source of production growth in agriculture is expected to come from the smallholder sector. Smallholder mature acreage of rubber has been expanding while that of estates has declined. Further, while smallholder yields are still below that of estates, they are nevertheless improving. The growing importance of the smallholder sector is even more significant in the oil palm industry where the share of estates in acreage and production is falling, while that of smallholdings is rising rapidly. Rubber production is expected to reach 1,575,000 tons in 1975. Palm oil production is estimated to grow by 56%, from 850,000 tons in 1973 to 1,328,200 tons in 1975.

161. Sawlog production in Sabah and Sarawak, which accounts for over half of total agricultural production in these States, is mainly for export, whereas in Peninsular Malaysia about 75% is consumed by the local timber processing industry. Policies aimed at regulating the exploitation of Malaysian forest resources and the selective ban on log exports from Peninsular Malaysia are expected to result in slower expansion of log output.

162. The rest of the agricultural sector is mainly padi and livestock production which is also expected to increase substantially. Expansion of padi production will result from the extension and further improvement of double cropping areas in the Muda, Kemubu and Besut irrigation schemes and the development of new padi acreages in Peninsular Malaysia as well as Sabah and Sarawak. Significant livestock development is also expected in view of the policies and programmes now underway, especially the cattle multiplication projects and the introduction of large scale beef and dairy schemes in the Pahang Tenggara, Johore Tenggara and Trengganu Tengah regional development areas and in Sabah and Sarawak.

163. Despite significant advances in trawler fishing, the fishing industry has been experiencing slow growth in recent years. Increased production will be promoted through the efforts of MAJUIKAN in extending the use of modern techniques, storage and processing facilities.

Mining

164. The main factor influencing growth in the mining industry is the development of new oil resources and the exploration of natural gas in Peninsular Malaysia, Sabah and Sarawak. While crude oil production in Sarawak, after the large increase in 1972, is expected to grow at a relatively slower rate, production from the new discoveries in Sabah and the East Coast of Peninsular Malaysia is likely to double overall output to about eight million tons by 1977. Copper production is also expected to be on stream in 1975 with

a company having been formed for its exploitation in Sabah. Production of tin-in-concentrates is likely to remain constant at 73,000 tons in Peninsular Malaysia, if no new reserves are exploited.

Manufacturing

165. The share of manufacturing in Malaysia is relatively small by international standards, accounting for about 15.4% of GDP in 1973. Over 90% of output is from Peninsular Malaysia. Given the limited scope for further import substitution, especially for manufactured consumption goods, manufacturing growth will come increasingly from export expansion. Reliance on local demand alone will probably limit the growth potential of manufacturing to between 7% and 8% per year. The performance of this sector over the Plan period will reach 14.5% per year exceeding the Plan target of 12.5%. To help sustain this momentum, exports will be aggressively promoted.

166. The significant growth leaders in manufacturing are textiles and clothing, footwear, wood products (especially sawn timber, plywood and veneer), chemical products (especially plastics), non-metallic mineral products (mainly cement), basic metal industries and electrical machinery and appliances (especially electronics). This group of industries is expected to grow by at least 22% between 1973 and 1975.

167. The growth of the food, beverage and tobacco products industries, accounting for a major share of output in the manufacturing sector, will not be significant. Largely dependent on the domestic market, the growth of these industries will follow the growth of population and income.

Construction

168. Construction is estimated to grow at 14.1% per year during the Plan period, substantially faster than in the 1960's. The present construction boom is likely to continue well into the end of the Plan period with private and public construction remaining buoyant. The sector is expected to grow at 11% per year during 1974-75.

169. Public expenditures on construction particularly in the new growth centres are likely to sustain the momentum in the construction industry for some years to come. Other large scale public construction projects envisaged during the Plan period include the construction of Kuantan Port, Johore Port, Penang Airport, the Naval Base in Lumut, hydro-electricity schemes and the expansion of educational institutions such as the National Institute of Technology, Agriculture University and Tunku Abdul Rahman College. Construction

activities arising from public housing schemes, in order to increase home-ownership for the lower income groups, urban renewal programmes and water supplies and sewerage will also be substantial. Private sector commercial and industrial construction will also grow buoyantly. Further efforts will be made to resolve the present structural rigidities in the supply of construction materials and manpower shortages as well as land for housing to promote a more orderly growth of this sector.

Utilities and services

170. Electricity, water and sanitary services will grow by 9.1% per year in line with the growth of manufacturing and construction activities. Wholesale and retail trade will expand at an annual rate of 5% in 1974-75. In the field of banking and insurance, expansion is projected at about 8% per year. Transport and communications is projected to grow by 8.2% per year.

171. Public administration and defence forms a significant proportion of Government's consumption expenditure. It is likely to grow at 6.4% per year.

IX. EXPORT PROSPECTS

172. As indicated in Table 3-7, exports of goods and non-factor services *in constant prices* will grow by 7.2% during 1974-75. However, with expected decline in the prices of primary exports, the value of these exports is projected to decrease by 1.8% per year after the peak in 1973.

173. Indicative of progressive diversification of the export structure, exports of manufactured goods will expand by 5% per year and account for about 26% of total merchandise exports in 1975. In addition, there are a number of new primary commodity exports which are becoming increasingly important, such as petroleum and copper. Prominent among the manufactured exports will be wood, rubber and metal products, textiles, clothing and footwear, chemicals and chemical products and electronics. Good prospects also exist for canned fish and other seafoods, especially shrimps.

X. AGGREGATE DEMAND, 1974-75

174. The growth of the economy during 1974-75 in current prices will come mainly from domestic rather than export demand. The main factor bringing about expansion of domestic demand will be private consumption and investment. With continued growth in disposable income, private consumption is likely to grow at a rate of 9% in 1974 and 7.1% in 1975. Public consumption will also grow but at the slower rate of 7.9% and 6.1% in 1974 and 1975.

TABLE 3-7

GROSS NATIONAL PRODUCT, 1970-75

In current and (in brackets) constant 1970 prices
(\$ million)

	1970	1971	1972	1973 (Estimated)	1974 (Projected)	1975 (Projected)	Average annual growth rate (%)				
							1971	1972	1973	1974	1975
Private consumption expenditure ..	7,151	7,543 (7,424)	7,975 (7,602)	9,092 (8,127)	9,910 (8,663)	10,614 (9,061)	5.5 (3.8)	5.7 (2.4)	14.0 (6.9)	9.0 (6.6)	7.1 (4.6)
+ General Government consumption expenditure	2,062	2,481 (2,343)	2,997 (2,491)	3,179 (2,531)	3,431 (2,631)	3,640 (2,710)	20.3 (13.6)	20.8 (6.3)	6.1 (1.6)	7.9 (4.0)	6.1 (6.0)
+ Gross capital formation—Private ..	1,181	1,314 (1,222)	1,248 (1,091)	1,499 (1,145)	1,737 (1,242)	1,872 (1,291)	11.3 (3.5)	-5.0 (-10.7)	20.1 (4.9)	15.9 (8.5)	7.8 (3.9)
Public ..	693	852 (796)	1,308 (1,155)	1,419 (1,155)	1,532 (1,164)	1,580 (1,151)	22.9 (14.8)	53.5 (45.1)	8.5 (0.0)	8.0 (0.8)	3.1 (-1.1)
+ Change in stocks	181	138 (128)	150 (131)	36 (28)	120 (86)	210 (145)	—	—	—	—	—
+ Exports of goods and non-factor services	5,381	5,246 (5,499)	5,120 (5,633)	7,289 (6,399)	7,007 (6,673)	7,035 (7,351)	-2.5 (2.2)	-2.4 (2.4)	42.4 (13.6)	-3.9 (4.3)	0.4 (10.2)
- Imports of goods and non-factor services	4,858	5,104 (4,761)	5,320 (4,737)	6,223 (4,888)	6,569 (4,988)	6,906 (5,244)	5.4 (-2.0)	4.2 (-0.5)	17.0 (3.2)	5.6 (2.0)	5.1 (5.1)
= Gross domestic product at market prices	11,791	12,470 (12,651)	13,478 (13,366)	16,291 (14,497)	17,168 (15,471)	18,045 (16,465)	5.8 (7.3)	8.1 (5.7)	20.9 (8.5)	5.4 (6.7)	5.1 (6.4)

TABLE 3-7—(cont.)

GROSS NATIONAL PRODUCT, 1970-75—(cont.)

In current and (in brackets) constant 1970 prices
(\$ million)

	1970	1971	1972	1973 (Estimated)	1974 (Projected)	1975 (Projected)	Average annual growth rate (%)				
							1971	1972	1973	1974	1975
--Indirect taxes + subsidies	1,840	1,941	2,130	2,565	2,694	2,829	5.5	9.7	20.4	5.0	5.0
		(1,809)	(1,762)	(1,961)	(1,945)	(1,956)	(8.6)	(6.7)	(11.3)	(-0.8)	(0.6)
=Gross domestic product at factor cost ..	9,951	10,529	11,348	13,726	14,474	15,216	5.8	7.8	21.0	5.4	5.1
		(10,842)	(11,604)	(12,536)	(13,526)	(14,509)	(8.9)	(7.0)	(8.0)	(7.9)	(7.3)
--Net factor income payments to the rest of the world	174	197	284	403	380	340	13.2	44.2	41.9	-5.7	-10.5
		(184)	(253)	(317)	(289)	(258)	(5.7)	(37.5)	(25.3)	(-8.8)	(-10.7)
=Gross national product at factor cost ..	9,777	10,332	11,064	13,323	14,094	14,876	5.7	7.1	20.4	5.8	5.5
		(10,658)	(11,351)	(12,219)	(13,237)	(14,251)	(9.0)	(6.5)	(7.6)	(8.3)	(7.7)
Gross national product at market prices	11,617	12,273	13,194	15,888	16,788	17,705	5.6	7.5	20.4	5.7	5.5
		(12,467)	(13,113)	(14,180)	(15,182)	(16,207)	(7.3)	(5.2)	(8.1)	(7.1)	(6.8)

175. Total fixed investment is expected to expand by 8.8% per year in 1974 and 1975, with private investment growing by 11.8% per year and public investment rising by 5.5% per year.

XI. BALANCE OF PAYMENTS, 1974-75

176. With the value of merchandise exports growing more slowly between 1974 and 1975 and merchandise imports increasing at about 4.9% per year, the exceptionally high surplus in the merchandise balance of 1973 will be reduced to some extent by 1975. Although the demand for Malaysia's traditional export commodities will slacken during 1974 and 1975, the merchandise surplus will nevertheless be substantial in 1975 due to the growing exports of petroleum and the emergence of copper exports from Sabah. These new items will prevent total exports from declining as they did in 1971 and 1972.

177. The services account will continue to be in deficit for 1974 and 1975. Increasingly large payments for freight and insurance, investment income on foreign direct investments and overseas travel are expected to more than offset the rising income from tourism and gains from the export of transport services through the operations of MAS and MISC. As a result, the goods and services account, which was in substantial surplus in 1973, is expected to show a small surplus in 1974 and a modest deficit in 1975 as the cumulative effects of the export boom in 1973 recede and the terms of trade deteriorate. After adjusting for net transfer payments abroad, the current account over the remaining years of the Plan is expected to show rising deficits, particularly in 1975. For the period 1971-75, the balance on current account is expected to show a deficit of \$823 million with a fairly modest deficit in the goods and services account, this being made possible by the sizable surplus position recorded in the boom year of 1973.

178. On the capital account, the inflow of private long-term capital (including re-investment) is forecast to continue strongly in 1974 and 1975, with the expected growth in foreign direct investment for domestic production as well as for export. In addition, inflows of official long-term capital are expected to continue at fairly high levels, reflecting mainly loan proceeds to finance the Government's development programmes from both international development institutions as well as market loans. As a result the basic balance of payments position in 1974 and 1975 will continue to remain strong. After allowing for the element of short-term and other unidentified capital movements and adjusting for statistical errors and biases in the balance of payments accounts, official external reserves of the country are expected to remain at about the

1973 level at the end of the Plan period. Over the next two years, the accumulation of external reserves arising from the overall balance of payments surplus expected in 1974 will be utilised to finance the overall deficit presently forecast for 1975. For the Plan period as a whole, total long-term capital inflows (including re-investment) are expected to exceed the Plan target. However, unidentified and short-term capital movements could well be higher than projected, particularly since movements of capital will continue to be subject to very liberal exchange control regulations and as the Malaysian Dollar will continue to float in the face of continuing uncertainties in the international monetary situation. By the end of 1975, official external reserves are expected to continue to be maintained at a high level.

XII. FINANCING OF CAPITAL FORMATION

179. In contrast to the first half of the Plan period, the larger part of the financing of net investment in 1974 and 1975 will come from public savings. As private consumption will grow more steadily than private income, private savings will be curtailed with the slower growth of GNP after 1973. With the upswing after 1975, however, private savings will be higher again.

180. Public savings, on the other hand, will rise as public consumption expands at a slower rate than that of 1971-73. This will provide the opportunity for the public investment targets for 1974 and 1975 to be raised.

181. About 90% of total net capital formation during 1974-75 will be financed from national savings. The remaining requirement will come from net inflows of capital from abroad.

CHAPTER IV

Outline Perspective Plan, 1970-1990

I. THE NEW ECONOMIC POLICY

182. The principles and beliefs guiding the development of Malaysian society are enshrined in the *Rukunegara*, the National Ideology. They call for a new Malaysian society with a common value system which transcends existing ethnic, cultural and socio-economic differences. They provide the cohesive force for national unity and solidarity and seek the emergence of a modern socio-economic environment providing adequate opportunities for advancement to all Malaysians, irrespective of racial origin or region of residence.

183. The New Economic Policy (NEP) addresses itself to the creation of the socio-economic environment envisaged by the *Rukunegara*. It is based on the fundamental premise that unemployment and poverty, especially in a relatively affluent society like that of Malaysia, is an affront to human dignity and that racial imbalances in the opportunities to participate in the economic life of the country have the seeds for social and political tension. These two factors together are inimical to the development of an integrative value system and socio-economic environment so vital for nation building and national solidarity in Malaysia. The NEP is thus designed :

- (i) to eradicate poverty among all Malaysians, irrespective of race; and
- (ii) to restructure Malaysian society so that the present identification of race with economic function and geographical location is reduced and eventually eliminated.

These objectives are set within the framework of twenty years, or approximately a generation, for their achievement. The Second Malaysia Plan marks the first five years of this Perspective period.

184. In turn, these broad objectives are to be achieved by policies, programmes and projects designed to—

- (i) generate employment opportunities at a rate sufficient to reduce current levels of unemployment and eventually bring about full employment of the whole labour force;
- (ii) increase the productivity and income of all those engaged in low productivity rural and urban occupations by increasing their access to opportunities to acquire skills, land, capital and other necessary inputs and by eliminating underemployment;
- (iii) expand opportunities for those engaged in low productivity activities to move to more productive endeavours in agriculture, forestry, fisheries, mining, construction, transportation, manufacturing, commerce and service industries;
- (iv) reduce the existing inequitable distribution of income between income classes and races;
- (v) modernise rural life and improve the living conditions of the poor in urban areas through the provision of a wide range of social services including public housing, electricity, water supplies, sanitation, transportation, health and medical services and recreational and community facilities;
- (vi) promote the creation of a commercial and industrial community among Malays and other indigenous people in order that, within one generation, they will own and manage at least 30% of the total commercial and industrial activities of the country in all categories and scales of operation;
- (vii) ensure that employment in the various sectors of the economy and employment by occupational levels will reflect the racial composition of the country;
- (viii) expend education and training facilities, other social services and the physical infrastructure of the country to effectively support the attainment of the above objectives.

The two prongs of the NEP and their component elements constitute a complementary and mutually reinforcing set of policies and measures aimed at greater unity and prosperity among all Malaysians on the basis of a system of values which is commonly accepted.

185. Two elements of the NEP are pre-eminent, the attainment of which are central to the success of the Policy. These are, first, the generation of employment opportunities at a rate sufficient to bring about full employment

of the labour force and second, growth and redistribution of the ownership of economically productive assets in the country such that in a generation, the Malays and other indigenous people will own and operate at least 30% of the total.

II. ROLE OF GROWTH IN THE NEP

186. The generation of new employment opportunities at a sufficient pace, the elimination of racial economic imbalances and the creation of the resources to provide the social services and infrastructure to raise standards of living demand that the implementation of the NEP be firmly based on rapid economic growth. For operational purposes, therefore, rapid economic growth of the country is a necessary condition for the success of the NEP. It is only through such growth that the objectives of the NEP can be achieved without any particular group in Malaysian society experiencing any loss or feeling any sense of deprivation.

187. Growth *per se*, however, as evidenced by past experience, is not a sufficient condition to achieve these objectives. At the initial stages in the development of the currently advanced industrial countries, rapid economic growth was associated with increasing inequality in the pattern of income distribution and ownership of assets. In the absence of State intervention to bring about a more equitable sharing of the responsibilities for and the fruits of economic development, this was inevitable. Malaysian society is clearly not willing to accept the same path; development along such a path will be prejudicial to the attainment of the overriding objective of national unity. The NEP is thus designed to ensure that the Government is sufficiently equipped to influence the pattern of economic growth in directions which will bring about a more equitable sharing of the benefits of growth and development among all Malaysians.

188. This Chapter outlines a perspective planning framework for the period up to 1990 covering the output, employment and distribution objectives of the NEP. It illustrates the kind of policies and the degree of effort that will be undertaken for the achievement of the objectives of the NEP within the time period set. The Government recognises that, with the Second Malaysia Plan and the implementation of subsequent Plans, changing conditions will require policy modifications and flexibility to meet such changing circumstances. Working within the perspective of a consistent long-term framework, however, the Government will have greater assurance that policies and strategies will be sensitive to such changes, thus ensuring that the overall long-run objectives of the NEP are attained.

189. Achievement of the objectives of the NEP demands full and optimum utilisation of all the natural, human and material resources of the country. Malaysia's ability to attain these objectives thus depends to a large extent

on the manner in which its vast human and economic potentials are developed. A key factor bearing upon the required pace of such development is the structure and rate of growth of population and the labour force.

III. GROWTH OF POPULATION AND LABOUR FORCE

190. The size of the population in 1970 was 10.81 million, having risen by 2.9% per year since 1960, a high rate of growth by any comparison. It is to be noted, however, that annual rates of growth have tended to moderate during this period.

191. For the period of the Perspective Plan, fertility rates are expected to decline further as socio-economic development affects a greater part of the Malaysian population, as levels of education increase, particularly for females, and as the practice of family planning gains wider acceptance among both rural and urban families. Thus the total fertility rate is projected to decline from 4.87 per thousand in 1970¹ to 3.70 per thousand in 1990. On the other hand, mortality levels are already low as a result of the vast improvements in medical, health and sanitation services, although further declines in infant, toddler and maternal mortality levels may be expected, especially in the rural areas in Peninsular Malaysia and in Sabah and Sarawak.

192. During the period of the Perspective Plan, therefore, the rate of growth of total population, as well as that of the population of working-age (age-group 15-64) will decline moderately. However, the rate of growth of the working-age population at 3.2% per year over the period will be greater than the 2.6% growth of total population, reflecting the impact of the relatively high rate of growth of total population in the recent past.

193. The extent to which those of working-age enter the labour market will depend on a number of factors. Over the time horizon of the Perspective Plan, the increasing pace of economic development can be expected to increase the labour force participation rate; those remaining outside the labour force will join its ranks as they perceive enlarging opportunities for productive employment. The rising levels of education and greater interest on the part of married women to secure employment outside the home are also likely to raise the overall labour force participation rate. On the other hand, the rate for the younger age groups is likely to decline somewhat with extended schooling, while higher income levels will tend to bring about earlier withdrawals from the labour force, causing the participation rate for the older age groups also to decline.

¹ For Peninsular Malaysia only. Sabah's rates are expected to decline from 6.39 in 1970 to 5.93 in 1990 and Sarawak's from 5.77 to 5.66.

194. Taking all these factors into account, the labour force participation rate is projected to decline from 64% in 1970 to 61.6% in 1990. On this basis, the labour force is projected to grow by about 2.9% per year over the period of the Perspective Plan—declining from 3.2% per year during 1971-75 to 2.6% per year during 1986-90—a rate still higher than the growth of population during 1971-90. Table 4-1 summarises the relevant estimates of population and labour force for the period.

IV. GROWTH OF SECTORAL OUTPUT AND EMPLOYMENT

195. The ability of the country to generate sufficient employment opportunities for this growing labour force as well as to significantly reduce under-employment among those in low productivity occupations will depend, to a large extent, on the performance of the economy. Tables 4-2 and 4-3 provide projections of growth and employment for each of the major sectors in the economy.

196. These projections are based on the underlying assumption that the country will and must pursue vigorous policies to develop fully its potential, along the lines envisaged under the NEP. The actual outcomes in any particular period are, of course, subject to external conditions as well, particularly in respect of their impact on the major primary export commodities. As Malaysia advances into the Perspective period, the progress and prospects of the economy will be kept under continuous review. This will ensure that necessary adjustments can be made to policies and programmes as well as to the current projections.

197. As shown in Table 4-2, the Malaysian economy is expected to maintain a strong momentum of overall growth, at an average of 7% per year over the period. In the process the economy will undergo significant structural changes, along directions already evidenced in Malaysia in the recent past and elsewhere in the course of development.

198. The agricultural sector, though expanding at a relatively rapid rate, will account for a progressively smaller share of total output of the economy. Similarly, while the additions to new employment in absolute terms will increase, the rate of increase of agricultural employment will be progressively smaller, indicating strong growth in productivity and incomes of those engaged in the sector. The growth of the manufacturing sector is projected to be particularly rapid, at about 12.3% per year, with the result that the sector will acquire an increasingly dominant position in the economy. By 1985, the manufacturing sector would already be the largest in terms of output and by 1990 would account for over 35% of total output, as compared to the 23% share of

TABLE 4-1

POPULATION, LABOUR FORCE AND EMPLOYMENT, 1970-90
(000)

	1970	1975	1980	1985	1990	Average annual rate of growth (%)						
						1971-75	1976-80	1981-85	1986-90	1971-90		
Population	10,810	12,355	14,123	16,120	18,264	2.7	2.7	2.6	2.5	2.6
Working-age population	..	5,620	7,922	9,125	10,476	3.5	3.4	2.9	2.8	3.2		3.2
Labour force	..	3,597	4,222	4,964	5,668	3.2	3.2	2.7	2.6	2.9		2.9
Participation rate (%)	..	64.0	63.2	62.7	62.1	61.6						
Employment	..	3,328	3,928	4,657	5,398	6,196	3.4	3.4	3.0	2.8		3.2
Unemployment	..	269	294	307	270	252						
Unemployment (%)	..	7.5	7.0	6.2	4.8	3.9						

agriculture. In terms of employment, however, as indicated in Table 4-3, the agricultural sector will still account for the largest share, with about 36.2% of total employment in 1990, as compared to 52.6% in 1970. Manufacturing employment, reflecting its high productivity, is projected to account for slightly less than 22% but this is nearly two-and-a-half times higher than its 1970 share.

199. Of the activities supporting the growth of these two major sectors, construction, electricity, water and sanitary services and banking and insurance, in particular, are projected to grow at a strong rate, while the service sector,¹ as a whole, is expected to maintain a steady growth of 4.6% per year over the full period. The service sector's contribution to employment will still be significant, accounting for 31.5% of the total in 1990, though at increasingly higher levels of worker productivity.

200. The sections below discuss the sectoral developments during the Perspective Plan period in greater detail. They highlight the essential components and assumptions of the sectoral pattern of output and employment shown in Table 4-2 and Table 4-3.

Agriculture

201. The contribution of the agricultural sector to total output in terms of value added is targetted to increase by 5.4% per year over the period. This, in turn, will generate new employment opportunities for about 497,000 persons, besides making it possible for current underemployment of labour in the rural areas to be significantly alleviated. Equally important, continued implementation of new land development programmes, improvements to existing cultivated land and farm practices, promotion of new and high value crops, including sugar and cocoa, and development of the livestock and fish industries will make the agricultural sector a more diversified and modern one. For the full period of the Perspective Plan, however, production of rubber and palm oil, the main agricultural products of the country, will continue to account for about 40% of total agricultural output, in line with Malaysia's comparative advantage in both these export commodities.

202. Value added in *rubber* production is projected to increase by 3.1% per year between 1970 and 1990. This will be the result of new planting and replanting by both estates and smallholdings. About 75% of this new planting and replanting is targetted for the smallholder sector. By 1990, this sector will account for about 60% of total production and 66% of total acreage.

¹ The service sector includes wholesale and retail trade, banking, insurance and real estate, public administration and defence and other services.

TABLE

GROSS DOMESTIC PRODUCT BY

In constant

<i>Sector</i>	<i>1970</i>	<i>Share of total (%)</i>	<i>1975</i>	<i>Share of total (%)</i>	<i>1980</i>	<i>Share of total (%)</i>
Agriculture, forestry and fisheries	3,125	31.4	4,645	32.0	6,072	29.6
Mining and quarrying	580	5.8	959	6.6	1,409	6.9
Manufacturing	1,354	13.6	2,609	18.0	4,765	23.3
Construction	384	3.9	542	3.8	760	3.7
Electricity, water and sanitary services	254	2.6	425	2.9	700	3.4
Transport, storage and communi- cations	440	4.4	567	3.9	724	3.5
Ownership of dwellings	460	4.6	568	3.9	742	3.6
Wholesale and retail trade ..	1,407	14.1	1,773	12.2	2,284	11.2
Banking, insurance and real estate	207	2.1	325	2.2	467	2.3
Public administration and defence	655	6.6	776	5.4	935	4.6
Other services	1,085	10.9	1,320	9.1	1,621	7.9
Total ..	9,951	100.0	14,509	100.0	20,479	100.0

SECTOR OF ORIGIN, 1970-90

1970 prices

1985	Share of total (%)	1990	Share of total (%)	Average annual growth rate (%)				
				1971-75	1976-80	1981-85	1986-90	1971-90
7,478	26.4	9,022	22.9	8.3	5.5	4.3	3.8	5.4
1,995	7.0	2,607	6.6	10.6	8.0	7.2	5.5	7.8
8,212	28.9	13,838	35.2	14.0	12.8	11.5	11.0	12.3
1,017	3.6	1,361	3.5	7.2	7.0	6.0	6.0	6.5
1,127	4.0	1,815	4.6	10.9	10.5	10.0	10.0	10.3
915	3.2	1,157	2.9	5.2	5.0	4.8	4.8	4.9
961	3.4	1,244	3.2	4.3	5.5	5.3	5.3	5.1
2,887	10.1	3,650	9.3	4.7	5.2	4.8	4.8	4.9
649	2.3	902	2.3	9.5	7.5	6.8	6.8	7.6
1,127	4.3	1,339	3.4	3.4	3.8	3.8	3.5	3.6
1,972	6.9	2,399	6.1	4.0	4.2	4.0	4.0	4.1
28,340	100.0	39,334	100.0	7.8	7.2	6.7	6.7	7.1

TABLE 4-3

SECTORAL GROWTH OF EMPLOYMENT, 1970-90

(000)

Sector	Employment					Average annual growth rate (%)											
	1970 total (%)	Share of 1975 total (%)	Share of 1980 total (%)	Share of 1985 total (%)	Share of 1990 total (%)	Share of 1971- total (%)	1975- 80	1981- 85	1986- 90	1971- 90							
Agriculture, forestry and fisheries	1,749	52.6	1,916	48.8	2,064	44.3	2,169	40.2	2,246	36.2	1.8	1.5	0.9	0.7	1.3		
Mining and quarrying	..	..	87	2.6	92	2.3	96	2.1	100	1.9	103	1.7	1.1	0.9	0.6	0.9	
Manufacturing	..	..	318	9.6	479	12.2	716	15.4	1,000	18.5	1,342	21.7	8.5	8.4	6.9	6.1	7.5
Construction	..	..	91	2.7	124	3.2	161	3.5	199	3.7	246	4.0	6.4	5.4	4.3	4.3	5.1
Electricity, water and sanitary ser- vices	..	..	23	0.7	32	0.8	44	0.9	59	1.1	77	1.2	6.8	6.6	6.1	5.5	6.2
Transport, storage and communi- cations	..	..	129	3.9	150	3.8	175	3.7	200	3.7	226	3.7	3.1	3.1	2.7	2.5	2.9
Wholesale and retail trade	..	..	309	9.3	390	9.9	502	10.8	621	11.5	752	12.1	4.8	5.2	4.3	3.9	4.6
Banking, insurance and real estate..	17	0.5	27	0.7	39	0.7	39	0.8	53	0.9	69	1.1	9.7	7.6	6.3	5.4	7.3
Public administration and defence	..	..	284	8.5	324	8.3	385	8.3	440	8.2	494	8.0	2.7	3.5	2.7	2.4	2.8
Other services	..	..	321	9.6	394	10.0	475	10.2	557	10.3	641	10.3	4.2	3.8	3.2	2.9	3.5
Total	3,328	100.0	3,928	100.0	4,657	100.0	5,398	100.0	6,196	100.0	3.4	3.5	3.0	2.8	3.2	3.2	3.2

203. In the light of prospective increases in the world supply of elastomers, the Malaysian natural rubber industry will have to be prepared for a continuing long-term decline in the price of natural rubber. The use of high-yielding clonal material and the application of modern farm and marketing practices will enable the Malaysian rubber industry as a whole to effectively compete with synthetic rubber at these prices and make it progressively more difficult for present levels of synthetic rubber production to be economically sustained, particularly in view of increasing prices of petroleum and labour costs and problems of pollution in the producing countries. The long-run decline in the price of the commodity, however, means that, if rubber is to generate adequate income for smallholders, efforts will have to be intensified to enlarge the size of present holdings to more economic levels, to promote higher productivity growth in planting, management and processing and to encourage the development of supplementary farming activities.

204. *Palm oil*, the second most important agricultural export commodity, will also continue to be important to the nation. The total acreage under cultivation is expected to increase from the present level of 1.2 million acres to over 2.2 million acres in 1990, with a significant portion of new planting taking place in public land development schemes in the Pahang Tenggara and Johore Tenggara regions. Value added in production will grow by 8.4% per year over the projection period.

205. As in the case of rubber, the volume of Malaysian palm oil production will be an important determinant of future world prices for this commodity. Taking into account the very sizable output increases envisaged for Malaysian as well as other major producers, world prices are anticipated to decline secularly. Through efficient farm practices and the use of high-yielding material, however, both estates and smallholders in Malaysia should continue to receive attractive rates of return from their investment. Moreover, the potential exists for extending the uses to which palm oil could be put. In this connection, the plans of two locally based multi-national companies to market a palm oil-based liquid cooking oil is significant. If successful, such endeavours could improve significantly the long-term marketing and price prospects of palm oil.

206. Important as the contribution of the entire agricultural sector will be to national economic development, its share in the overall GDP will fall from 31.4% in 1970 to 22.9% by 1990, as the secondary and tertiary sectors of the economy are rapidly developed. This is as it should be for the ability of the primary sector to absorb sizable increases in the labour force at rising *per capita* income levels is somewhat limited given present price prospects.

Manufacturing

207. The Government looks to the manufacturing industry to play a leading role in employment generation, bringing about greater participation by Malays and other indigenous people in modern sector activities. The potential of the industry for playing such a role is significant but production for domestic use only will yield a growth rate for the sector of a mere 6%-7% per year. With active promotion of manufactured goods exports, however, value added by the manufacturing sector could expand by over 12% during 1971-90. Allowing for a relatively high average rate of productivity growth, reflecting a strategy of high investment in the sector, employment is projected to expand by 7.5% per year. With development on this scale, World Bank criteria suggest that Malaysia would be transformed from an "industrialising" country in 1970 to a "semi-industrialised" country in 1980 and an "industrialised" country by 1990. By that time, the share of manufacturing output and employment to the total for the economy as a whole would reach 35.2% and 21.7%, respectively.

208. Specific industries which can be expected to grow in importance include rubber products, wood products, food and fish products, chemicals, petroleum and liquified natural gas, cement and construction materials, basic metal and metal products, steel and shipbuilding and repairs. Of major importance to the economy will be rubber and wood-based industries and petroleum.

209. The ready availability of good quality natural rubber at attractive prices affords Malaysia a unique opportunity to promote the expansion of the rubber products industry. It will also open up opportunities for the integration of manufacturing with production, thus facilitating the Government's drive for locating manufacturing units in the rural areas.

210. At present the industry consumes only a small proportion of total natural rubber production while its contribution to total national output and employment are negligible. The majority of rubber manufacturers are small and all compete mainly to supply the domestic market. However, with export promotion combined with improved manufacturing efficiency and process design, quality control, effective marketing and sales services, a wide range of possibilities exists for the expansion of manufactured rubber products in Malaysia. Existing products being manufactured which have good potential for expansion include tyres, footwear, engine mountings, industrial belting and foam products. New products offering attractive possibilities for manufacture include dipped goods of various types, latex thread, surgical goods and sports equipment. Among others, the motor assembly industry provides a significant opportunity for the domestic manufacture of components based on rubber.

211. Malaysia has excellent potential for the domestic production of a substantially increased volume of wood products. Export opportunities are bright and adequate reserves are available to sustain expanded production at levels more than double the annual recorded output. Full and efficient exploitation of this potential, however, will necessitate re-organisation of the industrial base of the wood products industry to equip it to take full advantage of market opportunities and gain competitive advantage over other supply areas.

212. There are also significant opportunities for the domestic manufacture of intermediate and capital goods for, as development progresses and the country industrialises, the demand for such goods will progressively increase. The basic problem, however, for Malaysia as for most other developing countries is that such industries have high technological and skill requirements, depend on the existence of an integrated industrial structure for materials, parts and components and require significant economies of scale for efficient operation. Together with other countries in ASEAN, the Government is therefore actively considering the adoption of concrete measures for specialisation and exchange, and for such concentrations of industries in particular countries as are consistent with a reasonably equitable distribution of their benefits. Existing possibilities include the production on a regional basis of nitrogenous fertiliser, phosphatic fertiliser, carbon black, dimethyl terephthalate, ethylene glycol, soda ash, sheet glass, newsprint, sealed compressors, small engines, typewriters and steel.

Construction

213. Next to manufacturing industry, construction is also expected to play a leading role in Malaysian economic development. The major sources of growth for construction activities will be the manufacturing sector itself, and the Government's programmes for the continued development of new growth centres within less developed areas in the country. In addition, with increasing incomes in the country, residential construction will progressively increase with growing demands for house ownership and improved housing standards. Taking these into account, value added in the construction sector is expected to increase by 6.5% per year during the period of the Perspective Plan, while employment is projected to grow by over 5%.

214. However, recent experience indicates that, if the potential demand for construction is to be effectively met, the capacity of the construction industry will have to be rapidly expanded to avoid supply bottle-necks leading to

inflation of a structural type. This will call not only for expansion of contracting capacity but, equally important, for sustained expansion of the building materials industry and the supply of skilled labour.

Other supporting sectors

215. Apart from construction, other important supporting sectors for the primary and secondary sectors of the economy include electricity, water and sanitary services, transportation, storage and communications, and banking, insurance and real estate. These sectors are expected to expand in line with the overall growth of manufacturing and construction and the regional dispersal of industrial activity envisaged under the NEP. Value added in these sectors together is projected to grow by 7.5% per year while employment growth will be of the order of 4% per year.

Services

216. The service industries in the public and private sectors of the economy, comprising wholesale and retail trade, public administration and defence and other services, are projected to grow in consonance with general economic activity. In the public sector, the growth of public administration and other public services such as education and health will be important for the Government's expanded efforts in the country's socio-economic development. At the same time, labour productivity within the sector can be expected to increase as the sector becomes progressively modernised and as surplus labour, traditionally absorbed in services, becomes less available. The projections assume marked improvements in this respect in the second half of the Perspective Plan period. As such, employment growth is likely to be significant in the 1970's, at 4.1% per year, while, as tighter labour market conditions develop in the 1980's, with continuing expansion of the country's economic base, the rate of growth of employment will decline to 3.3% per year.

V. FULL EMPLOYMENT AND INCOME GROWTH

217. With the projected growth of the labour force of 2.9% per year and sectoral employment targets rising at 3.2% per year over the Perspective period, unemployment as a percentage of the labour force will be reduced from its 1970 level of 7.5% for the country to about 4% by 1990. As stated above, overall productivity growth in the economy and within all sectors is expected to be fairly rapid and significant. Thus the progressive reductions in the unemployment rate will be accompanied by reductions in the level of underemployment in the work force. This would be primarily brought about by major shifts in worker productivity in agriculture, through increases in

the average size of agricultural holdings, improvements in farm technology and cropping patterns and substantial migration of rural labour, as well as through the rapid growth of labour demand in the industrial and service sectors. The 1990 position could therefore be said to be one of full employment of the overall labour force at relatively high levels of labour utilisation and worker incomes.

