

Part One

Overview

CHAPTER I

The New Economic Policy: Goals and Strategy

I. INTRODUCTION

With the launching of the Third Malaysia Plan (TMP), 1976-80, Peninsular Malaysia will approach the end of its second decade of Independence and enter the third with the experience gained of four Five-Year Development Plans. For Sabah and Sarawak, this will represent the completion of two carefully designed Development Plans within Malaysia. For the nation and the people as a whole, the decade of the sixties and the first half of the seventies were in many respects a momentous period of progress and socio-economic transformation. Malaysia now stands poised for a new stage of development in its history as a sovereign nation.

2. The path of development and change so far traversed has been full of trials and challenges. With Independence in 1957, Peninsular Malaysia faced the problem of consolidating a nation with a multiracial society characterized by socio-economic and cultural differences. Further, the Emergency period lasting until 1960 posed a threat that called for courage, determination and sacrifice on the part of all Malaysians to overcome. The birth of Malaysia in 1963 brought in another period of national integration fraught with many external threats and challenges. Then in 1969, Malaysia faced an outburst of racial conflict that showed clearly an area of weakness which undermined the very foundations of the nation.

3. Yet Malaysia emerged from these critical times much the stronger and more determined to achieve national unity, economic growth and social development. The trauma of racial riots led to a critical self-analysis of what went wrong and the formulation of new approaches towards strengthening national unity. As a result of this analysis and re-examination, the *Rukunegara*—the National Ideology—was formulated to express the beliefs and principles of the nation and to lay down the foundations of national unity.

4. A most significant aspect of the trials and challenges which the nation faced in its formative years was the development of the political system itself. Throughout these trying years, the ideals of parliamentary democracy have been maintained and nurtured with modifications to adapt to the needs of a multiracial society. Except for a period of national emergency which was declared following the 1969 racial disturbances, Malaysia has always given free rein to democratic expression and governance. To forestall a recurrence of the 1969 incidents, new safeguards against ethnic rivalries and fears were effected through appropriate constitutional and legal processes. It is in the same pragmatic and nationally-oriented spirit that the ruling political party—the Alliance—has transformed itself into the *Barisan Nasional* so as to provide a wider multiracial basis of Government in the best democratic tradition.

5. In keeping with the overriding objective of national integration and unity, the entire socio-economic system of the nation has been restructured and given new direction. The education system has been modernized, expanded and given an ever increasing role in moulding civic and national consciousness and spiritual values as well as in upgrading the knowledge and skills required of a developing nation and its growing population. Medical and health services have also been expanded and made accessible to everyone. All the while, efforts have been made to nurture the evolution of a truly Malaysian identity and way of life. Thus the process of nation-building has been incorporated into a more co-ordinated and integrated agenda for development which will enable Malaysia to emerge as a stable, prosperous and united nation in Southeast Asia.

6. The TMP represents a continuation of all these efforts. It is a logical extension of the Second Malaysia Plan which was based on the New Economic Policy (NEP)—a socio-economic policy designed to achieve national unity through the two-pronged objectives of eradicating poverty irrespective of race and restructuring society to eliminate the identification of race with economic function. The NEP has been conceived as an agenda that stretches over 20 years. Malaysia has achieved much progress in this direction but there is more to be done.

II. ECONOMIC STRATEGY AND PERFORMANCE, 1957-70

7. As the country embarks upon the TMP, it is instructive to review broadly the major developments which have led to the promulgation of the NEP. With Malayan Independence, the goals of the Government changed from system maintenance to development. To underpin this commitment, the concept and practice of economic planning was introduced and extended. It represented Government's commitment to economic and social progress; an instrument for illuminating the options open to society and the state of the country's economic and social development; a means for articulating the Government's general strategy for growth, structural change and distribution; a basis for decisions on individual investment projects; and a standard against which to measure results.

8. At the same time, attention was given to the need to gear the administrative system to undertake expeditiously the implementation of the developmental goals of the Government. As a result, the implementation capacity of the public sector was sizeably expanded, while information and monitoring mechanisms were developed—providing not only for complementary use of the processes of planning from above and planning from below but also for feedback of information on the progress and problems of execution from the field back to the centre. Operations Rooms were set up at national, State and district levels where the leadership of the Government was regularly briefed on the progress of programmes and projects and decisions made on problems holding up implementation.

9. Under this impetus, the pace of development advanced rapidly both in the public and private sectors of the economy. The economy itself underwent structural change of a fundamental order making it more broadly-based and progressively less susceptible to the vagaries of external conditions which so adversely affect economies dependent on just a few primary export products.

10. The agricultural sector, the mainstay of the economy, was strengthened through significant improvements in the productivity of the rubber industry as well as rapid diversification into oil palm, greater utilization of the ample forest resources of the country and expansion of rice and livestock production. The most dynamic growth, however, was registered by the manufacturing and construction industries. While in the fifties the manufacturing sector was largely geared to the processing of the country's principal export products of rubber and tin, it developed rapidly in the sixties to encompass the production of an increasing range of manufactured goods which were previously imported. In more recent years, the country has begun to take advantage of its enlarging domestic industrial base to export manufactured goods on a competitive basis. All in all, the Gross Domestic Product (GDP) of the country grew by over 6% per annum in real terms.

11. The impact of all these developments on national welfare was significant. While the population grew by over 30% in the sixties, the size of the economy almost doubled, thus increasing *per capita* income by some 40% over the period. Private consumption *per capita* also rose, while public investment brought the benefits of education, health, transportation and housing to the poor in both the urban and rural areas of the country.

12. Infant mortality declined between 1957 and 1970 from 75.7 per 1,000 to 40.8 per 1,000; male life expectancy increased from 55.8 years to 63.5 years. These improvements reflected better health standards. At the same time, the percentage of the population in the age group ten and above that was literate showed an increase from 51.0% in 1957 to 60.8% in 1970. Another indicator showing improvements in the field of education was the percentage of the population in the age group 5-19 enrolled in schools which increased from 49.8% to 52.7% in the thirteen-year period. Government expenditure on education *per capita* rose from \$21 in 1957 to \$45 in 1970.

13. The purchasing power of income in the hands of Malaysians was, however, adversely affected by the sharp deterioration of the country's terms of trade due principally to the secular fall in the price of rubber in the face of fairly stable import prices. Nevertheless, Malaysia managed to produce a real growth of *per capita* income which was high by international standards.

14. An important force bringing about this pace of economic growth was investment which increased more rapidly than GDP throughout the period. A massive investment programme for the development of the human and physical infrastructure of the economy was initiated and sustained by the public sector. With progressive strengthening of the productive base of the economy, sizeable opportunities for private investment were created and taken up as Malaysian and foreign entrepreneurs together advanced the development of the country's traditional industries and entered new areas of economic activity.

15. In view of the inequalities in the distribution of economic activity among and within sectors in the economy, regions in the country and racial and social groups in the population, an important aspect of the Government's developmental strategy in the sixties was the widespread extension of the prerequisites for progressive expansion of agriculture and industry and the modernization of the countryside. The underlying aim of these efforts was enhancement of the well-being of all Malaysians and in particular those in low income groups in the rural areas. But this was inevitably a time consuming process and, in the event, produced important distributional implications. While the economy grew strongly, reflecting to a large extent economic activity associated with the investments made in expanding and strengthening the human and physical foundations of the economy, the participation of different groups in Malaysian society in the process was unequal given the concentration of the modern economic sector in the western part of Peninsular Malaysia and in the principal towns of Sabah and Sarawak. Thus, different segments of the Malaysian population shared unequally in the incomes generated by such activity as a result of which the distribution of income is not likely to have improved in the sixties.

III. SOCIO-ECONOMIC PROBLEMS

16. The rate of job creation at 2.6% per annum in Peninsular Malaysia reflected a fairly satisfactory performance. As, however, the labour force expanded by about 2.9% per annum, following the upsurge in the growth of population after the Second World War, unemployment as a percentage of the labour force rose from about 6% in 1960 to 8% in 1970. Unemployment thus became a serious problem, the intensity of which was especially marked among the young in the urban areas. Unemployment was equally a problem in the rural areas. In addition, underemployment remained widespread.

17. It was fully recognized that economic growth by itself could not be expected to deal adequately with the problems of the poor. Along with infrastructural investment, therefore, directly productive investment was emphasized to the extent permitted by the absorptive capacity of the economy. Some 22% of total development expenditure by the public sector was aimed at increasing the income earning capacity and quality of life of the rural poor through rural development. The major programmes included new land development, rubber replanting and drainage and irrigation to enable double-cropping of padi, as well as the improvement of social and community services in the rural areas.

18. Notwithstanding the fact that the new investments could not be expected to yield their full effects in the sixties, real output in smallholder agriculture began to increase, registering an annual growth of about 6% over the period 1961-70. It contributed to some improvement in absolute living standards, despite the sharp deterioration in the terms of trade, but was insufficient to affect the share of income of the rural poor nor to sizeably reduce the extent of underemployment.

19. In the circumstances, a rather high degree of inequality existed in the distribution of income of the country in 1970. In Peninsular Malaysia, households which may be considered to have been in poverty¹ constituted some 49% of all households and accounted for 15%-18% of total income, while the top 5% of households in the distribution of income obtained almost 30% of the income. In absolute numbers, about 792,000 of the 1.6 million households realized incomes at or below the poverty level in 1970. The incidence of poverty was 59% among rural households and 25% among urban households.

20. Wide inequalities in the distribution of income exist in most societies. In Peninsular Malaysia itself, data on the distribution of income indicate that inequalities exist among all racial groups with the pattern of distribution similar among the Malays and the Chinese but more unequal among the Indians and other racial groups in the country. The problem in Malaysia is compounded by the fact that average incomes between the major social groups vary widely. In terms of *per capita* income, the Malays received \$34 per month or one-half that of the Chinese at \$68, while the Indians obtained \$57 or some 70% more than the Malays. Of all poor households, about 74% were Malay, 17% Chinese and 8% Indian.

21. Of all Malay households, 65% were in poverty compared to 26% for Chinese households. In the case of Indian and other households, 39% and 45% had incomes below the poverty line.

¹ The poverty line which has been measured for this purpose is defined to cover minimum food requirements and minimum needs with respect to clothing, housing, consumer durable goods and transport services to sustain a decent standard of living. Available data did not permit estimates to be made for Sabah and Sarawak.

22. Underlying these income differentials were the unequal distribution in employment of the major racial groups among the various sectors of the economy and the unequal distribution in the ownership and control of wealth in the country. In employment, the Malays were concentrated in agriculture where *per capita* product was the lowest among all sectors and where the incidence of poverty was the highest accounting for over 70% of all households in poverty. On the other hand, the Chinese were concentrated in mining, manufacturing and construction where *per capita* product was 167% higher than in agriculture and 60% higher than the average for the entire economy. The number of poor households in these sectors accounted for only 9% of all those in poverty.

23. With respect to the ownership of wealth available data indicate only small amounts of share capital owned by Malays and Indians compared to the holdings by Chinese with dominance exercised by foreign interests. In 1970, Malays and Malay interests owned 2.4% of equity capital, while Indians held 1.1%. The Chinese, on the other hand, accounted for 27.2%, Others 6.0% whilst foreigners held 63.3%.

24. In the non-corporate sector of modern agriculture², Malays owned 47.1%, Chinese 32.8%, Indians 10.1%, Others 1.8%, Government 2.3% and foreigners 5.9% of the acreage under cultivation. In the non-corporate industrial sector which is made up of manufacturing, mining and construction, the ownership of fixed assets was as follows: Malays 2.3%, Chinese 92.2%, Indians 2.3%, Others 0.8% and foreigners 2.4%. It should, however, be noted that 87.4% of the total fixed assets in the industrial sector were owned by corporate entities.

25. While the resulting inequalities in the distribution of income between the major racial groups were in themselves matters of grave concern from the point of view of social justice, the socio-political implications of an economic system divided along racial lines were an even greater threat to national unity, social stability and economic progress. Socio-political stability could not be maintained for long in situations where, for example, a Malay farmer coming to town, even with an increased income, felt somewhat alienated, somewhat an outsider, simply because he saw so few Malays in the shops, restaurants and factories of the town. And so might the Chinese and Indians when going into a Malay dominated agricultural area.

26. Whatever their proximate causes, the racial riots of May 1969 owed their origin to inadequate efforts to redress socio-economic imbalances which have characterized Malaysian society for so long. Coming on top of political independence, economic growth itself in the sixties had irretrievably affected the values, attitudes, ambitions and expectations of Malaysians of all walks of life and in particular those who were less advantaged. A society marked by significant economic imbalances was no longer acceptable. A concerted effort to accelerate the removal of these imbalances became imperative.

² Modern agriculture covers estate acreage under rubber, oil palm, coconut and tea. The Federal Land Development Authority (FELDA) schemes are included in this category.

IV. OBJECTIVES OF THE NEW ECONOMIC POLICY

27. In the aftermath of the racial riots, the NEP was enunciated, the overriding objective of which is national unity. Comprising two prongs, the NEP seeks to eradicate poverty among all Malaysians and to restructure Malaysian society so that the identification of race with economic function and geographical location is reduced and eventually eliminated, both objectives being realized through rapid expansion of the economy over time. Based on an intensive review of the nation's policies and priorities and involving close consultation with and deliberation among all segments of Malaysian society, the NEP has come to constitute a positive commitment by the Government to the task of creating a united, secure, socially just and progressive nation.

28. The first prong of the NEP aims at progressively improving the economic condition and quality of life of the poor of all races by directly increasing their access to land, physical capital, training and other public facilities, thus permitting them to share more equitably in the benefits of economic growth. The aim is that the incidence of absolute poverty should be substantially reduced by 1990 from the implementation of policies and programmes directly geared towards the needs of the poor.

29. Over and above the need to ensure that the poor are provided with sufficient opportunities to participate in and benefit from the process of economic growth, the Government seeks as well, through the second prong of the NEP, a fairer distribution among the races of the opportunity to participate in the widening range of economic activity that is already underway. The present compartmentalization of racial groups by economic function, with the Malays and other indigenous people concentrated in the traditional sectors of the economy, is the core of the problem. It militates against the fuller utilization by the Malays and other indigenous people of the many opportunities being opened up in the more modern sectors of the economy. It stands in the way of national unity when members of any particular racial group feel a sense of discrimination, whether real or imagined, on endeavouring to enter into fields of economic activity not commonly associated with that race.

30. Accordingly, through the second prong of the NEP, the Government aims at providing such assistance as may be necessary for all racial groups in the country to find employment, secure participation and acquire ownership and control in the various sectors of the economy. To this end, it is necessary that the Malays and other indigenous people should be freed from their dependence on subsistence agriculture and be given opportunities to participate proportionately in the modern rural and urban sectors of the economy at all levels. Conversely, as the Malays and other indigenous people show progress in their involvement in the modern sector, the other Malaysians should be encouraged to play a greater role in modern agriculture so that the identification of the Malays and other indigenous people with agricultural pursuits is eliminated. The basic objective is the creation

of a socio-economic environment in which a united nation would evolve out of the daily interaction of Malaysians of all races in all sectors of the economy across the geographical regions of the country.

31. The objectives of social justice underlying the NEP cannot be viewed independently of growth objectives. The level and growth of income of socio-economic groups in poverty is to be raised in the context of rising standards of living. At the same time, the restructuring of the racial composition of employment and wealth ownership is to be effected in ways which do not deny opportunities to others as well. Accordingly, the distributional objectives of the NEP must depend on accelerated economic growth which, however, will be redirected to benefit the disadvantaged more. Moreover, rapid economic growth is essential to mobilize the substantial resources required for the eradication of poverty and the restructuring of society. An essential component of this strategy is the active participation of the private sector including foreign expertise. What is sought is redistribution in a context of dynamic growth so that no particular group experiences any loss or feels any sense of deprivation in the process.

32. In the implementation of the NEP, equal priority is intended for the two prongs, for both together constitute a complementary and mutually reinforcing set of policies and programmes. Measures aimed at benefitting the poor in their present locations and spheres of economic activity would no doubt contribute significantly to the enhancement of their living standards. The limits to such enhancement will, however, be quickly reached unless some of the poor in both the rural and urban areas of the economy are provided with the necessary opportunities and resources to move into the more developed regions and sectors of the economy, given that by far the most serious factor contributing to poverty is underemployment. On the other hand, measures aimed only at the restructuring of society particularly in respect of the changes sought in the ownership of wealth, would tend to benefit to a substantially greater degree the more advantaged among the target groups concerned leaving the economic condition of the poor largely unaffected.

33. It must be appreciated that planned development through public sector spending aimed at correcting imbalances and restructuring society will tend to initially accentuate rather than reduce these imbalances. The initial benefits from the construction of multi-million dollar irrigation schemes, for example, will accrue to urban entrepreneurs and construction workers before they benefit the rural poor for whom these schemes are meant. On the same basis, it can be expected that efforts to urbanize and integrate Malays and other indigenous people into the mainstream of

modern economic activity would also benefit the other communities first. This process of planned public sector spending affects the speed of restructuring. It is important to understand and emphasize this. Otherwise the Malays and other indigenous people will become embittered because they are not receiving what they have been promised while other Malaysians will also be embittered because the emphasis on the development of Malays and other indigenous people deflects their sights from the benefits they themselves are already receiving from the implementation of these schemes. In the atmosphere so created, the whole purpose of the NEP will be retarded or reduced to nought.

34. In the final analysis, what is sought by the NEP is a socio-economic environment in which individual Malaysians find self-fulfilment within a system which provides for proportional participation, management and control in the economic life of the nation. Continuing improvement in the economic welfare of each and every individual in Malaysia is important in this regard but is not enough. Unless this is also accompanied by progressive transformation of the country's racially-compartmentalized economic system into one in which the composition of Malaysian society is visibly reflected in its countryside and towns, farms and factories, shops and offices, the present state of accommodation and understanding between the major racial groups will not grow to the full maturity of national unity.

35. The progressive attainment of these objectives is also important if the security of the nation is to be promoted. As long as tangible progress is not seen to be made in bringing about their attainment, discontentment will arise and provide fertile ground for the machinations of anti-national and subversive elements. Indeed, such elements have increasingly capitalized upon current problems in the socio-economic environment in seeking to destroy the foundations on which the nation developed. Through intimidation and attempts to destroy public confidence in the capacity of the Government to provide law and order, they seek to discredit the programmes of a constitutionally elected Government for accelerated economic development with social justice for all. They have little regard for the impact which their efforts have on the welfare of the common man or the practicability of implementing their utopian promises. All their actions in fact are aimed at establishing a system of Government which is alien to the ideology of the mass of Malaysian society.

36. The Government will meet this threat to the security of the nation. It will expand its security forces and above all, it will continue to ensure that the most rapid progress possible is made in eradicating the root causes of socio-economic imbalances so that Malaysians of all races, religions, income groups and social strata will share in a sustained manner in the

fruits of progress. Only on this basis can it be assured that Malaysians, particularly those who are now less fortunate, will not fall prey to the designs of anti-national and subversive elements.

37. The inter-dependence of the socio-economic development efforts of the Government and the development of its security capabilities cannot be over-emphasized. In the absence of security, social and economic progress will be thwarted. Without such progress, on the other hand, the maintenance of the nation's security will become progressively more difficult.

38. The NEP was inaugurated with the overriding objective of fostering nation building and national unity. The re-emergence of the security threat makes it incumbent upon the Government to ensure that, in addition, its policies, programmes and projects will also contribute to the task of assuring national security for all its people.

CHAPTER II

Review of the Second Malaysia Plan, 1971-75

I. INTRODUCTION

39. The main thrust of the Second Malaysia Plan (SMP) was to lay the foundations for the implementation of the New Economic Policy (NEP). The SMP itself was the first in a series within the Perspective Plan, 1971-90, aimed at accelerating economic change designed to bring about a more equitable distribution of economic opportunity, income and wealth among the population. Progress in the overall economic development of Malaysia in terms of growth and employment generation has been generally favourable. Progress was also made in respect of the eradication of poverty and the reduction of economic imbalances. This has been achieved despite the uncertainties of the international economic situation and developments beyond the nation's control.

40. This Chapter outlines the economic progress of the nation during 1971-75 and reviews the results in terms of the twin prongs of the NEP for eradicating poverty without regard to race and restructuring society in the interest of national unity.

II. GROWTH BY MAJOR SECTORS

41. The achievement of the two objectives of the NEP depends upon a rapid pace of economic growth and the changing structure of the economy. An expanding economy not only supplies the environment within which the NEP targets can be attained without depriving any one community of its legitimate place in the economy but also the potential for social mobility.

42. In the main, the Malaysian economy achieved a creditable rate of growth during 1971-75. It is estimated that the Gross Domestic Product (GDP) at factor cost, in real terms, grew by 7.4% per annum during the period as shown in Table 2-1 as compared with the original SMP target of 6.8% and the revised target in the Mid-Term Review (MTR) of 7.8%. The shortfall with respect to the MTR target is largely attributable to the impact of worldwide recession on the Malaysian economy during 1974/75. The average annual rate of growth of GDP was 8.4% during 1971-74 as compared with 3.5% in 1975.

TABLE 2-1

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

Sector	1970	1971	1972	1973	1974	1975	Average annual growth rate (%) 1971-75
Agriculture	3,432	3,612	3,720	4,241	4,518	4,563	5.9
Mining and quarrying	613	663	701	666	619	612	0
Manufacturing	1,307	1,436	1,610	1,904	2,175	2,197	10.9
Construction	481	544	569	631	677	711	8.1
Electricity, water and sanitary services	245	260	301	339	372	401	10.4
Transport, storage and communications	606	637	764	901	1,036	1,098	12.6
Wholesale and retail trade	1,423	1,496	1,586	1,824	2,006	2,086	7.9
Ownership of dwellings, banking, insurance and real estate	836	890	928	1,008	1,063	1,109	5.8
Public administration and defence	794	866	979	1,018	1,090	1,199	8.6
Other services	874	918	1,001	1,081	1,189	1,237	7.2
Statistical discrepancy	+97	+267	+190	+254	+52	+102	—
Gross domestic product at factor cost	10,708	11,589	12,349	13,867	14,797	15,315	7.4

43. The fastest growing sectors were transport, manufacturing, public administration and other services with average annual rates of growth of 12.6%, 10.9%, 8.6% and 7.2% respectively during the SMP period. However, in terms of its relative contribution to total growth, agricultural production, mainly arising from the oil palm sector, continued to predominate with over a quarter of the growth in real GDP. Manufacturing and trade accounted for 19.3% and 14.4% of the growth, whilst transport, administration and other services accounted for about 10% each of the increase.

Agriculture, forestry, livestock and fisheries

44. Value added in the agricultural sector, which accounted for about 30% of GDP in 1975, expanded by 5.9% per annum during 1971-75. The most significant increase was registered by oil palm at 24.7% per annum.

45. Rubber production increased by 3.1% per annum from 1,249,000 tons to 1,453,000 tons between 1970 and 1975. The smallholder sector accounted for about 55.4% of total production. Value added in the rubber sector accounted for about 29.7% of total value added by agriculture.

46. Palm oil proved to be the mainstay of growth in the agricultural sector. Value added grew at an average annual rate of 24.7% in constant prices. The share of palm oil and palm kernel oil rose to 12.4% of total value added by agriculture in 1975, next to rubber and sawlogs. The favourable price trends of palm oil as well as palm kernel oil, which dipped less sharply in 1975 as compared with other crops, coupled with steady growth in the volume of exports accounted for the favourable performance of the crop. About 74% of total output in 1975 originated from private estates with the rest from public land schemes.

47. The performance of the timber industry was somewhat more varied. Sawlogs and sawn timber fetched attractive prices in 1972 and 1973. The downturn of late 1974 and 1975 adversely affected the demand for both commodities and led to price declines in excess of 20%. Timber now accounts for 14.4% of total value added, after rubber.

48. The increase in padi production by about 25% from 1.6 million tons to two million tons between 1970 and 1975 resulted largely from the expansion in planted acreages through the increase in double-cropping, the introduction of higher yielding strains and improved water management practices. Attractive prices provided under the Government's Guaranteed Minimum Price Scheme (GMP) contributed to the growth of the sector. As a result, about 87% of total consumption requirements of Malaysia were met by domestic production.

49. Progress was also made in other agricultural activities including fishing, livestock, horticultural, pepper and cocoa production. Although production of these commodities is still small, they have promising potential for the diversification of the agricultural base and the promotion of mixed farming.

Mining and quarrying

50. Value added in this sector declined marginally during 1971-75. The sector's share in GDP thus fell from 5.7% in 1970 to 4.0% in 1975. This was mainly due to the fall in tin production by 9,300 tons from 72,600 tons in 1970 to 63,300 tons in 1975. Iron ore output also decreased sharply following the closure of the iron ore mines in Dungun and Rompin.

51. However, output of crude petroleum increased at an average growth rate of about 40.5% per annum from 6.6 million barrels in 1970 to 36.2 million barrels in 1975, with most of the increase emanating from Sarawak. A most welcome development was the discovery of new fields in Sarawak and Sabah as well as the East Coast of Peninsular Malaysia. These are expected to contribute increasingly to both aggregate production and exports of petroleum under the Third Malaysia Plan (TMP).

Manufacturing

52. The manufacturing sector has become a key sector in the economy. Its share in GDP increased from 12.2% in 1970 to 14.4% in 1975. In real terms, value added by the sector rose at an average annual rate of 10.9% per annum compared with the SMP target of 11.7%. The shortfall is largely attributable to stagnation during the 1975 recession, the average annual growth during 1972-74 being in excess of 16% per annum. The expansion of the sector was the result of advances in export-oriented industries, as well as in other growth industries including palm oil processing, wood processing, textiles, tobacco products, clothing and footwear, rubber products and plastics and electrical machinery, particularly electronics. This expansion was due, in no small part, to Government's promotional efforts including, *inter alia*, tariff protection, pioneer status and other fiscal incentives and the extension of loans and advances from the commercial banks as well as the Malaysian Industrial Development Finance Bhd. (MIDF). The overall performance of the manufacturing sector was influenced to a marked extent by the demand for exports of manufactured goods. The value of manufactured exports grew from \$591 million in 1970 to \$2.1 billion in 1975, accounting for 61.2% of the growth in value added of the manufacturing sector.

Construction

53. The construction sector expanded at an average annual growth rate of 8.1% during 1971-75, with a significant rate of growth of 10.9% in 1973. The share of value added in GDP, however, remained stable at around 4.5%. Rapid growth of non-residential construction resulting from the acceleration of public sector development expenditure, increasing demand for residential construction and the high growth in private investment provided the main stimuli for growth.

Services

54. The services sector, including transport and communications, wholesale and retail trade, utilities, banking and insurance, public administration and defence, as well as other personal services, accounted for about 45% of the GDP in 1975. The leading elements of growth in the services sector were transport and communications which grew by about 12.6% per annum during 1971-75. Value added by utilities and public administration and defence increased by an average of more than 9% per annum. The expansion in value added by transport and communications was largely the result of increased services provided by the Malaysian Airline System (MAS), the Malaysian International Shipping Corporation (MISC) and the Telecommunications Department. Expansion in the other service sectors reflected mainly the widening coverage of education and health services provided by the Government.

III. SOURCES OF GROWTH

55. Economic development during the SMP was largely stimulated by public sector expenditures for investment and consumption. These expenditures constituted the main source of growth under the SMP apart from having provided a counter-cyclical impact on the economy during periods of weak exports and private investment.

Public investment

56. Public investment was the most buoyant source of final demand in the course of the SMP. Although it constituted only 9.0% of the cumulative GDP for the period, its rate of growth was an unprecedented 17.6% per annum in real terms as shown in Table 2-2 compared to 1.9% under the First Malaysia Plan (FMP). The share of public investment to gross capital formation grew from 28.1% in 1970 to 49.1% in 1975.

57. Public investment was the main source of growth for the construction sector accounting for 70% of this growth. This also benefitted the machinery and ferrous products industries.

Private investment

58. Private investment experienced sharp cyclical fluctuations during the SMP period. Negative rates of growth were registered in 1972 and 1975 in contrast with an increase of 22.3% between 1973 and 1974. Over the five year period, private fixed capital formation grew by 17.9% per annum in current prices as shown in Table 2-3 compared with 7.2% per annum in real terms, reflecting the higher cost of imported capital goods.

TABLE 2-2

MALAYSIA: GROSS NATIONAL PRODUCT BY EXPENDITURE CATEGORY, 1970-75
(\$ million in 1970 prices)

	1970	1971	1972	1973	1974	1975	Cumulative total, 1971-75	Average annual growth rate(%) 1971-75
Consumption	9,483	10,087	10,361	11,198	11,941	12,106	55,693	5.0
Private	7,486	7,870	7,998	8,664	9,250	9,036	42,818	3.8
Public	1,997	2,217	2,363	2,534	2,691	3,070	12,875	9.0
Investment	2,152	2,456	2,764	2,920	3,578	3,622	15,340	11.0
Private	1,459	1,660	1,609	1,750	2,140	2,062	9,221	7.2
Public	693	796	1,155	1,170	1,438	1,560	6,119	17.6
Change in stocks	+315	-105	-55	+195	+515	-442	+108	—
Gross national product	12,155	13,005	13,793	15,437	16,734	17,146	76,115	7.1
Surplus on goods and services account	205	567	723	1,124	700	1,860	4,974	—

TABLE 2-3

MALAYSIA: GROSS NATIONAL PRODUCT BY EXPENDITURE CATEGORY, 1970-75

(\$ million)

	1970	1971	1972	1973	1974	1975	Cumulative total, 1971-75	Average annual growth rate (%) 1971-75
Consumption	9,483	10,302	11,158	13,023	15,822	16,797	67,102	12.1
Private	7,486	8,059	8,381	9,901	12,011	12,052	50,404	10.0
Public	1,997	2,243	2,777	3,122	3,811	4,745	16,698	18.9
Investment	2,152	2,527	3,087	3,795	5,380	5,838	20,627	22.1
Private	1,459	1,675	1,779	2,243	3,223	3,320	12,240	17.9
Public	693	852	1,308	1,552	2,157	2,518	8,387	29.4
Change in stocks	+315	-136	-63	+228	+683	-667	+45	—
Gross national product	12,155	12,501	13,641	17,443	21,234	21,747	86,566	12.3
Surplus on goods and services account ..	205	-192	-541	397	-651	-221	-1,208	—

59. In 1970, about 90% of total private investment was accounted for by construction, industrial machinery, trade, transport equipment, rubber and oil palm. Whereas private investment in tree crops remained the same between 1970 and 1975, the share of private investment in industrial machinery and transport equipment increased while it fell in the case of construction. Private investment during the period stimulated the domestic production of rubber products, industrial machinery, transport equipment and non-ferrous products with consequential increases also for wholesale and retail trade and other services.

Public consumption

60. Public consumption accounted for 19.0% of cumulative GDP for the five years under review compared with about 24% in the FMP. In real terms, public consumption grew at 9.0% per annum, thus increasing by over 53% during the period. As a percentage of total real consumption, public consumption grew from 21.1% to 25.4%, increasing at more than twice the rate of private consumption.

61. While part of this increase was due to the more active role of the public sector under the NEP, especially in respect of the eradication of poverty, increases in public consumption were also the result of increases in the emoluments of public servants.

Private consumption

62. Private consumption remains the largest component of final demand, accounting for some 63% of cumulative GDP during the SMP. In *per capita* terms, Malaysia continues to enjoy one of the highest levels of consumption and, despite a rate of population growth of 2.6% per annum, real *per capita* consumption grew by 2.3% per annum.

63. Aggregate real private consumption, however, tended to grow at a rate below GDP, or 3.8% per annum during the last five years. The sense of money illusion associated with the unprecedented changes in price levels together with the impact of Government policy to reduce the demand pull inflation were some of the causes in bringing about the slow increases in private consumption.

64. As a result of rising income levels, the demand for manufactured products and services tended to exceed that of agricultural items including food. Transport equipment, electrical machinery, petroleum products, chemical products and textiles all exceeded the average rate of growth of consumption.

65. Private consumption growth stimulated the food production, food processing and other consumer goods industries as well as the services sectors. The impact upon consumer durable industries such as furniture making, transport equipment and non-ferrous products was somewhat more moderate by comparison.

Exports

66. Exports provided the main thrust of economic growth during the boom years of 1973 and, to a lesser extent, 1974. International prices of raw materials were favourable and the prices of Malaysia's major primary commodities as shown in Table 2-4 reflected this trend. Their impact was directly reflected both on income growth and distribution. Price increases were transmitted through larger export earnings and boosted aggregate demand. This resulted in multiplier effects upon real production and employment generation. Capacity utilization also improved markedly during this period.

67. It is estimated that export earnings increased by 37.6%, with gains from the terms of trade amounting to about 10% of GNP in 1973. The agricultural sector was a natural beneficiary of these developments. Real value added in agriculture rose by 14.0% in 1973 in contrast to the 3.0% recorded in 1971 to 1972. Output and income in the smallholding sector of agriculture increased at an even faster rate than the overall expansion of the agricultural sector itself, thus resulting in substantial gains in purchasing power for a large number of poor rural households.

68. Between 1970 and 1975, exports in real terms grew by 5.9% per annum. Cumulatively, exports accounted for over 41% of GDP at market prices. Given the openness of the Malaysian economy and the rather turbulent nature of world economic events during the last years, it is not surprising that annual fluctuations in exports were of considerable magnitude. During 1970-72 there was an absolute decline of 2.7% per annum in the value of exports, even though export volumes continued to increase by over 3.7% per annum. Better export prices, however, were experienced in 1973 and 1974. The value of exports grew by 37.6% over this period while export volumes only registered an increase of 2.1%. With the downturn of the world economy in the third quarter of 1974 and almost all of 1975, the value of exports declined despite a 2.1% growth in export volume.

69. The export structure of the economy underwent continued transformation between 1970 and 1975. More than 56% of total exports in 1970 (with, among others, 33.4% from rubber, 16.3% timber and 5.1% from palm oil) came from the agricultural sector as against 22.6% from mining and 11.4% from manufacturing, including canned pineapple and petroleum products. By 1975, however, manufactured exports amounted to 23.0% of total exports, even though agriculture continued to predominate with 49.5%. The relative gain by manufacturing compensated for the poor performance in mining, the share of which slipped to 21.7% in 1975.

70. The highest rates of export growth during 1971-75 were registered by electrical machinery (42.0% per annum), palm oil (33.2% per annum), oils and fats (29.0% per annum), textiles and clothing (22.7% per annum) and industrial machinery (21.8% per annum). Fishing and other agriculture also grew in excess of the overall industrial average of about 7% per annum. Declines were, however, experienced in forestry, mining, processed food, paper and printing and non-metallic products.

TABLE 2-4

MALAYSIA: EXPORT PERFORMANCE, 1970-75

	1970	1971	1972	1973	1974	1975	Average annual growth rate (%) 1971-75
<i>Rubber</i>							
Volume (000 long tons)	1,324	1,368	1,343	1,613	1,545	1,417	1.4
Unit Value (cts/lb)	58	48	43	69	83	63.5	1.8
Value (\$ million)	1,724	1,460	1,298	2,507	2,887	2,016	3.2
<i>Tin</i>							
Volume (000 long tons)	91	86	88	80	84	76.7	-3.4
Unit Value (\$/long ton)	11,135	10,576	10,477	11,178	17,958	15,867	7.3
Value (\$ million)	1,013	906	924	897	1,515	1,217	3.7
<i>Sawlogs</i>							
Volume (000 long tons of 50 cu. ft.)	6,288	6,178	6,432	7,145	6,745	5,800	-1.6
Unit value (\$/long ton of 50 cu. ft.)	102	104	92	138	153	108.9	1.3
Value (\$ million)	643	641	590	987	1,032	632	-0.3
<i>Sawn timber</i>							
Volume (000 long tons of 50 cu. ft.)	961	922	1,203	1,522	1,231	1,152	3.7
Unit Value (\$/long ton of 50 cu. ft.)	209	208	229	368	355	315	8.6
Value (\$ million)	201	192	275	561	437	363	12.6
<i>Palm oil</i>							
Volume (000 long tons)	394	564	686	785	887	1,026	21.1
Unit Value (\$/long ton)	668	674	529	594	1,224	1,236	13.1
Value (\$ million)	263	380	363	467	1,086	1,268	37.0
<i>Palm kernel oil</i>							
Volume (000 long tons)	—	5	48	65	91	104	113.6
Unit Value (\$/long ton)	—	826	628	855	1,813	1,034	5.8
Value (\$ million)	—	4	30	56	165	107	127.4

<i>Crude and partly refined petroleum</i>												
Volume (000 long tons)	..	..	..	..	..	..	..	..	..	..	3,685	-4.91
Unit Value (\$/long ton)	..	..	..	..	..	..	..	..	..	..	231.5	40.7
Value (\$ million)	..	..	..	..	..	..	..	..	..	..	853	33.3
<i>Petroleum products</i>												
Volume (000 long tons)	..	..	..	..	..	..	..	..	..	..	402	-32.1
Unit Value (\$/long ton)	..	..	..	..	..	..	..	..	..	..	305	38.4
Value (\$ million)	..	..	..	..	..	..	..	..	..	..	123	-4.6
<i>Copper</i>												
Volume (000 long tons)	..	..	..	..	..	..	..	..	..	..	21.4	—
Unit Value (\$/long ton)	..	..	..	..	..	..	..	..	..	..	817.8	—
Value (\$ million)	..	..	..	..	..	..	..	..	..	..	18	—
<i>Pepper</i>												
Volume (000 long tons)	..	..	..	..	..	..	..	..	..	..	32	4.2
Unit Value (\$/long ton)	..	..	..	..	..	..	..	..	..	..	3,400	8.3
Value (\$ million)	..	..	..	..	..	..	..	..	..	..	109	13.1
<i>Canned pineapple</i>												
Volume (000 long tons)	..	..	..	..	..	..	..	..	..	..	45	-6.2
Unit Value (\$/long tons)	..	..	..	..	..	..	..	..	..	..	1,155	10.6
Value (\$ million)	..	..	..	..	..	..	..	..	..	..	52	3.9
<i>Manufactures (\$ million)</i>												
Sub-total (\$ million)	..	..	..	..	..	..	..	..	..	..	1,912	37.3
Others (\$ million)	..	..	..	..	..	..	..	..	..	..	8,670	13.0
Total gross exports (\$ million)	..	..	..	..	..	..	..	..	..	..	9,089	-2.1
												12.0

¹ The decline in export volume of crude and partly refined petroleum and petroleum products reflects decreases in imports for re-exports in Sarawak.

71. Although exports have had a favourable multiplier effect upon domestic production in general, the impact of exports upon different sectors of the economy was quite variable. In general, export demand had a positive impact on agricultural production. Among manufacturing activities, however, the impact was relatively more moderate with the possible exception of agro-based industries such as oils and fats, sawmilling and rubber processing.

Imports

72. Imports of goods and non-factor services in constant prices amounted to over one-third of GNP. In real terms, imports grew at 0.4% per annum between 1970 and 1975. However, this masks the fact that there were absolute decreases in 1970 and 1975, in contrast with an annual 7.4% growth in the intervening period.

73. Among the major components of the import bill were electrical and industrial machinery (24% of total imports), transport equipment (11%), industrial chemicals and fertilizers (5%), textiles (7%) as well as various food and agricultural items (more than 17%). Manufactured imports such as industrial chemicals and fertilizers and electrical and industrial machinery all grew at two to three times the overall rate of growth of imports at current prices. Imports of consumer non-durables including food and textiles tended to grow more slowly if at all.

74. In spite of the very small changes in real imports between 1970 and 1975, the period concerned witnessed considerable shifts in the pattern of import demand. These changes in import demand were accompanied by changes in the structure of domestic production. It is evident that light manufacturing such as non-ferrous products, textiles, paper and printing, processed food and beverages all owed more than 50% of their growth to production for domestic demand. Electrical machinery, chemical products and, to a lesser extent, transport equipment have also benefitted.

IV. THE EXTERNAL ECONOMY, 1971-75

75. Despite fluctuations in the world economy, Malaysia continued to maintain a favourable basic balance in its exports and imports of goods and non-factor services. Cumulatively, the basic balance remained in Malaysia's favour amounting to \$3 billion as shown in Table 2-5 for the five years between 1970 and 1975. This was in spite of an outflow of \$2.6 billion in investment income accruing to non-nationals. In addition, another \$710 million of outflows were accounted for by net public and private transfers for the same period.

76. On the capital account, Malaysia received about \$5.3 billion in net capital inflows from abroad. About 6% was in the form of private short-term capital, 50% in private long-term capital and the rest as foreign borrowing by the public sector.

TABLE 2-5

MALAYSIA: BALANCE OF PAYMENTS, 1970-75

(\$ million)

	1970	1971	1972	1973	1974	1975	Cumulative total, 1971-75
<i>Goods and services</i>							
Receipts	5,602	5,473	5,291	7,994	11,051	10,165	39,974
Payments	5,397	5,665	5,832	7,597	11,702	10,386	41,182
Net position	+205	-192	-541	+397	-651	- 221	-1,208
<i>Transfers (net)</i>							
Private	-199	-188	-176	-185	-175	- 160	- 884
Government	+ 19	+ 51	+ 19	+ 34	+ 35	+ 35	+ 174
Balance on current account ..	+ 25	-329	-698	+246	-791	- 346	-1,918
<i>Long-term capital (net)</i>							
Public	+ 21	+398	+692	+120	+276	+ 827	+2,313
Private	+292	+291	+493	+480	+834	+ 525	+2,623
Basic balance	+338	+360	+487	+846	+319	+1,006	+3,018
<i>Errors and omissions including short-term capital</i>							
	-270	-157	- 98	-270	+133	- 835	-1,227
Overall surplus (+) or deficit (-)	+ 68	+203	+389	+576	+452	+ 171	+1,791
<i>Allocation of IMF Special Drawing Rights²</i>							
	+ 64	+ 61	+ 60	—	—	—	+ 121
<i>Net change in external reserves (increase - decrease +)</i>							
	-132	-264	-449	-576	-452	- 171	-1,912
Special Drawing Rights ..	- 72	- 61	- 60	+ 8	+ 10	- 11	- 114
IMF gold tranche position ..	- 47	+ 35	—	- 22	+ 1	- 21	- 7
Gold + foreign exchange ..	- 13	-238	-389	-562	-463	- 139	-1,791

² (-) denotes accumulation and (+) denotes drawdown.

77. In the main, Malaysia's favourable trade balance and substantial inflow of funds both public and private enabled the country to accumulate some \$1.9 billion in external reserves over the last five years. This has been instrumental in further enhancing Malaysia's financial strength, giving the *Ringgit* a 164.9% backing as of 1975, and providing the nation sufficient resources to sustain six months of retained imports.

78. Despite adverse terms of trade faced by the nation during the SMP period the strength of the country's balance of payments was maintained by the large inflow of capital, reflecting its strong credit worthiness. In general, declines in the value of traditional primary commodity exports, with the exception of petroleum were attributable to price declines rather than contractions in the volume of exports, particularly during the early years of the SMP period. The year 1973, and to a lesser extent, 1974 provided a brief respite to these price declines but 1975 again saw the resumption of the downward trend.

79. The prices of imported capital equipment and intermediate industrial products continued to increase for the greater part of the SMP period. The import price index for industrial machinery and transport equipment for example, increased by about 74%. Worldwide shortages of food grains, including rice, during 1974 further exacerbated the situation by driving up the price of imported rice, which accounted for some 3.5% of total imports.

80. In retrospect, therefore the policies of earlier Plans aimed at reducing the impact of secular declines in export prices through agricultural diversification and industrialization were fully justified. As Malaysia moves into the eighties, the contribution of manufactured exports will be substantial in moderating long-term secular declines in primary commodity prices.

V. THE FINANCING OF DEVELOPMENT

81. Despite the problems faced by the foreign trade sector, Malaysia has found it possible to finance its development without incurring an unduly large public debt burden or running down its reserves. The external public debt in 1975 was about 11% of GNP which is considered by international financial organizations as comparatively low. Between 1970 and 1975, gross capital formation amounted to some \$20.7 billion as shown in Table 2-6. Domestic savings, (or the difference between the exports and imports of goods and services less net transfers abroad) financed some \$18.8 billion or about 91% of gross capital formation. Total net capital from abroad amounted to another \$5.3 billion. This not only closed the 9% savings-investment gap but made it possible for reserves of some \$1.9 billion to be accumulated over the years. On the average, 6.0% of total capital flows were in short-term funds, another 50%, private long-term capital, and the rest, foreign borrowing by the public sector.

TABLE 2-6

MALAYSIA: SAVINGS AND INVESTMENT, 1970-75 (\$ million)

	1970	1971	1972	1973	1974	1975	Cumulative total, 1971-75
Gross investment (plus change in stocks)	2,467	2,391	3,024	4,023	6,063	5,171	20,672
External surplus (+) or deficit (-)							
Goods and services	+205	-192	-541	+397	-651	-221	-1,208
Transfer payments	-180	-137	-157	-151	-140	-125	-710
Current account	+25	-329	-698	+246	-791	-346	-1,918
Domestic savings	2,492	2,062	2,326	4,269	5,272	4,825	18,754
Domestic savings as % of GNP	20.5	16.5	17.1	24.5	24.8	22.2	21.7
Gross investment as % of GNP	20.3	19.1	22.2	23.1	28.6	23.8	23.9

82. The external public debt service ratio amounted to 3.4% of export earnings in 1975. Although this is low in comparison with countries at a similar stage of development, the Government will be prudent in its recourse to foreign borrowing so as to ensure productive use of funds raised. The Government will also continue to encourage the inflow of foreign private capital as a major resource in the financing of total investment.

VI. PRICE TRENDS

83. Price movements during the SMP period were radically different from past trends. During the sixties, Malaysia experienced a high degree of price stability, with the consumer price index rising less than 1% per annum on the average. Some of the more important factors accounting for this low rate of increase in prices were the ability of the economy to shift to lower-cost sources of supply, the implementation of prudent economic policies and industrial harmony.

84. A sequence of events in the seventies was responsible for this break with the past. The world as a whole and the developed economies in particular, experienced unprecedented rates of inflation, and this, coupled with worldwide shortages of food grains, sent import prices rising by almost 100% during the five years of the SMP period. The increase in food import prices by over 37% in 1974 contributed to the 41% increase in overall import prices in that year. The very large increases in fuel, fertilizer and chemical prices in turn exacerbated the inflationary situation by raising the cost of inputs required for domestic food production.

85. On the demand side, the upsurge in commodity prices had both direct and indirect effects upon domestic incomes and demand. There was also some evidence that expectations of price increases were themselves having a lagged effect upon future rounds of price movements. This is a particularly plausible explanation for the sharp increase in the costs of housing, in addition to rapid rises in the cost of building materials.

86. The anti-inflationary measures implemented by the Government were designed to dampen the expansionary impact of exports, expand the supply of consumer non-durables, control the price of basic essentials and certain investment goods and alleviate the impact of inflation upon the lower income groups through subsidies. A special programme to increase food supplies was the promotion of greater public participation in food production under the Green Book campaign. Selective controls were placed upon the extension of bank lending to cut down credit for speculation without inhibiting capital for productive purposes and borrowing for trade and industrial activities by the Malays and other indigenous people.

87. In tune with the downturn of the economy in late 1974 and 1975, the anti-inflationary policies of the Government were gradually reversed to ensure that the economy was cushioned from the effects of declining export earnings. Short gestation and labour intensive projects were added to the Government's current and development expenditure programmes while credit restrictions placed on the private sector were gradually lifted. For a while the Government had to contend with inflation and falling aggregate demand at one and the same time. The mix and timing of policies proved largely successful. The accelerating increase in consumer prices abated in 1975 without leaving in its wake a large measure of unemployment.

VII. EMPLOYMENT AND UNDEREMPLOYMENT

88. In the five-year period of the SMP, the economy achieved a rate of 3.3% per annum in employment growth compared with 3.2% per annum in the growth of the labour force. This resulted in a net increase of some 588,000 new jobs. Although somewhat short of the target set in the MTR, the achievement was nonetheless creditable especially in the light of the circumstances mentioned earlier.

89. Four sectors of the economy accounted for almost 90% of the increase in new jobs. Some 24% of the total came from employment in the services sector, 26% from agriculture, 18% from manufacturing and 20% from wholesale and retail trade. In terms of the rate of employment growth, manufacturing was clearly the pace setter with a rate of employment growth of some 6.6% per annum.

90. It is even more encouraging to note that the increase in employment was not at the expense of increasing underemployment. Successive rounds of labour force surveys indicate a trend of constantly improving labour utilization, with the proportion of the labour force working less than 25 hours a week falling from 14.1% to 9.6% between October 1971 and October 1974.³ This was particularly true for the rural labour force. Survey results also indicate an improvement in the youth unemployment problem. In general, improvements in the labour market tended to benefit most job seekers with lower secondary and middle secondary education. Improvements were also noted among the hard-core of the unemployed with the proportion of those unemployed between one to three years falling from 29.2% to 24.0% of all the unemployed during October 1971 and October 1974.

³ These figures are obtained from the Labour Force Surveys conducted by the Department of Statistics. The technique used is stratified random sampling with a rotation scheme in which a 50% sub-sample in each half year was repeated in the successive rounds. The surveys cover both urban and rural areas, selected on the basis of the 1970 Population Census Distribution of Living Quarters and the National Household Sampling Frame.

91. A major cause of improved labour market conditions was the rate of real growth of the economy. Even though productivity increased at an average annual rate of about 4% for the period under review, employment continued to grow so that the SMP successfully dealt with, in some measure, the backlog of the unemployed.

VIII. POVERTY ERADICATION

92. The lack of productive employment opportunities is a major cause of poverty. Open unemployment and the underemployment of human resources resulting from the lack of complementary inputs such as land, capital and entrepreneurship underlie poverty in every sector of the economy.

93. The rapid economic growth attained during the SMP period enabled the alleviation of the poverty problem through the stepping up of the pace of employment creation thus leading to a decline in the rate of unemployment as a percentage of the labour force from 7.4% in 1970 to 7.0% in 1975. In addition, there was significant reduction in the extent of underemployment particularly in rural areas.

94. Average real productivity (value added in real terms per worker) also rose at a rate of about 4% per annum for the five-year period largely as a result of investments in the sixties. A notable increase of 4.5% per annum in average real productivity was registered in the agricultural sector, a key sector in employment generation as well as poverty eradication. Government policy to increase agricultural productivity through land development carried out by the Federal Land Development Authority (FELDA), the Federal Land Consolidation and Rehabilitation Authority (FELCRA), the Rubber Industry Smallholders Development Authority (RISDA), State land development agencies, and the provision of the other complementary inputs to agriculture such as irrigation, fertilizer and marketing and credit facilities were largely responsible for the performance of the agricultural sector.

95. It is estimated that about 83% of the land development target, or about one million acres, were attained between 1970 and 1975. Around 412,000 acres were developed by FELDA aimed at the settlement of 20,000 families. During the SMP period over 13,700 families were settled. About 288,000 acres and 112,000 acres of the new land were planted with oil palm and rubber respectively by FELDA with the balance in other crops. Other land development programmes undertaken by FELCRA, RISDA, the State Economic Development Corporations (SEDCs), other State Government agencies and the private sector (including joint-ventures) accounted for the development of the remaining 598,200 acres. Such development will result in higher income streams for settlers.

96. As the incidence of poverty is considerably higher among single-crop padi farmers, the Government expanded its efforts in the provision of facilities for double-cropping. A total of 324,000 acres was provided with irrigation facilities in the SMP period with 272,000 acres capable of being double-cropped. The availability of irrigation facilities led to a total of 527,000 acres being planted with off-season crops by 1975, an increase of more than 60% over the 1970 figure. The use of improved inputs, particularly fertilizer, pesticides and farm machinery, made possible by credit and subsidies of the Farmers' Organization Authority (FOA), co-operatives and other agricultural institutions also led to productivity increases. In the Muda region alone, yields per acre increased by over 7.5% per annum during the period under review.

97. Government policy to modernize the fishing industry helped to reduce the incidence of poverty amongst fishermen particularly on the West Coast of Peninsular Malaysia. The Fisheries Development Authority of Malaysia (MAJUIKAN) extended facilities by way of trawlers, multi-purpose boats and ice factories for use by fishermen. Apart from the continued provision of subsidies, the Fisheries Division of the Ministry of Agriculture expanded its programmes for the construction and improvement of landing facilities and navigational aids. It also provided training for fishermen during the period under review. ✓

98. All these programmes contributed in varying degrees to reductions in the incidence of poverty among rural households. The reductions were fairly significant among padi smallholders, mixed farmers and fishermen. However, the incidence of poverty still remains high in these groups. The incidence of poverty also continues to be high for rubber and coconut smallholders. The adverse price trends which they encountered were a major factor in this regard. However, in the case of rubber, Government purchase of rubber from smallholders under the national price stabilization scheme benefitted smallholders through the moderation of price declines.

99. It may be seen that the achievements of the SMP in respect of the eradication of poverty would have been much more favourable had rubber prices not declined during 1974/75. In the case of padi, where prices were influenced by domestic policy, higher padi prices from 1973 onwards worked to the advantage of padi farmers.

100. Recognizing the need to improve socio-economic conditions among estate workers, the Government initiated efforts to improve their living conditions. While there was some progress in respect of housing, better progress was effected in basic services in the form of electricity and potable water supply over the 1971-74 period. The proportion of resident labour receiving free tap water supply increased from 74% to 91% on rubber estates and from 73% to 85% on oil palm estates. In respect of free electricity supply, the proportion increased from 32% to 45% in rubber estates and from 56% to 66% in oil palm estates. The proportion of directly employed workers eligible for free medical attention also increased from 89% to 97% for rubber estates and from 69% to 100% for oil palm estates.

101. The plight of the squatters and residents of New Villages continued to receive attention during the SMP period. Grants were disbursed for minor projects aimed at improving the facilities available in New Villages. In addition, New Villages within the jurisdiction of city councils and other local authorities benefitted from the supply of basic necessities such as piped water and electricity. Overall growth of the national economy helped to improve the economic conditions of residents of New Villages engaged in traditional service activities although they were seriously affected by inflation.

102. The provision of housing and other social amenities also contributed to enhancement of the well-being of the urban poor. Whereas 12,200 units of low-cost houses were constructed throughout the country, about 6,700 squatters in Kuala Lumpur were resettled into flats and other accommodation. New polyclinics, dental clinics, outpatient clinics and health offices-cum-maternal and child-care centres were completed in urban areas and other townships to extend the reach of modern health services to lower income groups in the urban community. The development of more efficient public transport services through the introduction of mini-bus and commuter train services for Kuala Lumpur and its surrounding areas also benefitted the urban poor.

103. The high rates of growth of the economy particularly in manufacturing and construction stimulated the expansion of employment in these sectors thereby contributing to a reduction in the incidence of poverty among the urban poor. Government policy in respect of the payment of subsidies and bonuses with special relief allowances which was also adopted by the private sector enabled the adverse impact of rising consumer prices to be somewhat mitigated. As no comprehensive base-line studies of urban poverty have been undertaken, it has not been possible to identify the details of the problem. The requisite studies will be undertaken in the course of the TMP.

104. The Government's strategy for poverty redressal has not been restricted to improvements in income levels alone. It has sought to encompass the improvement in the quality of life through the provision of basic services for improving the standards of living. Low income by itself is thus but one component in the many dimensions of poverty. Although the effects of such investment in social infrastructure and in the improvement of the stock of human capital are not easily quantifiable, there is little doubt that these investments have improved the living conditions, life opportunities as well as the real incomes of the poor.

105. In the course of the SMP, the lower income groups have benefitted from various amenities such as electricity and piped water supply, education, health and family planning as well as low-cost housing. During this period, over 300,000 families benefitted from the provision of piped water, and some 50,000 from electricity. The number of places for primary and secondary education increased by 215,000 and 319,000 respectively. A large

proportion of the increase was the result of the deliberate policy to improve educational opportunities for rural children, as is evident by the completion of ten fully residential science schools. In the field of rural health services, a comprehensive review of existing infrastructure was undertaken and a new two-tier system was introduced. A total of 29 main health centres, 66 health sub-centres and 339 midwives clinics was completed. Emphasis was also given to preventive measures aimed at eradicating and controlling the spread of communicable diseases.

IX. RESTRUCTURING OF SOCIETY

106. The NEP embodies specific proposals designed to restructure the pattern of employment and ownership of wealth in the country. The overriding objective is that of national unity with implementation to be so effected that no one racial group should feel deprived in the process.

107. The NEP has set as its target the ownership and management by Malays and other indigenous people of at least 30% of commercial and industrial activities in the economy and an employment structure at all levels of operation and management that reflects the racial composition of the nation by 1990. Since restructuring is planned to result from growth, Government policy was directed towards assisting the Malays and other indigenous people to participate fully in the growth of commerce and industry. The Government adopted inter-related programmes for this purpose. These included training, advisory assistance, credit facilities, a scheme of preferences for contractors and suppliers among the Malays and other indigenous people as well as the purchase and reservation of share capital in trust for them.

108. The output of skilled Malays from the formal education system in Peninsular Malaysia has increased considerably. Malay graduates from domestic tertiary institutions increased from 916 in 1970/71 to 3,107 in 1974/75. Increases in the fields of accountancy, business studies and commerce, law and administration as well as other fields which are amenable to direct recruitment into employment within the commercial and industrial sectors have been particularly marked. The number of other Malaysians who graduated from domestic tertiary institutions increased from 1,984 in 1970/71 to 2,541 in 1974/75. In addition, it is estimated that a total of about 31,500 Malaysian students are enrolled in educational institutions abroad in 1975. Of the total 4,005 Malaysians, including scholarship holders who were newly enrolled in tertiary level institutions in the United Kingdom, Australia and New Zealand in 1975, 20.0% were Malays and other indigenous people as compared to 69.0% Chinese, 9.2% Indians and 1.8% Others.

109. In addition, much effort has been made to ensure that the skills of existing as well as intending businessmen among the Malays and other indigenous people are upgraded through intensive training. In order to develop their business skills, various agencies are currently offering short courses to personnel in small businesses.