218. This development of full employment at relatively high levels of productivity is at the heart of the first prong of the NEP to reduce and eventually eradicate poverty. However, the analysis so far has been in broad macro-economic terms. The analysis needs to be carried further to derive insights into problems of income distribution and racial and regional disparities in income. Available information does not enable such an analysis at present. Hence this will form an area for more intensive study in the future.

219. It is evident from preliminary analysis, however, that the strategy of socio-economic development underlying the Perspective pattern so far described, will assure significant rises in real incomes of a number of groups now among the most impoverished in Malaysian society.

220. Chief among these will be the rural smallholders, primarily Malays and other indigenous people. Real output growth in the smallholder sector during 1971-90 is expected to average 5.6% per year and after adjusting for terms of trade losses¹ in the sector, real incomes of smallholders are estimated to grow by 4.5% per year. Real incomes per worker in the sector are likely to grow as well with productivity growth being more significant in the later years of the period. Real income growth of this order is indeed remarkable and is the consequence of the extensive land development and agricultural modernisation programmes. Malaysia has invested heavily in this effort in the 1960's and continues to do so. The abundance of cultivable land, the favourable export prospects for Malaysia's primary commodities, given the technological improvements in their cultivation, provide assurance that these investments will sustain the high growth of real income for the smallholders.

221. With such growth, rural-urban migration will also be somewhat reduced. Combined with the high growth rates of productive employment forecast in the manufacturing and related sectors, real incomes of urban workers would also grow significantly as in the case of rural smallholders.

222. These beneficial effects, however, are not likely to be enjoyed by all sections of the urban and rural work force uniformly. Pockets of low productivity and income are likely to continue to exist in urban and rural areas,

¹ The adjustment is for price changes in the commodities sold by smallholders offset by changes in prices of commodities purchased by them.

particularly in cases where educational and skill advancement have been slow. An important object of policy, therefore, will have to be the creation of new growth regions, as well as the development of presently depressed areas, both urban and rural, together with the provision of the widest possible access to educational and skill development opportunities for all Malaysians. The role of the public sector in the design and implementation of projects and their location are of particular importance in this regard.

VI. RESTRUCTURING THE RACIAL COMPOSITION OF EMPLOYMENT

223. The second prong of the New Economic Policy is designed for the creation of a society in which all Malaysians participate and share equitably in economic and social development. An important aspect of this objective is racial balance in employment through full employment. Measures to achieve full employment of the labour force, however, will not by themselves bring about racial balance in the employment structure. It is seen from Table 4-4 that the racial distribution of total employment in Peninsular Malaysia¹ in 1970 reflected fairly well the racial composition of the population. But, it is also seen that the Malays are predominant in the agricultural sector in which output per worker is presently the lowest, while the Chinese dominate the mining, manufacturing and commercial sectors in which productivity is about double to triple that in the agricultural sector. Moreover, in 1970 the incidence of open unemployment was also unequal, with the Indians afflicted the most, followed by the Malays and the Chinese.

224. As Malay representation in the modern sector of the economy is at present limited, it is difficult to envisage that economic growth by itself will uplift the economic position of the Malays to any significant degree. In fact, in the absence of Governmental action, it may be expected that existing differentials in value added per worker among the Malays, on the one hand, and other Malaysians on the other, will be aggravated. Such a situation certainly will not be tolerable in a multi-racial society. The Government's efforts to alter the existing racial employment pattern are clearly crucial to the success of the NEP.

225. If racial balance in the employment field is to be achieved such that the proportion of the various races in employment in the major sectors of the economy reflects the racial composition of the labour force, all racial groups benefit fully from full employment and existing differentials in *per capita* income between the various races are narrowed, then inter-sectoral movements of labour, as well as movements to higher productivity activities within sectors,

¹ Data inavailability has precluded the analysis from being extended at this stage to Sabah and Sarawak as well.

TABLE 4-4

EMPLOYMENT BY RACE AND SECTOR, PENINSULAR MALAYSIA, 1970
(000)

Sector	Malays of sector total	Chinese of sector total	Indians of sector total	Others of sector total	% of sector total	Total ¹ of total employment
Agriculture, forestry and fisheries	925.4	293.0	138.3	10.1	12.3	1,369
Mining and quarrying	21.1	56.1	7.1	8.4	0.7	85
Manufacturing	84.4	191.0	15.5	5.3	1.2	292
Construction	16.9	56.2	4.7	6.0	0.2	78
Electricity, water and sanitary services	10.2	3.8	6.8	32.3	0.3	21
Transport, storage and communications	49.0	45.5	19.7	17.1	0.8	115
Commerce	69.3	192.6	31.6	10.7	1.5	295
Services	256.1	188.5	73.9	14.0	9.5	528
Total	1,432.4	1,026.7	297.6	10.7	26.5	2,783
						100.0
LABOUR FORCE	1,557.0	1,108.9	334.4		26.0	3,026
%	51.5	36.6	11.1		0.8	100
UNEMPLOYMENT	124.6	82.2	36.8		—	243
%	8.0	7.4	11.0		—	8.0
POPULATION	4,841.3	3,285.6	981.5		73.0	9,181
%	52.7	35.8	10.7		0.8	100

¹ Totals do not add because of rounding.

of a sizable order will be necessary. In particular, the creation of opportunities for Malays to participate to an increasing extent in modern sector activities will have to be emphasised.

226. If the 1970 racial employment pattern does not change, it is likely that there will be more or less over-full employment for the Chinese, as they are at present concentrated in the fastest growing sectors, some unemployment for the Indians and a very high rate of unemployment for the Malays, in view of the slow growth of employment in agriculture, where Malays are predominant. Such a situation would clearly be untenable.

227. Table 4-5, therefore, incorporates broad targets for changing the racial pattern of employment in the various sectors in such a way that there is full employment for all races at the end of the Perspective period in 1990. The targets also imply inter-sectoral migration leading to increased Malay participation in the modern sectors of the economy in line with the proportion of Malays in the total labour force. The projections in Table 4-5 provide for the fulfilment of the fundamental premise of the New Economic Policy that the restructuring of society will be undertaken in a manner such that no particular group in Malaysian society will experience any loss or feel any sense of deprivation.

228. The growth targets for employment underlying the projections in Table 4-5 are derived from the targets for sectoral growth and output already discussed and shown in Table 4-2. It is seen from Table 4-5 that total employment for all races and in all sectors is larger than that in 1970, except for the Chinese in the mining industry.¹ The increases in employment within the various sectors (except mining) are sufficient to absorb workers of particular racial groups which are now under-represented within those sectors. Thus, significant increases in Malay employment in commerce and manufacturing can take place along with increases in employment opportunities for all other Malaysians as well.

229. This feature of the Perspective Plan underlines the need stressed in the NEP for employment, particularly in the modern sectors, to grow at a rapid pace. If not, the redistribution required in sectoral employment shares of the various races would lead to the displacement of workers of one racial group or another from their present employment. The analysis also illustrates the need for sustained action to meet these objectives in the course of the Perspective period if social and economic disruption is to be avoided.

¹ This reduction in Chinese employment in the mining sector may even be avoided if explorations reveal new mineral deposits.

TABLE 4-5

EMPLOYMENT BY RACE AND SECTOR, PENINSULAR MALAYSIA, 1990

(000)

	Malays	% of sector total	Chinese	% of sector total	Indians	% of sector total	Others	% of sector total	Total ¹	% of total employment
Agriculture, forestry and fisheries	1,038.0	60.0	503.4	29.1	176.5	10.2	12.1	0.7	1,730	32.8
Mining and quarrying ..	47.3	50.3	36.8	39.2	9.2	9.8	0.7	0.7	94	1.8
Manufacturing	627.0	50.0	501.6	40.0	120.4	9.6	5.0	0.4	1,254	23.8
Construction	104.0	50.0	83.6	40.2	20.0	9.6	0.4	0.2	208	3.9
Electricity, water and sanitary services	36.2	52.5	20.0	29.0	11.8	17.1	1.0	1.4	69	1.3
Transport, storage and communications	107.1	52.5	73.5	36.0	22.0	10.8	1.4	0.7	204	3.9
Commerce	356.6	48.0	297.2	40.0	85.4	11.5	3.7	0.5	743	14.1
Services	449.7	46.5	381.0	39.4	123.7	12.8	12.6	1.3	967	18.4
Total	2,765.9	52.5	1,897.1	36.0	569.0	10.8	36.9	0.7	5,269	100.0
LABOUR FORCE	2,864.1		1,963.9		589.2		38.2		5,455	
%	52.5		36.0		10.8		0.7		100	
UNEMPLOYMENT	98.1		66.8		20.2		1.3		186	
%	3.4		3.4		3.4		3.4		3.4	
POPULATION	8,201.0		5,341.0		1,613.2		105.6		15,261	
%	53.7		35.0		10.6		0.7		100	

¹ Totals do not add because of rounding.

230. The reconstruction of the racial employment pattern envisaged in the Perspective Plan is indeed sizable. Its achievement will necessitate a high degree of inter-sectoral and geographical mobility as well as the acquisition of the necessary skills among Malaysians of all races. Labour market policies and programmes, together with appropriate education and training, clearly have a crucial role to play in this exercise.

231. The redistribution envisaged, besides bringing about employment balance, will also remove racial income differentials arising from differentials in sectoral product per worker. At present, the concentration of Malay employment in low productivity sectors alone leads to a difference of about 20% between average Malay and non-Malay incomes per worker. The redistribution indicated, however, will not necessarily reduce the wider differentials generated by existing racial inequalities in the job-hierarchy, especially in the modern sectors of the economy. To reduce this source of imbalance, increased efforts will be needed to progressively expand the professional, managerial and technical skills of the Malays so that their position in the occupational structure within each of the major sectors of the economy is enhanced.

VII. RESTRUCTURING WEALTH OWNERSHIP

232. Restructuring the racial composition of employment will assist in reducing existing differentials in average wages and salaries among the major races. However, reductions in total income differentials between the races will require, in addition, that existing differentials of income arising from the ownership of assets are also narrowed. At present, wages and salaries amount to only about 50% of total personal income. Considering, for instance, that Malays and other indigenous people now own an insignificant part of total assets in the economy, the existing overall income differential between them and other Malaysians is even wider than wage and salary differences alone would suggest.

233. Progressive reduction of the existing wide imbalances in the ownership of assets and wealth in the country will require that Government policies focus on all financial as well as physical assets, including land, in all sectors of the economy. To this end, efforts will continue to be made to enhance Malay ownership and operation of land along lines which ensure productive development of this resource; to provide special financial assistance to Malay and other indigenous entrepreneurs; and to provide them with business premises and physical facilities in existing urban and new growth centres. These efforts will make a sizable impact on expanding their ownership of the country's physical assets. As the economy develops and modernises, however, and as the

country's financial structure becomes increasingly sophisticated, the key to the ownership and control of wealth will be through ownership of the equity capital of various enterprises. The Government will, therefore, take effective measures to enable Malays and other indigenous people to expand their ownership of such capital.

234. In 1970, the total amount of share capital of limited companies in Peninsular Malaysia was about 63% of GDP. In line with the experience of other countries in the course of development, the stock of equity capital will increase at a faster rate than the growth of GDP. In Peninsular Malaysia, it is expected to reach some 122% of GDP by 1990. The sectors accounting for significant increases will be *mining*, as the petroleum industry grows in importance, and as equity participation is extended to finance the sizable capital requirements of the industry; *manufacturing and construction*, as the rapid momentum of industrial growth together with increasing capital intensiveness necessitates greater recourse to the capital market for investment funds; and *commerce*, as the increasing sophistication of the economy leads to a greater role for corporate rather than non-corporate forms of business organisation. The ratio of share capital to value added in the agricultural sector, however, will decline in line with the increasing importance of land owning farmers and public sector schemes such as those of FELDA. Table 4-6 illustrates these structural changes in the growth of share capital of limited companies.

235. The racial breakdown of share capital ownership in 1970 is shown in Table 4-7. The most significant feature is that foreign interests accounted for as much as 61% of the total share capital invested in the corporate sector and that Chinese ownership accounted for about 22% or just under 60% of the total Malaysian share. Foreign participation is especially dominant in modern agriculture and mining while it amounts to about 50% to 60% of the total in manufacturing, commerce and finance. And, in industries in which foreign interests are not dominant, Chinese ownership of share capital is the highest, about 40% to 50%.

236. The ownership of share capital by Malays and Malay interests, on the other hand, is a mere 2% of the overall total. Except for transportation, where the Malay share is some 13%, the share in the other sectors ranges from 0.7% in mining to 3.3% in finance, with 2.5% and 2.2% in manufacturing and construction, respectively.

237. A more balanced pattern in the ownership of assets in all sectors of the economy is necessary. The target of the Government is that within a period of 20 years, Malays and other indigenous people will own and manage at least 30% of the total commercial and industrial activities of the economy in all categories and scales of operation. Taking this as a basis for the desired

TABLE 4-6

**GROSS DOMESTIC PRODUCT AND SHARE CAPITAL OF LIMITED COMPANIES,
BY SECTOR, PENINSULAR MALAYSIA, 1970-90**

(\$ million)

	GDP 1970	Share capital 1970	(%)	GDP 1975	Share capital 1975	(%)	GDP 1980	Share capital 1980	(%)	GDP 1985	Share capital 1985	(%)	GDP 1990	Share capital 1990	(%)
Agriculture ¹ , forestry and fisheries	2,428	1,432	59.0	3,211	1,695	52.8	3,876	1,891	48.8	4,613	1,988	43.1	5,534	2,092	37.8
Mining and quarrying	548	544	99.1	543	673	124.0	718	1,070	149.0	1,032	1,796	174.0	1,381	2,762	200.0
Manufacturing ² ..	1,254	1,348	107.5	2,474	3,167	128.0	4,457	7,042	158.0	7,682	15,210	198.0	12,945	32,363	250.0
Construction ..	290	58	20.0	568	142	25.0	854	256	30.0	1,255	439	35.0	1,843	737	40.0
Transport and commu- nications ³	348	82	23.6	496	117	23.6	691	163	23.6	924	218	23.6	1,237	292	23.6
Commerce	1,211	605	50.0	1,762	916	52.0	2,384	1,299	54.5	3,191	1,819	57.0	4,270	2,562	60.0
Banking and insurance ³	183	637	348.1	299	1,041	348.1	448	1,559	348.1	643	2,238	348.1	922	3,209	348.1
Other	2,090	583	27.9	3,306	912	27.6	4,882	1,347	27.6	7,038	1,942	27.6	10,158	2,804	27.6
Total ..	8,352	5,289	63.3	12,659	8,663	68.4	18,310	14,627	79.9	26,378	25,650	97.2	38,290	46,821	122.3

¹ Share capital in 1970 refers to modern agriculture excluding FELDA.

² The 1970 Survey of Manufacturing Industries indicates a capital-output ratio of 1.25 and the proportion of fixed assets to share capital as 83.7%. The projections take account of expected movements in the incremental capital output ratio and in the proportion of fixed assets to share capital.

³ Pending more detailed analysis, the proportion of share capital to GDP for transport and communications and banking and insurance in 1990 has been assumed to remain at its 1970 level.

TABLE 4-7

OWNERSHIP OF SHARE CAPITAL OF LIMITED COMPANIES, BY RACE AND SECTOR,
PENINSULAR MALAYSIA, 1970

	Malay		Chinese		Indian		Foreign		Total ¹ (\$000)
	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)	
Agriculture, forestry and fisheries	13,724	0.9	177,438	22.4	16,191	0.1	1,079,714	75.3	1,432,400
Mining and quarrying	3,876	0.7	91,557	16.8	2,488	0.4	393,910	72.4	543,497
Manufacturing	33,650	2.5	296,363	22.0	8,880	0.7	804,282	59.6	1,348,245
Construction	1,258	2.2	30,855	52.8	447	0.8	19,937	24.1	58,419
Transport and communications	10,875	13.3	35,498	43.4	1,903	2.3	9,845	12.0	81,887
Commerce	4,715	0.8	184,461	30.4	4,711	0.7	384,549	63.5	605,164
Banking and insurance.. .. .	21,164	3.3	155,581	24.3	4,434	0.6	332,790	52.2	636,850
Others	13,349	2.3	220,330	37.8	13,348	2.3	182,862	31.4	582,516
Total	102,611	1.9	1,192,083	22.5	52,402	1.0	3,207,889	60.7	5,288,978

¹ The total includes share capital ownership by Federal and State Governments and Statutory Bodies and other Malaysian residents (individuals and Nominee and locally controlled companies), amounting to about \$734 million. In this Table, the racial shares in each sector exclude these two groups.

racial pattern in share ownership, Table 4-8 illustrates the magnitude of share capital (net) that Malays and other indigenous people will have to acquire during the period of the Perspective Plan *on the assumption that the target of 30% Malay ownership is to be reached in uniform stages*. On this basis, Malays will have to own 9% of all share capital by 1975; 16% by 1980; 23% by 1985; and 30% by 1990. In view of the present insignificant share of the Malays, the required net rate at which Malay ownership will have to expand is sizable, especially in the earlier years. The projections imply that net share capital acquisition by Malays should amount to about 20% of all new capital created during 1971-75; 26% during 1976-80; 32% during 1981-85; and 39% during 1986-90.

238. The task ahead is indeed formidable but by no means impossible to accomplish. While there will be greater Malay private savings to finance expanded share capital ownership as the economy grows and as Malay participation in economic activity expands, a significant part of the financial resources required in the earlier years will have to come from the Federal and State Governments and institutions which harness Malay savings. These resources will have to be used to acquire a significant part of the increases in the growth of the total financial stock of the economy and to hold them

TABLE 4-8
GROWTH OF MALAY¹ SHARE CAPITAL IN LIMITED COMPANIES,
PENINSULAR MALAYSIA, 1970-90
(\$ million)

	1970	1975	1980	1985	1990
GDP at factor cost	8,352	12,659	18,310	26,378	38,290
Share capital of limited companies	5,289	8,663	14,624	25,650	46,821
Annual growth rate of share capital (%) ..	—	10.4	11.1	11.9	12.8
Malay share capital of limited companies ..	102.6	779.7	2,340.3	5,899.5	14,075.5
Proportion of Malay share capital in the total (%)	1.9	9.0	16.0	23.0	30.1
Annual growth rate of Malay share capital (%)	—	50.0	25.0	21.0	19.0
Marginal change in Malay share to total share capital					
Net Malay share capital acquisition in total share capital	—	677.1	1,560.6	3,559.2	8,176.0
Proportion of net Malay share capital acquisition in total share capital (%)	—	20.1	26.2	32.3	38.6

¹ Malay includes Malay Interests.

in trust for the Malays and other indigenous people until they are in a position to acquire them from their own savings. The success of this programme hinges on the maintenance by the Government of its strong financial position and on the ability of Malays and other indigenous people to expand their savings. In turn, both these requirements depend crucially on the existence of a strong and expanding economy in which the total stock of financial assets increases at a rapid pace.

239. The degree of restructuring which is required in the ownership of assets will not result in loss and deprivation on the part of other Malaysians, as the process of restructuring is to be undertaken in the context of a rapidly expanding economy. There should, therefore, be no grounds for fear or anxiety on the part of other Malaysians that Government intervention in the private sector on behalf of the Malay community will lead to deprivation of the rights or prospects of non-Malays.

240. As shown in Table 4-9, the attainment of the growth targets of the Perspective Plan will enable non-Malay ownership of share capital to expand by nearly 12% per year and to increase its share of the total to over 40% by 1990, nine times more than the 1970 level in absolute terms. There will also be ample opportunities for ownership by foreign interests to increase by about 8% per year during the same period. In relation to total share capital, however, the expansion of the share of Malays and other indigenous people from under 2% in 1970 to 30% in 1990 will involve a sizable decline in the share of foreign interests from 61% to about 30% during the period. The amount of shares held by foreigners, however, will grow at a relatively high rate and lead to a share capital holding by them in 1990 which is about five times more than in 1970.

241. A major part of the fall in the overall share of the foreign sector will be brought about by continuing declines of foreign private investment in estates and tin mining, which at present accounts for nearly 45% of total foreign investment. The growth of foreign investment will come from investments in the industrial and commercial sectors of the economy.

242. Given the attainment of the above targets in consonance with the changing priorities of foreign investors themselves, the racial pattern of share ownership will be more balanced by 1990. Malaysians would account for about 70% of the total share capital of limited companies with Malays and non-Malays holding 30% and 40%, respectively. The remainder will be held by foreign interests. In shaping its policies to this end, in the context of a growing and expanding economy, the Government will have enough flexibility to provide the opportunity for Malays and other indigenous

TABLE

SHARE CAPITAL OF LIMITED COMPANIES,

(\$ mill)

		<i>Total 1970¹</i>	<i>M²</i>	<i>NM³</i>	<i>F⁴</i>	<i>Total¹ 1990</i>	<i>M</i>
Agriculture, forestry and fisheries ..		1,432	13.7	339.0	1,079.7	2,092	627.6
(%)			1.0	23.7	75.3		30
Mining and quarrying		544	3.9	145.7	393.9	2,762	828.6
(%)			0.7	26.8	72.5		30
Manufacturing		1,348	33.7	510.2	804.3	32,363	9,708.9
(%)			2.5	37.9	59.6		30
Construction		58	1.3	37.2	19.9	737	221.1
(%)			2.2	63.7	34.1		30
Transport and communications ..		82	10.9	61.2	9.8	292	116.8
(%)			13.3	74.7	12.0		40
Commerce		605	4.7	216.0	384.5	2,562	768.6
(%)			0.8	35.7	63.5		30
Banking and insurance		637	21.2	282.9	332.8	3,209	962.7
(%)			3.3	44.4	52.3		30
Other		583	13.3	386.3	182.9	2,804	841.2
(%)			2.3	66.4	31.3		30
Total ..		5,289	102.6	1,978.5	3,207.9	46,821	14,075.5
(%) ..			1.9	37.4	60.7		30.1

¹ Totals do not add because of rounding.

² Malays include Malay interests.

³ Non-Malays include Chinese and Indians. Total non-Malay share capital also includes that owned by other Malaysian residents (individuals) and Nominee and locally controlled companies. The racial ownership of Nominee companies and locally controlled companies is not known. To the extent that it could include Malay and foreign ownership, the overall share of non-Malays used in this projection may well be overstated. Ownership by Government is included under this category.

⁴ Non-residents (Foreigners).

PENINSULAR MALAYSIA, 1970-90

ion)

		<i>Increase in share holdings, 1971-90 (\$ million)</i>				<i>Average annual growth rate, 1971-90 (%)</i>			
<i>NM</i>	<i>F</i>	<i>Total</i>	<i>M</i>	<i>NM</i>	<i>F</i>	<i>Total</i>	<i>M</i>	<i>NM</i>	<i>F</i>
836.8	627.6	660	613.9	497.8	-452.1	1.9	21.1	4.7	-2.7
40	30								
966.7	966.7	2,219	824.7	821.0	572.8	8.5	30.7	9.9	4.6
35	35								
12,945.2	9,708.9	31,015	9,675.2	12,435.0	8,904.6	17.3	32.7	17.6	13.3
40	30								
331.6	184.3	679	219.8	294.4	164.4	13.6	29.3	11.6	11.8
45	25								
146.0	29.2	210	105.9	84.8	19.4	6.5	12.6	4.4	5.6
50	10								
1,024.8	768.6	1,957	763.9	808.8	384.1	7.5	29.0	8.1	3.5
40	30								
1,283.6	962.7	2,572	941.5	1,000.7	629.9	8.4	21.0	7.9	5.4
40	30								
1,261.8	701.0	2,221	827.9	874.5	518.1	8.2	23.1	6.1	7.0
45	25								
18,796.5	13,949.0	41,532	13,972.9	16,818.0	10,741.1	11.5	27.9	11.9	7.6
40.1	29.8								

people to be on a par with other Malaysians. Together, they will assume majority control of the financial assets of the country. At the same time the flow of foreign private investment into the economy will continue to be vigorously promoted to supplement the capital requirements for rapid development, as well as to obtain the necessary managerial and technical expertise for the operation of those sectors which are of interest to foreign investors themselves.

VIII. MACRO-ECONOMIC POLICIES FOR GROWTH

243. Achievement of the employment, output and distribution objectives of the New Economic Policy demands the sustained implementation of a number of important macro-economic policies. The crucial need for a rapid rate of overall economic growth has already been stressed. This, in turn, requires that Malaysia's overseas markets be expanded and new markets found to enable Malaysian production to be profitably exported. Further, expansion of exports will be required to provide the foreign exchange for financing the intermediate and capital goods imports to support industrial development. With a small and inter-dependent economy, Malaysia needs significant growth in its export sector to sustain a strong growth momentum.

244. Malaysia's major agricultural exports, including rubber and palm oil, will continue to grow rapidly in volume. As these commodities face long-term declines in their prices, however, export values will grow much more slowly. Agricultural exports cannot, therefore, be relied upon to generate the stimulus required for progressive increases in the rate of economic and social development. Thus, high priority will be given to the expansion of exports of manufactured products as well as the development of new agricultural exports. In respect of the former, sizable opportunities exist in the development of exports of natural-resource based manufactured products such as food, rubber, vegetable oil, wood and petroleum products. In the light of recent trends, significant opportunities also exist for expanding exports in a number of fields, including clothing and textiles, chemical products (in particular medicinal and pharmaceutical products), non-metallic products (especially structural clay products), metal products (in particular wire and wire products and brass, copper, pewter and aluminium products), industrial machinery and parts, electrical goods and plastic products.

245. Taking into account prospective developments with respect to agricultural exports, industrial exports and expected receipts from non-factor services, exports are projected to grow by 6.2% per year over the twenty-year period. Annual rates of growth are targetted to expand during each five-year period from 5.4% per year during 1971-75 to 7.3% during 1986-90 (see Table 4-10).

TABLE 4-10

GROSS NATIONAL PRODUCT, 1970-90

	In current prices (\$ million)					Average annual rates of growth (%)			
	1970	1975	1980	1985	1990	1971-75	1976-80	1981-85	1986-90
Private consumption expenditure ..	7,151	10,614	15,564	21,324	29,735	8.3	8.0	6.5	6.9
+ General Government consumption expenditure ..	2,062	3,640	5,348	7,678	11,023	12.0	8.0	7.5	7.5
+ Gross capital formation—Private ..	1,181	1,872	2,714	4,358	7,006	9.7	7.7	9.9	10.0
Public ..	693	1,580	2,216	3,256	4,784	17.9	7.0	8.0	8.0
+ Change in stocks ..	181	210	260	410	621	3.1	4.3	9.5	8.7
+ Exports of goods and non-factor services	5,381	7,035	9,200	12,503	17,772	5.4	5.4	6.3	7.3
— Imports of goods and non-factor services	4,858	6,906	9,040	11,975	16,961	7.3	5.5	5.8	7.2
= Gross domestic product at market prices	11,791	18,045	26,262	37,554	53,980	8.9	7.8	7.4	7.5
— Indirect taxes + subsidies ..	1,840	2,829	4,128	5,890	8,447	9.0	7.8	7.4	7.5
= Gross domestic product at factor cost ..	9,951	15,216	22,134	31,664	45,534	8.9	7.8	7.4	7.5
— Net factor income payments to the rest of the world ..	174	340	500	650	800	14.3	8.1	5.4	4.3
= Gross national product at factor cost ..	9,777	14,876	21,634	31,014	44,733	8.8	7.8	7.5	7.6
Gross national product at market prices	11,617	17,705	25,762	36,904	53,179	8.8	7.8	7.5	7.6

246. Imports of goods and non-factor services, on the other hand, are projected to grow by 6.4% per year over the twenty-year period. The major increases will be for imports of intermediate and investment goods. The marginal propensity for such imports is high and is expected to continue to increase as economic development proceeds. Further, while there has been some progress in the domestic production of these goods, the prospects for further progress in import substitution, though good, are not unlimited.

247. To promote the domestic production of intermediate and capital goods as well as to help expand exports of manufactured products generally, Malaysia will work and cooperate even more closely with her neighbours in Southeast Asia for the establishment of regional market arrangements for industries which require substantial economies of scale to sustain their operations. There are, as already mentioned, a number of new industries whose establishment in many countries of the region would be technically feasible but for the fact that their economic viability would depend upon access into the regional market. To enable Malaysia and other countries in Southeast Asia to share in the trade which will develop rapidly in such intermediate and capital goods, active consideration will be given to concrete measures for specialisation and exchange in these industries. Concommitantly, there must be agreement as to criteria governing the location of industries in particular countries such that there is equitable distribution of these industries.

248. With the attainment of the foreign trade policy targets discussed above, Malaysia will continue to enjoy a strong balance of payments position. For most years, her earnings from exports of goods and non-factor services will be sufficient to finance imports of goods and non-factor services. The expected net capital inflows will finance projected net factor payments abroad, net current transfers to the rest of the world and progressive build-up of the economy's foreign exchange reserve requirements in consonance with the expansion of the economy.

IX. INVESTMENT AND CONSUMPTION TARGETS

249. A second macro-economic policy requirement for the attainment of the objectives of the New Economic Policy is the expansion of investment and the generation of sufficient savings to finance this investment without creating balance of payment difficulties. Taking into account the past relationship of investment to output growth, the target rates of growth of total output over the twenty year period and increasing capital intensity as the economy

modernises, investment by both the public and private sectors may be expected to expand by 9.6% per year, as shown in Table 4-10. If so, the ratio of investment to GNP will be pulled up from 17.7% in 1970 to over 23% in 1990, thus reaching by the terminal year a capital formation share in total income similar to that of the developed countries.

250. An important source of growth for investment in the 1970's is expected to come from the public sector in support of the Government's programmes under the New Economic Policy. A major element in this will be investment by public enterprises such as MARA, PERNAS, UDA and the SEDCs. The allocation of public funds to these enterprises has been increasingly significant and will grow further as public enterprises spearhead the effort to expand the participation of Malays and other indigenous people in modern commercial and industrial activity. If meaningful progress in these efforts can be made during this decade, the expanded industrial base of the country, together with the emergence of a Malay commercial and industrial community, should enable the private sector to take the lead in investment in the 1980's and make it possible for the public sector to consolidate its share in investment growth during this period.

251. Public consumption is expected to grow in similar fashion. It will continue to grow rapidly during this decade but can be expected to stabilise in the 1980's as the initial process of equipping the Government machinery to play its role in the implementation of the NEP is completed.

252. Taking into account the historical behaviour of private consumption in relation to current disposable income, private consumption is expected to grow at a rate which is more or less uniform over the entire period of the Perspective Plan. This will bring about a fall in the share of private consumption in total national income from about 62% in 1970 to about 56% in 1990.

253. The resulting estimates of GNP by major expenditure categories are shown in Table 4-10. The general profile which emerges is one of basic stability in the use of resources. The rise in the share of investment in total national income is accompanied by a corresponding decline in the share of consumption while the target growth of exports is sufficient to ensure the attainment of external balance at least between exports and imports of goods and non-factor services. The critical role of export expansion and mobilisation of savings cannot be over-emphasised for ensuring basic confidence in the strength of the economy and the attractiveness of its investment climate.

254. The export targets under the Perspective Plan have already been discussed. The savings targets are shown in Table 4-11 which illustrates the manner in which capital formation might be financed. It is seen that for most of the period under consideration, national savings will have to be supplemented with net capital inflows from abroad to finance net investment. The requirements are, however, not expected to be large in relative terms. Given the maintenance of a healthy investment climate, Malaysia should be able to attract the foreign capital required and reduce some of the outflows of short-term capital funds which occur at present. As such, it may even appear that the targets for foreign private capital inflows may be somewhat conservative. While the policies and programmes that will be implemented will assure a growing market and the continuance of a healthy investment climate, international flows of capital are subject to factors over which Malaysia does not have full control. It is therefore necessary that the quest for sustained economic and social development be underpinned by healthy growth of domestically mobilisable funds and resources. Accordingly, the Government will make every endeavour to ensure that domestic resources are mobilised and channelled to productive investment in the country. Only in this way, too, will it be possible to assure Malaysians a growing and dominant economic stake in their own country.

TABLE 4-11

FINANCING OF CAPITAL FORMATION, 1970-90
(\$ million)

		<i>Net capital inflows</i>									
	<i>Gross investment</i>	<i>- Less depreciation</i>	<i>= Net investment</i>	<i>= Public savings</i>	<i>+ Private savings</i>	<i>+ Imports less exports</i>	<i>+ Net factor payments</i>	<i>+ Net transfers to the rest of the world</i>			
1970 ..	2,055	- 597	= 1,458	= 1,039	+ 585	- 523	+ 174	+ 183			
1975 ..	3,662	- 1,025	= 2,637	= 1,416	+ 854	- 129	+ 340	+ 156			
1980 ..	5,190	- 1,453	= 3,737	= 2,102	+ 1,135	- 160	+ 500	+ 160			
1985 ..	8,024	- 2,247	= 5,777	= 3,069	+ 2,426	- 528	+ 650	+ 160			
1990 ..	12,411	- 3,475	= 8,936	= 4,651	+ 4,135	- 810	+ 800	+ 160			

X. OVERVIEW OF POLICIES AND ISSUES

255. The attainment of the objectives of the New Economic Policy will require rapid economic growth. In turn, this will necessitate structural transformation of the economy from one which is agriculturally oriented to one which provides for balanced development of agriculture and industry. Malaysia is fortunate that, unlike many other developing countries, she has the wherewithal for bringing about the attainment of sustained rapid economic growth into the future. The country is endowed with natural resources which will continue to be in great demand by the world economy and which will, at the same time, form a strong base for industrial growth. The organisation and implementation capacity of the public sector is strong and continues to be enhanced, while the thriving business community is becoming increasingly sophisticated and the labour force progressively oriented towards technological improvement.

256. Consistent with the potential of the economy for long-term growth, the Perspective Plan projects a rate of expansion of the GDP in constant 1970 prices of 7% per year over the next twenty years. The NEP recognises, however, that economic growth alone will not be sufficient. It places emphasis on the pattern and composition of growth such that the implementation of growth policies will themselves lead to better distribution of economic opportunity and employment and higher standards of living for all Malaysians. To attain these objectives, a simultaneous advance on a number of fronts is essential. Continued implementation of a package of policies is required which emphasises :

- (i) sustained output and employment growth in agriculture through, *inter alia*, new land development so as to enhance the productivity and intensify the utilisation of those engaged in low income agricultural pursuits;
- (ii) rapid growth of manufacturing to provide the thrust for overall economic development and employment creation as well as to inject a more pervasive degree of technological advancement into the whole economy;
- (iii) enhancement of the skills of all Malaysians and, in particular, the Malays and other indigenous people, through appropriate education and training programmes to ensure that the skill requirements of a modernising society are met.

257. Progress along these lines will go a long way towards the attainment of the objectives of the NEP within one generation. The reconstruction of the social economic environment envisaged under the NEP, however, requires continuing fine-tuning by the Government of the economic

affairs of the nation. New public enterprises may need to be set up and existing ones consolidated or strengthened to complement the efforts of the private sector for rapid economic growth with social justice. Public agencies such as PERNAS, UDA, MARA and the SEDCs have an important role to play in this regard. Concomitant with such measures, it will continue to be necessary to influence private entrepreneurial initiative by policies and incentives which contribute to the fulfilment of the Government's ultimate objectives of eliminating the identification of race with economic function. Here, indeed, are fertile fields for joint-ventures and public and private sector cooperation in the larger interest of nation building with opportunities for all Malaysians to benefit from the fruits of economic and social development.

258. The financial resources that should be mobilised to support socio-economic development of the order required will be large. In particular, the financial resources of the Government will have to be so managed that the public sector will continue to be in a position to effectively influence the content and composition of economic growth. Continued maintenance of the strength and soundness of Malaysia's financial and monetary system is therefore paramount.

259. The objectives of the NEP are ambitious but feasible. The outline of the Perspective Plan demonstrates that the objectives and targets can be achieved within a generation. The means are at hand. It is for all Malaysians of all races, all ages and from all walks of life to fully utilise the opportunities available to forge the building of a strong united Malaysian nation with progress and prosperity for all.

CHAPTER V

The Public Sector Programme, its Financing and Implementation

I. INTRODUCTION

260. The public sector programme under the Second Malaysia Plan has been designed to contribute towards the attainment of the over-riding objective of national unity through greater efforts in the formulation and implementation of projects aimed at the eradication of poverty and the restructuring of society. It was, at the same time, designed with the recognition that national unity is a matter of national concern in which both the public and the private sectors, as well as individuals of all ages and from all walks of life, have an important role to play.

261. In this context, the public sector programmes were formulated to ensure the maintenance of a social, political and economic climate conducive to rapid economic development with social justice. The public investment programmes have the object of expanding the country's human and physical infrastructure in line with the requirements of such development. The programmes also provided for the promotion of, as well as direct participation of Government in modern agricultural, commercial and industrial enterprises to facilitate the restructuring of society.

262. About 23.5% of the total allocation for public development expenditure was for agriculture and rural development. This, together with an allocation of 17.6% for public utilities, health and family planning and social and community services, was aimed directly at achieving sizable progress in the eradication of rural and urban poverty. While the allocations, especially for agricultural and rural development, would contribute towards the restructuring of society as well, by providing greater opportunities for all disadvantaged groups in Malaysian society to enter the modern sectors of the economy, the Plan also

provided for 4.5% of its total allocations to be expended for the programmes of PERNAS, UDA, MARA, and the SEDCs—these agencies having the primary role of spearheading public sector efforts in the creation of a Malay commercial and industrial community.

263. To underpin all these efforts, 7.4% of total allocations were made for education and training, with 22% for the expansion of the transportation and communications network of the country. About 15.2% was allocated for defence and internal security to equip the Government to discharge its responsibilities to sustain conditions of peace and internal order—requirements so necessary for sustaining economic and social development.

264. In setting out these broad allocations, however, the Government emphasised that the Plan would be implemented in a flexible manner, within the broad limits of the sectoral allocations, to accommodate new proposals and new ideas as well as to take into account the speed with which project planning and implementation are undertaken in each of the sectors. A detailed Mid-Term Review of the performance and progress of Plan implementation has now been completed. The progress achieved and the revised allocations for the ensuing years of the Plan are shown in Table 5-1.

II. PUBLIC SECTOR PROGRAMMES: PROGRESS AND REVISED ALLOCATIONS

265. During the period 1971-73, an estimated sum of \$4,854 million was expended by the Federal and State Governments, public authorities and public enterprises. Details of the progress achieved by these agencies and their prospects for 1974-75 are outlined in the sectoral Chapters in Part Two.

266. A sum of \$4,495 million has been allocated to these agencies for the period 1974-75, taking into account the priorities among the programmes and their implementation capacity. Even so, actual expenditure during 1974-75 is estimated to reach \$3,947 million. Thus public sector development expenditure under the Plan as a whole will amount to \$8,801 million, 46.7% more than that originally envisaged under the Plan.

267. While the allocations for the period 1974-75 follow the priorities of the New Economic Policy as set forth in the Plan, a number of modifications have been made and new projects incorporated in the Mid-Term Review to strengthen the Government's efforts towards the achievement of the nation's overall objectives.

268. Under the Mid-Term Review, an increased scale of activities has been envisaged for agriculture and rural development, commerce and industry, transport and the social sectors.

269. In agriculture, the provision for new land development has been increased by 21% to finance the expanded targets now set. The allocation for FELDA has been increased from \$472 million to \$520 million for the Plan period to enable FELDA's target to be increased from 275,000 acres to 403,000 acres during the Plan period. Its capacity to implement this higher target is already being stepped up. Drainage and irrigation receives a large increase in its allocations to bring new acreages under cultivation in Southwest Johore and to further improve the facilities in the Muda Irrigation Scheme. A major new development in the agricultural field will be the activities of the newly established Farmers' Organisation Authority, for which a sum of \$22 million has been allocated.

270. A major revision to the public expenditure targets under the Plan is the substantially increased allocation for commerce and industry. With this increase, commerce and industry will now account for 13.2% of total public development expenditure, compared with the original allocation of 8%. The major increase in the allocations for commerce and industry goes towards the expanded programmes of PERNAS, UDA, MARA and the SEDCs. In addition, an allocation of \$15 million has been provided for the newly established Development Bank, a subsidiary of Bank Bumiputra. These increased allocations will enable the public sector to play an even greater role in stimulating the growth of the industrial sector, the geographic dispersal of its activities and the creation of a Malay commercial and industrial community.

271. The transport and communications networks will be improved and expanded to meet the requirements of social and economic development. Programmes for development roads will be accelerated and two new major ports (Kuantan in Pahang and Pasir Gudang in Johore) will be constructed to open up new growth points especially in the less developed regions of the country. To foster closer integration and to provide direct communication links between Peninsular Malaysia, Sabah and Sarawak, air transport services will be expanded through the Malaysian Airline System and the expansion and improvement of airport facilities in both areas as well as the expansion of telecommunications facilities. The MISC, which at present provides a coastal service for the trade between Peninsular Malaysia and Sarawak, will acquire additional vessels for operating a weekly service to Sabah and Sarawak. Postal services will also be expanded with emphasis given to the provision of such services in the rural areas. Programmes for the modernisation of the Malayan Railway will continue during the remaining Plan period to ensure its proper role in the transport development of the country. The allocation for this sector has been increased from the original Plan target of \$1,588 million to \$2,116 million under the Mid-Term Review.

TABLE 5-1

PUBLIC DEVELOPMENT EXPENDITURE, 1971-75
(\$ million)

Sector	Original Plan allocation, 1971-75	% of Plan allocation	Estimated expenditure, 1971-73	Achieve- ment (%)	Revised Plan allocation			% of Plan allocation	Balance to complete					
					Peninsular Malaysia	Sabah	Sarawak							
Economic	4,870.97	67.2	3,452.20	70.9	5,254.09	682.77	641.20	6,578.06	70.4	3,125.86
Agriculture and Rural Development					1,920.86	26.5	1,054.83	54.9	1,835.60	202.33	159.26	2,197.19	23.5	1,142.36
Agriculture	149.21	2.1	90.15	60.4	103.71	33.53	52.43	189.67	2.0	99.52
Rubber Replanting	269.08	3.7	92.78	34.4	141.23	22.41	26.52	190.16	2.1	97.38
Land Development (FELDA, FELCRA, Youth Land Schemes, Public Estates)	908.65	12.6	485.43	53.4	973.91	79.00	48.51	1,101.42	11.8	615.99
Drainage and Irrigation	256.49	3.5	149.54	58.3	282.40	17.88	13.93	314.21	3.4	164.67
Forestry	18.23	0.3	15.15	83.1	29.20	7.88	3.10	40.18	0.4	25.03
Animal Husbandry	44.10	0.6	37.77	85.6	61.59	6.55	4.16	72.30	0.8	34.53
Fisheries	45.84	0.6	11.11	24.2	35.45	1.80	4.76	42.01	0.4	30.90
Agricultural Credit and Marketing (Bank Pertanian, FOA, FAMA, Co-operatives, Padi Board and Rural Credit)	155.10	2.1	128.76	83.0	152.28	27.14	0.10	179.52	1.9	50.76
Agricultural Research (MARDI and Division of Food Technology)					50.21	0.7	15.95	31.7	28.30	—	1.50	29.80	0.3	13.85
Others	23.95	0.3	28.19	117.7	27.53	6.14	4.25	37.92	0.4	9.73
Mineral Resources Development	0.68	—	0.39	57.4	0.53	0.16	—	0.69	—	0.30
Geological Survey	0.68	—	0.39	57.4	0.53	0.16	—	0.69	—	0.30

<i>Commerce and Industry</i>	583.60	8.0	713.30	122.2	1,159.70	18.72	60.31	1,238.73	13.2	525.43
National Corporation (PERNAS)	100.00	1.4	100.00	100.0	150.00	—	—	150.00	1.6	50.00
Majlis Amanah Rakyat (MARA)	73.00	1.1	102.50	140.4	183.44	—	—	183.44	2.0	80.94
State Economic Development Corporations (SEDCs)	45.60	0.6	100.78	221.0	150.00	13.22	29.71	192.93	2.1	92.15
Industrial Estates	23.47	0.3	24.52	104.4	22.82	—	12.44	35.26	0.4	10.74
Urban Development Authority (UDA)	100.00	1.4	60.30	60.3	160.00	—	—	160.00	1.8	99.70
Malaysian Industrial Development Finance Berhad (MIDF) ..	100.00	1.4	100.00	100.0	100.00	—	—	100.00	1.1	—
Malaysian Rubber Development Corporation (MRDC)	35.00	0.5	22.26	63.6	50.00	—	—	50.00	0.5	27.74
Malaysian International Shipping Corporation (MISC)	46.00	0.6	80.07	174.1	107.04	—	—	107.04	1.1	26.97
Other investment in economic enterprises (including a new Development Bank—\$15m.; FIMA—\$10m.; Malaysian Shipyard and Engineering Sdn. Bhd.—\$10m., etc.)	45.05	0.6	63.07	139.9	95.91	—	4.00	99.91	1.1	36.84
Tourism	10.00	0.1	6.05	60.5	9.39	—	—	9.39	—	3.34
NISIR, SIM, NPC	5.48	—	3.20	58.4	15.00	—	—	15.00	0.1	11.80
Selangor Government	—	—	20.00	—	100.00	—	—	100.00	1.1	80.00
Federal Industrial Development Authority (FIDA)	(10)	—	—	—	—	—	—	—	—	—
Urban Renewal	—	—	10.98	—	—	—	14.16	14.16	0.2	3.18
Others	—	—	19.57	—	16.10	5.50	—	21.60	0.2	2.03
<i>Feasibility Studies</i>	30.36	0.4	23.48	77.3	33.51	2.19	6.30	42.00	0.4	18.52

TABLE 5-1—(cont.)

PUBLIC DEVELOPMENT EXPENDITURE, 1971-75—(cont.)
(\$ million)

Sector		Original Plan allocation, 1971-75	% of Plan allocation	Estimated expenditure, 1971-73	Achieve- ment (%)	Revised Plan allocation			% of Plan allocation	Balance to complete
						Peninsular Malaysia	Sabah	Sarawak		
Transport	..	1,188.36	16.5	873.22	73.5	1,036.68	336.25	251.72	1,624.65	17.5
Roads and Bridges	..	693.56	9.6	432.75	62.4	531.19	151.60	112.70	795.49	8.6
Railways	..	93.72	1.3	55.18	58.8	90.00	7.71	—	97.71	1.0
Civil Aviation	..	108.76	1.5	126.96	116.7	158.80	63.88	30.91	253.59	2.7
Ports and Marine	..	229.79	3.2	186.25	81.1	198.09	102.95	65.11	366.15	4.0
PWD Plant and Equipment	..	62.53	0.9	72.08	115.3	58.60	10.11	43.00	111.71	1.2
Communications	..	400.02	5.5	328.85	82.2	357.06	66.29	67.90	491.25	5.2
Telecommunications	..	298.39	4.1	259.94	87.1	280.00	40.00	45.83	365.83	3.9
Broadcasting	..	79.15	1.1	58.76	74.2	57.88	24.55	18.46	100.89	1.1
Postal	..	18.98	0.3	7.51	39.5	15.48	1.67	3.34	20.49	0.2
Meteorological	..	3.50	—	2.64	75.4	3.70	0.07	0.27	4.04	—
Utilities	..	747.09	10.3	458.13	61.3	831.01	56.83	95.71	983.55	10.5
Electricity	..	538.52	7.5	269.21	50.0	494.77	23.14	61.35	579.26	6.2
Rural Electrification	..	24.82	0.3	32.52	131.0	60.23	6.20	3.60	70.03	0.8
Water	..	183.75	2.5	156.40	85.1	276.01	27.49	30.76	334.26	3.5
Social	..	1,067.38	14.7	660.92	61.9	1,093.90	145.29	112.38	1,351.57	14.4
										690.65

<i>Education and Training</i>	..	..	537.26	7.4	340.48	63.4	614.68	60.42	58.00	733.10	7.8	392.62
Ministry of Education	..	..	448.48	6.2	245.51	54.7	440.00	60.42	58.00	558.42	6.0	312.91
Industrial Training	..	..	3.70	—	2.41	65.1	4.98	—	—	4.98	—	2.57
MARA (Institute of Technology, Scholarships and Training)	..	..	85.08	1.2	92.56	108.8	169.70	—	—	169.70	1.8	77.14
<i>Health and Family Planning</i>	..	..	213.65	2.9	93.24	43.6	179.63	26.00	21.16	226.79	2.4	133.55
<i>Social and Community Services</i>	..	..	316.47	4.4	227.20	71.8	299.59	58.87	33.22	391.68	4.2	164.48
Housing	..	..	171.89	2.4	111.30	64.7	190.48	20.78	28.71	239.97	2.7	128.67
Sewerage	..	..	23.97	0.3	8.53	35.6	12.60	9.93	—	22.53	0.2	14.00
Culture, Youth and Sports	..	..	7.23	0.1	17.54	242.6	15.07	5.71	3.51	24.29	0.3	6.75
Community Services	..	..	92.53	1.3	80.73	87.2	61.96	21.53	—	83.49	0.9	2.76
Welfare	..	..	13.47	0.2	4.36	32.4	11.98	0.92	1.00	13.90	0.1	9.54
Aborigines	..	..	7.38	0.1	4.74	64.2	7.50	—	—	7.50	—	2.76
<i>General Administration</i>	..	..	211.58	2.9	165.80	78.4	260.99	46.79	62.08	369.86	3.9	204.06
<i>Security</i>	..	..	1,100.07	15.2	575.48	52.3	1,050.51	—	—	1,050.51	11.2	475.03
<i>Defence</i>	..	..	850.07	11.7	481.34	56.6	810.00	—	—	810.00	8.7	328.66
Accommodation	..	..	210.57	2.9	174.88	83.1	303.36	—	—	303.36	3.2	128.48
Equipment	..	..	639.50	8.8	306.46	47.9	506.64	—	—	506.64	5.4	200.18
<i>Internal Security</i>	..	..	250.00	3.5	94.14	37.7	240.51	—	—	240.51	2.6	146.37
Accommodation	..	..	209.20	2.9	75.06	35.9	200.57	—	—	200.57	2.2	125.51
Equipment	..	..	40.80	0.6	19.08	46.7	39.94	—	—	39.94	0.4	20.86
Total	..	..	7,250.00	100.0	4,854.40	66.9	7,659.49 ¹	874.85 ²	815.66 ³	9,350.00	100.0	4,495.60

¹ Includes development allocations of \$748.46 and \$554.73 million from the internal resources of public authorities and the States of Peninsular Malaysia, respectively.

² Includes Federal allocation of \$500.77 million and \$51.18 million from the internal resources of public authorities.

³ Includes Federal allocation of \$495.03 million and \$63.14 million from the internal resources of public authorities.

272. An accelerated programme for the development of utilities has been provided for. The allocations for power and water development have been increased by 31.6% to meet the needs of industrial development, improve services to urban and rural residents and contribute towards flood control. The power programmes include the commencement of civil works for the Temenggor and a detailed feasibility study for the Sungei Tembeling hydro-electric schemes and the expansion of power supplies in Sabah and Sarawak. A major study of the Pahang River basin has also been initiated, with grant assistance from Australia under the Colombo Plan. This study is designed to alleviate the flooding of the basin and its surrounding areas.

273. In line with the Government's efforts to improve the quality of education, particularly for the people in the disadvantaged areas, education and training have been given an increase of 36.5% from their original allocation of \$537.6 million. The major portion of this increase is for primary education to expand school places as well as to improve the facilities at this level of education. The new universities, as well as middle-level vocational training programmes, also receive larger provisions.

274. Public housing construction will be stepped up, with an increased allocation of 39.6% from \$172 million to \$240 million, to complement private sector development. A further 12,000 low-cost housing units are to be developed by the various Government agencies involved. A National Department of Housing is also to be established to coordinate the overall housing development programmes.

275. Provision has also been made for new regional and urban development studies to assist in drawing up master plans for balanced regional development. New studies are planned for Negri Sembilan, Trengganu, Perak, Pahang, South Johore and Sarawak.

276. The foregoing describes the broad range of programmes and the general focus of the public sector development effort during the remaining years of the Plan. These will be complementary to the efforts of the private sector in an expanding level and range of activities.

277. The private sector has contributed substantially to the economic and social development of the country. The public investment programmes themselves will serve to lay the basis for continued private investment growth. In addition, even greater efforts will be made in the promotion of joint-venture projects between the Government and private enterprise. Along with this, the Government's fiscal, monetary, commercial and industrial policies, among others, will continue to be implemented in a manner which will improve the investment climate and maximise the contributions of the private sector to the nation's overall objectives as embodied in the NEP.

III. FINANCING THE PUBLIC SECTOR PROGRAMME

278. Actual public development expenditure for the Plan period was targetted at a *minimum* of \$6,000 million. The Plan envisaged that concerted efforts would be made to improve the public sector implementation capacity, so as to achieve a higher level of development expenditure. About 81 % of this target was achieved during 1971-73.

279. The financing of the public development expenditure for 1971-73 is shown in Table 5-2.

280. Despite the sharp increases in current expenditure during 1971-73, principally due to payments of salary arrears to Government employees and the Armed Forces, and higher contributions to rubber support operations, Federal and State Governments' finances for 1971-73 showed current surpluses of about \$470 million. Government revenue grew by 10.5 % per year, a rate higher than projected in the Plan. The improved performance in Government revenue during this period was mainly due to improved income tax collection efforts, the introduction of the sales tax in 1972 which boosted revenue more than previously expected and the favourable revenue performance in 1973 arising from the buoyant commodity prices during the year. Meanwhile, the Government's current expenditure increased by nearly 16 % per year, exceeding the Plan target of 8.7 %. In addition, the public authorities are expected to show a surplus of about \$450 million by the end of 1973.

281. The current surpluses, however, were not sufficient to finance the public sector development expenditure. To meet the overall deficit during this period recourse was made to domestic and foreign borrowing and drawdown of realisable assets. Foreign financing accounted for 17.2 % of the total public development expenditure during 1971-73, with the remainder being financed from domestic sources.

282. Net foreign borrowing amounted to \$837 million during 1971-73, as compared to the Plan projection of \$720 million for the five year period. This was made possible by Malaysia's excellent credit standing which facilitated substantial market borrowing from abroad, as well as the availability of a number of viable development projects for foreign financing. Net domestic borrowing from the non-bank private sector amounted to \$1,806 million, while the banking system contributed \$655 million. In addition, special receipts totalled \$150 million, mainly from the assets which accrued to the Federal Government from the dissolution of the former Malaysia-Singapore Airlines. The remainder of the public development expenditure was financed by a drawdown of realisable assets.

TABLE 5-2

ESTIMATES OF CONSOLIDATED PUBLIC SECTOR
EXPENDITURE AND FINANCING, 1971-75

(\$ million)

	<i>Total</i>		<i>Revised total,</i>	<i>Original total,</i>
	<i>1971-73</i>	<i>1974-75</i>	<i>1971-75</i>	<i>1971-75</i>
Governments' revenue	10,325	8,660	18,985	17,260
<i>Less:</i> Governments' current expenditure ..	-9,851	-8,100	-17,951	-16,000
Current surplus	474	560	1,034	1,260
<i>Add:</i> Public authorities' current surplus ..	453	394	847	550
Public sector current surplus	927	954	1,881	1,810
<i>Less:</i> Public sector development expenditure ..	-4,854	-3,947	-8,801	-6,000
Overall deficit ..	-3,927	-2,993	-6,920	-4,190
Sources of Financing—				
Net foreign borrowing	837	546	1,383	720
Special receipts ¹	150	19	169	190
Net domestic borrowing from non-bank private sector	1,806	1,663	3,469	2,245
Net domestic borrowing from banking system	655	730	1,385	1,285
Use of accumulated assets and other adjust- ments (— means increase)	+479	+ 35	+514	-250
Total ..	3,927	2,993	6,920	4,190

¹ This item includes foreign grants.

283. For 1974-75, Government's current revenue is expected to grow by 7.4% per year, exceeding the Plan target of 7.1%. This is mainly due to the lag effects on revenue from the upswing in the economy in 1973.

284. Government's current expenditure, however, is expected to grow by 7.3% per year, which exceeds the 6.5% projected in the Plan. Despite this higher rate of increase in current expenditure, the Government's current account is expected to yield a surplus during the remaining two years of the Plan. The current surplus of public authorities is expected to be \$394 million, higher than that estimated in the Plan.

285. The current surplus would, however, be insufficient to finance the expected development expenditure amounting to \$3,947 million for the remaining Plan period. Net domestic borrowing from the non-bank private sector and the banking sector is again expected to provide the bulk of the financing for public development expenditure. Net domestic borrowing is expected to yield \$2,393 million, making a total of \$4,854 million for the five year period. Special receipts are expected to provide only \$19 million, reflecting the declining scale of foreign defence and other aid items.

286. Net foreign borrowing for the period is expected to amount to \$546 million. This source of finance will thus provide 15.7% of total public development expenditure for the five years, as compared to 12% targetted in the Plan. The remaining financing gap will be covered by further drawdown of realisable assets and other adjustments.

IV. PLANNING AND IMPLEMENTATION

287. The Plan recognised that in order to achieve the ambitious targets and to cope with the new dimensions in socio-economic development envisaged by the New Economic Policy bold and effective measures would have to be taken to improve the administrative machinery for planning and implementation. Since the launching of the Plan, a number of significant steps were taken in this regard. The progress in implementation recorded in this Mid-Term Review of the Plan is, to a large extent, the result of such measures and the cooperation given by the private sector and the people at large. Some of the major steps taken are discussed in the following paragraphs. Earlier Chapters and the sectoral Chapters that follow touch on other measures in greater detail.

Planning

288. At the national level, the planning machinery has been streamlined and strengthened in order to meet the demands of the NEP. Towards this end, the staffing of the EPU has been strengthened for national planning as well as

to enable it to more effectively plan, monitor and improve the capacity of the public sector to identify and prepare development projects. Planning cells have also been established in a number of major Ministries such as Agriculture, Education, Health, Works and Power and Communications, as well as in other public agencies such as MARA, PERNAS, UDA and FELDA.

289. An important development in this period was the upgrading of the planning capability at the State level through the establishment of State Planning Units. The States of Pahang, Trengganu, Johore, Perak, Selangor and Sarawak now have a nucleus of planning staff and in the majority of cases they are assisted by officers from the Federal Government. The main objective in the establishment of these units is to enable the States to identify and formulate projects and to coordinate development activities at the State level. The long-term objective, however, is to enable the States to prepare development plans consistent with the priorities in the national development plan.

Implementation

290. To oversee the whole national development and security effort, the National Action Council (NAC) was established in 1971, consisting of senior Cabinet Ministers and the Heads of the Civil Service, the Armed Forces and the Police. An Executive Committee of the NAC, with the Prime Minister as Chairman, monitors the implementation of the Plan on a day-to-day basis to ensure conformity with the objectives of the New Economic Policy. An Implementation, Coordination and Development Administration Unit (ICDAU) was established incorporating the former Development Administration Unit (DAU) to provide staff support to the NAC. The role of the ICDAU, as the Secretariat to the NAC, enables it to be alert to various emerging problems in Plan implementation and ensure that effective remedial measures are taken. Through the regular meetings of the Executive Committee, various implementation bottlenecks and problems were resolved.

291. To initiate and coordinate the implementation of various programmes and projects resulting from the various regional studies in Pahang, Johore, and Trengganu, a number of new authorities have been established. These include the Jengka Authority, the Pahang Tenggara Authority, the Johore Tenggara Authority and the Trengganu Tengah Authority. These Authorities have joint Federal and State Government representation and have been provided with the necessary managerial and technical staff for the effective discharge of their responsibilities.

Technical and manpower capacity

292. When the Plan was launched, the Government recognised the need to expand the supply of trained technical and managerial personnel. An intensive study has since been carried out on the design and construction capacity in both the public and private sectors. Some of the immediate recommendations of the study have already been implemented by the Government. Among these were the recommendations in regard to streamlining of procedures for the recruitment of personnel, particularly in the professional and technical categories, and the recruitment of professional personnel such as engineers, architects, doctors and teachers from overseas on contract. Additional personnel were also obtained under technical assistance and volunteer programmes from the United Kingdom, the United States, Canada, Germany, Japan, Australia, New Zealand and the Eastern European countries. Such recruitment has contributed towards improving the overall capacity for project design, supervision and implementation in the public sector. It also served to off-set the continued loss of personnel to the private sector which is also rapidly expanding.

293. In addition, the Government also made greater use of consultancy services, both local and foreign, in the design and supervision of various projects, while the procedure for the employment of such services was simplified and streamlined to ensure that high priority projects are started on schedule. Steps have been taken to ensure that the foreign consultants appointed draw upon the capacity and expertise of local firms wherever possible.

294. Another important step taken was to delegate a greater measure of responsibility for financial control and management to the operating agencies. Flexibility was introduced to enable these agencies to make forward commitments for projects, as well as in other contract procedures. These measures have helped considerably in overcoming delays and in advancing planning and design of projects. Action is also being taken to avoid undue bunching of major awards of tenders. Further, arrangements have also been made to post administrative officers to technical departments to relieve these departments from the increasing burden of purely administrative functions and to enable technical officers to concentrate on the planning, direction and evaluation of operating programmes.

295. As noted in Chapters II and XI, the capacity of training institutions, particularly for professional and sub-professional personnel, has been expanded. In addition, the Training and Career Development Division of the Public Services Department has launched an extensive programme for the

training and upgrading of Government employees at all levels. The National Institute of Public Administration has been strengthened to provide more intensive in-service training programmes for various categories of Government officers, as well as to cater for the special needs of senior administrators in the formulation and implementation of public policies and programmes. The overseas training programme, sponsored directly by the Government as well as under various technical assistance schemes, has also been expanded. Increasing attention has been paid to the training of technical personnel, economic and other planning staff, social scientists and teaching and research staff under this programme. Further improvements are expected to be made to gear these training programmes to meet the requirements of both the public and private sectors when the information collected from the comprehensive manpower survey, now being conducted, becomes available.

296. In the effort to enable effective and rational decision-making on policies and programmes, particularly at Ministry and Departmental levels, a master plan for in-depth implementation of Programme and Performance Budgeting (PPB) has been initiated. The plan, intended to strengthen the budget as an effective instrument of project planning, involves the orientation of key financial personnel towards the concept of PPB. The implementation of this exercise is entrusted to a National Steering Committee which monitors the operations of PPB. The ultimate objective is to make the budget a positive aid to planning and programming.

297. While the public sector's planning and implementation capacity has been substantially expanded through these measures, several planning and operating agencies, including the EPU, GPU, ICDAU, the Treasury, PWD and the Statistics Department, still suffer from substantial manpower shortages. The many new institutions established for specific purposes during the past few years still have only a small nucleus of trained staff and lack the skill and experience necessary to manage the critical programmes assigned to their charge. The drawing away of trained staff from agencies which themselves are experiencing pressures of increasing and complex workload has, to some extent, thinned out available capacity and expertise. The need therefore continues to further strengthen the Government's capacity to identify, formulate and carry out a larger scale of socio-economic development programmes with increasingly complex objectives and to effectively monitor and evaluate their impact.

298. The Government will intensify its efforts towards strengthening and streamlining its planning and implementation machinery. The capacity of key agencies such as the EPU, ICDAU, the GPU and the Statistics Department and planning staff in Ministries, State Governments, the SEDCs and

Regional Authorities will be further strengthened. The Government will also extend its information and data gathering functions and undertake a number of policy oriented research projects to enable more effective setting of goals and design of programmes.

299. The detailed analysis now being undertaken of the Population and Housing Census, 1970, will provide the Government with comprehensive data and information which will be of great operational value to planners. In the ensuing years, detailed studies on employment, poverty and income distribution, migration, Malay participation in business, nutrition and various other aspects of socio-economic development will be undertaken. Wherever possible, the cooperation of institutions of higher learning will be enlisted in carrying out these studies. Regional studies will gather further momentum with additional studies to be undertaken for Upper Perak, urban planning studies for Kuantan, Kuching and the Johore metropolitan region and a land-use policy study for the newly created Federal Territory of Kuala Lumpur. In addition, a long-term study on urbanisation, particularly in regard to new growth centres, will also be undertaken during this period.

CHAPTER VI

Prices: Problems, Prospects and Policies

I. INTRODUCTION

300. The recent developments in the movements of prices have an important bearing on the Plan in terms of the performance and results achieved during the period under review. This Chapter, therefore, begins with the analysis of the trends of the general price level for the country and the prices of imports as well as investment goods. The relative magnitudes of price changes and the causes underlying these changes are then discussed. Finally, the Chapter outlines the steps taken by the Government and the proposed further policy measures to be implemented to reduce the acceleration in the price level as well as to alleviate the impact of these price rises, particularly on the lower income groups of Malaysians.

II. PRICE TRENDS AND THEIR CAUSES

301. Malaysia had a remarkable record of price stability during the 1960s and up to 1971. This record stands out remarkably well in comparison with most other countries of the world. Consumer prices rose by an average of only about 1 % per year during this period. Malaysia's record of sound financial and fiscal management, as well as its liberal trade policies were successful in preventing the occurrence in Malaysia of the inflationary trends that most industrialised countries were already experiencing. For instance, during the eleven-year period 1960-71, the consumer price level of the Organisation for Economic Cooperation and Development (OECD) countries as a group rose by about 50%, the increase being some 30% and 60% in the U.S. and the United Kingdom, respectively, as compared to the rise of only 11% in the retail price index in Peninsular Malaysia. Some inflationary trends were present in Sabah, with shortages of labour and imperfections in the distribution system but overall, the retail price index remained virtually stable over the years.

302. However, since 1971, developments indicate a rising trend in the price level in the country. Increases in the prices of imports, serious shortages in world food production and imperfections in the distribution system for essential commodities in particular, within the rapidly developing Malaysian economy, all led inevitably to a general increase in the price level, as shown in Table 6-1.

303. The basic and the most important reason for the dramatic change from a long period of remarkable stability to the sharp increases in the price level is to be found in the accelerating and substantial increases in the prices of Malaysian imports. This imported inflation has been brought about by continuing high rates of inflation in the major industrial countries which are important sources of supply of Malaysia's imports, rapidly rising prices of food and other commodities associated with world-wide shortages and increases in freight rates. The Malaysian import price index rose by about 7% in 1971, about 12% in 1972 and an estimated 14% in 1973.

304. In the past, Malaysia had been able to avoid imported inflation to some extent by diverting her imports away from supplier countries with high rates of inflation, the shift in imports having taken place mainly to countries such as Japan, Australia, Germany and China. The continuing strong inflationary trends in most countries have, however, limited Malaysia's options to bring about any further import shifts of significance. Given the importance of imports, which constitute around 35% of Malaysian GNP, the impact of higher import prices on domestic consumer prices as a whole is considerable. The impact of the earlier increases appears to have been lagged or absorbed, possibly through lower distribution margins. However, with continuing and larger increases in import prices, the impact on domestic retail prices appears to have been accentuated possibly by attempts to restore or even increase distribution margins.

305. The developed industrial countries as a group have been experiencing a striking degree of domestic price inflation which led to consequent upward adjustments in the prices of their exports. For instance, the export prices of Japan, expressed in US Dollars, are estimated to have risen by over 10% in 1972 and are expected to record a further increase of about 16% for 1973. Export prices of the United States, United Kingdom, Germany, France and Australia also show similar rising trends. It is apparent that the strong counter measures taken in some of these countries to moderate the rise in their domestic prices have not yet had a significant effect on their export prices.

306. World-wide shortages, not only of certain foodstuffs, but also of certain other commodities such as building materials, fuel oil and paper have compounded the problem of imported inflation. Food imports in 1970

accounted for some 18% of total imports in Malaysia. With increasing domestic production of rice and higher standards of living, much of these food imports has in recent years comprised such items as meat and dairy products, cereals (particularly wheat) and fruits and vegetables. Unfavourable weather conditions in 1972 severely reduced world grain production and thus adversely affected grain producing countries themselves as well as those which rely significantly on the world market for their needs of rice and other cereals.

307. The USSR experienced substantial damage to her wheat crop and became a heavy buyer of wheat in the world market, while drought in India and Indonesia and typhoon damage in the Philippines led these countries to exert strong demand pressures on world supplies of rice which had themselves been reduced by bad weather conditions. Rice exporting countries, such as Thailand, were forced to introduce export restrictions so as to conserve supplies for domestic requirements and to prevent rapid increases in their domestic price levels.

308. The shortage of rice in the world market coincided with reduced supplies of other cereals, particularly wheat, which experienced a decline in production of about 5% from the 1971/72 crop. Whereas shortfalls in rice supplies had in the past been to some extent met by increased consumption of wheat and other cereals, the shortfall in the production of these latter commodities aggravated price increases of food items all round.

309. In Malaysia, padi production, which had been rapidly increasing in recent years, was also affected by adverse weather conditions in 1972. As a result, padi output increased by 2% in 1972 as compared to the increase of 7% in 1971. This shortfall in the rate of expansion of Malaysian production coincided with the general world shortage of food grain and consequently led to sharp increases in the price of rice, particularly in 1973. The price index for rice and other cereals rose by 34% between January and September, 1973. Rice forms a substantial portion of food consumption in Malaysia, with a weight, together with other cereals, of over 13% in the Consumer Price Index. Such increases in the price of rice, therefore, contributed significantly to the overall increase in the Consumer Price Index in 1972 and particularly 1973.

310. World prices of meat and dairy products also rose significantly during 1971-73. These increases were the result of increases in the price of feed-stuff caused by adverse weather conditions and other factors. Import prices of meat and milk products therefore rose and led to an 18% increase in the index for these items between 1971 and August, 1973. Added to this have been shortfalls in Malaysian fish landings. The price index for meat rose by 30% between September 1972 and September 1973, while that for fish rose by over 18%. The price index for fruits and vegetables also showed similar increases. Overall, the food price index recorded an increase of over 23% during this period.