110. The National Productivity Centre (NPC) offers some 800 short-term courses on a variety of management topics ranging from industrial engineering to management accounting, sales and marketing to management development and industrial relations. The Centre also conducts a two-week entrepreneurial development programme for the Malays and other indigenous people. A follow-up survey of the graduates of such courses revealed considerable success in their emplacement. Since its inception, the *Institusi Teknologi MARA* (ITM) has offered a wide range of courses ranging from engineering to hotel catering. The Government initiated through ITM a programme for executive development, a twelve-week intensive introduction to management skills and concepts for new university graduates among the Malays and other indigenous people.

111. Another important programme is the provision of advisory services at subsidized rates. MARA provided advice for 7,463 clients and undertook about 27 feasibility studies. The Advisory Services Division has also provided consultancy and intensive follow-up services to small businessmen applying for loans from MARA. In addition, the NPC undertook industrial consultancies. The MIDF through its subsidiary, the MIDF Industrial Consultants Sdn. Bhd. (MIDFIC) offered consultancy services ranging from market research to financial management. Since it commenced operations in 1972, MIDFIC has completed 81 assignments, two-thirds of which were undertaken on behalf of Malay and other indigenous clients.

112. Since many enterprises start off as small businesses, the Government has intensified efforts to increase credit for small business enterprises with special emphasis on the needs of the Malays and other indigenous people. Government agencies involved in this effort include MARA, MIDF, the Malaysian Industrial Estates Sdn. Bhd. (MIEL), *Bank Bumiputra*, the Urban Development Authority (UDA), SEDCs and *Bank Pembangunan*. As a result, the share of the Malays and other indigenous people of the total institutional credit increased from about 14% in 1971 to almost 30% in 1975. Even so, Government activities in this field has not been confined to the Malays and other indigenous people alone.

113. The number of MARA loans including guarantees and the total volume of credit entailed amounted to 27,700 loans worth \$163 million between 1970 and 1975. However, the level of financial assistance provided to its clients has not kept pace with the growing volume of credit but it is expected that this will improve in the course of the TMP. *Bank Bumiputra*, with its wide geographical coverage and the establishment of its special Bumiputra Participation Advisory Services Department and Special Bumiputra Units at branch level, caters to an increasing volume of business with clients among the Malays and other indigenous people. Of a total of \$980 million in loans outstanding at the end of 1975, some 39% were for Malays and other indigenous people and an additional 14% for joint-ventures between them and other Malaysians.

114. In addition, all commercial banks were also required to give special attention to granting credit facilities through the Credit Guarantee Scheme of the Credit Guarantee Corporation (CGC) which was established in 1973. Under the scheme, commercial banks are required to increase their loans to small businesses to up to 10% of their total savings deposits. By 1975, loans amounting to some \$302 million had been provided. The Malays and other indigenous people accounted for 42% of the total loans advanced. Special units were also set up in all commercial banks to facilitate the provision of loans to businesses belonging to the Malays and other indigenous people. In addition, during the period of the SMP, total loans and advances to the Malays and other indigenous people rose ten-fold from \$80 million at the end of 1970 to \$791 million at the end of 1975. In 1975 and 1974, they received 29% and 34% respectively of the increase in total loans and advances of the commercial banks.

115. Apart from the above-mentioned facilities, Government Departments have also been directed to give preference to Malay and other indigenous suppliers in the consideration of tenders and quotations for the supply of goods and services. The differential ranges from 2% to 10% for supplies up to \$5 million. For works contracts, the Public Works Department (PWD), a major contract-issuing department of the Government, sets aside at least 30% of its contracts for Malay and other indigenous contractors.

116. As a result of the restructuring policies of the Government, there has been substantial improvement in the racial structure of employment both by industry as well as occupational groups. In general, Malays and other indigenous people have managed to obtain an increasingly larger share of employment in the more productive sectors although this has been principally at the lower levels of the occupational hierarchy. It is estimated that the percentage of Malay employment in manufacturing increased from 28.9% in 1970 to 33.1% in 1975. Malay employment in the services sectors also grew at a rate of 5.6% per annum, construction at 10.8% per annum and mining at 5.6% per annum, all of which exceeded the overall rate of growth of employment. The share of Malay employment in these sectors stood at 50.6%, 28.8% and 33.1% respectively in 1975.

117. In terms of the occupational composition of employment,⁴ it is estimated that the Malay share of administrative employment increased from 22.4% in 1970 to 32.4% in 1975. Corresponding increases in the Malay share of employment in clerical occupations resulted in Malays filling some 39% of the total clerical positions in 1975. The Malay share of professional employment which is roughly equal to their share in the population stood at 48.5%. Although there are still significant differences between the Malays and the other Malaysians, it may be seen that considerable improvements in the position of Malays have been achieved. The

⁴ (a) Estimates of employment by occupation and race were derived from the Labour Force Surveys and the Manpower Survey conducted by the Department of Statistics.

(b) The occupational classifications used are those of the Dictionary of Occupational Classifications published by the Ministry of Labour and Manpower.

Government is cognizant of the broad problems of restructuring and will continue its efforts to improve the employment position of all races under the TMP.

118. Progress was also made in restructuring employment by industry and occupation for other Malaysians although not to the extent envisaged by the Outline Perspective Plan in respect of the agricultural and services sectors. Chinese employment in the agricultural sector increased from an estimated 300,900 to 317,600 during the period under review. In the services sector, Chinese employment increased from 169,200 in 1970 to 217,800 in 1975. In so far as the Indians are concerned, their employment in manufacturing grew from 14,000 in 1970 to 24,300 in 1975 whilst Indian employment in commerce increased from 66,400 to 68,000 for the same period. The occupational composition for these two communities also changed in consonance with the overall pattern of skill upgrading. Chinese professional employment increased from an estimated 48,900 to 63,800 for the period under review with a corresponding increase from 15,000 to 18,400 in administrative and managerial occupations. Professional and technical workers amongst Indians (including Ceylonese and others) likewise grew from 16,500 in 1970 to 21,300 in 1975 while the number of administrative and managerial workers almost doubled from 1,700 in 1970 to 3,300 in 1975.

119. Progress in restructuring⁵ the ownership of share capital and assets was somewhat slower. Nevertheless, headway was made by Malay and other Malaysian interests during the SMP period towards attaining the targets of the NEP. In the corporate sector as a whole, the proportion of foreign holdings of share capital declined from 63.3% in 1970 to 58.1% in 1973 and 54.9% in 1975 with corresponding increases of Malaysian ownership from 36.7% to 41.9% and to 45.1%, and ownership by the Malays and Malay interests from 2.4% to 5.3% and 7.8%. In absolute terms, however, the holdings of share capital by foreigners, Malays and other Malaysian interests have increased consistent with the growth of the economy.

120. In terms of the non-corporate sector of modern agriculture, the Malays increased their share of the acreage from 13% in 1971 to 19% in 1973, largely reflecting the achievement of public sector programmes of FELDA, FELCRA and other Government agencies.

121. Similar changes took place in respect of the ownership of industrial fixed assets. The activities of public bodies such as the *Perbadanan Nasional* (PERNAS), MARA, UDA and the SEDCs have maintained for the Malay and other indigenous community its option to invest in the growing volume of corporate assets. Available information indicates an average growth of 43.6% per annum in the value of shares held by Malay individuals and Malay interests between 1970 and 1975. In fact, acquisition of new share capital by Malays and Malay interests under the SMP was estimated to be 33.1% of the new share capital.

⁵ Figures in the paragraph for 1970 and 1973 are actual and 1975 are estimates.

122. On the basis of the progress attained in restructuring corporate ownership and the projected higher levels of economic activity during the TMP and beyond, the restructuring targets of the NEP for 1990 are feasible provided that the economy continues to expand and that active efforts are made to mobilize the necessary savings. With the increasing level of income generated through the employment of the Malays and other indigenous people in the more productive sectors of the economy, it is expected that they will have an increasing propensity to save and therefore to participate in the growing corporate sector envisaged under the NEP.

123. The significant increase in the ownership of share capital of Malays and other indigenous people has not been at the expense of existing holdings by other Malaysians and foreign interests. In fact during 1971-75, the ownership of such capital by other Malaysians increased from 34.3% in 1970 to 37.3% in 1975 reflecting a rate of growth of 16% per annum during the same period. In line with the policy of Government to encourage foreign investment, the amount of share capital owned by foreigners in the private sector increased by an estimated 10% per annum during the period under review or some \$2.1 billion in absolute terms. This underlines the success of restructuring in the context of dynamic growth under the NEP.

X. CONCLUSION

124. In many respects, the SMP differed in substance and scope from previous Plans. Its premises were the two prongs of the NEP. Its paramount objective is to set the nation upon a path of growth and development culminating in a united and progressive nation within a generation. Within this context, it is to be recognized that all communities have benefitted from policies and programmes emanating from the implementation of the two-prong strategy. Whilst it is evident that the poverty redressal programme benefitted all the poor, irrespective of race, the restructuring programme also generated favourable spillover effects and opened up new avenues of opportunity to the other communities.

125. The SMP is but a first step. The efforts made towards the eradication of poverty and the restructuring of society have to be sustained and enlarged. In particular, the planning, implementation and administration of projects under the TMP will need to increasingly reflect the interrelated and mutually supportive nature of these two objectives for the attainment of national unity.

126. Although the programmes for poverty redressal have had their fair share of success, greater effort will be made to continually monitor the dynamics of the changing pattern in the distribution of income and life

opportunities and to further refine policy instruments to deal with the problem. The Government is fully cognizant of the many dimensions of the poverty problem as well as the many and diverse groups afflicted. The implementation of broad policy will continue to ensure that the many facets to the poverty problem will receive co-ordinated and consistent treatment.

127. In view of the growing supply of skilled personnel among the Malays and other indigenous people entering the job market, the attainment of the targets of the NEP with respect to their participation in the modern sectors of the economy within the stipulated period is entirely feasible. Although there still remain considerable differences in the skill composition among the major ethnic groups, these have narrowed considerably even within the five years of the SMP. The Government will continue to monitor closely developments in this area with a view to ensuring that the objectives of the NEP are attained.

128. Progress has also been made in the restructuring of ownership. The ownership of assets required the wherewithal as well as the willingness to invest. These in turn depend upon the availability of savings and investment opportunities. Admittedly, much remains to be done in formulating appropriate policies to increase the ownership by the Malays and other indigenous people in the modern sectors in line with the goals of the NEP.

129. It cannot be over-emphasized that the achievement of the targets of the NEP requires a high rate of economic growth and rapid structural change in the economy. These in turn are dependent upon political stability in the country, the capacity of Malaysians for thrift and hard work and the dedication of all parties concerned to the task of social and economic upliftment. The Government will continue to be watchful of bottlenecks which inhibit the projected growth of the economy. Government policies will ensure that a favourable investment climate prevails. In the final analysis, the binding constraint will be specific shortages of middle and high level manpower. The education system will be developed in ways which ensure a closer match between the output of skills and the demand for them.

130. Even though the rate of unemployment has declined over the past five years, there will be growing pressure upon the economy to create even more new jobs during the TMP and subsequent Plans. This calls for not only an actively developing economy but an appropriate mix of policy instruments designed to make the best possible use of the existing stock of human resources while upgrading it at the same time.

131. The rather violent economic fluctuations during the SMP call for even greater effort to monitor the impact of cyclical factors upon the economy and the design of appropriate policy instruments for socio-economic management. The experience of the SMP indicates that the objectives of the NEP and their attendant demands upon growth and employment creation are more easily attainable under conditions of steady growth and a regime of reasonable price increases. In as much as the remarkable stability of prices prevalent during the sixties is unlikely to be replicated, it will be the objective of fiscal, monetary and price policies to attain growth with reasonable price stability.

132. With the NEP, the nation is committed to the forging of a united and socially just society in a generation. The SMP has demonstrated the acceptance of the objectives of the NEP and the political will and capacity to realize these objectives. These will be the foundations for the Third Malaysia Plan.

CHAPTER III

The Third Malaysia Plan, 1976-80: Objectives and Policies

I. INTRODUCTION

133. The Third Malaysia Plan (TMP), 1976-80, constitutes the second phase in the implementation of the New Economic Policy (NEP). It will build upon the significant economic and social progress attained in the recent past, in particular under the Second Malaysia Plan (SMP), and take account of the lessons learned in the process of promoting social and economic development.

134. Malaysia faces the next five years with confidence. With its productive base having been strengthened over the years, the country is poised to take advantage of the growth in demand for its exports as the world economy emerges from the difficulties of recent years into a period of stronger and more steady growth. The investible resources to be generated for the TMP will be sizeable. Supplemented by inflows of foreign capital, they should be sufficient not only to permit an enlarged commitment to the tasks of poverty eradication and the reduction of current economic imbalances but also strengthen the nation's capacity to deal effectively with the security threat from anti-national elements.

II. MEDIUM-TERM ECONOMIC PROSPECTS

135. Being an open economy, Malaysia's economic prospects will be determined to a significant extent by developments in the world economy. Of greatest relevance will be the growth of economic activity in the countries of the Organisation for Economic Co-operation and Development (OECD) which account for more than one-half of Malaysia's exports.

136. Following the boom of 1973, the worldwide recession of 1974/75 resulted in marked abatement of the rate of inflation as well as the sharpest decline in output and the highest unemployment for the OECD countries since World War II. With increasing evidence of recovery in these countries, the forecast by most international authorities is a moderate expansion of

economic activity which will gather strength up to about 1978 after which a deceleration in the rate of growth is expected through 1980 as the OECD economies approach full employment. The rate of output growth, as measured by the Gross Domestic Product (GDP) of the OECD area, is anticipated to be of the order of 4%-5% per annum for the five-year period—the long-run rate of growth of the OECD countries. The rate of inflation is anticipated to take a similar course with the average annual rate amounting to about 7%.

137. The upturn in the OECD economies is not anticipated to be as strong as in previous recoveries. The succeeding downturn is thus not likely to be as severe as in 1975. The key assumption is that the OECD countries will seek to establish an intermediate position between the objectives of greater price stability on the one hand and a reasonable rate of output and employment growth on the other in order to avoid the considerable dislocations experienced in the recent past from severe inflation and recession.

138. The forecasted expansion of world economic activity will be sufficient to generate a growth in demand for Malaysian exports which is about one and a half times as large as that experienced in the last five years. In addition to the effects which this growth will have on Malaysia's traditional agricultural exports and newly emerging manufactured exports, a further boost to external earnings will be provided by the export of petroleum products. The export growth forecasted will have a stimulative impact upon the economy as a whole and enable it to grow at more or less its full production potential of over 8% per annum.

139. The Malaysian economy is in a strong position to take full advantage of these opportunities. Its capacity to respond to growth in aggregate demand as envisaged above is already largely in place due to the substantial investments undertaken in the past in land development for rubber and oil palm, the replanting of rubber land with high yielding clones, drainage and irrigation for the double-cropping of padi and the development of manufacturing industries for import substitution and export expansion.

140. The resources to be generated by economic activity over the five-year period as aggregate supply grows to meet aggregate demand will be sizeable. They will permit the consumption standards of individual Malaysians to be greatly improved even as investment is expanded to further strengthen the productive base of the economy in the context of the objectives of the NEP.

141. The forecasted expansion in the real resources of the economy will also enable economic growth to be promoted while maintaining financial and monetary stability. Notwithstanding this favourable prospect, every effort will continue to be made to ensure prudence in the management of the Government's finances and the nation's balance of payments. While domestic price stability of the type experienced in the sixties cannot be expected to

recur if the country is to make fuller use of its human and natural resources, fiscal and monetary policy will be applied in the endeavour to keep domestic inflation in reasonable alignment with the needs of development and the welfare of the people.

III. INVESTMENT TARGETS

142. The total investment target under the TMP is \$22.9 billion in real terms (in 1970 prices) and \$44.2 billion in current prices. It amounts to an increase of 49.3% over the cumulative amount expended in real terms during the period of the SMP. Some 40.3% of the total is planned to be undertaken by the public sector with the remainder from the private sector.

Public sector

143. The target for development expenditure¹ by the public sector over the period of the TMP is estimated at \$18.6 billion. Of this amount, some 25.5% will be invested in agriculture; 9.5% in mining, manufacturing and commerce; about 16.6% for social development including education, health and housing, with education itself accounting for 9% of total development expenditure; 36.5% for infrastructure development, the management of the environment and general administration; with 11.9% for defence and security.

144. Building upon the efforts undertaken in the SMP, the programmes and projects encompassed by the overall target constitute an enlarged effort at ensuring that the poor will obtain increasing opportunities to improve their income and quality of life and current economic imbalances between racial groups and regions in the country will be reduced as a result of the growth of the economy. Thus 38.2% of total development expenditure will be directly allocated to the task of redressing poverty in both the rural and urban areas of the country irrespective of race as well as for narrowing current economic differentials among the major racial groups in the population. Apart from projects directly aimed at the restructuring of society, specific poverty redressal projects will also contribute directly towards increasing the participation of the Malays and other indigenous people in the modern sectors of the economy indicating the mutually reinforcing aspects of the two prongs of the NEP.

145. The States and regions which have experienced the least development so far and which thus contain the most poverty will be given the highest priority. Thus, Kedah, Perlis, Kelantan, Trengganu and Malacca as well as Sabah and Sarawak will receive considerably increased allocations.

¹ Public sector development expenditure includes expenditure for public investment or for physical capital formation in the public sector as well as sums spent on development activities which do not involve public sector capital formation including: the acquisition of land and other property from the private sector, subsidies and loans to finance private sector capital formation, purchases of defence equipment, research expenditures and certain other current items.

Such increases in the development expenditure for the States will necessitate a substantial enhancement of their planning and implementation capacity. While some headway in this regard has been made in recent years, a much greater effort needs to be initiated. Unless this is achieved, present regional disparities will be exacerbated in the process of the growth and development of the economy as a whole.

Private sector

146. The amount targetted for private investment is \$13.7 billion in real terms, some 48.3% over that achieved under the SMP or an average annual rate of growth of about 10%. The cumulative target in current prices is \$26.8 billion. It is expected to be channelled mainly towards manufacturing and construction. In view of the large role that it plays in the economic growth of the country, Government policy will continue to ensure that the private sector operates in ways which take account not only of the interest of private enterprise itself but also the need for private entrepreneurs to act along socially responsible lines.

147. The challenges facing the private sector and the Government in this regard are great. The worldwide economic recession of 1975 and the greater Government participation and supervision over the activities of the private sector have tended to slow down private investment. Conscious of the need to restore confidence in the investment climate, the Government will continue to take positive measures towards developing a constructive working partnership with the private sector. The Government is hopeful that the private sector will not only utilize the opportunities being opened up for its dynamic involvement but will also do so in ways which contribute positively to the achievement of the objectives of the NEP.

IV. MALAYSIA'S STRENGTHS AND CHALLENGES

148. Malaysia is well-placed to make positive progress in implementing the objectives of the NEP during the TMP. It has many assets some of which have been inherited while others have been the result of past development. They provide it with a strong foundation for further socio-economic progress. At the same time, Malaysia also faces a number of constraints and challenges. These will be vigorously dealt with by the Government to realize the full potential of the nation for development. A maximum effort will therefore be made to remove these constraints before they become more complex and less manageable. Time is of the essence. With the completion of the TMP, the nation would have passed the half-way point in the time set for the implementation of the NEP.

149. One of Malaysia's strengths is her young, adaptable and dextrous population and work force which, with the implementation of the Government's education policies, is now substantially literate. They constitute not only a strong motivating force for social and economic advancement

but also a potential reservoir of employable skills which can be harnessed for the development effort. The challenge will be to equip them through further education and training to participate productively in the agricultural and industrial development of the country. To this end, education and training in the sciences, technology and business management will require much more emphasis.

150. The private sector is composed of dynamic and capable entrepreneurs, both local and foreign. An increasing number of these entrepreneurs are from the ranks of the Malays and other indigenous people. While the private sector has benefitted substantially from the Government's development efforts, the Government also recognizes that the traditional vigour of private entrepreneurs has been constrained by inevitable problems arising in the course of implementing the NEP. The challenge will be for the Government to work out in partnership with the private sector the necessary arrangements to ensure vigorous participation of private enterprise in the development of the country in the context of the NEP.

151. As indicated in paragraph 140 above, a sufficient amount of resources is likely to become available in the course of the next five years to finance investments targetted under the TMP for both the public and private sectors together. These will be generated largely by exports following the resumption of world economic growth. Strong as the prospects are for the five-year period taken as a whole, Malaysia must continue to be prepared to contain the inevitable fluctuations of domestic economic activity which arise from the vicissitudes of export prices. In the endeavour to further improve economic management, the planning machinery of the Government will be streamlined for the purpose of strengthening the process of annual planning both as an instrument for moderating cyclical fluctuations as well as for monitoring and reviewing progress on key development programme targets and policies in the light of changes in the economic situation.

152. Although the economy as a whole will generate sufficient resources to finance the investments targetted, it will continue to be necessary to prudently use public funds in order that fiscal and monetary stability can be preserved. The need to counter effectively the security threat from anti-national elements in both the rural and urban areas of the country will impose a substantial cost on the Government budget leaving less for socio-economic development than might otherwise be available.

153. The re-emergence of militant communism threatens the timely attainment of national objectives. Capitalizing on the existence of socio-economic imbalances and resorting to propaganda, subversive and destructive activities, anti-national elements seek to disrupt the building of a strong and united nation. The progressive strengthening by the Government of the socio-economic fabric of the country through the NEP provides the assurance that the process of nation-building will not be subverted. The Government, at the same time, will take such measures as may be necessary to assure

the maintenance of national security. It is to be appreciated, however, that this will entail a substantial allocation of resources for the strengthening of the country's security forces.

154. Current revenue of the public sector is projected to grow by 13.6% per annum. Current expenditure is programmed to grow at about the same rate so as to achieve at least a current account balance over the five-year period. It will therefore be necessary for private savings to be mobilized and loans from domestic and foreign sources to be raised to finance the bulk of public development expenditure under the TMP.

155. The Government is in a position to raise the finance required. The credit worthiness of the Government is high, the balance of payments position is comfortable, the external reserves of the country are at more than a healthy level, the domestic borrowing targets of the Government are within the limits of non-inflationary domestic credit availability (after taking account the projected needs of the private sector) and the external debt is comparatively small.

156. The challenge for the Government will be to ensure that all the resources mobilized for its current and public expenditures through taxation and loans are so utilized that the benefits derived for society are maximized. In the endeavour to stimulate socio-economic development, the public sector, and in turn, public current expenditure for wages and salaries have grown significantly. Given the shortage of skilled and experienced personnel, the rapid expansion of manpower in the public sector has perforce led to some fall in productivity due to the recruitment of relatively inexperienced staff and lack of proper supervision. While further increases in the staff establishment are necessary for the planning and implementation of Government's socio-economic programmes under the TMP, an important objective will be to upgrade the performance of existing staff and institutions.

157. The effects of development on the nation's environment will not be ignored. Impairment of the country's land and forest resources as well as pollution from industries and urban development have not in general reached such a state that they cannot be dealt with at relatively low costs, if action is taken to deal with them now. The Government recognizes the importance of adopting sound environmental policies and has therefore brought into force the Environmental Quality Act and established the Department of the Environment. The Government will ensure that development will not be carried out in such a manner as to impair the productivity of Malaysia's renewable land and forest resources, cause the extinction of unique elements of natural ecosystems and lead to excessive and harmful pollution of the environment resulting in unhealthy living conditions for Malaysians, the loss of recreational resources and the productivity of Malaysia's fisheries.

158. Provided that purposeful efforts are made to increase productivity in both the public and private sectors, the investible resources generated will enable the foundations of longer-run socio-economic development and management of the environment to be substantially strengthened during the

TMP for the untapped economic potential of the country is significant, particularly in Pahang, Johor, Sarawak and Sabah. Potentially productive agricultural lands exist in large quantities. Sizeable opportunities for increased production from forestry are available, especially in regard to the production of processed wood. Malaysia's reserves of oil and natural gas are substantial and offer opportunities not only for expanded exports of petroleum and of gas particularly after the eighties but also for the development of large-scale petro-chemical and petro-chemical products industries in the country particularly in the Fourth Malaysia Plan with consequential stimulus for the expansion of a host of ancillary industries. Industrial potential in respect of raw material-based industries is also large. While production for import substitution will expand in line with economic growth, there is significant scope for the expansion of manufacturing production for export. Finally, Malaysia's major infrastructure is largely in place. While additional outlays will be required for some extensions of the network of infrastructure in Sabah and Sarawak and for the development of new growth centres, they will constitute a smaller proportion of the budget than in the early stages of development of the country.

V. SOCIO-ECONOMIC DEVELOPMENT STRATEGY AND TARGETS

159. The socio-economic development strategy underlying the TMP aims at enhancing the role of the agricultural and industrial sectors in creating opportunities for a progressively greater part of the population of all races to be employed productively and to raise their income earning capacity through employment as well as the ownership and control of productive wealth. Thus, emphasis will be given upon productivity being increased in existing agricultural areas to enhance the income and welfare of the rural poor. Agricultural development will also emphasize the opening up and settlement of new land to create new employment opportunities. Development of the agricultural sector alone will, however, not be sufficient in relation to the magnitude and range of needs which has to be satisfied.

160. Accordingly, industrial development and concomitantly urban development will continue to be aggressively promoted, not only to complement agricultural development in reducing the overall unemployment rate but also enable the underemployed in the agricultural and services sectors to find more productive employment in manufacturing. Equally important, industrial development will be an important means for restructuring society by providing opportunities for the Malays and other indigenous people to branch out into productive urban-based employment.

161. To optimize the benefits of industrial growth, promotional policies will undergo periodic re-appraisal and modification, where necessary, to ensure that they stimulate private investment for employment expansion and use of the country's abundant natural resources. A further objective will be to encourage productive efficiency in the country's industrial operations so as to keep within reasonable limits the costs of industrialization upon society.

162. Efforts to improve the quality of life of the poor in both the rural and urban areas of the country will move in tandem with the expansion of employment and income. Together they will constitute the core of Government's poverty redressal strategy. Particular emphasis will be given to the improvement of housing and other essential services for the lowest income groups in the rural as well as urban areas. Other programmes include the Applied Food Nutrition Project and the community development programmes in both rural and urban areas to fully involve local communities in development programmes and projects.

163. To the extent that the incidence of poverty falls most heavily on the Malays and other indigenous people, the poverty redressal efforts of the Government will contribute towards reducing current economic differentials among the major racial groups in the country. The more specific restructuring policies and programmes of the Government aim at ensuring that, apart from raising their productivity in the sectors in which they are at present concentrated, progress will also be made in providing them with adequate opportunities to branch out into other sectors of the economy in particular manufacturing, construction and services. The focus of policy in this regard will continue to be the need to reduce disparities in the ownership and control of wealth in the modern sectors and to diminish the concentration of employment among the Malays and other indigenous people in traditional agriculture while increasing their presence in the relatively more affluent urban sectors.

164. Economic growth alone will not be sufficient to bring about the desired amount of restructuring. In fact, it is likely to exacerbate present racial imbalances. Energetic and timely intervention by the Government is required. To this end, continuing attention will be given to (i) the implementation of labour market policies and programmes in support of more ethnically balanced patterns of employment in all sectors of economy; (ii) the expansion of education and training opportunities in ways which ensure that the necessary supply of skills among the various racial groups are available to meet the racial employment pattern targetted, (iii) the performance of public enterprises in achieving the overall racial employment pattern and capital ownership desired; (iv) the implementation by the private sector of the guidelines for restructuring equity ownership as the volume of corporate stock expands with the growth of the economy; and (v) the acquirement of share capital in existing as well as new corporations to be held in trust for the Malays and other indigenous people.

165. The role of public enterprises in helping to achieve the restructuring objectives of the NEP will be great. To discharge this responsibility, public enterprises will require a full complement of experienced and trained manpower. The more efficient they are, the greater will be their potential for increasing employment and expanding capital ownership among the Malays and other indigenous people.

166. Under the impetus of the SMP, Malay employment in the dynamic and modern sectors of the economy has begun to improve although not sufficiently, especially at the managerial and executive levels. At the same time, however, employment of other Malaysians in a number of sectors, including agriculture and services registered only moderate growth. The Government is fully cognizant of the possibility that if the latter trends persist, the employment of other Malaysians in these sectors could well remain below the targets of the NEP.

167. Corrective action can and will be taken to steer more efficiently the growth of employment in the major sectors of the economy so that it progressively reflects the racial composition of the labour force. With rapid economic growth, sufficient opportunities will exist for employment to be promoted among the Malays and other indigenous people in urban-based industry while action is taken to encourage the employment of other Malaysians in sectors where they are now inadequately represented.

168. Government effort alone will not be sufficient to bring about the attainment of the restructuring objectives of the NEP. Their successful achievement requires the full co-operation of the private sector. For its part, the Government will ensure that any possible adverse impact that its restructuring policies have on the economic aspirations of any group including the foreign sector will be minimized.

169. Much work has been undertaken during the period of the SMP to quantify and assess the extent of poverty in the country. This has permitted the poor to be identified in terms of some of the more important socio-economic variables such as race, location, employment status, occupation, sector of employment and education. It has enabled target groups to be specified for whose well-being policy actions and programmes can be designed and implemented.

170. Taking account of the estimates made by the Institute of Medical Research, Malaysia, in respect of minimum nutritional needs and that of the Ministry of Social Welfare in regard to essential non-food requirements to sustain a decent standard of living, some 792,000 households were in poverty in 1970 in Peninsular Malaysia. The major groups include the following: padi growers; rubber smallholders; coconut smallholders; fishermen; estate workers; residents of New Villages; agricultural labourers; the *Orang Asli*, the urban poor; and the poor in Sabah and Sarawak. The incidence of poverty among the above groups in Peninsular Malaysia is estimated to range from about 40% for estate workers to 88% for padi cultivators. In absolute terms, the largest number in poverty are rubber smallholders (226,000) followed by padi cultivators (123,000). The measures to be taken to increase the productivity and incomes of poor households will endeavour to deal directly with the specific problems which they face.

Padi cultivators

171. The extent of padi acreage under double-cropping will be expanded through drainage and irrigation projects to enable single-crop padi cultivators to rise above the poverty line. Where such extension is not feasible, the production of remunerative off-season crops will be promoted including tobacco, groundnuts, soya-bean and vegetables. Over and above these efforts to utilize land under padi more fully, greater attention will be given to the scope for raising padi yields. To this end, more widespread planting of high yielding varieties and more optimal patterns of fertilizer use will be emphasized. Attention will also be given to reducing post-harvest losses.

Rubber smallholders

172. The accelerated replanting of smallholder acreage with high yielding stock will remain the principal means for reducing poverty among rubber smallholders. In addition, the Government will continue to deal with the basic problem of inadequate-sized holdings for many poor households by encouraging out-migration of smallholders into new land development schemes as well as developing fringe alienation schemes for those who remain. Efforts will be intensified to raise economic returns through improved production practices including improvements in tapping techniques and fertilizer use as well as processing and marketing. Mixed farming will also be encouraged to diversify sources of income.

Coconut smallholders

173. The principal thrust of Government's programmes for this group will encompass replanting, rehabilitation and intercropping with cocoa in particular as well as bananas and pineapple. Special efforts will also be made to introduce higher yielding strains of coconuts while the rearing of livestock will be promoted.

Fishermen

174. A major portion of the effort for this group will be in the East Coast of Peninsular Malaysia, Sabah and Sarawak where the incidence of poverty is higher than that on the West Coast of Peninsular Malaysia. One aim will be to help fishermen participate in off-shore fishing. The number of fishermen who can be so absorbed, however, is limited in view of the capital intensive nature of off-shore operations. Most fishermen will therefore remain in small-scale inshore fishing. As such, a principal aim will be to raise the productivity of those who have the potential of earning a reasonable living through a greatly expanded programme for the subsidized distribution of engines, nets and gear as well as the marketing and processing of their produce. The remainder, in particular the younger in the fishing villages, will be assisted to find alternative occupations, including settlement on new land schemes. The potential for aquaculture is significant and will be promoted.

Estate workers

175. Marked shifts in the structure of the estate sector over the last decade arising from the conversion of rubber acreage into oil palm has reduced estate employment. These reductions have affected Indian workers on rubber estates most severely and Chinese workers to a lesser extent. Greater geographic and occupational mobility on their part is needed so as to reduce redundancy of estate labour. To this end, the settlement of redundant estate workers on public land schemes will be implemented. Improvement of educational facilities on estates and greater access to technical and vocational training will receive special attention from the Government as an important means for stimulating future out-migration by the younger generation.

176. Together with measures to reduce underemployment in estates, the Government working in conjunction with estate management will endeavour to promote greater home ownership as well as provide basic amenities such as electricity and water supply to improve the quality of life among estate workers.

Residents of New Villages

177. Poverty among the Chinese in the semi-rural and urban areas of the economy is almost entirely confined to residents of New Villages. Programmes to reduce the incidence of poverty in this group will be tailored to the different circumstances of different villages. Special efforts will be made to alleviate the land shortage experienced by most villages in rural areas, to provide security of tenure and to improve village infrastructure. These efforts will be accompanied by arrangements for settlement of redundant labour on public land schemes. In the case of urbanized villages and those which are located close to urban centres, measures will be taken to integrate them with adjacent urban areas and to improve basic services and infrastructure. In such villages, efforts will be made to promote the development of small-scale industries.

Agricultural labourers

178. Agricultural labourers are to be found principally in the rubber and padi sectors. As such, the programmes to be implemented for the purpose of raising annual output per acre for padi growers, rubber smallholders and coconut smallholders will be directly beneficial in improving the economic condition of this group insofar as they raise the demand for farm workers and thus their wages. In addition, continued attention will be given to opening-up opportunities for farm labourers in new land development schemes.

Orang Asli

179. The *Orang Asli* as a group are largely not in the money economy. They are engaged in various traditional forms of subsistence activity—shifting cultivation, fishing, hunting and the gathering of forest produce—although a small but increasing number are finding employment as rubber smallholders, agricultural labourers and in forestry. Programmes for the development of the *Orang Asli* will include the provision of special settlement schemes, in the long run to integrate them in the economy of the nation through education and training, and the continuing provision of health services.

Urban poor

180. The growth of the manufacturing and construction sectors will contribute significantly towards increasing the quantity and improving the quality of employment for the urban poor who include new migrants from the rural areas. Rapid as this growth will be, however, a sizeable part of the urban poor are not likely to be affected. The fast expansion in the size of the urban labour force will continue to trap a substantial part of the urban poor in underemployment particularly in the services sector. Special measures to deal more directly with the problems of the urban poor will therefore be mounted.

181. The strategy to be implemented will be a diversified one given the wide difference in the economic characteristics of the urban poor. First, in stimulating the development of manufacturing and construction, special inducements for labour intensive industries and methods of production will be emphasized. Second, small-scale industries will be supported by expanding credit facilities and extension services as well as by developing stronger links between labour intensive small producers and the modern sector through sub-contracting arrangements. Third, the Government will continue to take the initiative to encourage the growth of a larger number of urban centres dispersed across the country not only to relieve the pressure on existing metropolitan areas but also to expand the number of marketing outlets for the rural hinterland. Fourth, special attention will be given to vastly expanding housing and public transportation services in the urban areas. Finally, petty traders and hawkers in all urban areas will be assisted with credit and infrastructure facilities for their trade. Together with education, health and family planning facilities, Government's programmes are designed to have a direct impact on the living standards of the poor. They will also contribute towards improving their productivity.

The poor in Sabah and Sarawak

182. In Sabah and Sarawak, the largest number of poverty households is found among the indigenous races engaged in traditional forms of agriculture, mainly in shifting cultivation and fishing, but also include others in

permanent agriculture as padi farmers, smallholders engaged in rubber, coconuts, pepper and mixed agriculture and fishing. Poverty redressal programmes in these two States will aim at increasing productivity among these groups, particularly among shifting cultivators, through extension of modern methods of cultivation, better marketing, encouragement of permanent settlement in new land development projects, as well as the provision of social services in health and education. At the same time, greater participation of the people in development will be encouraged under the Community Development Programme.

183. In advancing the implementation of the NEP, the major objectives of the TMP are, in summary, to:

- (1) *reduce* the incidence of poverty in the rural areas throughout the country among padi cultivators, rubber smallholders, coconut smallholders, shifting cultivators, fishermen, estate workers, residents of New Villages, agricultural labourers and the *Orang Asli* by:
 - (i) expanding employment opportunities through new land development, establishment of new growth centres and the absorption of excess labour in other sectors of the economy;
 - (ii) enhancing the productive role of the rural poor by increasing their access to land, water supplies, credit, markets, extension advice and other public facilities including electric power;
- (2) *reduce* the incidence of poverty among the urban poor by:
 - (i) expanding employment opportunities in manufacturing and construction including the promotion of small-scale industries;
 - (ii) improving their real income through the provision of low-cost housing and other public services;
- (3) *enhance* the quality of life of all Malaysians and in particular the poor through the expansion of education, health services, family planning facilities and housing;
- (4) *increase* the share of the Malays and other indigenous people in employment in mining, manufacturing and construction and the share of other Malaysians in agriculture and services so that by 1990 employment in the various sectors of the economy will reflect the racial composition of the country;
- (5) *raise* the share of the Malays and other indigenous people in the ownership of productive wealth including land, fixed assets and equity capital. The target is that by 1990, they will own at least 30% of equity capital with 40% being owned by other Malaysians;
- (6) *foster* the development of entrepreneurship among the Malays and other indigenous people so as to effectively contribute towards the creation by 1990 of a strong and viable commercial and industrial community among them;
- (7) *encourage* and *support* private investment both domestic and foreign;
- (8) *promote* further utilization of the country's abundant human and natural resources; and

- (9) *develop* and *expand* the social and physical infrastructure of the economy to effectively support the attainment of the above objectives.

VI. CONCLUSION

184. The TMP has been formulated in the light of the country's many economic strengths, the challenges confronting it including those in respect of its security, the significant economic and social progress that is taking place as a result of past efforts at development and the shortcomings which it has experienced in the course of development. It constitutes the Government's blueprint for a sharper and more intensive effort at poverty redressal and the restructuring of society during 1976-80.

185. As with previous plans, the TMP provides the framework and indicates the general order of priorities which will guide the annual budgetary operations in the public sector and influence investment decisions in the private sector. The framework itself will be dynamic. Modifications will be effected in the course of the Plan and during the preparation of the annual budgets to take account of changes in the economic and financial situation. Such changes as are made will be for the purpose of ensuring that the public and private sectors effectively contribute from year to year towards the realization of the goals of the NEP, the objectives of which are quantified in the Outline Perspective Plan for the period 1971-90.

CHAPTER IV

Outline Perspective Plan, 1971-90

I. INTRODUCTION

186. The Outline Perspective Plan presents the broad socio-economic framework within which the objectives of the New Economic Policy (NEP) are being pursued. It sets out in quantitative terms the major targets of the NEP, demonstrates their feasibility and examines their implications for policy.

187. As indicated in the Outline Perspective Plan presented with the Mid-Term Review of the Second Malaysia Plan (SMP), the overall goals of the NEP comprise the following objectives:

- (i) employment creation at a rate sufficient to reduce current levels of unemployment and eventually bring about full employment of the labour force;
- (ii) expansion of the incomes and productivity 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) enlargement of opportunities for those engaged in low productivity occupations to move to more productive endeavours in agriculture, forestry, fisheries, mining, construction, transportation, manufacturing, commerce and services industries;
- (iv) reduction of existing inequalities in the distribution of income between income and racial groups;
- (v) modernization of rural life and improvement of living conditions among the urban poor through the provision of a wide range of social services including public housing, electricity, water supply, sanitation, transportation, health and medical services and recreational and community facilities;
- (vi) creation of a commercial and industrial community among the 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) restructuring of sectoral and occupational employment patterns in the various sectors of the economy so that they reflect the racial composition of the country by 1990; and
- (viii) expansion of education and training facilities, other social services and the physical infrastructure of the country to effectively support the attainment of the above objectives.

188. These objectives, in turn, are to be attained through rapid economic growth. Such growth is necessary if opportunities are to be created on a sufficient scale to enable the poor to benefit from increases in the quantity and quality of employment. This is also necessary if the Malays and other indigenous people are to participate increasingly in commercial and industrial activity without other groups in Malaysian society experiencing any loss or feeling any sense of deprivation. In this connection too, rapid economic growth is a prerequisite if the resources of the Government are to be enlarged to finance remedial public sector programmes. But while sustained prosperity and growth are clearly necessary conditions for the progressive amelioration of the nation's socio-economic problems, they are not sufficient conditions—a recognition which is at the heart of the NEP.

189. The progress achieved under the SMP and the broad targets under the Third Malaysia Plan (TMP), the first two phases in the implementation of the 20-year targets of the NEP, were covered in Chapters II and III in this Plan document. Taking into account the developments discussed therein, the Outline Perspective Plan (OPP) presented in this Chapter is a revision of the long-term plan contained in the document on the Mid-Term Review of the SMP. It also takes into account the results of recent work on the characteristics and dimensions of the country's socio-economic problems. It thus incorporates the results of continuing work on the part of the Government to define more precisely the nature of the policies and the magnitude of the programmes for the achievement of the overall objectives of the NEP by 1990.

190. Sections II and III below analyse the long-term prospects for growth and structural change in the Malaysian economy. The opportunities opened up by such growth for employment expansion, the eradication of poverty and the restructuring of society are illustrated in the subsequent sections of this Chapter.

II. PROSPECTS FOR ECONOMIC EXPANSION

191. The prospects for accelerated growth of the Malaysian economy are bright. They have their origin in the country's large endowment of natural resources relative to the size of its population. Out of a total area of 34 million acres of land capable of being brought under agriculture, some 17 million acres remain to be so developed—6.2 million acres in Peninsular

Malaysia and 10.8 million acres in Sabah and Sarawak. The scope is therefore substantial for expanding agricultural production and raw material-based industrial development.

192. Of the agricultural raw materials that Malaysia produces, rubber and timber offer the greatest opportunities for agro-based industrialization. While an increasing share of rubber production is being processed into high quality Standard Malaysian Rubber, the manufacture of a widening range of rubber products is already underway. In the case of timber, high quality timber will be available in significant quantities for the progressive expansion of viable wood product industries to meet domestic requirements as well as export demand. Stepped-up end-use research in respect of palm oil should also enlarge the potential for further raw material-based industrialization.

193. Most significant of all, recent discoveries of oil and natural gas in Sabah and Sarawak as well as in Peninsular Malaysia will lead to the development of large-scale industries manufacturing petro-chemicals and petro-chemical products. In turn, these industries will have considerable spin-off effects on the rest of the economy. As the agricultural and mineral resources of the economy are developed for domestic use and export, and as incomes expand in consequence, increased domestic demand will make feasible the production of a widening range of goods and services. This demand will be particularly strong for the production of intermediate goods and capital equipment, a large proportion of which is now imported.

194. Overall, the potential for growth of Malaysia's Gross Domestic Product (GDP) is over 8% per annum in constant 1970 prices. This is much higher than that achieved in the sixties during which the necessary conditions for sustained growth were being established. It compares favourably, however, with performance under the SMP when the trend rate of growth was an estimated 8.2% per annum, after taking into account the impact of international recession on the actual rate of growth in 1975.

195. The target growth rate of GDP at factor cost in real terms for the period 1971-90 is 8.0% per annum. Given that the actual rate of growth during 1971-75 was 7.4% per annum and that the target for 1976-80 is 8.5%, the OPP implies an average annual growth of 8.1% for the period 1981-90. As shown in Table 4-1, this 20-year target is higher than the average annual rate of 7.1% targetted in the OPP presented with the Mid-Term Review. This difference arises, in the main, from more recent analyses which indicate that, compared with previous estimates, agricultural and industrial expansion have a larger influence on the supportive and services sectors of the economy. The new projections also have not embodied the potential output from the oil and natural gas sector in the eighties pending the completion of the Masterplan study which will, *inter alia*, determine oil and gas reserves.

TABLE 4-1
MALAYSIA: GROSS DOMESTIC PRODUCT BY INDUSTRY OF
ORIGIN, 1970-90
(In 1970 prices)

Sector	Average annual growth rate (%) 1971-90	
	As targetted in Mid-Term Review of SMP	As targetted in TMP
Agriculture, forestry, fishing, etc.	5.4	5.4
Mining and quarrying	7.8	3.8
Manufacturing	12.3	12.2
Construction	6.5	8.3
Electricity, water and sanitary services	10.3	9.9
Transport, storage and communications	4.9	9.4
Wholesale and retail trade	4.9	8.3
Ownership of dwellings, banking, insurance and real estate	6.0	7.6
Public administration and defence	3.6	8.6
Other services	4.1	8.2
Gross domestic product at factor cost	7.1	8.0

196. A major requirement for the targetted expansion of the economy will be strong investment growth, both private and public. The rate of growth of total investment was 11% per annum (excluding stock changes) during 1971-75. This exceptional growth was primarily the result of strong increases in public investment during 1972 and 1975 to counteract the downswings in economic activity during those years. Barring the need for counter-cyclical action of this magnitude during the projection period, total investment is postulated to increase by about 8.5% per annum over the next fifteen years and to increase its share in GDP from 20.1% in 1970 to 24.5% by 1990 as shown in Table 4-2. A higher rate of investment growth may, however, turn out to be necessary in view of the increasing capital intensiveness of the industrial sector.

197. Notwithstanding the need to set aside a sizeable portion of the resources to be generated for investment purposes, there will be enough scope for private as well as public consumption to grow strongly. Living standards will therefore improve as *per capita* private consumption increases by 4.3% per annum while public consumption will expand by 9.2% per annum as the Government seeks to ensure that its public services reach the poor.

198. Significant changes in the composition of personal consumption will accompany the growth of *per capita* consumption, as illustrated for Peninsular Malaysia in Table 4-3 below. As private disposable incomes increase, there will be a strong shift in the structure of consumption from expenditures on food and other basic necessities towards expenditures for better housing, consumer durables, transportation, education and health and other personal services.

TABLE 4-2
MALAYSIA: GROSS NATIONAL PRODUCT BY EXPENDITURE
CATEGORY, 1970-90
(\$ million in 1970 prices)

	1970	Share of GDP (%)				Average annual growth rate (%)							
		1970	1975	1980	1990	1971-75	1976-80	1981-90	1976-90	1971-90			
Consumption	9,483	88.6	12,106	79.0	17,651	76.5	36,461	72.8	5.0	7.8	7.5	7.6	7.0
Private	7,486	69.9	9,036	59.0	12,331	53.4	24,976	49.9	3.8	6.4	7.3	7.0	6.2
Public	1,997	18.7	3,070	20.0	5,320	23.1	11,485	22.9	9.0	11.6	8.0	9.2	9.1
+ Investment	2,152	20.1	3,622	23.7	5,423	23.5	12,261	24.5	11.0	8.4	8.5	8.5	9.1
Private	1,459	13.6	2,062	13.5	3,315	14.4	7,495	15.0	7.2	9.9	8.5	9.0	8.5
Public	693	6.5	1,560	10.2	2,108	9.1	4,766	9.5	17.6	6.2	8.5	7.7	10.1
+ Change in stocks	315	2.9	-442	2.9	-300	1.3	800	1.6	-	-	-	-	-
+ Exports of goods and non-factor services...	5,367	50.1	7,151	46.7	10,704	46.4	21,184	42.3	5.9	8.4	7.1	7.5	7.1
- Imports of goods and non-factor services	4,807	44.9	4,899	32.0	7,245	31.4	13,128	26.2	0.4	8.1	6.1	6.8	5.2
= Gross domestic product at market prices...	12,510		17,538		26,233		57,578		7.0	8.4	8.2	8.2	7.9
- Indirect taxes less subsidies	1,802		2,223		3,160		7,481		4.3	7.3	9.0	5.4	7.4
= Gross domestic product at factor cost	10,708		15,315		23,073		50,097		7.4	8.5	8.1	8.2	8.0
- Net factor payments abroad	355		392		857		2,509		-	-	-	-	-
Gross national product at market prices ¹	12,155		17,146		25,376		55,069		7.1	8.2	8.1	8.1	7.8

¹ Gross national product at market prices = Gross domestic product at market prices less net factor payments abroad.

TABLE 4-3

PENINSULAR MALAYSIA: COMPOSITION OF PERSONAL CONSUMPTION², 1970-90

(In 1970 prices)

	Percentage share			
	1970	1975	1980	1990
Agriculture products	8.1	7.6	6.8	5.6
Forest products	0.5	0.5	0.5	0.5
Fishing	3.1	2.9	2.7	2.3
Food ³	27.8	26.2	24.1	20.7
Textiles and clothing ⁴	4.8	4.9	5.0	5.1
Paper and wood products ⁵	1.1	1.2	1.3	1.4
Chemical and rubber products	6.6	6.9	7.4	8.1
Basic metal and non-metallic products	0.9	1.0	1.0	1.2
Machinery and equipment ⁶	4.9	5.4	6.1	7.2
Other manufacturing products	1.5	1.6	1.8	2.1
Transport and utilities	7.3	7.6	8.0	8.7
Trade	15.2	15.6	16.0	16.7
Public services ⁷	1.8	1.9	2.0	2.0
Private services ⁸	16.4	16.7	17.3	18.4
TOTAL	100.0	100.0	100.0	100.0

² The above calculations are based on income consumption elasticities estimated from the Household Expenditure Survey of 1973 prepared by the Department of Statistics.

³ Includes beverages and tobacco.

⁴ Includes leather and footwear.

⁵ Includes furniture.

⁶ Includes electrical accessories.

⁷ Includes education, health and other public services.

⁸ Includes housing, business services and personal services.

199. A second major requirement for the targetted expansion of the economy will be strong export growth. This will be necessary not only to complement domestic demand in the optimal use of the nation's resources for income and employment creation but also to mobilize a sufficient volume of foreign exchange to cover the growing import requirements of the economy, particularly for investment goods. On the basis of the projected growth of export goods and the potential world demand for such products, exports are targetted to grow by 7.5% per annum during 1976-90 compared with 5.9% during 1971-75.

200. An important category of exports will be manufactured goods. The expansion of the industrial base in response to growing domestic demand for manufactured goods will progressively strengthen the prospects for manufactured exports. On the basis of public policy being geared to stimulate continuing improvements in productivity, efficiency and export competitiveness, the export of manufactured goods could grow by 12.7% during 1976-90 and account for 38.1% of the value in constant 1970 prices of total exports of goods and non-factor services in 1990 compared with 11.0% in 1970 and 19.6% in 1975.

201. With industrialization, the import of intermediate materials and capital goods as well as consumer durables will grow rapidly. The total import bill, however, is not expected to grow as fast as exports given continued progress in import substitution of food and manufactured consumer goods and the emergence of capital-goods-producing industries in the country itself. On the whole, export earnings, supplemented by modest inflows of public and private capital from abroad, should be sufficient to cover projected import requirements. They should also enable other normal outflows of capital to be financed while maintaining, at the same time, the basic soundness of Malaysia's balance of payments position.

III. GROWTH AND STRUCTURAL CHANGE

202. Substantial changes will take place in the structure of the economy as Malaysia utilizes its natural resources for both primary and secondary production and as the resulting increases in *per capita* income bring about changes in the composition of consumption demand. Table 4-4 illustrates the long-term projections for GDP by industry of origin⁹.

203. The *agricultural* sector (including fisheries), currently the largest sector in the economy, will undergo significant expansion and modernization. Out of a total of 17 million acres suitable for agricultural development, it is expected that some 3.2 million acres will be brought under cultivation between 1976-90 compared with 1.1 million acres during 1971-75. Average yields too will rise as farm practices improve; agricultural holdings under tree crops, in particular, rubber and coconuts, are replanted with higher yielding material; and drainage and irrigation facilities are extended to enable multiple cropping.

204. Value added by agriculture, forestry and fishing is projected to expand by 5.4% per annum over the 20-year period. The pace of growth will, however, be somewhat slower in the eighties at 4.9% per annum compared with 5.9% during 1971-75 and as estimated at 6.0% during the next five years. This will be primarily due to slower growth of rubber and oil palm output. In the case of rubber, almost the total acreage under the crop would have been planted and replanted with high yielding varieties by the end of the seventies with the full impact on production being realized by the early eighties. Thereafter, output growth would be mainly the result of new plantings. In the case of oil palm, a reduction in the scale of new acreage development is postulated as Malaysia's share in the world output of palm oil would reach as much as 60% even by 1980.

205. Although tree crops will continue to dominate the agricultural sector, there will be marked progress in the diversification of production. Horticultural and other annual crops as well as livestock production are

⁹ The projections of growth and structural change for Peninsular Malaysia were derived from a comparative static input-output model for Peninsular Malaysia using the 1970 Input-Output Table recently completed by the Department of Statistics. The forecasts for Sabah and Sarawak are based on conventional macro-economic projection techniques.

TABLE 4-4

**MALAYSIA: GROSS DOMESTIC PRODUCT BY INDUSTRY
OF ORIGIN, 1970-90**
(\$ million in 1970 prices)

Sector	Share of GDP (%)		Share of GDP (%)		Share of GDP (%)		Share of GDP (%)		Average annual growth rate (%)				
	1970	1975	1980	1980	1990	1971-75	1976-80	1981-90	1976-90	1971-90			
Agriculture, forestry, fishing, etc.	3,432	4,563	6,106	6,106	9,858	5.9	6.0	4.9	5.3	5.4			
Mining and quarrying	613	612	806	806	1,280	0	5.7	4.7	5.0	3.8			
Manufacturing	1,307	2,197	3,872	3,872	13,144	10.9	12.0	13.0	12.7	12.2			
Construction	481	711	1,087	1,087	2,346	8.1	8.9	8.0	8.3	8.3			
Electricity, water and sanitary services	245	401	622	622	1,613	10.4	9.2	10.0	9.7	9.9			
Transport, storage and communications	606	1,098	1,636	1,636	3,631	12.6	8.3	8.3	8.3	9.4			
Wholesale and retail trade	1,423	2,086	3,122	3,122	6,994	7.9	8.4	8.4	8.4	8.3			
Ownership of dwellings, banking, insurance and real estate	836	1,109	1,658	1,658	3,646	5.8	8.4	8.2	8.3	7.6			
Public administration and defence	794	1,199	1,896	1,896	4,131	8.6	9.6	8.1	8.6	8.6			
Other services	874	1,237	1,947	1,947	4,203	7.2	9.5	8.0	8.5	8.2			
Statistical discrepancy	+97	+102	+321	+321	-749	-	-	-	-	-			
Gross domestic product at factor cost	10,708	15,315	23,073	23,073	50,097	7.4	8.5	8.1	8.2	8.0			

planned to grow rapidly. The prospects for profitable cattle raising will be sizeable particularly in Sabah. Altogether, such diversification offers the opportunity for meeting domestically the changes in the composition of food demand that will arise from increasing incomes; expanding export earnings; and most important of all, enlarging smallholder incomes and improving nutritional standards. Specific opportunities include fruit and vegetable, tobacco, soya-bean, sugarcane, aquaculture, beef and dairy production particularly in Sabah, and pasture and feed production (including maize and sorghum).

206. The *manufacturing* sector will continue to be the fastest growing sector in the economy. With value added growing by about 12.7% per annum during 1976-90 (compared with 10.9% during 1971-75), the manufacturing sector will contribute 31.5% to the total increase of GDP during the period and become, by 1990, the largest sector in the economy. A number of factors underpin the potential for substantial growth in the sector. First, as indicated in paragraphs 191-193 above, the relatively sizeable natural and human resources of the country provide wide scope for industrial development based on the labour and raw material resources of the economy. Second, the growth of private disposable income will create strong demands for a widening range of manufactured consumer goods. Thus, as illustrated for Peninsular Malaysia in Table 4-5 below, value added by the food manufacturing, textiles, paper and wood products, chemical and rubber products and basic metal and non-metallic product industries is projected to grow in excess of 9% per annum in each case for the period 1976-90. Third, the progressive enlargement of the industrial base will permit the manufacture, on a viable basis, of a range of intermediate and capital goods. The strong growth of capital goods industries in the recent past combined with the increasing growth in domestic demand for their products in the future suggest that these industries could grow as strongly as 15% per annum.

207. The labour intensive textiles and electronics industries accounted significantly for the momentum of growth of the manufacturing sector during the period of the SMP. Continued strong growth is envisaged as the electronics industry broadens to produce more complex sub-assemblies and finished products and as the textiles industry prepares itself to compete with established suppliers in the world market.

208. A new set of industries is also emerging to provide additional thrust to the industrial sector. Apart from the increased processing and fabrication of rubber and timber products, the substantial resources of oil and natural gas in the country will give rise to a number of large-scale industries for the production of petro-chemicals and petro-chemical products including fertilizers. The scope and feasibility of these industries are being investigated in the Masterplan study for the development of the petroleum industry which is now underway. In addition, the metal working industries will grow rapidly in importance as industrialization advances. The principal constraint will be the availability of the requisite skilled

TABLE 4-5

**PENINSULAR MALAYSIA: GROWTH OF MANUFACTURING
INDUSTRY¹⁰, 1970-90**
(% per annum)

	1971-75	1976-80	1981-90	1976-90	1971-90
<i>Consumer products</i>	11.8	12.9	9.9	10.9	11.1
Food	11.5	12.5	8.8	10.0	10.4
Textiles and clothing	14.5	12.3	15.0	15.4	15.2
<i>Intermediate products</i>	9.0	10.8	10.6	10.7	10.3
Wood and paper products	9.2	10.2	8.5	9.1	9.1
Chemical and rubber products	9.1	10.9	10.6	10.7	10.3
Basic metals and non-metallic products	8.9	11.2	11.9	11.7	11.0
<i>Investment products</i>	15.2	14.7	14.7	14.7	14.8
Machinery and equipment	14.2	15.0	15.0	15.0	14.8
Other manufacturing products	19.3	13.9	13.3	13.5	14.9
TOTAL ..	11.0	12.3	10.9	11.4	11.3

¹⁰ Excludes the potential growth of the petro-chemical and petro-chemical products industries now under study as part of the preparation of the oil and natural gas Masterplan study.

manpower at all levels of the occupational hierarchy. Present capabilities in casting, forging and machining are fairly limited. The fuller exploitation of the potential for economic manufacture of capital goods will thus clearly require a stepped-up effort in education and vocational training in the field of industrial engineering.

209. The targetted expansion of industrial output as illustrated for Peninsular Malaysia in Table 4-6 will bring about striking changes in the structure of modern manufacturing. While the production of consumer goods will continue to expand as private disposable incomes increase and further opportunities for import substitution are captured, the manufacture of investment goods and some intermediate products will become far more important than they were in 1970. In the process, the industrial base will be gradually broadened. Even more important, the vertical integration that will be effected will make growth in the different parts of the industrial sector mutually reinforcing. Notwithstanding the potential gains from the production of capital goods, it is to be emphasized, however, that only such industries with the potential for efficient and productive growth will be supported. This is necessary to minimize the impact of the costs of protection and promotion on the domestic price level and the need to ensure export competitiveness.

210. The growth of the primary and secondary sectors will induce corresponding growth on the part of the supportive sectors of the economy (comprising construction, utilities, transport and communications, trade and banking). In fact, the supportive and services sectors will grow even faster than overall GDP as a result of rural modernization and urban

TABLE 4-6

**PENINSULAR MALAYSIA: COMPOSITION OF
MANUFACTURING INDUSTRY, 1970-90**
(% share)

	1970	1975	1980	1990
<i>Consumer products</i>	35.6	39.8	42.6	38.6
Processed food	3.8	3.1	2.8	2.7
Oils and fats	6.6	12.6	15.4	9.7
Other food	16.9	14.6	13.6	12.8
Beverages and tobacco	5.3	5.3	5.1	4.6
Textiles and clothing	2.5	3.8	5.3	8.4
Leather and footwear	0.5	0.4	0.4	0.4
<i>Intermediate products</i>	56.5	49.3	43.9	40.9
Sawmills and furniture	5.4	5.7	5.4	4.3
Paper and printing	2.3	2.4	2.6	3.0
Industrial chemical and fertilizer	1.5	1.6	1.9	2.8
Chemical products	2.8	4.0	4.3	5.0
Petroleum refining and products ¹¹	2.6	2.0	2.0	2.1
Rubber processing	20.1	15.2	11.7	6.7
Rubber products	1.8	1.8	1.8	1.7
Cement	1.1	1.2	1.1	1.0
Non-metallic products	1.2	1.2	1.2	1.3
Ferrous products	4.0	4.3	4.7	6.7
Non-ferrous products	13.7	9.9	7.2	6.3
<i>Investment products</i>	7.9	10.9	13.5	20.5
Industrial machinery	1.5	1.9	2.2	4.0
Electrical machinery	1.3	2.4	3.7	5.3
Transport equipment	4.0	4.7	5.4	8.2
Other manufacturing products	1.1	1.9	2.2	3.0
TOTAL ..	100.0	100.0	100.0	100.0

¹¹ Excludes the potential contribution of the petro-chemical and petro-chemical products industries.

development. The contributions from rapid improvement of education and health services will be significant. Their contributions to development will exceed their share in the GDP in as far as they enhance the quality of life and the productivity of labour, particularly of the poor in the country. In addition, it is envisaged that with these developments and particularly with the increasing output in the number of post-graduates and growing experience in management, professional and consultancy fields, the nation would be poised to take advantage of the contributions to GDP of high level human resource services.

211. Viewing prospective developments as a whole, Table 4-4 indicates the changes in the composition of GDP in Malaysia that can be expected over the period of the OPP. The most impressive change will occur in the share of manufacturing which is expected to rise from 12.2% in 1970 and 14.4% in 1975 to 26.2% in 1990. By about the mid-eighties, the manufacturing sector will thus become the most important single sector in the

economy. While the share of agriculture in total GDP will fall steadily reflecting the strong performance of other sectors including the services sector, agriculture will nevertheless remain important in the economy as productivity advances with modernization and diversification. The contribution of the mining sector to GDP is also projected to fall in relative terms but higher rates of extraction with respect to oil and natural gas and exploitation of off-shore tin deposits would result in substantial upward revision of the estimates embodied in the current projections.

212. The impact of agricultural modernization and industrial development in building a more integrated economic structure within the country will be significant. Table 4-7 below indicates the changes which can be expected in Peninsular Malaysia in the demand for intermediate and final use of total supplies (or domestic production plus imports).

213. In the case of all 13 sectors into which the economy has been divided, the share of domestically produced goods and services for intermediate use by other industries will increase reflecting the growing interdependence of industries in the economy. The role being played by agriculture, forestry, fishing and mining in the supply of raw materials for further processing and fabrication within the domestic economy is already evident. This trend will gather momentum in the OPP period. In addition, the textiles, wood and paper products, chemical and rubber products and non-metallic and basic metal industries are also expected to contribute substantially towards meeting the needs of other industries for intermediate goods in the production process.

214. The share of imports in total supplies is envisaged to fall in almost all industries. On the basis of recent trends, import substitution should enable imports as a ratio of total supplies to decline markedly in a number of important industries: food products, textiles and machinery and equipment. Overall, the share of imports in total supplies is estimated to fall from 16.6% in 1970 and 13.8% in 1975 to 12.1% by 1990. Thus, opportunities for import substitution can continue to be actively pursued, especially in respect of consumer goods. In addition, significant opportunities could be captured for production of a number of intermediate materials and capital goods which are currently imported.

215. The impact which projected changes in the composition of aggregate demand and import substitution will have on the growth of individual sectors in the economy is illustrated in Table 4-8. Overall, the principal forces for growth will be increases in private consumption and export expansion. However, some decline in the relative contribution of exports is envisaged in the eighties as the full potential for agricultural export growth is reached although this could well be offset by the exports of petroleum-based products. The contribution of import substitution to overall economic growth will not be as large as in the recent past in view of the substantial advances which have already been made especially with regard to consumer goods. It could, however, become an important factor again in the eighties

TABLE 4-7

**PENINSULAR MALAYSIA: SHARE OF TOTAL SUPPLY GOING TO
FINAL AND INTERMEDIATE DEMANDS, 1970-90.
(%)**

Sector	Intermediate demand						Final demand						Total supply																						
	1970		1980		1990		Exports		Domestic		Total		Domestic		Exports		Total																		
	1970	1980	1970	1980	1970	1980	1970	1980	1970	1980	1970	1980	1970	1980	1970	1980	1970	1980																	
Agriculture ¹²	58.5	62.8	66.3	65.3	35.2	30.4	28.6	28.8	6.3	6.8	5.1	5.9	41.5	37.2	33.7	34.7	34.7	92.0	96.1	96.6	96.7	8.0	3.9	3.4	3.3										
Mining	86.7	98.9	98.5	96.4	1.2	-2.0	-1.0	2.3	12.1	3.3	2.5	1.3	13.3	1.3	1.5	3.6	82.2	81.1	78.0	69.0	17.8	18.9	22.0	31.0											
Food	25.3	24.5	25.5	29.6	58.5	45.8	37.3	36.2	16.2	29.7	37.2	34.2	74.7	75.5	74.5	70.4	81.3	86.6	89.7	92.7	18.7	13.4	10.3	7.3											
Textiles and clothing	26.5	33.4	38.3	43.8	63.4	49.1	39.3	27.6	10.1	17.5	22.4	28.6	73.5	66.6	61.7	56.2	50.1	61.4	69.9	81.4	49.9	38.6	30.1	18.6											
Wood and paper products	52.6	55.6	56.9	61.9	14.4	9.1	10.2	13.2	33.0	35.3	32.9	24.9	47.4	44.4	43.1	38.1	30.8	84.7	85.5	86.2	19.2	15.3	14.5	13.8											
Chemical and rubber products	25.2	30.4	34.8	41.7	16.3	13.8	15.3	19.3	58.5	55.8	49.9	39.0	74.8	69.6	65.2	58.3	82.7	84.4	83.0	84.2	17.3	15.6	17.0	15.8											
Basic metals and metallic products	35.4	54.0	63.4	76.7	9.6	3.3	5.3	7.6	55.0	42.7	31.3	15.7	64.6	46.0	46.6	23.3	77.2	79.8	79.2	84.0	22.8	20.2	20.8	16.0											
Machinery and equipment	35.7	35.9	35.0	37.1	58.2	52.1	44.8	38.7	6.1	12.0	20.2	24.2	64.3	64.1	65.0	62.9	34.4	40.8	44.2	58.5	65.6	59.2	55.8	41.5											
Other manufacturing products	25.1	31.4	33.9	35.2	68.3	60.1	55.2	42.5	6.6	8.5	10.9	22.3	74.9	68.6	66.1	64.8	48.7	70.6	79.6	91.3	51.3	29.4	20.4	8.7											
Utilities and transport	49.3	55.6	55.6	56.4	43.7	36.2	36.2	35.8	7.0	8.2	8.2	7.8	50.7	44.4	44.4	43.6	91.7	94.7	95.9	97.0	8.3	5.3	4.1	3.0											
Construction	34.4	30.4	33.4	33.5	65.4	69.4	66.4	66.3	0.2	0.2	0.2	0.2	65.6	69.6	66.6	66.5	98.7	98.7	98.7	98.7	1.3	1.3	1.3	1.3											
Trade	30.6	33.0	34.5	38.2	59.4	55.3	53.9	50.9	10.0	11.7	11.6	10.9	69.4	67.0	65.5	61.8	99.6	99.6	99.6	99.6	0.4	0.4	0.4	0.4											
Services	17.0	15.7	16.7	17.1	82.4	83.6	82.7	82.4	0.6	0.7	0.6	0.5	83.0	84.3	83.3	82.9	95.7	96.3	96.5	96.7	4.3	3.7	3.5	3.3											
TOTAL	43.1	47.0	47.8	50.5	38.1	34.2	33.0	32.4	18.8	18.8	19.2	17.1	56.9	53.0	52.2	49.5	83.4	86.2	86.2	87.9	16.6	13.8	13.8	12.1											

¹² Includes livestock, forestry and fishing.

if initial progress in the domestic manufacture of intermediate materials and capital goods is sustained. The role of public expenditure (public consumption and public investment) will continue to be strong. It will account for about one-quarter of the total increase in the growth of the economy. The principal impact of these expenditures will be felt by the construction sector where increases in public expenditure will account for 66.8% of the growth of value added in the sector during 1971-90.

TABLE 4-8

PENINSULAR MALAYSIA: SOURCES OF GROWTH BY
SECTOR¹³, 1970-90
(%)

	<i>Import substitution</i>	<i>Private consumption</i>	<i>Private investment</i>	<i>Public expenditure</i>	<i>Exports</i>
<i>Agriculture</i>	14.5	41.6	7.8	3.5	41.8
Agriculture and hunting ..	15.8	38.1	8.0	1.2	44.1
Forestry and logging	11.0	31.9	13.9	28.5	38.0
Fishing	7.0	76.9	1.5	2.1	26.7
<i>Mining</i>	50.6	29.8	19.9	33.0	9.9
<i>Manufacturing</i>	22.3	20.2	5.0	6.9	37.3
Food	11.6	25.3	0.4	0.8	49.2
Textiles and clothing	34.7	24.1	0.5	1.2	30.0
Wood and paper products ..	14.1	22.7	8.2	17.0	34.7
Chemical and rubber products	17.9	20.4	2.3	4.1	53.7
Basic metals and non-metallic products	25.0	10.9	11.4	22.3	11.0
Machinery and equipment ..	42.0	11.3	14.1	9.3	21.6
Other manufacturing products	31.4	31.6	5.1	5.6	25.9
<i>Utilities and transport</i>	8.7	46.1	4.7	15.8	16.0
<i>Construction</i>	1.0	7.4	26.0	66.8	2.1
<i>Trade</i>	8.0	50.7	11.5	8.0	20.7
<i>Public services</i>	0.5	5.8	0.2	94.1	0.6
<i>Private services</i>	6.1	73.4	3.2	10.4	7.8
TOTAL	12.1	33.0	6.4	24.2	22.8

¹³ Excludes technological change and stocks.

216. The role of export promotion in the attainment of the overall growth targets of the OPP is critical in regard to the manufacturing sector. Although private consumption will increasingly contribute towards growth of value added in the manufacturing sector, the targetted growth of almost all industries will depend substantially on export expansion. Among the broad industrial groups indicated in Table 4-9 below, the following warrant intensive promotional effort: oils and fats; textiles; wood products; industrial chemicals and fertilizer; chemical products and plastics; tyres and rubber products; electronics and electrical machinery; and industrial machinery.

TABLE 4-9

PENINSULAR MALAYSIA: SOURCES OF GROWTH IN THE
MANUFACTURING SECTOR¹⁴, 1970-90

(%)

	<i>Import substitution</i>	<i>Private consumption</i>	<i>Private investment</i>	<i>Public expenditure</i>	<i>Exports</i>
Processed food	14.3	29.8	0.4	1.2	32.7
Oils and fats	5.1	7.5	0.2	0.3	85.6
Other food	15.8	38.4	0.7	1.6	14.9
Beverages and tobacco	21.1	49.6	0.6	0.5	21.0
Textile and clothing	36.3	20.9	0.5	1.2	31.0
Leather and footwear	11.1	70.7	0	0.4	16.8
Sawmills and furniture	3.5	12.0	11.7	23.0	45.5
Paper and printing	28.0	36.8	3.6	9.0	20.5
Industrial chemicals and fertilizers	42.0	14.5	4.0	3.1	32.0
Chemical products	22.0	36.0	2.8	7.5	28.0
Petroleum refining	27.3	48.7	4.0	9.7	8.0
Rubber processing	3.0	2.8	0.3	0.4	93.8
Rubber products	13.5	44.6	4.4	7.0	30.7
Cement	4.3	8.6	22.5	54.7	0.8
Non-metallic products	22.3	20.4	13.4	32.3	12.3
Ferrous products	36.9	11.2	11.1	18.2	15.2
Non-ferrous products	7.6	4.1	2.3	2.6	5.4
Industrial machinery	48.7	3.0	16.4	10.4	20.0
Electrical machinery	29.5	13.0	9.2	6.6	40.9
Transport equipment	40.8	23.3	14.2	9.5	9.3
Other manufacturing products	31.4	31.6	5.1	5.6	25.9
TOTAL	22.3	20.2	5.0	6.9	37.4

¹⁴ Excludes technological change and stocks.

217. In contrast to the manufacturing sector where the principal factor contributing to the growth of value added will be export expansion, over one-half of the projected expansion of agricultural value added will come from the expansion of domestic demand. As *per capita* incomes increase and the share of the poor in total income widens, the demand for higher value food and food products will constitute a dynamic growth element in the development of the agricultural sector. Apart from commodities which have been traditionally produced within the country, the growth in the demand for fish and livestock products and the corresponding requirements for feed and fodder products will present sizeable opportunities for diversification of the agricultural sector.

IV. TOWARDS FULL EMPLOYMENT

218. The structural development of the economy as envisaged in the OPP will improve substantially the employment situation both in terms of the quantity and quality of employment. In relation to anticipated increases in the population and labour force, the growth of employment should be sufficient to reduce progressively the rate of unemployment as well as underemployment.

219. The rate of natural increase of population is anticipated to rise from 2.6% per annum in 1971-75 to 2.7% in 1976-80 and then to fall back to 2.6% during 1981-90 in view of the diminishing effects of the post World War II baby boom, the impact of higher standards of living and urbanization on family size and the spread of family planning. The total fertility rate (TFR)¹⁵ itself is expected to fall from 4.9 in 1970 and 4.5 in 1975 to 3.3 in 1990 for Peninsular Malaysia. In Sabah, the TFR is expected to decline from 6.4 in 1970 and 1975 to 5.9 in 1990 and for Sarawak from 5.8 in 1970 and 1975 to 5.7 in 1990. These trends in population growth, anticipated increases in the participation rate of married women in the labour force and the effects that longer periods of schooling have on the size of the labour force are estimated to bring about a growth in the total labour force of some 3.3% per annum during 1971-80 and 2.9% per annum during 1981-90.

220. In comparison with the estimated growth in the labour force, employment is targetted to grow by 3.3% per annum during the OPP period. In consequence, unemployment as a percentage of the labour force will be reduced from 7.4% in 1970 and 7.0% in 1975 to 6.1% in 1980 and 3.6% in 1990. By 1990, therefore, full employment of the labour force should be secured taking into account the fact that some 3%-4% of the labour force would conventionally comprise those in voluntary and frictional unemployment.

221. Labour productivity would also increase significantly in most sectors of the economy. In the agricultural sector where the bulk of underemployment currently exists, such growth in productivity would be an important objective of the poverty redressal efforts of the Government. Thus, underemployment can be expected to decline progressively so that by 1990 full employment of the labour force would be achieved at relatively high levels of labour utilization and worker incomes.

222. The projections of the OPP in regard to sectoral employment growth are shown in Table 4-10 below.¹⁶ Intensification of the Government's rural poverty redressal efforts will result in increases in the average annual growth of real productivity in the *agricultural sector* provided sufficient opportunities can be found for excess rural labour to find employment in

¹⁵ The total fertility rate can be interpreted as the number of children an average woman would have if cross-sectional fertility rates of the population are applied for the duration of her life time.

¹⁶ Sectoral employment growth is projected using employment elasticities (derived from historical series of sectoral value added and employment) adjusted for expected changes in the future.

new land development schemes and in the non-agricultural sectors of the economy. Sizeable as the magnitude of new land to be opened up for agricultural development will be, total employment creation in agriculture is estimated at only about 445,000 persons over the 20-year period or about 1% per annum over the OPP period. A major part of the task of absorbing the increases in the labour force as well as those currently underemployed will, therefore, fall upon the non-agricultural sectors of the economy.

223. The *manufacturing sector* is targetted to generate some 776,000 new jobs over the OPP period and thus contribute about 26% of total new employment. This is despite the estimate that the average annual growth of real productivity will continue to rise strongly in line with increases in the capital intensiveness of industrial production. Other industries in the secondary sector of the economy (including construction, utilities, transportation and communications) will contribute about 10.3% of total new employment.

224. In the *services sector*, the Government will generate about 643,000 new jobs or 21.3% of the total as education and health services, in particular, are extended. This means that an estimated 831,200 new jobs would have to be provided by the private sector in services industries. The resulting increases in the share of services in total employment will follow the development of the economy. However, the size of the labour force to be accommodated will not permit labour productivity to increase as significantly as in other industries in the primary and secondary sectors of the economy. Some degree of underemployment will, therefore, continue to persist, especially in unskilled service occupations in the urban economy.

225. The above trends in the growth of employment and productivity by industry of origin have important implications for distributional policy. It is seen from Table 4-11 that productivity will grow equally fast in the agricultural and manufacturing sectors in Peninsular Malaysia as agriculture undergoes progressive modernization. As shown in Section V below, these will lead to significant declines in the incidence of poverty in both the rural and urban areas of the country. Nevertheless, value added per worker in manufacturing will, by 1990, still be almost three times as high as in agriculture. However, a far greater proportion of the population will be in manufacturing compared to the position in 1970 with an increasing number of them being from the rural areas. This would help further narrow differences in income between rural and urban households.

226. With regard to the services sector, productivity is not expected to expand as rapidly as in agriculture and manufacturing. One reason for this will be the continued absorption of a large number of rural migrants who are currently unskilled in the services sector. The gap in average incomes between agricultural and service occupations is therefore expected to narrow as the value added per worker in the services sector is currently higher than in agriculture. In the urban areas, however, income disparities can be expected to widen, although such widening will occur at a decreasing rate

TABLE 4-10

MALAYSIA: EMPLOYMENT GROWTH, 1970-90

	1970		1975		1990		Share in job creation (%)	Increase, 1971-90 (000)	Share in job creation (%)	Average annual growth rate (%)					
	Estimated employment (000)	Share of total (%)	Estimated employment (000)	Share of total (%)	Estimated employment (000)	Share of total (%)				1971-75	1976-90	1971-75	1976-90		
														Increase (000)	Share in job creation (%)	Increase (000)	Share in job creation (%)
Agriculture, forestry, fishing, etc.	1,786.8	53.5	1,936.8	49.3	2,231.3	35.1	150.0	25.5	294.5	12.2	444.5	14.8	1.6	1.0	1.1
Mining and quarrying	87.3	2.6	86.6	2.2	92.6	1.5	-0.7	-0.1	6.0	0.2	5.3	0.2	0.2	0.5	0.3
Manufacturing	289.9	8.7	398.2	10.1	1,066.1	16.8	108.3	18.4	667.9	27.6	776.2	25.8	6.6	6.8	6.7
Construction	90.6	2.7	113.2	2.9	226.1	3.6	22.6	3.9	112.9	4.7	135.5	4.5	4.6	4.7	4.7
Utilities	18.6	0.6	23.9	0.6	45.2	0.7	5.3	0.9	21.3	0.9	26.6	0.9	5.1	4.3	4.5
Transport, storage and com- munications	133.4	4.0	179.4	4.6	279.7	4.4	46.0	7.8	100.3	4.1	146.3	4.9	6.1	3.0	3.8
Wholesale and retail trade	379.9	11.4	495.9	12.6	987.6	15.5	116.0	19.7	491.7	20.3	607.7	20.2	5.5	4.7	4.9
Banking, insurance and real estate	26.8	0.8	32.7	0.8	63.8	1.0	5.9	1.0	31.1	1.3	37.0	1.2	4.1	4.6	4.4
Public administration, edu- cation, health and defence	403.9	12.0	508.8	13.0	1,046.5	16.5	104.9	17.8	537.7	22.2	642.6	21.3	4.7	4.9	4.9
Other services	122.3	3.7	152.3	3.9	308.8	4.9	30.0	5.1	156.5	6.5	186.5	6.2	4.5	4.8	4.7
TOTAL	3,339.5	100.0	3,927.8	100.0	6,347.7	100.0	588.3	100.0	2,419.9	100.0	3,008.2	100.0	3.3	3.3	3.3
Population	10,777.0		12,249.0		18,103.0										
Labour force	3,606.8		4,225.0		6,587.1										
Unemployment	267.3		297.2		239.4										
Unemployment (%)	7.4		7.0		3.6										

TABLE 4-11

**PENINSULAR MALAYSIA: VALUE ADDED PER WORKER
BY SECTOR, 1970-90**

(\$ in 1970 prices)

Sector	1970	1975	1990	Average annual growth rate (%)		
				1971-75	1976-90	1971-90
Agriculture, forestry, fishing, etc.	1,914	2,361	4,572	4.3	4.5	4.5
Mining and quarrying	6,938	5,851	10,426	-3.4	3.9	2.1
Manufacturing	5,196	6,353	12,472	4.1	4.6	4.5
Construction	5,096	6,057	10,299	3.5	3.6	3.6
Utilities	12,267	15,769	29,972	5.2	4.4	4.6
Transport, storage and com- munications	4,039	5,448	11,770	6.2	5.3	5.5
Wholesale and retail trade ..	3,573	4,012	6,848	2.3	3.6	3.3
Banking, insurance and real estate	35,475	38,617	65,315	1.7	3.6	3.1
Public administration, educa- tion, health and defence ..	3,856	4,519	7,409	3.2	3.4	3.3
Other services	2,166	2,387	3,944	2.0	3.4	3.0
TOTAL ..	3,376	4,078	8,241	3.9	4.8	4.6

as growth in value added per worker in the services sector accelerates during 1976-90. An important contribution in the latter regard will be from Government programmes which prepare rural youth for productive employment outside agriculture.

227. It is in cognizance of these disparities in income between those employed in manufacturing on the one hand and agriculture and services on the other that the Government will give enlarged emphasis to redistributive programmes which directly contribute to the quality of life of the poor in both the rural and urban areas of the country. They will serve to supplement the limited cash incomes of the poor and thus contribute directly to an improvement of their real living standards.

228. Table 4-12 translates the sectoral employment targets of Table 4-10 above into broad estimates of the country's manpower requirements by principal occupational categories¹⁷ on the basis of information assembled in the 1970 Population Census and the 1973 National Manpower Survey as well as local and international evidence on the relationship between occupational requirements by sector on the one hand and the level of

¹⁷ The occupational classification used in the projections is derived from the Dictionary of Occupational Classification published by the Ministry of Labour and Manpower. The Dictionary, following standard international practice, classifies occupations on the basis of job descriptions for each of the occupations concerned, irrespective of formal qualifications.

economic and technological development on the other¹⁸. In the light, *inter alia*, of the targets of the OPP for agricultural modernization and industrial growth, the demand for *professional, technical and related workers* at both the professional and sub-professional levels will grow by 5.5% per annum—a rate of growth which will exceed that of most occupational categories. Within the total, the requirement for engineers is anticipated to expand by 8.0% per annum; agronomists and related agricultural specialists, 6.3% and engineering assistants 6.8%. In relation to the average for all occupations, rapid increases in demand will also be experienced for personnel in administration and management, particularly in business, as well as industrial production workers for whom specialized vocational training will be required.

229. It is clear that these requirements of technological growth will entail a considerable change in the present occupational structure of the country. Not only will the share of scientific and technical personnel in the occupational structure have to be enlarged, the skills of the labour force in all sectors and at all occupational levels will have to be substantially upgraded. It is significant to note in this connection that the attainment of the income and income distribution goals of the OPP, dependent as they are on rapid agricultural and industrial growth, hinge upon progressive enhancement of worker productivity throughout the projection period. In fact, the projections in Table 4-11 above imply that the increased output from both agriculture and manufacturing in the eighties will have to be generated with the aid of only one-half of the number of workers required for similar increases of output in the seventies. The Government will therefore give critical importance to upgrading the productivity of the agricultural and industrial work force through improvements in farm practices and extension services in the former case and skill training by way of vocational, apprenticeship and other in-service training schemes in the latter. In the process, the private sector will have to play an expanded role in implementing the efforts of the Government in the production of skilled manpower.

230. The policy implications for educational planning are as follows. In the first place, sizeable increases in the production of scientific and technical personnel at both the professional and sub-professional levels are needed. In absolute terms, some 57,000 additional scientific and technical personnel will be required at the degree level and 81,000 at the diploma level between 1975 and 1990.

231. In contrast, present growth in the number of personnel with education in the liberal arts will need to be curtailed if growing surpluses of such manpower are to be avoided. Within the non-technical disciplines, the critical requirement will be for professional and sub-professional personnel trained in business administration and corporate management.

¹⁸ In the absence of sufficiently long time series data on occupational structures and output, the sectoral employment projections were translated into estimates of occupational requirements on the basis of available information as well as the observed relationship between occupational structures and the levels of economic and technological development in respect of 53 countries at different stages of development, published by the Organization of Economic Co-operation and Development (OECD).

TABLE 4-12

MALAYSIA: EMPLOYMENT BY OCCUPATION, 1970, 1975 AND 1990

Occupation	1970		1975		1990		Increase, 1971-75	Percentage distribution	Increase, 1976-90	Percentage distribution	Increase, 1971-90	Percentage distribution	Average annual growth rate (%)	
	Estimated employment (000)	Share of total (%)	Estimated employment (000)	Share of total (%)	Estimated employment (000)	Share of total (%)							1971-75	1976-90
Professional and technical	151.0	4.5	197.9	5.1	440.5	6.9	46.9	8.0	242.6	10.0	289.5	9.6	5.6	5.5
Administrative and managerial	26.4	0.8	41.0	1.0	89.8	1.4	14.6	2.5	48.8	2.0	63.4	2.1	9.2	5.4
Clerical workers	163.2	4.9	213.6	5.4	434.8	6.9	50.4	8.6	221.2	9.1	271.6	9.0	5.5	4.9
Sales workers	339.1	10.1	342.7	8.7	479.1	7.6	3.6	0.6	136.4	5.6	140.0	4.7	0.2	2.3
Agricultural workers	1,736.8	52.0	1,846.2	47.0	2,132.7	33.6	109.4	18.6	286.5	11.9	395.9	13.2	1.2	1.0
Production workers	406.4	12.2	534.2	13.6	1,232.2	19.4	127.8	21.7	698.0	28.9	825.8	27.4	5.6	5.7
Service and other workers	516.6	15.5	732.2	19.2	1,538.6	24.2	235.6	40.0	786.4	32.5	1,022.0	34.0	7.8	4.9
TOTAL	3,339.5	100.0	3,927.8	100.0	6,347.7	100.0	588.3	100.0	2,419.9	100.0	3,008.2	100.0	3.3	3.3

232. The satisfaction of these requirements as well as the expansion of skilled manpower among operatives in the agricultural and industrial work force make it necessary for personnel and facilities for science, technical and commercial education and training at the secondary and tertiary levels to be vastly expanded and improved in the next fifteen years. To maximize the productivity of expanded teaching resources, it will also be necessary to improve the content and curriculum of both formal and informal education to keep abreast of technological advances.

233. During the OPP period, the structural changes envisaged for the economy will result in sizeable increases in the demand for blue collar occupations. Occupational preferences of school leavers and the structure of incentives both monetary and non-financial will, therefore, have to be closely geared to the projected occupational structure of employment.

234. While the mobilization of the required capital for attaining the long-term targets of economic growth and employment will continue to be a challenge, the most critical requirement will be to expand the quantum of skilled manpower in the country. Provided that both these constraints can be overcome, a wide enough set of opportunities will be created to enable poverty and current economic imbalances among income and racial groups and regions in the country to be progressively reduced. The following sections outline the targets and the policies and programmes required in respect of the two prongs of the NEP for poverty eradication irrespective of race and the restructuring of society.

V. ERADICATION OF POVERTY

235. The magnitude of the effort required for the eradication of poverty cannot be underestimated. Since Independence, poverty redressal has occupied a central place in Government's policies and programmes for socio-economic development. A large number of the more easily implementable programmes to deal with poverty have already been carried out or are in the process of implementation. Nevertheless, much more remains to be done in both the rural and urban areas of the country. This is a process which can be effectively accomplished only with bold policies and programmes, a considerable allocation of the nation's financial and human resources to the effort, political will and time.

236. The extent of the problem confronting the country at the inception of the NEP is summarized in Table 4-13 below. It is discussed in more detail in Section II of Chapter IX. Taking account of the basic requirements for an average Malaysian household to maintain a family in good nutritional health as well as provide for minimum needs in respect of clothing, housing, household management and transport, it is seen that about one-half (or 800,000 households) were in poverty in 1970 out of 1.6 million households in Peninsular Malaysia. The largest number of these poor households was located in the rural areas and accounted for about 89% of all the poor with most of them in rubber smallholdings, single

TABLE 4-13

PENINSULAR MALAYSIA: POOR HOUSEHOLDS¹⁹ BY RURAL AND URBAN STRATA, 1970-90²⁰

	1970				1973				1980				1990			
	Total poor households (000)	Incidence of poverty (%)	Per-centage among poor	Total poor households (000)	Incidence of poverty (%)	Per-centage among poor	Total poor households (000)	Incidence of poverty (%)	Per-centage among poor	Total poor households (000)	Incidence of poverty (%)	Per-centage among poor	Total poor households (000)	Incidence of poverty (%)	Per-centage among poor	
RURAL:																
Agriculture	852.9	582.4	68.3	915.1	576.5	63.0	957.5	471.8	49.3	908.8	26.6	46.9				
Rubber smallholders ..	350.0	226.4	64.7	396.3	233.8	59.0	423.4	169.4	40.0	417.2	24.0	19.5				
Oil palm smallholders ..	6.6	2.0	30.3	9.9	0.9	9.1	24.5	2.0	8.2	0.3	3.0	0				
Coconut smallholders ..	32.0	16.9	52.8	34.4	17.5	50.9	34.0	16.0	47.1	2.1	27.1	1.5				
Padi farmers	140.0	123.4	88.1	148.5	114.3	77.0	150.1	109.6	73.0	133.4	40.0	7.8				
Other agriculture ²¹ ..	285.9	185.6	64.9	284.4	183.8	64.6	283.0	152.7	54.0	266.2	77.1	15.0				
Fishermen	38.4	28.1	73.2	41.6	26.2	63.0	42.5	22.1	52.0	40.8	15.9	3.1				
Other industries	350.5	123.5	35.2	457.7	153.4	33.5	543.2	174.9	32.2	780.9	18.9	28.7				
Sub-total (Rural) ..	1,203.4	705.9	58.7	1,348.5	729.9	54.1	1,500.7	646.7	43.1	1,689.7	23.0	75.6				
URBAN:																
Mining	5.4	1.8	33.3	5.3	2.0	37.7	5.4	1.7	31.5	5.5	1.0	18.2				
Manufacturing	84.0	19.7	23.5	120.4	21.0	17.4	181.1	25.4	14.0	406.2	3.0	6.0				
Construction	19.5	5.9	30.2	25.5	6.1	23.9	33.8	6.8	20.0	56.7	7.1	12.5				
Transport and utilities	42.4	13.1	30.9	64.4	13.8	21.4	84.5	14.6	17.3	128.5	11.1	8.6				
Trade and services ..	251.3	45.4	18.1	337.4	62.3	18.5	465.0	73.1	15.7	784.2	74.8	9.5				
Sub-total (Urban) ..	402.6	85.9	21.3	553.0	105.2	19.0	769.8	121.6	15.8	1,381.1	125.0	24.4				
TOTAL ..	1,606.0	791.8	49.3	1,901.5	835.1	43.9	2,270.5	768.3	33.8	3,070.8	100.0	16.7	100.0	16.7	100.0	

¹⁹ The poverty line income employed to distinguish poor households from other households is a monthly income that is necessary to cover minimum nutritional requirements and essential non-food expenses to sustain a decent standard of living.

²⁰ The statistical bases for the estimates and projections include: the Post Enumeration Survey of the 1970 Population Census; the Labour Force Surveys of the Department of Statistics; and socio-economic surveys on specific poverty groups undertaken by various agencies including the Ministries of Agriculture, Primary Industries, Labour and Manpower and Housing and Village Development and the Socio-Economic Research and General Planning Unit of the Prime Minister's Department.

²¹ The category includes agricultural households in urban areas, agricultural labour, estate workers and mixed farmers.

crop padi cultivation, fishing and agricultural contract employment. Although not a relatively significant problem at present, urban poverty could grow to be more serious in view of the continuing inflow of excess rural labour into urban areas.

237. Currently, the problem of poverty is predominantly that of the Malays and other indigenous people as they are now concentrated in low productivity agricultural occupations. Malays formed 74% of all the poor in Peninsular Malaysia. Within the major racial groups, 65% of all the Malays were poor. In comparison, the incidence of poverty among the Chinese was 26% and Indians, 39%. Among the poor Chinese, the majority were in New Villages particularly those situated in remote rural areas. The bulk of the Indian poor are to be found in the agricultural estates.

238. The overall objective is to bring about a marked reduction in the incidence of poverty in the country, irrespective of race. The indicative targets for poverty redressal by socio-economic groups are shown in Table 4-13. With the realization of these targets, current income differences between different racial groups will be significantly narrowed.

239. The achievement of these targets will require that opportunities be enlarged for the poor to meaningfully participate in the attainment of the economic growth targets set out in Section III above. Only in this way will they be able to share in the benefits arising from accelerated economic development. The Government's long-term planning strategy for the alleviation of *rural poverty* comprises four basic elements. As the lack of productive assets is in many cases a major factor accounting for low productivity and low incomes, planning strategy will in the *first* place emphasize the provision of assistance to the poor to enable them to expand their productive capital and to utilize this capital efficiently. To this end, the OPP envisages, *inter alia*, the opening up of over four million acres of land for settlement by the landless and those with uneconomic holdings; the irrigation of an additional 300,000 acres for double cropping bringing the total double-cropped area in the country to about 700,000 acres in 1990; the replanting, rehabilitation and redevelopment of 1.8 million acres during the 20-year period for high yielding rubber, coconut and pineapple production; the introduction of off-season cropping, inter-cropping and mixed farming to supplement main crop incomes; the promotion of livestock and fishing development as well as the cultivation of new agricultural crops, including horticulture, cocoa, animal feed and sugarcane to provide a widening range of opportunities for the poor to engage in productive modern agriculture; and the strengthening of the co-operative movement as a vehicle for mobilizing and channelling the resources of the rural community for its betterment. In the implementation of all these programmes, the provision of extension, marketing and credit services will be intensified to help in the application of improved technology while research on the technical problems related to the productivity of the poorest will be emphasized so that productivity and incomes may be progressively raised.

Complementary to the measures to expand the access of the rural poor to productive assets will be the enhancement of their human capital and skills—the relative lack of which is to a large extent at the core of the problem of poverty.

240. A *second* element in the long-term planning strategy for poverty redressal will be to relieve current population pressure in the most congested sectors of agriculture. This will involve the provision of opportunities for the poor, in particular, the landless and others with uneconomic-sized holdings as well as inshore fishermen to move into more productive agricultural and non-agricultural employment. An important component of the Government's education and training programmes will be to expand the opportunities for rural youth to acquire the skills required for modern agricultural and industrial employment.

241. The strategies for rural modernization will also focus on the fundamental need for enhancement of the quality of life for the poor. Thus, a *third* element in the strategy will be the provision of better and more efficient services in the fields of housing, transportation, water supply, electricity, education, health, nutrition and family planning. These will receive as much attention as that to be given by the Government to programmes which contribute directly to increasing cash incomes.

242. A *fourth* element is the accelerated creation of productive employment opportunities in the secondary and tertiary sectors of the economy. This will continue to be a central element in the task to alleviate urban poverty. To this end, public policy in the promotion and dispersal of industrial development will emphasize the need to channel more capital to small-scale and labour intensive industries and ensure that fiscal incentives encourage the use of labour intensive methods of production. The long-term planning strategy for the redressal of urban poverty as well as rural poverty will also focus on increasing the access of the urban poor to basic public services in the endeavour to increase more directly their productivity and improve their quality of life.

243. Taking account of the progress achieved under the SMP and the targets of the TMP, Table 4-13 indicates the extent by which the incidence of poverty could decline over the 20-year period given the sustained implementation of the poverty redressal strategies discussed above. A marked reduction in the overall incidence of poverty by over one-half from about 50% in 1970 to under 20% in 1990 would be a distinct possibility with major improvements accruing to the rural areas. The incidence of poverty there could fall from 59% in 1970 to 23% in 1990 with the number of poor households declining from 706,000 to 390,000. However, the number of poor households in the urban areas could increase from 86,000 to 125,000, although the incidence of poverty would decline from 21% to a low of 9%. The principal factor accounting for the increase in the number of poor urban households would be the continued flow of excess rural labour into

the urban areas. The distribution of poor households between the rural and urban areas of the economy will accordingly undergo significant change. In 1970, the number of poor households in the rural areas was almost eight times as large as that in the urban economy. By 1990, the ratio could be reduced to three to one.

244. In agriculture, the proportion of households in poverty in each major socio-economic group could fall by two to three times if the pace of transformation of the agricultural economy as envisaged in the OPP is realized. In the case of rubber smallholders, padi cultivators and mixed farmers, land consolidation will be vital for providing economic-sized holdings. In addition, a wholesale restructuring of cropping patterns in the padi economy is required under which, the production of off-season crops and livestock would be emphasized in addition to padi. With respect to fishermen, measures will be taken to improve their productivity through better equipment and training as well as aquaculture. In addition, if necessary, movement into agricultural and other occupations will be encouraged. Apart from such movement, the fishing industry as a whole will be developed to encompass all related undertakings so as to create opportunities for the full participation of the fishing community itself in the entire range of activities in the sector. Promotional, training and vocational programmes will be implemented for the purpose. With these efforts, the incidence of poverty as shown in Table 4-13 can be substantially reduced.

VI. RESTRUCTURING OF SOCIETY

245. The second prong of the NEP seeks to ensure that the process of economic growth is designed to enable all racial groups to participate in all fields and at all levels of economic activity. The aim is balanced participation by all racial communities in the growth and diversification of the economy. The two most important targets in this regard are that: employment in the various sectors of the economy and employment at all occupational levels should reflect the racial composition of the country by 1990; and ownership of productive wealth should be restructured so that by 1990 the Malays and other indigenous people own and operate at least 30% of the total.

Restructuring the racial composition of employment

246. As indicated in Chapter VIII, the historically inherited pattern of employment has produced considerable imbalances in the representation of the major racial communities in the different sectors of the economy. Whereas the Malays and other indigenous people are in the majority in agriculture, other Malaysians are concentrated in the secondary and tertiary sectors, in particular, mining, manufacturing, construction and commerce. The attainment of a more equitable racial representation in the employment pattern thus calls for sustained effort at bringing about inter-sectoral labour movements of a sizeable order.

247. As shown in Table 4-14 below for Peninsular Malaysia, the progress achieved in enlarging the share of the Malays in the secondary and tertiary sectors during 1971-75 has been significant, although these increases have taken place largely at the lower levels of the occupational hierarchy. The unemployment rate among the Malays declined from 8.1% in 1970 to 6.9% in 1975 but in absolute terms the number unemployed increased marginally from 126,400 to 128,300. Employment among Chinese and Indians in absolute terms also increased but unemployment among them rose. While their shares in secondary and tertiary industries declined, corresponding increases of employment in agriculture did not take place. Among the Chinese, the unemployment rate increased from 7.0% to 7.2% or in absolute terms from 77,300 to 93,800 and among the Indians, from 11.0% to 12.2% or in absolute terms from 36,800 to 47,300.

248. To achieve the desired patterns of restructuring by 1990, Malay employment in secondary and tertiary industries will have to grow by 7.5% and 5.8% per annum respectively over the next fifteen years. These targets imply that Malay employment would have to account for as much as 66% of total new employment in industry and 54% in services during 1976-90. In other words, the absorption of the Malays and other indigenous people in the manufacturing sector will have to be sustained at the high rate achieved under the SMP. Employment growth in construction, transportation and commerce could be more moderate in view of the considerable progress made during 1971-75.

249. With respect to other Malaysians, the restructuring targets require that employment should grow by 3.1% per annum in secondary industry and 4.1% in services. Even allowing for the continued rapid growth of Malay employment in the manufacturing sector, it is seen that the quantum of employment to be created will be large enough to enable job opportunities for other Malaysians in manufacturing and services to grow at a pace which is faster than the growth of their labour force.

250. For the Chinese, the restructuring targets would permit employment in agriculture, manufacturing, utilities and services to grow at rates in excess of that of the labour force. The rate of employment growth in other sectors would, however, fall below that of the labour force. However, with the intended expansion of Chinese agricultural employment, the increase in their rate of unemployment from 7.0% in 1970 to 7.2% in 1975 could be reversed to fall to 4.0% by 1990. For the Indians, who now face an unemployment rate which is about one and a half times higher than that among the Malays and the Chinese, the restructuring targets require that their employment in manufacturing and commerce should grow almost as fast as that for the Malays and that their employment in services should be stepped up.

TABLE 4-14
**PENINSULAR MALAYSIA: EMPLOYMENT BY RACE AND
 SECTOR, 1970-90**
 (000)

	Percentage of sector total					Total	Percentage of total employment
	Malay	Chinese	Indian	Others	Percentage of sector total		
<i>1970</i>							
Primary ²²	951.1	300.9	142.0	12.0	10.1	1,406.0	50.3
Secondary ²³	173.1	335.1	51.7	2.9	9.2	562.8	20.2
Tertiary ²⁴	312.4	398.3	103.9	10.3	12.6	824.9	29.5
TOTAL	1,436.6	1,034.3	297.6	25.2	10.7	2,793.7	100.0
Population	4,822.0	3,274.0	978.0	73.0	10.7	9,147.0	100.0
Labour force	1,563.0	1,111.6	334.4	26.0	11.1	3,035.0	100.0
Unemployment	126.4	77.3	36.8	0.8		241.3	
Unemployment (%)	8.1	7.0	11.0	3.1		8.0	
<i>1975</i>							
Primary	1,032.6	317.6	170.3	13.8	11.1	1,534.3	46.2
Secondary	265.0	386.9	71.1	3.3	9.8	726.3	21.9
Tertiary	447.2	499.6	100.3	9.5	9.5	1,056.6	31.9
TOTAL	1,744.8	1,204.1	341.7	26.6	10.3	3,317.2	100.0
Population	5,510.0	3,687.0	1,105.0	83.0	10.6	10,385.0	100.0
Labour force	1,873.1	1,297.9	389.0	30.0	10.8	3,590.0	100.0
Unemployment	128.3	93.8	47.3	3.4		272.8	
Unemployment (%)	6.9	7.2	12.2	11.3		7.6	

1990

Primary ..	1,091.4	61.4	503.2	28.3	170.6	9.6	12.4	0.7	1,777.6	32.6
Secondary ..	782.7	51.9	575.3	38.1	143.1	9.5	7.0	0.5	1,508.1	27.7
Tertiary ..	1,046.8	48.4	844.5	39.0	252.1	11.7	20.0	0.9	2,163.4	39.7
TOTAL ..	2,920.9	53.6	1,923.0	35.3	565.8	10.4	39.4	0.7	5,449.1	100.0
Population ..	8,163.0	54.1	5,230.0	34.6	1,599.0	10.6	108.0	0.7	15,100.00	100.0
Labour force ..	3,042.0	53.6	2,003.5	35.3	589.5	10.4	41.0	0.7	5,676.0	100.0
Unemployment ..	121.1	80.5	80.5	23.7	23.7	1.6	1.6	226.9	4.0	
Unemployment (%) ..	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	

²² Agriculture.

²³ Mining, manufacturing, construction, utilities and transport.

²⁴ Wholesale and retail trade, banking, public administration, education, health and defence.

TABLE

PENINSULAR MALAYSIA: EMPLOYMENT BY

		1970				
		Malay	Chinese	Indian	Others	Total
PRIMARY SECTOR						
Professional and technical workers..	..	1,869	816	563	94	3,342
(%) .. .. .	..	55.9	24.4	16.9	2.8	100.0
Administrative and managerial workers	..	283	1,006	115	28	1,432
(%) .. .. .	..	19.8	70.2	8.0	2.0	100.0
Clerical workers	..	2,531	2,936	2,644	49	8,160
(%) .. .. .	..	31.0	36.0	32.4	0.6	100.0
Sales workers	..	86	327	35	1	449
(%) .. .. .	..	19.2	72.8	7.8	0.2	100.0
Agricultural workers..	..	923,580	279,480	126,267	11,710	1,341,037
(%) .. .. .	..	68.9	20.8	9.4	0.9	100.0
Production workers ..	..	9,348	6,979	5,017	43	21,387
(%) .. .. .	..	43.7	32.6	23.5	0.2	100.0
Service and other workers ..	..	13,404	9,355	7,359	75	30,193
(%) .. .. .	..	44.4	31.0	24.4	0.2	100.0
	SUB-TOTAL ..	951,101	300,899	142,000	12,000	1,406,000
	(%) ..	67.6	21.4	10.1	0.9	100.0
SECONDARY SECTOR						
Professional and technical workers	..	2,609	5,413	1,577	449	10,048
(%) .. .. .	..	26.0	53.9	15.7	4.4	100.0
Administrative and managerial workers	..	1,887	9,709	829	420	12,845
(%) .. .. .	..	14.7	75.6	6.4	3.3	100.0
Clerical workers	..	14,141	21,910	7,324	625	44,000
(%) .. .. .	..	32.1	49.8	16.7	1.4	100.0
Sales workers	..	677	6,269	784	55	7,785
(%) .. .. .	..	8.7	80.5	10.1	0.7	100.0
Agricultural workers..	..	1,423	1,130	521	26	3,100
(%) .. .. .	..	45.9	36.5	16.8	0.8	100.0
Production workers ..	..	96,283	196,165	22,985	761	316,194
(%) .. .. .	..	30.5	62.0	7.3	0.2	100.0
Service and other workers ..	..	56,138	94,464	17,622	604	168,828
(%) .. .. .	..	33.3	55.9	10.4	0.4	100.0
	SUB-TOTAL ..	173,158	335,060	51,642	2,940	562,800
	(%) ..	30.8	59.5	9.2	0.5	100.0

OCCUPATION, RACE AND SECTOR, 1970-90

1975					1990				
Malay	Chinese	Indian	Others	Total	Malay	Chinese	Indian	Others	Total
3,460	1,147	1,115	130	5,852	4,609	4,783	1,120	103	10,615
59.1	19.6	19.1	2.2	100.0	43.4	45.1	10.5	1.0	100.0
462	1,078	178	33	1,751	594	1,492	180	30	2,296
26.4	61.5	10.2	1.9	100.0	25.9	65.0	7.8	1.3	100.0
3,414	3,108	2,943	69	9,534	3,579	3,629	2,945	65	10,218
35.8	32.6	30.9	0.7	100.0	35.0	35.5	28.8	0.7	100.0
102	328	41	1	472	124	395	40	0	559
21.6	69.5	8.7	0.2	100.0	22.2	70.6	7.2	0	100.0
994,941	294,084	151,056	13,284	1,453,365	1,049,816	467,303	151,334	11,977	1,680,430
68.5	20.2	10.4	0.9	100.0	62.5	27.8	9.0	0.7	100.0
12,389	7,592	6,072	111	26,164	13,805	10,966	6,287	92	31,150
47.4	29.0	23.2	0.4	100.0	44.3	35.2	20.2	0.3	100.0
17,832	10,263	8,895	172	37,162	18,873	14,632	8,694	133	42,332
48.0	27.6	23.9	0.5	100.0	44.6	34.6	20.5	0.3	100.0
1,032,600	317,600	170,300	13,800	1,534,300	1,091,400	503,200	170,600	12,400	1,777,600
67.3	20.7	11.1	0.9	100.0	61.4	28.3	9.6	0.7	100.0
7,325	8,034	2,363	576	18,298	36,949	20,637	6,854	856	65,296
40.0	43.9	12.9	3.2	100.0	56.6	31.6	10.6	1.3	100.0
3,656	11,359	1,409	382	16,806	13,914	15,062	2,795	437	32,208
21.7	67.6	8.4	2.3	100.0	43.2	46.7	8.7	1.4	100.0
21,760	27,312	8,757	662	58,491	45,938	36,252	12,368	882	95,440
37.2	46.7	15.0	1.1	100.0	48.1	38.0	13.0	0.9	100.0
548	6,174	758	56	7,536	10,486	10,274	2,404	128	23,292
7.3	81.9	10.1	0.7	100.0	45.0	44.1	10.3	0.5	100.0
1,558	1,429	552	22	3,561	3,668	2,235	879	38	6,820
43.8	40.1	15.5	0.6	100.0	53.8	32.8	12.9	0.6	100.0
146,949	227,736	34,526	971	410,182	481,514	360,011	83,318	3,225	928,068
35.8	55.5	8.4	0.3	100.0	51.9	38.8	9.0	0.3	100.0
83,267	104,818	22,717	624	211,426	190,231	130,829	34,482	1,434	356,976
39.4	49.6	10.7	0.3	100.0	53.3	36.6	9.7	0.4	100.0
265,063	386,862	71,082	3,293	726,300	782,700	575,300	143,100	7,000	1,508,100
36.5	53.3	9.8	0.4	100.0	51.9	38.1	9.5	0.5	100.0

TABLE

PENINSULAR MALAYSIA: EMPLOYMENT BY

		1970				
		Malay	Chinese	Indian	Others	Total
TERTIARY SECTOR						
Professional and technical workers..	..	56,673	42,647	14,373	2,522	116,215
(%) .. .. .	..	48.7	36.7	12.4	2.2	100.0
Administrative and managerial workers ..	..	2,929	4,248	755	550	8,482
(%) .. .. .	..	34.5	50.1	8.9	6.5	100.0
Clerical workers .. .. .	..	30,087	46,510	10,113	1,150	87,860
(%) .. .. .	..	34.3	52.9	11.5	1.3	100.0
Sales workers .. .. .	..	74,638	198,036	34,038	1,094	367,806
(%) .. .. .	..	24.2	64.3	11.1	0.4	100.0
Agricultural workers .. .. .	..	12,970	2,661	4,684	38	20,353
(%) .. .. .	..	63.7	13.1	23.0	0.2	100.0
Production Workers .. .. .	..	6,418	11,549	2,780	102	20,849
(%) .. .. .	..	30.8	55.4	13.3	0.5	100.0
Service and other workers .. .. .	..	128,682	92,651	37,158	4,844	263,335
(%) .. .. .	..	48.9	35.2	14.1	1.8	100.0
SUB-TOTAL ..		312,397	398,302	103,901	10,300	824,900
(%) ..		37.9	48.3	12.6	1.2	100.0
ALL SECTORS						
Professional and technical workers ..	..	61,151	48,876	16,513	3,065	129,605
(%) .. .. .	..	47.2	37.7	12.7	2.4	100.0
Administrative and managerial workers ..	..	5,099	14,963	1,699	998	22,759
(%) .. .. .	..	22.4	65.7	7.5	4.4	100.0
Clerical workers .. .. .	..	46,759	71,356	20,081	1,824	140,020
(%) .. .. .	..	33.4	51.0	14.3	1.3	100.0
Sales workers .. .. .	..	75,401	204,632	34,857	1,150	316,040
(%) .. .. .	..	23.9	64.7	11.0	0.4	100.0
Agricultural workers .. .. .	..	937,973	283,271	131,472	11,774	1,364,490
(%) .. .. .	..	68.7	20.8	9.6	0.9	100.0
Production workers .. .. .	..	112,049	214,693	30,782	906	358,430
(%) .. .. .	..	31.3	59.9	8.6	0.2	100.0
Service and other workers .. .. .	..	198,224	196,470	62,139	5,523	462,356
(%) .. .. .	..	42.9	42.5	13.4	1.2	100.0
TOTAL ..		1,436,656	1,034,261	297,543	25,240	2,793,700
(%) ..		51.4	37.0	10.7	0.9	100.0

4-15—(cont.)

OCCUPATION, RACE AND SECTOR, 1970-90

1975					1990				
Malay	Chinese	Indian	Others	Total	Malay	Chinese	Indian	Others	Total
72,180 49.1	54,363 37.0	17,831 12.2	2,539 1.7	146,913 100.0	151,912 48.8	118,355 38.1	36,689 11.8	4,149 1.3	311,105 100.0
6,694 45.2	5,979 40.3	1,732 11.7	413 1.8	14,818 100.0	21,941 55.8	12,513 31.8	4,256 10.8	636 1.6	39,346 100.0
44,809 39.8	56,811 50.4	10,015 8.9	982 0.9	112,617 100.0	128,802 48.3	104,117 39.1	31,174 11.7	2,439 0.9	266,532 100.0
78,975 25.5	201,131 64.8	29,868 9.6	374 0.1	310,348 100.0	153,875 36.5	220,394 52.2	46,353 11.0	1,370 0.3	421,992 100.0
2,869 45.8	937 15.0	2,454 39.2	— —	6,260 100.0	6,994 51.4	3,080 22.6	3,470 25.5	70 0.5	13,614 100.0
16,164 42.9	18,380 48.8	3,050 8.1	73 0.2	37,667 100.0	61,887 54.8	36,657 32.5	13,622 12.0	744 0.7	112,910 100.0
225,509 52.7	161,999 37.8	35,350 8.3	5,119 1.2	427,977 100.0	521,389 52.2	349,384 35.0	116,536 11.7	10,592 1.1	997,901 100.0
447,200 42.3	499,600 47.3	100,300 9.5	9,500 0.9	1,056,600 100.0	1,046,800 48.4	844,500 39.0	252,100 11.7	20,000 0.9	2,163,400 100.0
82,965 48.5	63,544 37.1	21,309 12.5	3,245 1.9	171,063 100.0	193,470 50.0	143,775 37.2	44,663 11.5	5,108 1.3	387,016 100.0
10,812 32.4	18,416 55.2	3,319 9.9	828 2.5	33,375 100.0	36,449 49.3	29,067 39.4	7,231 9.8	1,103 1.5	73,850 100.0
69,983 38.7	87,231 48.3	21,715 12.0	1,713 1.0	180,642 100.0	178,319 47.9	143,998 38.7	46,487 12.5	3,386 0.9	372,190 100.0
79,625 25.0	207,633 65.2	30,667 9.6	431 0.2	318,356 100.0	164,485 36.9	231,063 51.8	48,797 11.0	1,498 0.3	445,843 100.0
999,368 68.3	296,450 20.3	154,062 10.5	13,306 0.9	1,463,186 100.0	1,060,478 62.3	472,618 27.8	155,683 9.2	12,085 0.7	1,700,864 100.0
175,502 37.0	253,708 53.5	43,648 9.2	1,155 0.3	474,013 100.0	557,206 52.0	407,634 38.0	103,227 9.6	4,061 0.4	1,072,128 100.0
326,608 48.3	277,080 40.9	66,962 9.9	5,915 0.9	676,565 100.0	730,493 52.3	494,845 35.4	159,712 11.4	12,159 0.9	1,397,209 100.0
1,744,863 52.6	1,204,062 36.3	341,682 10.3	26,593 0.8	3,317,200 100.0	2,920,900 53.6	1,923,000 35.3	565,800 10.4	39,400 0.7	5,449,100 100.0

251. A key issue in the implementation of the restructuring objectives of the NEP is the pace at which the required changes can be brought about. The postulated decline in the share of the Malays in agriculture from 67.3% in 1975 to 61.4% in 1990 implies growth in agricultural employment of less than 1% per annum compared to the rate of job creation in the sector of about 1% per annum. It is to be noted that a large part of the increase in total employment in the sector will come from settlement on new public land development schemes. The promotion of rapid out-migration from the sector could therefore reduce the opportunities presented by these schemes for lifting poor households among the Malays and other indigenous people out of poverty in the short-term. In the immediate future, the only alternative to such employment would be urban-based jobs in secondary and tertiary industries at the lower levels of the occupational hierarchy for a major portion of those moving from the rural to the urban areas as they are now largely unskilled. In the implementation of the restructuring objectives of the NEP, it would thus appear to be necessary to bring about the attainment of the desired pattern of employment in progressive stages rather than uniformly over the next fifteen years.