TABLE

CONSUMER PRICE INDICES,

(1967 = 100; % change

											Non-Food	
Year				Total	Non-Food Index	Beverages and tobacco	Clothing and footwear	Gross rent, fuel and power	Furniture, furnishings and household equipment and operation	Medical care and health expenses	Transport and communication	Recreation, entertainment, education and cultural services
	Weight		100	53.2		8.9	4.8	9.4	6.6	2.0	10.4	5.6
1970 average	..	..	101.3	103	103	102	101	106	102	103	106	
1971—												
January-June	..	..	102.8	104	103	103	101	108	102	103	111	
June-December	..	..	103.1 (0.3)	105 (1.0)	104 (1.0)	103 (—)	103 (2.0)	108 (—)	103 (1.0)	104 (1.0)	112 (0.9)	
1971 average	..	..	102.9	105	103	103	102	108	103	104	111	
% change 1970-71	..	..	(1.6)	(1.9)	(—)	(1.0)	(1.0)	(1.9)	(1.0)	(1.0)	(4.7)	
1972—												
January-March	..	..	105.3	107	106	104	103	111	103	105	115	
April-June	..	..	105.5 (0.2)	108 (0.9)	108 (1.9)	105 (1.0)	103 (—)	114 (2.7)	103 (—)	106 (1.0)	115 (—)	
July-September	..	..	106.4 (0.9)	109 (0.9)	108 (—)	106 (1.0)	103 (—)	115 (0.9)	103 (—)	106 (—)	116 (0.9)	
October-December	..	..	107.6 (1.1)	109 (—)	108 (—)	108 (1.9)	103 (—)	116 (0.9)	103 (—)	108 (1.9)	116 (—)	
1972 average	..	..	106.2	108	107	106	103	114	103	107	115	
% change 1971-72	..	..	(3.2)	(2.9)	(3.9)	(2.9)	(1.0)	(5.6)	(—)	(2.9)	(3.6)	
1973—												
January	..	..	109.7	111	107	111	103	119	104	109	118	
February	..	..	109.9 (0.2)	111 (—)	107 (—)	114 (2.7)	103 (—)	120 (0.8)	104 (—)	109 (—)	119 (0.8)	
March	..	..	110.1 (0.2)	112 (0.9)	108 (0.9)	118 (3.5)	104 (1.0)	121 (0.8)	104 (—)	109 (—)	119 (—)	
April	..	..	111.6 (1.4)	113 (0.9)	108 (—)	127 (7.6)	104 (—)	124 (2.5)	106 (1.9)	109 (—)	119 (—)	
May	..	..	114.5 (2.6)	114 (0.9)	109 (0.9)	129 (1.6)	104 (—)	126 (1.6)	107 (0.9)	109 (—)	119 (—)	
June	..	..	115.9 (1.2)	115 (0.9)	109 (—)	131 (1.6)	104 (—)	129 (2.4)	108 (0.9)	109 (—)	120 (0.8)	
July	..	..	118.0 (1.8)	116 (0.9)	109 (—)	133 (1.5)	104 (—)	130 (0.8)	109 (0.9)	110 (0.9)	120 (—)	
August	..	..	119.4 (1.2)	116 (—)	109 (—)	134 (0.8)	105 (1.0)	132 (1.5)	110 (0.9)	110 (—)	120 (—)	
September..	..	..	121.9 (2.1)	117 (0.9)	109 (—)	135 (0.7)	105 (—)	134 (1.5)	110 (—)	110 (—)	120 (—)	
1973 average (January-September)	..	..	114.6	114	108	126	104	126	107	109	119	
1972 average (January-September)	..	..	105.7	108	107	105	103	113	103	106	115	
% change January-September 1972-73	..	..	(8.4)	(5.6)	(0.9)	(20.0)	(1.0)	(11.5)	(3.9)	(2.8)	(3.5)	

PENINSULAR MALAYSIA, 1970-73

in brackets)

<i>Items</i>		<i>Food Items</i>								
<i>Miscellaneous goods and services</i>	<i>Food Index</i>	<i>Rice, bread and other cereals</i>	<i>Meat</i>	<i>Fish</i>	<i>Milk and eggs</i>	<i>Oils and fats</i>	<i>Fruits and vegetables</i>	<i>Sugar</i>	<i>Coffee and tea</i>	<i>Other foods</i>
5.5	46.8	13.1	8.9	6.9	4.8	1.6	6.9	2.1	0.9	1.6
104	99	90	99	110	97	109	99	110	100	110
105	101	89	100	117	95	111	101	121	101	111
107 (1.9)	101 (—)	89 (—)	100 (—)	113 (—3.4)	100 (5.3)	109 (—1.8)	99 (—2.0)	123 (1.7)	102 (1.0)	112 (0.9)
106 (1.9)	101 (2.0)	89 (—1.1)	100 (1.0)	115 (4.5)	98 (1.0)	110 (0.9)	100 (1.0)	122 (10.9)	102 (2.0)	112 (1.8)
110	104	90	104	123	101	108	102	123	102	113
113 (2.7)	102 (—1.9)	91 (1.1)	100 (—3.8)	115 (—6.5)	101 (—)	104 (—3.7)	101 (—1.0)	140 (13.8)	103 (1.0)	113 (—)
114 (0.9)	104 (2.0)	91 (—)	99 (—1.0)	124 (7.8)	103 (2.0)	100 (—3.8)	101 (—)	141 (0.7)	104 (1.0)	112 (—0.9)
115 (0.9)	105 (1.0)	92 (1.1)	102 (3.0)	126 (1.6)	108 (4.9)	99 (—1.0)	104 (3.0)	141 (—)	104 (—)	113 (0.9)
113 (6.6)	104 (3.0)	91 (2.2)	101 (1.0)	122 (6.1)	103 (5.1)	103 (—6.4)	102 (2.0)	136 (11.5)	103 (1.0)	113 (0.9)
116	109	93	106	132	111	100	108	141	105	115
118 (1.7)	108 (—0.9)	94 (1.1)	106 (—)	129 (—2.3)	109 (—1.8)	101 (1.0)	107 (—0.9)	141 (—)	105 (—)	115 (—)
119 (0.8)	108 (—)	95 (1.1)	104 (—1.9)	127 (—1.6)	106 (—2.8)	102 (1.0)	110 (2.8)	141 (—)	106 (1.0)	116 (0.9)
119 (—)	109 (0.9)	99 (4.2)	105 (1.0)	129 (1.6)	105 (—0.9)	102 (—)	109 (—0.9)	141 (—)	107 (0.9)	116 (—)
122 (2.5)	114 (4.6)	113 (14.1)	108 (2.9)	126 (—2.3)	110 (4.8)	105 (2.9)	112 (2.8)	141 (—)	107 (—)	116 (—)
125 (2.5)	117 (2.6)	113 (—)	116 (7.4)	128 (1.6)	111 (0.9)	106 (1.0)	114 (1.8)	141 (—)	108 (0.9)	117 (0.9)
125 (—)	120 (2.6)	113 (—)	118 (1.7)	142 (10.9)	113 (1.8)	116 (9.4)	119 (4.4)	141 (—)	108 (—)	117 (—)
126 (0.8)	123 (2.5)	114 (0.9)	125 (5.9)	141 (—0.7)	114 (0.9)	121 (4.3)	122 (2.5)	141 (—)	108 (—)	117 (—)
124 (—1.6)	128 (4.1)	125 (9.6)	130 (4.0)	147 (4.3)	116 (1.8)	125 (3.3)	121 (—0.8)	141 (—)	109 (0.9)	119 (1.7)
122	115	107	113	133	111	109	114	141	107	117
112	103	91	101	121	102	104	101	135	103	113
(8.9)	(11.7)	(17.6)	(11.9)	(9.9)	(8.8)	(4.8)	(12.9)	(4.4)	(3.9)	(3.5)

311. These increases in food prices were part of a world-wide trend. The food price index rose substantially in most countries. For the period January-June 1973, as compared with the same period in 1972, the index rose by 37.6% in Indonesia, 18.6% in Singapore, 16.4% in Thailand and between 10% and 12% in Australia, Japan, Germany, U.K., U.S. and Canada. This latter group of countries had already experienced sustained increases in the food price index before this period. In Malaysia, food items comprise over 46% of the total Consumer Price Index. An increase in the prices of food items, therefore, has a marked impact on Malaysian consumers.

312. Compounding the problem of increased prices of Malaysian imports was the problem of freight rates, which underwent several increases during the past few years. Increases in freight rates during 1971-73 are estimated to have exceeded 12%.

313. Added to the problems arising from the rising prices of imports and international shortages of certain commodities has been the emergence of significant bottlenecks in domestic production and supplies, particularly of essential commodities. As the nation took vigorous steps to promote industrialisation as a major element in its strategy to diversify the economy and to meet the employment, income and racial balance goals of the New Economic Policy, significant tariff protection and import restrictions had to be provided to shelter nascent industries. In the effort to avoid undue proliferation of similar factories and to encourage dispersal of industrial plants, restrictions were also imposed on the number and location of new factories.

314. These policies, while necessary for the overall industrialisation effort, also placed restraints on the ability of local industries to meet sudden and rapid increases in the demand for their products. The shortages that resulted, coupled with increases in the prices of machinery, equipment and raw materials, particularly where these were imported, contributed to the rise in the prices of domestically produced goods. These shortages and the restrictions on imports, together with the narrow distribution channels of many essential commodities, have also led to speculative hoarding and profiteering practices within the country.

315. The increased cost of investment is another factor contributing to the increases in the general price level. The higher costs of imported investment goods have already been referred to. These have had a particularly marked influence on production costs and prices, as domestic industry still depends substantially on imported capital and intermediate goods. The increased demand for all types of construction, generated by commercial and industrial growth, as well as through public development programmes, has also led to

significant increases in construction costs. World shortages of essential building materials, sharply rising land prices and constraints of skilled labour supply in the face of increased demand for construction have aggravated the situation. These cost increases in construction have tended to spill over into the whole economy.

316. A final factor which has exercised a significant influence on the general price level in the country has been the growth in demand for goods and services. This is reflected in the increases of aggregate income arising from the sharp recovery in the prices of rubber and other export commodities, increases in bank lending to the private sector and the continuing planned increases in Government expenditure, apart from the substantial payments of salary arrears to public employees during 1971 and 1972.

317. The rapid growth of consumer prices in 1973 is also reflected in the expansion of money supply following the growth of GNP, the large surplus in the balance of payments and a strong upsurge in bank lending to the private sector. The emergence of special factors as a result of the measures taken on 8 May, 1973 to terminate currency interchangeability between Malaysia and Singapore also contributed to the growth of money supply. For the period January-September 1973, the annual growth in money supply averaged 37.7%, while private sector liquidity was 25% higher than in the same period in 1972. This indicates a significant shift in the preference by the private sector for liquid assets, particularly cash, rather than the traditional quasi-money, that is, fixed and savings deposits. While views may differ as to whether this expansion in liquidity is unduly excessive or not, relative to the growth of GNP in 1973 which reached a peak of over 20%, the Treasury and Bank Negara Malaysia continue to monitor the situation closely to ensure that the continuing expansion in liquidity is consistent with the requirements of economic growth and monetary equilibrium.

318. To sum up, the combination of a number of factors has led to the interruption of the prolonged period of price stability in Malaysia. The rise in the prices of imports, which account for a significant portion of domestic demand, has necessarily had a pervasive influence over prices in the whole economy but these have been compounded by shortages and supply rigidities at a time of sharply increased aggregate demand.

III. COUNTER-MEASURES TAKEN BY THE GOVERNMENT

319. The Government has been conscious of the problems posed by the upward trend in the price level. It has been particularly concerned with the serious impact that such price increases have on low income groups of Malaysians and with the undesirable effects that inflationary trends are likely to

have on much-needed real investments in the economy. During the period, therefore, the Government has taken a number of steps to contain and moderate the acceleration in the price level. These steps are reviewed below.

Food items

320. The most significant aspect of the increase in prices is in regard to food items. The reasons for this have already been discussed. The Government undertook negotiations with a number of foreign Governments to obtain direct imports of rice to supplement domestic production. By September 1973, arrangements had been made for the import of 100,000 tons of rice from the Peoples' Republic of China and a further 25,000 tons from Thailand. The Government provided a subsidy of 50 cents per gantang for the imported China rice for domestic consumption, so as to offset, to a large extent, the high prices which low income consumers would have otherwise had to pay for the imported rice. Strong measures were also taken to prevent hoarding and arbitrary increases in the retail price of rice. More recently, steps were taken to prevent the smuggling of Malaysian rice for sale in foreign markets, as the foreign price of rice was much higher than the domestic price. Steps were also taken to ensure that the available supply of rice reached the widest possible section of the Malaysian community through expansion of the distribution channels, particularly through retail outlets established by the various SEDCs and the Co-operatives.

321. A number of food items have been made "controlled items" under the Control of Supplies Act, 1961. This requires that producers, wholesalers and retailers of these items keep proper accounts of their sources of supply and sales transactions and that the retail prices of these commodities be exhibited. The main controlled items are wheat, flour, sugar, rice, cooking oil and milk and a number of commodities required by agriculture and industry. Action was also taken to ensure that increases in the prices of imported raw materials in major food items did not aggravate the price situation. In particular, action was taken by the Government to provide relief from excise duty in respect of sugar and an abatement of import duties for milk powder. As a result the retail price of sugar has been maintained at a constant level since April, 1972, in the face of sharp rises in the world price of sugar; the rise in the price of condensed and powdered milk was also moderated by the abatement in import duties.

Trade policy

322. In response to the sharp rise in the price of most imported items, the Government, in August 1973, lifted import restrictions on 60 major items and reduced tariff levels on some of these import items. These quotas and tariffs

had been imposed to stimulate the domestic production of these commodities. The lifting of these quotas had a salutary effect by increasing the supply of these commodities. The Government also permitted the import of steel bars, billets, iron and steel wire and tiles, free of duty, in order to meet the critical shortages of these materials for the booming construction industry.

323. In order to ensure sufficient supplies of local products and raw materials for consumption and investment, export control was imposed on a number of items subject to significant price increases in the world market. These included such items as cement, clinker, scrap iron, steel bars, formic acid, wheat flour, rice, rice bran, sugar, fishmeal and bricks.

Monetary policy

324. During this period, the Government took a number of steps to restrain the rapid increase of money supply in the economy and to channel resources within the banking system for investment to expand the productive base of the economy. Broadly, the objective of monetary policy was, on the one hand, to maintain a proper balance between the need to ensure that monetary conditions will continue to promote a sustained growth of income, business activity and private investment and, on the other, to ensure that the expansion in money supply and private sector liquidity will not evolve into a source of monetary instability.

325. In October 1972, statutory reserves which commercial banks were required to maintain with Bank Negara Malaysia were raised to $8\frac{1}{2}\%$ from 5% of total deposits. A statutory ratio of $2\frac{1}{2}\%$ of total deposits was also introduced for borrowing companies. As a result, a total of \$170 million of bank funds was immediately frozen. In January 1973, the interest rate on deposits with the Post Office Savings Bank was increased from 4% to $4\frac{1}{2}\%$ per year.

326. In April 1973, the maximum borrowing and minimum lending rates of commercial banks were raised by $\frac{1}{2}\%$ across the board, while rates on savings deposits were raised by 1% . In addition, the ceiling on the rates of interest which commercial banks could offer for deposits of 2 years' maturity and above was lifted. The corresponding rates of interest for borrowing companies were also adjusted upwards to keep in step with the rates for fixed deposits offered by commercial banks.

327. In August 1973, in order to influence the liquidity preference of the public, interest rates on 9-month and 12-month fixed deposits were raised by $\frac{1}{2}\%$ and $\frac{3}{4}\%$ per year to $6\frac{1}{2}\%$ and 7% , respectively, while the minimum advances rate of interest remained unchanged. The ceiling on interest rates that could be offered by borrowing companies for deposits was abolished,

enabling them to quote their own rates for fixed and savings deposits. At the same time, the minimum liquidity ratio which commercial banks were required to maintain against total deposits, other than savings deposits, was raised from 20% to 25%. As a result, the free liquid reserves of banks were effectively reduced by \$221 million. The statutory reserves which borrowing companies were required to maintain with Bank Negara Malaysia were doubled to 5% of total deposits.

Floating of Malaysian Dollar

328. The decisions to maintain the gold parity of the Malaysian Dollar in February 1973 when the US Dollar was devalued and to allow the Malaysian Dollar to float upwards in June 1973 were taken with the deliberate intention of moderating the impact of imported inflation. They are among the most important decisions in the package of measures affecting the domestic price situation. The maintenance of the gold parity of the Malaysian Dollar, when the US Dollar was devalued for the second time in February 1973, served to restrain the increase in the prices of imports in terms of the Malaysian Dollar. The decision in June 1973 to allow the Malaysian Dollar to float upwards provided a further measure of restraint in this regard, though the full impact of the effective revaluation of the Malaysian Dollar against the currencies of Malaysia's trading partners is not likely to be felt until early 1974, in view particularly of the time lag involved between the placing of and payments for orders at the new exchange rates and the actual delivery of the goods imported.

329. As at the end of September 1973, the Malaysian Dollar had appreciated by 12.2% against the rest of the world compared with parities prevailing at the time of the Smithsonian Agreement in December 1971. This appreciation was the highest against Pound Sterling and the U.S. Dollar, the rates being 31.4% and 22%, respectively, while the appreciation against the Japanese Yen was about 5%. However, in terms of the Deutsche Mark, the Malaysian Dollar was effectively devalued by 8.5%.

Fiscal policy

330. While the main thrust of Government fiscal policy continues to be the maintenance of the momentum of public sector development, increasing attention was paid to the problem of price increases in considering development and operating expenditure commitments. In addition to the lifting of import quotas and the concessions of duty-free imports of certain items in short supply, the Government also undertook additional domestic borrowing from the private sector, *inter alia*, to mop up some of the excess liquidity. Two new issues of Government securities amounting to a total of \$833 million were raised by the end of September 1973. The operative ceiling with respect to Treasury Bills was raised by \$200 million to \$1,200 million in August 1973.

IV. PROSPECTS: 1974-75

331. It is difficult to forecast future trends in prices with any degree of certainty but a number of indicators point to a deceleration in the growth of the general price level in 1974 and 1975.

332. World food grain supplies, which have been at the heart of much of the dramatic rises in the food price index, are expected to show a more favourable position. The high prices and strong demand for virtually all grains appear to have induced greater production in 1973. Weather conditions too have been favourable. Most producing countries already report higher production of wheat and rice in 1973. Though some of this increased production is likely to go towards replenishing depleted stocks, exports of rice in 1974 are anticipated to be higher than in 1973. Overall, the expectation is for prices of food grains to ease somewhat in 1974 and particularly in 1975.

333. Import prices of many commodities are expected to stabilise or even ease slightly. The most important influence in this regard is likely to be the impact of the effective revaluation of the Malaysian Dollar through its upward float, the main effects of which are likely to be felt in 1974. The strong measures taken in the industrialised countries to restrain increases in their domestic price levels, supplemented by the expected downswing in the world business cycle in 1974-75, should have some impact on the prices of their exports.

334. The expected slackening in the demand for Malaysia's export commodities in the latter part of 1974 and in 1975, following the downswing of the world business cycle, is likely to result in lower export earnings than the buoyant levels of 1973. This will lead to a reduction in the pressure on aggregate demand within the country. A number of supply constraints encountered in 1973 are also likely to be alleviated with the steps already taken to expand the supplies of essential consumer and investment goods.

335. The expectation for 1974 and 1975, subject to the many uncertainties in the situation, is therefore for a reduced rate of increase in the general price level from the high level of 1973.

V. FURTHER MEASURES TO BE TAKEN BY THE GOVERNMENT

336. A number of considerations are being taken account of by the Government in its effort to strengthen the measures to counter the increase in price levels. First and foremost, these measures take cognisance of the basic forces at work leading to the rise in the price level and the immediate measures being implemented will need to be placed in the context of the long-term considerations and factors operating in this regard. The Government is

conducting intensive studies on a number of these aspects, the most important of which include the supply of essential construction materials, the food supply situation, the procedures for approval of new investments and the level and extent of tariff protection to be accorded. The Government will co-ordinate all these measures into a wide-based programme of action in response to the problems posed by increases in the price level.

337. Secondly, the Government has borne in mind that the steps taken to counter the rate of increase in prices and its impact on the population strengthen and not hinder the momentum of socio-economic development which has been built up through intensive planning in the past few years. This momentum is crucial for the achievement of the objectives of the NEP and is difficult to re-generate once it has been dampened. The primary concentration of the longer-term measures to be taken by the Government will, therefore, be the expansion of supplies of goods and services, both for consumption and investment.

338. In this light, measures have already been taken to expand production of such key construction materials as steel, cement, bricks, tiles, and timber products. The programmes for padi production have also been reviewed and decisions taken to increase production, particularly in the double-cropping areas of Muda, Kemubu and Besut. Allocations have been made in the Mid-Term Review for stepping up the programme for irrigation and for a more co-ordinated programme to supply production inputs to farmers in these areas. The Government has also decided to bring new areas into padi production, particularly in the Rompin-Endau and in the Trans-Perak areas. The programmes for drainage and irrigation and extension services in these areas will emphasise flexibility, so that crops other than rice could be planted in the off-season. Other new areas will also be brought into padi production in Sabah and Sarawak to meet demand in these States. Agricultural research to facilitate a faster pace of diversification of production in the sector, particularly for the production of vegetables and other food crops and animal fodder, will be pursued with greater urgency. Production of fertilizers and other inputs will also be intensified. Livestock production programmes, which have already started, will be accelerated to meet the rising demand for meat now being met by expensive imports.

339. Thirdly, the steps being taken to meet the rise in the general price level have been formulated so as not to be counter-productive ultimately. The stress in the Government's programme to expand supplies of essential commodities rather than to introduce undue restraints on them is important in this regard. Another important area of attention for this purpose is the

question of wage policy in the face of price increases. It is clear that in a situation of rising prices every successive round of anticipatory or defensive action by various economic groups leads to even higher levels of prices which reduce the value of the higher incomes so received. The situation would then entrench itself into one of progressive acceleration in the price level, with real incomes of consumers being continuously eroded. Malaysia can ill-afford the social strains posed by such a situation. It is, therefore, important to ensure that wage policies are considered within the overall context of the package of measures to meet the situation of rising prices and that wage increases are primarily geared towards increases in real productivity in the economy as a whole. The orderly development of wages in the private sector, particularly in manufacturing and construction, is an important element in the investment and growth climate of the economy. Sharp increases in wage costs, unrelated to increases in productivity, are likely to do permanent damage to the whole social and economic environment, a development which will not benefit any section of the Malaysian population.

340. The Government will also review the supply and demand position in respect of all essential commodities and examine existing and potential supply constraints, commodity by commodity. New investments will be approved wherever necessary. A comprehensive study of tariffs and excise duties is also being done with a view to reducing them, particularly for essential consumer items.

341. As recently announced by the Prime Minister, the Government is implementing a two-pronged strategy to help Malaysians, particularly those in the lower income groups at this time of rising prices. Under the first-prong, a Special Relief Allowance is being granted to Federal and State Government employees, members of the Armed Forces and Police, employees of public agencies and statutory bodies, as well as all pensioners. Under the second-prong, a package of relief measures has been decided for immediate implementation. These measures are described below.

342. The subsidy of rice imports, already instituted, will continue in order to moderate the high prices of imported rice. Additional relief is being considered for other essential items of consumption. Consideration is also being given to reducing or eliminating import duty on a number of food and other essential items, prices of which have been rising.

343. Intensive steps will also be taken to shift and diversify the sources of Malaysian imports in the light of the series of exchange rate adjustments and the extent of price increases in supplier countries. This will become an

important focus of activity among Malaysian Missions and Trade Commissions overseas. Steps will also be taken to familiarise Malaysian consumers, in cooperation with exporting countries, with products and brand names now less familiar in Malaysia.

344. Vigorous steps have already been taken, and these will be intensified, for removing bottlenecks and malpractices in the distribution system of essential commodities within the country. Additional items of consumption will be added to the list of controlled items under the Control of Supplies Act, 1961 and present measures for surveillance of ex-factory price policies will be extended to reviewing retail prices as well. Steps are also being taken to amend the Price Control Act, 1947 and the Trade Description Act, 1972, in order to give the Government powers to control the prices of essential foodstuffs, if necessary. Encouragement will continue to be given to the consumer protection movement and steps taken to ensure that essential commodities have clear identification of volume or weight and quality content.

345. A number of other measures to provide relief to low-income earners are also being implemented. Significant among these are measures to provide improved nutrition in primary schools through school feeding programmes, by enlisting the cooperation of voluntary organisations and industries in this effort; provide free text-books to needy cases in all schools, as well as measures to provide other school books at reduced costs; accelerate programmes of low-cost housing construction and provide social amenities for low income groups; establish "fair-price shops" and a greater number of "peoples' restaurants" and introduce a more enlightened and liberal hawker licencing policy.

346. All these measures will be coordinated into an effective strategy to meet both the needs of rapid socio-economic development as well as to improve the welfare levels of low-income earners. Developments in the supply and price situation will be kept under continuous review so as to take anticipatory and corrective actions in time.

Part Two
Sectoral Development Programmes

CHAPTER VII

Agriculture, Forestry and Fisheries

I. INTRODUCTION

347. The agricultural sector plays an important role in the Malaysian economy. The achievement of the objectives embodied in the New Economic Policy, particularly the eradication of poverty and the improvement of the productivity of the rural labour force through its transfer into high productivity agriculture, will depend greatly on developments in this sector. The main emphasis of the agricultural programmes in the Plan, therefore, is the modernisation of agriculture so as to raise income levels and create a dynamic economic and social environment in the rural areas. This in turn will facilitate the integration of agriculture with modern commerce and industry and help in restructuring Malaysian society.

348. To accelerate the expansion and modernisation of the agricultural sector and increase employment opportunities, the Plan emphasises extensive land development and improvement. At the same time, the establishment of new agricultural institutions to supplement existing ones, both at Federal and State levels, was envisaged. The main objective of these institutional improvements is to provide a more effective channel through which extension, credit, marketing services and research results will be provided to farmers in the effort to increase productivity and make them more commercially oriented.

II. PROGRESS: 1971-73

349. During 1971-73, the average annual rate of growth of agricultural production, as shown in Table 7-1, is estimated at 7.5% compared to the Plan target of 8.3%. The slow growth in the sector is attributed largely to the decline in commodity prices, particularly those of rubber and sawlogs, during 1971-72. In 1973, however, commodity prices took a sharp upward turn and Malaysian agricultural production, particularly from the smallholder sector, and exports increased substantially both in volume and value.

TABLE 7-1

GROWTH OF AGRICULTURAL PRODUCTION, 1971-75

(In 1970 constant prices)

Commodity	Weights (based on 1970-72 average value)	1970	1971	1972	1973	1974 (Projected)	1975 (Projected)	Average annual growth rate (%)	
								1971-73	Plan target, 1971-75
Rubber	..	100	104.4	104.3	119.3	122.5	126.1	6.1	8.6
Sawlog	..	100	100.3	103.8	123.8	130.6	136.0	7.4	4.5
Livestock ¹	..	100	103.0	106.1	109.3	112.5	115.9	3.0	8.5
Padi	..	100	106.8	109.1	119.0	131.3	135.9	6.0	7.1
Palm oil and kernels	..	100	136.7	169.1	201.5	267.5	310.8	26.0	20.7
Fish	..	100	104.6	100.9	105.8	111.0	116.5	1.9	11.0
Copra	..	100	103.4	105.9	114.6	120.5	126.8	4.7	2.3
Pepper	..	100	108.0	104.0	128.0	140.0	160.0	8.6	2.9
Tea	..	100	93.3	93.3	93.3	90.5	87.8	-2.3	1.1
Pineapple	..	100	108.3	103.3	122.7	132.0	139.2	7.1	6.9
Miscellaneous agricultural products ²	..	100	108.8	119.2	124.8	133.4	143.2	7.7	4.4
Aggregate production index	1.0000	100	105.3	109.0	124.1	133.5	140.6	7.5	8.3

¹ Includes beef from buffalo and oxen, mutton, pork and poultry meat and eggs.² Includes sago, tapioca, cocoa, coffee, sugar cane, groundnuts, maize, fresh fruits, tobacco, spices, food crops and other minor crops.

350. In spite of the unfavourable commodity prices during the first two years of the Plan period, the contribution of agriculture to total output and export earnings was sizable. In 1973, agriculture accounted for 30.5% of GDP and contributed \$3,739 million or approximately 54% of Malaysia's total exports. Agricultural exports grew by 11.5% per year during the 1971-73 period, despite poor performance in 1971 and 1972.

351. The overall performance in the implementation of public sector projects was satisfactory. Of the Plan target of slightly over one million acres of new land development, about 594,000 acres were developed during the period. A further 250,000 acres have been improved through irrigation to enable double-cropping of padi land and 160,000 acres through drainage to improve production in existing areas under coconut, rubber and other crops.

352. Institutional improvements to ensure effective provision of agricultural credit, processing and marketing facilities, as well as to promote commercial agricultural activities, were also significant. Notable among these were the expansion of the activities of the Agricultural Development Bank (Bank Pertanian) and the establishment of the National Padi and Rice Authority (LPN), the Food Industries of Malaysia Sendirian Berhad (FIMA), the Fisheries Development Authority (MAJUIKAN), the Livestock Development Corporation (MAJUTERNAK), the Rubber Industry Smallholder Development Authority (RISDA), the Farmers' Organisation Authority (FOA) and State Agricultural Development Corporations.

353. Currently, the agricultural sector accounts for about one-half of total employment. During 1971-73, about 96,000 jobs were created in the sector, with land development contributing about 65,000 jobs. In addition, substantial job opportunities were generated in land clearing and development activities. At the same time, investments in land rehabilitation, replanting, irrigation and other agricultural improvements have increased the scope for and productivity of the rural labour force. These favourable developments, however, were to some extent off-set by the decline in estate employment, estimated at 11,000, during 1971-73. Net agricultural employment generated during the period grew at 1.8% per year, contributing 27.6% of total new employment in the country.

354. Of the \$1,921 million allocated for agricultural development under the Plan, a sum of \$1,055 million was expended by the end of 1973 or approximately 55% of the total allocation. Land development accounted for 46% of total expenditure in the sector, while land improvement through drainage and irrigation works accounted for another 14%.

Commodity highlights

355. The sharp decline in commodity prices was largely responsible for the slow growth of the agricultural sector during the first two years of the Plan period. However, the value of production of all agricultural commodities, except fish and tea, increased significantly in 1973 due to favourable prices. Table 7-1 shows the trends in agricultural production by major commodities for the Plan period.

356. *Rubber.* The Malaysian rubber industry was adversely affected by the severe decline in rubber prices during the greater part of 1971 and 1972 (in mid-September 1972 it fell to its lowest level in 23 years), and the widespread floods in Peninsular Malaysia during January 1971.

357. In Peninsular Malaysia, production from the estate sector continued to maintain steady increases despite the unfavourable prices. Smallholder production, however, being sensitive to price changes, recorded a decline of 1.7% in 1972. The low prices induced many smallholders to seek alternative sources of income and livelihood besides reducing the use of production inputs such as fertilizer. The adverse effects of low rubber prices were very significant in Sabah and Sarawak. With alternative employment opportunities, particularly in timber, many rubber areas were neglected leading to significant declines in rubber production in the two States. In 1973, however, smallholder production increased significantly by 17.1% due to buoyant prices.

358. The increase in estate production in Peninsular Malaysia, averaging 6.6% per year, was achieved despite the decline in the total acreage under rubber from 1.6 million acres in 1970 to 1.5 million acres in 1972. Sub-division of estates and conversion to oil palm accounted for the decline in acreage in this sector. In the smallholder sector in Peninsular Malaysia, the acreage increased from 2.7 million in 1970 to 2.8 million in 1973 as a result of extensive new planting on land development schemes.

359. *Palm oil and kernel.* Remarkable progress continued to be made in the palm oil industry. From a production of 424,000 tons in 1970, palm oil production doubled to an estimated 850,000 tons in 1973, thus exceeding the annual growth of 20.7% projected in the Plan. This increase in production was achieved despite falling prices during most of the period.

360. Acreage under oil palm in Peninsular Malaysia, including new planting by FELDA and other public agencies, increased from 675,000 acres in 1970 to 1,037,195 acres in 1973, an increase of about 54%. In Sabah, the total area under oil palm increased by 35% between 1971 and 1973, to reach 126,390 acres by 1973, while the acreage in Sarawak increased more than

twelve-fold from 1,500 acres in 1970 to 18,500 acres in 1973. Significantly increased planting will be undertaken by the Land Development Boards in both States in the remaining years of the Plan.

361. *Padi*. The cultivation of padi remains an important economic activity in the country. The production of padi rose from 1.65 million tons in 1970 to 1.8 million tons in 1972 as a result of the expansion of padi acreage under double cropping and the wider use of fertilizers and improved seeds. In the Muda Project, 210,000 acres, or 81% of the project area, were planted with an off-season padi crop in 1973, compared to 83,000 acres in 1970. Some 30,000 acres of rain-fed areas in the Kemubu Project were under off-season padi in 1972 for the first time. Between 1971 and 1972, however, the increase was small due to adverse weather conditions, especially in the north-east States of Peninsular Malaysia, and the diversion of some padi areas in Kelantan into tobacco. This contributed to the current rice shortage, the situation of which was aggravated by the world-wide grain shortage resulting in export restrictions by major rice growing countries such as Thailand, Burma and China. Padi production in 1973, however, recorded significant improvement with an estimated production of about two million tons.

362. Efforts are being made in Sarawak to extend the rice acreage through drainage and irrigation schemes, but the limited availability of suitable areas for wet padi remains a problem. Of the Plan target of 54,800 acres, only 23,100 acres have been planted with padi by the end of 1973.

363. *Coconut*. Copra production increased by 4.7% per year during 1971-73. With generally favourable export prices, the availability of copra for the domestic production of coconut oil was reduced with the result that coconut oil production declined by 3.4%. Efforts, however, are being made to expand smallholder copra production through newplanting/replanting and rehabilitation schemes in Peninsular Malaysia, Sabah and Sarawak. In the field of marketing, FAMA is implementing measures to raise incomes of coconut smallholders through the provision of improved copra processing facilities.

364. *Forestry*. The timber industry continues to maintain its position as one of the most important industries in Malaysia. Production expanded by 7.4% per year during 1971-73. During this period, however, output growth was particularly low in 1971 due to the fall in overseas demand, especially from Japan, and lower extraction because of serious floods in Peninsular Malaysia.

Land development and improvement

365. In an effort to co-ordinate the activities of the various land development agencies and in recognition of the growing importance of the land development programme, the Ministry of Land Development was established in January

1973. The new Ministry is charged with the responsibility of overseeing all matters pertaining to land administration and land development and in that capacity provides the secretariat for the National Land Council and the Co-ordinating Committee on Land Development.

366. *FELDA*. The original target of FELDA under the Plan was 55,000 acres per year or 275,000 acres over the five-year period. This, however, was subsequently increased to 60,000 acres per year or 300,000 acres. With the completion of the two Regional Masterplan Studies for Pahang Tenggara and Johore Tenggara in late 1971, FELDA was again called upon to undertake major land development programme in these two areas. Thus the overall revised programme for FELDA under the Plan is about 400,000 acres. By the end of 1973, FELDA developed 224,000 acres or 81 % of its original Plan target, as shown in Table 7-2.

367. *FELDA* settled about 8,400 families during the period under review, thus reaching a total of 29,000 families since its inception in 1956. This constituted 42 % of the Plan target of 20,000 families—a revised target which takes account of larger holdings per settler from 10 acres to 12 acres for rubber and from 10 acres to 14 acres for oil palm.

368. *FELCRA*. The land development targets for the Federal Land Consolidation and Rehabilitation Authority (FELCRA) were 75,000 acres for the five-year period for the youth schemes, between 25,000 to 40,000 acres of fringe schemes and 16,000 acres for rehabilitation. During 1971-73, about 56,700 acres were developed of which 10,100 acres were for rehabilitation, 28,400 for fringe schemes and 18,200 for youth schemes. Increases in the cost of development, as well as difficulties in obtaining suitable land for fringe development were, however, increasingly constraining FELCRA's programme and activities.

369. *RISDA*. The Rubber Industry Smallholder Development Authority, which incorporates the former Rubber Industries (Replanting) Board, has the responsibility for replanting 120,000 acres per year and developing block new-planting. During 1971-73, an estimated total of 170,000 acres were replanted out of the three-year target of 360,000 acres. In respect of block newplanting, only 18,000 acres were developed out of the Plan target of 150,000 acres in view of various problems including the difficulties associated with obtaining suitable land. About 10,200 acres were planted with approved crops including rubber under the individual newplanting programme.

TABLE 7-2

PROGRESS IN LAND DEVELOPMENT, 1971-73

(acres)

Agency/Programme	Original target, 1971-75	Achievement, 1971	Achievement, 1972	Estimated achievement, 1973	Total achievement, 1971-73	Achievement (%)
FELDA ¹	275,000 (403,000)	47,729	73,044	103,000	223,773	81
FELCRA ²	100,000	5,249	17,404	23,919	46,572	46
RISDA ³	150,000	—	—	18,000	18,000	12
State programmes ⁴ —						
(i) Peninsular Malaysia ..	87,500	21,640	20,214	19,000	60,854	69
(ii) Sabah	97,000	45,790	36,527	8,000	90,317	93
(iii) Sarawak	152,800	22,267	12,581	25,152	60,000	39
Private sector ⁵	172,500	43,113	26,215	15,000	84,328	49
Joint-ventures ⁶	50,000	2,000	3,400	5,000	10,400	20
Total	1,084,800	187,788	189,385	217,071	594,244	55

¹ The figure within bracket refers to the revised target.² FELCRA's target includes only the youth schemes and fringe schemes.³ The target for RISDA refers only to the block newplanting programme.⁴ State programmes include those undertaken by various State departments or agencies, such as the State Agricultural Development Corporations, Co-operatives, SEDCs, etc.⁵ Private sector programmes include programmes of Government sponsored agencies such as Syarikat Ubiyu and Tabong Haji.⁶ The joint-ventures are mainly between the SEDCs and the private sector. These include the sugar cane projects in Negri Sembilan and Kedah and an oil palm project in Pahang.

370. *Public Sector Estates.* Under the Plan, a target of 50,000 acres was set for public sector estate development. About 40,000 acres have already been developed by the Trengganu, Kelantan and Kedah SEDCs, providing employment to about 6,500 persons. Five more projects are under consideration for Johore, Perak, Pahang and Sabah.

371. *State Land Development Programmes.* The *States in Peninsular Malaysia* originally envisaged developing a total of 87,500 acres on their own. By the end of 1973, about 60,900 acres, or 69% of the Plan target, were developed.

372. In *Sabah*, the major part of the programmes is undertaken by the Sabah Land Development Board (SLDB), modelled on FELDA. The policy of the SLDB differs, however, in that the emphasis is not on settlement but on the development of commercial estates. Apart from the SLDB, other agencies such as the Rubber Fund Board and the co-operatives also have their own programmes. The Plan target was 97,000 acres for State agencies and 60,000 acres for the private sector. A total of about 90,000 acres was developed during the first three years by State agencies.

373. The principal land development agency in *Sarawak* is the Sarawak Land Development Board. Of the target of 152,800 acres under the Plan, 60,000 acres or 39% were developed during 1971-73. An acceleration of this programme is planned for the remaining years of the Plan.

374. *Private Sector.* A total of 172,500 acres was originally earmarked for development by the private sector throughout Malaysia. This development is being undertaken by Government-sponsored agencies such as Syarikat Ubiyu, Lembaga Tabung Haji as well as the private sector itself. At the end of 1973, about 84,300 acres or 49% were developed. A salient feature of this private sector development is diversification into new crops such as cocoa, sugar cane and tapioca. Various other crops such as maize, cashewnut and ginger are also being considered.

375. In addition, joint-venture programmes are being implemented mainly between the SEDCs and the private sector. A total of 10,400 acres out of the target of 50,000 acres has been developed, while an additional 50,000 acres have been committed for sugar cane projects in Kedah, Negri Sembilan and Perlis.

376. Apart from new land settlement, substantial investment was made in the provision of drainage and irrigation facilities to existing agricultural land as part of the overall agricultural development programme to raise productivity and incomes of farmers. During 1971-73, about 250,000 acres of padi

land in Malaysia were improved through irrigation facilities. This constituted 68% of the Plan target of 370,000 acres. By late 1974, construction of the civil engineering works in the Besut Irrigation Project—financed in part by the Asian Development Bank—is expected to be completed to permit another 12,600 acres to be double-cropped with padi, thus bringing the total area under double-cropping to about 600,000 acres by the end of the Plan period.