252. A pragmatic approach is also dictated by the need to prepare the Malays and other indigenous people adequately for effective participation in commerce and industry. The manpower implications of the restructuring targets on the required growth of Malay employment by occupational levels in Peninsular Malaysia are illustrated in Table 4-15.

253. The projections imply that all races will benefit from the restructuring of the occupational pattern, with significant increases for the Malays in the modern sectors of the economy, where they are currently under-represented in the major occupational groups. In the manufacturing, construction, transport and commerce sectors, Malay employment in professional and technical, managerial, sales and production level occupations will be required to grow at rates higher than for the sector as a whole.

254. The implementation of education and training programmes by the Government to meet the vast requirements for trained manpower among the Malays and other indigenous people is already underway. Immediate production of the required numbers of skilled manpower cannot, however, be expected because of the long time required for human resource development, especially at the higher occupational levels. For this reason, the Government will adopt a flexible approach in the implementation of the restructuring objectives for the modern industrial sector.

255. While formal education and training programmes will lead to expansion in the supply of manpower, the opportunities available for acquiring skills through on-the-job training and other informal training methods will continue to play an important role. Taking into account the fact that most of the Malays and other indigenous people are presently concentrated in the less skilled occupations, opportunities for their advancement will need

to be expanded. This requires a joint effort by the Government and the private sector to provide on-the-job training in industry to upgrade their skills and to accelerate their mobility to higher levels of the job hierarchy.

Restructuring the ownership of share capital

256. Progressive reduction of existing 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 the ownership of the Malays and other indigenous people and their use of land along lines which ensure productive development of this resource and to provide specific financial assistance to Malay and other indigenous entrepreneurs to gain access to the ownership of other productive assets. These efforts will make a sizeable impact on restructuring the ownership and management of productive assets in the economy. The key to the control of assets will, however, continue to be through ownership of share capital in the country. The Government will, therefore, ensure that adequate measures will continue to be taken to enable the Malays and other indigenous people to expand their ownership of such capital.

257. With the progress achieved under the SMP, Table 4-16 below indicates the magnitude of the effort required during the next fifteen years if the targets of share capital ownership are to be achieved by 1990. The stock of share capital in Peninsular Malaysia is estimated to have expanded by 13.2% per annum compared with the growth of GDP of 7.4% between 1970 and 1975. Share capital is projected to expand even more rapidly, relative to GDP, during the remaining years of the OPP as the country's financial structure becomes more modernized in the course of economic development. It is estimated, in fact, to grow by amounts ample enough to enable the restructuring objectives of the NEP to be realized while permitting, at the same time, the ownership of equity capital by all groups in the economy to grow. Indeed, if constraints to the acquisition of share capital by the Malays and other indigenous people can be removed, the restructuring of the projected volume of new corporate stock itself is expected to provide sufficient scope for total equity capital to be almost entirely restructured by 1990 in the proportions desired by the NEP. Individual companies will therefore not be required to redistribute their existing equity to any significant extent. This underlies the policy that there will not be compulsory divestment on the part of individual enterprises.

258. The ownership of equity capital on the part of Malay individuals and Malay interests in the corporate sector is targetted to grow by 25.8% per annum during the next fifteen years having risen by almost 44% per annum under the SMP from 2.4% of the total in 1970 to 7.8% in 1975. Growing almost twice as fast as the total stock of share capital, the achievement of the target implies that individual Malays and Malay interests will

TABLE 4-16

**PENINSULAR MALAYSIA: OWNERSHIP OF SHARE CAPITAL IN
LIMITED COMPANIES, 1970-90**

	1970 ²⁵		1975 ²⁶		1980 ²⁷		1990 ²⁷		Average annual growth rate (%) 1976-90
	\$ million ²⁸	%	\$ million	%	\$ million	%	\$ million	%	
Malays and Malay interests ..	125.6	2.4	768.1	7.8	3,284.3	16.0	24,009.7	30.0	25.8
<i>Malay individuals</i> ²⁹ ..	84.4	1.6	227.1	2.3	695.4	3.4	5,914.2	7.4	24.3
<i>Malay interests</i> ³⁰ ..	41.2	0.8	541.0	5.5	2,588.9	12.6	18,095.5	22.6	26.4
Other Malaysians ³¹ ..	1,826.5	34.3	3,687.3	37.3	8,290.5	40.4	32,012.9	40.0	15.5
Foreign ³² ..	3,377.1	63.3	5,434.7	54.9	8,952.2	43.6	24,009.7	30.0	10.4
Total private sector ³³ ..	5,329.2	100.0	9,890.1	100.0	20,527.0	100.0	80,032.3	100.0	15.0
Gross domestic product (in 1970 prices) ..	9,038.0		12,914.0		19,487.0		42,462.0		8.3

²⁵ Actual.²⁶ Estimated.²⁷ Targets.²⁸ Totals for 1970 differ from those presented in the SMP and its Mid-Term Review because of the exclusion of the Government, the re-classification of the trust agencies as Malay interests and the re-allocation of most of the shares previously categorized as "held by other companies" to the shareholders of these companies.²⁹ Includes institutions channelling private Malay funds such as *Amanah Saham MARA* and *Lembaga Urusan dan Tabung Haji*.³⁰ Shares considered to be held in trust by agencies such as MARA (excluding Amanah Saham MARA), PERNAS, UDA, SEDCS, *Bank Bu Niputra* and *Bank Pembangunan*.³¹ Includes nominee companies and third-company minority holdings.³² Non-residents.³³ Excludes the Government and its agencies except trust agencies.

have to acquire about one-third of the total increment of equity capital during the period or over \$23 billion as shown in Table 4-17, in addition to the reserved shares which have not yet been taken up.

TABLE 4-17

PENINSULAR MALAYSIA: GROWTH OF SHARE CAPITAL
IN LIMITED COMPANIES, 1970-90
(\$ million)

	1970 ³⁴	1975 ³⁵	1990 ³⁶
Share capital in limited companies ³⁷	5,329.2	9,890.1	80,032.3
Net new shares	—	4,560.9	70,142.2
Net share acquisition by Malay individuals ³⁸	—	142.6	5,687.1
Percentage of all new shares	—	3.1	8.1
Net share acquisition by Malay interests ³⁹	—	499.8	17,554.5
Percentage of all new shares	—	11.0	25.0
Net share acquisition by other Malaysians	—	1,860.8	28,325.6
Percentage of all new shares	—	40.8	40.4
Net share acquisition by foreigners ⁴⁰	—	2,057.7	18,575.0
Percentage of all new shares	—	45.1	26.5

³⁴ Actual.

³⁵ Estimated.

³⁶ Target.

³⁷ Excludes Government except trust agencies.

³⁸ Includes institutions channelling private Malay funds.

³⁹ Shares considered to be held in trust by Government agencies.

⁴⁰ Non-residents.

259. Individual Malays will have a vital role to play in increasing Malay savings to the levels required for attaining the targets of the OPP. The ownership of equity capital on the part of individual Malays is estimated to increase by 24.3% per annum during 1976-90 compared with 21.9% during 1971-75 as average incomes among them are estimated to grow strongly as a result of the Government's poverty redressal and restructuring programmes. In proportion to the total, the share of Malay individuals is projected to increase from 1.6% in 1970 and 2.3% in 1975 to 7.4% by 1990. This would primarily require special efforts among the Malays to step up their savings rate as incomes increase so as to mobilize the requisite savings to acquire equity in the corporate sector. Existing and new institutions have a fundamental role to play in this regard. The performance of existing financial institutions including the co-operatives will be kept under review to improve their effectiveness. In addition, the Government will set up a *Bumiputra Investment Fund* to acquire shares reserved for the Malays and other indigenous people.

260. The remaining amounts of capital stock which will have to be acquired for the Malays and other indigenous people will have to come from public sector agencies set up to create and/or purchase stock in trust for eventual sale to them. The agencies include the *Majlis Amanah Rakyat* (MARA), the *Perbadanan Nasional* (PERNAS) and its subsidiaries, *Bank Bumiputra*, *Bank Pembangunan*, the Urban Development Authority (UDA) and the State Economic Development Corporations (SEDCs) and their subsidiaries. The aim is that as incomes and savings among the Malays and other indigenous people increase and as the enterprises set up by these agencies show sustained profitability, it will be possible for the share capital so accumulated to be sold to individuals among the Malays and other indigenous people.

261. The accumulation of corporate stock by these agencies will continue to be effected through the creation and expansion of subsidiary enterprises either wholly-owned or in joint-venture with other private interests, as well as the acquisition of stock in existing enterprises in the private sector on commercial terms. The results so far have been encouraging. Under the SMP, the equity owned and held in trust by these public bodies expanded by almost 70% per annum. During the period 1976-90, it will have to grow by about 30% per annum so that by 1990 the Malays and other indigenous people will account for at least 30% of total private sector equity capital. The financial resources entailed will be substantial. These agencies will have to acquire and hold in trust net new shares of almost \$18 billion over the 15-year period compared with current holdings of \$541 million. This again underlies the need for savings to be stepped up by individual Malays and other indigenous people.

262. No constraints are expected on the growth of corporate ownership on the part of other Malaysians. Their ownership is estimated to have increased by 15.1% per annum under the SMP. It is projected to grow by 15.5% per annum between 1975 and 1990 and to account for 40.0% of the total stock of equity capital by the end of the OPP period. Although targetted to grow less rapidly than the ownership of the Malays and other indigenous people, considerable opportunities will nevertheless exist for other Malaysians to expand their holdings of equity capital. Out of the increment in expanded stock, other Malaysians could account for as much as 40% of the increase. In the blend of strategies to reach the target of at least 30% for the Malays and other indigenous people and 40% for other Malaysians, one option that could be adopted is for workers to be encouraged to take up share capital in the enterprises in which they are employed.

263. The share in the ownership of equity by foreign interests is targetted to decline from 63.3% in 1970 and about 55% in 1975 to 30.0% by 1990. However, the ownership of corporate stock by the foreign sector would still increase by 10.4% per annum in absolute terms over the next fifteen years compared with 10.0% per annum during 1971-75.

264. It is important to view the role of the foreign corporate sector in perspective. The Government will continue to ensure that foreign investment is attracted into the country for the significant contributions it can make to income and employment creation. It seeks, in addition, the skills and technology which accompany foreign investment. This is an important adjunct to Malaysia's own efforts in the development and modernization of the economy. The widening access to international markets that foreign entrepreneurship provides for the country's exports goods is another important contribution that Malaysia will continue to value.

265. The tasks of restructuring the ownership of corporate stock and promoting foreign investment at the same time are *not* conflicting objectives. They are conflicting objectives only in situations of stagnation and slow economic growth. With rapid economic growth as envisaged under the NEP, it will be feasible, as demonstrated in the projections of the OPP, to substantially increase in absolute terms the inflow of foreign private capital. Simultaneously, this would enable the resources generated by rapid economic growth to be used to enlarge the absolute as well as relative shares of nationals in the economy.

VII. CONCLUSION

266. The analyses which underpin the long-term projections of the OPP strongly suggest that the major targets of the NEP are capable of attainment by 1990. The growth and distribution targets of the SMP—the first phase in the implementation of the NEP—have been substantially attained. The prospects are bright for continued advances to be made under the TMP as the nation moves towards the half-way point of the OPP. It has been the objective of this Chapter to elucidate the nature and the scope of the policies and programmes which will be required if progress under the SMP is to be accelerated towards the achievement of the goals of the NEP.

267. The longer-term prospects of the country are such that an ample enough scale of opportunities will be created by economic growth to enable the Government to channel a significant part of the resources created to the tasks of poverty redressal and socio-economic reconstruction while enabling, at the same time, the currently more advantaged in society to continue to progress. No group in the country need, therefore, experience any loss or feel any sense of deprivation.

268. To be sure, the mobilization of the investible resources required by the Government to finance its programmes for social justice will continue to demand adroitness in the design and execution of fiscal and monetary policy, if private enterprise is to be given the opportunity to complement the efforts of the Government in realizing the nation's goals under the NEP. Given the forecasted expansion of the economy, this is a task that Malaysia is well-placed to accomplish effectively.

269. The greater challenge will be that of producing the skilled manpower in the quantum and at the pace necessary for the achievement of Malaysia's targets in regard to agricultural modernization and industrial development. These are targets which are essential to the eradication of poverty and the reduction of current economic imbalances between the various communities and States which make up the country. While much headway has been made under the SMP in expanding the supply of skilled manpower, particularly among the Malays and other indigenous people, more intensive effort is required in view of the long time involved in human resource development.

270. Above all, the successful implementation of the NEP will call for the sustained cultivation of a unity of purpose among Malaysia's multi-racial people. Change, by its very nature—particularly socio-economic change of the magnitude envisaged by the NEP—is always fertile ground for breeding suspicion and distrust. Lest it be exploited to the detriment of the ultimate well-being of the nation as a whole, it is imperative that Malaysians be watchful of those endeavours which will continue to be made by anti-national elements to divert their energies and effort from the essential purposes of nation building as embodied in the NEP. The Government for its part will provide the overall framework of national unity and security necessary for the promotion of constructive change. Individual Malaysians on their part must take to the NEP for what it is—an opportunity given only to a pioneering people to create a united and socially just nation—a nation which Malaysians would be proud to serve and defend with their lives.

CHAPTER V

The Sociological, Political and Security Dimensions of Development

I. INTRODUCTION

271. The Third Malaysia Plan (TMP) falls within the framework of the Perspective Plan and forms a logical extension of the Second Malaysia Plan (SMP) and the New Economic Policy (NEP). Though national unity remains the overriding objective of development, it is now recognized that this must be achieved not only through eradication of poverty and restructuring society, but also through the maintenance and improvement of the security of the nation.

272. The current Chapter focuses attention on the sociological, political and security factors that underlie the socio-economic goals of the nation as embodied in the *Rukunegara*. The *Rukunegara* provides the ideological foundations for a common value system among Malaysians which transcends ethnic, cultural and socio-economic differences within the nation. It symbolizes the aspirations of all Malaysians for bringing into reality the goals upon which the nation was created. Socio-economic factors influence in many ways the progress that can be made towards creating the united and resilient society envisaged by the *Rukunegara*. The NEP was framed to provide the essential guidelines by which constructive progress could be made in fashioning the socio-economic environment necessary for strengthening the beliefs of the nation and realizing its goals for a united nation.

273. The efforts necessary for the purpose will extend beyond the purely economic dimension to encompass as well the more intangible aspects of planning, with problems and preconditions that cannot be quantified or objectively measured or projected. However, they also represent the realities of Malaysian societal configuration and to ignore them in the context of the TMP is to ignore some of the critical constraints and challenges that the nation must now face in its present stage of socio-economic transformation.

II. PERSPECTIVE OF A PLURAL SOCIETY

274. Malaysia's development efforts have always been pursued in the context of a plural society. The achievements and the problems faced by the nation in the last five years have indicated the need for a renewed awareness of the fundamental issues generated by growth and change within such a society and the imperatives that must be satisfied if future well being is to be ensured. These overriding issues and imperatives discussed in the following paragraphs will, therefore, become the sociological benchmarks for all development efforts in the TMP period.

Strength in diversity

275. History has shown that ethnic and cultural diversity in Malaysia has not weakened the nation but allowed it to achieve one of the fastest rates of development in Southeast Asia. The strength has been founded on mutual respect and co-operation and a commitment to common goals and aspirations. These qualities of the nation and the people need to be further strengthened and mobilized if the challenges that lie ahead are to be overcome.

276. The strength of the nation lies squarely on the willingness of all Malaysian citizens, irrespective of race, culture and religion to give their fullest support to the national development goals. These goals should become the rallying point for the entire nation. It is only this unity of purpose that can turn Malaysia's diversity into one of the strongest assets for the nation.

Misconception of the perspectives of development

277. A dangerous misconception about the national goals of poverty eradication and restructuring society is that these objectives are intended to benefit only the Malays and other indigenous people. This is not true. The poor in Malaysia involve other races as well, although the majority are the Malays and other indigenous people living in rural areas. Another misconception is in respect of urban poverty. With the migration of the Malays and other indigenous people to the urban areas, this problem is no longer limited to the other Malaysians. Urban poverty is, therefore, a multiracial problem.

278. Similarly, the goal of restructuring society does not involve increasing the participation of the Malays and other indigenous people in commerce and industry alone. It involves the achievement of a multiracial structure in all sectors and at all levels in order to correct past imbalances and their inadequate representation in various fields. This will certainly imply an inter-sectoral movement of people and ownership on a multiracial basis if all sectors of the Malaysian economy are ultimately to reflect the racial composition of the nation without detracting the role of the private sector, both local and foreign in the economy.

279. In fact, the NEP has been widely accepted by the diverse racial and economic groups in the country. This acceptance forms one aspect of Malaysia's national resilience and the mutually reinforcing benefits of the NEP establishes the perspective of a common destiny for all groups in the country. As it has been clearly demonstrated in the course of the SMP, all groups in the country were able to improve their previous economic positions without discernible economic disadvantage to any single group.

280. In terms of the TMP objectives, it is most important that all programmes are not perceived nor construed in terms of ethnological interests. It is necessary that the underlying rationale for all programmes be explained and understood in terms of the need to redistribute the benefits of development in more equitable ways commensurate with the ideals of promoting social justice through the eradication of poverty and the creation of a truly Malaysian image in all sectors of the national economy. It calls for responsible co-operation on the part of all and an awareness of the problems faced by the poor and the disadvantaged. Only these will ensure that the goals of eradicating poverty and restructuring society will appear in their proper perspective against the overall needs of the nation.

281. The responsibility for overcoming an ethnological perspective of development goals and strategies in Malaysia lies both with the Government and the people. An over-emphasis on the special rights of the Malays and other indigenous people by public officials will generate apprehension and fear on the part of other Malaysians, leading to a sense of alienation and neglect. Equally, undue pressure on the part of other Malaysians for a stake over and above that envisaged by the NEP could be disruptive. Only an awareness and acceptance of the national character of the exercise to remedy the ethnological imbalance in the national economy and a refrain from making demands based on purely racial lines will enable the nation to devote full attention to these national goals.

282. The nature of resource allocation for development as discussed in Chapter XII is also directed at overcoming regional and racial imbalances. More resources will be channelled to the less developed States of Peninsular Malaysia, Sabah and Sarawak in order to stimulate a balanced growth.

National identity

283. All the above factors point to the most crucial aspect of the nation's progress at this juncture of its development history and within the context of a plural society. This is in regard to the establishment of a true Malaysian identity based on national pride and a sense of belonging.

284. A national identity is born out of a common set of social norms and values evolved over a period of time. Thus plurality of race and the fact that Malaysia is a relatively young nation present a great challenge to the moulding of a national identity within the time-frame of the present generation. The effort calls for greater determination and sacrifice on the

part of all Malaysians. It calls for (i) a full identification and commitment to the national goals and ideals; (ii) viewing emergent problems of whatever nature in terms of a challenge to Malaysia's capability as a nation and a people; (iii) accepting the country's socio-cultural diversity as a source of pride in regard to the nation's uniqueness; and (iv) treating internal differences and conflicts as a natural process of consensus seeking in the pursuit of the most satisfying compromises and alternatives. A common national identity lies in the willingness of the people to accept the above as guidelines for action.

285. In this respect, many factors will be considered in relation to the economic goals of the nation. This underlines the need for a full understanding of some of the important background leading to the nation's struggle for Independence and the role of *Bahasa Malaysia* and the national culture to help in moulding the nation together. Thus the education system is designed for this purpose. It will inculcate a greater sense of national belonging, love for the nation, greater self-discipline and respect for the elders, appreciation of what the nation bequeaths to the people and the responsibilities expected of them in return.

286. Many of the socio-cultural characteristics nurtured over the years already exist to form the basis of this common Malaysian identity. These include a high degree of tolerance and accommodation as already manifested over the years of the nation's existence; the common respect for the elderly and the wise; hospitality; a love for peace and socially satisfying relationships; a quest for even greater tolerance and understanding; a high regard for art and culture; a great sense of devotion to duty and loyalty to relatives and friends; and above all, an abundance of goodwill and common sense as well as a spirit of humility that, by and large, have enabled the country to face and overcome the trials and tribulations of a young and multiracial nation. These qualities have been reinforced by the teachings of Islam and other religions.

287. The evolution of a Malaysian national identity will be based on an integration of all the virtues from the various cultures in Malaysia, with the Malay culture forming its core. It will also include the infusion of new characteristics that can foster the process of cultural integration and strengthen the very foundation of the multiracial society. This places an emphasis on moulding well-disciplined and responsible individuals within society, individuals who are responsive to national needs and committed to its goals and aspirations. It must consciously be evolved and nurtured through the integrative forces of the national goals. It is necessary, therefore, to examine the sociological and political implications of this process in greater detail.

III. A SOCIOLOGICAL PERSPECTIVE

Allocation of resources and social justice

288. A primary focus of the Plan as shown in Chapter IV is the allocation of resources and assets to bring about a more balanced development and lessen inequalities in the context of an expanding economy. In a plural society, this involves not only a re-arrangement of priorities so that the benefits of growth and change can remedy current crucial economic imbalances but ensure that the benefits of development are equitably shared by all in the rich and poorer States alike. While the TMP has provided for these considerations, their acceptance will certainly necessitate certain adjustments of values, attitudes and expectations among all Malaysians. These involve some of the most complex sociological dimensions of development in Malaysia.

289. The nature of priorities and targets with regard to resource allocation will be discussed in Chapter XII. But the Outline Perspective Plan in Chapter IV has already reflected the macro-economic goals and rationale for the pattern of resource allocation adopted. The goals are based on the needs and potentials of our economy. The achievement of these targets will depend on the acceptability of their sociological implications and the acceptance by Malaysian society of the rationale and justification for the projected allocations. These must, therefore, be examined closely so that possible complications can be forestalled or avoided.

290. The redistributive pattern of resource allocation in the nation will only appear justifiable if carried out on the basis of clear guidelines for social and economic justice. Malaysians must fully understand and appreciate the concept and implications of social and economic justice underpinning the development plan in order to contribute to its achievement. To this end, the Government will pay particular attention to ensure that the poor of all races enjoy the benefits of development. In the same manner, the need for more participation by the Malays and other indigenous people in commerce and industry must be fully appreciated so that the co-operation and commitment of all Malaysians for this purpose can be elicited. Genuine appreciation and commitment cannot be legislated. They can only result from a full understanding of the rationale behind certain concepts and strategies.

Social mobility

291. The sociological implications of poverty eradication and restructuring involve not only a reallocation and redistribution of material resources but also the movement of people between jobs and vocation, between various socio-economic strata of society and even between physical regions. These will call for a high degree of social mobility. The TMP envisages that more farmers among the Malays and other indigenous people

will go into business while more other Malaysians will join the agricultural sector. Those currently holding low-paid jobs will be provided with avenues for moving up the socio-economic ladder. Migration out of less developed regions and States as discussed in Chapter X will be fostered, but yet controlled and balanced with enhanced opportunities provided for the development of these regions so as to underline the need for reducing regional imbalances in development. Concerted efforts will be made to remove all barriers to social mobility just as factors contributing to its attainment will be stimulated in line with the above objectives.

292. Some of the factors that influence social mobility need to be emphasized. In terms of mobility between jobs and location, there is no doubt that education and training are the key catalysts. In this respect, while the capacity of the education system will be greatly increased under the TMP as discussed in Chapter XXII, the monitoring of the system to produce people with the right expertise and in the right quantity to serve national needs will continue to be a great challenge. The Government will meet this challenge by providing the infrastructural facilities, services and an appropriate incentive system to step up education and training in areas where more qualified people are needed. This alone will not ensure that the opportunities for social mobility will be opened to the children of the poor and less fortunate Malaysians. The dropout rate of school children from this group is high. The job market after completion of secondary education is very competitive. Thus, while the Government will ensure that the education and job opportunities for the children and youth from poor families are adequate, the responsibility of optimizing on these opportunities cannot be shouldered by anyone else. Only the youth and their parents can ensure that the opportunities are not lost through their own lack of drive and perseverance.

293. Education and training to prepare the adults for vocational changes within the TMP period is a more complex problem. Adult education in the past has dealt more with overcoming illiteracy. Training given by extension workers and other Government agencies was directed more at the improvement and modernization of work methods in present jobs to increase productivity. The need to provide adult training for a change of vocation will, therefore, receive close attention under the Plan. Training of the Malays and other indigenous people for business participation is already an ongoing process and will be expanded and improved in quality.

294. For the poor and less fortunate citizens of Malaysia upward mobility involves a relentless drive for higher productivity and profitability in the chosen field of livelihood or enterprise. In the agricultural sector, while the Government is committed to the expansion and modernization of the sector, initiative and diligence will be required to get the best out of the programmes discussed in Chapter XVI. Modern irrigation facilities will not produce optimum results if adequate fertilizers and high quality seed grains as suggested by the Government are not used. It is not agriculture that hampers

upward social mobility in terms of progress in economic and social status but a lack of capability to turn it from a subsistence occupation to a business-oriented enterprise. The Government can only provide the facilities. The entrepreneurial spirit and will to be expressed through individual efforts or co-operatives must come from the farmers themselves.

295. Regional mobility from depressed to more progressive areas including from rural to urban centres occur through migration as the natural result of push-and-pull factors. Unchecked and unguided, this socio-economic phenomenon can enhance unemployment or poverty in the urban centres. Efforts have been made and will be intensified under the TMP period, as discussed in Chapters IV and X, to encourage industries to move into the rural areas, thereby providing opportunities *in situ* and managing the rural-to-urban flow. This, however, requires time since, only when the rural-based industries can absorb most of the surplus rural labour, can the drift be guided. Efforts will, therefore, be intensified to provide sufficient training programmes in the rural areas themselves so that rural youth will cease to be completely dependent upon urban centres for better life opportunities. To stop the rural-urban migration completely is not possible.

296. Thus, regional mobility through migration must become a two-way traffic. While some youth migrate to the urban centres in search of training and job opportunities, the industries' skilled workers and entrepreneurs must also move into the rural areas to stimulate the pace of development and create training and job opportunities in the rural areas themselves. The achievement of a balanced mobility in this respect is one of the biggest challenges facing Malaysia during the TMP period. The Government will ensure that there will be adequate urban-to-rural flow of capital and skills to provide for the employment needs of the rural population and check the rural-urban migration. Otherwise the nation will soon face the problems of widespread slums and pockets of poverty within its major cities and towns.

Towards a self-reliant and resilient society

297. A self-reliant and resilient society consists of communities of people who know their worth and constantly seek to prove it. The community as a group is able to identify and integrate its short and long-term needs, strive for the satisfaction of these needs with minimum assistance from the Government and deal with all forms of challenges as individuals and as a community. Thus, while Government assistance is necessary in promoting development and change within the community, such assistance given injudiciously may negate the above objectives. While assistance will be rendered to the poor and underprivileged to enable them to secure a fair share of the benefits of development, they must face full exposure to the challenges of life in order to become self-reliant and responsible members of society with a greater capacity for utilizing scarce resources and accumulating savings for development purposes. They need to find their own

identity, self-respect and self-fulfilment. Only such individuals can contribute to the formation of a self-reliant, resilient and progressive society. This issue is most relevant in respect of developing a core of entrepreneurs and businessmen among the Malays and other indigenous people in line with the objective of restructuring society. No enterprising and resourceful businessman can emerge without going through the competitive mill of the business world, learning to suffer from the consequences of any errors in decision-making and experiencing the anxiety of waiting for investments and efforts to pay off. Only then would he appreciate fully the meaning of profits and apply himself to the full in order to ensure that his undertaking obtains the highest returns.

298. In fostering the goal to create self-reliant progressive communities in Malaysia, especially in the rural areas, the Government will ensure that all programmes contribute to this objective. It becomes crucial that the help and assistance extended to the poor, the economic and job opportunities created to bring them into the mainstream of development and the resources and facilities laid at their disposal, be made accessible to, and taken full advantage of, by them. Steps will be taken to ensure that crucial input factors such as credit, high-productivity seed grains, fertilizers, processing and marketing facilities will reach the intended recipients and can be acquired with minimum effort.

299. It must be stressed, however, that accessibility is a reciprocal process. The Government will make its services and assistance available to the public on a national basis but it cannot deliver these services and assistance on a house-to-house basis. They have to be made obtainable through the various operating arms and agencies of Government and it will be the responsibility of those who need them to avail themselves of these services. They have to at least identify the kind of services and assistance needed, approach the proper authorities and make a formal presentation of their problems. A failure to make these moves would still render certain services and assistance inaccessible, although they are available for free and their scope has been extended. A self-reliant and resilient society is one that should be able to make the best use of the services and assistance offered in order to gain the maximum benefits.

300. This does not, of course, mitigate the responsibility of public officials to ensure that programmes and projects intended to benefit the poor and the least advantaged so as to improve their competitiveness in society, do reach them. Given the fact that those who are better endowed with material and non-material resources will always have an edge over the poor, only a concerted effort on the part of both the public officials and the poor to be mutually responsive to each other's needs and limitations can make a

success of the quest to overcome poverty, restructure society and enhance social mobility. Continuing studies will be made by the Government on the social aspects of development and plan implementation to help ensure that any rigidities in the social structure which tend to keep the poor and the disadvantaged in their present socio-economic status are removed. It is in regard to the improvement of the total social structure of society that the sociological aspects of development merge with its political dimension.

IV. POLITICAL DIMENSION

Prerequisites for systems change

301. Development and modernization bring with them a need for both social and political adaptation. The social system with its sets of norms, values and institutions governing the interaction of people within a society, tends to change very slowly. It is the political aspect of development which often triggers a faster rate of change, sometimes at a pace beyond a healthy rate of social evolution and reform. Once the change is set in motion, the political system itself may find difficulties in adjusting its structure to the needs of the new society.

302. Within the period of the SMP, some major changes have been made in the structure of Malaysia's political system. Most significant has been the expansion of the governmental base to enable the participation of major political parties in Malaysia, i.e. through the establishment of the *Barisan Nasional*. This has proved to be one of the manifestations of the beliefs in participative democracy.

303. The *Barisan Nasional* embodying political consensus among a wide cross section of political parties is a distinctive feature of the country's political environment. The *Barisan* is an alliance of political parties founded on the premise that open intemperate debate and party politics based on sectional interests could divert the energies of Malaysians from the tasks of nation-building. The development of the *Barisan* lent itself to the resolution of sensitive national issues within the structure of political consensus. What emerges is a perspective which considerably reduces the susceptibility of the country to open conflict between individuals and groups. In its short history, the *Barisan* has demonstrated its capacity for muting divisiveness within society.

304. The strategy for this has already been designed. A wider political base should now enable the Government to effect a wider social mobilization. For the first time in its history, Malaysia can look forward to a total mobilization of its people with undivided loyalty within a democratic framework in which political opposition will continue to exist. What is needed now is for this commitment to be translated into the integration of the people at the grassroots level. This will be the greatest challenge to national leaders for the next few years.

Framework for participation

305. There is a rising expectation among the people, more need for interest articulation, greater demand for immediate Government response to their interests and a higher degree of impatience for the promised goods to be delivered. These will have to be balanced by an increase in the sense of responsibility towards the Government and the nation, thus requiring a new kind of relationship as examined in the following paragraphs.

306. Just as the political system must adjust itself to the current needs of the nation, the electorate and the public must also change their attitudes towards, and expectation of, Government assistance. While it is the Government's responsibility to provide a framework for development, acquire and allocate the necessary resources and monitor the entire process of development so that the goals of the nation will be achieved, it cannot offer a "good life" to all without appropriate involvement, endeavour and sacrifice on their part.

307. Involvement, of course, implies active participation in the processes of development. It means that the public has to take part in determining what needs to be done, how it should be done and be accountable for the consequences of its choice.

308. The public can only participate actively in decision-making if they are well organized at the community or village level. The Government has provided a structure for planning inputs at the village, district and State levels in the form of Development Committees operating at each level. It is most necessary, therefore, that these committees at the village level be used as operational committees providing direct inputs in terms of information feedback and expression of village interests and problems.

309. In the TMP period, the Government will endeavour to improve the functioning of the Village Development and Security Committees (VDSC) by ensuring that committee members appointed from the village are made more responsible for the implementation of the TMP. All members of the village will present their problems to the appropriate committee member to be taken up with the *Penghulu* or *Penggawa* individually or at the committee meetings. This will strengthen the role of the committee as a whole as a feedback mechanism.

310. Efforts will also be made in the TMP period to strengthen participative machinery for planning and decision-making in the New Villages along the above lines. Where no Village Development Committees have been set up, immediate action will be taken to establish them. Where a Local Council has existed, members of the Council will be made responsible for specific problem areas.

V. SECURITY AND DEVELOPMENT

311. Other than its exploitation by propaganda, the communists have also attempted to muster support for their cause by enlisting those who are ideologically disposed towards them. The Government has designed several effective measures to counter and overcome the threat posed by the communists and anti-national elements. In this connection, certain important political developments have enabled the Government to provide a basic framework to strengthen national security and stability. The very fact that Malaysians have committed themselves to uphold the principles enshrined in the *Rukunegara*, together with the formation and strengthening of the *Barisan Nasional* have contributed to a greater national resolve and consensus among the people to meet this challenge to national security. An additional important source of strength is that Islam and other religions practised in the country continue to provide a strong bulwark against insidious communist propaganda. The youth in both the rural and urban areas of the country have an important role to play in this regard. In the endeavour of the Government to build upon their ideals and mobilize their energies in the course of nation-building, Malaysia will find in its youth a bastion against the threats of communist ideology. Above all, the focus of the NEP to bring about broad based socio-economic improvement through poverty eradication irrespective of race and restructuring provides a significant positive thrust to reinforce the efforts of the country's security forces to maintain the security and integrity of the nation.

312. In regard to dealing with militant communism, the Government will, in the TMP period, expand and strengthen its security forces considerably. Mopping up operations and surveillance will be intensified to ensure that all communist elements will be apprehended or annihilated.

313. The Government has intensified its efforts to meet the threat posed by the recurrence of militant communist activities in the country. The continuing and active participation of the people in development planning and implementation and the growing benefits accruing to them from development provide the assurance that the war against the enemies of the nation will remain a people's war.

314. Living in the remote rural areas, the *Orang Asli* are the most exposed to communist exploitation and propaganda. As they are increasingly brought into the mainstream of development and progress, they will constitute another strong force against the threats of militant communism.

315. To enable the people to pursue life and happiness with a general sense of safety is a fundamental responsibility of the Government. While this also hinges on the maintenance of national security, it falls more in the area of public safety against all forms of crime and threat to human well-being in the nation. Hence, the Government has increased the strength of the security forces and improved the living conditions of their personnel, especially those in the lower ranks, through better pay and housing. The Government has

also initiated the establishment of voluntary organizations such as the *Ikatan Relawan Rakyat* (RELA), the Vigilante Corps and the *Rukun Tetangga* to help the security forces in maintaining security and peace in the nation. These efforts will be intensified and expanded in the course of the TMP period commensurate with its development efforts. Again, full and active participation of the *rakyat* is the underlying theme. It is the Government's conviction that both the enhancement of development and progress and the maintenance of security and peace in the country are the shared responsibility of the *rakyat* and their elected leaders working in conjunction with other public officials. Thus, mutual co-operation and support will be the key determinant of success. This applies to the implementation of the TMP as a whole.

Role of the public service

316. The process of development must necessarily involve a high degree of political direction and judgement. While such involvement is appropriate at the policy-making level, where the political leaders are responsible, their implications at the level of policy implementation need to be examined. The process of development implementation, if subjected to the demands of pressure and interest-groups, will result in social justice and administrative rationality being sacrificed. All these will militate against the nation's efforts to achieve commonly shared goals.

317. For development implementation to be smoothly carried out, there must be less political pressure that could result in policy decisions made at the highest level being circumvented or flouted. Such pressure, while necessary for ensuring that policies are implemented, becomes counter-productive when applied to the managerial aspects of work in a way which undermines administrative neutrality and rationality. While administrators are expected to understand political needs and aspirations, they cannot be politically involved or biased in the implementation of development programmes and projects.

318. The satisfaction of current socio-economic demands of the nation, with the eradication of poverty, the restructuring of society and the maintenance of national security as the triple thrusts, requires considerable adroitness and subtlety on the part of the political leaders. It requires an effective monitoring of the public services to ensure that policies and goals are expeditiously pursued and achieved. How this may best be done within the huge matrix of national needs, priorities and programme or project requirements, will become a continuous subject of research and evaluation in the TMP period.

Optimization of benefits

319. The triple goals of eradication of poverty, restructuring society and maintenance of national security have their own sets of targets and objectives. Their overall inter-relationships and the various targets and objectives, necessitate an effective strategy for resource allocation. Chapter IV has already indicated the nature of resource allocation at the macro-economic level.

320. In the best interests of the nation, the Government will ensure that all Ministries and Agencies, in working out the details of their programmes for implementation, will optimize the inter-relationship of goals to obtain maximum benefits. Thus, measures directed at ensuring national security will, as much as possible, also include measures to eradicate poverty and restructuring society and vice versa. The inter-relationship and interdependence of all programmes and projects will be closely examined to ensure that the "spillover" effects of each of them can be maximized. This will form part of the criteria for the choice of alternative measures in the implementation of the Plan so that the value of each dollar spent by the nation will be stretched to the maximum.

321. All the above points to the need for continuing in-depth assessment of the political and administrative machinery for evaluating national progress and modernization itself. If, for political reasons, the physical and economic aspects of development alone have to be emphasized, the human aspects of development will certainly lag behind. The human and social aspects of development are more intangible, more difficult to quantify and measure and take a longer period to show results. Yet these are the ultimate ends of development and nation-building *viz.* the creation of a strong and self-reliant society able to meet all the challenges of a competitive world. This is fully recognized by the Government and the TMP will emphasize the social and human aspects of development over and above that of purely economic gains.

VI. IMAGE OF THE FUTURE

322. The previous Chapters in the Plan have indicated the macro and sectoral goals to which the nation will be committed. In concluding this Chapter, it is important that the ultimate socio-economic goals of the nation be summarized in terms of the desirable future state that Malaysia is set to achieve. Such a state would represent a vision of the future that the nation will pursue through the TMP and beyond.

323. Firstly, the goals of ensuring national security, eradicating poverty and restructuring society point to a state of being where Malaysians can enjoy peace, prosperity and racial harmony. Peace will be interpreted in terms of being free from internal and external aggression or threat, harmony of interest at the political, social and cultural levels and a degree of

stability that is conducive to the process of change and development. Prosperity will be viewed in terms of the absence of abject poverty, starvation, malnutrition and very poor health. Of basic significance will be the attainment of an acceptable minimum level of income and an adequate standard of living for all in the nation. When this prevails, poverty would have been eradicated and prosperity realized.

324. National unity and racial harmony are indeed the ideals of all nations which have a multiracial population. Racial conflicts and enmity which exist even in the rich industrial nations show that economic prosperity alone does not necessarily ensure the achievement of such unity and harmony. It requires a high degree of mutual tolerance among the various races, respect for each other's culture and religion, the integration of basic norms and values in regard to the nation and its identity and the establishment of and a commitment to a common set of goals and aspirations that transcend communal interests. These form the conditions that the Malaysian society will attempt to satisfy in order to achieve racial harmony. The achievement of peace and prosperity as discussed will certainly help to accelerate the process.

325. Secondly, the achievement of a peaceful, prosperous and harmonious multiracial society cannot depend on the efforts of the Government alone. It can only be the result of a full commitment by the people of the nation to the triple goals of establishing national security, the eradication of poverty and restructuring society. The Government can only provide the public policy framework and the infrastructural facilities. It is the people that must achieve. Thus, what is sought is a society that is oriented towards performance and achievement, a society that is both motivated and committed to the goals of the nation and not preoccupied with communal interests. Nor must such a society be too dependent on the Government for help and direction but rather provide the Government with the necessary mandate to ensure the achievement of peace, prosperity and racial harmony in the nation.

326. Thirdly, the delicate processes involved in achieving the three major goals of the nation reflect some qualities which must be inherent in the society itself before such achievement can be possible. These include the capability of adjusting itself to new and unexpected demands without causing racial tension, the possession of a will to remain together as a nation under trying moments of political and economic crises, the belief in a common destiny for the future and the conviction that the multiracial nature of the Malaysian society provides the country with a unique combination of human resources for rapid development. These qualities are already there but the future Malaysian society must possess them in stronger measure.

327. Fourthly, for an integrated, strong and well-disciplined Malaysian society to evolve, material development within society must be balanced by a strengthening of the society's moral and spiritual fibre. While the Government will provide the overall leadership and direction in this respect, the responsibilities fall squarely on the parents and the youth of the nation. The nature of socialization within families will, to a great extent, determine the personality of the young. Irresponsible parents who allow their young to be exposed to the taking of drugs and alcohol, involvement in secret societies, gangsterism and indulgence in crime or vice in general, will constitute a threat to their families, community in which they live and the nation. It will be their responsibility to prevent such occurrence as much as it is the Government's to take drastic remedial action if they did. While the education and legal authorities will be responsible for the latter, only parents can ensure that their young grow up into responsible and self-disciplined individuals.

328. Fifthly, the role of women in society has become an increasingly important factor in both the developed and developing countries. The active participation and contribution of women in development outside the family circle are no longer saddled by prejudice and traditional conservatism. This is manifest by their leadership potentials in the fight for individual rights and freedom in society, equal treatment and respect for individuals irrespective of sex, race, culture and religion and the acceptance of human individual worth and capability in all walks of life. These are significant factors in a nation's search for character and identity. The contribution of women to the evolution of a strong and self-reliant society in Malaysia needs to be appreciated and taken into consideration in the agenda for rapid development and progress.

329. The future Malaysian society must uphold the principles of *Rukunegara* as an operational ideology. Underlying the five principles laid down is the need to hold social and economic justice as the single most important ideal of the nation. Only a well developed and a strong commitment to the ideal of social and economic justice can prevent healthy competition among Malaysia's racial groups from degenerating into unhealthy exploitation of the weak by the strong and of the poor by the rich. Socio-economic justice is Malaysia's greatest safeguard against the forces of human greed and rapaciousness in today's society. It lies at the root of the Government's efforts to promote socio-economic development. Hence, all forms of aberrations that negate the goal of establishing social and economic justice, such as indulgence in corrupt and unfair practices, need to be eliminated in the interest of achieving a just society as conceived by the *Rukunegara*.

330. Finally, the single ultimate end of all that the nation desires to achieve during the TMP period and beyond is the improvement and upliftment of the well-being of all Malaysians. Well-being in this respect is viewed in terms of the ability of all citizens to lead a meaningful life with ample opportunities

to achieve self-fulfilment and the realization of inner hopes and desires. All Malaysians should be able to live a full life in a multiracial community where every member respects the rights of others and in doing so earns self respect. It should be a multiracial community based on mutual respect, trust and confidence, with a pattern of interaction that allows for mutual relationships transcending communal or racial lines. It is a community in which each Malaysian should be proud of being first and foremost a Malaysian and is prepared to defend that pride.

331. In conclusion, the future of Malaysia and its people is also tied up inextricably to the attainment of peace and harmony in the Southeast Asian region as a whole. The nation will therefore give its full support to the promotion of regional understanding and co-operation so that Malaysia can achieve all its ideals and also contribute to regional development and resilience.

Part Two

The Socio-Economic Framework

CHAPTER VI

Macro-Economic Framework, 1976-80

I. INTRODUCTION

332. Continued economic growth at a rapid pace is crucial for the successful implementation of the New Economic Policy (NEP). This Chapter elaborates upon the aggregate targets for economic growth presented in Chapter III; sets out the macro-economic framework within which they have been determined; and demonstrates the feasibility of their attainment in the light of the resources which will be generated by the progressively expanding size of the domestic economy as well as strong world demand for the country's major export commodities.

II. MACRO-ECONOMIC PROSPECTS FOR GROWTH

333. The economic outlook for the country during the period of the Third Malaysia Plan (TMP) is bright. Continued improvements in the world economic situation will favourably affect the prospects for accelerated economic growth in the country. Exports now account for 46.7% of the Gross National Product (GNP) and imports supply 47.8% of domestic requirements. As the world recovers from the recession of 1975 and grows along a more stable path, the demand for and hence prices of Malaysia's exports will strengthen, while import prices will grow more moderately than in the recent past.

334. Export prices, particularly in respect of rubber, tin and timber, Malaysia's major primary commodities, are expected to be higher compared to their levels during 1971-75, resulting in an increase in the overall export price index by 4.7% per annum. While import prices increased annually by 14.2%, the forecast for 1976-80 is 6.3% reflecting expectations of a much slower inflation rate in the world economy in the next five years. With export prices projected to rise just a little slower than import prices, the terms of trade will decline only marginally as compared to the situation during 1971-75 when it fell by a sizeable 6.7%.

335. Along with anticipated increases in export demand, the productive capacity of the economy itself will undergo sizeable expansion as Malaysia's past development efforts continue to mature. The agricultural sector, currently the largest contributor to the Gross Domestic Product (GDP), will expand much faster under the TMP than in the last five years, while the manufacturing sector will continue to register the fastest rate of expansion thereby becoming progressively more important in the generation of income and employment in the economy. With the expected impetus of strong world demand, export earnings are estimated to grow by 13.4% per annum with the value of Malaysia's traditional export commodities increasing by 11.2% and manufacturing exports by 19.9%. A new dynamic element in this growth will be that of petroleum, the export earnings from which will grow by 15.1% per annum as production of crude oil doubles between 1975 and 1978.

336. Supplemented with modest inflows of external capital, the resources so generated will enable consumption levels and thus the welfare of all Malaysians to improve. At the same time, they will permit investment to be raised ensuring the continued expansion of the productive capacity of the economy and the strengthening of the security capabilities of the country. The inflow of capital from external sources which is required to supplement national savings in financing investment amounts to \$5.2 billion over the five-year period. This sum which amounts to 11.7% of investment and 3.3% of GNP is modest and can be attracted without undue cost to the economy. The balance of payments position of the country will remain strong and even though imports will grow by 14.9% per annum, the expansion of external resources will enable a level of foreign exchange reserves of four months of imports to be maintained.

337. The gap between investment and savings will be larger in the public than in the private sector as the Government steps up the implementation of the NEP and strengthens the security capabilities of the country. In closing this gap through domestic and external borrowing, the Government will seek to ensure that the resources so raised do not affect basic fiscal and monetary stability and thus the incentive to invest on the part of private enterprise, both local and foreign.

III. THE GROWTH OF OUTPUT AND INCOMES

338. The target rate of GDP growth under the TMP is 8.5% per annum in real terms and 12.7% in current prices. Underlying this average five-year growth target is the expectation that the growth of the Malaysian economy will accelerate up to about 1978 but grow somewhat more slowly through 1980 in consonance with forecasts of variations in world economic growth and inflation during the TMP period.

339. For the five-year period as a whole, the GDP of the Malaysian economy will expand more rapidly compared with the Second Malaysia Plan (SMP) and almost double in current prices. The value of real resources available to Malaysia will not, however, expand to the same extent as

account has to be taken of expected changes in the relative prices of exports and imports or the terms of trade between 1975 and 1980. The expected loss in the terms of trade is calculated to amount to \$1.3 billion. Although this loss will be considerably smaller than that experienced in the last five years, the real national income growth is estimated at only 7.6% per annum compared to GDP growth of 8.5% in real terms. The significant extent to which changes in the terms of trade affect the economy is shown in Table 6-1.

TABLE 6-1

MALAYSIA: AGGREGATE OUTPUT AND INCOME, 1970-80
(\$ million)

	1970	1975	1980	Average annual growth rate (%)	
				1971-75	1976-80
<i>Real output (1970 prices)</i>					
Export of goods and services	5,602	7,391	10,975	5.7	8.2
Production for domestic use	6,553	9,755	14,401	8.3	8.1
Real gross national product at market price	12,155	17,146	25,376	7.1	8.2
Real gross domestic product at factor cost	10,708	15,315	23,073	7.4	8.5
<i>At current prices</i>					
Exports of goods and services	5,602	10,165	19,029	12.7	13.4
Production for domestic use	6,553	11,582	20,104	12.1	11.7
Gross national product at market prices	12,155	21,747	39,133	12.3	12.5
Gross domestic product at factor cost ..	10,708	18,900	34,314	12.0	12.7
<i>Purchasing power (1970 prices)</i>					
Exports of goods and services	5,602	5,240	7,230	-1.3	6.7
Production for domestic use	6,553	9,755	14,401	8.3	8.1
Real gross national income	12,155	14,995	21,631	4.3	7.6
Population (000)	10,777	12,249	13,976	2.6	2.7
Real gross national income per capita (\$: 1970 prices)	1,128	1,224	1,548	1.6	4.8

340. Notwithstanding losses from the terms of trade, the target growth of real *per capita* income during 1976-80 will be the highest that the country has ever experienced. Whereas the increment to *per capita* income between 1970 and 1975 in absolute terms was \$96, the increase during the period of the TMP will be \$324. At this pace, *per capita* income will double in 15 years and grow even faster if the rate of natural increase of population is lowered.

IV. PRODUCTION BY MAJOR SECTORS

341. The growth of GDP during 1976-80 will be underpinned by strong expansion of industrial as well as agricultural production and continued diversification of the productive base of the economy. The agricultural and

industrial sectors will contribute about 20% and 29% respectively to the growth of the overall GDP with the supportive and tertiary sectors together contributing about 50%. In comparison with the average for the economy, only the mining sector is projected to grow relatively slowly. Petroleum exploitation and production will expand sizeably but tin mining will continue to decline in importance.

342. In terms of the broad sectoral composition of growth, the targetted expansion of manufacturing and construction activities will raise the share of the secondary sector in the economy from 19.0% in 1975 to 21.5% in 1980. The tertiary sector is expected to expand in approximate alignment with the economy. In consequence, the share of the primary sector in GDP (agriculture and mining) will fall from 33.8% in 1975 to 30.0% in 1980 although the agricultural sector itself which accounts for 29.8% of the total is projected to expand more strongly than during the last five years. The targets underlying the growth of GDP by industry of origin are shown in Table 6-2 below.

TABLE 6-2

MALAYSIA: GROSS DOMESTIC PRODUCT BY INDUSTRY OF ORIGIN¹, 1975-80
(\$ million in 1970 prices)

<i>Sector</i>	<i>1975</i>	<i>1980</i>	<i>Average annual growth rate (%)</i>
Agriculture, forestry, fishing, etc.	4,563	6,106	6.0
Mining and quarrying	612	806	5.7
Manufacturing	2,197	3,872	12.0
Construction	711	1,087	8.9
Electricity, water and sanitary services	401	622	9.2
Transport, storage and communications	1,098	1,636	8.3
Wholesale and retail trade	2,086	3,122	8.4
Ownership of dwellings, banking, insurance and real estate	1,109	1,658	8.4
Public administration and defence	1,199	1,896	9.6
Other services	1,237	1,947	9.5
Statistical discrepancy	+102	+321	—
Gross domestic product at factor cost	15,315	23,073	8.5

¹ The national accounts figures used for the TMP are based on the 1970 estimates produced by the Department of Statistics under the new System of National Accounts (SNA). The new series for the 1971-75 period is not complete. When this series is available, it will be used to revise the estimates accordingly.

Agriculture, forestry, livestock and fishing

343. The agricultural sector is dominated by the production of tree crops, mainly rubber and palm oil. They account for 42.1% of total production in the sector. Annual crops, mainly padi, make up 20.8%, forestry, 14.4% and livestock and fishing, 18.9%.

344. The sector as a whole is projected to expand by 6.0% per annum. This is largely the result of sizeable investments in rubber and oil palm planting in new public land development schemes and the replanting of rubber holdings with high yielding clones during the SMP. Rubber production which accounts for about 30% of all value added by the agricultural sector is estimated to expand by 6.0% per annum, while oil palm will continue to grow rapidly by 16.0% per annum.

345. The growth in production of food crops will include further expansion of padi output by 3.6% per annum from the fuller utilization of the potential of the Muda and Kemubu schemes and the implementation of additional but smaller drainage and irrigation projects to expand opportunities for multiple cropping. The production of other food crops is estimated to grow by 7.5% per annum, the most important of which will be vegetables, fruits, sugarcane and cocoa.

346. Value added in the production of saw logs is projected to increase by 6.7% per annum compared with 1.6% under the SMP. Some 48% of total production will come from Sabah and Sarawak. Although much higher growth in the production of saw logs would be possible, the target takes account of the need for more efficient resource utilization through further industrial processing in Peninsular Malaysia as well as Sabah and Sarawak.

347. The fisheries and livestock sectors also offer sizeable opportunities for more efficient development. Value added by fisheries and livestock development is targetted to expand by 3.8% and 5.6% per annum respectively as the Government seeks to develop more fully the potential of these sectors for poverty redressal, nutritional improvement, employment creation and import substitution.

Mining

348. The mining sector has traditionally been dominated by tin, the known reserves of which are depleting. In its place, the exploration and exploitation of oil and natural gas in Sabah and Sarawak as well as the East Coast States of Peninsular Malaysia will grow in importance. The production of copper will also be an important item in the sector. With a doubling in the production of crude petroleum from 99,000 barrels per day in 1975 to 180,000 barrels in 1978, a level which is forecast to be sustained through 1980, the share of petroleum in the sector is projected to expand from 21.7% in 1975 to 33.0% by 1980 with value added by the entire mining sector growing by 5.7% per annum during the period of the TMP.

349. Geological evidence suggests that there are prospects for other base metals and non-metallic minerals such as clay, limestone, rock products, quartz materials, gemstone and coal. Efforts will be made to determine the potential for economic exploitation of these resources.

Manufacturing

350. The manufacturing sector will continue to register the fastest rate of growth among all sectors in the economy. The target is a rate of growth in value added of 12.0% per annum compared with 10.9% during 1971-75, raising the share of the manufacturing sector in GDP from 14.4% in 1975 to 16.8% in 1980. While a major source of demand for manufactured products will originate domestically especially as incomes, private consumption and total investment grow under the TMP, the impetus for accelerated expansion will come from the growth of external demand for Malaysia's manufactured products. The need for productive efficiency and export competitiveness cannot be over emphasized if recent trends in the growth of Malaysian exports are to be sustained. To this end, policies with respect to tariff protection and other fiscal incentives will be kept under review and modified where necessary. This is essential if Malaysia is to effectively tap export markets being opened up in the developed economies under the Generalized System of Preferences and the Multilateral Trade Negotiations and in the region of the Association of Southeast Asian Nations (ASEAN) as current proposals materialize for the establishment of industries serving regional markets.

351. Significant changes in the composition of industrial production underlie the targets for the sector. The share of food and wood products can be expected to fall. On the other hand, textiles, chemical products and machinery will expand their contributions to overall production as enlarged opportunities are grasped for further import substitution, export expansion and vertical integration of the industrial structure.

Construction

352. A large part of construction activity in the country has its origin in public investments for the development of physical infrastructure—roads, bridges, ports, power and communications. With the continued growth of these investments, the construction sector is targetted to grow by almost 9% per annum. It will thus be next to manufacturing in setting the pace of development for the economy as a whole during the TMP. In addition to infrastructural development, other factors accounting for expanded activity in the sector will be the development of new growth centres under which the benefits of urban growth will be spread more widely throughout the country and the sharply increased efforts to be made to expand the low-cost housing programme particularly for households in poverty.

Tertiary sector

353. With growth as targetted for agriculture, manufacturing, the petroleum industry and construction, the demand for goods and services supplied by the supportive and services sectors of the economy comprising transport, utilities, trade, business and government services, will also grow strongly. Together, value added by the sectors concerned is projected to expand by 8.8% per annum in approximate consonance with overall economic growth. Value added by tourism will be an important component of this growth.

V. THE SOURCES OF GROWTH

354. Under the SMP, the rapid rise of public consumption and public investment provided the principal thrusts for the expansion of overall output. The principal source of growth under the TMP is expected to come from exports which are projected to increase by 8.4% per annum in real terms and 13.5% in current prices as shown in Table 6-3. As exports account for more than one-half of GDP, the stimulus from projected export growth on economic activity will be sizeable. Another source of growth is investment, both public and private, which is targetted to expand by 8.4% per annum compared with 11.0% in the last five years, in line with the need to maintain the momentum for expansion of the productive capacity of the economy.

Exports

355. In general, export earnings will expand strongly from both increases in export prices and export volumes as well as changes in the composition of exports, as shown in Table 6-4. With the world economy forecasted to grow more strongly in the next five years and with international prices expected to increase, the prices that Malaysia can expect to receive for most of its major export commodities will rise. While variations in annual prices are to be expected as cyclical conditions in the world economy reflect themselves in price levels, the average annual growth of prices for the country's principal agricultural commodities is estimated to rise by 2.2% per annum and manufactured products for export by 6.5% per annum.

356. The price of natural rubber, the country's principal export commodity, is projected to rise by 5.8% per annum. World demand for natural rubber will increase not only from the growth in world consumption of all elastomers but also from the competitive edge which natural rubber has obtained over synthetic elastomers in view of the sharp increases which have occurred in petroleum prices. The price prospects for *palm oil and palm kernel oil* are not as favourable as for Malaysia's other principal export commodities. This is because of the anticipated more rapid expansion of world supply of fats and oils in relation to demand particularly in

TABLE 6-3

MALAYSIA: GROSS NATIONAL PRODUCT BY EXPENDITURE
CATEGORY, 1975-80

In current and (in brackets) 1970 prices

	1975 (\$ million)	1980 (\$ million)	Average annual growth rate (%) 1976-80
Consumption	16,797 (12,106)	30,128 (17,651)	12.4 (7.8)
Private	12,052 (9,036)	20,661 (12,331)	11.4 (6.4)
Public	4,745 (3,070)	9,467 (5,320)	14.8 (11.6)
+ Investment	5,838 (3,622)	11,528 (5,423)	14.6 (8.4)
Private	3,320 (2,062)	7,189 (3,315)	16.7 (9.9)
Public	2,518 (1,560)	4,339 (2,108)	11.5 (6.2)
+ Change in stocks	-667 (-442)	-712 (-300)	— —
+ Exports of goods and non-factor services	9,835 (7,151)	18,559 (10,704)	13.5 (8.4)
- Imports of goods and non-factor services	9,506 (4,899)	19,070 (7,245)	14.9 (8.1)
= Gross domestic product at market prices	22,297 (17,538)	40,433 (26,233)	12.6 (8.4)
- Indirect taxes less subsidies	3,397 (2,223)	6,119 (3,160)	12.5 (7.3)
= Gross domestic product at factor cost	18,900 (15,315)	34,314 (23,073)	12.7 (8.5)
- Net factor payments abroad	550 (392)	1,300 (857)	— —
Gross national product at market prices ²	21,747 (17,146)	39,133 (25,376)	12.5 (8.2)

² Gross national product at market prices = Gross domestic product at market prices less net factor payments abroad.

the developed countries. For Malaysia, these trends emphasize the need for research which leads to an extension in the end-uses of palm oil and palm kernel oil. The recent announcement that the United States will not restrict imports of palm oil into the country is encouraging.

357. The generally favourable international price outlook for the country's major exports will lead to greater utilization of existing capacity in the production of the commodities concerned. This factor will be especially significant in the case of natural rubber where price levels directly influence the extent to which the productive potential of the industry is utilized. Together with expansion in the capacity of the economy itself for export production, the volume of export production is projected to grow by 8.4% per annum and yield an annual increase in export earnings of 13.4% during the period of the TMP.

TABLE 6-4

MALAYSIA: EXPORTS, 1975-80

					1975	1980	Average annual growth rate (%) 1976-80
<i>Rubber</i>							
Volume (000 tons)	..	..	..	..	1,417	1,888	5.9
Unit value (cts./lb)	..	..	..	..	63.5	84.0	5.8
Value (\$ million)	..	..	..	..	2,016	3,552	12.0
<i>Tin</i>							
Volume (000 tons)	..	..	..	..	76.7	78	0.3
Unit value (\$/ton)	..	..	..	..	15,867	18,000	2.5
Value (\$ million)	..	..	..	..	1,217	1,404	2.9
<i>Sawlogs</i>							
Volume (000 tons of 50 cu. ft.)	..	..	..	..	5,800	7,453	5.1
Unit value (\$/ton)	..	..	..	..	108.9	168	9.0
Value (\$ million)	..	..	..	..	632	1,252	14.7
<i>Sawn timber</i>							
Volume (000 tons of 50 cu. ft.)	..	..	..	..	1,152	1,722	8.4
Unit value (\$/ton)	..	..	..	..	315	463	8.0
Value (\$ million)	..	..	..	..	363	797	17.0
<i>Palm oil</i>							
Volume (000 tons)	..	..	..	..	1,062	2,140	15.8
Unit value (\$/ton)	..	..	..	..	1,236	950	-5.1
Value (\$ million)	..	..	..	..	1,268	2,033	9.9
<i>Palm kernel oil</i>							
Volume (000 tons)	..	..	..	..	104	228	17.0
Unit value (\$/ton)	..	..	..	..	1,034	899	-2.8
Value (\$ million)	..	..	..	..	107	205	13.9
<i>Crude and partly refined petroleum</i>							
Volume (000 tons)	..	..	..	..	3,685	7,429	15.1
Unit value (\$/ton)	..	..	..	..	231.5	231.5	0
Value (\$ million)	..	..	..	..	853	1,720	15.1
<i>Petroleum products</i>							
Volume (000 tons)	..	..	..	..	402	1,394	28.2
Unit value (\$/ton)	..	..	..	..	305	354	3.0
Value (\$ million)	..	..	..	..	123	493	32.0
<i>Copper</i>							
Volume (000 tons)	..	..	..	..	21.4	108	38.2
Unit value (\$/ton)	..	..	..	..	817.8	1,147	7.0
Value (\$ million)	..	..	..	..	18	124	47.1
<i>Canned pineapple</i>							
Volume (000 tons)	..	..	..	..	45	51	2.5
Unit value (\$/ton)	..	..	..	..	1,155	1,474	5.0
Value (\$ million)	..	..	..	..	52	75	7.6

TABLE 6-4—(cont.)

MALAYSIA: EXPORTS, 1975-80—(cont.)

<i>Pepper</i>								
Volume (000 tons)	..	..	..	..	..	32	45	7.1
Unit value (\$/ton)	..	..	..	..	..	3,400	3,500	0.6
Value (\$ million)	..	..	..	..	..	109	157	7.6
<i>Manufactures (\$ million)</i>	..	..	..	..	..	1,912	4,600	19.2
<i>Sub-total (\$ million)</i>	..	..	..	..	..	8,670	16,412	13.6
<i>Others (\$ million)</i>	..	..	..	..	..	419	781	—
<i>Total gross exports (\$ million)</i>	..	..	..	..	..	9,089	17,193	13.6
<i>Total merchandise exports f.o.b. (\$ million)</i>	..	..	..	..	..	9,085	16,849	13.2
<i>Service ("invisible") exports (\$ million)</i>								
Freight and insurance	..	..	..	..	..	140	450	—
Other transportation	..	..	..	..	..	220	470	—
Travel	..	..	..	..	..	140	380	—
Investment income	..	..	..	..	..	330	470	—
Government transaction n.i.e.	..	..	..	..	..	110	180	—
Other services	..	..	..	..	..	140	230	—
<i>Total exports of goods and services (\$ million)</i>	..	..	..	..	..	10,165	19,029	13.4

Investment

358. The investment target of 8.4% per annum in real terms entails an increase in private investment of almost 10% and public investment growth of 6.2%. The forecasted growth of the economy will enlarge the supply of funds for investment. Given further the ample untapped opportunities for productive investment in natural resource development and manufacturing industry, private investment is targetted to expand much faster than in the last five years when it increased by 7.2% per annum. The scope for a larger effort on the part of private enterprise in industrial development is particularly evident when it is noted that the degree of industrialization of the country is still low relative to its *per capita* income and population size. It will be the object of Government policy to ensure that this latent scope for further industrialization is tapped for it will be the rate of industrial growth which will increasingly determine the rate of overall economic expansion. To this end, the Government will take such steps as may be necessary for the maintenance of an investment climate which directly conduces towards the healthy growth of private investment.

359. Having expanded rapidly by 17.6% per annum during the SMP, largely in response to the need to counteract severe downswings in overall economic activity in 1972, 1974 and 1975, public investment during 1976-80 is projected to grow by 6.2%³ per annum. The principal aim will be to consolidate expansion of the public sector in the endeavour to increase

³ This target growth of public investment implies a cumulative development expenditure of \$20 billion in current prices. The cumulative amount of development expenditure provided for in the Plan at this time is \$18.6 billion. The Government will endeavour to meet the target of \$20 billion in development expenditure in the course of implementing the TMP.

the productivity of investment and to sharpen Government's efforts in poverty redressal and the promotion of greater racial and regional balance in the economic life of the nation. The objective of greater consolidation of the investment effort aside, public investment could have been targetted to increase somewhat more strongly but for the expansion requirements of the security forces.

360. On the basis of the above targets, the share of the public sector in total investment will drop from 43.1% in 1975 to 38.9% in 1980 after expanding by 17.6% during 1971-75, while the share of private investment will rise to 61.1% in 1980 from its current level of 56.9%. Overall, the ratio of fixed investment, in both the public and private sectors in real terms, will remain around 21%. In current prices, however, the ratio of 27% in 1975 will rise further to 30% by 1980, reflecting continued increases in the price of investment goods.

361. A number of changes are expected in the TMP period in the sources of growth for individual sectors compared with the SMP. Exports will continue to be the principal source of growth in both the agricultural and manufacturing sectors. They will account for about one-half of the growth of value added in both sectors. In fact, industries such as oils and fats, wood products, tyres and rubber products and rubber processing will become even more export-oriented in the TMP. Increases in private consumption will provide the next largest contribution to the growth of value added. The contribution of private consumption is projected to increase from 30% to 40% in the case of agriculture and from 17% to 19% in the case of manufacturing. In contrast, the relative contributions of import substitution are expected to be less significant than in the SMP, as overall demand growth, both domestic and external, becomes even more important in the stimulation of agricultural and industrial production. Whereas during the SMP period, import substitution accounted for about 30% in the growth of value added in manufacturing, it is forecast to decline to about 12% in the TMP. These declines will occur principally in beverages and tobacco, paper and printing, chemical products and plastics, tyres and rubber products, ferrous metals and products and electrical machinery.

VI. UTILIZATION OF RESOURCES

362. Along with investment, consumption expenditure—both private and public—is estimated to increase by 12.4% per annum so that the total value of domestic expenditure will rise by 13.3% per annum. With 8.5% annual GDP growth in real terms and 12.7% in nominal terms, the expansion of Gross Disposable Income (or the GNP after adjustments for taxation) will be impressive. Taking into account annual population growth of 2.7%, *per capita* Gross Disposable Income in nominal terms will rise by 9.6% per annum making increases of *private consumption* of 3.6% *per capita* in real

terms (8.6% in current prices) entirely feasible. Though much faster than the average under the SMP, private consumption is projected to grow more slowly than GNP with the result that the share of private consumption in GNP will drop from 55.4% in 1975 to 52.8% in 1980—thus enlarging the real value of the stock of private savings for financing investment.

363. *Public consumption* too, is forecast to expand substantially with its share in GNP rising from 21.8% in 1975 to 24.2% in 1980. Though already high by international standards, further growth of public consumption is dictated by the need to extend Government's efforts in the implementation of the NEP and strengthen the security capabilities of the nation.

364. A comparison of the growth of expenditure on private and public consumption and investment with estimated resource availabilities (after taking account of net transfer payments abroad) is shown in Table 6-5. A resource gap of \$5.2 billion for the five-year period is indicated which will have to be filled by an inflow of real resources from abroad.

TABLE 6-5

MALAYSIA: RESOURCES AND THEIR ALLOCATION, 1975-80
(\$ million)

	1975	Share of GNP (%)	1980	Share of GNP (%)	Cumulative total, 1976-80
Domestic expenditure					
Consumption	16,797	77.2	30,128	77.0	119,742
<i>Private</i>	12,052	55.4	20,661	52.8	84,053
<i>Public</i>	4,745	21.8	9,467	24.2	35,689
Investment	5,838	26.9	11,528	29.5	44,193
<i>Private</i>	3,320	15.3	7,189	18.4	26,785
<i>Public</i>	2,518	11.6	4,339	11.1	17,408
Change in stocks	-667		-712		-240
- Total resources (Gross national product at market prices)	21,747		39,133		158,984
= Deficit on goods and services account of the balance of payments	221		1,811		4,711
- Net transfer payments abroad	125		65		450
= Deficit on current account of the balance of payments	346		1,876		5,161

365. Projected earnings from the export of goods and services (services defined to include non-factor services and factor income receipts), as discussed in Section V above, will amount to a five-year cumulative total of \$80.4 billion. Imports of goods and services (services defined as non-factor services and investment income payments) are estimated to increase by 14.9% per annum in current prices (8.1% in real terms) and to amount to a cumulative total of \$85.2 billion.

366. The import projections take account of further progress in import substitution of consumption as well as capital goods. Notwithstanding such progress, high import growth is forecast in view of the recent expansion of private consumption; continued growth of investment; and additional imports of investment goods in the early years of the Plan to make up for the constraints experienced in 1975.

367. The magnitude of the resource gap may also be examined in terms of the difference between investment and savings as shown in Table 6-6 below for the economy as a whole as well as for the private and public sectors separately. The significantly larger size of the investment-savings gap in the public sector, as compared with the private sector, illustrates the nature of the fiscal and monetary challenge confronting the Government.

TABLE 6-6

MALAYSIA: SAVINGS AND INVESTMENT, 1975-80

	1975		1980		Cumulative total, 1976-80 (\$ million)
	\$ million	Share of GNP (%)	\$ million	Share of GNP (%)	
<i>Private savings and investment</i>					
Disposable incomes	15,807	72.7	27,980	71.5	115,763
Consumption	12,052	55.4	20,661	52.8	84,053
Savings	3,755	17.3	7,319	18.7	31,710
Investment (+ change in stocks) ..	2,653	12.2	6,477	16.6	26,545
Balance	+1,102		+842		+5,165
<i>Public savings and investment</i>					
Revenue	6,059	27.9	11,453	29.3	44,332
Consumption and transfers	4,989	22.9	9,832	25.1	37,250
Savings	1,070	4.9	1,621	4.1	7,082
Investment	2,518	11.6	4,339	11.1	17,408
Balance	-1,448		-2,718		-10,326
<i>Total</i>					
Gross national savings	4,825	22.2	8,940	22.8	38,792
Gross investment	5,171	23.8	10,816	27.6	43,953
Balance	-346		-1,876		-5,161

368. Bridging the public sector gap without due regard to the impact that such measures can have on the inducement to invest in the private sector could be counter-productive. In financing its investment programmes, it will therefore be the object of fiscal and monetary policy to ensure that taxation levels do not constrain the inducement to invest; domestic borrowing does not become a source of inflationary finance; and that the remaining resources required are mobilized externally on terms which keep the external debt burden within reasonable limits.

VII. BALANCE OF PAYMENTS PROSPECTS

369. The quantitative composition of the capital that needs to be attracted from abroad to cover the overall resource gap is shown in Table 6-7 below. The projections of merchandise exports and imports, as discussed in paragraphs 365 and 366 above, yield surpluses for all the years of the Plan and cumulate to a total of \$4 billion. On the other hand, the services and transfer accounts, as in the past, will remain in deficit throughout the Plan period. These sums comprise in the main payments for freight and insurance; investment income payments; and private transfer payments—an item which is progressively diminishing. While net payments for freight and travel will continue to be sizeable, the operations of the Malaysian International Shipping Corporation (MISC) and the Malaysian Airline System (MAS) will make important and increasing contributions to invisible export earnings. Nevertheless, large as the deficit on the services account will be, it remains a necessary cost given the importance of foreign trade and foreign investment to the national economy.

TABLE 6-7

MALAYSIA: BALANCE OF PAYMENTS, 1975-80 (\$ million)

	1975	1980	Cumulative total, 1976-80
<i>Goods and services</i>			
Receipts	10,165	19,029	80,443
Payments	10,386	20,840	85,154
Net position	- 221	-1,811	-4,711
<i>Transfers (net)</i>			
Private	- 160	- 110	- 655
Government	+ 35	+ 45	+ 205
Balance on current account	- 346	-1,876	-5,161
<i>Long-term capital (net)</i>			
Public	+ 827	+1,518	+5,800
Private	+ 525	+ 900	+3,650
Basic balance	+1,006	+ 542	+4,289
<i>Errors and omissions including short-term capital</i>			
Overall surplus (+) or deficit (-)	+ 171	+ 142	+1,839
<i>Allocation of IMF Special Drawing Rights</i>			
Net change in external reserves (increase - decrease +)	- 171	- 142	-1,839

370. Taken together, the merchandise, services and transfer accounts show a deficit on the current account of the balance of payments amounting to \$5.2 billion for the five-year period. In relation to GNP, the ratio is 3.3% which cannot be considered high. The task of policy will be to attract some \$9.5 billion of capital from abroad to cover this resource gap, as well as customary out-flows of net short-term capital, while maintaining at the same time a reasonable level of foreign exchange reserves.

371. The target for long-term private capital inflow is a cumulative total of \$3.7 billion (net) or an annual average of \$0.7 billion—some 40% higher than the corresponding level during 1971-75. As with the target for private investment, Government policy will seek to ensure that the investment climate continues to be enhanced in the interest of attracting greater volumes of foreign investment in the context of overall economic expansion.

372. Inflows of official long-term capital are projected at \$5.8 billion for the five-year period. The amounts to be raised take account of reasonable expectations with respect to loans from international lending institutions, bilateral sources and supplier credits with the targets for borrowing from the World Bank and the Asian Development Bank accounting for three-quarters of the total. While the potential for market borrowing is large, the amounts actually capable of being so mobilized inevitably remain a matter of uncertainty, dependent as they are on international monetary and market conditions. With the above targets for official long-term capital, the external public debt service ratio would rise from a low of 3.4% in 1975 to about 7% by 1980. The implied debt service is low by international standards and remains consistent with the dictates of sound fiscal policy given the country's favourable long-term economic prospects.

373. On the basis of the above estimates, the net inflow of all long-term capital is projected at \$9.5 billion for the five-year period. After allowing for net short-term capital movements, the estimated amounts of external capital projected to be available will be sufficient to cover the cumulative deficit on current account as well as permit the accumulation of external reserves of the order of \$1.8 billion.

VIII. CONCLUSION

374. The resilience of the Malaysian economy in the face of adverse external economic conditions was amply demonstrated during the period of the SMP when the economy registered an annual rate of growth of 7.4%. The continuation of such a pace of expansion is vital for the achievement of the objectives of the NEP, especially in the light of the current security threat facing the nation.

375. The prospects for even further progress in the course of the TMP are favourable with stronger and more stable growth conditions forecast for the world economy as a whole. Yet the lesson of 1971-75 must not be ignored given the susceptibility of the Malaysian economy to changes—sometimes unexpectedly wide—in the course of world economic activity. As the Government embarks upon the TMP, it will therefore continue to ensure that domestic as well as external economic conditions are closely monitored so that flexibility is maintained in the execution of macro-economic policy to meet changing circumstances as they occur from time to time.

CHAPTER VII

Prices: Trends, Problems and Policies

I. INTRODUCTION

376. World economic conditions will continue to exercise a direct influence upon prices in the Malaysian economy. In turn, price trends will have a significant bearing on the performance of the economy and the achievements of the Third Malaysia Plan (TMP).

377. Stability in the domestic price level of the type experienced in the sixties is not expected to recur given that the nation will be utilizing more fully its resources for overall socio-economic development. Even more important, continuing inflation in the world economy, although at a slower rate than in the last five years, will induce further upward pressures on the domestic price level. The Government will ensure that its fiscal and monetary policies are so designed and implemented that the impact of changes in external conditions is cushioned to the maximum extent possible and that national productive capacity is progressively increased so that domestic price increases are kept within reasonable bounds.

378. This Chapter reviews briefly the factors accounting for price stability in the sixties and the circumstances leading to the upsurge of prices in the early seventies; explains the price forecasts underlying the macro-economic framework of the Plan; and outlines the policies that will be followed to contain the pressures that may be expected on the domestic price level in the next five years.

II. DETERMINANTS OF THE PRICE LEVEL

379. The openness of the Malaysian economy makes external conditions a primary determinant of changes in the domestic price level. The degree to which the economy is exposed to international economic developments is seen in the fact that exports and imports alone account for about 60% of the value of all goods and services produced and imported by the economy during 1971-75. Apart from the impact of changes in international prices on the domestic economy, the pace of development activity in the country itself under the TMP will contribute to increases in the domestic price level.

Notwithstanding continued expansion of the overall capacity of the economy for production, accelerated economic development will lead to increases in the relative prices of those goods and services in short supply, the requisite production of which can only be effected in the longer run.

III. EXPERIENCE IN THE SIXTIES

380. Malaysia experienced an exceptionally high degree of price stability in the sixties. Between 1960 and 1971, consumer prices in Peninsular Malaysia rose by less than 1% a year on the average. This remarkable record of stable prices can be explained by a number of factors.

381. During the sixties, import prices remained virtually unchanged while export prices declined. The import price index registered an increase of the order of only 11% over the ten-year period, although consumer prices in the countries of the Organization for Economic Co-operation and Development (OECD) increased by about 50% during the same period. A major contributing factor was that Malaysian importers were then in a position to shift their custom from traditional but inflationary-prone markets to more stable sources.

382. The decline in export prices of the order of 0.4% per annum was made up largely of decreases in the price of rubber which fell from 106.5 cts. per lb. in 1960 to 58 cts. in 1970. Not only was expansion of export earnings constrained despite production increases, the overall impact on the economy was somewhat deflationary. Most important of all, the growth in incomes of the poor in traditional agriculture was held back.

383. Prudent fiscal and monetary management combined with industrial harmony were also important contributory factors in the achievement of price stability in the sixties. While current expenditures in the public sector (Federal and State Governments) grew by 11.7% per annum, public revenue increased by 13.7% per annum resulting in a current account surplus which averaged \$270 million per annum during the sixties. Investment was financed through non-inflationary means without recourse to excessive monetary expansion and credit creation. Money supply grew by 5.7% per annum while the annual growth of the Gross National Product in nominal terms was in the region of 6%.

IV. PRICE TRENDS, 1970-75

384. In comparison with the sixties, the general level of prices in Malaysia rose dramatically during 1971-75 as world inflation gathered strength. Fuelled by explosion of the world money stock between 1970 and 1973, economic expansion in the OECD countries accelerated by 5.3% per annum in the 1971-75 period from 4.9% during 1960-70 with almost all major industrial countries registering growth rates which were unprecedented since the Korean War. At a time when aggregate demand was placing

serious pressures on the supplies of key commodities, adverse weather conditions in a number of countries resulted in failures of major food crops, thus producing severe imbalances in demand and supply for a wide set of key commodities. In consequence, the prices of primary products began to rise in the middle of 1972 and continued to climb in 1973 and early 1974. Combined with the surge of petroleum prices in 1973, fluctuations in major exchange rates and widespread commodity speculation, the international inflation rate rose from 7.1% in 1970 to 21.7% in 1974. The containment of inflation became the prime focus of economic policy in the industrialized world and fiscal and monetary restraints were applied to this end.

385. In the event, capacity utilization in the OECD area fell in early 1974 and triggered-off a slow-down of economic activity of substantial proportions. There was a marked easing of inflation with price increases averaging 10.8% in 1975 but unemployment rose to its highest level since World War II.

386. Very few countries in the world were spared the effects of these cyclical forces and as an open economy, Malaysia was no exception. After falling by 6.0% between 1970-72, earnings from merchandise exports increased by 110% over the next two years but declined by 10.8% in 1975. The unit values of its major primary commodity exports, notably rubber, palm oil, petroleum, coconut oil and sawlogs, which constitute some 50% of all exports, underwent sharp fluctuations—falling somewhat during 1970-72, rising sizeably in 1973-74 and then declining significantly in 1975 as shown in Table 7-1 below. These fluctuations in export earnings produced corresponding fluctuations in the rate of domestic economic activity and the availability of liquidity in the economy and thus directly affected the domestic price level.

387. Rising with domestic inflation in the OECD countries, the prices of goods and services imported by Malaysia added further pressures on the general price level in the country. Despite the floatation of the *Ringgit* which resulted in its upward revaluation against the currencies of Malaysia's trading partners, import prices increased sharply. As shown in Table 7-2, the import price index increased by an average of 14.2% per annum during the period 1971-75, largely due to increases in the price of foodstuff, manufactured goods, machinery and transport equipment. Although Malaysia is almost self-sufficient in rice, imports of rice and other food items, including wheat, dairy products, meat, fruits and vegetables, accounted for over 20% of total imports. The prices of these imports rose by about 102% between 1970 and 1974.

388. The overall impact of world inflation on the domestic price level was severe. After a decade of price stability, domestic prices registered a noticeable upward trend as shown in Table 7-3. Between 1970 and 1972, consumer prices rose by about 2.4% per annum; they were 10.5% higher in 1973 and

TABLE 7-1

MALAYSIA: PRICES OF PRIMARY COMMODITY EXPORTS, 1970-75

	Unit value in \$ per ton ¹						Annual rate of change (%)						Average annual growth rate (%) 1971-75	
	1970	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975			
Rubber (cts./lb)	58	48	43	69	83	63.5	-17.2	-10.4	60.5	20.3	-23.5	1.8
Tin	11,135	10,576	10,477	11,178	17,958	15,867	-5.0	-0.9	6.7	60.7	-11.6	7.3
Sawlogs	102	104	92	138	153	108.9	2.0	-11.5	50.0	10.9	-28.8	1.3
Sawn timber	209	208	229	368	355	315	-0.5	10.1	60.7	-3.5	-11.3	8.6
Palm oil	668	674	529	594	1,224	1,236	0.9	-21.5	12.3	106.1	1.0	13.1
Palm kernel oil	—	826	628	855	1,813	1,034	—	-24.0	36.1	112.0	-43.0	5.8
Crude petroleum	46	51	55	71	211	231.5	10.9	7.8	29.1	197.2	9.7	38.2
Partly refined petroleum	37	45	49	74	236	231.5	21.6	8.9	51.0	218.9	-1.9	44.3
Petroleum products	60	69	70	92	273	305	15.0	1.4	31.4	196.7	11.7	38.4
Pepper	2,282	2,335	2,230	2,902	3,566	3,400	2.3	-4.5	30.1	22.9	-4.7	8.3
Copra	464	433	326	—	—	—	-6.7	-24.7	—	—	—	—
Coconut oil	895	871	617	1,050	2,323	1,248	-2.7	-29.2	70.2	121.2	-46.3	6.9
Canned pineapple	698	702	712	727	940	1,155	0.6	1.4	2.1	29.3	22.9	10.6

¹ Unit values of rubber are presented in cts. per lb.

TABLE 7-2

**PENINSULAR MALAYSIA: IMPORT PRICES BY SITC
SECTIONS, 1970-75**

	Weights (%)	Import price indexes (base 1970 = 100)					Annual rate of change (%)					Average annual growth rate (%) 1971-75
		1971	1972	1973	1974	1975	1971	1972	1973	1974	1975	
Food	19.4	107.0	116.4	146.8	202.1	198.8	7.0	8.8	26.1	37.7	-1.6	14.7
Beverages and tobacco ..	2.0	105.0	100.4	113.2	111.2	134.9	5.0	-4.4	12.7	-1.8	21.3	6.2
Crude materials inedible ..	9.2	87.3	92.2	103.7	144.7	138.9	-12.7	5.6	12.5	39.5	-4.0	6.8
Mineral fuels, lubricants, etc. . .	6.6	126.1	127.1	143.3	378.9	454.8	26.1	0.8	12.7	164.4	20.0	35.4
Animal and vegetable oils and fats	0.6	106.1	99.1	121.0	183.3	179.2	6.1	-6.6	22.1	51.5	-2.2	12.4
Chemicals	8.4	105.4	107.0	122.4	207.3	205.0	5.4	1.5	14.4	69.4	-1.1	15.4
Manufactured goods	20.2	106.5	110.8	130.1	181.2	177.7	6.5	4.0	17.4	39.3	-1.9	12.2
Machinery and transport equip- ment	28.6	109.2	117.6	130.7	147.9	173.7	9.2	7.7	11.1	13.2	17.4	11.7
Miscellaneous manufactured articles	5.0	104.1	104.5	109.9	131.5	138.2	4.1	0.4	5.2	19.7	5.1	6.7
Total price index	100.0	107.3	112.3	129.9	183.6	194.6	7.3	4.7	15.7	41.3	6.0	14.2

climbed a further 17.4% in 1974; the increase in 1975 was a more moderate 4.5%. A distinctive feature of the price situation was the sharp price increase for almost all food items while retail gasoline prices rose by over 50%. Table 7-4 indicates that the weighted food price index rose by 26.7% in 1974 with price increases of about 37.5% for rice, bread and cereals; 26.9% for meat; 26.1% for fish; and 17.8% for fruits and vegetables. Clothing and footwear, another mass consumption item, registered an 11.6% rise during the year. While price increases for durable goods were not as dramatic, there were nevertheless rapid rises in the cost of building and construction materials with rates of increase reaching almost 60%. For the period as a whole, the consumer price index increased by 7.3% per annum.

TABLE 7-3

PENINSULAR MALAYSIA: ANNUAL PERCENTAGE CHANGE
IN THE CONSUMER PRICE INDEX, 1970-75

	Weights (%)	1970	1971	1972	1973	1974	1975	Average annual growth rate (%) 1971-75
Food	(46.8)	2.1	2.0	3.0	15.4	26.7	3.3	9.7
Beverages and tobacco.. ..	(8.9)	2.0	Nil	3.9	1.9	1.8	9.0	3.3
Clothing and footwear	(4.8)	1.0	1.0	2.9	21.7	11.6	-0.7	7.0
Gross rent, fuel and power ..	(9.4)	1.0	1.0	1.0	1.0	6.7	7.2	3.3
Furniture, furnishings and households equipment and operation	(6.6)	3.9	1.9	5.6	13.2	17.1	4.6	8.3
Medical care and health ex- penses	(2.0)	1.0	1.0	Nil	4.9	7.4	5.2	3.6
Transport and communications	(10.4)	2.0	1.0	2.9	1.9	10.1	5.8	4.3
Recreation, entertainment, edu- cation and cultural services ..	(5.6)	1.9	4.7	3.6	4.3	5.8	2.4	4.2
Miscellaneous goods and ser- vices	(5.5)	1.0	1.9	6.6	8.0	14.8	5.7	7.3
TOTAL ..	(100.0)	1.9	1.6	3.2	10.5	17.4	4.5	7.3

389. Deliberate domestic policy measures and programmes aimed at curbing inflation were introduced between 1972 and 1974. Fiscal and monetary policies were applied to contain price increases as well as alleviate their impact on the poor. At the same time, the *Malaysian Ringgit* was floated and resulted in an effective revaluation against the currencies of Malaysia's major trading partners.

390. The anti-inflationary measures introduced were designed to:—

- (i) dampen the expansionary impact of enlarged export earnings through deceleration in the growth of public investment; and the introduction of special tax measures to siphon-off inflationary earnings. To the

TABLE 7-4

**PENINSULAR MALAYSIA: ANNUAL PERCENTAGE CHANGE
IN CONSUMER FOOD PRICES, 1970-75**

	Weights ² (%)	1970	1971	1972	1973	1974	1975	Average annual growth rate (%) 1971-75
Rice, bread and other cereals ..	(13.1)	-3.2	-1.1	2.2	23.1	37.5	3.2	12.1
Meat	(8.9)	6.5	1.0	1.0	17.8	26.9	0.7	9.0
Fish	(6.9)	11.1	4.5	6.1	16.4	26.1	5.0	11.3
Milk and eggs	(4.8)	-1.0	1.0	5.1	9.7	11.5	2.4	5.9
Oils and fats	(1.6)	3.8	0.9	-6.4	11.7	55.7	-22.3	5.0
Fruits and vegetables	(6.9)	2.1	1.0	2.0	15.7	17.8	7.2	8.5
Sugar	(2.1)	7.8	10.9	11.5	3.7	12.8	23.9	12.4
Coffee and tea	(0.9)	Nil	2.0	1.0	4.9	8.3	6.8	4.6
Other foods	(1.6)	6.8	1.8	0.9	3.5	11.1	16.2	6.5
TOTAL ..	(46.8)	2.1	2.0	3.0	15.4	26.7	3.3	9.7

² Weights within the Consumer Price Index.

latter end, the export duty structure for rubber, palm oil and tin was revised in 1974 to make it more progressive in its incidence; a land speculation tax was also introduced in 1974; and an excess profits tax was brought into force in 1975;

- (ii) *expand the availability and reduce the cost of key supplies of domestically produced and imported goods* especially those featuring largely in the budget of the poor. Thus, special export taxes were imposed on timber products, building materials and some food items while the exports of poultry, eggs, beef and cattle and products made from rice, flour and sugar were banned; import duties on 42 items were either reduced or lifted; excise duties on a number of items including diesel, fuel oil and kerosene, wood products and sweetened condensed milk were lifted; and the Green Book campaign was implemented to expand domestic food production, especially rice, beef, poultry, meat, fish and dairy products;
- (iii) *control the prices of basic consumption and investment goods* through the expanded implementation of the Price Control Act; extension of the number of commodities whose prices could only be varied with the approval of the Government; launching of the nation-wide anti-hoarding campaign; and extensive price control in respect of rice; and
- (iv) *alleviate the impact of inflation on consumers, particularly the poor* through Government subsidies on rice, fertilizers, flour and milk and school textbooks. Special relief allowances were provided to public employees in the lower income brackets. This latter measure was also adopted by the private sector.

391. Monetary policy was aimed at dampening aggregate demand by tightening credit and reducing bank liquidity as well as the liquidity of the private sector. To this end, interest rates were increased from 7.5% in 1972 to 10.0% in 1974; commercial banks and borrowing companies were required to increase their statutory reserves; while close regulation was maintained over the quantity and quality of bank lending. In the design and execution of these policies, however, care was taken to ensure that the orderly expansion of the productive capacity of the economy and the progress of the New Economic Policy was not inhibited. Thus, bank finance continued to be readily available for productive projects including agro-business and housing, particularly for small borrowers.

392. With world inflation abating by the end of 1974, recessionary conditions emerging and price increases beginning to moderate in Malaysia, the anti-inflation policies of the Government were gradually relaxed. The task of policy turned to that of ensuring that the economy was protected to the maximum extent possible from the effects of recession without, however, rekindling inflationary forces. In the fiscal sphere, an expansionary budget was implemented by the Government in respect of current and development expenditure. While low priority projects, especially those involving the importation of large amounts of capital equipment were deferred, several short-gestation, labour intensive projects were added to the development programme and implemented.

393. In the monetary field, credit restrictions imposed to curb inflation were gradually eased so as to ensure that the liquidity of the private sector was adequate to support an early and sustainable recovery of economic activity in the domestic economy. A series of important steps were taken in this regard. Credit growth ceilings previously imposed on the commercial banks and borrowing companies were completely abolished early in the year although they were still required to channel 50% of their loans and advances to priority areas such as manufacturing, agriculture, private housing and the development of Malay and other indigenous enterprise. Interest rates were also reduced while statutory reserve ratios which the commercial banks are obliged to maintain with *Bank Negara Malaysia* were lowered.

394. Recessionary conditions brought in their wake some net retrenchment of labour in the private sector. The numbers involved were, however, marginal with more widespread retrenchment avoided by the high sense of social responsibility demonstrated both by management and unions as manifested by their ready acceptance of the Code of Conduct for Industrial Harmony in February, 1975. The Code provided *inter alia* that retrenchment of workers would not be resorted to except as a last resort and that too, not until all other measures for averting or minimizing retrenchment had been explored.

395. The potentially damaging impact that world inflation and subsequent recession could have had on the Malaysian economy cannot be underestimated considering the heavy dependence of the economy on foreign trade. The large gains in export earnings in 1973 and 1974 due to record prices for primary products made the economy highly liquid. On top of this, expansionary pressures were generated by the Government's anti-cyclical measures undertaken previously to overcome the slow-down in the economy in 1971-72. The succeeding recession was equally severe. Export growth fell sharply in 1975 and dramatically slowed down the growth of private sector liquidity in the first half of the year even while international and domestic prices continued to grow albeit at slower rates than in the previous two years.

396. In the circumstances, the Government's economic policies have attained a large measure of success. *The annual rate of inflation in 1973-74 was kept significantly lower than that in other countries in the region as well as a number of major OECD countries.* The effects of the subsequent worldwide recession were also blunted by Government's anti-recessionary measures to a large extent. Serious unemployment was averted, retrenchment of workers in the private sector was minimal (some 16,600 out of the total labour force of 4,225,000) and the economy grew by a respectable 3.5% in real terms in 1975. The costs involved in an economic growth rate significantly less than the underlying potential of the economy was unavoidable given the need to minimize the danger of rekindling inflationary forces which would in turn affect adversely the course of sustained recovery.

V. PROSPECTS, 1976-80

397. Prospective movements in the domestic price level during the period of the TMP will, as in the past, depend to a large extent on international price trends. As for the OECD countries which account for 58.0% of Malaysian exports and 65.0% of imports, the general prognosis appears to be that in the light of the sharp inflation of recent years, their Governments are likely to follow more cautious demand policies as the OECD economies recover from the recession of 1975. Given the apparent commitment to avoid a repetition of the gyrations experienced in the recent past, the growth of international prices is forecast to average about 7% per annum over the five year period 1976-80 with modest increases up to 1978 and some deceleration thereafter through 1980. At such rates, inflation would be one-half that of the peak in 1974 but double the average for the sixties.

398. The forecasts of the domestic price level in Malaysia during 1976-80 take account of the above trends in international prices. *Export prices* are projected to increase by 4.7% per annum between 1975 and 1980 compared with 6.6% during 1971-75. Table 7-5 indicates the key projections. The most important determinant of the course of the export price will continue to be *rubber* which in 1975 accounted for 22.2% of the value of all exports. Synthetic rubber prices set the limits within which prices for natural rubber move in the intermediate run. Given the impact of recent increases in the

TABLE 7-5

MALAYSIA: PROJECTED PRICES OF MAJOR PRIMARY COMMODITIES, 1975-80

	* Unit values (\$ per ton) ³										Average annual growth rate (%) 1976-80		
	1975	1976	1977	1978	1979	1980	1975	1976	1977	1978		1979	1980
Rubber (cts./lb) ..	63.5	80	84	93	89	84	-23.5	26.0	5.0	10.7	-4.3	-5.6	5.8
Tin ..	15,867	16,469	17,292	18,480	18,300	18,000	-11.6	3.6	5.0	6.9	-1.0	-1.6	2.5
Sawlogs ..	108.9	120	145	180	172	168	-28.8	10.5	20.5	24.1	-4.4	-2.3	9.0
Sawn Timber ..	315	346	400	480	470	463	-11.3	9.8	15.6	20.0	-2.1	-1.5	8.0
Palm Oil ..	1,236	850	950	1,000	980	950	1.0	-31.2	11.8	5.3	-2.0	-3.1	-5.1
Palm kernel oil ..	1,034	867	898	1,078	989	899	-43.0	-16.2	3.6	20.0	-8.3	-9.0	-2.8
Crude and partly refined petroleum ..	231.5	231.5	231.5	231.5	231.5	231.5	6.5	0	0	0	0	0	0
Petroleum products ..	305	316	325	334	344	354	11.7	3.6	2.8	2.8	3.0	2.9	3.0
Copper ..	817.8	912	956	1,000	1,100	1,147	-	11.5	4.8	4.6	10.0	4.3	7.0
Pepper ..	3,400	3,460	3,600	3,700	3,600	3,500	-4.7	1.8	4.0	2.8	-2.7	-2.8	0.6
Canned pineapple ..	1,155	1,155	1,300	1,550	1,500	1,474	22.9	0	12.6	19.2	-3.2	-1.7	5.0

³ Unit values for rubber are presented in cts. per lb.

price of petroleum and the prospective excess of demand for all elastomers over projected supply of natural rubber, the export unit value of rubber is anticipated to rise by 5.8% per annum during the period 1976-80. In comparison with the past, however, year-to-year price fluctuations can be expected to be significantly more moderate when the International Agreement on Natural Rubber Price Stabilization materializes. The Agreement encompasses the establishment of an international buffer stock and the implementation of supply rationalization measures involving export curtailment when demand is weak and expanded production when demand exceeds supply.

399. Other commodities whose prices significantly affect the export price index are timber, palm oil, tin, petroleum and manufactured products. The use of *tropical hardwoods* in housing and furniture industries will continue to grow in line with *per capita* income in both the developed and developing countries. In view of the expanding use of timber within the already major exporting countries themselves and the significantly higher cost of tapping new but increasingly inaccessible reserves, the export unit values of sawlogs as well as sawn timber are projected to grow by at least 8%-9% per annum.

400. *Palm oil* prices are not expected to move as favourably as those for other commodities. A decline in the general price trend for all fats and oils is forecasted in view of the anticipated expansion of fats and oils (brought about by rapid acreage expansion of oil bearing crops in recent years and the growing demand for oilseed meals) in relation to demand in the developed countries. Palm oil (which accounts for about 7% of world production of all major fats and oils) is in close competition with soya-bean oil (which accounts for 20.0%) and other lower-priced oils and fats with world production of soya-bean oil anticipated to grow by 5.2% to 9.5% per annum during 1976-80, after expanding by 6.6% per annum in the last 15 years. Palm oil production is projected to grow by 9.5% per annum, with the average price for the five-year period remaining relatively stable at about \$950 per ton. However, the price could be more favourable given the expansion of demand in the developing countries as well as the developed countries themselves in view of the widening range of end-uses for palm oil. In the light of these prospects, the Government will emphasize improvements in the quality of the commodity and its end-uses as well as active market promotion. Malaysia as a major supplier will ensure that its exports compete fairly on the basis of price and quality in the world market.

401. The world demand and supply of *tin* will be in approximate balance during the next five years. A price level which is about the mid-point of the price range under the recently concluded International Tin Agreement is thus assumed after allowing for year-to-year variations in consonance with expectations as to the course of the world business cycle.

402. *Petroleum* price trends remain uncertain dependent as they are on the extra-market forces which affect price determination. In these circumstances, the export unit value of crude and partly refined petroleum has been assumed at its 1975 level for planning purposes.

403. *Manufactured products*, as a miscellaneous category, now constitute some 21% of the value of total merchandise exports. The main items comprise food products; textiles; clothing and footwear; wood products; rubber products; machinery; and electronic components. The unit value of these exports as a group is projected to grow by 6.5% per annum compared with the international rate of inflation of about 7%.

404. The *import* price index is envisaged to grow slightly lower than the international inflation rate. The principal determinant of movements in the index will continue to be the import prices of manufactured goods, machinery and transport equipment which accounted for about one-half of the total value of imports in 1975. Other major components of the import basket are food products, mineral fuels, chemicals, inedible materials and oils and fats. Import prices of manufactures, machinery and transport equipment will almost directly reflect movements in the international inflation rate of about 7% per annum. On the other hand, food import prices could soften somewhat from their unusually high levels in the recent past. On the assumption of stable petroleum prices, the import price index could grow in the order of 6.3% per annum with the fastest rate of growth registered by the cost of freight and other service imports.

405. In the light of the above trends in the prices of exports and imports, the domestic price level will continue to increase over the period 1976-80. The task of macro-economic policy under the TMP is to ensure that these increases are kept within reasonable limits. The target is an average annual rate of growth in the general price level of about 5%. As exports and imports constitute some 60% of the total value of goods and services produced domestically and imported, the implied requirement is that price increases for domestically produced goods and services should average about 4% per annum.

406. Most price projections are hazardous undertakings for it is inevitably difficult to forecast with accuracy the directions and intensity of economic forces. The general level of prices as targetted above is no exception. This is particularly the case for an economy as open as Malaysia's where most key prices are exogenously determined. Even within the relatively sheltered sectors, price levels are inevitably subject to the impact that external conditions produce via changes in the demand and supply of the country's exports and imports. As such, the target of the Plan in respect of the general level of prices is not meant to constitute a precise quantitative objective but rather to illustrate the broad directions towards which macro-economic policy will be applied in the endeavour to keep anticipated domestic price increases within reasonable bounds.

VI. POLICIES

407. The attainment of the objective of reasonable price stability will be no mean undertaking. It will call for great flexibility and adroitness in the design and implementation of fiscal and monetary policy. Several basic requirements are entailed and will receive the close attention of the Government.

408. Given the magnitude and rapidity with which prices can change, more attention will be given to the need for detailed monitoring and surveillance of trends in key prices and their effect on the performance of the Malaysian economy and the welfare of individuals in particular the poor. The objective is the eventual development of an "early warning system" under which macro-economic policy could, with flexibility and promptness, respond to changing conditions.

409. The implementation of *fiscal and monetary policy* along counter-cyclical lines will continue to be an important objective in the endeavour to moderate cyclical fluctuations to which the economy is subject so that a steady momentum of development may be maintained. To this end, the array of instruments at the disposal of *Bank Negara Malaysia* has been extended with the new powers given to it to engage in open market operations. A powerful complement to monetary policy, the budget instrument will continue to undergo progressive reshaping to make it more responsive to changes in the economic situation. The tax system and particularly those elements which can be further developed as stabilization instruments will be an important focus for public policy. Another would be the need for greater flexibility in development expenditures so that, on top of the hard core programmes of the Government, variations in development activity can be effected for counter-cyclical purposes. To this end, the advanced preparation of a reserve package of ready-to-implement, labour intensive, short-gestation projects will be emphasized.

410. A potentially important influence on the general level of prices is the *protective tariff*. With progressive growth of the manufacturing sector, the impact that tariffs can have on the prices of domestically produced goods warrants increasing attention. While current levels of effective tariff protection are reasonable and certainly moderate by international comparison, the rise in effective protection has nevertheless been significant, particularly in the import-substituting manufacturing sector. As industrialization advances and the most obvious opportunities for import substitution are captured, it will become increasingly important for the Government to ensure that tariff protection exploits national comparative advantage in the choice of industry for domestic production; ensures early realization of productive efficiency and maturity on the part of industries so assisted; and minimizes the costs of protection to society and in particular the poor.

411. In the final analysis, the promotion of orderly economic growth and employment expansion with reasonable price stability requires that sustained attention and effort is given to the progressive improvement of supply conditions and the enlargement of productive capacity. To this end, the expansion of food production under the Green Book campaign will continue to be emphasized. While dramatic increases in aggregate demand fuelled by inadequately-contained variations in export earnings and upsurges in import prices are major sources of inflation for an economy as open as Malaysia's, structural rigidities and immobilities in production and distribution are equally important for all developing countries. The maintenance of a reasonable level of price stability clearly requires that as aggregate demand changes, the economic system as a whole is able to elastically overcome temporary bottlenecks and shortages without creating undue cost-pressures which exacerbate inflationary expectations. Progressive improvement of productivity, increases in the elasticity of supply, removal of artificial restraints on production and distribution, efficiency in marketing systems and above all increases in the scope for the full-play of competitive forces are vital elements in this regard.

412. The Government's role in controlling prices has not been excessive. The Government will continue to ensure that controls are minimized and are applied only in the case of basic commodities essential for protecting the poor against unjustifiably high increases in prices. The administrative machinery for monitoring developments in the prices of essential commodities will be given priority to provide the basis for monitoring the effects of price changes on the incomes of the poor and needs of the economy as a whole.

CHAPTER VIII

Population, Employment and Manpower Development

I. INTRODUCTION

413. The development of human resources in accordance with the objectives of the New Economic Policy (NEP) is accorded high priority in the Third Malaysia Plan (TMP). The creation of employment opportunities as well as the productive use of labour are important elements of the manpower development strategy. Job expansion at a rapid rate is necessary if significant progress is to be made in reducing unemployment, redressing poverty, raising rural incomes and promoting the rapid absorption of the Malays and other indigenous people into the modern sector.

414. A principal constraint in accelerating socio-economic development is the shortage of trained manpower at all levels in the science and technical fields. The Plan's objective is to expand the supply of trained manpower in these fields through appropriate education and training policies and programmes. The education and training of the Malays and other indigenous people in science, technical and management disciplines will continue to be stepped up in line with the long-term objective of increasing their effective participation at all occupational levels in the modern sectors of the economy.

415. Increased efforts will be made to co-ordinate education and training policies and programmes to minimize duplication of facilities and resources. The curriculum and content of training will be improved to meet employment needs. Measures will also be taken for greater participation by the private sector in the development of skills. Labour market policies and programmes will be reviewed and strengthened to ensure proper matching of the demand and supply of manpower.

II. GROWTH IN POPULATION, LABOUR FORCE AND EMPLOYMENT, 1971-75

416. *Population* The population of Malaysia in 1975 is estimated at 12,249,000. About 85% or 10,385,000 live in Peninsular Malaysia, 751,000 in Sabah and 1,113,000 in Sarawak. Of the total population in Malaysia, 54.7% are Malays and other indigenous people, 34.2% Chinese, 9.0%

Indians and 2.1% Others. In Peninsular Malaysia, 53.1% are Malays, 35.5% Chinese, 10.6% Indians and 0.8% Others. In Sarawak, 63.4% are Malays and other indigenous people, 31.0% Chinese and 5.6% Others. In Sabah, 64.1% are *Bumiputra*, 21.5% Chinese and 14.4% Others.

417. As a result of past demographic trends, Malaysia has inherited a very young population. More than 42% of the population are in the age group 0-14 years, as compared to 54.4% in the working age years of 15-64. This indicates a high age-dependency ratio of about 84% and implies a substantial demand for the basic necessities of life, as well as services such as education, health and housing.

418. *Mortality* continued to decline in Peninsular Malaysia during 1971-75 but at a less rapid pace than in past decades as mortality rates were already low. Life expectancy at birth for males increased from 59.8 years in 1970 to 61.6 years in 1975 and for females from 63.2 years to 64.9 years. By race, life expectancy is estimated to have increased by 3.2% for Malays, 1.6% for Chinese and 2.0% for Indians. The increase in life expectancy was mainly due to the expansion and improvement of health services which contributed particularly to declines in mortality among expectant mothers and children in their early years of life.

419. *Fertility* too is estimated to have declined at an average annual rate of about 2% from 4.91 in 1970 to 4.47 in 1975. This has been the result of late marriages. In addition, the National Family Planning Programme, coupled with increasing educational opportunities and female participation in the labour force have also contributed significantly to declines in fertility.

420. In the case of Sabah and Sarawak, recent data on mortality and fertility are not available. On the basis of past trends, it is estimated that life expectancies improved more rapidly than in Peninsular Malaysia during 1971-75, largely as a result of declines in childhood mortality. However, unlike in Peninsular Malaysia, there is no clear evidence of a corresponding fertility decline.

421. *Labour force* The above-mentioned demographic factors have brought about a gradual shift in the share of population in the age group 15-64. The share of those in the 15-64 age group in the total population increased from 52.3% in 1970 to 54.4% in 1975. The effect of this shift on labour force growth was particularly noticeable for the age group 15-29. During 1971-75, the labour force in this age group registered a faster rate of growth of 4.8% as compared to the overall labour force growth of 3.2%.

422. In part, the rapid growth of labour force reflects the maturing of persons born in the fifties into their prime working ages. In the case of males, this has completely outweighed the tendency for participation rates to decline between the ages 15-19 and 55-64 due to prolonged schooling and earlier retirements, respectively. The increase in participation rates in the early working years of females further accelerated the pace of labour

force growth. All these factors taken together have made heavy demands upon the economy to create a sufficient number of productive job opportunities.

423. *Employment* During the period under review, as shown in Table 8-1, the economy achieved an employment growth rate of 3.3% per annum resulting in a net increase of 588,000 new jobs, as compared to 618,200 new entrants to the labour force. Although the rate of job creation had the positive effect of reducing the unemployment rate of 7.4% in 1970 to 7.0% in 1975, the total unemployed in 1975 increased by about 30,000 as compared to 1970.

TABLE 8-1

MALAYSIA: ESTIMATED EMPLOYMENT GROWTH, 1970-75

	1970		1975		Increase 1971-75 (000)	Share in job creation (%)	Average annual growth rate (%) 1971-75
	Estimated employment (000)	Share of total (%)	Estimated employment (000)	Share of total (%)			
Agriculture, forestry and fishing ..	1,786.8	53.5	1,936.8	49.3	150.0	25.5	1.6
Mining and quarrying	87.3	2.6	86.6	2.2	- 0.7	- 0.1	- 0.2
Manufacturing	289.9	8.7	398.2	10.1	108.3	18.4	6.6
Construction	90.6	2.7	113.2	2.9	22.6	3.9	4.6
Utilities	18.6	0.6	23.9	0.6	5.3	0.9	5.1
Transport, storage and communi- cations	133.4	4.0	179.4	4.6	46.0	7.8	6.1
Wholesale and retail trade	379.9	11.4	495.9	12.6	116.0	19.7	5.5
Banking, insurance and real estate ..	26.8	0.8	32.7	0.8	5.9	1.0	4.1
Public administration, education, health and defence	403.9	12.0	508.8	13.0	104.9	17.8	4.7
Other services	122.3	3.7	152.3	3.9	30.0	5.1	4.5
TOTAL ..	3,339.5	100.0	3,927.8	100.0	588.3	100.0	3.3
POPULATION	10,777.0		12,249.0				
LABOUR FORCE	3,606.8		4,225.0				
UNEMPLOYMENT	267.3		297.2				
UNEMPLOYMENT (%)	7.4		7.0				

424. The manufacturing sector set the pace for employment creation with a rate of 6.6% per annum. Pioneer industries alone generated on the average over 14,700 new jobs annually during the 1971-74 period. The construction, commercial and services sectors comprising wholesale and retail trade, banking and finance, public administration and defence, education and health and other services also showed rapid growth in employment of 4.6% and 5.0% respectively. The commercial and services sectors contributed 43.6% of total new employment, while the agriculture and the manufacturing sectors accounted for 25.5% and 18.4% respectively.

425. The course of job creation reflected cyclical trends in the world economy during the period under review. The largest improvements to the unemployment situation occurred from late 1972 to the first quarter of 1974. In the latter part of 1974 and almost all of 1975, employment growth was not particularly buoyant. Only deliberate policy intervention by the Government prevented massive retrenchment which could have more than offset previous improvements to the unemployment situation.

426. *Unemployment and underemployment* It is encouraging to note that increasing employment has not been off-set by increasing underemployment. Successive rounds of the Labour Force Surveys showed considerable improvement in labour utilization measured in terms of the number of hours worked. Between October 1971 and October 1974, for example, the proportion of the labour force working less than 25 hours a week declined from 14.1% to 9.6%. Whilst the pattern of labour utilization remained fairly steady in urban areas, there were significant reductions in underemployment in rural areas. Underemployment in rural areas declined from 17.7% in October 1971 to 11.6% in October 1974. The largest decline was in the agricultural sector where the proportion of the labour force working less than 25 hours a week declined from about 20% to 15%.

427. Unemployment among youth between the ages 15-19 declined but still remains high. During October 1971 and October 1974, the unemployment rate for youth in the age group 15-19 declined from 22.8% to 16.6%. In terms of strata, the unemployment rate for youth in the age group 15-19 declined from 28.3% to 18.8% in urban areas, while in the rural areas the unemployment rate declined from 19.9% to 15.6%. There was also some improvement in the hard-core unemployment situation. The proportion unemployed for a duration of one to three years fell from 29.2% to 24.0%. The improvement in the labour market situation benefitted most job-seekers the majority of whom had lower secondary and middle secondary education, who together constituted over 55% of the total unemployed. The proportions of these two groups fell from 33.1% to 24.8% and 23.4% to 16.5% respectively.

428. Between 1970 and 1975, average real productivity is estimated to have increased by 3.8% for Peninsular Malaysia and 3.4% in Sabah and Sarawak. Agriculture, manufacturing, utilities, transport and communications showed higher than average rates of growth in real productivity.

429. Estimates of the racial composition of sectoral employment in Peninsular Malaysia for 1970 and 1975 are shown in Table 8-2. During 1971-75, all races experienced absolute increases in employment. Employment among Malays and other indigenous people grew by 4.0% per annum from 1.4 million in 1970 to 1.7 million in 1975. Employment among the Chinese grew by 3.1% per annum from 1.0 million in 1970 to 1.2 million in 1975 and among the Indians by 2.8% per annum from 297,600 in 1970 to 341,700 in 1975. The unemployment rate among the Malays declined from 8.1% in 1970 to 6.9% in 1975 but in absolute terms the number

TABLE 8-2

PENINSULAR MALAYSIA: EMPLOYMENT BY RACE AND SECTOR, 1970 AND 1975

	Malay (000)	Percentage of sector total	Chinese (000)	Percentage of sector total	Indian (000)	Percentage of sector total	Others (000)	Percentage of sector total	Total (000)	Percentage of total employment
1970										
Agriculture, forestry and fishing ..	951.1	67.6	300.9	21.4	142.0	10.1	12.0	0.9	1,406.0	50.3
Mining and quarrying ..	21.1	24.8	56.3	66.0	7.2	8.4	0.7	0.8	85.3	3.0
Manufacturing ..	76.3	28.9	172.6	65.4	14.0	5.3	1.0	0.4	263.9	9.4
Construction ..	16.8	21.6	55.9	72.0	4.7	6.1	0.2	0.3	77.6	2.8
Utilities ..	8.0	48.2	3.0	18.1	5.4	32.5	0.2	1.2	16.6	0.6
Transport, storage and communi- cations ..	50.9	42.6	47.3	39.6	20.4	17.1	0.8	0.7	119.4	4.3
Commerce ..	82.5	23.5	229.1	65.3	37.5	10.7	1.8	0.5	350.9	12.6
Services ..	229.9	48.5	169.2	35.7	66.4	14.0	8.5	1.8	474.0	17.0
TOTAL ..	1,436.6	51.4	1,034.3	37.0	297.6	10.7	25.2	0.9	2,793.7	100.0
1975										
POPULATION ..	4,822.0	52.7	3,274.0	35.8	978.0	10.7	73.0	0.8	9,147.0	100.0
LABOUR FORCE ..	1,563.0	51.5	1,111.6	36.6	334.4	11.1	26.0	0.8	3,035.0	100.0
UNEMPLOYMENT ..	126.4	77.3	77.3	7.0	36.8	11.0	0.8	3.1	241.3	8.0
UNEMPLOYMENT (%)..	8.1									
1975										
Agriculture, forestry and fishing ..	1,032.6	67.3	317.6	20.7	170.3	11.1	13.8	0.9	1,534.3	46.2
Mining and quarrying ..	27.7	33.1	47.6	56.9	8.0	9.5	0.4	0.5	83.7	2.5
Manufacturing ..	120.1	33.1	217.3	59.9	24.3	6.7	1.1	0.3	362.8	10.9
Construction ..	28.1	28.8	58.6	60.2	10.2	10.5	0.5	0.5	97.4	2.9
Utilities ..	13.1	61.2	3.0	14.0	5.1	23.8	0.2	1.0	21.4	0.7
Transport, storage and communi- cations ..	76.0	47.2	60.4	37.5	23.5	14.6	1.1	0.7	161.0	4.9
Commerce ..	145.2	31.6	281.8	61.3	32.3	7.0	0.5	0.1	459.8	13.9
Services ..	302.0	50.6	217.8	36.5	68.0	11.4	9.0	1.5	596.8	18.0
TOTAL ..	1,744.8	52.6	1,204.1	36.3	341.7	10.3	26.6	0.8	3,317.2	100.0
1975										
POPULATION ..	5,510.0	53.1	3,687.0	35.5	1,105.0	10.6	83.0	0.8	10,385.0	100.0
LABOUR FORCE ..	1,873.1	52.2	1,297.9	36.2	389.0	10.8	30.0	0.8	3,590.0	100.0
UNEMPLOYMENT ..	122.2	128.3	93.8	7.2	47.3	3.4	3.4	0.8	272.8	7.6
UNEMPLOYMENT (%)..	6.9									

unemployed increased marginally from 126,400 to 128,300. The unemployment rate among the Chinese increased from 7.0% in 1970 to 7.2% in 1975 or in absolute terms from 77,300 to 93,800 and among the Indians from 11.0% to 12.2% or in absolute terms from 36,800 to 47,300.