377. In addition to the padi areas, 160,000 acres of coconut, rubber and other crops benefitted from improved drainage during 1971-73. This accounted for 77% of the Plan target of 207,000 acres. Under the Mid-Term Review, a combination of programme expansion and rephasing of drainage projects has been carried out. The Southwest Johore Agricultural Development Project (Phase I) covering some 340,000 acres of agricultural land has now been advanced for part implementation during the remaining years of the Plan. The Project has already been appraised by the World Bank for loan financing.

Agricultural education and training

378. Agricultural education has been recognised as an important factor in agricultural development. The realisation of the employment and income objectives embodied in the Plan is heavily dependent on the availability of trained and skilled manpower. To meet this demand, therefore, an extensive programme of agricultural education and training is being carried out to provide both managerial and operative personnel requirements of the sector. Towards this end, four new agricultural institutes have been established in Pahang, Perak, Johore and Trengganu. In *Sarawak*, three new farm institutes and seven farmers' training centres have been established. At the diploma and degree level, the College of Agriculture, Serdang, was upgraded to the status of a university with effect from 1972. Initially, three faculties namely agriculture, forestry, and veterinary medicine and animal science have been set up. In 1973, the total enrolment for the diploma level is 1,384 students while for the degree courses the total enrolment is 114 students. Plans are being made for the establishment of a campus in Sarawak.

379. In *Sabah*, the first agricultural vocational school has been completed with the assistance of the New Zealand Government. The school provides training for school-leavers with local junior certificate in practical agriculture in both crops and animal husbandry with emphasis on mechanisation. The first batch of about fifty students graduated in November 1972. Other agricultural education projects carried out by the Department of Agriculture include junior staff in-service training and farmers training at village levels.

380. To accelerate the participation of Bumiputra youths in the logging industry, four forestry logging training schools will be established in Johore, Pahang, Perak and Trengganu. Construction of the first school in Trengganu is expected to begin in 1974. Meanwhile, the new Forestry College at Kepong has started and discussions are now underway to integrate the training programmes with those run by the Institute of Technology MARA and Universiti Pertanian.

Agricultural diversification

381. The objective of agricultural diversification is to reduce the heavy reliance of the economy on a narrow range of crops which are subject to price fluctuations. The major effort in the identification and promotion of new crop possibilities for domestic and export markets is being undertaken by MARDI. In addition to the rapid expansion of the oil palm industry, significant advances are beginning to be made in sugar cane, cocoa, tapioca, maize and sorghum production. There are now four integrated sugar cane projects in Perak, Negri Sembilan, Kedah and Perlis with a fifth being considered for Kelantan. The completion of these projects will yield about 351,000 tons of sugar, enabling Malaysia to meet a major part of her consumption requirements now totalling about 400,000 tons per year.

382. The production of cocoa is being promoted for estates and smallholdings both as a single crop and as an intercrop. A pilot project of 5,000 acres is being implemented by FELDA in Pahang. Extensive planting by smallholders is also being carried out in Selangor and Perak with FAMA providing marketing and processing facilities.

383. In respect of maize and groundnuts, FAMA is launching several integrated projects in Pahang, Trengganu, Kelantan and Perak. The successful implementation of the integrated maize projects will contribute towards import substitution, while the development of the groundnut project is mainly geared towards export markets. With expanded plantings of tapioca in Johore, Negri Sembilan, Pahang and Perak, the livestock and poultry industries will be able to expand on the basis of local feed supplies.

384. Bank Pertanian plays an important role in the agricultural diversification and modernisation programme under the Plan. Besides providing production credit for padi in the Muda, Kemubu, Tanjong Karang and Besut areas amounting to \$5 million per season, the Bank is also extending credit to farmers and fishermen to purchase tractors, lorries and other agricultural inputs. In addition, the Bank is also engaged in the promotion of agro-based industries.

Forestry development

385. The forests of Peninsular Malaysia, Sabah and Sarawak represent one of the few remaining extensive sources of quality tropical hardwoods in the world. This resource is rapidly attaining a strategic position by virtue of its importance as a long-term supply source of tropical wood-based products for the world markets. Detailed studies indicate that the forest sector has the potential to make a substantially increased contribution to national growth and that the forests could have significant investment potential as a long-term renewable resource base. These studies also indicate that there is an increasing trend within the industry itself towards greater production efficiency and product diversification.

386. A notable feature of the Government's effort in the field of forestry development during this period was the completion of a detailed forest inventory covering Peninsular Malaysia and Sarawak under the Forest Industries Development Programme, undertaken with the assistance of the United Nations Development Programme and Canada. Another development was the establishment of experimental plots for quick growing pine species in several parts of the country. With plantings on a large-scale to be carried out soon, the basis will be set for the establishment of a pulp and paper mill in the country.

387. Of great significance for the long-term development of forestry was the recent decision of the National Forestry Council to establish permanent and productive forest reserves throughout the country. These reserves are of utmost importance to assure the success of silvicultural and enrichment planting programmes. The immediate future appears to present a unique opportunity to restructure the wood-based industrial sector in line with current thinking on coordinated planning, production efficiency and quality control, more effective marketing and better business management.

Livestock and fisheries

388. *Livestock.* The period under review witnessed the establishment of MAJUTERNAK, a Corporation whose basic objective is to promote the commercialisation and rapid development of the livestock industry. MAJUTERNAK has undertaken the implementation of beef and dairy projects in Pahang, Perak, Trengganu, Johore and Sarawak. For the remaining years of the Plan, two additional projects are planned for Johore and Pahang. The implementation of these projects will increase domestic supplies of meat and dairy products. Poultry and egg production continued to increase during 1971-73, recording a growth of 6% per year. The production of pigs also increased substantially.

389. An abbatoir, with modern facilities, has been commissioned in Shah Alam, while two more are being planned for Alor Star and Johore Bahru. These abbatoirs will also enable the fuller utilisation of animal by-products.

390. *Fisheries.* Fish catch increased by about 1.9% per year during 1971-73. This relatively slow rate of growth was mainly due to the low catch in 1972 in view of adverse weather conditions.

391. To accelerate the growth of the fishing industry, MAJUIKAN was established in November 1971. The scope of MAJUIKAN's development programme is geared towards the production, processing and marketing of fish on an integrated basis. Among projects implemented by MAJUIKAN during the period under review were the boat-owner participation scheme in Pulau Langkawi and a number of fish trading schemes at Kuantan, Kuala Pahang and Pulau Redang.

392. For the remaining years of the Plan, MAJUIKAN will implement projects such as trawling, purse seining and provision of multi-purpose boats to accelerate the modernisation of the fisheries sector. To complement the fishing operation projects, MAJUIKAN will also establish ice factories, fish/prawn processing factories and fishmeal plants in the major fishing centres throughout Malaysia. MAJUIKAN is also planning to go into deep sea fishing as a joint-venture project with foreign companies which can provide the technical expertise.

III. PROSPECTS: 1974-75

393. The market prospects for Malaysia's major agricultural commodities in the medium to long-term are favourable. While rubber prices will continue to fluctuate with world economic conditions, the demand for all elastomers will grow steadily in line with the continuing expansion of the world industrial economy. In the light of productivity improvements in the Malaysian rubber industry and the problems of increasing raw material costs, pollution and labour costs confronting synthetic rubber producers, there is every reason for Malaysia to push ahead not only with rationalisation and modernisation of the industry but also with its rapid expansion. In this connection, a Task Force has been established to examine all aspects of the development of the rubber industry.

394. With the increasing world supply of fats and oils, a long run decline in the price of palm oil is envisaged. However, increasing productivity and the widening range of uses for the product will assure the continued strength of the industry. To help expand and service efficiently Malaysia's market outlets

for this product, a Task Force of Government officials and key representatives of the private sector is formulating recommendations for improvements to the marketing system.

395. As for food grains, ample production incentives, combined with favourable weather conditions in 1973, have laid the basis for increased world grain production. This will help ease the present tightness in the world supply of rice and other cereals. In Malaysia itself, the prospect of achieving self-sufficiency in rice production is bright. With the successful completion of the Besut Irrigation Project, improvement to the Muda Project, the development of the 20,000 acres of the Trans-Perak Scheme and the Rompin-Endau area, the foundation is set for Peninsular Malaysia to achieve self-sufficiency by 1975. At the same time, substantial investments will be made in both Sabah and Sarawak to increase their rice production in order to be less dependent on imports for their domestic needs. Given favourable weather conditions and good agricultural practices, it is projected that by 1977 Malaysia as a whole will achieve self-sufficiency in rice.

396. The overall performance of the agricultural sector during the first half of the Plan period was satisfactory. It has contributed towards the achievement of the objectives of eradicating poverty and restructuring society. The expanded programme of land development envisaged for the remaining years of the Plan, while providing new employment with higher incomes to those directly involved, will also help to improve the living conditions of the rural community. In this new land development, there is a role for both the public and private sectors.

397. Equally important will be the Government's efforts to step up the rate of rubber replanting to raise smallholder incomes. Similarly, in view of the relatively low incomes of padi farmers and the need to ensure adequate supplies of rice for the country, additional investments will be made in the Muda and other irrigation schemes to bring about the realisation of their maximum potential. In furtherance of the efforts to diversify the agricultural base of the economy, integrated projects for the commercial production of maize, sorghum, groundnuts, tapioca as well as livestock and fish products will receive high priority in the allocation of funds and other resources. Along with these efforts, applied research in crop, fish and livestock production will also continue to receive priority attention. At the same time, Bank Pertanian will intensify its lending programme to the agricultural sector. For this purpose, new branches and sub-branches will be established including a branch each in Sabah and Sarawak.

398. The long-term development strategy in forestry is to optimise the utilisation of forest resources. Towards this end, the Government has reconstituted the Malaysian Timber Board. In Sarawak, where 64% of the total land area is under hill forests, the Government has established a Sarawak Timber Industry Development Corporation to act as an instrument to formulate, co-ordinate and implement the overall timber industries development and to act as a catalyst for private sector participation.

399. The establishment of the FOA in mid-1973 provided a new dimension to the Government's efforts to increase the productivity and income of the rural community. Besides ensuring the smooth integration of Farmers' Associations with agro-based co-operatives, the new Authority will also promote and provide the stimulus for the development of new Farmers' Organisations. In addition, the FOA will also establish a number of Agricultural Development Centres (ADCs) throughout the country. Extension services, credit, agricultural inputs and other amenities required by the farming community will be channelled through these ADCs.

400. Together with past efforts, these programmes will contribute to the expansion of agricultural production by 6.5% per year during 1974-75, giving a rate of growth of 7.1% per year for the whole Plan period, compared with the target of 8.3%. This shortfall is explained principally by the decline from Plan targets for rubber as a result of poor prices which reduced smallholder tapping in the early years of the Plan and for fish and livestock as a result of adverse weather conditions during the same period. Net job creation in the sector during 1974-75 is estimated at 71,000 persons mainly from new land development. If this is achieved, total net employment creation during the Plan period will be 167,000. Further, as much of this new employment will be in modern agriculture, the productivity of the sector as a whole will be raised.

IV. REVISED ALLOCATION FOR AGRICULTURAL DEVELOPMENT

401. The revised allocation for agricultural development under the Plan amounts to \$2,197 million, an increase of 14% over the original allocation as shown in Table 7-3. The main increase is for land development, the allocation for which has been revised upward from \$909 million to \$1,101 million. The allocation for land improvement through drainage and irrigation has also been increased by about \$58 million.

TABLE 7-3

PUBLIC DEVELOPMENT EXPENDITURE FOR AGRICULTURAL DEVELOPMENT, 1971-75

(\$ million)

					<i>Original Plan allocation, 1971-75</i>	<i>Estimated expenditure, 1971-73</i>	<i>Achievement (%)</i>	<i>Revised Plan allocation, 1971-75</i>	<i>Balance to complete, 1974-75</i>
<i>Agriculture</i>	..	..	..	..	149.21	90.15	60.4	189.67	99.52
Extension and services	..	..	..	..	96.37	73.69	76.5	150.54	76.85
Crop diversification	..	..	..	..	24.06	4.57	19.0	12.32	7.75
Coconut replanting	..	..	..	..	24.02	10.92	45.5	22.05	11.13
Pineapple replanting	..	..	..	..	4.76	0.97	20.4	4.76	3.79
<i>Rubber replanting</i>	..	..	..	..	269.08	92.78	34.5	190.16	97.38
<i>Land development</i>	..	..	..	..	908.65	485.43	53.4	1,101.42	615.99
FELDA	..	..	..	..	472.02	305.42	64.7	520.00	214.58
FELCRA	..	..	..	..	36.35	29.57	81.3	56.64	27.07
Youth land schemes	..	..	..	..	74.33	13.76	18.5	75.95	62.19
Public estates	..	..	..	..	60.00	11.32	18.9	38.00	26.68
SEDC Trengganu	..	..	..	..	20.70	18.34	88.6	35.83	17.49
Land Development Boards	..	..	..	..	134.85	47.21	35.0	127.51	80.30
Jengka Triangle	..	..	..	..	110.40	48.40	43.8	101.24	52.84
Pahang Tenggara	..	..	..	..	—	8.41	—	80.75	72.34
Johore Tenggara	..	..	..	..	—	3.00	—	63.50	60.50
Trengganu Tengah	..	..	..	..	—	—	—	2.00	2.00
<i>Drainage and irrigation</i>	..	..	..	..	256.49	149.54	58.3	314.21	164.67
<i>Forestry</i>	..	..	..	..	18.23	15.15	83.1	40.18	25.03
<i>Veterinary</i>	..	..	..	..	44.10	37.77	85.6	72.30	34.53
<i>Fisheries</i>	..	..	..	..	45.84	11.11	24.2	42.01	30.90
<i>Agriculture research</i>	..	..	..	..	50.21	15.95	31.8	29.80	13.85
<i>Credit and marketing</i>	..	..	..	..	155.10	128.76	83.0	179.52	50.76
Bank Pertanian	..	..	..	..	60.00	30.00	50.0	50.00	20.00
Co-operatives	..	..	..	..	1.20	0.16	13.3	0.38	0.22
FOA (Farmers' Associations)	..	..	..	..	(15.96)	9.84	61.7	22.00	12.16
FAMA	..	..	..	..	36.15	4.78	13.2	10.00	5.22
National Padi and Rice Authority	..	..	..	..	—	56.84	—	70.00	13.16
Others	..	..	..	..	57.75	27.14	47.0	27.14	—
<i>Others</i>	..	..	..	..	23.95	28.19	117.7	37.92	9.73
Total	..	..	..	..	<u>1,920.86</u>	<u>1,054.83</u>	<u>54.9</u>	<u>2,197.19</u>	<u>1,142.36</u>

CHAPTER VIII

Manufacturing

I. INTRODUCTION

402. Manufacturing is the leading sector in the expansion of the Malaysian economy. It has been accorded a strategic role for the achievement of the objectives of the New Economic Policy in terms of employment expansion, income generation and restructuring Malaysian society particularly in the creation of a Malay commercial and industrial community. The targets of the Second Malaysia Plan include:

- (i) an expansion of value added and exports by 12.5% and 15% per year, respectively, during 1971-75;
- (ii) the generation of employment opportunities at the rate of 7% per year;
- (iii) the promotion of small-scale industries; and
- (iv) the establishment of manufacturing activities in the less developed areas of the country.

403. These targets were set in the light of an impressive record of sustained real growth rate of about 10% in manufacturing output for more than a decade.

II. PROGRESS: 1971-73

Growth of output and employment

404. Value added in the manufacturing sector grew by 16.1% per year during 1971-73, substantially higher than the Plan target of 12.5%, as indicated in Table 8-1. In real terms, however, value added grew by 15.4% per year reflecting the impact of increased prices.

405. In 1971 and 1972, the manufacturing sector grew by 11.6% per year, due to relatively low growth in aggregate demand. Substantial excess capacity existed among many industries oriented primarily to the domestic market. The main investments made during the period were by pioneer companies, the capital investment of which increased by \$135 million.

406. The manufacturing sector generated about 100,000 new jobs during 1971-73, an average annual growth rate of 9.5%. The pioneer industries accounted for 41% of this increase. This relatively rapid growth in employment was mainly due to the establishment of more labour-intensive and export oriented industries such as electronics, textiles and wood products.

TABLE 8-1

OUTPUT, EMPLOYMENT AND EXPORTS IN MANUFACTURING, 1971-73

							<i>Value added in current prices (\$ million)</i>	<i>Employment (000)</i>	<i>Net exports (\$ million)</i>
1970	...	...	...	...	...	...	1,354	318	924
1973	...	...	...	...	...	...	2,116	418	1,550
Average annual growth rate, 1971-73 (%)	...	...	...	...	...	...	16.1	9.5	18.8
Plan target (%)	...	...	...	...	...	...	12.5	7.0	15.0

407. Within the manufacturing sector, the performance of individual industries differed greatly. While the index of total industrial production showed a growth of 9% per year during 1971-73, the textiles, wood products, basic metals and metal product industries showed higher rates ranging from 14% to 18%. In the pioneer sector, gross sales are estimated to have expanded by about 85%, rising from \$1,300 million in 1970 to \$2,400 million in 1973. Its share in total manufacturing net output rose from 33% in 1970 to over 40% in 1973. The construction boom which began in mid-1971 provided a significant fillip to industrial activity during this period.

Exports

408. Net exports, accounting for some 20% of all manufacturing output, increased by 18.8% per year, higher than the Plan target of 15%. The export oriented electronics, clothing and wood product industries were the main elements in this growth.

409. To further accelerate the development of export oriented industries, the export incentives provided in the Investment Incentives Act, 1968, were reviewed and a more generous and effective scheme of export incentives will soon be introduced. The new scheme incorporates the provision of tax allowances, based on the increase in export sales by specified amounts over a specified base period. To encourage the greater use of domestic materials or components by such enterprises, provisions have also been made for increased allowances on the basis of specified percentages of domestic materials or components incorporated in the final product.

410. In recognition of the severe competition that the Malaysian manufacturers will face in overseas markets, the Plan indicated that consideration was being given to the introduction of an export insurance scheme. Legislation for this purpose has been finalised and it is expected that a Malaysian Export Credit Insurance Corporation will be established shortly.

411. Free trade zones and export processing zones have proved to be an effective measure for the promotion of exports of manufactured and semi-processed goods. Administrative procedures and customs formalities have been streamlined by the establishment of such zones. In cases where the establishment of free trade zones is not feasible, customs facilities will continue to be provided in the form of licensed manufacturing warehouses. Several industries have been set up in the zones which have been developed, including electronics and textiles.

Dispersal of industries

412. The dispersal of industries to new growth centres and to the relatively undeveloped States is an important element under the Plan for industrial development. The extensive build-up of the communications network, including the improvement of domestic air services, as well as the expansion of the national electricity grid system, will contribute to the achievement of this objective. The provision of fiscal incentives has also been implemented with this objective in mind. As a result, the number of new approvals given in the first half of 1973 for the less developed States amounted to 39% compared with 19% of all approvals in 1970. Besides the development of infrastructure, free trade zones and industrial estates have also been located in the less developed States in the effort to encourage dispersal of industries from Malaysia's main urban conurbations.

413. To support the establishment of industrial activities in the less developed areas of Peninsular Malaysia, Sabah and Sarawak, FIDA has set up regional offices in Kuantan, Alor Star and Kota Kinabalu. In addition, MIDF has

increased its lending for projects in these States. The branch offices of MIDF in the less developed States such as Kedah, Kelantan, Perlis and Sarawak increased the value of their loans in these States by \$11.3 million between 1970 and 1973.

414. In addition, the SEDCs have initiated the development of industrial estates in a number of less developed States to encourage industries to be set up in these areas. State Governments concerned have offered concessional rates for water and other infrastructure facilities.

Small-scale industries

415. Small and medium-scale industries have assumed an increasingly important role in Malaysia's industrial development. In a variety of crucial spheres, they provide the much-needed complementary and feeder services by acting as sub-contractors or ancillary establishments producing component parts for the use of larger enterprises. Further, their promotion provides a practical venue for developing potential entrepreneurial talent and leadership and for the dispersal of industries with the desired social and economic benefits in terms of employment creation and income distribution.

416. Their development, at present however, is constrained by a number of problems relating to planning, the supply of raw materials, marketing, limited technical know-how and capital at reasonable cost. To this end, a number of agencies have set up special units to provide consultancy and advisory services to small-scale industries. These agencies include FIDA, MARA, MIDFIC (a subsidiary of MIDF), NISIR and NPC. To ensure effective co-ordination of the services provided by these agencies, an Advisory Council on Consultancy and Advisory Services for Small-Scale Industries was established in 1973 and is operating satisfactorily.

417. In addition, a Credit Guarantee Corporation (CGC) was inaugurated in 1972 to guarantee the provision of commercial credit to small-scale enterprises. The activities of this Corporation will serve to alleviate to a considerable extent the financing problems experienced by such industries.

Malay participation in industry

418. A basic objective of the NEP is to create, over a period of 20 years, a viable and thriving modern commercial and industrial community of Malays and other indigenous people who will operate on a par and in effective partnership with the non-Malays in the modern sector, without depriving the opportunities for non-Malays and foreign private entrepreneurs. An important effort in this regard is the expansion of the ownership of capital assets by

Malays in the modern sectors of the economy. As at mid-1973, the Malay share of total paid-up capital in pioneer companies was only 6% or \$41 million. To ensure that significant progress is made in the coming years, the Government has now stipulated that at least 30% of the equity of all approved companies, except those that are export-oriented, will be reserved for Malays and other indigenous people. To facilitate the acquisition of such reserved capital, a *Bumiputra Participation Unit* and a *Trust Fund* have been established in the Ministry of Trade and Industry. The functions of the Unit are to acquaint the Malays and other indigenous people of the opportunities for share capital investment and to assist them to participate in viable industrial enterprises. In addition, a variety of industrial enterprises have been established by institutions such as MARA, PERNAS, the SEDCs and FIMA. The ultimate objective is to transfer the ownership of shares in such enterprises and their management to individual Malays and other indigenous people.

419. A second major effort is to accelerate the growth of employment of Malays and other indigenous people at all levels in manufacturing activities, in particular at the managerial and professional levels where Malay representation is at present inadequate. Among the pioneer companies, the fastest growing sector in manufacturing, Malay employment now accounts for about 45% of total employment. However, only 13% of the managerial and professional group and 19% of the technical and supervisory grades were Malays and other indigenous people. To lay the basis for accelerated progress in this regard, the programmes of ITM, ITK, MARA Vocational Institutes, ITI, NYPC and NPC have been intensified considerably between 1970 and 1973. In addition, the Government, in partnership with the Malaysian Institute of Management, conducted a comprehensive study of management development needs of commerce and industry so as to provide a framework for future training programmes, particularly for Malays and other indigenous people.

420. Spearheading Malay participation in the manufacturing sector are the programmes of PERNAS, MARA, the SEDCs and FIMA. In the initial phase of their operations, the main emphasis of their activities has been to enter into joint-ventures in a wide range of high priority industries. To-date, a number of joint-venture companies have been registered. A number of PERNAS joint-ventures are already in operation, including Kontena Nasional, B.M. Engineering, PERNAS-Plessey Electronics and PERNAS-N.E.C. Multiplex. Additional PERNAS projects are in the course of preparation in such industries as fertilizer, palm oil processing and cement. As for MARA, the projects being promoted include the marketing and export of batek and other Bumiputra handicrafts, sawmilling, prefabricated housing and furniture making, boat-building, textiles, fabrics and agricultural machinery. With

respect to the SEDCs, joint-ventures undertaken so far are mainly in raw materials based industries such as food processing, sugar and wood products. FIMA, established in 1972, will also gear itself to develop and expand food processing industries. It will act as a catalyst to promote the industrialisation and modernisation of the rural areas. An allocation of \$10 million has been provided for this purpose. The projects undertaken by FIMA include an 8,000-acre cashew nut plantation in Trengganu, a can making plant in Prai and a box making factory at Ayer Kroh in Malacca.

421. The SEDCs, MARA and PERNAS, since their establishment, have provided substantial employment opportunities to Malays through their industrial projects. By the end of 1972, about 3,400 Malays were employed in MARA's industrial enterprises. In addition, as at mid-1973, more than 400 Malays were employed in PERNAS subsidiary and joint-venture companies. Similarly, the wholly-owned and joint-venture projects of the SEDCs to-date have generated a total of 4,300 jobs, the majority of which are for Malays.

422. For more effective Malay participation in commerce and industry, the Government has encouraged constant dialogue between the private sector and public officials. Towards this end, the Government, in association with the Malay Chambers of Commerce, organised a Seminar Ekonomi Bumiputra in April 1973. The Seminar highlighted a number of problems and identified many fields for participation by Malays and other indigenous people in commerce and industry. In addition, the Seminar sought to improve the knowledge, effectiveness and co-ordination of Government policies aimed at expediting the creation of a Malay commercial and industrial community. A wide range of resolutions from the Seminar are being actively studied for action, while some have already been implemented.

III. PROSPECTS: 1974-75

423. The dramatic expansion of value added in the manufacturing sector in 1973 reflects that advantage has been taken of the substantial export opportunities. Value added in the manufacturing sector is estimated to grow by 12.1% per year in current prices during 1974-75, as shown in Table 8-2. In real terms, value added is expected to grow by 12% per year. But the potential exists for sustaining a greater momentum of growth in the industrial sector. To fully develop this potential, continuing efforts will be made by the Government to maintain the excellent investment climate of the country, to provide such fiscal incentives as may be required and to expand the supply of skilled manpower.

TABLE 8-2

OUTPUT, EMPLOYMENT AND EXPORTS IN MANUFACTURING, 1974-75

							<i>Value added in current prices (\$ million)</i>	<i>Employment (000)</i>	<i>Net exports (\$ million)</i>
1973	...	...	...	...	...	...	2,116	418	1,550
1975	...	...	...	...	...	...	2,660	479	1,708
Average annual growth rate, 1974-75 (%)							12.1	7.0	5.0

424. The structural changes underway in the economy indicate, however, that while there is still additional scope for import substitution, the development of opportunities for export expansion will receive priority emphasis in order to improve the momentum of growth in the industrial sector. Those industries which are already exporting will have to consolidate and expand their operations in the growing but competitive world market of manufactured products. During 1974-75, exports of manufactured goods are projected to grow by 5% per year, from the exceptionally high base in 1973.

425. In the immediate future, export prospects are particularly good for resource-based and labour intensive industries such as wood products, electronics, clothing, textiles and rubber products. These industries are expected to reach an average annual growth rate of output of at least 18% during the next five to ten years.

426. With export industries taking the lead, new opportunities will be created for a large variety of ancillary industries which produce intermediate investment goods. The income and employment effects will also provide new growth stimuli for consumer goods industries.

427. Malaysia's prospects for export-led industrial growth as envisaged in the Plan are bright. The favourable response by the private sector during the first half of the Plan period to the various export incentives granted by the Government indicates that Malaysia's manufacturing industry is internationally competitive and prepared to meet the challenges of the world market.

428. In the design of measures for expanding exports of manufactured goods, the following guidelines will be adopted:

- (i) high priority will be given to products in which Malaysia has a dynamic comparative advantage. Such products include those which are based on the use of local raw materials and which are labour-intensive;

- (ii) special attention will be given to the needs of industry for upgrading quality, product design and sales promotion which take account of consumer preference in importing countries;
- (iii) concerted attention will be given to the need to carry out overseas market surveys and product research; and
- (iv) in the light of the complexities of international trading and the influence which multi-national corporations have on market outlets, investment by such companies in Malaysia, particularly on a joint-venture basis, will be encouraged consistent with the national interest.

429. In the effort to underpin Government's programmes for the effective implementation of the above guidelines, a high level Committee on Foreign Trade and Investment (COFTI) has been established. A separate International Trade Division has also been set up in the Ministry of Trade and Industry to deal with all aspects relating to the expansion of Malaysia's exports and, in particular, its exports of manufactured goods.

430. An effective set of tariff policies and export incentives is crucial for the success of Malaysia's industrial development. The improvements introduced into Malaysia's export incentive system have already been discussed. The Government has initiated a comprehensive study of the existing tariff structure with the view to formulating appropriate policies for an optimum level of tariffs.

431. The Government has undertaken various promotional and publicity efforts to attract foreign capital and expertise into the country. A number of overseas investment promotion missions was organised and this has resulted in an increased pace of establishing export-oriented industries. The organisation of and participation in Investment Conferences such as the Zurich and Tokyo Conferences, as well as in the Scandinavian countries, have exposed the investment possibilities to many high level executives and established valuable contacts. A series of follow-up actions is being planned to sustain the interest and enthusiasm shown at the conferences. The Government has also established four Overseas Investment Promotion Offices. These offices are located at Dusseldorf, Tokyo, New York and San Francisco. More of such offices will be established during 1974-75.

432. The approvals granted for manufacturing projects by the Government during 1971-73 clearly indicate a shift towards labour-intensive export industries. As a result, employment in this sector is projected to grow at 8.5% per year during 1971-75, compared to the Plan target of 7% per year, contributing nearly 27% to new job creation during the period.

433. Employment generation in the manufacturing sector during 1974-75 is estimated at 61,000 jobs, the achievement of which will result in exceeding the job creation target in this sector. A significant portion of this increase is expected from high employment growth industries such as electronics, textiles, wood and rubber products, a testimony to the success of the Government's promotional policies in developing the country's strong comparative advantage in resource-based manufacturing industries.

Dispersal of industries

434. To further stimulate the dispersal of industries for achieving a more balanced geographic distribution of industrial development, the Government has introduced a new incentive, known as the Locational Incentive, whereby approved manufacturing companies located in designated development areas may qualify for tax exemption up to a maximum period of ten years, depending on the stage of development of the areas concerned. This incentive should apply mainly to the States of Sabah, Sarawak and the East Coast States of Peninsular Malaysia, where the development of new townships and new growth centres will be intensified. Together with such incentives, public investment in infrastructure will be stepped up to help offset the lack of external economies and supporting facilities in these areas.

435. Various regional masterplan studies have or are being carried out in Pahang, Trengganu, Kelantan, Perak, Johore and Sarawak where good potential exists for the setting up of integrated timber complexes based on local resources. The Government will continue, through FIDA, to carry out project identification and feasibility studies, particularly in the less developed States.

436. The establishment of industrial estates by the SEDCs will be an important instrument in attracting industries to the less developed States. More industrial estates will be established during the remaining years of the Plan. Apart from the promotional activities of the SEDCs and other Government agencies, the MIEL will build factories in the industrial estates of less developed areas. MIEL plans to build such factory premises at Sungai Way Baru (Selangor), Prai (Penang), Kota Bharu (Kelantan), Ayer Kroh (Malacca), Pending (Sarawak), Pasir Gudang (Johore), Likas (Sabah) and at Padang Lallang (Pahang). In addition, State Governments will continue to provide attractive utility services and infrastructure facilities.

437. The development of the \$130 million Shipyard project at Pasir Gudang in Johore, together with the expansion of the steel industry, will set the pace for the development of heavy industries in the country. The project is a

joint-venture with a Japanese firm involving an authorised capital of \$30 million. In the initial stage, it will carry out major repairs with the possible venture into ship-building. An allocation amounting to \$10 million has been provided as Government's equity participation in the project.

Small-scale industries

438. Efforts by the public sector to encourage the development of small-scale industries during the remaining years of the Plan will be intensified. These industries will be assisted to overcome their problems of finance, technical know-how and lack of suitable premises. To this end, public sector agencies such as the SEDCs, FIDA, MARA, NPC, NISIR and UDA and MIDFIC and CGC will expand their activities during the period. Further, the value of loans extended by commercial banks is expected to increase substantially. Under the new scheme of the CGC, the limit of loan has been extended from \$25,000 to \$100,000 per project and the existing limitation on the scope of activities by borrowers will be liberalised.

439. The Advisory Council on Consultancy and Advisory Services for Small-Scale Industries, through its member agencies, will provide the necessary technical assistance in fields ranging from management to engineering at nominal charges. The establishment of MARA's Lembaga Kraftangan with the objective of improving the quality, production and marketing of handicraft products and the establishment of a Metal Industries Development Centre will contribute to the accelerated development of small-scale industries. In addition to providing finance and technical know-how to these industries, the Government agencies such as MARA and the SEDCs and MIEL will provide suitable premises for small industries particularly in the less developed States.

Malay participation in industry

440. The ensuing years of the Plan will witness an acceleration in the activities by the Government to create a more viable and dynamic Malay commercial and industrial community. Furthermore, programmes and projects which have been initiated in the first half of the Plan period will begin to bear fruit. To increase Malay ownership and management of industrial establishments, the Mid-Term Review has provided sizable increases in the financial allocations for MARA, PERNAS and the SEDCs. In addition, substantially increased allocations have been granted to these agencies to enable them to step up their acquisition of share capital in a wide range of new industrial projects.

441. MARA will consolidate and strengthen its manufacturing enterprises with the ultimate aim of transferring their ownership and management to the Malays and other indigenous people. The formation of the Kompleks Kewangan is planned to enable a rapid expansion of MARA's investment activities and participation in the capital market.

442. The activities of PERNAS in the industrial field, either on its own or through joint-ventures, will continue to expand at a rapid pace. Among the projects to be promoted are the production of cement, processing of palm oil, electronics, machine workshops and the manufacture of fertilizer.

443. The programmes of the SEDCs during 1974-75 will increase in scope and variety. These include the manufacture of sugar, processing of agricultural products such as groundnuts, coconuts and pineapple, processing of shrimps and the manufacture of a number of wood-based products.

444. The attainment of greater Malay participation in terms of employment at all levels of occupation will depend to a large extent on the availability of more skilled and qualified Malays and other indigenous people. Malay graduates from institutions such as ITM, ITI and MARA Vocational Institutes will play a crucial role in this regard. Furthermore, an increasing number of Malay graduates in science and technology from institutions of higher learning will find employment at top management and professional levels. Besides, the Government is formulating a specific programme for promoting greater Malay employment at higher occupational levels in the private sector. The scheme is aimed at encouraging Malay public servants to be seconded or employed in industrial and commercial firms.

445. The revised allocations under the Mid-Term Review for commercial and industrial activities are shown at the end of Chapter IX, Table 9-6.

CHAPTER IX

Commerce, Tourism, Mining and Construction

I. INTRODUCTION

446. The rapid economic and social development under the Plan has greatly stimulated the expansion of the commercial sector in recent years. This sector, comprising activities which are relatively labour-intensive, open to modernising influences and largely urban-centred, will continue to play an important role in achieving the objectives of the New Economic Policy. Output of the sector, covering wholesale and retail trade, banking, insurance and real estate, is expected to increase substantially.

447. The tourist industry also progressed rapidly as evidenced by the increasing number of tourist arrivals, the hotel boom and the expansion of other related service industries.

448. Similarly, the expansion of construction and mining industries will provide a greater impetus to the overall development of the country, particularly to those industries producing building materials for the construction sector. In the mining sector, the main stimulus for development will come from the exploitation of copper, other base metals, petroleum and natural gas reserves.

II. COMMERCE

PROGRESS: 1971-73

449. The commercial sector expanded at an annual rate of growth of 10% during 1971-73, compared to the Plan target of 5.3% per year. In terms of value added, the sector contributed about \$2,149 million or about 15.7% of GDP in 1973.

450. The sector provided 52,000 jobs during 1971-73, a growth of 5% per year. Hence the contribution of this sector towards employment creation was substantial, being 15% of the new employment of 348,000 during the period. Table 9-1 shows the growth of value added and employment during 1971-73.

TABLE 9-1

OUTPUT AND EMPLOYMENT IN COMMERCE, 1971-73

									<i>Value added in current prices (\$ million)</i>	<i>Employment (000)</i>
1970	...	...	...	...	...	...	...	...	1,614	326
1973	...	...	...	...	...	...	...	...	2,149	378
Average annual growth rate, 1971-73 (%)	...	...	...	...	...	...	...	...	10.0	5.0
Plan target (%)	...	...	...	...	...	...	...	...	5.3	4.3

451. Wholesale and retail trade recorded an output growth of about 9.7% per year during 1971-73, more than twice the Plan target of 4.7%. It accounted for 13.5% of total GDP and 86.5% of value added in the commercial sector in 1973.

452. Large-scale enterprises which are located in the metropolitan areas account for the major portion of wholesale trade. Retail trade, on the other hand, is characterised by small establishments scattered throughout both urban and rural areas. About 65% of sales is generated by shops employing less than ten workers.