430. There has been steady progress in restructuring the racial composition of employment. The share of Malay employment increased from 28.9% to 33.1% in manufacturing and 23.5% to 31.6% in commerce. Substantial increases in the share of Malay employment were also recorded in mining, construction, utilities and transport. However, the Malay share in agriculture declined slightly.

431. As regards employment of other Malaysians, the Chinese share of employment in agriculture and utilities has not grown in line with the long-term target of increasing their share in these sectors. The share of Indian employment in the commercial and services sectors has tended to fall more rapidly than envisaged resulting in increased unemployment among Indians.

432. *Data on pioneer industries*, which represent the more recent industries in the manufacturing sector, show that overall, Malays account for 50.6%, Chinese 37.0% and Indians 11.8% of the total employment of 93,668 in pioneer industries in 1974. During the 1971-74 period for which data are currently available, Malay employment grew by 33.1% per annum from 14,965 to 46,960, Chinese at 20.3% per annum from 16,400 to 34,350 and Indians at 46.1% per annum from 2,416 to 11,014.

433. The successive rounds of the Labour Force Surveys conducted during 1971-75 in Peninsular Malaysia indicate that the improvements achieved in the racial composition of employment were accompanied by increasing Malay representation in the professional, technical, administrative, managerial, clerical and sales occupations. This is also borne out by data on pioneer industries where the share of the Malays in the professional, technical, administrative and managerial occupations during 1971-74 increased from 17.0% to 22.0%, the Indians from 5.6% to 7.6% while the share of the Chinese declined from 75.6% to 69.2% although in absolute terms, Chinese employment in these occupations more than tripled during the period.

434. However, the Malays and Indians still predominate in agricultural and service occupations while the Malays are seriously under-represented in key scientific, technical and managerial occupations and are mainly found in the lower rungs of the occupational hierarchy. With the increased emphasis given to expanding Malay enrolment in science and technical education at all levels during the period under review, the occupational structure for Malays is expected to improve during 1976-80.

III. POPULATION, LABOUR FORCE AND EMPLOYMENT FRAMEWORK, 1975-80

435. *Population* The future structure of the population depends upon the interaction of three demographic factors, namely mortality, fertility and migration. On the basis of past trends, Peninsular Malaysia is likely to experience a further decline in mortality, though of somewhat lesser magnitude in comparison to earlier years. Declines in mortality in Sarawak and Sabah are expected to be more substantial, in keeping with the accelerating pace of socio-economic development.

436. The pattern of fertility change is more difficult to predict. International experience indicates that once fertility begins to decline, the momentum of change is likely to be kept up, if not accelerated. In the case of Malaysia, postponement of marriages to later years will not have a significant effect as the average age of marriage is already relatively high at 23 years. Future declines of fertility will depend to a major extent upon changes in norms regarding desired family size.

TABLE 8-3

MALAYSIA: POPULATION SIZE AND AGE STRUCTURE, 1975-80

Age-group	1975		1980		Average annual growth rate (%) 1976-80
	(000)	(%)	(000)	(%)	
PENINSULAR MALAYSIA					
0-14	4,297	41.4	4,635	39.2	1.5
15-64	5,707	54.9	6,747	57.1	3.4
65+	381	3.7	440	3.7	2.9
Sub-total ..	10,385	100.0	11,822	100.0	2.6
SABAH					
0-14	348	46.3	390	44.5	2.3
15-64	388	51.7	466	53.2	3.7
65+	15	2.0	20	2.3	5.9
Sub-total ..	751	100.0	876	100.0	3.1
SARAWAK					
0-14	510	45.8	559	43.7	1.9
15-64	570	51.2	682	53.4	3.7
65+	33	3.0	37	2.9	2.3
Sub-total ..	1,113	100.0	1,278	100.0	2.8
MALAYSIA					
0-14	5,155	42.1	5,584	40.0	1.6
15-64	6,665	54.4	7,895	56.5	3.4
65+	429	3.5	497	3.5	3.0
TOTAL	12,249	100.0	13,976	100.0	2.7

437. The population of Malaysia, as shown in Table 8-3, is estimated to grow at 2.7% per annum during the Plan period from 12.25 million in 1975 to 13.98 million in 1980. The racial composition of the population in Peninsular Malaysia is expected to remain very much the same as in 1975. Malays will comprise 53.3% of the population, Chinese 35.3%, Indians 10.6% and Others 0.8%.

438. As a result of fertility declines, some shifts in the age composition of population are to be expected. In Peninsular Malaysia, the 0-14 age group, which accounted for 41.4% of total population in 1975, is expected to decline to 39.2% by 1980. On the other hand, the population in the age group 15-64 is expected to increase from 54.9% to 57.1%.

439. In the case of Sabah and Sarawak, the proportion of youth in the 0-14 age group will decline while the proportion in the 15-64 age group is expected to increase from 51.7% to 53.2% in Sabah and from 51.2% to 53.4% in Sarawak. The population of Sabah is estimated to grow by 3.1% per annum to reach 876,000 in 1980 while that of Sarawak is estimated to grow by 2.8% per annum to reach 1.28 million.

440. These estimated increases in population pose a number of socio-economic problems. They imply the need for expansion of public expenditure on social services which could otherwise be diverted to expanding the productive capacity of the economy.

441. *Education* The quantitative implications of the population increase on the size of the school-going population and expected enrolments are shown in Table 8-4 below. Primary school enrolment will increase by 1.2% per annum over the five-year period. Lower secondary enrolment will also grow despite a decrease in school-going population because of increases in survival rates from primary to lower secondary education. Upper and post secondary enrolment is expected to grow at 3.4% per annum with the most dramatic increase occurring at Form VI.

TABLE 8-4
PENINSULAR MALAYSIA: SCHOOL-GOING POPULATION
AND ENROLMENT, 1975-80
(000)

				<i>Primary</i> (Age-group 6+ to 11+)	<i>Lower secondary</i> (Age-group 12+ to 14+)	<i>Upper secondary</i> (Age-group 15+ to 16+)	<i>Post secondary</i> (Age-group 17+ to 18+)
School-going population							
1975	...	...	...	1,645.2	910.0	512.2	411.4
1980	...	...	...	1,747.7	888.3	557.6	474.1
Enrolment							
1975	...	...	...	1,586.9	561.5	164.7	16.2
1980 ¹	...	...	...	1,682.9	603.5	181.3	32.9

¹ Based on projected trends in survival rates.

442. *Household formation* The shift in the age structure of the population will accelerate the rate of household formation during the Plan period and thus increase the potential demand for housing and other consumer durables associated with household formation. The number of households is projected to expand by 3.2% per annum along with increases in the average age of heads of households. Thus, between 1975 and 1980, the gross number of new households will increase annually from 70,500 in 1975 to 90,400 in 1980, a gross accession rate of 5.1% per annum. Net of deaths and dissolutions, the number of new households will increase annually from 30,300 in 1975 to 46,000 in 1980.

443. On top of the backlog of existing demand and the need to improve the stock of existing dwellings, increases in household formation as shown in Table 8-5 will lead to sizeable growth in the demand for housing and other household services. The emergence of the nuclear family system in place of the extended family will further increase pressures on the projected supply of housing during the Plan period.

TABLE 8-5

PENINSULAR MALAYSIA: HOUSEHOLD FORMATION, 1975-80
(000)

	1975	1980
Household	1,937.9	2,268.9
Accession	70.5	90.4
Death	23.4	25.5
Dissolution	16.8	18.9
Turnover rate (%)	1.75	2.04

444. *Family planning* As more young women enter their child-bearing years and as the propensity for smaller families increases, the demand for family planning services is expected to expand. To achieve its target of 2% rate of population growth by 1985, the National Family Planning Board will have to cater for some 569,000 acceptors by 1980, as compared to 360,000 in 1975.

445. *Labour force* The increase in labour force, as shown in Table 8-6, is estimated to average 3.3% per annum, thus adding some 748,000 new entrants to the labour force during the Plan period. The rate of growth of the male labour force is estimated at 3.5% as against 3.1% for females.

446. The overall participation rate for both males and females is projected to increase as a result of changes in the age structure of the working population. By 1980, some 38.0% of the labour force in Peninsular Malaysia will comprise workers in the 25-39 age group, as compared to 36.5% in 1975. The need, therefore, to step up significantly the promotion of new job opportunities is evident.

TABLE 8-6

MALAYSIA: LABOUR FORCE GROWTH, 1975-80

Age-group	1975		1980		Average annual growth rate (%) 1976-80
	(000)	(%)	(000)	(%)	
PENINSULAR MALAYSIA					
15-24	1,245	34.7	1,483	34.9	3.6
25-39	1,310	36.5	1,613	38.0	4.2
40-59	930	25.9	1,040	24.5	2.3
60-64	105	2.9	111	2.6	1.1
Sub-total ..	3,590	100.0	4,247	100.0	3.4
SABAH					
15-24	76	30.2	95	33.1	4.6
25-29	94	37.5	100	34.8	1.2
40-59	74	29.5	84	29.3	2.6
60-64	7	2.8	8	2.8	2.7
Sub-total ..	251	100.0	287	100.0	2.7
SARAWAK					
15-24	130	33.8	158	36.0	4.0
25-39	137	35.7	157	35.8	2.8
40-59	106	27.6	110	25.0	0.7
60-64	11	2.9	14	3.2	4.9
Sub-total ..	384	100.0	439	100.0	2.7
MALAYSIA					
15-24	1,451	34.3	1,736	34.9	3.7
25-39	1,541	36.5	1,870	37.6	3.9
40-59	1,110	26.3	1,234	24.8	2.1
60-64	123	2.9	133	2.7	1.6
TOTAL ..	4,225	100.0	4,973	100.0	3.3

447. Working-life expectancy will also increase over the Plan period by some 0.4 years despite the projected decline in participation rates among the older age groups. This increase in working life implies a larger labour force in terms of man-years. Job creation policies will therefore have to be oriented towards generating productive life-time rather than short-term job opportunities through make-work projects which are only a temporary palliative.

448. Annual turnover in the labour market for males is shown in Table 8-7 which also provides estimates of accessions to the labour force, deaths and retirements.

TABLE 8-7

PENINSULAR MALAYSIA: MALE LABOUR FORCE TURNOVER,
1975-80
(000)

			<i>Labour force</i>	<i>Accession</i>	<i>Death</i>	<i>Retirement</i>	<i>Turnover rate (%)</i>
1975	...	...	2,422	52.5	14.4	12.4	1.96
1980	...	...	2,877	62.9	15.4	14.2	2.13

The number of annual accessions to the labour market increases from 52,500 annually in 1975 to 62,900 in 1980 or by some 19.8%. The turnover rate defined as the number of accessions to separations (due to death and retirement), also increases over the period, largely owing to increasingly earlier retirements.

449. Supply pressures on the labour market will be sustained during the Plan period pointing to the need for accelerated creation of job opportunities. On the other hand, the increase in the turnover of the labour force ensures an ever increasing supply of younger people into the labour force, who are increasingly better qualified thereby progressively improving the supply of skills in the economy.

450. Projections of educational output as shown in Table 8-8 provide some indication of the changing composition of new entrants into the labour force.

TABLE 8-8

PENINSULAR MALAYSIA: EDUCATIONAL OUTPUT² BY
HIGHEST LEVEL OF EDUCATIONAL ATTAINMENT, 1975-80
(000)

			<i>Primary</i>	<i>Some secondary</i>	<i>SRP/LCE</i>	<i>SPM/MCE</i>	<i>STP/HSC</i>	<i>Diploma/ Degree</i>
1975	...	...	52.9	80.3	76.9	41.6	6.5	5.9
1980	...	...	52.8	74.3	80.4	49.9	5.9	10.7

² Based on projected trends in pass rates.

The output of primary school leavers and non-certificate holders of secondary schools will decline. On the other hand, the output of youth with SRP/LCE and SPM/MCE qualifications will expand significantly. The decline in STP/HSC leavers merely indicates expanded entries into college and university levels of education.

IV. POPULATION DISTRIBUTION AND URBANIZATION

451. Malaysia on the whole is characterized by a highly uneven pattern of population distribution. This is observed between Peninsular Malaysia on the one hand and Sabah and Sarawak on the other and between the East and West Coasts of Peninsular Malaysia. The uneven pattern of population distribution reflects geographical, historical and economic factors that have accounted for more rapid rates of economic development in areas of higher population concentration.

452. Taking urban centres as gazetted areas of population of 10,000 and above, the percentage of urban population in Peninsular Malaysia in 1970 was only 28.7%, representing an increase of 2.1% over 1957. With the exception of the Klang Valley, and to a lesser extent, Kuantan, natural increase rather than rural-urban migration was the main source of urban growth.

453. The slow rate of rural-urban movement may be explained by two factors. The Government's efforts at rural development by improving living conditions have lessened relatively the attractions of rural-urban migration. Second, the bulk of modern-sector development has been located in the metropolitan areas of the Klang Valley. The high level of skills required for employment have made it difficult for migrants from rural areas to find suitable occupations.

454. A more rapid rate of urbanization is expected during the Plan period. The growth of the manufacturing and services sectors will offer an increasing number of new job opportunities. Furthermore, through regional development and the establishment of new growth centres, smaller towns of the 10,000 to 75,000 size class are expected to grow more rapidly. The hierarchy of skills demanded in these areas will be considerably less complex thus encouraging greater migration from rural areas. The higher rates of average real productivity growth which will be effected in agriculture will permit such occupational mobility out of traditional agriculture without losses in real output having to be sustained.

455. As shown in Table 8-9, urban population as a percentage of total population in Peninsular Malaysia is estimated to increase from 32.0% in 1975 to 35.1% in 1980, an annual growth rate of 4.6%, of which one-half is likely to be the result of rural-urban migration.

456. The racial composition of the urban population will also change, given the increased involvement of Malays in the manufacturing and commercial sectors of the economy. While in 1975, 18.0% of Malays are estimated to have lived in urban areas, by 1980, the percentage is estimated to increase to 21.3%. The rate of growth of the urban population among the Chinese and Indians is likely to be slower than that of the Malays.

TABLE 8-9

**PENINSULAR MALAYSIA: POPULATION COMPOSITION BY
STRATUM AND RACE, 1975-80**
(000)

	1975			1980		
	Urban	Rural	Total	Urban	Rural	Total
Malay	994	4,516	5,510	1,342	4,963	6,305
(%)	18.0	82.0	100.0	21.3	78.7	100.0
Chinese	1,872	1,817	3,689	2,251	1,919	4,170
(%)	50.7	49.3	100.0	54.0	46.0	100.0
Indian	417	688	1,105	515	742	1,257
(%)	37.7	62.3	100.0	41.0	59.0	100.0
Others	38	43	81	47	43	90
(%)	46.9	53.1	100.0	52.2	47.8	100.0
TOTAL	3,321	7,064	10,385	4,155	7,667	11,822
(%)	32.0	68.0	100.0	35.1	64.9	100.0

V. MANPOWER OBJECTIVES, 1976-80

457. Full employment of the labour force by 1990 requires that the creation of job opportunities be stepped up considerably. With the existing backlog of 297,000 unemployed and the need to provide for 748,000 new entrants to the labour force, the task of employment creation during the Plan period will be considerable.

458. The manpower objectives of the Plan are not only to expand job opportunities but also to reduce under-utilization of labour, especially in the rural areas, through the provision of productive employment opportunities for those engaged in low income activities. As shown in Table 8-10, the target is to create 743,000 jobs during the Plan period. This will reduce the unemployment rate from 7.0% of the labour force in 1975 to 6.1% in 1980. The Plan's emphasis on programmes geared to poverty eradication and land development will have a substantial impact in reducing under-employment. In addition, the Plan aims at upgrading and increasing the supply of skilled manpower at all levels, improving the productivity of the work force and accelerating the pace of participation of the Malays and other indigenous people in the modern sectors of the economy and at the higher levels of the job hierarchy.

459. Four sectors are expected to account for about 82% of the increase in new job opportunities. Employment in the manufacturing sector is projected to grow at 7.4% per annum to account for nearly 23% of the total increase. Wholesale and retail trade and public administration including health, education and defence are estimated to generate some 312,000 jobs or 42.0% of all new employment opportunities. The agriculture sector is expected to contribute nearly 126,000 jobs or 17.0% of all new employment.

TABLE 8-10

MALAYSIA: EMPLOYMENT GROWTH, 1975-80

	1975		1980		Increase 1976-80 (000)	Share in job creation (%)	Average annual growth rate of employment, 1976-80 (%)	Average annual growth rate of real productivity, 1976-80 (%)
	Estimated employment (000)	Share of total (%)	Estimated employment (000)	Share of total (%)				
Agriculture, forestry and fishing	1,936.8	49.3	2,062.7	44.2	125.9	17.0	1.3	4.7
Mining and quarrying ..	86.6	2.2	88.5	1.9	1.9	0.3	0.4	5.2
Manufacturing ..	398.2	10.1	568.1	12.2	169.9	22.9	7.4	4.3
Construction ..	113.2	2.9	144.3	3.1	31.1	4.2	5.0	3.7
Utilities ..	23.9	0.6	29.8	0.6	5.9	0.8	4.5	4.5
Transport, storage and commu- nications ..	179.4	4.6	216.6	4.6	37.2	5.0	3.8	4.3
Wholesale and retail trade ..	495.9	12.6	648.6	13.9	152.7	20.6	5.5	2.7
Banking, insurance and real estate	32.7	0.8	42.8	0.9	10.1	1.3	5.5	2.7
Public administration, education, health and defence ..	508.8	13.0	667.8	14.3	159.0	21.4	5.6	3.8
Other services ..	152.3	3.9	201.3	4.3	49.0	6.5	5.7	3.6
TOTAL ..	3,927.8	100.0	4,670.5	100.0	742.7	100.0	3.5	4.8
POPULATION ..	12,249.0		13,976.0					
LABOUR FORCE ..	4,225.0		4,972.8					
UNEMPLOYMENT ..	297.2		302.3					
UNEMPLOYMENT (%) ..	7.0		6.1					

460. Within the manufacturing sector in Peninsular Malaysia, the electrical machinery, textiles and clothing, oils and fats and chemical product industries are expected to achieve rates of employment creation above the average for the sector as a whole, reflecting the high rates of growth of value added and their relatively higher labour absorptive capacity. Employment in the mining and the construction sectors is estimated to account for 4.5% of all new jobs. Employment growth in public services will reflect the continuing commitment of the Government to improve the quality and scope of services to the public.

461. Employment in wholesale and retail trade will be largely the result of the effects of growth in other sectors of the economy. Given the high labour absorptive capacity of the sector, the growth of employment will be rapid although it will continue to contain a substantial degree of under-employment.

462. Employment growth in the agricultural sector is estimated to be 1.3% per annum. New land development will account for the major part of job creation in this sector. By crops, the fastest rate of employment growth will continue to be provided by oil palm cultivation. In Peninsular Malaysia, it is expected that employment in oil palm will grow by 5.9% per annum over the Plan period. The rubber growing industry is expected to show a rate of employment increase of 1.6% per annum. Investments in padi, coconut and fishing are mainly geared to increasing income levels of the presently employed. Therefore these sub-sectors are not expected to show significant increases in employment.

463. Overall output growth in the economy is expected to average 8.5% per annum, with some 41.2% of this growth arising from new employment and 56.5% reflecting increases in labour productivity. The primary producing sector, agriculture, and mining are likely to experience very high rates of growth of real productivity. Agricultural productivity is estimated to increase at 4.9% per annum in Peninsular Malaysia and 3.4% per annum in Sabah and Sarawak. This implies increasing outflows of labour from traditional low productivity activities as well as the more intensive use of complementary inputs in existing agriculture. Productivity in the mining sector is estimated to grow at 7.2% per annum in Sabah and Sarawak, as compared to 3.8% per annum in Peninsular Malaysia. The manufacturing sector is expected to show a relatively high rate of productivity growth of 4.3% per annum, while the wholesale and retail trade and the public services sectors are calculated to show productivity growth of 2.7% and 3.8% per annum respectively.

TABLE 8-11

MALAYSIA: MANPOWER SURVEY RESULTS, 1973 AND ESTIMATED³ REQUIREMENTS, 1976-80

	MANPOWER SURVEY, 1973							
	Racial distribution (%)					Total	Vacancies (%)	Estimated ⁴ requirements, 1976-80
	Total Employed	Malay and other indigenous people	Chinese	Indian	Others			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
PROFESSIONAL AND TECHNICAL...	145,517	48.9	39.3	10.5	1.3	100.0	10.4	65,309
Chemists and Physical Scientists	354	11.6	76.8	11.3	0.3	100.0	20.6	327
Laboratory and Science Technician	3,824	48.2	37.3	13.9	0.6	100.0	27.8	2,137
Architects and Town Planners	353	21.0	71.4	2.5	5.1	100.0	22.4	180
Engineers	2,244	13.5	69.9	12.8	3.8	100.0	22.4	2,764
Engineering Assistants and Technicians	11,824	46.1	34.9	16.4	2.6	100.0	24.0	5,538
Surveyors	168	19.1	58.0	13.7	9.2	100.0	19.6	346
Draughtsmen	2,979	39.0	53.4	6.6	1.0	100.0	9.1	2,041
Agronomists	652	39.1	49.7	8.7	2.5	100.0	38.0	540
Life Science Technicians	2,070	76.9	20.6	2.0	0.5	100.0	29.1	1,396
Veterinarians	162	30.8	24.1	42.6	2.5	100.0	19.8	95
Veterinary Assistants	352	62.7	27.6	8.8	0.9	100.0	15.6	127
Medical Doctors	1,915	7.6	49.5	36.7	6.2	100.0	24.0	728
Medical Assistants	2,323	35.3	34.6	28.1	2.0	100.0	16.4	2,414
Professional Nurses	5,623	33.7	55.1	9.0	2.2	100.0	19.4	5,297
Dentists	379	8.4	66.8	16.1	8.7	100.0	20.1	205
Dental Assistants	1,030	24.4	72.1	3.0	0.5	100.0	10.1	578
Accountants	1,774	17.9	70.3	11.0	0.8	100.0	19.1	1,971
Lawyers	809	20.3	46.8	29.9	3.0	100.0	5.2	284
Higher Education Teachers..	1,844	37.5	34.8	16.2	11.5	100.0	50.9	286
Primary and Secondary Teachers	79,527	49.5	40.4	9.4	0.7	100.0	3.1	19,872
Other Professional and Technical	20,353	68.0	24.6	6.4	1.0	100.0	16.7	18,183
ADMINISTRATIVE AND MANAGERIAL	22,605	35.4	55.5	7.3	1.8	100.0	8.6	12,264
Managers	12,535	13.0	81.5	3.7	1.8	100.0	3.3	10,472
CLERICAL	129,374	39.9	48.6	10.4	1.1	100.0	7.1	58,755
SALES	54,041	10.5	82.9	5.9	0.7	100.0	1.7	31,776
SERVICE	64,917	70.4	20.2	8.0	1.4	100.0	6.3	145,300
AGRICULTURAL	105,742	37.9	18.0	43.5	0.6	100.0	3.1	142,309
Farm Managers and Supervisors	7,238	30.4	29.2	38.8	1.6	100.0	3.2	13,701
PRODUCTION	210,331	39.2	47.7	12.4	0.7	100.0	4.4	190,123

³ Data refer to Survey results and therefore are not adjusted for undercoverage and exclusions.

⁴ Estimated from output and employment targets of the Plan and adjusted for undercoverage and exclusions.

VI. MANPOWER DEMAND AND SUPPLY, 1976-80

464. The Government conducted a Manpower Survey in 1973 covering the private and public sectors of the economy to assess the extent of the shortages experienced and the requirements for skilled manpower in the country. Some of the results of the Survey together with estimated requirements of skilled manpower for the period 1976-80 are summarized in Table 8-11. Columns 1 to 7 in the Table are Survey results while column 8 shows the requirements estimated from the output and employment targets of the Plan.

465. While the overall vacancy rate was low, the Table shows that vacancies for specific occupations, especially at the professional and technical levels, are high. The vacancy rate in the public sector was higher than that in the private sector for high level manpower. It is also seen that the share of the Malays and other indigenous people in scientific, technical and managerial occupations though improving as compared to earlier years, is still low. Under-representation in occupations such as chemists and physical scientists, engineers, architects and town planners, doctors and dentists, managers, production supervisors, foremen and other skilled occupations at the production level call for enlarged participation on the part of the Malays and other indigenous people.

466. The Survey also showed considerable dispersion in educational attainments between most occupations. This in part reflects the existence of alternative paths to the development of skills including formal education, on-the-job training programmes, self-instruction, experience as well as upward mobility on the basis of demonstrated ability, all of which substitute in varying degrees for the job requirements of each occupational category. While the expansion of formal education and training opportunities during the Plan period will lead to further upgrading of new entrants in various occupations, the opportunities available for acquiring skills through informal means will continue to be an important factor in the labour market adjustment process. Thus in matching the demand for manpower, education and training programmes will have to provide expanding opportunities for on-the-job training in industry. This will also facilitate the more rapid absorption of the Malays and other indigenous people into skilled occupations and their upgrading to higher levels of the job hierarchy. Considerable scope exists in expanding the private sector's role in this regard. During the Plan period, as outlined in paragraphs 476 and 477 below, measures will be taken in consultation with industry to actively pursue this objective.

467. The growth of the economy during the Plan period will call for sizeable increases in the availability of qualified manpower. Projected estimates of demand indicate that Malaysia will require about 65,300 professional and technical workers, 12,300 administrative and managerial workers, 59,000 clerical workers, 32,000 sales workers and 190,000 production workers. The demand for specific skills in engineering, agricultural, health, education and business fields will be significant. Table 8-12 indicates the extent of the demand for diploma and degree graduates in major fields of education for the Plan period relative to expected supply.

TABLE 8-12

MALAYSIA: DEMAND AND SUPPLY OF DIPLOMA AND DEGREE GRADUATES BY TYPE OF EDUCATION, 1976-80

Course	Demand, 1976-80		Supply, 1976-80 ⁵		Excess (+) or shortage (-)	
	Diploma	Degree	Diploma	Degree	Diploma (%)	Degree (%)
Arts and Humanities including Business	11,205	7,518	6,383	10,575	- 43	+ 41
Science	9,474	8,330	6,337	7,565	- 33	- 9
Medicine and Dentistry	—	1,050	—	800	—	- 24
Agriculture and Related Sciences	3,200	1,150	2,421	674	- 24	- 41
Other Sciences	6,274	6,130	3,916	6,091	- 38	- 1
Technical	8,177	3,432	5,316	1,793	- 35	- 48
Engineering	4,965	2,122	3,909	1,296	- 21	- 39
Architecture and Town Planning	635	250	881	208	+ 39	- 17
Surveying	252	150	233	37	- 8	- 75
Other Technical	2,325	910	293	252	- 87	- 72
TOTAL	28,856	19,280	18,036	19,933	- 37	+ 3

⁵ From local colleges and universities only.

468. These projections of demand relative to supply indicate that:—

- (i) there will be a growing surplus of graduates in the non-technical disciplines with supply exceeding requirements by about 41%. This projected over-supply does not pertain to graduates in business administration given anticipated growth in economic activity. In fact, at the diploma level, a deficit of 43.0% reflects largely the shortfalls in the supply of business and accounting diplomates;
- (ii) significant shortages will continue to exist for scientific personnel at both the diploma and degree levels. The most acute shortages are expected to arise in the case of specialized personnel in agriculture and the physical sciences; and
- (iii) there will be critical shortages of technical personnel at the degree and diploma levels. Of most pressing concern will be shortages in the engineering fields.

469. In line with the above requirements, priority will be given to the expansion of opportunities for science, technical and vocational education and training. A reduced intake of students into the liberal Arts and Humanities courses at the universities appears necessary in view of the anticipated surplus of such graduates during the Plan period. Accordingly, the output of graduates of the Arts and Humanities disciplines will decline in proportion to the total from 54.5% in 1975 to 45.6% in 1980, while the share in science and technical courses will increase from 45.5% to 54.4%. Although the return of qualified Malaysians from abroad will help to bridge the gap between the demand for and supply of scientific and technical manpower, shortages in crucial skills will continue to exist in view of the time required for the production of these skills.

VII. EMPLOYMENT STRATEGY—POLICIES AND PROGRAMMES

470. The provision of employment opportunities on the scale projected requires concerted efforts not only to increase the productive capacity of the economy but also to implement policies and programmes which facilitate employment creation. The major elements of the employment strategy of the Plan are outlined below.

Expansion of the economy

471. Continuing emphasis will be placed on expanding the overall pace of economic activity to generate productive employment opportunities. The details with respect to the macro targets of the TMP are discussed in Chapter VI. In addition, efforts will be made to encourage the growth of industries that have high labour absorptive capacity. To this end, the provision of fiscal incentives to industry will be kept under review to ensure that they encourage greater labour utilization. The development of small-scale industries will also be promoted for the same reason.

Land development

472. Within the agricultural sector, land development will be the major vehicle for the Plan's objective of eradicating poverty, increasing rural incomes and expanding job opportunities. The development of about one million acres of land is estimated to create about 105,000 jobs. Land development projects such as fringe alienation schemes and the rehabilitation and consolidation of uneconomic holdings will have direct and immediate impact in improving the utilization of farm labour. The size of land holdings provided in public land development schemes will be kept under review to ensure that it conduces towards an optimal rate of labour absorption which is at the same time consistent with the earning of reasonable incomes.

Expanding the supply of skills

473. The education and training programmes outlined in Chapter XXII have been designed to enhance educational opportunities for the poor, increase the supply of trained manpower to meet the skill demands of the economy and accelerate the production of trained manpower among the Malays and other indigenous people to meet the employment targets for racial balance.

474. The scientific, technical and vocational content of education at the secondary level will be increased as teacher resources expand. Total enrolment in tertiary educational institutions in the country is expected to increase by 58% from 31,500 in 1975 to 49,800 in 1980. Significant efforts will be made to increase the output of engineering, medical and agricultural manpower at all levels. Existing programmes of the National Productivity Centre, *Majlis Amanah Rakyat* (MARA) and the National Institute of Public Administration as well as the tertiary institutions in management development and training will be considerably strengthened.

475. In addition to education and training programmes to meet the needs of the employment market, the training programmes of agencies such as that of the Public Works Department, the Ministry of Defence, the Police, the Telecommunications Department, the Public Services Department and others will continue to be important. They will directly contribute towards increasing the professional and managerial capability of staff in the public sector.

476. Skill formation requires close co-operation between the public and private sectors in the formulation and implementation of the required training programmes. A more active role by the private sector is necessary to ensure that training is directly related to the needs of employment. During the Plan period, industrial training as provided by the Government will undergo major changes. This is designed to improve the content and relevance of training as well as provide for the positive involvement of the private sector. In addition to the expansion of training programmes within the public sector, opportunities for on-the-job training in industry for youth will be considerably expanded in consultation with the private sector.

477. In order to effect closer co-ordination between the public and private sectors, a National Industrial Training Council, with representation from both sectors, will be established under the Ministry of Labour and Manpower. It will be the responsibility of the Council, among its other functions, to formulate recommendations for the financing of industrial training with a view to increasing private sector participation and involvement at all levels of the training process. The work of the National Industrial Training and Trade Certification Board in the establishment of trade standards and the formulation of national training syllabi for the various industrial trades will also be intensified. Specific studies on the employment experience of graduates from training institutions will be undertaken to improve the quality of training programmes.

478. Significant progress has been made in increasing the enrolment of the Malays and other indigenous people in tertiary education. Their share in tertiary education increased from 50% in 1970 to 65% in 1975. Continuing efforts will be made to further increase their supply in the scientific and technical fields at the tertiary level. To ensure a continuous supply of candidates, science facilities for rural students, most of whom are the Malays and other indigenous people, will be expanded. A further seven special science residential schools and two MARA Junior Science Colleges will be constructed during the Plan period.

Labour market policies and programmes

479. The effective matching of manpower demand and supply is essential for the fuller utilization of the country's human resources. The vast expansion in education and training programmes and the rapid changes taking place in the labour market as a result of the growth and modernization of the economy call for dynamic labour market policies and programmes

designed for optimum utilization of manpower resources. Market signals with respect to the demand for specific types of labour need to be closely monitored to minimize the malallocation of manpower resources. Information on shortages and surpluses of trained manpower, patterns and allocation of labour demand in relation to supply, changes in wages, recruitment policies and practices are essential elements in this regard.

480. Current approaches to the monitoring of labour market developments warrant improvement. During the Plan period, the Ministry of Labour and Manpower would intensify its efforts to develop such monitoring devices and programmes for influencing labour market developments in the desired direction.

481. In collaboration with other agencies, the Ministry of Labour and Manpower will review and evaluate all available labour market information to improve the coverage and relevance of the information assembled for planning. In addition to its traditional role of job registration and placement, the Employment Service of the Ministry will expand its activities in the fields of job analysis, job specification and aptitude testing to assist industries and training institutions in the recruitment and training of personnel. In the light of the recent expansion of university and tertiary education, and the increasing numbers of Malaysian students returning from overseas, the employment service will play an active role in matching high level manpower with employment opportunities in the context of the NEP. Efforts will also be made by the Ministry to channel the flow of labour to new areas of activity. The establishment of institutional machinery as well as the design of appropriate incentives to facilitate such mobility will be effected so that planned development at new growth centres is not impeded by lack of appropriate manpower.

Labour laws and industrial relations

482. Industrial harmony is basic to the maintenance of a favourable climate for accelerated socio-economic development. The labour laws of the country, although already comprehensive, will be kept under review so as to ensure that they facilitate employment promotion and provide the legal framework for productive industrial relations. Recognizing that the resolution of human problems in the context of an expanding industrialization programme calls for closer co-operation between employers, employees and the Government, a Code of Conduct for Industrial Harmony was signed in 1975. During the Plan period, the Ministry will be strengthened to ensure effective implementation of the provisions of the Code for the mutual benefit of employers and employees.

CHAPTER IX

Poverty Eradication and Racial Economic Balance

I. INTRODUCTION

483. Current socio-economic imbalances among income and racial groups and regions in the country are wide. The New Economic Policy (NEP) sets out not merely to ameliorate their consequences but to remove root causes. The goal is that within a generation the foundations of a just social and economic system would have been laid transcending racial lines.

484. In the attainment of this goal, nothing short of intense, sustained and patient effort will do. This is mandatory for, together with national security and integrity, the long-run destiny of individual Malaysians and the nation itself depends fundamentally on economic development with social justice.

485. With the inauguration of the NEP in 1970, the commitment of the nation to these objectives took strong and explicit form. This Chapter reviews the state of the imbalances as they existed at the commencement of the SMP; evaluates the progress which has been attained and the problems encountered in dealing with them; and sets out the targets for the TMP together with their policy and programme content. The two prongs of the NEP are dealt with *in seriatim* hereunder.

II. STATISTICAL BASE OF POVERTY ESTIMATES

486. Comprehensive information on household income is available only for Peninsular Malaysia. The quantitative estimates hereunder of the poverty problem, therefore, pertain only to conditions in Peninsular Malaysia. Estimates in respect of Sabah and Sarawak will be presented later on the basis of a major survey to be initiated in the latter part of 1976.

487. The basic source of information on the major dimensions of poverty in Peninsular Malaysia in 1970 was the Post-Enumeration Survey (PES)¹ of the 1970 Population Census conducted by the Department of Statistics. This was further supplemented by socio-economic surveys on specific poverty groups undertaken by a number of Departments in the Government including the Ministries of Agriculture, Labour and Manpower and Housing and Village Development. Even then, major information gaps still exist in some cases because of limitations of coverage. Accordingly, the estimates of poverty incidence and the number of households involved cannot be taken as precise estimates of the dimensions of the problem. Complemented, however, with other information, the indicative estimates obtained provided broad orders of magnitude sufficient for the formulation of general poverty redressal policies and the implementation of measures to raise the productivity and incomes of those groups.

488. Data constraints were far more severe in the case of Sabah and Sarawak and did not permit even broad estimates to be attempted, although more general information clearly indicates the existence of a high incidence of poverty in the two States. In the continuing endeavour to assemble all information necessary for the effective design and implementation of poverty redressal programmes, a *National Agricultural Census* will be carried out in 1977. This will be further supplemented by continuing work on socio-economic indicators as well as detailed, localized socio-economic surveys in both the rural and urban areas of the country.

III. INCIDENCE OF POVERTY, 1970

489. The fact of poverty is self-evident and is seen in deficiencies in absolute standards of living in terms of caloric intake and nutrition levels, clothing, sanitation, health, education and other socio-economic variables. As these deficiencies are reflected to a large extent in income levels, poverty in the country has been measured by comparing absolute levels of household income with the income required for minimum subsistence or what may be termed a *poverty line income*. This income takes account of minimum nutritional and other non-food requirements of each household to sustain a decent standard of living. This definition, however, does not take account of the significant contributions made by services and facilities provided by the Government to the real income of the household.

490. The PES of the 1970 Population Census contains the most comprehensive information so far on incomes in the country. It reveals, as shown in Table 9-1, that as much as 49.3% of all households in Peninsular Malaysia received incomes less than the poverty line in 1970. Out of a population of

¹ The Survey covered a nationally representative sample of about 25,000 households in Peninsular Malaysia and obtained income information (both cash and in kind) for all members of the households covered.

TABLE 9-1

PENINSULAR MALAYSIA: NUMBER OF POOR HOUSEHOLDS, 1970

	<i>Total</i>			<i>Rural</i>			<i>Urban</i>		
	<i>Total households (000)</i>	<i>Total poor households (000)</i>	<i>Poverty (%)²</i>	<i>Total households (000)</i>	<i>Total poor households (000)</i>	<i>Poverty (%)²</i>	<i>Total households (000)</i>	<i>Total poor households (000)</i>	<i>Poverty (%)²</i>
Agriculture.. ..	852.9	582.4	68.3	816.2	560.2	68.6	36.7	22.2	60.5
Mining	32.4	11.1	34.3	27.0	9.3	34.4	5.4	1.8	33.3
Manufacturing ..	150.2	48.5	32.3	66.2	28.8	43.5	84.0	19.7	23.4
Construction ..	35.0	12.8	36.6	15.5	6.9	44.5	19.5	5.9	30.2
Utilities	12.8	4.7	36.7	5.6	2.3	41.1	7.2	2.4	33.3
Commerce	162.3	49.2	30.3	74.1	30.8	41.6	88.2	18.4	20.9
Transport	61.3	22.4	36.5	26.1	11.7	44.8	35.2	10.7	30.4
Services	299.1	60.7	20.3	136.0	33.7	24.8	163.1	27.0	16.6
TOTAL ..	1,606.0	791.8	49.3	1,166.7	683.7	58.6	439.3	108.1	24.6

² (%) refers to the percentage of poor households in the total.

1.6 million households, therefore, some 792,000 were poor. The bulk of these was in the rural areas with rural households numbering 684,000 (86% of all households in poverty) and urban households amounting to 108,000 (14%).

491. Some 74% of the poor earned their livelihood from agriculture and the processing of agricultural products—the majority of whom were small farmers and agricultural labourers (including estate workers). Those located in the rural areas but employed outside agriculture were mainly small traders and artisans and constituted 16% of all the poor and 18% of the rural poor. Thus, the incidence of poverty was the highest in agriculture (68%) with all other sectors in the economy showing much lower incidences ranging between 20% to 40%. While all groups in poverty will receive the close attention of the Government, it is clear that poverty redressal programmes must give emphasis to improving the income opportunities and social amenities for those in agriculture in the rural areas.

492. By occupational characteristics, a predominant part of the poor earned their livelihood from self-employment rather than wage employment. In agriculture itself, farmers on own-account appeared to have a higher incidence of poverty than farm workers as shown in Table 9-2. As such, the poverty redressal efforts of the Government will continue to stress the improvement of productivity in existing occupations as well as the expansion of employment opportunities to reduce underemployment.

TABLE 9-2

**PENINSULAR MALAYSIA: INCIDENCE OF POVERTY BY
CHARACTERISTICS OF HEADS OF HOUSEHOLDS³, 1970**

<i>Occupation</i>	<i>Total</i>	<i>Rural</i>	<i>Urban</i>
Farmers	76.4	77.0	57.3
Farm workers	63.8	64.7	47.9
Production	36.0	42.5	27.8
Sales	30.5	41.1	19.6
Services	27.0	30.5	23.6
Professional/technical	10.6	14.6	6.0
Administrative/managerial	9.5	15.4	2.4
Clerical	10.7	14.2	8.5
All occupations	49.3	58.6	24.6
<i>Education</i>			
None	62.3	69.4	37.0
Some primary	53.7	60.9	32.5
Completed primary	47.7	54.6	26.3
Lower secondary (Forms 1-3)	19.0	25.5	12.4
Some upper secondary	7.6	8.7	6.4
Completed school certificate or higher	3.3	4.1	2.8
All education levels	49.3	58.6	24.6

³ The percentages for each characteristic refer to varying numbers of households in the sample for which information on sector or occupation or education was available.

493. A key element in the attack on poverty will be to enlarge the access of the poor to productive assets, essential production inputs, training, credit, processing and marketing facilities and basic social services. The problems of limited land on which the poor operate will be examined in Section IV below. Table 9-2 reflects the relative lack of education among the poor and points to the vital role of education in the alleviation of poverty. It is seen that the incidence of poverty declines continuously with additional education from 50% to 60% for those with no schooling or incomplete primary education to about 19% for those with lower secondary education and about 3% for those who have completed upper secondary education.

IV. POVERTY GROUPS

494. The incidence, characteristics and causes of poverty vary widely among different socio-economic groups in the country. While the incidence of poverty among different sectoral groups in urban areas is fairly low, it differs widely in the rural areas as shown in Table 9-3.

495. In 1970, the two largest groups in poverty in the rural areas were rubber smallholders, who accounted for 226,000 households or 29% of the total in poverty and padi cultivators who made up 123,000 households or 16%. Three smaller groups were estate workers (about 60,000), fishermen (28,000) and coconut smallholders (17,000). The remainder of the rural poor

TABLE 9-3

**PENINSULAR MALAYSIA: NUMBER OF POOR HOUSEHOLDS⁴
BY SECTOR, 1970-80**

	1970			1975			1980					
	Total household-holds (000)	Incidence of poverty (%) ⁵	Percentage among poor	Total household-holds (000)	Incidence of poverty (%) ⁵	Percentage among poor	Total household-holds (000)	Incidence of poverty (%) ⁵	Percentage among poor			
AGRICULTURE												
Rubber smallholders	350.0	226.4	64.7	28.6	396.3	233.8	59.0	28.0	423.4	169.4	40.0	22.0
Oil palm smallholders	6.6	2.0	30.3	0.3	9.9	0.9	9.1	0.1	24.5	2.0	8.2	0.3
Coconut smallholders	32.0	16.9	52.8	2.1	34.4	17.5	50.9	2.1	34.0	16.0	47.1	2.1
Padi farmers	140.0	123.4	88.1	15.6	148.5	114.3	77.0	13.7	150.1	109.6	73.0	14.2
Other agriculture	137.5	126.2	91.8	16.0	157.4	124.1	78.8	14.9	171.5	110.3	64.3	14.4
Fishermen	38.4	28.1	73.2	3.5	41.6	26.2	63.0	3.1	42.5	22.1	52.0	2.9
Estate workers	148.4	59.4	40.1	7.5	127.0	59.7	47.0	7.1	111.5	42.4	38.0	5.5
Agricultural total	852.9	582.4	68.3	73.6	915.1	576.5	63.0	69.0	957.5	471.8	49.3	61.4
NON-AGRICULTURE												
Mining	32.4	11.1	34.3	1.4	31.8	10.1	31.8	1.2	32.4	9.6	29.6	1.3
Manufacturing	150.2	48.5	32.3	6.1	206.9	59.6	28.8	7.1	299.3	75.2	25.1	9.8
Construction	35.0	12.8	36.6	1.6	44.0	13.4	30.5	1.6	56.0	14.5	25.9	1.9
Utilities	12.8	4.7	36.7	0.6	16.4	4.8	29.3	0.6	20.5	4.8	23.4	0.6
Commerce	162.3	49.2	30.3	6.2	209.4	55.6	26.6	6.7	265.1	60.9	23.0	7.9
Transport	61.3	22.4	36.5	2.8	91.7	24.2	26.4	2.9	115.9	29.5	25.5	3.8
Services	299.1	60.7	20.3	7.7	386.1	90.9	23.5	10.9	523.8	102.0	19.5	13.3
Non-agricultural total	753.1	209.4	27.8	26.4	986.4	258.6	26.2	31.0	1,313.0	296.5	22.6	38.6
TOTAL	1,606.0	791.8	49.3	100.0	1,901.5	835.1	43.9	100.0	2,270.5	768.3	33.8	100.0

⁴ Two target groups namely, residents of New Villages and agricultural labourers are included among these households, especially in other agriculture, rubber and padi.

⁵ (%) refers to the percentage of poor households in the total.

were engaged in mixed agriculture (126,000), manufacturing industry and services (124,000). Straddling the various sectors of the rural economy are New Village residents and agricultural labourers (excluding estate workers)—about 85,000 and 115,000 households respectively were poor. The *Orang Asli* are another poverty group numbering about 53,000 people.

496. The highest incidences of poverty were registered by agricultural labourers (92%) and padi cultivators (88%). While the incidence of poverty among fishermen was also high (73%), it was particularly marked on the East Coast of Peninsular Malaysia (95%) compared to the West Coast (50%). The relative incidence of poverty was somewhat more moderate among rubber smallholders (65%), coconut smallholders (53%) and New Village residents (58%). At the lower end of the scale were estate workers (40%) and oil palm smallholders (30%).

Rubber smallholders

497. Smallholder rubber, by far the most important form of agriculture in Peninsular Malaysia, occupied about 2.7 million acres in 1970. This acreage was cultivated by some 350,000 smallholders, mainly the Malays but also including the Chinese and Indians. The average annual yield was about 670 lbs. per acre⁶ compared with about 1,020 lbs. per acre for estates. While the average-sized holding was seven acres, land holdings with less than five and ten acres constituted as much as 45% and 90% respectively of the total.

498. Taking account of income from sources other than rubber, the overall incidence of poverty of 65% in this sector was made up of 41% for owners with high-yielding material and 59% for those with low-yielding material, with the largest number concentrated in Johor, Kelantan, Trengganu and Perak. Apart from low yields, inadequate-sized holdings was a major factor accounting for poverty in the sector. About 50% of all holdings were smaller than 4-5 acres in size—the acreage of a high yielding holding needed for a family to rise above the poverty line.

Padi farmers

499. *Padi*, the second most important smallholder crop, covered 940,000 acres involving 300,000 farmers. About 140,000 of these specialized in padi cultivation in the sense that three-fourths or more of their farm acreage was in padi. The incidence of poverty was a high 88% due to the small size of holdings, prevalence of tenancy, lack of drainage and irrigation facilities particularly for double-cropping and low yields. About 55% of all holdings were less than three acres; 80% were less than five acres. In comparison, an owner-operated double-cropped holding of about, three to four acres is needed if a poverty line income is to be earned. Taking

⁶ Excludes the Federal Land Development Authority (FELDA) schemes.

account of other sources of income, the incidence of poverty was an estimated 70% for double-crop owners; 84% for double-crop tenants; 94% for single-crop owners; and 99% for single-crop tenants. The bulk of these households was in Kedah, Perlis, Perak, Kelantan and Trengganu.

Coconut smallholders

500. Out of an estimated total of 70,000-80,000 coconut smallholders, about 32,000 devoted more than three-quarters of their acreage to coconut cultivation. In respect of the latter, about 45% of the holdings were less than 6.5 acres and 80% less than 15 acres. While the overall incidence of poverty was 53% as of 1970, the percentage of poor households was lowest in Selangor and Perak (where a large number of holdings were interplanted with cocoa), somewhat higher in Johor and highest in Kelantan. The largest number of poor coconut smallholders was located in Johor and Kelantan.

Fishermen

501. Households for which fishing provided the principal source of livelihood were about equally divided between the West and East Coasts of Peninsular Malaysia, and, in total, numbered about 38,000 in 1970. Whereas households in the East Coast are mainly Malays, two-thirds on the West Coast are Chinese. An estimated 28,000 households were below the poverty line—19,000 on the East Coast and 9,000 on the West Coast. In comparison to the overall poverty incidence of 73%, a high rate of 95% characterized the situation on the East Coast with the West Coast registering a lower degree of poverty. With off-shore and trawler fishing fairly well advanced on the West Coast, fish output has been rising steadily in contrast to the East Coast where the catch has stagnated since 1968. A further factor affecting income generation is the monsoons. Fishing on the East Coast must be largely suspended between November and January while fishing grounds on the West Coast are relatively sheltered and permit year-round fishing.

Estate workers

502. There were about 250,000 estate workers in 150,000 households in 1970—45% of whom were Indian, 32% Malay and 22% Chinese. About 60% of these workers earned monthly cash incomes of \$100-\$120, excluding housing and fringe benefits, with 20% earning less than this and the remaining 20%, more. The wage agreements between the National Union of Plantation Workers and the Malayan Agricultural Producers Association covered only about one-half of all estate workers.

503. The percentage of households in poverty in this category was an estimated 40%. These were mainly single wage-earner families (in comparison with the typical household which had 1.7 workers) or two

low-wage workers in large families. They were largely families of Indian workers on rubber estates who had lost their jobs or were underemployed in view of declining acreage and increases in labour productivity for the sector as a whole.

Residents of New Villages

504. On the basis of the 1970 Population Census, there were about 465 New Villages with a total population of just over one million in 146,000 households. Almost entirely Chinese, about 60% of the villages containing three-quarters of the entire population of New Village residents were located in Perak, Selangor and Johor. These villages may be classified into three categories: urbanized villages or those located near urban areas; readily accessible villages; and small remote villages.

505. The incidence of poverty for the group was an estimated 58% but varied significantly between the three categories. About one-half of those employed in the first two categories were employed as contract labourers in nearby estates or were self-employed in market gardening, padi, rubber and livestock. The remainder had businesses of their own or found wage employment in nearby towns. Households earning a monthly cash income of \$200 or less made up about 50%-60% of those in the first two categories. In contrast, those earning below \$200 a month constituted almost 80% of the population in the third category. Predominantly agricultural, a major problem continues to be the small size of land holding per family and insecurity of tenure.

Agricultural labourers

506. Apart from estate workers, there is a large class of agricultural labourers who obtain wage employment in the larger rubber and coconut smallholdings and find seasonal employment in padi and mixed agriculture. Adequate information on these groups is lacking. *Prima facie* evidence indicates that while many rent or own small pieces of land, the size of holdings is too small to help generate income levels sufficient to yield a poverty line income. The incidence of poverty is thus estimated to have been high, probably of the order of 90% or more. The present requirement for employers to provide basic amenities for estate labour does not cover this group.

Urban groups in poverty

507. There were 439,000 households in urban areas in 1970 according to the 1970 Population Census. At least 108,000 households (25%) were estimated to have been in absolute poverty considering urban-rural differentials in the cost of living. Against this, it must be noted that services and facilities provided by the Government are more readily available in the urban compared to the rural areas.

508. With an average-sized urban household of 5.8 members compared to 5.4 in the rural areas, unemployment of individual household members in the labour force was a major reason for poverty in the urban areas. This is in contrast to the rural areas where underemployment is a major contributory factor to low household income, although urban underemployment is an increasingly serious problem in the services sector.

509. The urban poor were found across the range of secondary and tertiary activities in both the formal and informal sectors of the economy. Their ranks continue to increase with migrants from the rural areas who now form a sizeable part of the urban poor. In terms of the sectoral distribution of poor urban households, the largest number was located in the services sector (26,000), followed by manufacturing (18,000) and trade (17,000).

510. As in the case of the rural poor, households in poverty in the urban areas, in particular in squatter settlements, have insufficient access to basic services necessary for an adequate quality of life, including potable water, electricity and sanitation and lack security of tenure. In the Federal Territory itself, it is estimated that there are some 39,000 squatter families or more than one-quarter the total population in the area—45% of whom are Malays, 45% Chinese and 10% Indians. A large portion of the poor also do not have adequate housing and infrastructure services especially good sanitation while the present public transport system severely restricts the access of the poor to employment opportunities.

Poverty in Sabah and Sarawak

511. Evaluation of the quantitative dimensions of poverty in Sabah and Sarawak is hampered by lack of statistical information. *Prima facie* evidence suggests, however, that while the absolute number of households in poverty in these two States is much less than in Peninsular Malaysia, the incidence of poverty is much higher. This is due in the main to the significantly larger proportion of the population in agriculture which is characterized by lower yields than those found in Peninsular Malaysia.

512. In Sabah and Sarawak, about 59% and 57% respectively of the total labour force were employed in agriculture (including forestry, hunting and fishing). The indigenous communities were concentrated in agriculture. Of all indigenous labour, 60% and 78% respectively were in agriculture. They formed 80% and 90% respectively of total agricultural employment in the two States. In Sabah, an estimated 80% of the agricultural labour force were smallholder farmers with some 60% of the total being padi growers. In Sarawak, most of the labour force in agriculture were engaged as subsistence padi smallholders.

513. The following comparative yield figures indicate the extent of poverty in the two States among padi cultivators relative to the position in Peninsular Malaysia.

TABLE 9-4

PADI YIELD PER ACRE, 1972

(in gantang)⁷

			<i>Peninsular Malaysia</i>		<i>Sabah</i>		<i>Sarawak</i>
Wet padi	...	...	687	...	390	...	412
Dry padi	...	...	302	...	161	...	174

⁷ 1 gantang of padi = 1.65 kilos.

514. A very large part of padi production in Sarawak and to a lesser extent in Sabah is hill (or dry) padi grown as a subsistence crop by shifting cultivators. In 1971-72, hill padi accounted for about 59% and 25% respectively of the total acreage devoted to padi cultivation in Sarawak and Sabah. Even under the best of circumstances, hill padi yields are much lower than wet padi. This differential has further widened in the recent past with population pressure and the diminishing availability of new accessible land causing the fallow period for land under shifting cultivation to be reduced. The incidence of poverty among padi cultivators, particularly the indigenous people engaged in shifting cultivation, clearly continues to be high.

515. Rubber is the next most important agricultural smallholder crop in Sabah and is generally grown in mixed farms with padi and other subsistence crops. About 20% of the agricultural population were engaged in rubber production in 1970 of whom 70% comprised the indigenous people. Rubber production is much less important in Sarawak. In both States, production varies from year-to-year according to price levels and yields are significantly lower than in Peninsular Malaysia (600 and 330 lbs./acre in Sabah and Sarawak respectively compared to about 670 lbs./acre in Peninsular Malaysia on smallholdings in 1970). Again, the evidence shows that the incidence of poverty is much higher than in Peninsular Malaysia.

516. While the timber and more recently copper and petroleum industries in Sabah and Sarawak are significant sources of economic activity, they accounted for only 6% and 3% respectively of the labour force in 1970. The dualistic nature of the economies of the two States accounts for the substantial income disparity between the indigenous community and the rest of the population. Although statistics on the distribution of income are not available for the two States, the degree of inequality is certainly much higher than in Peninsular Malaysia.

517. A fundamental requirement in poverty redressal in both these States is the reduction of the incidence of poverty among shifting cultivators. Together with new land development providing for permanent settlement, the attractiveness of which appears somewhat limited thus far in view of the strong cultural and social roots of shifting cultivators, efforts will be stepped up to improve the productivity of shifting cultivators through extension services, input supplies and diversification of cropping patterns.

518. The urban poor in the two States comprised mainly wage earners in the services and transport sectors. Self-employment in the traditional sectors, especially in petty trading, in the urban areas is another major occupation for the urban poor. In Sabah, the problem of urban poverty has been exacerbated by the recent influx of Filipinos. In Sarawak, a Family Budget Survey in 1967/68 reported that about 51% of urban families were drawing incomes below \$300 per month with average monthly *per capita* income amounting to about \$48. A major requirement for improving their socio-economic position is to increase their productivity and widen their access to basic amenities.

V. PROGRESS, 1971-75 AND TARGETS, 1976-80

519. Accelerated economic growth has an important role to play in poverty eradication as the benefits of an expanding economy spread to the poor. By itself, however, economic growth can significantly improve the economic position of the poor only if it concomitantly provides them with access to and benefits from productive assets, training and basic services. The poverty redressal policies and programmes of the Government embodied in the NEP therefore aim at ensuring that such access is provided in the shortest time possible, on the basis of the resources generated by economic growth, so that the poor in all groups and regions of the country have the opportunities to more fully participate in and benefit from the process of economic growth.

520. As such, the rural poverty redressal strategies of the Government will continue to emphasize the provision of land, water, credit, extension services, processing and marketing facilities to the rural poor. In the process, a widening of their sources of income will also be encouraged through the promotion of mixed farming. To the extent that basic social services are inadequate or unavailable in the rural areas, their provision will also be given priority in order that progressive improvements may be made in the quality of rural life. The urban poverty redressal strategies of the Government necessarily take a different form in view of the greater linkages which exist between the traditional and modern sectors of the urban economy. Thus, the urban poor can be expected to benefit more directly from the process of economic growth. It will be the task of Government policy to more fully develop the potential of these linkages, apart from ensuring that the urban poor have ready access to basic services including housing and transportation.

Redressal of rural poverty

521. The principal elements of the Government's strategy for the redressal of rural poverty under the SMP comprised the acceleration of agricultural development on existing traditional smallholder farms; and the opening up, development and settlement of new land not only to provide employment for new entrants into the labour force but also for those with

inadequate-sized holdings thus helping to alleviate underemployment in the traditional smallholder sector. Each of these two broad objectives accounted for about one-half of total public development expenditure for agriculture during 1971-75. Over one million acres were opened up during the period. The predominant contribution was that of FELDA with about 412,000 acres or 41% of the total acreage developed. FELDA was able to resettle some 13,800 families during 1971-75. The private sector accounted for 14% of all land developed.

522. Programmes geared to improve existing smallholder agriculture covered some 864,000 acres or 10% of Malaysia's agricultural land during the SMP period. They included programmes for the replanting of rubber, pineapple, coconuts and pepper on 590,000 acres; crop diversification over 275,000 acres; and the completion of the Muda, Kemubu and other drainage and irrigation schemes which raised padi production in Peninsular Malaysia by some 25% between 1970 and 1975. New land development together with productivity improvements on existing agricultural holdings enabled smallholder agricultural production to increase by 6.6% per annum during 1971-75.

523. The programmes under the TMP will provide an even sharper focus to the needs of the rural poor in all poverty groups in Peninsular Malaysia, Sabah and Sarawak. Out of the total allocation of \$4.74 billion for the agricultural sector, 42.4% will be allocated for land development and 57.6% for the improvement of existing agriculture and the provision of related services. Together with 260,000 acres of new land targeted for private sector development, through joint-ventures with State agencies, the total area to be opened up for agricultural development is one million acres, of which FELDA will account for 35% and the State land development agencies of Sabah and Sarawak for 14%. The settlement target during the Plan period is 60,000 families taking into account the new land opened during the period of the SMP.

524. The target acreage for *in situ* development programmes is 1.7 million acres or double that under the SMP. The thrust of these programmes will be to increase their direct social and economic impact on the poor. To this end, the concept and practice of *integrated rural development* will be stressed under which land improvement, irrigation, infrastructure expansion, processing, marketing, the supply of credit and essential farm inputs like improved seed and fertilizer and the provision of basic social services including health and education will be developed as package programmes designed to provide broad-based improvements in the standard of living of the rural poor. The aim will be to introduce improvements at a progressive pace at moderate cost per beneficiary in order to cover a wide cross-section of the rural poor.

525. The co-operative movement will play an important role in mobilizing capital as well as getting the people organized for the common objective of improving their socio-economic position. Government efforts will be directed

towards amalgamating small co-operatives into stronger and more viable economic units not only to enhance their capacity to actively participate in the economic development of the country but also to enable Government assistance to be channelled in an integrated manner.

526. As a form of business organization, the movement enables participation even by small investors. By the end of the SMP period, the movement covered a membership of one million and mobilized capital amounting to about \$300 million. Apart from farming and fishing, it has now ventured into various economic activities such as insurance, housing, land development, credit and banking, transport and consumer supply. Under the strategy of amalgamation, Government efforts during the TMP will be directed towards generating greater accumulation of capital especially among the farmers and fishermen through their respective co-operatives.

527. Important as *in situ* agricultural development is for alleviating rural poverty, the extent of the problem requires the accelerated creation of alternative and higher income opportunities. In this regard, the development of new land areas for agriculture and settlement has a crucial role to play by providing employment opportunities and enabling the excess labour in depressed areas to move from traditional into modern agricultural activities. Therefore, the Government through FELDA will continue to give major attention to new land development. The potential impact of this programme will be more fully exploited by making innovations which reduce costs, extend its coverage to a larger number of settlers and encourage a greater degree of flexibility and self-reliance on the part of settlers.

528. Initial analysis of the changes which have been brought about in the incidence of poverty by major rural groups in Peninsular Malaysia during 1971-75, as well as the prospects for 1976-80, indicate that the proportion of rural households in poverty has fallen since 1970 and can be expected to fall further by 1980 as shown in Table 9-3. The factors contributing to these changes may be classified into four categories: the impact of Government programmes in expanding the productive base of the poverty group concerned through, for example, new land development, replanting and rehabilitation and drainage and irrigation; the income effects of rising yields brought about by improvements in farm practices; the impact of changes in the relative prices of commodities produced and inputs used; and the effect of rural price trends on the cost of living. While such an evaluation has been practicable for rubber smallholders, padi cultivators, coconut smallholders, fishermen and estate workers, only qualitative inferences were possible in the case of New Village residents and agricultural labourers because of the lack of information on the sectoral and occupational distribution of these latter groups.

Rubber smallholders

529. The replanting of existing rubber land with more productive material will continue to receive priority in the alleviation of poverty among rubber smallholders throughout the country. Under the SMP, a total of 412,000

acres were replanted. The target under the TMP is 450,000 acres with far greater attention being given to the needs of those smallholders whose size of holdings is below that required to lift them out of poverty. To this end, programmes for the rehabilitation and consolidation of inadequate-sized holdings combined with the settlement of underemployed smallholders in new public land development schemes will be stressed.

530. The improvement of crop husbandry and tapping techniques as well as the expansion of processing facilities and marketing outlets through Smallholder Development Centres and the Malaysian Rubber Development Corporation (MARDEC) will continue to be pursued. The allocation of development expenditure for these purposes will be \$141.5 million or more than double the allocation under the SMP.

531. These efforts in combination with yield gains generated by a more productive age-structure of trees on smallholder planted acreage raised the real output of poor households by 31% during the five-year period. While these gains were associated with favourable rubber prices in 1973 and the first half of 1974, the overall gain was not as significant for the five-year period as a whole in the light of falling rubber prices in 1975 as well as the rise of input costs and rural consumer prices throughout the period. On the whole, the incidence of poverty fell from 65% in 1970 to 59% in 1975 although the number in poverty increased by some 7,400 due to increases in the absolute number of households in the rubber sector.

532. As acreages replanted and newplanted during 1971-75 come into production and as smallholders benefit from improvements in farm practices, processing and marketing, production will increase by 5.9% per annum during 1976-80. With favourable price trends forecast for the period in respect of rubber itself as well as farm inputs and consumer needs, the prospects are good for significant reductions in both the incidence of poverty and in the absolute number of poor rubber smallholder households by 1980.

Padi cultivators

533. The welfare of padi cultivators is considered to have improved during 1971-75. The area covered by irrigation facilities which has been planted with off-season padi expanded from 326,000 acres in 1970 to 527,000 acres in 1975—raising the proportion of double-croppers among padi households from two-fifths to over two-thirds.

534. Equally important was the favourable effect of increases in the Government purchase price of padi on the incomes of padi cultivators. The increase in the purchase price of 75% between 1970 and 1975 more than compensated for the increased costs of inputs and essential household budget needs. As a result, the incidence of poverty in the padi sector in Peninsular Malaysia dropped by 11 percentage points in 1975 from a high of 88% in 1970 while the number of households in poverty was reduced by over 9,000.

535. More modest improvements may however only be possible in the period of the TMP involving further reductions in the incidence of poverty but there will be some increase in the absolute number of poor households. In view of the continuing seriousness in the extent of poverty in the group, the Government will closely monitor price developments with a view to bringing about such changes in the domestic price of rice as may be necessary to protect the income position of padi cultivators without, however, serious adverse effects on the cost of living of the poor in other groups in society.

536. At the same time, all further opportunities, although limited, for the introduction of irrigation facilities for double-cropping will be exploited; off-season cropping on present single-cropped padi areas which contain the poorest among the poor in padi cultivation will be actively promoted; and yields which hitherto have shown only modest increases will be improved through wider dissemination of higher yielding varieties, greater availability and more effective use of fertilizers, pest control, improved drainage and water distribution, farm mechanization and better drying, milling and storage facilities. Even with maximum implementation of all such measures, there will remain a sizeable number of poor farmers whose welfare could only be improved through measures designed to increase the size of their holdings. To this end, the settlement of excess labour from poor padi areas on new public land development schemes will be encouraged to enable redistribution and consolidation of existing holdings. A socio-economic survey to assess the feasibility of land redistribution and consolidation is currently underway in the Kemubu area.

Coconut smallholders

537. The reduction in the incidence of poverty among coconut smallholders during 1971-75 was largely the result of the replanting and rehabilitation of old coconut stands and their inter-cropping with cocoa, mainly in Selangor and Perak; and pineapples and coffee mainly in Perak and Johor. Inter-cropping with cocoa shows considerable promise for more than doubling income per acre. Under the TMP, such inter-cropping will be actively promoted wherever possible in combination with the introduction of new higher yielding hybrids and the rearing of livestock. The most serious challenge will be the development of suitable inter-crops for Kelantan which contains the highest incidence of poverty and where soil conditions do not permit the cultivation of presently known remunerative supplementary crops.

Fishermen

538. The major reduction in the incidence of poverty among fishermen took place on the West Coast of Peninsular Malaysia where boat mechanization, off-shore fishing and commercial operations advanced. In consequence, the percentage of poor households fell from 50% in 1970 to 32% in 1975 in contrast with the East Coast of Peninsular Malaysia, Sabah and Sarawak where progress was only marginal. On the East Coast of Peninsular Malaysia, the incidence of poverty remained at a high level of 90%. As such, the major part of Government's efforts for the fishing industry will be directed towards

these regions during the TMP. Government programmes aimed at upgrading the productivity of traditional inshore fishermen will receive greater emphasis through the subsidized distribution of boats, engines, nets and gear and the provision of credit and improved marketing. There are limits, however, to income increases from such improvements in productivity in the West Coast as inshore areas are fished more intensively. While commercial off-shore fishing will offer higher income opportunities to some, a significant number will need to be encouraged and assisted to branch out into alternative occupations, in particular, settlement on new public land development schemes. The Rasau-Kerteh FELDA scheme in Trengganu is one such scheme. Vocational training for youth in this group will be provided to prepare them for employment in more productive occupations.

Estate workers

539. The incidence of poverty among estate workers is estimated to have increased during 1971-75. With a predominant number of these workers employed on rubber estates, the rise in the incidence of poverty was due to the slower growth of rubber prices to which wages are tied (1.8% per annum) relative to significant rises in the consumer price index (7.3% per annum) as well as retrenchment arising from the conversion of rubber estates into oil palm. The prospects for a reduction in the incidence of poverty among these households between 1975 and 1980 are, however, good in light of the more favourable price trends which are expected during the next five years.

540. It was previously noted that households in poverty in this sector appear to be mainly those which are one-earner households in comparison with the average of 1.7 earners per family. Such underemployment of labour, evidently most pronounced among Indian households, will be alleviated through the accommodation of some part of this excess labour on new public land development schemes and the extension of vocational training opportunities for youth in these families to prepare them for more effective participation in agriculture and industry. The co-operative movement will also be given encouragement to enable savings to be pooled and entrepreneurship developed.

541. Particular attention will be paid to the provision of educational facilities, housing and basic amenities for estate workers. While employers have a responsibility to provide some of these facilities such as housing, water, lighting and medical care, their standards warrant further improvement, particularly in the smaller estates. The Government will pay increasing attention to ensuring that employers improve these facilities. Efforts will also be made to extend basic public facilities of health, piped water, electricity and transport to these estates. A Revolving Fund with an initial \$10 million has been established to finance a home ownership scheme among workers. A number of plantation managements have set aside land to construct houses for their workers using the facilities of the Revolving Fund. These measures together will make for significant improvements to the quality of life of estate families.

Residents of New Villages

542. While quantitative estimates are not available, qualitative inferences are possible as to broad trends in the incidence of poverty during the last five years and the prospects for 1976-80. Residents of New Villages engaged in non-agricultural activities or self-employment in market gardening, padi, rubber and livestock can be expected to have enjoyed moderate increases of income in consonance with the growth of output and incomes in these sectors of the economy. However, those in wage employment as contract labourers in nearby estates and smallholdings are not likely to have experienced much improvement. On the whole, the prognosis is one of moderate progress in socio-economic conditions among households in New Villages. More sizeable improvements, however, can be expected for the next five years in the light of more favourable conditions envisaged for sectors in which New Village residents are employed.

543. A major effort to be undertaken by the Government in the TMP will be the development and modernization of existing New Villages on a multi-racial basis. The existing facilities for agriculture and industry, particularly small-scale industrial enterprises, as well as basic services will be extended and strengthened. The lack of land and security of tenure—the principal constraints to the advancement of New Village residents at present—will need to be overcome. It will involve expanded alienation of unencumbered land—an effort which is already underway in Perak—as well as opportunities for movement of excess labour into labour-short areas including new public land development schemes.

544. A second major problem is the low level of educational attainment of a significant number of youth in New Villages. They will be encouraged to avail themselves of the increasing opportunities being provided by the Government for vocational training including the apprenticeship of youth in industry in co-operation with the private sector.

Agricultural labourers

545. As for New Village residents, quantitative estimation of changes in the incidence of poverty since 1970 among agricultural labourers is also not possible. On the basis of qualitative evidence, however, only limited improvement in economic conditions, if any, is likely to have been experienced by agricultural labourers (other than estate workers). While those engaged in padi cultivation and mixed agriculture could have benefitted from some increases in income, the conditions of those earning a livelihood as contract tappers on rubber smallholdings could have worsened.

546. While there will continue to be a need for agricultural labour, the economic future of households in this group hinges on maintaining the availability of hired labour at a level relative to demand which permits the earning of reasonable wages. To this end, a faster rate of absorption of agricultural labour into public land development schemes is necessary, giving

those who remain the opportunity to benefit from increases in the demand for agricultural labour on the larger smallholdings as productivity and production expand. Improvement in the living conditions of these households through the provision of basic public utilities will receive the attention of the Government.

Orang Asli

547. As a community, the *Orang Asli* comprise several tribal groups with a total population of about 53,000. The vast majority of them are engaged in traditional subsistence activity: shifting cultivation, hunting, fishing and the gathering of forest produce. Increasing numbers are, however, adapting to smallholder cultivation of rubber and wet padi in permanent plots while others are being employed as agricultural and forest labour. A small number are employed among the clerical and field staff of the *Jabatan Orang Asli*. The vast majority in the traditional agricultural sector are below the poverty line.

548. Government policies for the *Orang Asli* will continue to be directed towards integrating them into the mainstream of the economy. The major programmes seek to extend education and training facilities, improve health services and encourage settlement on land development schemes in reserves specially designed to accommodate the traditional way of life of the *Orang Asli*. Apart from the cultivation of rubber and coconuts, the schemes include the cultivation of short-term subsistence crops such as tapioca, bananas, vegetables and fruits as well as provide access to forested areas for hunting and the gathering of forest produce.

549. In summary, there was a moderate reduction in the incidence of poverty among agricultural households during the SMP from about 70% in 1970 to just over 60% in 1975. Most target groups experienced declines in conformity with that for the entire rural economy, although padi farmers and fishermen on the West Coast of Peninsular Malaysia experienced above average improvements while the positions of fishermen on the East Coast and estate workers appear to have worsened.

550. With the realization of Government's poverty redressal efforts initiated during 1971-75 and the projects to be implemented during the TMP, the prospects are good for further significant reductions in the incidence of poverty during the next five years. The prospects of more favourable trends in the international prices of primary commodities coupled with the expected slowdown of domestic inflation could be helpful in this regard. The incidence of poverty among padi farmers, including the shifting cultivators of Peninsular Malaysia, Sabah and Sarawak, as well as fishermen on the East Coast of Peninsular Malaysia, Sabah and Sarawak will, however, continue to be high and will thus command the special attention of the Government.

Redressal of urban poverty

551. The problems of urban poverty are closely linked with those of the rural poor insofar as rapid growth of the urban population is exacerbated by inflows of excess labour from the rural areas in search of better employment. To the extent that new land development helps in absorbing excess rural labour as well as increases in the rural labour force, existing population pressure in the urban areas will be ameliorated. There are limits, however, to this process even in a land-rich country like Malaysia if agricultural holdings are to be expanded adequately to permit productivity to increase and thus incomes and welfare to improve to a meaningful extent. Further, it is Government's policy to promote migration to new growth centres in the interest of increasing the share of the Malays and other indigenous people in secondary and tertiary industry. Such migration will therefore continue to be a factor which has to be taken into account in the planning of urban development.

552. As such, a basic prerequisite to the redressal of urban poverty is the expansion of *productive* urban-based employment at a sufficiently rapid rate to absorb both the increasing population of the urban areas as well as the flow of the rural population into urban areas. While the number of urban families whose heads of households are unemployed is at present relatively low, the enlargement of employment opportunities for other members in the family within the labour force is essential if more poor households are to be lifted out of poverty. Equally important is the need to increase the quality of employment through reductions in underemployment which again requires that the demand for labour be progressively expanded.

553. Although historically the growth of the economy and employment was significant, it was not sufficient to produce a meaningful enough impact upon the alleviation of urban poverty. While the incidence of poverty declined in most sectors, the absolute number of non-agricultural households in poverty expanded by 23% reflecting the upsurge in the size of the urban population during the 1971-75 period. Even the expanded targets of economic growth and employment of the TMP will not be sufficient to prevent increases in the number of poor urban households during the period. The problems and prospects of these groups in society warrant concerted action.

554. The central features of Government's urban poverty redressal strategy will comprise the implementation of policies which enlarge the scope of employment for the poor and improve their access to basic public services including housing, water supply and sewerage, transportation and family planning. In the endeavour to stimulate the growth of employment and improve its quality, the provision of *tariff protection* and *fiscal* incentives will stress, *inter alia*, the development of efficient labour intensive enterprises so as to increase the direct and indirect employment absorption capacities of the industrial and construction sectors. In particular, the development of small-scale enterprises and petty trading (hawking) will be assisted with

credit, technical expertise and extension services. Not only do they tend to be relatively labour intensive, they also have significant scope for improvement of productivity through the upgrading of skills. In addition, they provide a valuable training ground for the participation of the rural labour force in urban industry and thus offer substantial scope for the creation of a more widely-based Malay commercial and industrial community. The specific measures to be taken for the purpose are described in Chapter XVII.

555. While such employment-oriented strategies will help in the alleviation of urban poverty in the short-term, their full effects will take time to mature. Programmes which benefit more directly the urban poor will therefore be required. Public policy in this regard will focus on expanding the availability and delivery of basic services to the poor at a cost which is within their means thus enhancing their quality of life apart from increasing labour productivity.

556. The programmes for the purpose fall into two groups. The first covers programmes specifically geared to alleviate the most pressing deficiencies in living conditions. To this end, about 100,000 units of low-cost housing within the means of urban households earning less than \$200 per month will be developed; several Sites and Services projects will be implemented in the fringes of urban centres. These schemes will provide new sites and services for industrial, commercial, agricultural and residential purposes with house construction involving the use of the labour of future residents themselves.

557. The second category of programmes covers those whose target population extends beyond that of the poor. With such programmes, the object will be to ensure that an adequate portion of the benefits therefrom reach the poor and have a positive impact on their living conditions. For example, the Kuala Lumpur Urban Transport Project with its emphasis on high-density public bus transport and high-occupancy private car usage has been designed to ensure that a substantial portion of the benefits of the investment would go to low income groups who depend on such transport rather than to high income private car users. Indeed, the project itself will lead to the first Sites and Services scheme under the TMP in the endeavour to ensure that the poor who would otherwise have been dislocated by road construction within the project are strategically placed to benefit from the general development of the area.

RACIAL ECONOMIC BALANCE

VI. RACIAL ECONOMIC DISPARITIES, 1970

558. Progress in the eradication of poverty itself will contribute substantially towards the achievement of greater economic balance among the various races in the country. The problem of poverty being concentrated in the rural areas among the Malays and other indigenous people, its redressal will progressively narrow current income imbalances between them and other Malaysians.

559. Necessary as such progress is to the rectification of existing economic imbalances, it will not, however, be sufficient in the endeavour to restructure Malaysian society so that the current identification of race with economic function may be eventually eliminated. Thus, the second prong of the NEP has as its thrust not merely the progressive reduction of income imbalances but also the restructuring of employment and ownership patterns such that within a generation all racial groups in the nation will participate in and benefit from the process of development in more approximate accordance with their representation in the population.

560. Current disparities in all these dimensions remain wide. As for the eradication of poverty, their progressive reduction will call for sustained and patient effort not merely from the Government but also from all racial groups that constitute the Malaysian people. A brief overview of the disparities at the outset of the SMP is in order.

561. One measure of the difference in income levels between racial groups in the country in 1970 is afforded by a comparison of mean household incomes in Peninsular Malaysia as shown in Table 9-5. It is seen that in comparison with a mean monthly household income of \$264 for the country as a whole, the average varies from a low of \$172 for the Malays to levels above the national average of \$304 for the Indians, \$394 for the Chinese and \$813 for other groups in the country. Reflecting differences in the incidence of poverty by race, Table 9-6 shows that of a total of 900,000 Malay households, 65% were poor. Of a total of 525,000 Chinese households, 26% were poor and among the 160,000 Indian households, 39% were poor. Taking all poor households together, the Malay accounted for 74% of the total, followed by the Chinese, 17% Indian, 8% and Others about 1%.

562. The fairly high incidence of poverty among Other households, despite the fact that the mean income for the group as a whole was the highest, illustrates the wide inequality of income distribution within the group.

TABLE 9-5

PENINSULAR MALAYSIA: MEAN HOUSEHOLD INCOMES, 1970

<i>Groups</i>					<i>Mean household income (\$ per month)</i>
Malay	..	..	..	..	172
Chinese	..	..	..	..	394
Indian	..	..	..	..	304
Others	..	..	..	..	813
<hr/>					
Rural average	..	..	..	..	200
Urban average	..	..	..	..	428
All households	..	..	..	..	264

TABLE 9-6

PENINSULAR MALAYSIA: HOUSEHOLDS IN POVERTY BY RACE, 1970

	<i>All households (000)</i>	<i>Poor households (000)</i>	<i>Poverty incidence (%)</i>	<i>Percentage of total poor households</i>
Malay	901.5	584.2	64.8	73.8
Chinese	525.2	136.3	26.0	17.2
Indian	160.5	62.9	39.2	7.9
Others	18.8	8.4	44.8	1.1
TOTAL	1,606.0	791.8	49.3	100.0
All rural	1,166.7	683.7	58.6	86.3
All urban	439.3	108.1	24.6	13.7

The distributions within other racial groups were much less skewed. Within each community, however, the incidence of poverty was considerably higher for rural than for urban households with the rural-urban differential being particularly large for the Malays.

563. A large part of the above differences in income levels between community groups is to be found in the distribution of their employment in the various sectors of the economy. As indicated in Table 8-2 of Chapter VIII, the Malays were concentrated in agriculture. Value added per worker in agriculture was the lowest among all sectors amounting to only \$1,914 or 40% of value added per worker in the secondary and tertiary sectors in which other community groups predominated. The Malays were even more under-represented in the relatively higher paid jobs in occupational categories such as professional and technical, administrative and managerial and clerical workers. They were mainly employed in lower income occupations within most of the sectors as shown in Table 9-7. Information on the educational attainments of the major community groups indicates the scope of education and training programmes for improving the socio-economic position of the Malays and other indigenous people.

564. A second set of factors accounting for differences in the extent of participation of the various communities in the economic life of the country is the wide inequality in the ownership and control of the existing stock of assets (including land, fixed assets and financial capital). The most up-to-date information available for Peninsular Malaysia, though not complete, indicates the extent of these disparities as shown in Table 9-8 on the ownership by racial composition of land in the modern agricultural sector; fixed assets and turnover values in a number of industries in the secondary and tertiary sectors; and the representation of the different communities in the professional services.

TABLE 9-7

**PENINSULAR MALAYSIA: EMPLOYMENT BY OCCUPATION
AND RACE, 1970**

	Primary sectors ⁸					Secondary sectors ⁹				
	Malay	Chinese	Indian	Others	Total	Malay	Chinese	Indian	Others	Total
Professional and technical workers (%)	1,869 55.9	816 24.4	563 16.9	94 2.8	3,342 100.0	2,609 26.0	5,413 53.9	1,577 15.7	449 4.4	10,048 100.0
Administrative and managerial workers (%)	283 19.8	1,006 70.2	115 8.0	28 2.0	1,432 100.0	1,887 14.7	9,709 75.6	829 6.4	420 3.3	12,845 100.0
Clerical workers (%)	2,531 31.0	2,936 36.0	2,644 32.4	49 0.6	8,160 100.0	14,141 32.1	21,910 49.8	7,324 16.7	625 1.4	44,000 100.0
Sales workers (%)	86 19.2	327 72.8	35 7.8	1 0.2	449 100.0	677 8.7	6,269 80.5	784 10.1	55 0.7	7,785 100.0
Agricultural workers (%)	923,580 68.9	279,480 20.8	126,267 9.4	11,710 0.9	1,341,037 100.0	1,423 45.9	1,130 36.5	521 16.8	26 0.8	3,100 100.0
Production workers (%)	9,348 43.7	6,979 32.6	5,017 23.5	43 0.2	21,387 100.0	96,283 30.5	196,165 62.0	22,985 7.3	761 0.2	316,194 100.0
Service and other workers (%)	13,404 44.4	9,355 31.0	7,359 24.4	75 0.2	30,193 100.0	56,138 33.3	94,464 53.9	17,622 10.4	604 0.4	168,828 100.0
TOTAL (%)	951,101 67.6	300,899 21.4	142,000 10.1	12,000 0.9	1,406,000 100.0	173,158 30.8	335,060 59.5	51,642 9.2	2,940 0.5	562,800 100.0

⁸ Agriculture.⁹ Mining, manufacturing, construction, utilities, transport and communications.

TABLE 9-7—(cont.)

PENINSULAR MALAYSIA: EMPLOYMENT BY OCCUPATION
AND RACE, 1970

	Tertiary sector ¹⁰					All sectors				
Professional and technical workers (%)	56,673 48.7	42,647 36.7	14,373 12.4	2,522 2.2	116,215 100.0	61,151 47.2	48,876 37.7	16,513 12.7	3,065 2.4	129,605 100.0
Administrative and managerial workers (%)	2,929 34.5	4,248 50.1	755 8.9	550 6.5	8,482 100.0	5,099 22.4	14,963 65.7	1,699 7.5	998 4.4	22,759 100.0
Clerical workers (%)	30,087 34.3	46,510 52.9	10,113 11.5	1,150 1.3	87,860 100.0	46,759 33.4	71,356 51.0	20,081 14.3	1,824 1.3	140,020 100.0
Sales workers (%)	74,638 24.2	198,036 64.3	34,038 11.1	1,094 0.4	367,806 100.0	75,401 23.9	204,632 64.7	34,857 11.0	1,150 0.4	316,040 100.0
Agricultural workers (%)	12,970 63.7	2,661 13.1	4,684 23.0	38 0.2	20,353 100.0	937,973 68.7	283,271 20.8	131,472 9.6	11,774 0.9	1,364,490 100.0
Production workers (%)	6,418 30.8	11,549 55.4	2,780 13.3	102 0.5	20,849 100.0	112,049 31.3	214,693 59.9	30,782 8.6	906 0.2	358,430 100.0
Service and other workers (%)	128,682 48.9	92,651 35.2	37,158 14.1	4,844 1.8	263,335 100.0	198,224 42.9	196,470 42.5	62,139 13.4	5,523 1.2	462,356 100.0
TOTAL (%)	312,397 37.9	398,302 48.3	103,901 12.6	10,300 1.2	824,900 100.0	1,436,656 51.4	1,034,261 37.0	297,543 10.7	25,240 0.9	2,793,700 100.0

¹⁰ Trade, commerce, public administration and other services.

TABLE 9-8

**PENINSULAR MALAYSIA: OWNERSHIP AND PARTICIPATION¹¹
IN KEY SECTORS, 1972/73**
(percentage share in each sector)

Sector	Malay	Chinese	Indian	Others ¹²	Foreign
<i>Modern agriculture</i> ¹³ (planted acreage, 1973)					
Rubber and oil palm	21.0	26.3	2.6	7.9	42.2
Coconut and tea	0	19.9	10.8	0.4	68.9
<i>Industry</i> (value of fixed assets, 1972)					
Mining	0.7	35.2	0.1	9.5	54.5
Manufacturing	6.9	32.5	0.8	14.0	45.8
Construction	2.4	85.6	1.4	3.8	6.8
<i>Trade</i> (turnover value, 1972)					
Wholesale	0.8	55.0	2.7	0.6	40.9
Retail	3.6	75.6	6.5	0.2	14.1
<i>Transport</i> (value of fixed assets, 1972)					
Taxi	40.6	39.7	18.0	1.7	0
Bus	18.0	54.3	1.6	16.5	9.6
Haulage	15.3	70.6	5.2	5.8	3.1
<i>Professional establishments</i> ¹⁴ (annual revenue, 1973)					
.. .. .	5.3	51.0	11.4	18.4	13.9

¹¹ In corporate and non-corporate sectors. Establishments are categorized on the basis of majority ownership. Government ownership is added to the Malay category as most of it is held in trust by public enterprises and agencies. In rubber and oil palm, Government ownership, excluding FELDA, is 0.9% and manufacturing, 5.0%.

¹² Includes other Malaysians as well as establishments where no particular group owns more than 50% of the assets.

¹³ Includes FELDA which had a planted acreage of 526,900 in 1973 of which 96.2% was classified as Malay-owned and the balance as non-Malay, with Chinese holding 2.1% and Indians 1.6%.

¹⁴ Private establishments only. It includes doctors, dentists, lawyers, accountants, architects, engineers, surveyors and veterinary surgeons.

565. While non-Malaysians accounted for almost one-half of the ownership of planted acreage in modern agriculture and fixed assets in the industrial sector, the Chinese owned the larger part among Malaysian interests despite, in the case of agriculture, the significant contributions of the Government including FELDA in expanding land ownership among the Malays and other indigenous people. Although Malaysian ownership was more than one-half the total in most of the sectors shown in the Table above, Malay ownership was dominant only in taxi transport. As for the professional services, the Chinese were also the majority followed by Others, non-Malaysians, the Indians and the Malays in that order.

566. Imbalances were even more pronounced in the ownership of equity capital in the corporate sector of the economy. As shown in Table 9-9, the share of foreign interests was 63.3%; Malays and Malay interests only 2.4%; and other Malaysians 34.3% as of 1970 in Peninsular Malaysia. It must be emphasized that foreign ownership is marked only in the corporate sector and not in the economy as a whole. The corporate sector, as a whole, is estimated to have accounted for about 30% of total GDP.

TABLE 9-9

PENINSULAR MALAYSIA: OWNERSHIP OF SHARE CAPITAL IN LIMITED COMPANIES, 1970-75

	1970 ¹⁵		1971 ¹⁵		1972 ¹⁵		1973 ¹⁵		1974 ¹⁶		1975 ¹⁶		Average annual growth rate (%) 1971-75
	\$ million ¹⁷	(%)	\$ million	(%)	\$ million	(%)	\$ million	(%)	\$ million	(%)	\$ million	(%)	
Malays and Malay interests	125.6	2.4	210.1	3.5	286.0	4.2	436.6	5.3	628.4	6.7	768.1	7.8	43.6
Malays ¹⁸	84.4	1.6	114.5	1.9	131.1	1.9	173.8	2.1	207.4	2.2	227.1	2.3	21.9
Malay interests ¹⁹	41.2	0.8	95.6	1.6	154.9	2.3	262.8	3.2	421.0	4.5	541.0	5.5	67.4
Other Malaysians	1,826.5	34.3	2,104.7	35.8	2,418.3	35.7	3,035.8	36.6	3,451.4	37.1	3,687.3	37.3	15.1
Chinese	1,450.5	27.2	1,693.7	28.8	1,935.4	28.6	2,308.9	27.8	2,626.4	28.2	2,755.9	27.9	13.7
Indians	55.9	1.1	71.7	1.2	73.3	1.1	97.4	1.2	111.3	1.2	119.2	1.2	16.3
All Others ²⁰	320.1	6.0	339.3	5.8	407.6	6.0	629.5	7.6	713.7	7.7	812.2	8.2	20.5
Foreign ²¹	3,377.1	63.3	3,573.1	60.7	4,059.0	60.0	4,813.0	58.1	5,233.3	56.2	5,434.7	54.9	10.0
Total private sector ²²	5,329.2	100.0	5,887.9	100.0	6,763.3	100.0	8,285.4	100.0	9,313.0	100.0	9,890.1	100.0	13.2

¹⁵ Actual.¹⁶ Estimated.¹⁷ Totals for 1970 differ from those presented in the SMP and its Mid-Term Review because of the reclassification of trust agencies as Malay interests and reallocation of most of the shares previously categorized as "held by other companies" to the shareholders of these "other companies".¹⁸ Includes institutions channelling private Malay funds such as Amanah Saham MARA and Lembaga Urusan dan Tabung Haji.¹⁹ Shares considered to be held in trust by agencies such as MARA (excluding Amanah Saham) PERNAS, UDA, SEDCS, Bank Bumiputra and Bank Pembangunan.²⁰ Includes nominee companies and third-company minority holdings.²¹ Non-residents. Shares held by individuals and net assets, in 1970 prices, of branches of companies incorporated abroad.²² Excludes the Government and its agencies except the trust agencies.

567. The overall aim of Government's strategies for the restructuring of society is the progressive attainment of balanced participation by all communities in the socio-economic life of the nation by eliminating the present identification of race with economic function. Apart from the role of poverty redressal itself in expanding opportunities for the poor, the bulk of whom are Malays and other indigenous people, the restructuring of society will be undertaken through the implementation of a wide spectrum of policies and programmes geared to ensure that all racial groups are able to find employment, secure a physical presence and acquire ownership and control in the various sectors of the economy in proportions which are consonant with the requirements of the NEP—a fundamental requirement for social justice.

568. As the Malays and other indigenous people are particularly disadvantaged at present in this regard, special policies and programmes would continue to be implemented for them. To this end, the creation of a commercial and industrial community among the Malays and other indigenous people is a vital requirement.

569. Important as are the specific measures to be taken to restructure employment and the ownership of capital, it is to be emphasized at the same time that they are but one in a wide range of policies and programmes for greater socio-economic balance in the country. As such, it is vital that they should be implemented in a manner which contributes optimally to the aims of the NEP taking into account the inter-dependence of the various policies and programmes being undertaken for the purpose. In this connection, continued rapid economic growth is a critical requirement if opportunities and resources are to be generated on a scale sufficient to bring about progressive attainment of the goals of poverty eradication and the restructuring of society. *Thus, it is important that in the implementation of the specific measures for employment and ownership restructuring, the investment climate and the prospects for overall economic growth should be strengthened for the underlying objective remains that of fair distribution through rapid economic growth so that no one will be deprived of his rights, privileges, income, job or opportunities.*

570. As explained previously, the benefits of the programmes designed to correct imbalances and restructure society within the time frame of the NEP would initially generate benefits and opportunities for other Malaysians as well. As they are at present better endowed with the necessary skills, capital and expertise, their full involvement and participation in all the programmes of the TMP can be expected. This participation is consistent with the strategy to mobilize the full potential of the local private sector to complement the efforts of the Government to achieve the objectives of the NEP.

571. In addition to benefitting from the increased pace of economic activity, there is wide scope and potential for local investors as well as foreign interests to participate in joint-ventures with the Malays and other indigenous people. Such joint-ventures will open up investment opportunities for all, as well as accelerate the integration of the Malays and other indigenous people into the mainstream of modern economic activity.

VII. PROGRESS IN RESTRUCTURING, 1971-75 AND PROSPECTS, 1976-80

572. In the light of the above, the restructuring objectives of the NEP seek to:

- (i) increase the productivity and enhance the quality of life of the rural poor through rural modernization;
- (ii) reduce, in progressive steps and through overall economic growth, current imbalances in employment so that the proportion of the various races in the major sectors of the economy would reflect the racial composition of the population by 1990;
- (iii) increase progressively and through overall growth of the economy, the share of Malaysians in the ownership of productive capital in the economy including corporate stock and in particular that of the Malays and other indigenous people who currently account for a share which is particularly low in comparison with their representation in the population; and
- (iv) ensure the creation of a commercial and industrial community among the Malays and other indigenous people in all categories and at all levels of operation in order that within one generation they will be full partners in the economic life of the nation.

573. The progress, prospects and policies in regard to the first objective above were discussed in Section V of this Chapter. The progress, prospects and policies with respect to the remaining objectives are covered hereunder, the details of which are provided in the particular chapters concerned in this Plan.

Restructuring of employment

574. With employment having grown by 3.5% per annum in Peninsular Malaysia or by 523,000 jobs for the period 1971-75, significant scope was created for restructuring the racial composition of employment. In the event, Malay employment expanded by 4.0% per annum; Chinese, 3.1%; and Indians, 2.8% as shown in Table 9-10 below. This, in turn, raised the share of Malay employment in manufacturing, construction, mining and trade from 25.3% in 1970 to 32% in 1975, while its share in agriculture remained at about the 1970 level. Although Chinese employment rose in absolute terms in these sectors, its share in percentage terms declined in all sectors except in services. The share of Indian employment rose in agriculture, mining and manufacturing but fell sharply in the utilities sector.

TABLE 9-10

PENINSULAR MALAYSIA: EMPLOYMENT BY SECTOR AND RACE,
1970-75

Sector	Malay			Chinese			Indian			Others			Total		
	1970 (000)	1975 (000)	Average annual rate of growth (%)	1970 (000)	1975 (000)	Average annual rate of growth (%)	1970 (000)	1975 (000)	Average annual rate of growth (%)	1970 (000)	1975 (000)	Average annual rate of growth (%)	1970 (000)	1975 (000)	Average annual rate of growth (%)
Agriculture, forestry and fishing	951.1	1,032.6	1.7	300.9	317.6	1.1	142.0	170.3	3.7	12.0	13.8	2.8	1,406.0	1,534.3	1.8
Mining	21.1	27.7	5.6	56.3	47.6	-3.3	7.2	8.0	2.1	0.7	0.4	-10.6	85.3	83.7	-0.4
Manufacturing	76.3	120.1	9.5	172.6	217.3	4.7	14.0	24.3	11.7	1.0	1.1	1.9	263.9	362.8	6.6
Construction	16.8	28.1	10.8	55.9	58.6	0.9	4.7	10.2	16.8	0.2	0.5	20.1	77.6	97.4	4.7
Utilities	8.0	13.1	10.4	3.0	3.0	0	5.4	5.1	-1.1	0.2	0.2	0	16.6	21.4	5.2
Transport, storage and com- munications	50.9	76.0	8.4	47.3	60.4	5.0	20.4	23.5	2.9	0.8	1.1	6.6	119.4	161.0	6.2
Commerce	82.5	145.2	12.0	229.1	281.8	4.2	37.5	32.3	-2.9	1.8	0.5	-22.6	350.9	459.8	5.6
Services	229.9	302.0	5.6	169.2	217.8	5.2	66.4	68.0	0.5	8.5	9.0	1.1	474.0	596.8	4.7
TOTAL	1,436.6	1,744.8	4.0	1,034.3	1,204.1	3.1	297.6	341.7	2.8	25.2	26.6	1.1	2,793.7	3,317.2	3.5

575. Taking account of labour force growth within each community, the unemployment rate is estimated to have fallen significantly from 8.1% in 1970 to 6.9% in 1975 for the Malays. However, in absolute terms, the number of unemployed among the Malays increased marginally from 126,400 to 128,300. The unemployment rate among the Chinese increased slightly from 7.0% in 1970 to 7.2% in 1975 with the absolute number unemployed increasing from 77,300 to 93,800. Among the Indians, the unemployment rate rose from 11.0% in 1970 to 12.2% in 1975 or from 36,800 to 47,300. It is to be noted that these estimates are only for open unemployment. Underemployment continues to be high especially in agriculture and is thus concentrated among the Malays and other indigenous people in Peninsular Malaysia, Sabah and Sarawak.

576. On the assumption that these trends continue during the next five years, the share of Malay employment in the dynamic and modern sectors of the economy will improve further. However, the share of the Chinese in agricultural activity will continue to remain substantially below the levels required if racial balance in all major sectors of the economy is to be attained by 1990. In the case of the Indians, the fundamental need would be to promote overall expansion, in absolute terms, of opportunities for employment so that by 1990 unemployment within the community would be in reasonable balance with that of other communities.

577. Corrective action will be taken to steer the growth of employment for each of the communities in such ways that the long-term objective of racial balance in employment in approximate consonance with the racial composition of the population is achieved by 1990. To this end, public policy will be guided by the following priorities.

578. Expansion of the current shares of employment of the Malays and other indigenous people in mining, manufacturing, construction and commerce from about 32% in 1975 to 50% in 1990 will require that emphasis continue to be given to the *education and training* of the community in the sciences, technology and business management. This is particularly evident when it is noted that employment of the Malays and other indigenous people is mainly concentrated at the lower levels of the occupational hierarchy. The programmes and projects for the purpose are discussed in detail in Chapter XXII.

579. Together, with these basic efforts to prepare the Malays and other indigenous people for productive participation in industry and commerce, the labour market services of the Government will continue to be operated in ways which promote their absorption into the modern sectors of the economy while investment incentives will continue to be granted on condition that the enterprises benefitting from these concessions reflect Government policy in the racial composition of their work force. Pragmatism, however, will underlie the implementation of Government's

policies in this regard. In cases where there is evidence that the participation of the Malays and other indigenous people in the degree required is not immediately feasible, the requirements of policy will be relaxed subject to fuller participation being provided for at the earliest possible opportunity.

580. As the employment of the Malays and other indigenous people in the secondary and tertiary sectors of the economy advances, it will become increasingly necessary for the Federal Government, in conjunction with the State Governments, to make available more adequate opportunities for other Malaysians, in particular the Chinese, to participate in productive agriculture. With their demonstrated interest and enterprise, especially in horticulture, there is significant scope indeed not only for the development of high-value agriculture but also the creation within the countryside of a society whose racial composition reflects that of Malaysia as a whole.

581. To this end, efforts will be made in the selection of settlers for public land development schemes, including FELDA projects, to provide for greater representation of other Malaysian households in poverty. It will be the aim of the Government to allocate an increasing number of places in such schemes for settlement by poor households among other Malaysians. It should go some way in alleviating poverty among other Malaysians households who account for about 26% of the estimated number of poor families in Peninsular Malaysia. As an effort towards this end, the feasibility of developing farm enterprise schemes will be considered in the course of the TMP. This is intended as an innovation in land development strategy to facilitate greater absorption of the population in agricultural development. Characterized by a greater measure of self-help in their development, maintenance and management and allowing for a greater variety of cropping patterns in accordance with the aptitudes and preferences of settlers, they should appeal to the poor of all racial groups who would prefer a lesser measure of central direction than is now characteristic of public land development schemes.

582. Finally, more purposeful attention will need to be given to the problem of Indian unemployment which now stands at a high 12.2% of the labour force. Apart from the expanded provision of places in tertiary educational institutions for Indian youth, especially those in the estate sector, efforts will be made to enlarge the scope for Indian employment within the public sector. Trends indicate that without such an effort, the share of Indian employment in percentage terms in the services sector where the public services now account for about 13% of all jobs, is likely to fall sizeably below the level targetted for 1990.

Restructuring of ownership

583. As the implementation of Government policies and programmes for the redressal of poverty and the creation of a commercial and industrial community among the Malays and other indigenous people gathers momentum, current imbalances in the ownership of productive assets in the

economy will narrow. Notwithstanding this, special efforts will continue to be made to restructure the ownership of share capital in the corporate sector in view of its strategic role in the economy.

584. Statistical information on the ownership of share capital in the corporate sector by race for the period 1970-73 and estimates for the years 1974-75 indicate reasonable improvement over the 1970 pattern. It is estimated that the value of equity stock held by Malay individuals and interests increased by 43.6% per annum. As a proportion of all equity capital, the share of the Malays and Malay interests expanded from 2.4% in 1970 to 7.8% in 1975—no mean achievement but still short of the target of 9% for 1975. It is to be noted that this improvement is largely due to the increases in the share capital held by public sector agencies which can be said to be holding these shares in trust for the Malays and other indigenous people. The value of share capital held by other Malaysians increased by 15.1% per annum with their share in the total rising from 34.3% in 1970 to 37.3% in 1975. The holdings of foreign interests also grew by 10% per annum, although in proportion to the total, they fell from 63.3% in 1970 to 54.9% in 1975. With accelerated economic growth and continued Government effort and support, the prospects are favourable for further structural change in ownership patterns in accordance with the targets of the NEP.

585. Under the SMP, the Government introduced special measures aimed at accelerating the participation of the Malays and other indigenous people in the ownership of share capital. Apart from the creation of special agencies to spearhead their participation in commerce and industry, the measures taken included, *inter alia*, the more effective mobilization of their savings through institutions such as the unit trusts as well as the provision of greater opportunities for them to acquire new shares by requiring companies enjoying special incentives, or those seeking to restructure their ownership, to reserve at least 30% of their equity capital for the Malays and other indigenous people. While there are indications that the savings of the Malays and other indigenous people have risen, the increases have not been sufficient in relation to the amount of shares reserved for them. In the light of this, the Government is setting up, under the TMP, a *Bumiputra Investment Fund* to selectively acquire the reserved shares in enterprises with high growth potential for subsequent sale to Malays and other indigenous people. An allocation of \$200 million has been provided for this purpose under the TMP.

586. The contributions of Government agencies, specially set up to spearhead the creation of a Malay commercial and industrial community, were substantial in raising the share of the Malays in equity ownership. Through their programmes, projects and subsidiary enterprises under the SMP, the *Majlis Amanah Rakyat* (MARA), *Perbadanan Nasional* (PERNAS), *Urban Development Authority* (UDA), *Bank Bumiputra*, *Bank Pembangunan* and the *State Economic Development Corporations* (SEDCs) created and

acquired corporate stock amounting to \$541 million to be held in trust for the Malays and other indigenous people until they are in a position to acquire them from their own savings. While the large allocations for these agencies under the TMP will enable progress to be sustained, further allocations will be provided in the course of the Plan period should the agencies concerned demonstrate enhanced capacity for the implementation of an expanded effort.

587. The Foreign Investment Committee (FIC) was established within the Government in 1974 *inter alia* to ensure that in the formation of new corporations and the restructuring of existing ones constructive progress is achieved in meeting the targets of the NEP. A substantial part of the progress reported above is as much a reflection of the close co-operation extended to Government by private enterprises, both local and foreign, and the high sense of social responsibility which they continue to display, as it is to the painstaking and patient work of the FIC in a most difficult area. The fact that much uncertainty and apprehension existed nevertheless over the objectives and implementation of the Government's restructuring policies was to be expected given the significant change that they implied in the role of the Government *vis-a-vis* decision-making in the private sector.

588. Taking account of these apprehensions, the Government has reviewed in-depth its policies in this regard and confirms the following as *basic principles* which will underlie implementation of the targets of the NEP for restructuring the ownership of equity capital in the corporate sector:

- (i) Present imbalances in the ownership of equity stock in individual enterprises will be corrected mainly through growth. Disinvestment of existing stock will not be compulsorily enforced for the purpose of executing the restructuring objectives of the Government.
- (ii) Growth, however, will not be interpreted only in terms of equity expansion as growth may occur not merely by way of stock expansion. A mutually acceptable measurement will be developed in consultation with the private sector.
- (iii) As the racial pattern of ownership sought by the NEP in 1990 is a global target, it will not necessarily be applied at the level of individual enterprises in the economy. While the Government will seek different degrees of majority Malaysian control in different industries, it continues to be prepared to allow foreign majority control for enterprises in sectors like manufacturing where foreign technology, management expertise and capital are required for the accelerated growth of the industry concerned.
- (iv) The ownership targets of the NEP for 1990 are in general to be achieved by steady progress in the intervening period except in the case of a number of specified industries (including the extractive and resource-based industries) for which immediate conformance will be required.

589. The above are basic principles—the spirit of which will also be observed in the implementation of the universe of policies and programmes coming under the second prong of the N.E.P. There can be no question but that the effort to restructure society in all its socio-economic dimensions will be sustained. In the process, however, the Government stands ready to take such action as may be necessary to ensure that no particular group, local or foreign, will experience any loss or feel any sense of deprivation.

Creating a commercial and industrial community among the Malays and other indigenous people

590. The Government seeks the creation of a commercial and industrial community among the Malays and other indigenous people in order to enable them to become full partners in the economic life of the nation. The target for the purpose is that by 1990, they should be able to own and manage at least 30% of the country's commercial and industrial sectors in all categories and scales of operation. Important as this quantified capitalization target is for planning purposes, it must be kept in perspective. Far more significant will be the systematic development of those facilities which promote their entrepreneurial participation in commerce and industry. The mutually supportive programmes for the purpose may be classified into four categories: (i) the extension of credit facilities especially for small enterprises; (ii) the provision of training and technical assistance; (iii) the implementation of administrative measures designed to induce entrepreneurs among the Malays and other indigenous people to participate in the commercial and industrial sector; and (iv) the establishment and expansion of special Government agencies to spearhead the effort in creating a commercial and industrial community among them.

591. *Credit assistance* Significant progress was made under the SMP by Government agencies as well as commercial banks and finance companies in increasing the supply of credit to enterprises belonging to the Malays and other indigenous people. In addition to the activities of existing Government and Government-supported agencies like MARA, the Malaysian Industrial Development Finance Bhd. (MIDF), Malaysian Industrial Estates Sdn. Bhd. (MIEL) and *Bank Bumiputra*, new institutions were set up for the purpose including UDA, the Credit Guarantee Corporation (CGC) and *Bank Pembangunan*.

592. During the period, MARA extended a total of 27,700 loans amounting to \$163 million including guarantees compared with about \$70 million for the period 1951-70. With such expansion of its operations, it is becoming increasingly important for its loan management capacity to be constantly upgraded. MIDF approved almost \$70 million out of a total issued amount of about \$417 million for business enterprises of the Malays and other indigenous people. Though originally intended primarily to promote industrial development through the provision of medium and long-term credit for manufacturing industries, MIDF has set up a special *Bumiputra Assistance Unit* to enable it to assist in the development of small and

medium-sized enterprises owned by the Malays and other indigenous people. Through MIEL, a wholly-owned subsidiary of MIDF, their access to the acquirement of factory buildings has also been facilitated through loan assistance on soft terms. UDA provided some \$15 million to Malay entrepreneurs through its direct financing window. In addition, its equity and management participation package enables its joint-venture Malay partners to buy over, at cost, UDA's equity in the venture after it has proved to be viable and successful.

593. An important complementary role was played by the *commercial banking system*, under the initiative of *Bank Negara Malaysia*, which accorded priority in the granting of credit facilities to the Malays and other indigenous people. As a proportion of total bank credit to the private sector, credit outstanding to the Malay and other indigenous community increased from 3.4% at the end of 1970 to 12.2% at the end of 1975. More than 30% of the total increase in commercial bank lending to the private sector was made available to them in 1974 and 1975 compared to 9% in 1970-73.

594. As a special effort, the Government set up its own commercial bank, *Bank Bumiputra*, to provide the Malays and other indigenous people greater access to commercial credit. Out of a total amount of over \$980 million in loans outstanding with *Bank Bumiputra* at the end of 1975, some 30% was for the Malays and other indigenous people and 14% for joint-ventures between Malays and other Malaysians. With its 42 branches spread throughout the country, the Bank has become an important instrument in the creation of a commercial and industrial community among the Malays and other indigenous people.

595. Another important institution is the CGC, established in 1973, whose credit guarantee scheme covers loans and advances extended by the commercial banks to small enterprises to finance operational and capital requirements. While the maximum limit of loans under the scheme is \$100,000 per loan, it was raised to \$200,000 in May 1975 for Malay and other indigenous businessmen. By the end of 1975, loans given to them numbered over 25,000 or 72% of the total number of loans registered with the Corporation and accounted for 42% of the total amount of loans approved.

596. Under the TMP, the commercial banking system will be encouraged to further extend the scope of its recent endeavours. In this regard, the establishment by all commercial banks of special units to deal solely with loans to the Malay and other indigenous community and small borrowers augurs well for the future. The operations of Government agencies themselves will continue to expand while the steps being taken to integrate credit on the one hand with technical assistance and consultancy on the other will help assure that financial assistance is put to efficient and productive use. In this connection, the CGC's integrated credit scheme introduced in Kelantan in 1975 in conjunction with MARA and the National Productivity Centre (NPC) will be gradually extended to all States in the country under the TMP.

597. *Training and technical assistance* The principal arms of the Government in the extension of training and technical assistance include the NPC, MARA, *Institusi Teknologi MARA* (ITM), MIDF, MIDF Industrial Consultants Sdn. Bhd. (MIDFIC), the Federal Industrial Development Authority (FIDA) and *Bank Negara Malaysia*. Designed to expose potential entrepreneurs to the complexities of the business environment and develop business skills, the NPC provides among its other programmes, short courses in the technical and management aspects of business and in entrepreneurial development apart from the provision of subsidized industrial consultancies; MARA assists small businessmen by way of consultancy services, feasibility studies, training courses and advice in the formation and management of business ventures; ITM, in conjunction with the private sector, helps prepare university graduates for executive positions through its *Programme for Executive Development* introduced in 1973; while *Bank Negara Malaysia* through its special training programme offers similar assistance in the field of banking; MIDF, through its wholly-owned subsidiary, MIDFIC, offers a wide range of consultancy services from market research to financial management with special emphasis on the requirements of the enterprises of the Malays and other indigenous people and FIDA assists with feasibility studies and information on sources of advice with respect to technical matters, finance and international market contacts.

598. In the extension of this range of services under the TMP, new initiatives will also be developed. An important new project is the establishment of the *Entrepreneurial Development Centre* within the ITM. The production of trainers, extension workers and field consultants will contribute greatly to alleviating existing skill shortages which inhibit expansion of the training and technical assistance programmes of the Government.

599. *Administrative measures* The implementation of administrative measures to help businessmen among the Malays and other indigenous people to participate in the modern sector of the economy will continue under the TMP. They take the form of price preferences in favour of Malay and other indigenous suppliers ranging from 2%-10% for supplies of goods and services of up to \$5 million in value and the reservation of at least 30% of the value of all works contracted out by the Public Works Department (PWD)—the largest contract-issuing Department of the Government—for Malays and other indigenous contractors. This includes specified quotas in the award of transport operating licences and the reservation of specific percentages of trading areas and licences for them.

600. Assisted by the above measures, the number of Malay works contractors registered with the PWD increased from 2,064 in 1972 to 4,331 by December, 1975, an increase of about 110% over the four years. More significant is the fact that over the same period, the number of Malay contractors in classes A to C increased three-fold from a mere 47 in 1972 to 142 in 1975. In the road haulage industry, the share of the Malays in the

total number of general haulage or "A" licences issued increased from 10% in 1970 to 54% in 1975 or from 249 to 3,234. The Malay share in taxi and hire-car licences remained at around 60% during the SMP period.

601. *Government participation in the private sector on behalf of the Malays and other indigenous people* The role of MARA, PERNAS, UDA and the SEDCs in economic development and the extension of credit, training and technical assistance has already been referred to. Apart from these functions, the above agencies have the important task of establishing industrial and commercial enterprises in joint-venture with or in trust for Malay and other indigenous entrepreneurs especially in industries where Malaysians, particularly the Malays and other indigenous people are under-represented.

602. The share capital in the enterprises created and held in trust by these agencies will be sold to the Malays and other indigenous people as they accumulate savings and as these enterprises show sustained profitability. Except for small enterprises, divestment will be carried out in stages to ensure continuity of sound management so as to protect the interests of the new shareholders. It may be necessary therefore for the Government to retain a majority holding at least for the initial period. In addition the Government will also ensure that in the process, a broad-based distribution is achieved.

603. Under the SMP, MARA invested a total of almost \$54 million *inter alia* in manufacturing enterprises (including textiles, leather wear and wood products); and about \$24 million in trading and transport enterprises (including bus and lorry transport, tourist transportation, motor repairing and spare parts, tyre retreading and boat construction and repair). In addition, MARA launched a major project—the *Kompleks Kewangan Malaysia Bhd.*—for the purpose of mobilizing the savings of the Malays and other indigenous people for investment in corporate stock. A holding company with a paid-up capital of \$48 million, *Kompleks Kewangan* now encompasses eight subsidiaries with a total paid-up capital of about \$40 million, including the MARA Unit Trust which has a paid-up capital of \$20 million. Many of these subsidiaries are joint-ventures with established foreign firms with interests in merchant banking, foreign exchange and share trading and investment management.

604. PERNAS also is a holding company which was formed in 1969 with a paid-up capital of \$11.25 million. With the conversion of the Government's interest-free loan into equity in 1974, the holding company's total paid-up capital now stands at \$116.25 million and its authorized capital is \$500 million compared to the original \$50 million.

605. PERNAS now controls eight major wholly-owned subsidiaries in engineering, construction, mining, properties, securities, insurance, trading and commerce. The total paid-up capital of these subsidiaries now stands at over \$100 million compared with about \$16 million in 1971. These operating

subsidiaries have, in turn, spawned their own subsidiaries or associated companies—most of which are joint-ventures with foreign private enterprises—or brought into existing concerns involving equity investment of almost \$380 million. In consequence, PERNAS has extended its reach into even wider fields of activity encompassing cement production, electronics and other electrical machinery manufacture, palm oil, hotel development, rubber products and shipbuilding among others. Moving dynamically in search of promising opportunities, PERNAS has contributed significantly to the objectives of enlarging the ownership and employment as well as the experience of the Malays and other indigenous people in commerce and industry.

606. Formed in 1971, an important objective of UDA is to widen the access of the Malays and other indigenous people to the ownership of urban property in order to facilitate their productive participation in urban-based commerce. Thus, apart from the promotion of overall urban development and renewal, UDA's activities have included the acquirement, through lease or purchase, as well as the construction of shop facilities and business properties—in some cases in joint-venture with the private sector: the sale or lease of such properties on easy terms to the Malays and other indigenous people; and the extension of financial assistance to Malay traders for renovation and development of existing premises and purchase of equipment. Though initially concentrated in Kuala Lumpur, UDA's activities have gradually been extended to other urban centres including Petaling Jaya, Kota Bharu, Penang, Kuantan, Tampoi and Johor Bahru.

607. The SEDCs constitute the principal arms of the State Governments in the promotion of economic development generally as well as greater participation by the Malays and other indigenous people in commerce and industry. Funded jointly by the Federal Government and the State Governments concerned, the activities of the SEDCs have encompassed the establishment and management of industrial estates and Free Trade Zones; the establishment of agricultural, industrial, commercial and construction enterprises through wholly-owned subsidiaries or in joint-venture with the private sector; the resuscitation of ailing industries owned by the Malays and other indigenous people; and the construction of business premises, shopping complexes and residential housing units.