453. Banking, insurance and real estate registered an annual output growth of about 11.9% per year during 1971-73. Employment in these activities expanded by 6,000 jobs during the same period, or about 10.6% per year compared to the Plan target of 4.3%. This sector played a dynamic role by financing investments increasingly for agricultural and industrial development. Lending by the banking system to the public sector through the purchase of Treasury Bills and Government Securities amounted to \$1,440 million by 1973 compared to \$483 million at the end of 1970, an increase of about 300%. Lending to the private sector also increased, reaching \$3,608 million by mid-1973.

454. A major development in the banking industry is the establishment of merchant banks. These banks act as financial intermediaries in the short-term money market and in the capital market, providing services in all aspects of corporate financing and advice on financial investment and management. There were three merchant banks operating by mid-1973.

455. The banking industry has also begun to play an important role in stimulating the dispersal of economic activities and the growth of small-scale industries through the provision of credit facilities. Total bank lending to small-scale industries amounted to \$162 million by the end of 1972. A notable development was the establishment of the Credit Guarantee Corporation, a scheme to guarantee loans from the commercial banks to small-scale agricultural, industrial and commercial enterprises. A total of 27 new banking offices were established by mid-1973, about one-half of which were in small towns.

456. The insurance industry has also contributed increasingly to the development process by utilising its investible funds to purchase Malaysian assets including Treasury Bills and Federal Government Securities. About 85% of the resources of life insurance and general insurance companies amounting to \$600 million are invested in local assets, nearly 25% of which are in Treasury Bills and Government Securities.

457. The insurance industry is characterised by the predominance of foreign companies. Of the 91 insurance companies operating in the country, only 14 are incorporated in Malaysia and of these only ten have majority participation by local interests. The Government has taken steps to encourage the growth of locally-incorporated insurance companies. A new development in the insurance field was the establishment in June 1973, of the Malaysian National Reinsurance Berhad, 55% of whose equity is owned by PERNAS and the Malaysian National Insurance Company (MNI), while the remainder is held by ten Malaysian-owned insurance companies. This Company will be able to effect some of the re-insurances which are now done overseas, thus reducing the outflow of foreign exchange. A "pool" for the insurance of rubber shipments is also being set up.

Malay participation in commerce

458. The participation of Malays and other indigenous people in the commercial sector is small. In 1970, Malays and other indigenous people accounted for about 24% of those engaged in this sector. In wholesale trade, the Malay ownership of share capital was less than 3%. Government agencies such as PERNAS, UDA, the SEDCs and MARA have the task of helping to facilitate greater Malay participation in this sector, particularly in wholesale and retail trade.

459. In wholesale trading, PERNAS and the SEDCs have been given a key role in the distribution of some essential commodities, such as rice, sugar, flour and building materials. The SEDCs have set up enterprises at State and district

levels for wholesale and retail trading. By mid-1973, there were 29 SEDC wholesale establishments with a total sales turnover of about \$37 million. These wholesale shops supply goods to about 3,200 retail shops throughout the country. In addition, MARA has also established a wholesale subsidiary, Senama Sendirian Berhad.

460. The wholesale activities of PERNAS, MARA and the SEDCs have the object of widening the distribution system by increasing competition, through the provision of credit and technical assistance to retail outlets and ensuring that they are adequately stocked and managed. Between 1970 and mid-1973, the SEDCs had constructed about 720 units of commercial premises for rental to Malay and other indigenous businessmen. MARA has so far built 55 commercial buildings, enabling about 600 people to do business in these premises. UDA has also sold or leased more than 240 business premises to Malays and other indigenous people engaged in a variety of commercial activities by mid-1973. Further, finance for renovation and equipping of premises has been made available to more than 40 Bumiputra businessmen. UDA has also undertaken 13 joint-venture schemes with the private sector to develop commercial and housing complexes. The total capital assets to be created by these joint-ventures would amount to over \$450 million. Furthermore, it has also reserved a number of premises in major commercial complexes now under construction in Kuala Lumpur, Johore Bahru, Kuantan, Kuala Trengganu, Kota Bharu, Alor Star, Penang, Ipoh, Seremban, Malacca and Kuching. The activities undertaken by UDA have generated direct employment for over 1,000 Malays.

461. Consistent with the policy of encouraging Malay participation in commerce, the Malaysian National Insurance Company, a subsidiary of PERNAS, was established in 1970. The Government also recently introduced a policy requiring new insurance companies to have at least 30% Bumiputra equity share before registration is allowed. At present, besides the MNI, one other insurance company has a majority Bumiputra share-holding, while in seven other locally incorporated companies Bumiputras have minority share-holding.

PROSPECTS: 1974-75

Output and employment

462. The commercial sector is expected to grow by 4.9% per year during 1974-75, substantially lower than that achieved during the first three years of the Plan. The highest growth will be in banking and insurance. New job creation is projected at 5% per year during the period.

TABLE 9-2

OUTPUT AND EMPLOYMENT IN COMMERCE, 1974-75

								<i>Value added in current prices (\$ million)</i>	<i>Employment (000)</i>
1973	...	...	...	...	...	...	...	2,149	378
1975	...	...	...	...	...	...	...	2,366	417
Average annual growth rate, 1974-75 (%)								4.9	5.0

463. Value added in banking and insurance, including real estate, is expected to increase by an average annual rate of 8% during 1974-75. Employment in this sector is expected to increase by 8.3% per year during the same period. This rapid rate of growth will arise from significant expansion of the new activities associated with merchant and development banking.

464. Programmes to establish commercial facilities for Malays and other indigenous businessmen will be expanded in the remaining years of the Plan. For this purpose, the allocations for PERNAS, UDA, MARA and the SEDCs have been increased substantially.

465. The remaining years of the Plan will see further expansion of complementary services for Malays and other indigenous businessmen. In this connection, the operations of the Credit Guarantee Corporation, the expansion of the loan activities of the commercial banks and the technical and capital assistance programme of MARA will be particularly important. In addition, the consultancy and advisory services provided by MIDFIC and NPC will be expanded, while ITM and NPC will continue to provide training facilities particularly for Malays and other indigenous businessmen.

466. Bank Bumiputra will continue to be the focal point for expanding the participation of Malays and other indigenous people in banking operations. Its activities, including those of its subsidiaries, the merchant bank and the new development bank, are expected to cover a wider range of business activities during 1974-75. The establishment of special units in commercial banks to cater for the needs of Malay businessmen is another step forward towards the achievement of the objectives of the NEP.

467. The recent establishment of MARA's Kompleks Kewangan reinforces the agency's role in mobilising Malay savings and channelling them to productive investments. Spurred by the success of its Amanah Saham, MARA

has expanded its activities to include brokerage and investment trust. The Plan allocation has been increased from \$8 million for Amanah Saham to \$40 million to cover all the activities of Kompleks Kewangan.

468. In the insurance field, PERNAS, through an insurance broking company and MNI, will expand its activities during 1974-75 to enable a larger proportion of Malays and other indigenous people to be involved in the insurance business. The effective implementation of the 30% Bumiputra equity condition in respect of registration of new insurance companies, will help ensure wider Bumiputra participation and ownership in this industry.

III. TOURISM

469. The tourist industry has undergone rapid development. Significant attention is being directed to developing its potential fully. The Tourist Development Corporation (TDC), established in 1972, will assist considerably in this regard.

PROGRESS: 1971-73

470. It is estimated that the hotel industry alone provided employment to about 13,500 persons in 1972. A significant number was also employed in tour operations and other services connected with the tourist industry. Foreign exchange earnings, as represented by cashed travellers cheques alone, increased by 30% from \$27.7 million in 1970 to \$36 million in 1972.

471. The first three years of the Plan saw a significant increase in tourist arrivals by all modes of transport as a result of the promotional activities by the public and private sectors. The number of tourist arrivals by air and sea increased almost four times from 76,000 in 1970 to 287,000 in 1972. In addition, there were some 450,000 arrivals by rail and road during 1972. The impact of the PATA Conference which was held in 1972 is beginning to be felt.

472. It is estimated that the total number of hotel rooms more than doubled from 4,600 to 10,300 in 1973. A sum of about \$6.1 million was spent by the TDC in developing tourist projects in 1971-73. These include the 20-room Dot Motel in Kuala Trengganu, the development of Batu Caves into a major tourist attraction and the construction of a cable car system and an orchid display centre at Bukit Nanas, Kuala Lumpur. Major tourist facilities built by the private sector during this period include the Genting Highlands Hotel, the Kuala Lumpur Hilton, the Rasa Sayang Hotel in Penang, the Langkawi Country Club and the Mimaland near Kuala Lumpur.

Malay participation in tourism

473. While participation of Malays and other indigenous people in the tourist industry is still small, in terms of both ownership and employment, the expanding activities of PERNAS and the SEDCs in the industry will assure a greater role for the Malays and other indigenous people in this fast growing industry. Other tourist projects involving Malay interests include the Pantai Motel in Trengganu, the Murni Hotel in Kelantan and the Pulau Tioman Complex in Pahang. Some tourist projects are owned by Malay individuals either wholly or in partnership with non-Malays. These projects include the Shah Motels in Petaling Jaya and Malacca, Titik and Chendor Motels in Pahang, Motel Kemaman in Trengganu and Resort Pantai Chinta Berahi in Kelantan. In addition, PERNAS holds a major part of the equity of Kuala Lumpur Hilton. Besides these, Malays and other indigenous people are also participating increasingly in restaurants, travel agencies and tour operations.

474. The Government has also devoted attention to the training of Malays and other indigenous people in various aspects of the tourist industry. The School of Hotel and Catering at the ITM has produced 54 graduates since its establishment.

PROSPECTS: 1974-75

475. The tourist industry is anticipated to expand rapidly in the remaining years of the Plan. An estimated 1.3 million tourists are expected to visit Malaysia in 1975.

476. The total allocation for public sector investment in tourism has been increased considerably under the Mid-Term Review, a large amount of this is for the SEDCs. The tourist complex at Bukit Nanas, including the cable car system, orchid display centre and aviary, will be completed in 1974-75. Other tourist projects undertaken by the TDC, which are expected to be completed in the next two years, are the Batu Caves funicular railway, an information centre at Port Klang and a motel at Rantau Abang, Trengganu. Tourist projects of the SEDCs during this period include a hotel at Tanjong Kling, a Cultural Village in Penang, a second motel in Trengganu and joint-venture projects in Sabah and Sarawak. A new 60-room hotel is also being developed by the Fraser's Hill Development Corporation, scheduled to be completed in 1974. In its efforts to promote Malay participation in the hotel industry, UDA is helping to build two hotels in Kota Bharu and one in Kuala Trengganu.

477. In the training field, a Hotel and Catering School will be established by the NPC, in addition to MARA's school of Hotel and Catering. In addition, students will also be sent abroad for advanced training in established hotels and schools.

478. The Government will continue to provide incentives for the establishment of hotels and other facilities, particularly in areas with tourism potential. The expansion of the existing airport facilities at Penang, Kota Bharu, Kuching and Miri and the construction of a new airport at Senai in Johore and a landing strip at Sitiawan, will constitute major developments in the infrastructure for tourism. To help finance the promotional activity of the TDC, a cess on hotels will be levied.

IV. MINING

479. The mining sector contributes significantly to Malaysia's foreign exchange earnings. Activities under the sector include the exploration, prospecting and development of base metals such as tin and bauxite and the hydrocarbons, namely, petroleum and natural gas. The development of petroleum and natural gas and copper mining industries will provide a new dimension for the further expansion of the mining sector as well as the economy. Tin mining is expected to continue at about its present level of activity although new initiatives are expected in regard to offshore prospecting as well as prospecting on Malay Reserve areas. Iron ore mining, on the other hand, is likely to decline in importance.

PROGRESS: 1971-73

480. Value added in mining and quarrying grew by 7.1 % per year in 1971-73, as shown in Table 9-3, and accounted for 5.2% of GDP. Increases in production came primarily from crude petroleum. Iron ore production declined with the closure of the mines at Rompin and Bukit Besi.

TABLE 9-3

OUTPUT AND EMPLOYMENT IN MINING, 1971-75

								<i>Value added in current prices (\$ million)</i>	<i>Employment (000)</i>
1970	...	...	...	...	...	...	...	580	87
1973	...	...	...	...	...	...	...	712	89
1975	...	...	...	...	...	...	...	855	92
Average annual growth rate, 1971-73 (%)								7.1	0.8
Average annual growth rate, 1974-75 (%)								9.5	1.7
Plan target (%)								- 2.7	- 1.3

481. Production of tin-in-concentrates increased marginally from 72,600 tons in 1970 to 73,000 tons in 1973. This was mainly due to the closure of a number of tin mines, despite the modernisation and improvements in the techniques of tin recovery. Gravel pump mining, however, still accounts for about 55% of total tin production. Production of iron ore declined from 4.4 million tons in 1970 to less than 500,000 tons in 1973. Production of crude petroleum, however, increased substantially over the period from 845,000 tons to 4.6 million tons.

482. Employment in the mining sector increased from 87,000 in 1970 to 89,000 in 1973, an average annual growth rate of 0.8%. This was mainly due to the expanded development in the exploration and exploitation of petroleum.

483. In the petroleum sector, the exploration activities resulted recently in four oil and one major gas strikes. The three strikes in the offshore areas of Sabah and Sarawak and the other which occurred off the East Coast of Peninsular Malaysia indicate good prospects for substantially raising the level of petroleum output in the future. At the same time, the gas strike off the coast of Pahang, when it materialises, will provide a second major source for the country, the first being in the offshore area of Sarawak. In connection with the gas strike off Pahang, a study is underway to assess the domestic market for pipeline gas, as well as the possibility of setting up a liquified natural gas (LNG) plant for export of gas.

484. At present, the participation of Malays and other indigenous people in the mining sector is small. It is estimated that in 1970, Malays accounted for only 18.1% of employment in the sector, concentrated mainly at the lower and unskilled levels. In terms of ownership, only 26 mines or 1.7% belonged to Malays, while only 1.2% of total share capital in the sector was owned by them.

PROSPECTS: 1974-75

485. Value added in mining is projected to grow at 9.5% per year as compared to the growth of 7.1% per year during 1971-73, as shown in Table 9-3, due mainly to the production of copper and petroleum. Employment in the mining sector is expected to expand moderately as the hydrocarbon and copper industries assume greater importance.

486. In the effort to ensure that the potential of the mining sector is fully developed, the Government will undertake a comprehensive aerial and ground survey of the country to identify and locate new mineral resources. The potential for offshore mining is sizable. Attractive fiscal incentives will continue to be provided for large-scale mineral exploitation.

487. PERNAS Mining Sendirian Berhad has entered into a number of joint-ventures with the private sector and the SEDCs for onshore and offshore mining. The revolving fund set up in 1967 to finance Malay prospecting and exploitation of minerals in Malay Reserves will enlarge Malay participation in the mining sector. The recent formation of the Malay Chamber of Mines will facilitate channelling of Government assistance to Malay miners.

488. There will be significant developments in the petroleum and natural gas industries in the course of the next few years. Apart from further exploration and exploitation of Malaysia's oil reserves, the Government will develop a multi-million dollar LNG plant near Bintulu on a joint-venture basis. In view of the long gestation period involved, however, the full impact of these developments will not be felt until the later part of the decade. While investments will come primarily from multi-national companies, appropriate arrangements will be instituted to ensure that Malaysia derives maximum benefits from the exploitation of this important resource. In this connection, the Government is considering the possibility of establishing a corporation to participate with multi-national companies in the development and utilisation of Malaysia's oil and natural gas resources.

489. The development of the petroleum industries will not be restricted merely to the extraction of oil. Vertical integration will be stimulated and to this end arrangements are being made for feasibility studies to be undertaken for the establishment of additional oil refineries and petro-chemical industries. To enable Malaysians, particularly Malays and other indigenous people, to participate fully in this expanding sector of the economy, training programmes will be instituted, providing for local personnel to be trained in all aspects of the industry.

490. With respect to copper, the \$280 million Mamut copper project in Sabah will commence production in 1975. The project also involves the possible development of a smelting plant to increase the contribution of this industry to national output.

V. CONSTRUCTION

491. Construction is one of the key sectors in the economy because of its high labour absorption capacity and its direct contribution to the creation of fixed capital assets. In view of its high local material content, it serves to stimulate the development of other industries, thus offering extensive possibilities for integrated sectoral development.

PROGRESS: 1971-73

492. Annual growth in construction averaged 16.1% during 1971-73 as compared to the Plan target of 9.4%, thereby increasing the sector's share in GDP from 3.9% in 1970 to 4.4% in 1973. The major boost came from increased pace of residential and commercial construction including hotels. Employment in the construction industry increased by 18,000 during the period, accounting for 2.9% of total employment in 1973.

TABLE 9-4

OUTPUT, EMPLOYMENT AND INVESTMENT IN CONSTRUCTION, 1971-73

						<i>Value added in current prices (\$ million)</i>	<i>Employment (000)</i>	<i>Investment in building and construction (\$ million)</i>
1970	...	...	...	...	...	384	91	935
1973	...	...	...	...	...	601	109	1,499
Average annual growth rate, 1971-73 (%)						16.1	6.2	17.0
Plan target (%)						9.4	5.2	8.9

493. Fixed investment in residential and non-residential construction formed slightly more than one-half of total fixed investment in 1973. For the period under review, investment grew by 17% per year, about twice the target growth rate in the Plan, and accounted for 56.6% of the increase in total fixed investment. This rapid growth of the industry was brought about by the increased pace of commercial, industrial and housing development.

494. The recent boom in building activity has led to serious shortages in the supply of building materials. This situation was aggravated by a world-wide shortage of key building materials, particularly steel. As a result, there were significant price increases. In the effort to ease supply constraints, imports of key building materials were liberalised, local production stimulated through fiscal incentives and the export of saw logs was selectively restricted to encourage the further development of the wood products industry.

495. With the sizably increased demand for public construction in the Plan and the rapid growth of construction in the private sector, the Government undertook a comprehensive study of measures required to expand the planning, designing and implementation capacity in the public sector. As a result of this study, contract procedures were streamlined and steps taken to recruit professional personnel including contract personnel from overseas.

Work arrangements were also rationalised to farm out design and construction work to the local and foreign firms. These measures helped considerably in expanding public construction capacity, thus expediting the pace of implementation of development projects.

496. Malay employment in the industry is relatively small. It is estimated to have been about 10,000 or 13% of total construction employment in 1970, mainly concentrated in general construction and unskilled work. Malays comprised about 5% of the professional, managerial, technical and supervisory group.

497. Malay contractors accounted for only \$5 million or 3% of value added in the industry in 1970. Further, the value of works undertaken by most of them was relatively limited. To encourage the development and expansion of the contracting capacity of Malays and other indigenous people, the Government has reserved 30% of works contracted out by PWD to them. In addition, they have been encouraged to bid for the remaining 70% of such works in competition with others. Malay contractors have also been encouraged to combine with one another in order to bid for works of higher value. Since this policy was launched, about \$100 million worth of contracts have been allocated to Malay contractors. About 55% of the tenders awarded by UDA were awarded to Malays in line with this policy. Important agencies for expanding the participation of Malays and other indigenous people in construction are PERNAS, MARA and the SEDCs.

PROSPECTS: 1974-75

498. Value added in the construction industry is projected to grow by 11% per year during 1974-75, while employment is expected to increase by 15,000 or 6.7% per year, as indicated in Table 9-5.

TABLE 9-5

OUTPUT AND EMPLOYMENT IN CONSTRUCTION, 1974-75

									<i>Value added in current prices (\$ million)</i>	<i>Employment (000)</i>
1973	...	...	...	...	...	...	...	...	601	109
1975	...	...	...	...	...	...	...	...	741	124
Average annual growth rate, 1974-75 (%)									11.0	6.7

499. The implementation of public sector development projects will provide a substantial boost to the construction industry. Private sector construction will also increase rapidly in line with the projected industrial growth, tourist development and the rising demand for housing.

500. Private housing developers plan to construct at least 12,000 units of residential buildings per year during 1974-75. The emphasis will be on the relatively cheaper houses such as terrace and link houses. The public low-cost housing programme aims at another 12,000 units during the period including the housing units to be constructed by the SEDCs. Housing construction in public land development schemes will also be large. The building of commercial structures will also expand rapidly with the increasing activities of UDA, MARA and the SEDCs.

501. About 60% of value added in the building industry is accounted for by salaries and wages. Shortages of skilled labour have already begun to be felt, with increasing demand for such labour. As indicated in Chapter XI, the Government has taken steps to expand training facilities for the professional, sub-professional and craftsmen levels for the building industry. These training programmes are expected to produce increasing numbers of such personnel in the next few years. However, in the meantime, the Government will continue to recruit professional and technical staff from overseas as well as obtain consultancy services from abroad where they are not available within the country.

502. Measures to expand the capacity of the domestic building and construction materials industry will be intensified. Steps will also be taken to improve the distribution of these materials to final users in order to avoid bottlenecks and malpractices which lead to increased prices.

503. To ensure the orderly development of the housing programme, the Government will establish a National Department of Housing to coordinate and monitor the whole spectrum of public and private housing development. The data gathered in the 1970 Census of Housing is now being analysed to assess the present adequacy of housing and to formulate a national plan in this regard. In addition to the role of the private sector, UDA, MARA and the SEDCs will play an expanded role in housing development. The Malaysia Building Society Berhad and various housing finance institutions and co-operatives will also expand their activities in order to meet the rising demand for home ownership.

504. Particular attention will be paid to ensuring that Malays and other indigenous people are able to obtain a greater share in the construction industry. The various training programmes of the Government will be geared to ensuring that an increasing number of Malays with construction skills are available for this purpose.

VI. PUBLIC SECTOR ALLOCATIONS FOR INDUSTRIAL AND COMMERCIAL DEVELOPMENT

505. The public sector continues to play an expanded role in industrial and commercial development particularly in the creation of a Malay commercial and industrial community. Total allocations for industrial and commercial development, as shown in Table 9-6, have been increased from \$584 million to \$1,239 million, an increase of 112% or \$655 million. A major portion of the increase is in respect of projects designed to meet the objectives of the New Economic Policy.

506. MARA, through its Industry and Commerce Division, will undertake several new projects such as the construction of shopping complexes and the setting up of Lembaga Kraftangan Malaysia. Its main wholesale trade project—Senama Sendirian Berhad—will be further expanded. To facilitate further Malay participation in share ownership, the resources of the Amanah Saham under Kompleks Kewangan have been expanded substantially. The allocation for MARA has been increased by \$110.4 million, or 151%, to \$183.4 million.

507. PERNAS will expand its activities substantially in trading, construction, insurance and mining, through its various subsidiaries and joint-ventures. The allocation for PERNAS has therefore been increased from \$100 million to \$150 million under the Mid-Term Review to finance its expanding activities.

508. UDA will continue to expand its activities to facilitate the participation of Malays in urban economic activities. Its programmes include the building of commercial and shopping complexes to provide premises for small Malay traders and businessmen. These programmes will be carried out in existing towns and in new growth centres. They will aim at ensuring that Malays and other indigenous people have at least a 30% share in the growth of existing towns and new urban centres. The allocation for UDA has been increased by \$60 million to \$160 million.

509. The SEDCs are important agencies for spearheading industrial and commercial development in less developed States. Their programmes include the processing of agricultural raw materials, construction of houses and development of industrial estates, mining, wholesale and retail trading. To meet

the financial requirements of new and existing projects, their allocations have been increased from \$45.6 million to \$150 million for the States of Peninsular Malaysia. An additional sum of \$42.9 million is provided for Sabah and Sarawak.

510. The activities of SIM, NPC and NISIR will increase in importance as industrial development expands, giving rise to the need to ensure proper quality and standards in industrial products and improving the efficiency in industrial management. The allocations for these agencies have been increased substantially, as indicated in Table 9-6.

TABLE 9-6

PUBLIC SECTOR DEVELOPMENT EXPENDITURE FOR
COMMERCE, INDUSTRY AND TOURISM, 1971-75

(\$ million)

					<i>Original Plan allocation, 1971-75</i>	<i>Estimated expenditure, 1971-73</i>	<i>Achieve- ment (%)</i>	<i>Revised Plan allocation, 1971-75</i>	<i>Balance to complete, 1974-75</i>
PERNAS	..	..	..	..	100.00	100.00	100.0	150.00	50.00
MARA	..	..	..	..	73.00	102.50	140.4	183.44	80.94
SEDCs	..	..	..	..	45.60	100.78	221.0	192.93	92.15
Industrial estates	..	..	..	..	23.47	24.52	104.5	35.26	10.74
UDA	..	..	..	..	100.00	60.30	60.3	160.00	99.70
MIDF	..	..	..	..	100.00	100.00	100.0	100.00	—
MRDC	..	..	..	..	35.00	22.26	63.6	50.00	27.74
MISC	..	..	..	..	46.00	80.07	174.1	107.04	26.97
Other investment in economic enter- prises (including a new Development Bank)	..	..	..	..	45.05	57.07	126.8	79.91	22.84
Tourism	..	..	..	..	10.00	6.05	60.5	9.39	3.34
NISIR, SIM, NPC	..	..	..	..	5.48	3.20	58.4	15.00	11.80
Selangor Government	..	..	..	..	—	20.00	—	100.00	80.00
FIDA	..	..	..	..	(10)	—	—	—	—
FIMA	..	..	..	..	—	3.00	—	10.00	7.00
Shipyard	..	..	..	..	—	3.00	40.4	10.00	7.00
Urban renewal	..	..	..	..	—	10.98	—	14.16	3.18
Mines and Survey	..	..	..	..	0.68	0.39	57.3	0.69	0.30
Others	..	..	..	..	—	19.57	—	21.60	2.03
Total	..	..	..	..	584.28	713.69	122.1	1,239.42	525.73

Transport and Communications

I. INTRODUCTION

511. The development of transportation and communications has an important role to play in the implementation of the New Economic Policy. It is essential for promoting greater integration among all Malaysians in the process of nation building. Efficient, dependable and low-cost transportation is also essential for supporting and spearheading economic development and for ensuring that the country's economic lifelines to foreign markets are maintained.

512. At present, the basic systems of transportation and communications are generally well established in Peninsular Malaysia, although in Sabah and Sarawak the transportation and communications networks are relatively less developed and less widespread. Accelerated economic and social development will place an increasing burden on present transportation and communications facilities. Investments in transportation and communications under the Plan are, therefore, directed towards expanding the network in Peninsular Malaysia in line with projected economic and social development and towards a more sizable expansion of these networks in Sabah and Sarawak.

513. The promotion of greater and more active participation by Malays and other indigenous people in the road transport industry will continue to be vigorously pursued. This is not only in terms of ownership but also in the control and management of transport enterprises.

514. Under the Plan, an allocation of \$1,588 million was made for transport and communications development with \$756 million for roads, \$94 million for railways, \$230 million for ports, \$109 million for civil aviation, \$298 million for telecommunications and \$79 million for broadcasting. The major programmes include:

- (i) construction of new roads that provide access to areas where land will be developed and people settled;

- (ii) improvement of the major road network, especially roads that connect major production areas to ports, markets and sources of raw material supplies;
- (iii) development of ports, airports and related facilities and further expansion of the fleet building programme of the national shipping line;
- (iv) improvement of the efficiency of the railway system to meet the expected increase in traffic, particularly bulk traffic; and
- (v) expansion and improvement of both the external and internal services of the communications system.

II. PROGRESS: 1971-73

515. Of the allocation of \$1,588 million for transport and communications in the Plan, \$1,202 million was spent during 1971-73. This represents a 76% achievement despite serious professional staff shortages in the implementing departments concerned. Significant steps were taken during this period in re-organising the departments concerned and in establishing a nucleus of planning staff in the sector, but shortages of trained and experienced personnel continue. This problem was overcome to some extent by extensive use of private sector planning and construction capacity as well as foreign contract staff.

Roads

516. *Improvements to existing roads.* To meet projected increases in road traffic of about 10% per year for Peninsular Malaysia, the Plan provided for various segments of the Federal and State road systems to be improved, widened, strengthened and realigned and timber bridges to be replaced. During 1971-73, road improvements were undertaken over 140 miles, corresponding to about 40% of the target set in the Plan. Major trunk roads in Sabah and Sarawak were also improved. In Sabah, about 70 miles of the West Coast road and in Sarawak about 86 miles of the major trunk road between Sibu and Kuching were upgraded, while the construction of the Kuching-Serian road was completed.

517. *Major expansion of road network.* A number of major new roads were initiated during 1971-73. Among these were: the East-West Highway linking Jeli in Kelantan with Kuala Rui in Perak—to-date one-third of the 72-mile road has been constructed; the Kuantan-Segamat road involving 75 miles of new construction and 15 miles of road improvement—about 20% of the new construction work involved has been completed; detailed design for

improvement of Federal Route II between Kuala Lumpur and Karak; and construction of a new high-level bridge in Temerloh which is expected to be completed by the end of 1973.

518. *Development roads.* The major projects in this programme include the construction of access and feeder roads into the new regional development areas of Jengka, Pahang Tenggara and Johore Tenggara in Peninsular Malaysia and other development areas in Sabah and Sarawak. The construction of development roads for the Jengka Triangle has been implemented according to schedule while work on the development of feeder roads for the other regional development areas comprising 106 miles has commenced.

Ports

519. The expansion programmes for Klang and Penang ports, which started towards the end of the First Malaysia Plan period, have now been completed. The projects at Port Klang include the construction of 2,800 feet of wharf at the north port and 500 feet of wharf at the south port to meet the requirements of general, container and bulk traffic. At Penang, an additional 2,750 feet of wharf has been constructed. These expansion programmes provide an additional capacity of 2.2 million tons per year or a 32% increase in capacity. In Sabah and Sarawak, construction is underway for the major ports at Sandakan, Kota Kinabalu, Kuching and Sibul. The completion of these four major ports will provide adequate berthing and wharfage facilities for ocean-going vessels in Sabah and Sarawak. The expansion programmes in these four major ports will provide an additional capacity of 1.8 million tons per year, representing an increase of 65% in total port capacity.

520. The Malaysian International Shipping Corporation (MISC), the national shipping line, continued its programme of fleet expansion and by the end of 1973 had 15 vessels, comprising one oil-ore tanker, one bulk cargo carrier, two wood-chip carriers, two coastal vessels and nine cargo liners in service. The tonnage achieved by the end of 1973 is about 373,000 tons.

Civil aviation

521. A National Airport Master Plan was completed at the end of 1972 to guide the development of existing and new airports in Peninsular Malaysia, Sabah and Sarawak. A major development during the period was the construction of a new \$32 million airport at Senai, Johore, to facilitate direct links with Sabah and Sarawak. Another development was the upgrading of the Kota Bharu airport to accommodate Boeing 737 aircraft. The construction of a maintenance hanger for F27 and Boeing 737 aircraft and a Civil Aviation Training Centre were also completed at Kuala Lumpur International Airport.

In addition, a number of improvements were carried out at minor airports, including runway construction at Kuala Trengganu, extension to the terminal building at Ipoh, reconstruction of runway and improvements to the terminal building at Marudi and minor works at Bintulu.

522. The Malaysian Airline System (MAS), the national airline, has achieved remarkable progress. During its first year of operation, MAS carried its millionth passenger in June 1973, three months ahead of forecast. By the end of 1973, the MAS fleet has a total of twenty two aircraft comprising a Boeing 707, seven Boeing 737s, ten Fokker Friendships and four Britten Norman Islanders. Although emphasis is still on domestic services, MAS international routes include services to Medan, Jakarta, Brunei, Singapore, Haadyai, Bangkok, Hongkong and Taipeh.

Railways

523. By the middle of 1972, the Railway completed its programme of dieselisation. The programme of rehabilitation and modernisation, including replacement of obsolete rolling stock and permanent ways, was also carried out according to schedule.

524. A new Corporate Plan and Strategy has been developed by the Malayan Railway. Some of the major elements in the Corporate Plan include measures to improve and expand the railway's share of the transport market, especially for long hauls, through such measures as strengthening its marketing activities and aggressive sales promotion both at the central and district levels; the development of a new costing system to facilitate the establishment of an appropriate cost-based and competitive pricing policy and modernising its accounting system in line with sound commercial and business practices.

525. The Sabah Railway continued its modernisation programme through the purchase of eight diesel engines, four diesel rail cars and the replacement of obsolete rolling stock. By the end of 1973, about \$5.3 million, or 66% of the Plan allocation, was expended.

Telecommunications

526. The overall progress during the first three years of the Plan, despite serious problems of planning and implementation, has been satisfactory. About 87% of the total Plan allocation has been expended.

527. *Subscribers' network.* The rate of telephone installations has increased at 35% per year during 1971-72. The rate of increase is greater for direct exchange lines. In the Plan, the target for the installation of direct exchange lines was 130,000. By the end of 1973, it is expected that 60,000 direct exchange lines would have been installed representing 46% of the target set.

528. *Manual and automatic exchanges.* The conversion of manual exchanges into automatic exchanges and the expansion of main automatic exchanges, both in urban and rural areas, during the period 1971-73 have added 66,900 lines to the capacity of telephone exchanges in Peninsular Malaysia.

529. *Trunk and junction network.* The subscribers' trunk dialling (STD) service to rural areas has been extended to the rural districts of Pahang, Trengganu, Kelantan, Selangor and Johore. About 70% of Peninsular Malaysia now has full STD facilities.

530. *Telegraph and telex systems.* Automatic telex exchanges for Kuala Lumpur, Kuching, Kota Kinabalu and Penang have been installed and will be fully automatised by early 1974. This will facilitate the development of Kuala Lumpur as an international rubber market.

531. *International satellite communications and external services.* To cope with the growing overseas traffic as well as the increase in the number of circuits to other countries, especially in the ASEAN region, the external service programme has been accelerated. The Penang-Haadyai microwave link, Malacca-Dumai single channel VHF link and the Maxwell Hill-Medan VHF link were completed. Modifications to the earth satellite station at Kuantan were made to enable it to utilise the facilities offered by the new INTELSAT-TV satellite located in the region.

532. *Radio services.* Steady progress has been made on the installation of microwave, radio and trunk cable systems. About 60%, or 78,862 channel-miles of the target of 130,000 channel-miles were completed in Peninsular Malaysia. In Sabah and Sarawak, 74,100 channel-miles were installed, as against the Plan target of 50,000 channel-miles.

533. *Training and research.* At the beginning of the Plan period there was a backlog of 42,000 trainee-weeks. However, it is expected that the backlog would be completely cleared by 1973.

Postal services

534. By 1973, about 40% of the financial allocation for Postal Services was expended. The Plan envisaged the establishment of 107 post offices, 45 mobile post offices and 300 postal agencies. During the period under review, 41 post offices, 44 mobile post offices and 238 postal agencies were established. In addition, 29 post offices are under construction. A riverine post office is also planned to serve the remote areas inaccessible by roads in Sabah and Sarawak.

Meteorological services

535. Storm warning radar systems have been installed at Kota Bharu, Kuantan and Kuala Lumpur. These systems will enable rainfall intensities over critical areas to be predicted quickly and accurately, so that flood warnings can be issued swiftly to alert residents in the flood-prone areas. Another major project was the completion of a new meteorological station equipped with modern facilities at Kluang.

III. PROSPECTS: 1974-75

536. The transport and communications sector will continue to play a leading role in the implementation of the NEP. No major changes are envisaged in the objectives specified in the Plan document. However, the programme for development roads will be accelerated in line with the Government's policies to open up new areas for agricultural, industrial and urban development, especially in the less developed regions of the country.

Roads

537. Road development will be increased by 20% over the original Plan allocation during 1974-75 period to meet projected growth in traffic. Out of the \$151 million increase for the entire road development programme, about \$50.6 million is for improvements to existing roads, \$27 million for major expansion of the road network, \$34.1 million for development roads and the remaining \$39.3 million for rural and urban roads.

538. *Improvements to existing roads.* Major improvements to Route I will be started in early 1974. The three major segments for improvement are: the Kuala Lumpur-Seremban expressway, a 41-mile new expressway of which 34 miles will be a four-lane divided highway, and improvement to the existing road; 18 miles of the Kuala Lumpur-Rawang-Batang Kali road; and 40 miles of the Ipoh-Changkat Jering road of which 21 miles represent new construction and 19 miles road improvement. Construction work will also start on the Kuala Lumpur-Petaling Jaya highway which includes the reconstruction of the existing road to six-lane and an eight-lane highway from Sungei Way to Jalan Lornie, including the provision of five grade-separated intersections.

539. In early 1974, the Government will arrange for feasibility and design studies for the Ipoh-Bidor road, the Seremban-Yong Peng road and the Kuala Lumpur-Petaling Jaya traffic dispersal links to complete the major improvement programmes for Route I and Route II during the Plan period. While programmes are being carried out to improve the Federal and State inter-urban road networks to meet the projected growth in traffic, certain

segments of the major road system especially those passing through large urban areas such as Kuala Lumpur, Ipoh and Butterworth are facing severe traffic congestion problems. An *Urban Transport Policy and Planning Study* has been undertaken for the Kuala Lumpur Metropolitan area. The objective of this study is to find feasible solutions to reduce traffic congestion through the improvement of public transport and measures to restrain the use of private vehicles within the city area.

540. In Sarawak, major reconstruction and improvement works will be carried out along the Kuching-Sibu and Miri-Bintulu roads to meet the traffic growth generated by development in these areas. Construction of a bridge across the Sarawak River at Kuching will be completed by 1975. In Sabah, bituminous surfacing of existing roads on the West Coast and certain segments of the East-West road will be carried out.

541. *Major expansion of road network.* Construction will commence on a number of new projects initiated during the 1971-73 period. They include: Phase I of the Kuala Lumpur-Karak road including a three-quarter mile long tunnel; the Kuantan-Segamat road; and the Lumut-Teluk Anson road including a bridge across the Perak river. Construction works on the East-West Highway will continue from both ends and it is anticipated that by 1975, about 60% of the entire highway including most of the bridges will be completed. A full feasibility study has been undertaken for the construction of a permanent linkage between Penang island and the mainland. The recommendations of the study are being actively considered to determine the actions to be taken. The Government has agreed in principle to the construction of the linkage and a token provision has been made in the Plan for this purpose.

542. In Sabah, a detailed engineering study will be undertaken for the three segments of the State's road network—the West Coast road from Kota Belud to Sindumin, the Crocker Range Crossing from Kota Kinabalu to Ranau and the East Coast road from Lahad Datu to Tawau. Construction works to link Sandakan to Lahad Datu across the Kinabatangan river will also commence.

543. *Development roads.* Work will continue on the construction of development roads in the Johore Tenggara and Pahang Tenggara regions. With the completion of the detailed design of the Jerangau-Jabor road in early 1975, construction will commence thereafter to provide the Trengganu Tengah development area with 51 miles of trunk roads and 37 miles of feeder roads. Construction of feeder roads in other development areas including the Muda and Kemubu Irrigation Schemes will continue. An engineering study will also

be undertaken to determine the feasibility of a road linking Kuala Lipis to Kuala Krai *via* Gua Musang with eventual connections to the Kelantan Development Region.

544. In Sarawak, a new development road to link the proposed Tanjung Kidurong port and the existing Miri-Bintulu road will be constructed in 1975. The road will serve the timber-based industries planned for the Miri-Bintulu regional area.

Ports

545. To meet the projected increase in traffic, an additional general cargo berth and bulk cargo facilities will be constructed at Butterworth which are scheduled for completion in 1975. Construction of additional ferry terminals at Butterworth and Georgetown, now in progress, is scheduled for completion by the end of the Plan period to meet berthing requirements of additional ferry vessels. In view of rapid growth of traffic through Port Klang, the Government has decided to undertake a sizable expansion of the Port's capacity. Provisions have been made for the additional facilities required during the remaining period of the Plan.

546. Work on two new major ports will commence at Kuantan and Johore to serve the rapidly developing areas of Trengganu, Pahang and Johore. The port of Johore will provide two ocean berths, one coaster berth and an oil jetty. The Kuantan port will provide three general cargo ocean berths, a multi-purpose berth for the handling of liquid bulk and dry cargo, a dolphin berth and an oil jetty. The Johore and Kuantan ports will start operating in 1975 and 1976, respectively.

547. In Sabah, construction works at Kota Kinabalu and Sandakan ports will continue and are expected to be completed by the end of the Plan period. The completion of these two ports will provide increased capacity to meet projected increases in port traffic up to 1984 for Kota Kinabalu and 1981 for Sandakan.

548. In Sarawak, the construction of the Kuching and Sibu ports will continue during the next two years of the Plan period. The expansion programmes for Kuching and Sibu ports are expected to provide adequate capacity to handle traffic up to 1980. In view of the prospective development of the Miri-Bintulu Region, a feasibility study has been initiated for the construction of a new port at Tanjong Kidurong to serve the region. Continued emphasis will also be given to the provision of jetties and other related services in both Sabah and Sarawak to serve the rural riverine areas, in view of the present lack of road facilities in those areas.

549. With the growing importance of palm-oil to the economy of the country, MISC has already placed orders for the purchase of three palm-oil tankers each of 28,500 deadweight tons. These three vessels are expected to be in service in the course of 1975 and will have the capacity to transport about 25% of the projected palm-oil exports in that year. As part of its fleet expansion programme to meet the target of one million deadweight tons set in the Plan, the MISC plans to acquire additional coastal vessels, bulk carriers to cater for timber exports and petroleum tankers.

Civil aviation

550. Apart from continuation works for expanding and improving the airport at Kota Kinabalu, work will commence on the Penang, Kuala Lumpur, Kuching and Miri airports during the remaining Plan period. The Penang Airport expansion programme includes the construction of a new 11,000 feet runway, an enlarged taxiway and a new terminal building. The development programme for the Kuala Lumpur International Airport includes expansion of the present terminal and cargo buildings and strengthening of the existing apron to provide 1,500 feet of uninterrupted space for twelve aircraft at one time. At Kuching, a new terminal complex as well as extension to the runway will be undertaken to upgrade the airport to cater for long range B707 aircraft, while at Miri, reconstruction and extension to the runway will be undertaken to cater for medium range B737 aircraft. In addition, improvements to rural aerodromes will continue in Sabah and Sarawak.

551. Apart from expanding its domestic services, MAS will continue operating various international routes to secure an appropriate share of the rapidly increasing air traffic in this region and beyond. MAS will acquire a second B707 in early 1974 to complement its Boeing fleet and will, during that year, extend its international service to Tokyo. In addition, MAS will continue to provide feeder services to the less accessible rural areas of Sabah and Sarawak. Two additional aircraft will be provided in early 1974 to serve feeder routes covering Sitiawan, Taiping, Pulau Langkawi and the National Park in Peninsular Malaysia.

552. In view of the Government's responsibility for the Malaysian Flight Information Region (FIR), a sum of \$20 million has been allocated for the programme, including the construction of an FIR Operations Building at Subang, Long Range Surveillance Radar at Genting and the installation of VHF and HF equipment.

Railways

553. The Malayan Railway will continue its modernisation programmes during the remaining Plan period. Major programmes will include replacement of obsolete rolling stock, re-laying of new tracks and installation of new

signalling and telecommunications facilities. To meet projected increases in passenger traffic, new passenger coaches will be purchased. The existing Seremban-Port Dickson line will be reconstructed to provide a more efficient service for the expanding petroleum industry at Port Dickson. A feasibility study will also be undertaken for a new spur line linking the new Johore port to the existing line. The overall financial position of the Railway is improving and this should enable it to become a viable operation by 1977.

554. The Sabah Railway, which provides the only land connection between the Pegalan Valley and the West Coast, will continue to provide services until a good all-weather road is built across the Crocker Range. To complete its modernisation programme, additional passenger coaches will be purchased during the remaining Plan period.

Telecommunications

555. The Plan allocation for telecommunications has been increased by \$67.5 million during the remaining Plan period. The increased allocation will provide for further expansion of the subscribers' network, conversion of additional four manual exchanges and modernisation of about thirty automatic exchanges. These programmes will provide an additional 50,000 lines to the telephone exchange system in Peninsular Malaysia. To reduce present telephone traffic congestion in the Kuala Lumpur and Petaling Jaya areas during peak hours, an additional switching centre will be installed in 1974. Telex services will also be increased with the installation of an additional 1,000 lines including the installation of computerised facilities. A new direct satellite link between Peninsular Malaysia, Sabah and Sarawak will be provided to enable simultaneous sharing of television programmes between Peninsular Malaysia, Sabah and Sarawak.

Postal services

556. Emphasis in the development of postal services will be given to the provision and extension of services to the rural and new development areas. The programmes include the construction of 48 post offices in various parts of the country and additional mobile post offices and the establishment of postal agencies in the new development areas of Jengka, Pahang Tenggara and Johore Tenggara.

Meteorological services

557. In the meteorological services, hydro-meteorological equipment will be obtained to better equip the department to combat recurring floods in the country.

IV. TRANSPORT POLICY ISSUES

558. The Plan document indicated a number of major policy issues which would be attended to during the Plan period. One of these pertains to the need for a comprehensive road transport licensing policy to ensure sufficient road transport capacity and its efficient utilisation. Staff work has been initiated on the preparation of the comprehensive policy. In the meantime, a major amendment to the Road Traffic Ordinance for more efficient administration of the issuance of licences was effected in 1971. In addition, a significant policy improvement already being implemented concerns the licensing of new services. The liberal issue of permits to private carriers has led to increases in the cost of carriage of freight traffic. In recognition of the need for efficient for-hire transport services, the issue of "A" carrier licences has been liberalised. To promote Malay participation in this fast growing industry, priority is being given to Malays and other indigenous operators. Licensing of carriers below 50 cwt. and restriction on goods and routes have also been liberalised. Small carrier licences are now granted on application. Route licensing has been extended to three major zones in Peninsular Malaysia. In view of the growing complexity of the road transport needs of new industries, carrier licences for special users are now granted on application.

559. A second policy issue identified in the Plan relates to the need to change the existing structure of road user taxes to make them more consistent with the objective of expanding transport services into the rural areas. A Committee has been constituted to make recommendations for changes in the road user tax structure for this purpose and their recommendations will be considered for implementation during the remainder of the Plan period.

560. With respect to railway tariffs, closer alignment of these rates with the costs of hauling various types of goods traffic is necessary. Accordingly, the railway tariff structure was modified in 1972 to make the railway more competitive in the carriage of long haul bulk traffic—traffic which the railway is best suited to carry.

561. Another policy issue identified in the Plan relates to measures to encourage greater participation in the transport industry by Malays and other indigenous people. A number of significant steps have been taken in this regard. As a result of the priority being given to Malays and other indigenous people in the issue of "A" carrier licences, their share in this sector has increased from 10% in 1970 to about 30% in 1973. Malay share holdings in bus companies, including MARA bus operations, is now 42%. MARA has also expanded its facilities for the provision of training, technical advice and credit to existing and intending Malay and other indigenous

operators in the road transport industry. A number of MARA operated bus companies have also been transferred as a matter of policy to individual Malay operators. The participation of MARA, along with other agencies, in Lori Malaysia and National Container Road Haulage Corporation (Kontena Nasional), is providing valuable experience to Malays in this fast growing industry.

562. A final policy issue is the need for effective planning for urban transportation in major urban centres, particularly Kuala Lumpur. The increasing population density and *per capita* ownership of private vehicles in Kuala Lumpur is creating serious transportation problems within the City. An issue under consideration by the Government during the remainder of the Plan period is the question of the role which an efficient, convenient, low-cost and dependable public transport service can play in alleviating the urban transport problems of a growing and increasingly important city such as Kuala Lumpur in the years to come. A related issue is the need for measures to restrain private vehicular traffic within the city centre. For this purpose, an *Urban Transport Policy and Planning Study* for Metropolitan Kuala Lumpur has been undertaken. The results of this Study will be incorporated in the overall Master Plan for the development of the Federal Territory.

563. The progress in transport and communications and the revised allocations for the programmes for the Plan period are shown in Table 10-1.

TABLE 10-1

PUBLIC DEVELOPMENT EXPENDITURE FOR TRANSPORT AND COMMUNICATIONS, 1971-75

(\$ million)

				<i>Original Plan allocation, 1971-75</i>	<i>Estimated expenditure, 1971-73</i>	<i>Achieve- ment (%)</i>	<i>Revised Plan allocation, 1971-75</i>	<i>Balance to complete, 1974-75</i>
<i>Roads</i> ¹	..	..	..	756.09	504.78	66.8	907.20	402.42
Peninsular Malaysia	..			536.10	312.08	58.2	589.79	277.71
Sabah	..	..	..	128.37	102.27	79.7	161.71	59.44
Sarawak	..	..	..	91.62	90.43	98.7	155.70	65.27

¹ Includes P.W.D. plant and equipment.

TABLE 10-1—(cont.)

PUBLIC DEVELOPMENT EXPENDITURE FOR TRANSPORT AND COMMUNICATIONS, 1971-75—(cont.)

(\$ million)—(cont.)

			<i>Original Plan allocation, 1971-75</i>	<i>Estimated expenditure, 1971-73</i>	<i>Achieve- ment (%)</i>	<i>Revised Plan allocation, 1971-75</i>	<i>Balance to complete, 1974-75</i>
<i>Railways</i>	..	..	93.72	55.18	58.9	97.71	42.53
Peninsular Malaysia	..		85.72	49.90	58.2	90.00	40.10
Sabah	..	..	8.00	5.28	65.9	7.71	2.43
<i>Ports and marine</i>	..	..	229.79	186.25	81.1	366.15	179.90
Peninsular Malaysia	..		122.87	104.05	84.7	198.09	94.04
Sabah	..	..	60.32	48.05	79.7	102.95	54.90
Sarawak	..	..	46.60	34.15	73.3	65.11	30.96
<i>Civil aviation</i>	..	..	108.76	126.96	116.7	253.59	126.63
Peninsular Malaysia	..		49.77	100.03	200.9 ²	158.80	58.77
Sabah	..	..	46.58	21.13	45.4	63.88	42.75
Sarawak	..	..	12.41	5.80	46.7	30.91	25.11
<i>Telecommunications</i>	..	..	298.39	259.94	87.1	365.83	105.89
Peninsular Malaysia	..		222.87	201.17	90.3	280.00	78.83
Sabah	..	..	38.38	26.43	68.9	40.00	13.57
Sarawak	..	..	37.14	32.34	86.9	45.83	13.49
<i>Postal services</i>	..	..	18.98	7.51	39.5	20.49	12.98
Peninsular Malaysia	..		15.20	6.18	40.7	15.48	9.30
Sabah	..	..	1.47	0.42	28.6	1.67	1.25
Sarawak	..	..	2.31	0.91	38.9	3.34	2.43
<i>Meteorological services</i>	..	..	3.50	2.60	74.3	4.04	1.44
<i>Broadcasting</i>	..	..	79.15	58.76	74.2	100.89	42.13
Peninsular Malaysia	..		45.73	33.27	72.8	57.88	24.61
Sabah	..	..	25.62	18.32	71.5	24.55	6.23
Sarawak	..	..	7.80	7.17	92.2	18.46	11.29
Total	..		1,588.38	1,201.98	75.7	2,115.90	913.92

² Includes Government equity participation in MAS.

CHAPTER XI

Education and Training

I. INTRODUCTION

564. The major objectives of education and training in the Plan are as follows :

- (i) consolidation of the education system to promote national integration and unity;
- (ii) orientation and expansion of education and training programmes towards meeting the manpower needs of the country;
- (iii) improvement of the quality of education for the building of a progressive society oriented towards modern science and technology; and
- (iv) improvement of the research, planning and implementation capability to meet the above objectives.

565. The main programmes in respect of national integration and unity are :

- (i) the implementation in stages of Bahasa Malaysia as the main medium of instruction in schools;
- (ii) closing the gap in educational opportunities among the regions and races; and
- (iii) the eventual integration of the educational systems of Sabah and Sarawak with the national system.

566. As stated in the Plan, these are long-term objectives as considerable time lags are involved before educational reforms and investments in education and training produce the desired results. However, the first three years of the Plan have been significant in identifying some of the problems and issues and in initiating policies, programmes and projects to restructure the education and training system to meet the above objectives.

567. A major advance has been the detailed assessment of the availability of providing educational opportunities to the low income groups and to the disadvantaged regions of the country as well as the identification of the specific

problems involved in extending educational opportunities to these groups and regions. A second area of significant attention has been the introduction and expansion of educational programmes to enable a greater supply of Malays and other indigenous people to meet the requirements of racially balanced employment and a viable Malay commercial and industrial community. The third area has been the expansion of facilities and opportunities for education in science, mathematics and technology-oriented disciplines. The period under review also witnessed noteworthy expansion of industrial training facilities in fields of critical manpower shortage and the implementation of measures to bring about better coordination and effectiveness of the training system.

568. Developments in the education system in Malaysia are summarised in Table 11-1.

II. PROGRESS AND PROSPECTS—EDUCATION

569. *Primary education.* Enrolments at the primary level in Malaysia increased by 8.2% between 1970 and 1973. In Peninsular Malaysia, it is estimated that by 1973, about 96% of those in the school-going age were enrolled in Primary One, as compared to 92% in 1970. Enrolments expanded more significantly in Sabah and Sarawak where a 10.9% increase was recorded, with expansion in primary school facilities.

570. Expansion of physical facilities to cater for the enrolment increase during the Plan period has been impressive. In Peninsular Malaysia, about 61% of the 4,300 classrooms targetted for the Plan period have been built. In Sabah, 571 classrooms and in Sarawak, 285 classrooms were constructed, representing more than one-half of the planned number of classrooms for the five year period. A sum of \$51.8 million was expended for these purposes during 1971-73. The allocation for the remaining years of the Plan amounts to \$65.6 million, representing an increase of nearly 59% over the original Plan allocation. Even taking into account the increase in the cost of construction, this expanded allocation will enable a more substantial programme to be undertaken in improving the primary education facilities.

571. *Secondary education.* Enrolments at the lower, upper and post-secondary levels expanded significantly during 1971-73. Secondary level enrolment in Malaysia expanded by 28%, representing 82.7% of the target enrolment for the Plan period. Apart from the provision of 2,200 classrooms in Peninsular Malaysia, 291 classrooms in Sabah and 228 classrooms in Sarawak, there were sizable increases in the number of science laboratories, domestic science laboratories, industrial arts workshops and libraries in line with the Government's efforts to increase the science and technological content of secondary

TABLE 11-1

DEVELOPMENTS IN THE EDUCATION SYSTEM, 1970-75

					Enrolments			Increase (%)	
					1970	1973	1975 (Target)	1970-73	1970-75
<i>Primary:</i>									
Peninsular Malaysia	..	..	..	..	1,421,469	1,531,493	1,605,000	7.7	12.9
Sabah	..	..	..	..	110,607	120,100	138,000	8.6	24.8
Sarawak	..	..	..	..	144,007	162,289	165,330	12.7	14.8
Total	..	..	..	..	1,676,083	1,813,882	1,908,330	8.2	13.9
(% of all levels)	..	..	..	..	75.4	71.9	69.0		
<i>Lower secondary:</i>									
Peninsular Malaysia	..	..	..	..	378,535	469,116	537,000	23.9	41.9
Sabah	..	..	..	..	26,922	33,443	41,000	24.2	52.3
Sarawak	..	..	..	..	17,041	26,186	46,507	53.7	172.9
Total	..	..	..	..	422,498	528,745	624,507	25.1	47.8
(% of all levels)	..	..	..	..	19.0	21.0	22.6		
<i>Upper secondary:</i>									
<i>Arts and Science</i>									
Peninsular Malaysia	..	..	..	..	84,925	115,289	140,000	35.8	64.9
Sabah	..	..	..	..	3,975	7,141	10,000	79.6	151.6
Sarawak	..	..	..	..	4,384	6,032	6,953	37.6	58.6
<i>Vocational and technical</i>									
Total	..	..	..	..	98,265	137,528	181,493	40.0	84.7
(% of all levels)	..	..	..	..	4.4	5.4	6.5		
<i>Post secondary (H.S.C.):</i>									
Peninsular Malaysia	..	..	..	..	10,619	13,728	16,000	29.3	50.7
Sabah	..	..	..	..	272	338	500	24.3	83.8
Sarawak	..	..	..	..	641	1,031	1,330	60.8	107.5
Total	..	..	..	..	11,532	15,097	17,830	30.9	54.6
(% of all levels)	..	..	..	..	0.5	0.6	0.6		
<i>Teacher training:</i>									
Primary	..	..	..	..	1,435	2,044	3,040	42.4	111.8
Secondary	..	..	..	..	1,123	2,030	2,400	80.8	113.7
Total	..	..	..	..	2,558	4,074	5,440	59.3	112.7
(% of all levels)	..	..	..	..	0.1	0.2	0.2		
<i>College level</i>									
(% of all levels)	..	..	..	..	0.2	0.3	0.4		
<i>University level</i>									
(% of all levels)	..	..	..	..	0.4	0.6	0.7		
Grand total					2,224,260	2,521,518	2,766,630	13.4	24.4

education. With the increased allocations for the remainder of the Plan period, 1,190 classrooms in Peninsular Malaysia, 485 in Sabah and 311 in Sarawak will be built.

572. Upper secondary technical and vocational education also expanded rapidly. Enrolments in technical schools increased from 1,588 in 1970 to 2,609 in 1973, while enrolments in vocational schools increased from 3,393 to 6,457 in Peninsular Malaysia during the same period. All the six secondary technical schools and the seven secondary vocational schools planned to be constructed under the Plan have been completed. During 1974-75, one additional secondary technical school and four secondary vocational schools will be constructed in addition to extensions, renovations and the provision of hostels for existing secondary vocational and technical schools. With the completion of these projects, enrolments in secondary vocational and technical schools will reach 24,540, thus exceeding the Plan target of 12,830 by 91.3%.

573. In Sabah, additional hostel and classroom blocks have been provided for the Likas Vocational School, with expansions envisaged for the rest of the Plan period. Conversion of the Specialist Trade Centre in Sandakan to a vocational school and site-works for a new vocational school in Tawau are now underway. In addition, work on two other schools at Keningau and Kudat is expected to commence in 1974 and 1975, respectively.

574. *Residential science schools.* In the Plan, provision was made for ten pilot residential secondary science schools to be established at suitable locations, with an enrolment of 1,200 students in each school, most of them from the rural areas. These special schools will focus on the teaching of science, mathematics and other technical subjects and would provide opportunities for rural students to take advantage of centralised educational facilities. Nine of the ten residential secondary schools will be completed by the end of 1973. Meanwhile, the first intake of 2,480 students has already commenced, temporary facilities being used for this purpose. By 1975, all the ten schools will be in full operation.

575. *Tertiary education.* Enrolments, encompassing college and university education, expanded rapidly during 1971-73. Overall enrolments increased by 67% from 13,324 in 1970 to 22,192 in 1973. By 1975, enrolments at the tertiary level will reach 29,030, an increase of nearly 118% compared with 1970.

576. The breakdown of enrolment increases for the various institutions in tertiary education is shown in Table 11-2. The progress of these institutions and their programmes for the remainder of the Plan period are discussed below.

TABLE 11-2

ENROLMENTS¹ IN TERTIARY EDUCATION, 1970-75

	1970	1973	1975 (Target)	Increase (%)	
				1971-73	1971-75
College level—					
Ungku Omar Polytechnic ..	493	915	1,273	85.6	158.2
Institute of Technology, MARA..	2,142	4,434	6,000	107.0	180.1
Tunku Abdul Rahman College..	1,195	2,182	3,000	82.6	151.0
University level—					
University of Malaya	7,777	8,519	8,600	9.5	10.6
University of Science	271	1,548	2,685	471.2	890.7
National University	169	1,489	2,647	781.1	1,466.2
University of Agriculture ..	585	1,589	2,375	171.6	305.9
National Institute of Technology	692	1,516	2,450	119.1	254.0
Total ..	13,324	22,192	29,030	66.6	117.9

¹ Excludes post-graduate and off-campus enrolments.

577. Enrolments at the *Ungku Omar Polytechnic* increased from 493 in 1970 to 915 in 1973. The intake of students more than doubled and is expected to triple by 1975. A new marine engineering course designed to meet the increasing demand for marine engineers will be introduced. Provision has been made for the establishment of a *second* Polytechnic at Kuantan during 1974-75. This second Polytechnic will have an enrolment of over 1,000 students.

578. *The Institute of Technology, MARA* (ITM), continued to play a key role in producing professional and sub-professional manpower to meet the nation's need for qualified Malays and other indigenous people. Enrolments in professional and sub-professional courses in accountancy, administration and law, applied science, architecture, business management, engineering, hotel and catering management and library science expanded rapidly from 2,142 in 1970 to 4,434 in 1973. A significant development was the introduction of an extension education programme. The aim of this extension programme is to offer professional and semi-professional courses to qualified Malays and other indigenous people who are not able to pursue courses on a formal and full-time basis. The first intake of students for this programme was 339 in 1973.

Subsequent intakes will be on a bi-annual basis. Total enrolments at ITM, excluding those in the extension education programme, will reach 6,000 by 1975.

579. The *Tunku Abdul Rahman College*, which receives Government support, offers a variety of courses ranging from the pre-university to the professional and sub-professional levels, supplementing the nation's manpower supply at these levels. At the professional level, the College trains students in accountancy, chartered secretaryship, building technology, mathematics and biological and physical sciences. Enrolment is expected to be 3,000 by 1975, more than double the strength in 1970. It is envisaged that before the end of the Plan period, new courses in automobile engineering and electronics will be introduced. The College's building programme, at its new campus at Ulu Klang, began in August 1973 and is expected to be completed by mid-1975. An allocation of \$8.5 million has been provided for construction as well as the cost of land.

580. Enrolments at the *University of Malaya* increased from 7,777 in 1970 to 8,519 in 1973 and will reach 8,600 in 1975. The expansion programme during 1971-73 was focussed mainly on extension to existing facilities and construction of new lecture theatres and residential colleges to cope with enrolment increases and to provide better facilities for students. For the rest of the Plan period, expansion to existing facilities and construction of a dental faculty, a new residential college and a sports complex will be undertaken.

581. Enrolments at the *National University* increased rapidly from 169 in 1970 to 1,489 in 1973. The first intake of students into the Faculty of Medicine commenced in 1973. The University, which is now temporarily located at the Malayan Teachers' Training College at Pantai Valley, will move to Bangi beginning in 1976. The campus at Bangi will eventually include the Faculties of Medicine, Arts, Science, Economics and Islam. An Institute of Malay Language, Literature and Culture, a library, an administrative complex and residential colleges will also be constructed.

582. Enrolments in the *University of Science* increased from 271 in 1970 to 1,548 in 1973 and are targetted to reach 2,685 by 1975. During the period under review, the University offered courses in the basic sciences, pharmacy, education, housing and building technology, the social sciences and the humanities. A master plan for the full development of the campus at Minden has been prepared and construction work has commenced with loan assistance from the World Bank. Construction of some of the facilities

immediately needed has been completed. The University of Science also conducts off-campus courses in social sciences, humanities and physical sciences and enrolment in these courses in 1973 was 380.

583. The *University of Agriculture*, which incorporates the College of Agriculture in Serdang and the Faculty of Agriculture of the University of Malaya, offers diploma and degree programmes. The intake of undergraduate students in agricultural science has been discontinued at the University of Malaya since the 1973 session. Total enrolments at the University of Agriculture increased from 585 in 1970 to 1,589 in 1973 and will reach 2,375 in 1975. The first batch of 114 students for the degree courses in agriculture, forestry, veterinary medicine and animal science was admitted in 1973. During the period 1974-75, the expansion programme will be focussed on the construction of the Faculties of Forestry, Agriculture and Veterinary Medicine and Animal Science.

584. The *National Institute of Technology*, formerly known as the Technical College, was raised to university status in 1972 offering a two-tier programme at diploma and degree levels. Enrolments at the Institute increased from 692 in 1970 to 1,516 in 1973. Teaching, workshop and laboratory facilities were expanded to cope with this increase in enrolments. The new degree programme at the Institute offers courses in mechanical, civil and electrical engineering and architecture. While it is intended to re-site the present Institute, a major part of the allocation for the Institute during 1974-75 will be directed towards the expansion of student residential facilities at the present site.

III. SPECIAL PROGRAMMES AND MEASURES IN EDUCATION

585. *Bahasa Malaysia*. To help meet the Government's objective that by 1983 Bahasa Malaysia will be the main medium of instruction at all levels of education, 9,274 primary and secondary school teachers were given in-service training during 1971-73. An additional 4,540 teachers will be provided with intensive training in Bahasa Malaysia during 1974-75. At the same time, the Government is also strengthening the teaching of English as a second language in all schools.

586. *Educational opportunities for the poor*. The lack of education is a major factor adversely affecting the ability of an individual to enhance the quality of his life and to advance his economic position. Consequently, the lack of education becomes both a symptom as well as a significant factor contributing towards poverty. Education is thus a major vehicle for the achievement of the objectives of the New Economic Policy. In order to ensure that the investments and improvements being made to help expand educational opportunities

benefit all sections of the Malaysian community, particularly the poor, the Government has conducted an intensive study on the problem of student dropouts from the educational system, with a view to examining the extent of and factors influencing such dropouts and the steps necessary to overcome the problem.

587. The study shows that the highest rate of dropout occurs among Indian pupils in both urban and rural areas at primary and lower secondary levels of education. In the rural areas, a lower proportion of Malays aged 15 were at school as compared with the Chinese, but the position was the reverse in the urban areas. A major factor associated with high dropouts from school is the socio-economic position of the families concerned. Only 10% of the poorest, but almost 90% of the more prosperous were still in school at age 15. The problem is further compounded by inequitable distribution of educational resources and facilities between schools in urban and rural areas, as well as between schools of various media of instruction.

588. The Government is now studying the findings and the recommendations of the Report. Meanwhile, educational investments and programmes for the remainder of the Plan period envisage a more intensive implementation of some of the basic recommendations of the Report, such as increased provision of teachers to rural schools, replacement of sub-standard school buildings, textbook assistance and improved nutrition for the pupils in all schools.

589. *Diversification of the education system.* One of the major efforts being undertaken is to gear the education and training system to the manpower needs of the nation. This will enhance the absorption of school-leavers into productive employment and produce adequate numbers of skilled personnel required for the implementation of the New Economic Policy.

590. To gear the education and training system to the manpower needs of the nation, a nation-wide Manpower Survey covering the public and the private sectors has been launched to provide comprehensive information on skilled manpower demand in the medium and long-term.

591. *Science and technology.* In line with the objective of creating a science and technology-oriented society, the educational content at the lower secondary level has been diversified to provide education with a practical orientation. Electives such as commerce, home science, industrial arts and agricultural science are provided according to the aptitude and interest of pupils. The percentage of Forms I-III pupils pursuing at least one of such electives has increased from 53% in 1966 to 89% in 1970 and to 98% in 1973.

592. Further, at the lower secondary level, implementation of the modern mathematics and integrated science teaching programme has been intensified. In 1972, about 400 schools, 45% of which are in the rural areas, adopted the integrated science syllabus and 175 schools the modern mathematics syllabus. In-service courses for teachers have also been held to upgrade knowledge and teaching methodology in the subjects. About 550 teachers have completed their training and another 1,200 teachers are still attending various stages of these courses. By the end of 1975, it is expected that all the science teachers would have been trained to teach integrated science. In-service training programmes for laboratory assistants and attendants have also been initiated. So far 280 of them have attended these courses. Another 1,400 are expected to be trained by 1975.

593. Steps are being taken to alleviate the shortage of graduate teachers and to improve teaching facilities, particularly in the rural areas. Science and technical facilities are being expanded to increase the availability of teachers. In the meanwhile, temporary recruitment from Indonesia and elsewhere has been resorted to. Integrated science equipment has also been provided including 132 sets from UNICEF, which were distributed mainly to the rural schools.

594. At the upper secondary level, rapid diversification of courses has been impeded by shortage of graduate teachers in science and technical subjects. However, during the period under review there were considerable increases in enrolments in the science, technical and vocational streams. The overall ratio of science, technical and vocational students to arts students has improved from about 34% in 1970 to 45% in 1973. In the long-term, the objective is to increase the proportion of science, technical and vocational enrolments to 60%. This objective will necessitate continuing attention being given to increasing the supply of graduate teachers in these subjects.

595. At the higher education level, the proportion of students enrolled in science and technical courses increased from 44% in 1970 to 48% in 1973 and further increases are expected by the end of the Plan period.

596. *Racial balance and education.* The racial composition of student enrolments within the formal school system is given in Table 11-3.

597. It is seen that there is reasonable overall balance between the races. However, the share of Malay and Indian students in total enrolments declines progressively at higher levels of education. Further, survival ratios are not uniform among the different educational levels and language streams. At the upper secondary level, while nearly 53% of the enrolments in 1973 are

TABLE 11-3

ENROLMENTS BY RACE AND BY LEVEL OF EDUCATION,
PENINSULAR MALAYSIA, 1970-73
(%)

		1970					1973				
		<i>M</i> ¹	<i>C</i> ²	<i>I</i> ³	<i>O</i> ⁴	<i>Total</i>	<i>M</i>	<i>C</i>	<i>I</i>	<i>O</i>	<i>Total</i>
Primary	.. ..	53.4	36.0	10.0	0.6	100.0	54.2	35.4	9.8	0.6	100.0
Lower secondary	..	50.9	38.8	9.6	0.6	100.0	52.3	37.9	9.2	0.6	100.0
Upper secondary	..	48.8	43.4	7.0	0.8	100.0	52.7	40.5	5.9	0.9	100.0
Post secondary	..	43.3	49.6	6.0	1.0	100.0	49.8	44.2	5.2	0.8	100.0

¹ Malays

² Chinese

³ Indians

⁴ Others

Malays, a substantial portion of them are in the arts stream. In the Malay medium upper secondary schools, where 98% are Malays, arts students account for 77%, whereas in the English medium upper secondary schools, where Malays account for only 30% of the enrolments, the arts enrolment is about 62%. Present efforts in expanding science and related education in rural areas are geared to rectifying these imbalances. The establishment of special science secondary schools, MARA Junior Colleges and pre-entry science and technology courses in institutions of higher learning will contribute towards ensuring a sufficient supply of Malay and other indigenous candidates in science and related fields.

598. Improvements in the racial composition of students in higher level institutions also took place during the period under review. Table 11-4 and Table 11-5 give student enrolments by race for each of the institutions and by field of study.

599. The proportion of Malays in total enrolments at the degree level increased from 40% in 1970 to 53% in 1973, while at the diploma level their proportion increased from 83% to 85%. Overall Malay enrolments in tertiary education increased from 50% to 62% of the total.

600. However, while the overall share of Malays in tertiary education has risen, there are still serious imbalances in specific disciplines. There is a preponderance of Malays in the liberal arts as compared to their enrolments in science and technology. Table 11-5 gives details of student enrolments by race and field of study.

TABLE 11-4

ENROLMENTS IN TERTIARY EDUCATION, BY RACE, 1970-73

	1970					1973				
	Malays	Chinese	Indians	Others	Total	Malays	Chinese	Indians	Others	Total
<i>Diploma and certificate courses—</i>										
University of Agriculture ..	458	72	3	12	545	1,168	177	13	26	1,384
National Institute of Technology ..	390	198	23	7	618	1,082	149	11	4	1,246
Institute of Technology, MARA ..	1,801	—	—	—	1,801	3,997	—	—	—	3,997
Ungku Omar Polytechnic ..	216	267	10	—	493	705	186	24	—	915
Tunku Abdul Rahman College ..	—	—	—	—	—	2	613	27	—	642
Sub-total ..	2,865	537	36	19	3,457	6,954	1,125	75	30	8,184
(% distribution) ..	(82.9)	(15.5)	(1.0)	(0.6)	(100)	(85.0)	(13.7)	(0.9)	(0.4)	(100)
<i>Degree courses—</i>										
University of Malaya ..	3,005	3,861	559	302	7,727	4,000	3,592	755	34	8,381
University of Science ..	68	144	35	5	252	506	859	139	22	1,526
National University ..	164	4	1	—	169	1,415	34	9	31	1,489
University of Agriculture ..	—	—	—	—	—	75	34	3	2	114
National Institute of Technology ..	—	—	—	—	—	192	46	1	—	239
Sub-total ..	3,237	4,009	595	307	8,148	6,188	4,565	907	89	11,749
(% distribution) ..	(39.7)	(49.2)	(7.3)	(3.8)	(100)	(52.7)	(38.8)	(7.7)	(0.8)	(100)
<i>Pre-university and preliminary courses¹—</i>										
University of Malaya ..	28	14	6	2	50	100	30	8	—	138
University of Science ..	16	3	—	—	19	22	—	—	—	22
University of Agriculture ..	31	2	—	7	40	91	—	—	—	91
National Institute of Technology ..	74	—	—	—	74	28	3	—	—	31
Institute of Technology, MARA ..	341	—	—	—	341	437	—	—	—	437
Tunku Abdul Rahman College ..	30	1,122	41	2	1,195	26	1,409	100	5	1,540

TABLE 11-4—(cont.)
ENROLMENTS IN TERTIARY EDUCATION, BY RACE, 1970-73—(cont.)

	1970					1973				
	Malays	Chinese	Indians	Others	Total	Malays	Chinese	Indians	Others	Total
Sub-total	520	1,141	47	11	1,719	704	1,442	108	5	2,259
(% distribution)	(30.3)	(66.4)	(2.7)	(0.6)	(100)	(31.2)	(63.8)	(4.8)	(0.2)	(100)
Grand total	6,622	5,687	678	337	13,324	13,846	7,132	1,090	124	22,192
(% distribution)	(49.7)	(42.7)	(5.1)	(2.5)	(100)	(62.4)	(32.1)	(4.9)	(0.6)	(100)

¹ However, if the enrolments in post-secondary courses (HSC) in the school system, as shown in Table 11-1, are combined with the enrolments in pre-university and preliminary courses in the universities and colleges, as shown in this Table, the resulting racial distribution is as follows:

	1970		1973	
	Enrolments	%	Enrolments	%
Malays	7,548	47.2
Chinese	7,506	47.0
Indians	817	5.1
Others	116	0.7
Total	12,338	100.0	15,987	100.0

TABLE 11-5

ENROLMENTS IN TERTIARY EDUCATION, BY RACE AND
FIELD OF STUDY, 1970-73

	1970					1973				
	Malays	Chinese	Indians	Others	Total	Malays	Chinese	Indians	Others	Total
<i>Diploma and certificate courses—</i>										
Agriculture	458	72	3	12	545	881	163	12	26	1,082
Engineering	633	399	27	7	1,066	1,663	277	28	1	1,969
Land Survey, Quantity Survey, Archi- tecture, Town and Country Planning ..	59	5	—	—	64	577	19	3	3	602
Statistics, Computer Science, Actuaries	136	—	—	—	136	169	—	—	—	169
Science and Technology and Applied Science	218	—	—	—	218	829	217	6	—	1,052
Animal Science	—	—	—	—	—	29	10	—	—	39
Home Science	—	—	—	—	—	24	4	1	—	29
Accountancy	353	34	3	—	390	851	29	2	—	882
Business	376	27	3	—	406	742	406	23	—	1,171
Administration and Law	355	—	—	—	355	623	—	—	—	623
Applied Arts	277	—	—	—	277	304	—	—	—	304
Hotel Catering	—	—	—	—	—	115	—	—	—	115
Library Science	—	—	—	—	—	74	—	—	—	74
Mass Communications	—	—	—	—	—	73	—	—	—	73
Sub-total ..	2,865	537	36	19	3,457	6,954	1,125	75	30	8,184
<i>Degree courses—</i>										
Arts and Language	2,104	870	270	133	3,377	3,167	457	245	28	3,897
Economics	494	661	135	52	1,342	823	482	142	7	1,454
Law	—	—	—	—	—	63	29	10	1	103
Humanities only, Humanities with Edu- cation and Social Science	61	41	17	3	122	425	234	81	13	753
Islamic Studies	32	—	—	—	32	263	—	—	13	276

TABLE 11-5—(cont.)

ENROLMENTS IN TERTIARY EDUCATION, BY RACE AND
FIELD OF STUDY, 1970-73—(cont.)

	1970				1973					
	Malays	Chinese	Indians	Others	Total	Malays	Chinese	Indians	Others	Total
Diploma in Education and Public Administration	162	239	36	24	461	253	336	99	2	690
Science only, Science with Education ..	188	1,222	66	41	1,517	465	1,728	187	14	2,394
Applied Science	—	—	—	—	—	2	26	4	—	32
Medicine, Dentistry, Pharmacy ..	100	403	45	33	581	236	446	84	6	772
Agriculture, Veterinary Science, Forestry	91	208	15	10	324	240	170	24	2	436
Engineering	5	365	11	11	392	178	615	27	2	822
Architecture, Land and Quantity Survey, Town and Country Planning	—	—	—	—	—	73	42	4	1	120
Sub-total ..	3,237	4,009	595	307	8,148	6,188	4,565	907	89	11,749
Pre-university and preliminary courses	520	1,141	47	11	1,719	704	1,442	108	5	2,259
Grand total ..	6,622	5,687	678	337	13,324	13,846	7,132	1,090	124	22,192

601. At the diploma level, the proportion of Malays enrolled in science and technology courses was 60% in 1973, compared to 52% in 1970. At the degree level, 88% of Malays, 45% of Chinese and 77% of Indians and 69% of Others were enrolled in liberal arts courses in 1970. Malay enrolment in science and technology courses was only 12% in that year. However, there was some improvement in the enrolment of Malays in these courses during the period under review. The proportion of Malays in science and technology courses reached 19% in 1973.

602. The Government will continue its efforts to increase Malay enrolments in science and technology in the universities. Facilities for science and technical education at all levels will be expanded in line with the demand for such skills, so that students of all races would have access to opportunities to gain such skills.

603. *Educational research and planning.* Continuing efforts will also be made to professionalise and strengthen educational research and planning activities. Current research efforts of significance include the study of small primary schools and studies on instructional techniques and curricula. An intensive study of the employment experience of vocational and technical school graduates and the response of industries to such training is also being conducted by the World Bank with assistance from the Ministry of Education and the Ministry of Labour and Manpower.

604. The Plan provided for the establishment of a Curriculum Development Centre in Kuala Lumpur to spearhead improvements in the curriculum and teaching of science and mathematics. Work on establishing this centre has started in 1973 and is expected to be completed by the end of 1975.

605. The Educational Television Service (ETV) was launched in 1972 to provide programmes for primary and secondary schools particularly in civics, languages, science and mathematics. A total of 2,500 TV sets has been distributed to schools. In rural schools, where electricity supply is not available, petrol-driven generators are being installed. By 1975, a total of 7,000 TV sets will have been distributed to the primary and secondary schools. ETV services will also be extended to Sabah and Sarawak during the remaining years of the Plan.

606. The machinery for the planning and coordination of higher education is being streamlined. The functions of the Higher Education Advisory Council are being reviewed with a view to covering the entire field of tertiary education and strengthening the secretariat of the Council.

IV. PROGRESS AND PROSPECTS—TRAINING PROGRAMMES

607. The first three years of the Plan witnessed considerable expansion in training capacity and strengthening and consolidation of existing vocational training programmes.

608. *Ministry of Labour and Manpower.* During 1971-73, the training programmes of the Ministry of Labour and Manpower expanded significantly. Output from the Industrial Training Institute (ITI) at Kuala Lumpur during the three years amounted to 3,534. Training was provided in various trades under the Preparatory Trade Courses Programme, the National Apprenticeship Scheme, the Skill Upgrading Programme and Industrial and Trade Instructor Training Programme. The ITI at Prai is now in operation and will produce its first batch of 126 graduates this year. By 1975, this ITI will be able to triple its output of graduates. The facilities at the ITI at Kuala Lumpur will be further expanded to provide for an increase in intake of trainees for the instructor training programme and for a new programme in foundry and pattern making. Planning has also commenced for the establishment of a third ITI at Kuala Trengganu.

609. *MARA Vocational Institutes.* At present four Vocational Institutes are in operation which in total produced 620 graduates during 1971-73. Construction of three additional Vocational Institutes at Kuala Lumpur, Sungei Patani and Johore Bahru and extensions to the existing Vocational Institute in Malacca have commenced. Work on the construction of two more Vocational Institutes at Lumut and Kuantan will commence in 1974 and 1975. Completion of all these Vocational Institutes will raise MARA's training capacity from the present 430 trainees annually to 1,780 by 1975.

610. *National Youth Pioneer Corps.* The National Youth Pioneer Corps, which provides an eighteen-month training course, mainly for rural youths, trained a total of 2,510 youths during 1971-73. Intake into the NYPC have been expanded to 1,040 youths per year. Additional facilities, equipment and workshops have been provided to cater for the increased intake.

611. *Additional measures in vocational training.* A number of other measures were taken to strengthen and consolidate vocational training during this period. The National Advisory Council on Industrial Training (NACIT), comprising representatives of the public and private sectors, was fully constituted in 1972. NACIT is now considering a plan for in-plant industrial training, with the cooperation of the private sector, for school-leavers. Efforts are also being made to strengthen the staff support for this Council in order to increase its effectiveness.

612. The National Industrial Training and Trade Certification Board (NITTCB) under the Ministry of Labour and Manpower, in cooperation with the private sector, has developed national standards at basic, intermediate and advanced levels for 19 industrial trades. To assist training institutions, the NITTCB has prepared national training syllabi for 18 trades at the basic level

and work is now in progress to prepare syllabi for these trades at the intermediate and advanced levels. The Board will also undertake the specification of training standards and syllabi for other industrial trades. The certificates to be awarded by the NITTCB will command acceptance in both public and private sectors.

613. A more intensive effort is being made to relate vocational training to industrial needs through the provision of practical orientation to courses taught at training institutions and through better labour market information. The Labour Market Information Service and the Employment Service will be strengthened to increase their effectiveness in this regard. A start has already been made in identifying skilled manpower requirements for specific large-scale industrial projects to ensure the availability of such skills. Where necessary, special programmes will be initiated to develop such skills. A result of this project-oriented approach is the planned establishment of a training school under MARA to cater for the skills required for the shipyard project at Pasir Gudang, Johore.

614. *Other education and training programmes.* MARA has established Junior Science Colleges to increase the supply of Malay and other indigenous graduates in science and technology at the secondary level. In 1972 a Junior College, with an enrolment of 150, was started in Seremban. A second Junior College with an enrolment of 150, was established in Kota Bharu in 1973. MARA plans to establish four more Junior Colleges in Kuantan, Kuala Trengganu, Alor Star and Kota Kinabalu.

615. To increase the supply of skilled craftsmen among Malays and other indigenous people, the Training Division of MARA also conducted special in-plant training courses in fields such as saw-doctoring and timber moulding, plan reading and estimating, wiring and advanced tailoring. MARA also provided scholarships and loans to 3,200 Malays for higher education and training during the period 1971-73. The target for 1975 is to provide scholarships and loans to 6,650 Malays and other indigenous people.

616. *Overseas training.* In view of the shortage of high level manpower, efforts have been made to augment the supply from local institutions through provision of more scholarships for overseas training. During the period 1971-73, a total of 1,962 scholarships, including the MARA awards, were given in various fields—most of them for science, technology and education. In addition to such Government scholars, there are an estimated 18,000 private students undertaking a variety of courses in foreign institutions.

617. Table 11-6 sets out the expenditure for education and training programmes during 1971-73, and the revised allocations for the Plan period.

TABLE 11-6

PUBLIC DEVELOPMENT EXPENDITURE FOR EDUCATION AND TRAINING, 1971-75

(\$ million)

					<i>Original Plan allocation, 1971-75</i>	<i>Estimated expenditure, 1971-73</i>	<i>Achieve- ment (%)</i>	<i>Revised Plan allocation, 1971-75</i>	<i>Balance to complete, 1974-75</i>
PENINSULAR MALAYSIA—	..	..			370.11	199.01	53.8	440.00	240.99
Primary education	..	..	..		55.09	39.53	71.8	90.00	50.47
Secondary education	..	..	..		154.43	60.07	38.9	135.19	75.12
Vocational and technical education					32.00	19.38	60.6	34.00	14.62
Technical education (Higher)	..				10.86	5.01	46.1	7.70	2.69
Universities	..	..	..	..	87.05	46.28	53.2	111.60	65.32
University of Malaya	..	..			11.05	6.15	55.6	11.05	4.90
National University	..	..	..		40.00	10.74	26.9	33.00	22.26
University of Agriculture	..	..			18.00	14.43	80.2	33.00	18.57
University of Science	..	..			18.00	14.89	82.7	25.00	10.11
National Institute of Technology	..				—	0.07	—	9.55	9.48
Teacher training	..	..	..	..	3.00	1.51	50.3	9.00	7.49
Other Programmes	..	..	..		27.68	27.23	98.4	52.51	25.28
SABAH—	..	..	..	..	36.00	24.36	67.7	60.42	36.06
Primary	..	..	..	..	11.00	8.02	72.9	16.57	8.55
Secondary	..	..	..	..	14.80	12.17	82.2	25.00	12.83
Vocational	..	..	..	..	4.23	1.34	31.7	7.00	5.66
Others	..	..	..	..	5.97	2.83	47.4	11.85	9.02
SARAWAK—	..	..	..	..	42.37	22.14	52.3	58.00	35.86
Primary	..	..	..	..	7.82	4.22	54.0	10.80	6.58
Secondary	..	..	..	..	27.95	15.06	53.9	38.14	23.08
Vocational	..	..	..	..	4.10	2.13	52.0	4.47	2.34
Others	..	..	..	..	2.50	0.73	29.2	4.60	3.87
Total	..				448.48	245.51	54.7	558.42	312.91
OTHER AGENCIES—	..	..	..		88.79	94.97	107.0	174.68	79.71
Ministry of Labour	..	..	..		3.70	2.41	65.1	4.98	2.57
Mara Training Division	..	..			42.20	32.54	77.1	75.70	43.16
Institute of Technology, MARA	..				42.89	60.02	139.9	94.00	33.98
Development	..	..	..	..	35.80	25.82	72.1	39.00	13.18
Operating	..	..	..	..	7.09	34.20	482.4	55.00	20.80
Grand Total	..				537.27	340.48	63.4	733.10	392.62

Other Public Sector Programmes

I. INTRODUCTION

618. A major aim of social and economic development under the New Economic Policy is the improvement in the quality of life among all Malaysians. An important aspect of the programmes to eradicate poverty is the provision of a wide range of social services designed to raise the living standards of the low income groups. The physical infrastructure of the country will continue to be expanded not merely to support accelerated economic development but also to improve living conditions of the poor. The objective is not only to increase productivity and incomes but also to assure that the poor have access to basic needs such as adequate nutrition, health and medical services, housing, education, transportation, water, electricity, sanitation and recreational as well as community and welfare services. The Plan, therefore, stresses the provision of these services in both urban and rural areas. These programmes will also contribute significantly to the process of modernisation of rural areas, an important aspect of the objective to restructure Malaysian society.

619. The Plan recognises that economic development entails social benefits as well as costs. The pursuit of development will continue to be properly and efficiently managed and coordinated, to minimise economic and social costs on the community, in the form of congestion in urban areas, inadequate social services and infrastructure, flooding and environmental pollution. The programmes of urban renewal and development, control and elimination of environmental pollution, as well as other programmes reviewed in this Chapter are designed to prevent or ameliorate the burden of these costs and to further increase the level of well-being of all Malaysians, particularly among the low income groups.

II. PROGRESS: 1971-73

Power

620. In Peninsular Malaysia, the National Electricity Board's (NEB) generation, transmission and distribution facilities were expanded during the 1971-73 period. The major emphasis in the power development programme was to extend the availability of supplies especially to the East Coast States of Peninsular Malaysia to accelerate industrial development and dispersal of industries, through the provision of power and facilities together with an accelerated programme of rural electrification in these areas. Two thermal plants were installed at Prai and Port Dickson with a total generating capacity of 30MW and 60MW, respectively, thus increasing the total installed generating capacity of the NEB system to 860MW by the end of 1973, a 30% increase over the period.

621. The Government, in a positive effort to bring electricity to the rural areas, allocated a sum of \$20 million for rural electrification in the Plan, with supplementary resources being provided by State Governments and the NEB, making a total of \$24.8 million. Considerable stimulus was provided to the programme with agreement being reached among the three parties concerned regarding cost-sharing. Progress in the implementation of rural electrification was substantial, benefitting nearly 350 kampungs and villages and nearly 55,000 rural consumers during the period under review.

622. The Sabah Electricity Board's (SEB) generating capacity has also been increased from 53.5MW in 1970 to 88.6MW in 1973. The additional capacity provided power to meet the requirements of new load centres, especially along the West Coast, the interior Residencies and in the Sandakan and Tawau areas. The rural electrification programme was extended to a further 27 villages. In Sarawak, where the supply of electricity is costly and difficult due to the scattered distribution of the population, 17MW of installed capacity was added to the Sarawak Electricity Supply Corporation's (SESCO) system during the period to meet the increasing requirements of both domestic and industrial users in Kuching, Sibü and Miri. Under the rural electrification programme nine stations were built during the period.

Water supplies

623. To meet the requirements of industrial and population growth in major urban areas, the water supply programmes for Peninsular Malaysia have been expanded through major projects for Kuala Lumpur, Ipoh, Penang, Malacca and Johore Bahru. To provide water supplies to rural areas throughout the country, there was accelerated development of rural water supplies in Peninsular Malaysia. These include water supplies to FELDA schemes as well as

other schemes in Krian and Perak Hilir, Perlis, Dungun, Kemaman and a number of other areas. By the end of 1973, about six million people in Peninsular Malaysia will be provided with piped water as compared to four and a half million at the end of 1970. In Sabah and Sarawak, the water supply systems in major centres and rural areas have also been expanded. In Sabah, a sum of \$15.3 million was spent in providing water supplies to various townships and rural areas. In Sarawak some 42 water supply schemes costing \$13.9 million were undertaken covering both urban and rural areas.

Sewerage

624. The sewerage programme under the Plan is confined to the densely populated urban centres of the country. Sewerage projects are being undertaken by the Kuala Lumpur City Hall, the Penang City Council, the Ipoh Municipality and the Sabah State Government.

625. For Peninsular Malaysia, the sewerage programme involves the expansion of the capacity of purification plants in Kuala Lumpur and Georgetown. The expenditure during 1971-73 is estimated at about \$8.2 million which is 65% of the original target of \$12.6 million. During this period, 4,250 new consumer connections were provided, benefitting an additional 34,700 persons. By the end of 1973, about 330,000 people will be served by central sewerage systems. In Sabah, on the other hand, sewerage projects amount to \$2.8 million for Kota Kinabalu, Lahad Datu and Sandakan. For Sarawak, a token provision was provided for a technical and economic feasibility study for sewerage disposal schemes in Kuching, Sibul and Miri.

Health services

626. The main thrust of the development programme has been the expansion of the various health services in both the urban and rural areas of the country. A number of new hospitals were completed during the period, including the Kuching Hospital and General Hospital at Seremban, while work on the General Hospital, Kuala Lumpur, continued. New rural hospitals at Tanjong Karang, Changkat Melintang and Dungun were also opened. In addition, work on the construction of new hospitals commenced in Ipoh and Telok Datok, while work on the implementation of hospitals at Jerantut, Jengka, Kota Bharu, Machang and Jerleh will be initiated before the end of 1973. Hospital facilities, including specialist services, were also developed in a number of other hospitals. As a result, the number of hospital beds in Peninsular Malaysia increased from 17,000 in 1970 to 18,186 in 1973.

627. Rural health services have received priority emphasis during this period. A total of 21 Main Health Centres, 31 Sub-Health Centres and 213 Midwives Clinics-cum-Quarters were completed during the period. A further 12 Main Health Centres, 18 Sub-Health Centres and 39 Midwives Clinics are under construction.

628. In Sabah and Sarawak the progress has also been satisfactory. Similar emphasis has been placed on rural health services to provide basic health facilities in the remote areas of these two States. In Sabah, a total of 64 projects have been completed out of a Plan total of 163 projects. The completed projects include eight rural dispensaries, 62 village group sub-centres and two new district hospitals at Ranau and Papar. Meanwhile, the hospital at Tambunan is under construction. In Sarawak, on the other hand, 87 health projects have been completed during 1971-73, and 23 are under construction out of the total of 143 projects. A total of 143 hospital beds have been added during the period. In addition, six rural health sub-centres, 17 school dental clinics and two floating clinics were completed. Under the mass health campaign, a total of 50 small rural water supplies were completed.

629. To ensure that the increasing medical and health facilities are staffed and utilised to full advantage for the benefit of the people, staff training at the professional and para-medical levels was accorded high priority and emphasis. The increasing number of medical students enrolled in local universities and abroad will help to improve the situation with an output of 250 doctors a year. However, the shortages of staff, particularly at the para-medical level, continued to be acute. During 1971-73, the intake of trainees at the three nurses training schools in Johore Bahru, Kuala Lumpur and Penang was expanded, resulting in a combined training capacity of 1,800 trainees per year beginning mid-1973. Meanwhile, a new school was established in Malacca. In addition, the existing training schools for laboratory assistants and technologists, hospital assistants, radiographers, dispensers and midwives, maintained their output levels of well-trained personnel to meet the demand.

Family planning

630. The objectives of the family planning programme in the Plan are to consolidate and extend family planning services to both urban and rural areas and to improve maternal and child welfare. The long-term target is to reduce the annual rate of population growth from the present 2.7% to 2% by 1985.

631. Progress was made in the family planning programme between 1971 and 1973. By the end of 1972, the National Family Planning Board (NFPB) established 416 mobile service units providing family planning services

throughout Peninsular Malaysia. Integrated clinics were established in eight rural health districts, while family planning services were extended to 66 FELDA schemes. The number of new programme acceptors during 1971-73 was about 168,000, representing an achievement of about 60% of the target for this period. In addition, substantial progress was also made in non-programmed acceptors through private sector efforts. Progress, as expected, was more rapid in urban areas.

Housing

632. The provision of low-cost housing is aimed directly at improving the living conditions of the urban poor. The programme provides not only for the relocation of those in sub-standard housing, especially those in squatter areas, but also makes it possible for modern amenities to be provided in an integrated manner to such people. A National Consultative Council for Housing has been set up during the period to coordinate and accelerate the housing development programme. During 1971-73, apart from the very substantial number of housing units built by the private sector in Peninsular Malaysia and the public States of Sabah and Sarawak, the Government completed 6,357 units of public housing. In addition, agencies such as UDA, MBSB and the Government Officers' Housing Company Limited helped to complete a substantial number of housing units. Some 8,400 settler houses were also constructed by FELDA during the period.

Flood control programme

633. Measures to deal with recurring floods throughout the country and to alleviate their adverse effects on human life and property have received the serious attention of the Government. A Permanent Commission on Flood Control, with participation by the private sector, University of Malaya and the Government, was established in December 1971. Several projects and studies have already been undertaken in flood-prone areas in the effort to reduce the incidence of flooding through appropriate preventive measures. These include the purchase of two dredges for the purposes of deepening the Pahang River at Pekan and Temerloh; a major study of the Pahang River basin conducted with grant assistance from the Australian Government; an agreement concluded with the Soviet Government to undertake a feasibility study now in progress in Pahang for the construction of a dam at Sungei Tembeling; and the setting up of a telemetric flood warning system in Pahang, Kelantan, Perak and Trengganu, which will be operational by the end of 1973. A flood alleviation project for the Mersing Kechil/Pengkalan Batu areas was undertaken jointly by the Federal and Johore

State Governments, while in Selangor a comprehensive urban drainage plan to control flooding in Kuala Lumpur has been prepared. A pilot project for flood control through "cloud seeding" is also being initiated.

Environmental pollution

634. Management of the environment is receiving increased attention of the Government. A notable development during the period under review was the passage of the Environmental Quality Control Act, 1973. In addition, an Environmental Division, responsible for all matters of environmental management and pollution control, has been established within the General Planning Unit of the Prime Minister's Department. In implementing this Act, the Government will adopt a broad and positive approach bearing in mind, *inter alia*, the need for accelerated industrial development. Specialised Committees have also been formed to promote research in the field and to recommend operational standards for the administration of the Act.

Culture, youth and sports

635. During 1971-73, the major development projects completed were three multi-purpose youth centres in Penang, Kedah and Perak and the extension of youth training facilities at Dusun Tua. Three additional multi-purpose centres are being constructed in Negri Sembilan, Pahang and Malacca. The various development programmes undertaken at these centres are aimed at helping the youths to be dynamic, well disciplined, productive and self-reliant. Notable progress has been made in respect of the policy relating to leadership guidance for youth organisations. Emphasis has been given to the involvement of youths in economic activities, with encouraging results. Similarly, achievements in the youth training and leadership programmes have been substantial. By the end of 1973, about 14,000 youths had undergone training at Dusun Tua and, based on current performance, about 90% of these youths will be in employment.

III. PROSPECTS: 1974-75

Power

636. The power development programme in Peninsular Malaysia will continue to be expanded during the remaining Plan period. A number of new projects will be initiated including one hydro-electric project—the Tembeling Hydro-Electric Scheme—and a thermal unit at Johore Bahru. The NEB's transmission and distribution facilities will be further extended, especially to the new industrial and port areas at Pasir Gudang in Johore and Kuantan in Pahang, the Lumut Naval Base and new industrial areas in the East Coast States of Peninsular Malaysia.

637. The allocation for rural electrification in Peninsular Malaysia has been further increased by \$35.4 million to cover additional villages and rural consumers.

638. To meet the projected growth of power consumption in Sabah, the SEB will further increase its generating capacity by 28MW by 1977 through the installation of additional diesel sets. As part of the SEB's long-term generation development programme, a study is underway to examine the possibility of developing hydro-power from the Padas River.

639. The SESCO's generating capacity will be increased from 54MW in 1973 to 82MW in 1976, especially for the fast developing areas of Kuching, Sibu and Miri. Power consumption in Sarawak has been growing at 21% per year over the past three years. To meet long-term requirements, SESCO has undertaken a pre-feasibility study for developing hydro-electricity supply in the State.

Water supplies

640. The expansion programmes for water supplies in major urban centres which started during the early part of the Plan will continue. Water supply programmes for FELDA schemes will be stepped up for which a provision of \$27 million has been made. To widen the coverage of water supply to remote rural areas, a new scheme for rural water supply will be started in 1974. An initial provision of \$5 million has been made for the remaining Plan period for this purpose.

641. In both Sabah and Sarawak, water supply programmes will continue to be expanded both in urban and rural areas. Water supply systems in Sandakan, Tawau, Kota Kinabalu and Labuan will also be expanded to meet the requirements of both domestic and industrial users. The Kuching and Sibu Water Boards will increase their capacities to 15 million gallons per day (mgd) and 7 mgd, respectively, during the remaining Plan period. Thus, the allocation for water supply schemes in Sabah has been revised from \$14.58 million to \$27.49 million, while for Sarawak it has been increased from \$12.17 million to \$30.76 million.

Sewerage

642. During 1974-75, sewerage programmes in the city areas of Kuala Lumpur, Ipoh and Georgetown will be extended. The feasibility study now underway, covering the metropolitan area of Kuala Lumpur will be completed and construction initiated during the remaining years of the Plan.

Similarly, construction of the sewerage project for the Ipoh metropolitan area will commence, following the recent completion of the feasibility study. The sewerage programme in Sabah has been expanded under the Mid-Term Review with the addition of two new projects in Tawau and Sandakan.

Health services

643. General and specialist patient care facilities and rural health services will be further improved during the remainder of the Plan period.

644. The hospital development programme for 1974-75 envisages that work will be initiated for the construction of General Hospitals in Kubang Kerian, Kuala Trengganu, Kuantan and Klang, and District Hospitals at Telok Anson, Sitiawan and Tanah Merah. In addition, the phased development of hospitals at Alor Star, Penang, Taiping, Kuala Lumpur, Kajang and Muar will continue during the period. In Sabah, apart from the major expansion programme for Kota Kinabalu General Hospital, construction is expected to commence for District Hospitals at Beaufort and Beluran while the Tambunan District Hospital will be completed. Initial work for the establishment of a new District Hospital at Kudat will begin soon. In Sarawak, construction of the District Hospitals at Limbang and Serian will commence, while planning is in progress for a new General Hospital at Sibuan. Land will also be purchased for a new District Hospital in Saratok.

645. The rural health programme will be extensively reorganised and intensified. The present three-tier system of rural health services—one Main Health Centre, four Health Sub-Centres and twenty Midwives Clinics-cum-Quarters for every 50,000 population—will be changed to a two-tier system, servicing every 15,000 to 20,000 population. Under the new system, the services provided by the Health Sub-Centres and Midwives Clinics will be upgraded and provided through a Health Centre, headed by a Medical Officer, with four to five Rural Clinics (*Klinik Desa*), each serving about 4,000 population. Pending the establishment of the Rural Clinics, mobile units will operate into the more remote rural areas.

646. To further improve the staffing situation, a number of training schools will be established for nurses and other para-medical technicians. During 1974-75, three new nurses training schools in Kota Bharu, Malacca and Ipoh will be constructed, a school for laboratory technologists established, and the expansion programme of the Public Health Institute completed. In addition, a programme to consolidate the training of assistant nurses will be initiated. Meanwhile, training schools for community nurses (*jururawat desa*) will also be set up in Peninsular Malaysia.

Family planning

647. The Plan for the remaining years is one of consolidating the existing services with the provision of other associated services and the extension of services to rural areas, including estates and FELDA schemes. It is targetted that by 1975, about 600,000 acceptors, both urban and rural, will be reached by the programme. An integrated population project aimed at strengthening and intensifying the national family planning programme has been launched with loan financing from the World Bank and a grant for technical support from the United Nations Fund for Population Activities (UNFPA). An allocation of \$6 million has been made for 1974-75 for the development of maternal and child health centres, rural health centres and midwives clinics which integrate family planning with health services and the establishment of family planning clinics in existing hospitals. The project also involves the construction of a rural health training school in Trengganu and the establishment of a population research unit.

648. Furthermore, between 1974 and 1975, family planning services will be extended to five more low-cost housing schemes, while the rural integrated programme will be expanded to seven additional health districts, and nineteen FELDA schemes. In addition, the National Family Planning Board will recruit a further 180 midwives under its Kampong Bidan Programme.

Nutrition

649. Satisfactory progress was made in the implementation of the Applied Nutrition Project (ANP) during 1971-73. The long-term objectives of the ANP are to initiate improvements in nutritional levels through training and extension programmes; and to strengthen the formulation of national food and nutritional policies and priorities, through coordinated inter-agency programming and community development at grass-root levels. The ANP conducted a baseline survey in Kuala Langat, the results of which have been evaluated.

650. During the remaining years of the Plan, the coverage of the food and nutrition programme will be increased extensively throughout the country. By 1975, it is targetted to cover about 2.3 million of the population in Peninsular Malaysia. The programme will be extended to fifteen districts, selected on the basis of their infant and toddler mortality rates. In addition, the programme will provide supplementary feeding for the vulnerable groups in the community, especially infants, toddlers, pregnant and lactating mothers. The nutrition programme will be undertaken on an integrated

basis, involving the Ministries of Health, Education, Agriculture and the Ministry of Rural Economic Development which will assume the role of coordinator.

Housing

651. For the remaining years of the Plan, the number of houses to be constructed will rise in response to the demand generated by rapid economic and social development. In the effort to encourage the mobility of labour, as well as provide easy access to the place of work, better accommodation, and social amenities for workers, the various industrial estates will be provided with housing accommodation for employees. Apart from easing labour shortage in localised areas, this will also enable the Government to promote the dispersal of industries.

652. The development of regional areas, such as Pahang Tenggara, Johore Tenggara, Trengganu Tengah and Kelantan in Peninsular Malaysia and Miri-Bintulu in Sarawak, on an integrated basis, will lead to new growth centres being established. This, together with the dispersal of industries to these areas, will also stimulate effective demand for housing.

653. Further, the strong desire for house ownership, coupled with the continued rise in real incomes during the remaining years of the Plan, will create a substantial impact on housing demand. The Government will help to provide adequate land to meet the expected upsurge in demand for housing in the various development areas.

654. The public low-cost housing programme to be undertaken through the various Government agencies is aimed at completing about 12,000 units for 1974-75. The SEDCs, UDA, Malaysia Building Society Berhad and the Government Officers' Housing Company Limited will have a construction capacity of 12,000-14,000 units a year.

655. The efforts of the public agencies will be supplemented by the private sector. Private developers at present have a capacity to build about 12,000 units per year. Thus, during 1971-75, it is estimated that about 100,000 units of houses would be completed. These estimates exclude houses built by individuals and by FELDA. It is estimated that about 18,000 units of houses will be built by FELDA by the end of 1975.

656. Thus, these developments strongly indicate that in the ensuing years of the Plan, the construction industry will increase its demand for various building materials such as cement, steel, roofing and glazed tiles as well as

bricks. Rapid expansion of the capacity of the building materials industry will therefore be encouraged to help meet the objective of promoting house ownership among all Malaysians.

657. In this connection, the Government has encouraged commercial banks, building societies and finance companies to adopt a more liberal lending policy for housing for the middle and low income groups. The National Department of Housing will also continue to review current policies and procedures in the development of public housing with a view to accelerating the house building programme and promoting its orderly development. State Governments, the SEDCs, UDA and other public agencies will have a major role to play in the construction of new houses, especially low-cost houses, to supplement those being built by private developers throughout Malaysia.

Culture, youth and sports

658. The programme for youth training will be intensified. It is expected that during 1974-75 three more multi-purpose youth centres will be constructed in Johore, Kelantan and Sabah and the centre in Sarawak expanded, with 6,000 more youth trained. In line with the Government's determined effort to forge a more united nation, cultural programmes in a number of fields, using as much as possible local elements of culture, will be expanded. In order to promote and intensify these cultural programmes a Cultural Complex will be built. Initial work on the project will commence in 1974.

659. The Government will continue to encourage the development of sports activities among youth. In addition to the financial and technical assistance being provided, an allocation for expanding the seating capacity of Merdeka Stadium has been made under the Plan.

Welfare services

660. The primary focus of the development programmes of social welfare services is on the provision of material assistance, care, advice, relief and rehabilitation of the disadvantaged groups of society. These include children, the physically handicapped, young girls, women and the aged. While welfare services projects under the Plan have largely met the needs of these groups during the period under review, the Government recognises that much more remains to be done. In the remaining years of the Plan, efforts will continue to be made to assist the weaker members of the community affected by rapid changes in the social environment. Welfare services will, therefore, be

progressively broadened in scope and direction consistent with the objective of accelerating social and economic progress and improving the quality of life of all Malaysians.

661. The Government will thus accord greater priority and emphasis to social welfare activities which are development-oriented and reach a wider section of the population. The weaker members of the community will be assisted, trained and motivated towards self-improvement. The development of indigenous leadership for community services and the implementation of self-help projects will be accelerated. The Ministry of Welfare Services will also provide services to supplement and reinforce the activities of other Ministries and agencies concerned in the social sector, such as Health, Education, the Central Narcotics Bureau and the National Family Planning Board.

662. Further expansion in the preventive, supportive and development-oriented activities will be made in the next two years. At the same time, the Ministry of Welfare Services will continue to strengthen and improve the remedial services so as to better meet the individual hardships of the less fortunate members of the community. In this connection, two reformatory institutions for juvenile delinquents and two additional institutions for the care, protection and rehabilitation of young girls and women exposed to moral danger, will be constructed during 1974-75. A Sheltered Workshop will also be built to provide employment opportunities for the physically handicapped under congenial working conditions.

General administration

663. Requirements for accommodation and equipment for general administration have been given greater attention. With the inclusion of new projects and taking account of increased costs, the allocation for general administration has been increased to \$369.86 million. This includes provision for a large Federal Government complex in Jalan Duta, Kuala Lumpur, a Malaysian Development Display Centre in Kuala Lumpur and the completion of Federal Government office blocks in Sabah and Sarawak.

Defence and internal security

664. The allocations for defence and internal security have been revised under the Mid-Term Review to \$810 million and \$240.5 million, respectively.

665. Table 12-1 sets out the progress in the implementation of the various programmes reviewed in this Chapter and the revised allocations for these programmes for the Plan period.

TABLE 12-1

PUBLIC DEVELOPMENT EXPENDITURE FOR OTHER PUBLIC
SECTOR PROGRAMMES, 1971-75

(\$ million)

	Original Plan allocation, 1971-75	Estimated expenditure, 1971-75	Achieve- ment (%)	Revised Plan allocation, 1971-75	Peninsular Malaysia	Sabah	Sarawak	Balance to complete, 1974-75
<i>Utilities</i>	771.06	466.66	60.5	1,006.08	843.61	66.76	95.71	539.42
Power development	538.52	269.21	50.0	579.26	494.77	23.14	61.35	310.05
Rural electrification	24.82 ¹	32.52	131.0	70.03	60.23	6.20	3.60	37.51
Water	183.75	156.40	85.1	334.26	276.01	27.49	30.76	177.86
Sewerage	23.97	8.53	35.6	22.53	12.60	9.93	—	14.00
<i>Health and family planning</i>	213.65	93.24	43.6	226.79	179.63	26.00	21.16	133.55
<i>Other social and community services</i>	292.50	218.67	74.8	369.15	286.99	48.94	33.22	150.48
Housing	171.89	111.30	64.8	239.97	190.48	20.78	28.71	128.67
Culture, youth and sports	7.23	17.54 ²	40.0 ³	24.29	15.07	5.71	3.51	6.75
Community services	92.53	80.73	87.2	83.49	61.96	21.53	—	2.75
Welfare	13.47	4.36	32.4	13.90	11.98	0.92	1.00	9.54
Aborigines	7.38	4.74	64.2	7.50	7.50	—	—	2.76
<i>General administration</i>	211.58	165.80	78.4	369.86	260.99	46.79	62.08	204.06
<i>Security</i>	1,100.07	575.48	52.3	1,050.51	1,050.51	—	—	475.03
Defence	850.07	481.34	56.6	810.00	810.00	—	—	328.66
Internal security	250.00	94.14	37.7	240.51	240.51	—	—	146.37
Total	2,588.86	1,519.85	58.7	3,022.39	2,621.73	188.49	212.17	1,502.54

¹ Excludes the appropriation of \$10.5 million by the States in Peninsular Malaysia.² Includes the actual expenditure of \$14.65 million expended by State Governments from States' own resources.³ The achievement is based on the level of actual expenditure of \$2.89 million by the Ministry of Culture, Youth and Sports.