608. As of the end of 1975, the SEDCs were associated in varying degrees of involvement with over 220 commercial and industrial ventures. These included domestic resource-based industries (rubber, wood, and food products and sugar refining); labour intensive industries (textiles, electronic components and motor assembly); and industries with high potential for vertical integration with existing industries (carbon black, concrete products and cement). In the commercial field a number of SEDCs have established wholesale distribution chains, assisted in the marketing and distribution of essential commodities like rice and fish and promoted the development of hotel and tourist enterprises. In Sabah and Sarawak, in addition to the role

played by MARA and the SEDCs, institutions such as the Sabah Foundation, the Borneo Development Corporation and the land development agencies made significant contributions towards increasing the share of the *Bumiputra* community in the modern sector of the economy.

609. Together, these public corporations have played a pioneering role in preparing the ground for progressively wider involvement and participation of the Malays and other indigenous people in commerce and industry. To be sure, the commercial performance of the enterprises that have been started, as of a number of the public corporations themselves, has been mixed. This is only to be expected given the difficult entrepreneurial role they have had to discharge and the objectives of social policy they have had to meet.

610. The funds to be allocated to the above public corporations, including *Bank Pembangunan* and the *Bumiputra Investment Fund*, amount to over \$1.4 billion or 85% larger than that expended during 1971-75. While such funding should enable the momentum of progress initiated under the SMP to be sustained, the object of public policy will be to ensure that in the utilization of these resources, an even more significant impact upon the objective of increasing the participation of the Malays and other indigenous people in the modern sector will be achieved given the experience of the past five years. To this end, role rationalization among enterprises, the expansion of capacity and productive efficiency as well as competitiveness will be emphasized. At the same time, steps will also be taken to ensure that public enterprises do not venture into industries in direct competition with Malays and other indigenous people or where prospects for their participation are promising.

VIII. CONCLUSION

611. The attack on poverty and racial economic imbalance has been squarely joined. The record of the SMP is one of significant advance in several important aspects of basic social concern. The efforts toward redressing rural as well as urban poverty are bearing fruit. The beginnings of a restructured society in the socio-economic arena are already evident. Above all, a far wider social consciousness exists today of the efforts that must be made if the battle for social justice is to be won.

612. But much more remains to be done especially as expectations will continue to rise. The fact that the incidence of poverty has declined is little solace to the thousands who remain poor. That the Malays and other indigenous people are obtaining far greater opportunities than they received before for earning decent incomes, sharing in the commercial and industrial life of the nation, living in better conditions and benefitting from education does not detract from the fact that the community is still far behind other Malaysians in most social and economic categories. Striking as the gains have been, they are certainly no cause for complacency for a Government committed to the conviction that absolute poverty and inequality of opportunity for socio-economic advancement are untenable in a country as rich in natural and human resources as Malaysia is.

613. The range of policies and programmes indicated in this Chapter manifests the magnitude of the effort that will continue to be made by the Government for the eradication of poverty and the restructuring of society. However, Government effort alone will not be enough if sustained progress is to be achieved. The role of the elected representatives of the people and individual Government officials in formulating and implementing programmes to meet the objectives of the NEP will be critical. Integrity, efficiency and professionalism are fundamental requirements on their part. A positive role by the private sector is also critically important. Accounting for about one-half of the total investment to be undertaken under the TMP, a higher degree of sensitivity to the dictates of social policy will be necessary if the private sector is to effectively complement the efforts of the Government. Every effort will be made to ensure that the investment climate conduces towards active participation by the private sector in the development process. Above all, the participation of the people will be integral to the success of the Plan. Productive use by them of the opportunities, services and facilities to be provided by the TMP is paramount.

CHAPTER X

Regional Development

I. OBJECTIVES AND STRATEGY

614. The regional development strategy under the New Economic Policy (NEP) seeks to bring about closer integration among the States of Malaysia. This will be achieved through redressing economic and structural imbalances among the regions within the country. It will draw and build upon the strengths of each region for agricultural and industrial development particularly in the less developed States, to ensure that regional development contributes towards the national goals for economic development. The underlying aim is equitable distribution not only of income but also of facilities for health, education, utilities, services, recreation, housing and most important of all, opportunities for social and economic advancement of the people in accordance with the goals of the NEP.

615. In the light of the unequal distribution of natural resources and population, selective relocation of people to areas where development opportunities and potentials exist will be a necessary element in the strategy for regional development. Such relocation is necessary to reduce pressures in areas where population density is high and the environment for development less favourable, as well as provide the labour force needed for land settlement and other development projects in population scarce areas.

616. To the extent that accelerated development of the urban sector in the less developed States entails massive capital investment, there may be a short-run trade-off between the socio-economic aims for reducing regional differences on the one hand and overall economic growth objectives on the other. In the longer run, however, such investments would not only benefit directly the areas involved but also the country as a whole as they would help avoid congestion in densely populated areas; hasten the development of resources in the East Coast of Peninsular Malaysia, Sabah and Sarawak; bring about settlement of resource-rich virgin lands; and encourage outflows of labour from congested areas to other areas with under-developed resources. In the final analysis, the regional development strategy seeks to ensure that the nation makes optimal use of its resources for the advancement of all Malaysians.

II. DIMENSIONS OF THE PROBLEM

617. The current dimensions of regional inequality may be seen in the data provided in Tables 10-1 to 10-3. Data on the *per capita* Gross Domestic Product (GDP) of the different States in Malaysia provide a measure of income differences. In 1970, Selangor including the Federal Territory had a *per capita* GDP almost 63% higher than the average for Malaysia. Sabah came next with a *per capita* GDP about 19% higher than the Malaysian average. The *per capita* GDP in Negri Sembilan, Pahang, Penang and Perak were about the average, with that of Johor, Sarawak and Malacca lower by some 10%-20%. The poorest States of Kedah, Perlis, Trengganu and Kelantan had *per capita* GDP less than two-thirds the Malaysian average, with Kelantan the poorest having a *per capita* GDP less than one-half the average and more than three times below that of Selangor.

618. A number of social indicators for 1975 shown in Table 10-2 also reflect the broad pattern of disparities in living standards. As indicated by the data on *per capita* services, the more developed States of Selangor and Penang enjoy levels of services much higher than in the least developed States. *Per capita* value added in commerce for Selangor and Penang was almost twice as high as that of the Malaysian average and five to six times higher than that of the least developed States of Kedah, Kelantan, Perlis and Trengganu. Similar disparities were evident in the case of public utilities (water, electricity and sewerage) and transport services and to a lesser extent, other services. *Per capita* services in the remaining States were closer to the national average. In spite of its high *per capita* GDP, Pahang had a low level of development in the services sectors, reflecting the frontier nature of its economy which continues to be concentrated in the primary resource-based sectors.

619. Within the public sector, the disparities are less marked for education and health, reflecting the Government's policies to provide services on a more equitable basis. Thus in education, the pupil-teacher ratio was about the same for most States, ranging from 29.6 to 32.5 with a mean of 30.8, with the exception of Negri Sembilan and Sabah which had ratios of 27.2 and 26.2 respectively. In relation to public health facilities, as indicated by population served per acute hospital bed, the less developed States are the worst off. Kelantan had 934 persons per acute hospital bed compared with the national average of 627. Negri Sembilan had 398 persons per bed. Rural health facilities, however, are more equitably distributed, with the number of rural population per health centre or rural clinic being more favourable for States like Trengganu and Kelantan and less favourable for the more developed States like Selangor, Penang and Perak.

620. With respect to ownership of vehicles, Selangor had ratios of 7.4 private cars and 8.7 motor cycles per hundred persons, Penang, 5.1 and 10.0 and Perak, 3.1 and 6.8 respectively. The average ratios for Malaysia were 3.8 and 6.9 respectively. In contrast, the corresponding ratios for the least developed States were Kelantan, 1.5 and 3.4, Trengganu, 1.2 and 3.1 and Kedah/Perlis, 1.8 and 6.1.

TABLE 10-1

**MALAYSIA: GROSS DOMESTIC PRODUCT BY SECTOR OF ORIGIN
AND STATE, 1970**
(\$ million)

Sector	Johor	Kedah/ Perlis ¹	Kelantan	Malacca	Negeri Sembilan	Pahang	Penang	Perak	Sabah	Sarawak	Selangor ²	Trengganu	Malaysia
Agriculture, forestry, fishing etc ..	489.6	426.3	139.6	105.4	181.9	224.0	155.0	486.2	405.0	319.0	399.4	100.8	3,432
Mining and quarrying ..	26.9	4.0	0.4	0.2	2.4	55.0	1.1	301.7	2.0	30.0	154.6	34.6	613
Manufacturing ..	166.7	46.5	17.9	19.8	75.9	38.5	101.2	142.4	19.0	81.0	586.0	12.4	1,307
Construction ..	24.2	37.2	19.2	4.8	27.6	11.5	45.9	39.8	48.0	46.0	172.4	4.8	481
Utilities ..	23.9	6.5	4.0	8.3	11.1	5.6	24.8	59.0	10.0	11.0	78.7	1.6	245
Transport, storage and communi- cations..	70.6	26.4	25.0	15.7	31.8	25.5	59.6	66.4	36.0	56.0	183.1	10.1	606
Wholesale and retail trade ..	130.1	41.7	35.6	77.5	45.4	36.9	212.5	187.7	79.0	116.0	443.1	17.2	1,423
Ownership of dwellings, banking, insurance and real estate ..	84.3	56.8	29.6	27.3	33.7	40.3	77.1	114.2	58.0	66.0	220.6	27.8	836
Public administration and defence ..	89.4	46.1	28.4	36.9	43.4	46.0	34.0	83.0	40.0	45.0	280.9	21.2	794
Other services ..	88.2	51.8	29.9	38.6	36.5	28.7	83.5	117.8	73.0	90.0	217.9	18.6	874
Statistical discrepancy ..	—	—	—	—	—	—	—	—	—	—	—	—	+97
Gross domestic product (GDP) ..	1,193.9	743.3	329.6	334.5	489.7	512.0	794.7	1,598.2	770.0	860.0	2,736.7	249.1	10,708 ³
Population (000) ..	1,326	1,117	712	419	500	525	805	1,629	654	976	1,693	421	10,777
Per capita GDP (\$) ..	900.4	665.4	462.9	798.3	979.4	975.2	987.2	981.1	1,177.4	881.1	1,616.5	591.7	993.6
Ratio to Malaysian average ..	0.91	0.67	0.47	0.80	0.99	0.98	0.99	0.99	1.19	0.89	1.63	0.60	1.00

¹ Kedah and Perlis are two distinct States but are shown together here because much of the available statistical data for the two States are combined.

² Includes the Federal Territory of Kuala Lumpur.

³ The GDP for individual States do not add up to the total for Malaysia because of the statistical discrepancy of \$97 million.

TABLE 10-2

MALAYSIA: SOCIAL INDICATORS ON STANDARDS OF LIVING, 1975

State	Per capita value added of selected services sectors (\$)													
	Utilities		Transport	Commerce	Other services	Persons per living quarters ⁴	Persons per doctor	Students per teacher	Persons per acute hospital bed	Rural population per health centre or sub-centre	Rural population per clinic or midwives clinic	Private cars per 100 persons	Motor-cycles per 100 persons	Percentage of households in poverty ⁴
	Per capita value added	Per capita value added	Per capita value added	Per capita value added										
Johor	29.8	76.4	129.8	79.7	6.1	6,716	30.5	608	19,338	3,686	3.2	6.9	45.7	
Kedah/Perlis	11.2	41.1	65.0	64.7	5.3	9,222	29.6	907	26,085	4,767	1.8	6.1	64.5	
Kelantan	10.1	44.4	71.5	59.1	4.7	11,647	32.0	934	20,045	4,334	1.5	3.4	76.1	
Malacca	37.1	62.9	221.0	107.4	6.1	5,021	29.9	587	20,353	4,219	3.9	6.3	44.9	
Negeri Sembilan	39.9	92.0	136.9	99.5	5.4	4,717	27.2	398	21,581	3,942	4.2	7.5	44.8	
Pahang	18.2	58.9	104.0	77.8	5.0	6,573	29.3	572	13,813	2,290	2.5	6.4	43.2	
Penang	55.1	123.9	306.5	137.1	6.5	3,986	32.0	638	31,170	5,870	5.1	10.0	43.7	
Perak	43.8	60.5	139.2	81.6	5.9	5,944	31.3	648	22,152	5,367	3.1	6.8	48.6	
Sabah	20.0	91.9	193.1	142.5	7.25	9,159	26.2	549	n.a.	n.a.	4.576	0.6	n.a.	
Sarawak	16.2	88.1	134.8	113.2	7.85	8,904	32.5	702	n.a.	n.a.	2.4	2.9	n.a.	
Selangor	59.4	187.6	329.2	151.6	6.1	2,327	32.4	542	26,195	5,701	7.4	8.7	29.2	
Trengganu	6.8	36.4	65.2	60.2	4.6	10,063	32.1	694	18,724	3,585	1.2	3.1	68.9	
Malaysia	32.7	89.6	170.3	101.0	5.5	4,344	30.8	627	21,6417	4,3127	3.8	6.9	49.37	

⁴ For 1970 only.⁵ For major towns and townships only.⁶ Includes private cars, taxis and hired cars.⁷ Peninsular Malaysia only.

621. The inter-State distribution of households in poverty in Peninsular Malaysia as shown in the Post Enumeration Survey of the Population Census, 1970 indicates that Selangor had the lowest incidence of poverty (59% of the national average) and Kelantan the highest (154%). Other States showing a high incidence of poverty include Trengganu (140%) and Kedah/Perlis (131%) while the remaining States ranged close to the average for the country as a whole.

III. PROGRESS, 1971-75

622. In view of the lead time required before policies and programmes initiated since the inauguration of the NEP bear fruit, significant improvements in the regional distribution of economic activity and income have as yet not become evident. As shown in Table 10-3, the *per capita* GDP of the poorest States relative to the average for Peninsular Malaysia has not changed significantly compared with the situation in 1970. Selangor's ratio, however, has dropped as the middle income States, including Sabah and Sarawak, have improved their relative positions, except for Perak and Pahang.

623. The slower growth of *per capita* GDP in Perak compared to the average is attributable to the decline in tin mining and the slow growth of agriculture. Further, although manufacturing output in Perak, other than in primary processing, almost doubled, its rate of growth was lower than for States like Johor and Penang. With regard to Pahang, the closure of the Rompin mine contributed substantially to the relative decline in its *per capita* GDP. However, the massive land development programmes initiated under the Second Malaysia Plan (SMP) in the State can be expected to improve Pahang's relative position sizeably by the end of the Third Malaysia Plan (TMP). Kedah/Perlis, Kelantan and Trengganu registered average rates of growth similar to that for the nation as a whole with the result that *per capita* GDP in these States relative to the average did not change. In the case of Kedah/Perlis, marked progress was not registered despite the impact of the Muda Scheme. This was because of the relatively large population in these States, so that inspite of the substantial increase in production from the Muda Irrigation Scheme, *per capita* income growth in the States only kept pace with the average growth for the country as a whole. In the light of the scarcity of land resources in these States, significant improvement of their position relative to the average for the country will require the sustained implementation of special programmes including the promotion of outflows of labour to labour-scarce areas.

624. The improved relative income positions of Johor and Negri Sembilan were mainly due to substantial increases in rubber and palm oil production, while Penang and Malacca advanced through industrialization. The relative increases in the position of Sabah and Sarawak originated from the growth of forestry and petroleum production respectively.

TABLE 10-3

**MALAYSIA: GROSS DOMESTIC PRODUCT BY SECTOR OF ORIGIN
AND STATE, 1975**
(\$ million in 1970 prices)

Sector	Negeri										Trengganu	Malaysia	
	Johor	Kedah/Perlis ⁸	Kelantan	Malacca	Sembilan	Pahang	Penang	Perak	Sabah	Sarawak			Selangor ⁹
Agriculture, forestry, fishing, etc ..	786.6	518.0	174.9	148.7	280.3	328.7	171.2	588.7	554.0	339.0	508.6	164.1	4,563
Mining and quarrying ..	20.0	8.0	0.7	0.6	3.0	21.0	1.0	248.4	5.0	169.0	130.1	5.0	612
Manufacturing ..	332.7	87.3	35.4	51.0	128.6	93.5	229.0	248.7	42.0	127.0	780.8	40.6	2,197
Construction ..	46.1	49.4	27.0	20.8	44.5	24.9	69.2	56.6	73.0	63.0	224.4	11.7	711
Utilities ..	45.1	13.9	8.0	17.5	22.6	11.5	49.2	79.2	15.0	18.0	117.9	3.3	401
Transport, storage and communications..	115.4	51.2	35.2	29.7	52.1	37.2	110.6	109.3	69.0	98.0	372.3	17.6	1,098
Wholesale and retail trade ..	196.1	80.9	56.6	104.3	77.5	65.6	273.7	251.5	145.0	150.0	653.4	31.5	2,086
Ownership of dwellings, banking, insurance and real estate ..	109.9	72.7	39.0	43.0	52.3	54.6	103.6	134.9	79.0	90.0	295.0	34.9	1,109
Public administration and defence ..	134.5	69.3	42.7	55.6	65.0	69.3	51.5	124.8	67.0	65.0	422.6	31.9	1,199
Other services ..	120.5	80.6	46.8	50.7	56.3	49.1	122.4	147.5	107.0	126.0	300.9	29.1	1,237
Statistical discrepancy ..	—	—	—	—	—	—	—	—	—	—	—	—	+102
Gross domestic product (GDP) ..	1,906.9	1,031.3	466.3	521.9	782.2	755.4	1,181.4	1,989.6	1,156.0	1,245.0	3,806.0	369.7	15,315.0
Population (000) ..	1,511	1,245	792	472	566	631	893	1,807	751	1,113	1,985	483	12,249
Per capita GDP (\$) ..	1,262.0	828.4	588.8	1,105.7	1,382.0	1,197.2	1,323.0	1,101.1	1,539.3	1,118.6	1,917.4	765.4	1,250.3
Ratio to Malaysian average ..	1.01	0.66	0.47	0.88	1.11	0.96	1.06	0.88	1.23	0.90	1.53	0.61	1.00
Population growth rate, 1971-75 ..	2.7	2.2	2.2	2.4	2.5	3.8	2.1	2.1	2.8	2.7	3.2	2.8	2.6

⁸ Kedah and Perlis are two distinct States but are shown together here because much of the available statistical data for the two States are combined.

⁹ Includes the Federal Territory of Kuala Lumpur.

¹⁰ The GDP for individual States do not add up to the total for Malaysia because of the statistical discrepancy of \$102 million.

IV. REGIONAL CHANGE, 1976-90

625. Under the TMP, more intensive efforts will be made to improve the relative positions of the lowest income States over time. Policies and programmes will aim at the expansion of agricultural productivity in these States; development of their physical infrastructure, including transportation links with other States in the country; the establishment of new growth centres; the promotion of industrial development; and the location of a greater variety of Government establishments therein. These policies and programmes are expected to improve the regional distribution of economic activity and income as shown in Tables 10-4 and 10-5 for the years 1980 and 1990. During 1976-90, Trengganu and Kelantan will show the fastest rates of growth of *per capita* GDP at 8.9% and 8.0% per annum respectively compared with the mean of 5.4% for Malaysia. Kedah/Perlis will also show a faster rate of growth, at 6.6%, than the average. Among the higher income States, Pahang is expected also to show a faster rate of growth of *per capita* GDP at 7.5% per annum. On the other hand, Sabah and Selangor will show slower growth rates than the average at 3.9% and 4.6% respectively. The remaining States will have growth rates closer to the average ranging from 5.3% for Negri Sembilan to 5.8% for Penang.

626. Kelantan's *per capita* GDP will increase from \$589 in 1975 to \$1,878 in 1990 compared to the average for Malaysia of \$1,250 and \$2,767. Similarly, Trengganu's *per capita* GDP will increase from \$765 to \$2,737 and Kedah/Perlis's from \$828 to \$2,148. By 1990, the poorest States would have improved their absolute and even relative positions considerably. Kelantan's *per capita* GDP relative to the mean will grow from 47% in 1975 to 68% in 1990; Kedah/Perlis from 66% to 78%; and Trengganu from 61% to 99%. The States of Malacca, Negri Sembilan, Pahang, Perak, Penang, Johor, Sabah and Sarawak will have *per capita* incomes around the national average. The major changes will be the reduction of disparities between the richest and the poorest States, as well as increased incomes in the poorest States relative to the average. Thus the *per capita* GDP of Selangor relative to the average will decline from 153% of the average in 1975 to 137% in 1990.

627. A significant change will be in the regional distribution of the manufacturing sector. In Peninsular Malaysia in 1970, 58% of manufacturing output, other than in primary processing, originated from Selangor, mainly in the urbanized Klang Valley. A further 37% originated from the more developed States on the West Coast—Penang, Perak, Negri Sembilan and Johor—with the remaining States producing only 5% of manufacturing output.

628. As a result of Government's policies for the dispersal of industries during the SMP, the share of Selangor in manufacturing output dropped to 47% whereas that of all other States increased. The States of Penang, Perak, Johor and Negri Sembilan increased their share to 15%, 12%, 12%

TABLE 10-4

**MALAYSIA: GROSS DOMESTIC PRODUCT BY SECTOR OF
ORIGIN AND STATE, 1980**
(\$ million in 1970 prices)

Sector	Johor	Kedah/ Perlis ¹¹	Kelantan	Malacca	Negeri Sembilan	Pahang	Penang	Perak	Sabah	Sarawak	Selangor ¹²	Trengganu	Malaysia
Agriculture, forestry, fishing, etc. . .	938.2	652.1	271.2	169.5	373.2	730.4	212.1	693.9	651.0	511.0	579.8	303.5	6,106
Mining and quarrying . . .	24.4	9.6	1.0	0.8	3.7	25.5	1.2	302.9	57.0	215.0	158.4	6.0	806
Manufacturing . . .	556.3	208.1	104.7	95.2	204.3	291.0	433.3	439.9	79.0	234.0	1,113.8	112.3	3,872
Construction . . .	76.1	71.1	42.1	39.7	66.1	53.6	103.4	86.3	114.0	100.0	306.9	27.7	1,087
Utilities . . .	70.2	27.5	16.7	27.6	34.2	31.1	78.7	106.1	24.0	29.0	164.1	12.7	622
Transport, storage and communi- cations . . .	179.3	82.7	51.6	43.3	70.2	76.8	179.6	179.8	106.0	152.0	482.5	32.1	1,636
Wholesale and retail trade . . .	296.7	148.3	95.9	140.9	123.6	132.3	357.9	353.7	223.0	232.0	954.7	63.0	3,122
Ownership of dwellings, banking, insurance and real estate . . .	159.9	106.6	60.5	66.8	80.0	93.9	151.3	185.1	123.0	138.0	437.9	55.0	1,658
Public administration and defence . .	208.2	108.1	66.3	87.1	101.2	108.7	101.4	193.8	110.0	106.0	655.1	49.9	1,896
Other services . . .	172.4	134.0	79.0	75.1	87.4	93.8	166.9	204.8	175.0	205.0	498.9	54.8	1,947
Statistical discrepancy . . .	—	—	—	—	—	—	—	—	—	—	—	—	+ 321
Gross domestic product (GDP) . . .	2,701.7	1,548.1	789.0	746.0	1,143.9	1,637.1	1,785.8	2,746.3	1,662.0	1,922.0	5,352.1	717.0	23,073.1
Population (000) . . .	1,730	1,370	893	527	650	753	1,049	2,034	876	1,278	2,272	544	13,976
Per capita GDP (\$) . . .	1,561.7	1,130.0	883.5	1,415.6	1,759.8	2,174.1	1,702.4	1,350.2	1,897.3	1,503.9	2,355.7	1,318.0	1,650.9
Ratio to Malaysian average . . .	0.95	0.68	0.54	0.86	1.07	1.32	1.03	0.82	1.15	0.91	1.43	0.80	1.00
Population growth rate, 1971-80 . . .	2.7	2.1	2.3	2.3	2.7	3.7	2.7	2.3	3.0	2.7	3.0	2.6	2.6

¹¹ Kedah and Perlis are two distinct States but are shown together here because much of the available statistical data for the two States are combined.

¹² Includes the Federal Territory of Kuala Lumpur.

¹³ The GDP for individual States do not add up to the total for Malaysia because of the statistical discrepancy of \$321 million.

TABLE 10-5

**MALAYSIA: GROSS DOMESTIC PRODUCT BY SECTOR OF
ORIGIN AND STATE, 1990**
(\$ million in 1970 prices)

Sector	Johor	Kedah/ Perlis ¹⁴	Kelantan	Malacca	Negeri Sembilan	Pahang	Penang	Perak	Sabah	Sarawak	Selangor ¹⁵	Trengganu	Malaysia
Agriculture, forestry, fishing, etc. . .	1,489.3	968.9	474.2	238.2	613.4	1,445.1	299.9	1,067.8	914.0	812.0	786.6	784.5	9,858
Mining and quarrying . . .	42.5	20.4	5.6	6.3	11.7	40.8	11.9	423.5	195.0	269.0	241.0	11.8	1,280
Manufacturing . . .	1,775.9	824.9	461.8	346.1	565.8	908.1	1,593.3	1,533.7	452.0	1,106.0	3,164.6	412.7	13,144
Construction . . .	198.5	150.7	106.9	98.4	140.8	128.7	214.3	212.5	235.0	209.0	574.9	76.3	2,346
Utilities . . .	191.6	111.2	72.3	72.3	83.0	93.4	189.9	244.7	61.0	71.0	375.8	47.1	1,613
Transport, storage and communi- cations . . .	424.5	274.6	180.6	97.2	137.7	185.1	365.4	448.0	225.0	323.0	887.5	82.5	3,631
Wholesale and retail trade . . .	740.8	411.9	252.9	301.0	309.5	334.5	656.9	826.4	460.0	518.0	2,014.5	167.4	6,994
Ownership of dwellings, banking, insurance and real estate . . .	377.5	263.3	165.7	161.7	185.8	206.7	282.2	414.2	238.0	290.0	920.2	120.6	3,646
Public administration and defence . .	463.6	239.3	165.7	173.2	224.4	239.3	176.3	430.4	221.0	230.0	1,457.0	110.4	4,131
Other services . . .	413.6	293.3	188.0	161.0	208.3	196.7	386.7	485.6	361.0	424.0	962.1	122.2	4,203
Statistical discrepancy . . .	—	—	—	—	—	—	—	—	—	—	—	—	-749
Gross domestic product (GDP) . . .	6,117.8	3,558.5	2,073.7	1,655.4	2,480.4	3,778.4	4,176.8	6,086.8	3,382.0	4,252.0	11,384.2	1,899.5	50,097 ¹⁶
Population (000) . . .	2,228	1,657	1,104	652	833	1,069	1,350	2,505	1,237	1,766	3,008	694	18,103
Per capita GDP (\$) . . .	2,745.9	2,147.6	1,878.4	2,539.0	2,977.7	3,534.5	3,093.9	2,429.9	2,734.0	2,407.7	3,784.6	2,737.0	2,767.3
Ratio to Malaysian average . . .	0.99	0.78	0.68	0.92	1.08	1.28	1.12	0.88	0.99	0.87	1.37	0.99	1.00
Population growth rate, 1971-90 . . .	2.6	2.0	2.2	2.2	2.6	3.6	2.6	2.2	3.2	3.0	2.9	2.5	2.6

¹⁴ Kedah and Perlis are two distinct States but are shown together here because much of the available data for the two States are combined.

¹⁵ Includes the Federal Territory of Kuala Lumpur.

¹⁶ The GDP for individual States do not add up to the total for Malaysia because of the statistical discrepancy of \$749 million.

and 6% respectively. The remaining States accounted for 8% of manufacturing output. It is targetted that by 1990, Selangor's share will drop to about 31%; the shares of Penang, Johor, Perak and Negri Sembilan together will increase to about 49%; and the less developed States together will increase their contribution to about 20%.

629. Inter-State migration in the past has been fairly significant. With Government's assistance and encouragement, it can be expected to gather momentum as people respond to differences in the location of opportunities for better employment and income. The projections in this regard compared to the magnitude of past movements are shown in Table 10-6. Between 1957 and 1970, some States registered a net outflow of population with the largest from Perak, some 83,000 people moving out of the State; Kedah/Perlis, Kelantan, Negri Sembilan, Johor and Malacca also experienced large outflows of population. On the other hand, Selangor experienced the largest net in-migration with about 144,000 people, followed by Pahang, Penang, and Trengganu.

TABLE 10-6
PENINSULAR MALAYSIA: POPULATION GROWTH AND
EXPECTED NET INTER-STATE MIGRATION, 1970-90
(000)

State	Population				Average annual growth rate (%)	Net migration	
	1970	1975	1980	1990	1971-90	1957-70	1970-90
Johor	1,326	1,511	1,730	2,228	2.6	- 20	—
Kedah/Perlis	1,117	1,245	1,370	1,657	2.0	- 32	-191
Kelantan	712	792	893	1,104	2.2	- 31	- 94
Malacca	419	472	527	652	2.2	- 15	- 38
Negri Sembilan	500	566	650	833	2.6	- 25	—
Pahang	525	631	753	1,069	3.6	+ 48	+193
Penang	805	893	1,049	1,350	2.6	+ 11	+ 92
Perak	1,629	1,807	2,034	2,505	2.2	- 83	-199
Selangor	1,693	1,985	2,272	3,008	2.9	+144	+237
Trengganu	421	483	544	694	2.5	+ 3	—
TOTAL	9,147	10,385	11,822	15,100	2.5		

630. During 1971-90, it is expected that the rate of labour outflow will grow sizeably in the case of Perak, Kedah, Kelantan and Malacca with the principal receiving areas being Selangor, Pahang and Penang as well as Sabah and Sarawak. Indeed, sizeable movements of labour from Kedah/Perlis and Kelantan are imperative if the economic position of these States is to be meaningfully improved relative to the national average. No net movements of labour are envisaged in the case of Johor, Negri Sembilan and Trengganu in the light of the prospective economic performance of these States in relation to the natural increase of their population.

V. POLICIES FOR REGIONAL DEVELOPMENT

631. New land development will continue to be a major means by which the Government will seek to push the location of future growth in agriculture, manufacturing and services towards the poorer States. In Peninsular Malaysia as shown in Table 10-7, some five million acres of land suitable for agricultural purposes are still available for development, after allowing for the requirements of forest and ecological conservation. In addition, another two million acres of alienated land suitable for agriculture have still to be developed for crop production. In Sabah, about 5.3 million acres are suitable for agricultural development but cropland currently occupies only about 0.9 million acres. In Sarawak, about 13.1 million acres are suitable for agricultural development with 1.1 million acres under permanent settled crops and some 5.6 million acres under shifting cultivation.

TABLE 10-7

MALAYSIA: AVAILABILITY OF SUITABLE LAND FOR AGRICULTURE, 1975 (000 acres)

State	Land area	Land suitable for agriculture		
		Alienated	Available	Total
Johor	4,693	1,791	1,282	3,073
Kedah/Perlis	2,541	1,159	250	1,409
Kelantan	3,720	710	217	927
Malacca	418	349	22	371
Negri Sembilan	1,642	686	338	1,024
Pahang	8,870	1,847	2,545	4,392
Penang	253	157	3	160
Perak	5,154	1,332	519	1,851
Sabah	17,750	948	4,357	5,305
Sarawak	30,750	6,720 ¹⁷	6,400	13,120
Selangor	1,980	830	149	979
Trengganu	3,196	555	866	1,421
TOTAL	80,967	17,084	16,948	34,032

¹⁷ All land currently under agriculture or settlements of which about 5.6 million acres are under shifting cultivation and under native customary rights.

632. While the bulk of new land development in Peninsular Malaysia will be in the land-rich States of Pahang, Johor and Trengganu, the development of all available reserves of suitable agricultural land in the poorer States of Kedah, Perlis and Kelantan will be accelerated. Some 150,000 acres will be developed in Kedah/Perlis and 190,000 acres in Ulu Kelantan between 1970 and 1990. These will help to siphon-off some of the underemployed and landless in the densely populated rice-growing areas. In addition, high priority will be given to the poor in these and other States to find more productive employment in Federal land development projects in land-rich

States like Pahang. Table 10-8 shows the targets for new land development by States in Peninsular Malaysia between 1970 and 1990. In Sabah, new land development on the East Coast will serve both to diversify the State's economy as well as provide opportunities to the indigenous population on the West Coast. In Sarawak, development in the Miri-Bintulu region will provide opportunities to reduce land pressures in the First and Third Divisions.

TABLE 10-8
MALAYSIA: PROJECTED LAND DEVELOPMENT BY
STATE, 1971-90
(000 acres)

State	Oil palm	Rubber	Other crops	Total
Johor	320.2	164.8	99.4	584.4
Kedah/Perlis	—	105.2	45.9	151.1
Kelantan	32.3	116.5	39.6	188.4
Malacca	3.5	18.6	—	22.1
Negri Sembilan	123.9	164.9	17.7	306.5
Pahang	827.0	134.0	222.8	1,183.8
Penang	5.5	—	—	5.5
Perak	44.7	98.6	77.1	220.4
Sabah	210.0	5.0	299.0	514.0
Sarawak	238.0	75.0	281.0	594.0
Selangor	40.5	37.9	10.5	88.9
Trengganu	255.4	85.5	96.0	436.9
TOTAL	2,101.0	1,006.0	1,189.0	4,296.0

633. As low productivity is at the heart of the poverty problem, the development of existing agricultural areas containing households with a high incidence of poverty, will have a major impact on reducing regional disparities. *In situ* development will constitute a major means for socio-economic progress in Kelantan, where an integrated effort for the development of the Kelantan Plain will be undertaken. This will include the expansion of extension services, credit, marketing and fertilizer subsidies, the extension of drainage and irrigation facilities and the replanting of old rubber and coconut smallholdings. Although Johor is a relatively more developed State, the Southwest Johor coastal region south of Muar, with its large population, constitutes a poverty region. The problems here are peaty soils and in particular, poor drainage, improvement of which is necessary for the rehabilitation of extensive acres of rubber and coconut smallholdings. To this end, an integrated project for drainage improvement coupled with agricultural re-development will be carried out. Other concentrations of low productivity agriculture are to be found in the traditional indigenous settlement areas along the coastal and riverine areas. Agricultural development package projects of the type to be carried out in Kelantan and Johor will be replicated in these areas with such modifications as may be necessary to suit local conditions.

634. Forestry is another major resource-based sector with considerable opportunities for the restructuring of regional imbalances. In Sabah, forestry will continue to be an important sector in the State's economy although its importance will decline in relative terms as resources are depleted and as other sectors grow in importance. An important potential for the State with its low population density is the development of a pulp and paper industry based on short rotation species.

635. Sarawak's forest industries also are expected to expand with the development of the unutilized hill or dryland forests, as distinct from the swamp forests which have been largely depleted. The first in a series of major timber industries to be established will be enterprises utilizing timber from the land development projects in the Miri-Bintulu region.

636. In Peninsular Malaysia, forest-based industries will progressively shift from their present concentration on the West Coast to the forest timber-rich States of Pahang, Perak, Kelantan and Trengganu. Forestry will be particularly important in Kelantan since the State does not have much land suitable for agriculture which has not already been developed. The efficient location of wood processing industries will enable forestry to play an important role in the industrial development of these States. It is also important that the establishment of wood processing industries provide for efficient management. Factory design as well as investment in capital equipment for these industries will have to be adapted to the conditions in the region.

637. The development of mineral resources will directly affect the economic position of a number of States. The most important development in this sector will be the off-shore oil and gas deposits of Sabah, Sarawak, Pahang and Trengganu which will make dramatic contributions to the economies of these States. The development of copper in Sabah is already contributing to the State's economy. On the basis of present information, the potential exist for further development of copper as well as other base metals in Sabah and in a central belt in Peninsular Malaysia stretching from Kelantan to South Pahang. An aerial geophysical and a geochemical survey for this belt will be carried out under the TMP. Further prospects for alluvial tin also exist in Perak and Selangor, off-shore in the Straits of Malacca and primary sources in the tin-bearing granite of the Main Range.

638. The manufacturing sector will have a particularly important role in regional development. The sector's share in the economy is projected to grow from 14% in 1975 to 26% in 1990. Thus the sector will provide large scope for redistributing economic activity away from the established manufacturing regions, especially in the Klang Valley towards the less developed States. Many of the less developed States including Sabah, Sarawak, Pahang, Trengganu and Kelantan have large potentials for forestry and agro-based industries. To encourage investment in these and other manufacturing activities in the less developed States, a broad range of

measures will be adopted. This will include fiscal incentives, development of industrial estates and ready built factories, development of infrastructure including electricity and development of inter-regional highways to facilitate linkages between the major producing and marketing centres and ports of the nation.

639. As urban growth is inter-related with industrial expansion, the development of urban centres will play a key role in the strategy for reducing current regional imbalances. Thus development of urban centres, both existing and new, will be planned to reinforce the regional production strategies of the Government. One requirement will be to build up cities and towns in the regions that include the poorer States. Another will be to strengthen linkages among the various cities and towns in the country through the development of a "denser" system of urban centres of different sizes and specializations. The overall objective is to spread urban development rather than perpetuate its polarization in particular regions. This will help to ensure that the greatest number of people possible benefit from urban growth through the opportunities created for an expanded range of jobs, services and amenities which large urban regions provide.

640. In the selection of towns for development, priority will be given to those having favourable prospects for the creation of agglomeration economies through the location and growth of mutually supportive industrial and service establishments. At the same time, excessive and uncontrolled growth of existing large metropolitan areas will be avoided for the diseconomies which they create—urban congestion, rising opportunity costs of land, problems of water supply and waste disposal as well as the social problems arising from urban squalor. Thus, the strategy for urban development will seek a balance between the positive and negative features of urban growth.

641. Particular attention will also be given to the need to integrate the development of new growth centres with their hinterland. Thus, urban centres will be located to assure reasonable access to the rural population. The aim will be not only to bring industries and services to the rural areas but also urbanization to rural areas.

642. The urban development strategy to be adopted for each of the main geographical regions in the country will vary somewhat. Along the East Coast of Peninsular Malaysia, comprising the States of Pahang, Trengganu and Kelantan, the principal objective will be the creation of an integrated system of cities and towns with Kuantan as the regional hub. With the port of Tanjung Gelang now under construction, expansion of the airport and improvement of the main highway links to Kuala Lumpur and Segamat, Kuantan which is in a central position in relation to the East Coast of Peninsular Malaysia and particularly Pahang Tenggara and Trengganu Tengah will grow rapidly into a major metropolitan centre. It should be capable of providing by 1990 a broad range of opportunities currently

enjoyed by cities like Kuala Lumpur and Georgetown in Penang. Although the population of Kuantan is currently smaller than that of Kota Bharu or Kuala Trengganu, it is projected to grow into a city whose population will exceed 200,000 by 1990. Kota Bharu, Kuala Trengganu and Temerloh/Mentakab will grow to contain populations similar to those of towns like Ipoh, Malacca and Seremban currently.

643. In the endeavour to establish a denser urban structure in the East Coast providing for efficient transmission of the benefits of urban development throughout the region, the following towns and their links with each other will receive priority: the corridor connecting Machang with Tanah Merah, Kuala Krai and Pasir Puteh in Kelantan; Jeli and Gua Musang in Kelantan; Raub, Jerantut, Maran, Bukit Ridan and Kuala Rompin in Pahang; Durian Mas in Trengganu Tengah; Chukai in Trengganu; and Pekan in Pahang. With such a system of urban centres on the East Coast, most of the rural population in the region will be provided with easy access to urban-based opportunities each within about an hour's commuting distance.

644. In the central region of the West Coast of Peninsular Malaysia comprising Selangor, Negri Sembilan and Malacca, the network of urban centres is already largely in place with the City of Kuala Lumpur and the Klang Valley continuing to develop as the apex of the regional and national urban systems. In planning for the region as a whole, the main aim will be to spread out urban growth from the current major centres to outlying towns. To this end, urban growth in Negri Sembilan will be promoted around Kuala Pilah Bahau to fill an existing gap on the east side of the State, while Tanjung Malim/Ulu Bernam in Selangor will be developed so as to make up for the current lack of a sizeable urban centre in the north of Selangor.

645. Among the Northern States on the West Coast of Peninsular Malaysia—Perlis, Kedah, Penang and Perak—Georgetown in Penang is the largest urban centre. The region contains a fairly dense network of urban centres between Georgetown and Ipoh with links extending to Sungai Petani in the north and Bidor in the south. The main aim will be to extend this urban structure northwards into Kedah and Perlis and provide greater opportunity for more centralized urban development in addition to that taking place in Georgetown and Butterworth. In the north, the development of Alor Star with the Muda area as its hinterland will be emphasized. Other areas to be developed include Sungai Petani and the closely allied towns of Kangar, Arau and Beseri. To the east, Baling and Grik will be developed as sub-regional centres and to the south, Telok Anson and Lumut/Sitiawan.

646. In the Southern Region which comprises Johor, the town of Johor Bahru is rapidly growing as the regional hub with the development of the port of Pasir Gudang and the airport at Senai as well as the development of Johor Tenggara and Southwest Johor. Urban planning within the region will give priority to the efficient development of Johor Bahru itself as well as

potential second order towns with good access to it including Batu Pahat, Muar, Kluang and Kulai, all four of which will continue to benefit from the development of the rich resources in their hinterlands. Further north, the aim will be to centralize urban growth at Mersing/Jemaluang in the northeast and Segamat in the north.

647. The implementation of the above strategies for each of the regions in the country would create a new inter-related urban system in the East Coast of Peninsular Malaysia; extend the present system in the north of Peninsular Malaysia into the poorer States; and spread out urban development more evenly throughout the country. They would contribute to reducing disparities between the poorer States and the rest of the country and help an increasing number of Malaysians to move into higher income urban occupations.

VI. REGIONAL DEVELOPMENT, 1976-80

Policies

648. Regional development during the Plan period will be aimed at pushing development further to the less developed States. Continuation of development trends in the sixties will exacerbate further the current disparities between States. With more aggressive policies to push development further towards the least developed States, Trengganu's *per capita* GDP will be raised to about the national average while that of Kedah/Perlis will reach almost 80% and Kelantan almost 70% by 1990. These will be brought about by measures to increase agricultural productivity, step up new land development in Trengganu and Kelantan and attract industries and investments. Public expenditures on infrastructure development and services will go a long way towards improving the investment climate in these States and equally important, the quality of life of the poor.

649. The private sector will be encouraged to participate in new land development through joint-ventures with Government agencies. It is also expected to participate in joint-ventures as well as on its own in mining and industrial development. Government policies will be geared to ensure that the private sector utilizes these opportunities for investment.

650. More strongly differentiated locational incentives to guide investment will also be developed. Currently, locational incentives are given in the form of additional income tax exemption of one year for pioneer status projects, or an additional 5% of investment tax credit for firms not enjoying pioneer status, if they are located in development areas. In addition, a separate Locational Incentive Scheme provides for tax relief to projects located in areas gazetted as Locational Incentive Areas, the maximum period of tax exemption being ten years—the duration depending on the size of capital investment and employment, the local content and whether the product is a priority product.

651. To raise *per capita* income further in the less developed States, policies for settler selection for land development schemes in States such as Pahang, Johor and Trengganu will give preference to applicants from other States where *per capita* income is low and opportunities for development are few, namely Kelantan, Kedah and Perlis. In this connection, Pahang could be expected to serve as the main receptacle for agricultural settlers. Selangor and Penang will attract labour for employment in the manufacturing and services sectors. Malacca and Perak may be expected to experience labour outflows at the same rate as between the inter-censal years of 1957-70, while Negri Sembilan, like Johor and Trengganu are not expected to have significant net migration.

Programmes and projects

652. During the SMP, a number of Masterplans for the development of specific regions were completed. These included plans for the Klang Valley, Penang, Pahang Tenggara, Johor Tenggara, Kelantan, Trengganu Tengah, Negri Sembilan Timor, Miri-Bintulu and Johor Selatan. In addition, Masterplan studies were initiated for South Perak (the Trans-Perak Region), North Perak, Selangor outside the Klang Valley and the Kuantan-Tanjung Gelang region.

653. The Pahang Tenggara, Johor Tenggara and Miri-Bintulu plans are concerned with the development of undeveloped resource-rich regions providing opportunities for agricultural development and forest-based industries. The Klang Valley, Penang and South Johor development plans on the other hand are to guide development in rapidly urbanizing and industrializing regions. The other Masterplans identify opportunities for the redevelopment or further development of areas already largely developed, but which offer opportunities for urban growth, industrial development, intensification of agriculture and, to a varying extent, the development of new natural resources.

654. During the TMP, a Masterplan will be prepared for the development of *Sabah* to integrate prospective developments in the State including new land development, infrastructure expansion and industrial and mining growth. Particular emphasis will be given to promote the participation of the indigenous people in the development of the State.

655. The implementation of projects identified by the above Masterplans in the course of the TMP will be a major means for regional development. Land development projects in Pahang Tenggara, Johor Tenggara and Trengganu Tengah besides promoting the development of these States will provide opportunities for the poor in other States. In *Johor*, an integrated

drainage and agricultural redevelopment project started in the SMP will be continued into the TMP to redevelop the south coastal region between Muar and Kukup, a chronically poor region of rubber, coconut and pineapple smallholders and fishermen. In addition to periodic flooding other physical difficulties encountered in the area include salt water intrusion into cropland in the immediate coastal areas as well as problematical peat and acid sulphate soils. In *Trengganu*, land schemes will be developed to cater specially for poor fishermen. The development of the Jerangau/Jabor/Tanjung Gelang highway and the hydro-electric potential of Sungai Trengganu at Kuala Kenyir will be major projects contributing to the development of the State. The development of Tanjung Gelang in Pahang as the principal port for the East Coast will have a major impact in developing the East Coast as will the Kuantan/Segamat highway.

656. In *Kelantan*, an integrated agricultural development project through Farmers' Development Centres will be implemented in the Kelantan Plain. A project will also be undertaken to prepare a Masterplan for urban and industrial development for the State. In Ulu Kelantan, major developments will include the construction of the Kuala Krai/ Gua Musang highway, eventually to link up with Kuala Lipis; and new land development covering about 30,000 acres for the cultivation of rubber by FELDA. The East/West Highway connecting Jeli with Grik, when completed in 1979, will provide a closer link between Kelantan and Penang. The two highway projects will also make a significant contribution to security operations.

657. In *Kedah* and *Perlis*, the main programmes will be concerned with increasing productivity in the Muda irrigation area through the increased provision of complementary farm inputs. In addition, major efforts will be made to develop the remaining areas of suitable land for agriculture, while an urban and industrial development Masterplan will be prepared for the two States. In *Malacca*, a regional Masterplan is being prepared by a joint task force comprising Federal and State officials under the overall co-ordination of the Federal Town and Country Planning Department to guide urban and industrial development in the State.

658. In *Perak*, implementation of projects identified in the Masterplan for the Trans-Perak region will form an important component for development in the State. These will include projects for opening up new land for padi, oil palm and cocoa while at the same time providing for flood protection and more intensive use of land in existing rubber and mixed crop smallholdings.

659. In *Sarawak*, major projects will include forestry and land development in the Miri-Bintulu region, the development of the port at Tanjung Kidurong and several trunk road projects including the Bako/Kuching road, the Bintulu/Tanjung Kidurong road, the Beluru/Long Teru road and the construction of bridges along the Miri/Bintulu road.

VII. CONCLUSION

660. As a result of historical patterns of development the different States and regions of Malaysia have shown very different rates of development, resulting in very unequal distribution of income, amenities and opportunities. To overcome existing inequalities, a shift in the pattern of investment is necessary giving more emphasis to the less developed States. This will not only enable Malaysians living in widely different regions of the country to enjoy a similar quality of life and equal opportunities for advancement, but will also bring about the development of untapped natural resources for the further development of the nation as a whole.

CHAPTER XI

Development and the Environment

I. ENVIRONMENTAL CONSIDERATIONS IN DEVELOPMENT

661. Environmental improvement and protection will receive the full attention of the Government in the planning and implementation of programmes in the Third Malaysia Plan (TMP). It is vital that the objectives of development and environmental conservation be kept in balance, so that the benefits of development are not negated by the costs of environmental damage.

662. There are many dimensions to the environmental problem. They include increases in the amount of pollutants released into the environment; rapid exploitation of land and natural resources without due regard to ecosystem conservation; and growing congestion in urban areas with the attendant problems of transportation, waste disposal, provision of utilities and noise and visual pollution. Socio-psychological traumas affecting migrants from the rural areas as a result of increasing urbanization also pose specific planning problems in the social and working environment of large urban areas. In addition, environmental problems associated with the squalor of poverty, inadequate housing and utilities, poor health and social services require specific attention.

663. The Environmental Quality Act was passed in 1974 and the Department of the Environment now in the Ministry of Science, Technology and the Environment was established in 1975. Environmental issues have not been neglected in the past. They have been implicitly taken into account in the planning and implementation of Government's development programmes and projects, for example, in the selection of land for agricultural development and the formulation of conservation enactments relating to soil, water, land, forest and mining. However, more explicit attention will need to be given to the management of the environment as economic development progresses. This Chapter examines the environmental effects of development and the required policies and programmes for environmental management and protection as well as the enforcement of the required legislation.

II. NATIONAL ENVIRONMENTAL POLICY

664. Malaysia's overall environmental policy will take account of the following factors:

- (i) the impact that population growth and man's activities in resource development, industrialization and urbanization have on the environment;
- (ii) the critical importance of maintaining the quality of the environment relative to the needs of the population, particularly in regard to the productive capacity of the country's land resources in agriculture, forestry, fisheries and water;
- (iii) the need to maintain a healthy environment for human habitation;
- (iv) the need to preserve the country's unique and diverse natural heritage, all of which contribute to the quality of life; and
- (v) the interdependence of social, cultural, economic, biological and physical factors in determining the ecology of man.

The ultimate aim of the Federal Government working in close co-operation with the State Governments is to ensure as far as possible that all man's activities are in balance with his environment. In the attainment of these objectives, the Government recognizes the need to balance the goals for economic and social development, on the one hand, against those for maintaining sound environmental conditions, through the conduct of regular environment impact assessment studies which will seek to quantify the relevant trade-offs.

III. CURRENT ENVIRONMENTAL PROBLEMS

665. Current environmental problems may be divided into two groups, namely, those arising as a result of development of Malaysia's land and natural resources and those arising through the discharge of undesirable waste products or effluents into the environment. The major activities in land and natural resource development which affect the environment are mining, new agricultural settlement, replanting of existing agricultural lands, logging and urban and general infrastructure development. The practice of shifting cultivation throughout the country, especially in Sarawak, also poses serious problems of soil erosion. These activities affect the environment in broadly similar ways, through the reduction of the potential for productive forestry and wildlife, soil erosion, siltation of rivers and the alteration of existing stable hydrological regimes. These in turn give rise to the needs for flood control, regulation of stream flows and purification of water supplies.

666. These are well understood consequences of development arising from disruption of the natural forest cover. Such changes are to some extent inevitable if development is to proceed. The task of policy is to ensure that in the process of development, the capability of the environment to support man's needs is preserved, if not enhanced and that undesirable changes which occur are contained at reasonable costs relative to benefits. As such disruption of the natural ecology is not necessarily retrogressive.

667. One particular facet of the environmental problem which is already of consequence is the adverse effects brought about by perennial and recurring floods in the country. Apart from direct losses sustained during a flood and the costs incurred to repair the resultant damage, there are also indirect losses which result from a disruption of economic activity or a diversion of manpower and other ancillary resources to undertake flood relief operations.

668. A large proportion of the population live in valleys and river basins which are flood-prone. Recognizing the need to alleviate the hardship and to improve the living conditions for these people, the Government has embarked on a wide range of engineering, non-engineering and legislative measures, both on a short and long-term basis, to overcome the flood problem systematically.

669. It is pertinent to note that while effective flood control can be achieved, the toll of flood losses may well continue to increase if the areas subject to flooding and flood hazards are developed and utilized indiscriminately. In these circumstances, the effects of flood control measures are nullified by unwise land use, which in turn aggravates the flooding situation.

670. An integrated approach and awareness of the flood element as a natural phenomena in land use development projects and planning is necessary. To the extent that floods are caused by natural phenomena and therefore cannot be prevented, it is imperative that planning for settlements and land use take this factor into account to minimize the extent of the damage and adverse effects likely to be caused in the event of a flood occurring. This is particularly necessary in the case of the larger river basins with flood-prone areas.

671. A second important consequence arising from land and resource development is the steady depletion of natural forest habitats which are essential for the preservation of wildlife and natural flora, and the diminishing availability of natural scenic areas with recreational potential. The loss of genetic materials contained in the thousands of species of organisms living in the forests which may be of potential importance for plant breeding and the control of pests and diseases in agriculture and forestry also requires attention. It is important to recognize that because of the complex interdependence between the very numerous organisms living in the natural forests, once destroyed the natural conditions cannot be recreated. The preservation of representative samples of Malaysia's natural forest ecosystems with its constituent flora and fauna is therefore particularly important. They are not only part of the national heritage but are also part of the world heritage.

672. Another important environmental problem is pollution. Industrialization in Malaysia has been achieved so far without serious and far-reaching environmental problems. The establishment of light industries and assembly plants has not caused significant *air pollution*. Heavy industries including

chemical plants, thermal power stations and petroleum refineries are so far not concentrated in any one area with the result that they have not been a major source of pollution. Moreover, climatic conditions in the country do not lead to widespread and prolonged spells of atmospheric pollution. Currently, dust and fumes from quarries and cement plants, the incineration of waste and fumes from traffic in dense urban areas are probably the most serious sources of air pollution. They sometimes reach levels hazardous to health.

673. *Water pollution* is a more widespread and serious problem. The major sources of pollutants in inland waters are: sewerage and domestic waste waters from populated areas; effluent discharges from agro-industries, particularly palm oil and rubber processing factories; industrial effluents; silt from mining ponds, land clearing and urban and highway development; and the use of agricultural chemicals, including both pesticides and fertilizers.

674. Pollution of coastal waters is also becoming more significant. In coastal areas, port activities and rapidly expanding waterfront industries, including the establishment of major naval facilities and shipyards, are potential sources of pollution which may significantly affect inshore fisheries. In the Straits of Malacca, the potential for disastrous spills from oil tankers due to accidents is very real. Discharges of ballast and slop from tankers have been observed while dumping of industrial wastes containing toxic residues have also been reported. Already fish catches in the Straits of Malacca are declining, although this may also be due to overfishing. In this regard, the effects of industrial and port development in Port Klang, the Dindings estuary and Penang on the fishing industry, potential aquaculture projects and recreation will need to be monitored.

675. *Noise and visual pollution* also require attention. Apart from the effects of noise pollution on health in industrial establishments—a problem which can be contained by enforcement of industrial and health regulations—noise and visual pollution in the general environment are increasingly serious problems. Effective town and country planning will have an important role to play in this respect.

IV. ENVIRONMENTAL OBJECTIVES

676. Environmental policies will be pragmatic. In the opening up of undeveloped land and forest resources, every effort will be made for the preservation of representative ecological systems. In the planning of industrial and urban growth, provision will be made to minimize the undesirable consequences of congestion and environmental pollution.

Resource management and ecosystem preservation

677. The natural resource-based sectors form a major part of Malaysia's economy. A primary concern of resource management will be to maintain the productive capacity of the country's renewable natural resources through

the application of sound policies for soil, water and forest conservation; to rehabilitate and develop alternative uses for worked-out mining land; and to facilitate wildlife and ecosystem preservation, through the establishment of natural reserves for the purpose, and the enforcement of legislation.

678. The renewable resources of Malaysia which are actively being utilized are its land, forests and water. Malaysia has a good record for sound management of these resources. Provisions for the conservation of soil, water and forest under several enactments dealing with the use and exploitation of natural resources as well as the use of sound cultivation, cropping and conservation techniques have in general resulted in minimal impairment of the potential of these resources.

679. A perspective of the country's natural resources is provided by the Land Capability Classification Survey carried out under the First Malaysia Plan and further elaborated during the Second Malaysia Plan. Together with the completion of the Forest Industries Development Project and the Sabah Forestry Inventory, the information necessary for effective planning of the forest resources of the country has now been significantly extended.

680. Under the TMP, hydrological surveys will continue to be undertaken by the Drainage and Irrigation Department (DID) with respect to surface water and the Geological Survey Department in respect of groundwater. Existing forest inventories and information on land use and soil characteristics will be widened. Finally, comprehensive river basin studies undertaken by the DID for the Pahang, Trengganu and Kelantan river basins will be particularly important in planning development in these areas in respect of multiple water use and flood control.

681. Estimates of land utilization as of 1973, as shown in Table 11-1 indicate that more than 50% of Malaysia is still under virgin forests. There is thus considerable potential for resource development as well as ecosystem conservation.

TABLE 11-1

MALAYSIA: LAND USE, 1973
(million acres)

	<i>Peninsular Malaysia</i>	<i>Sabah</i>	<i>Sarawak</i>	<i>Total</i>
Total area	32.5	17.8	30.7	81.0
Total developed area ¹	9.2	2.6	6.7	18.5
Total forest area	23.3	15.2	24.0	62.5
Logged and disturbed forest	11.8	3.7	3.0 ²	18.5
Virgin forest	11.5	11.5	21.0	44.0

¹ Includes all land cleared of forests except regrowth after shifting cultivation and includes agriculture, mining, urban and associated infrastructure.

² Estimated—accurate forest survey data not available.

Research into land use and management

682. In order to enhance the capability of the country's land resources for sustained production, land use research and management will be emphasized. At the same time, improved techniques for soil management will be propagated to reduce the undesirable environmental effects of erosion and loss of soil structure. The development of these techniques will also help to bring into production areas hitherto regarded as marginal or unsuitable for agriculture.

Forestry

683. As agricultural development diminishes the availability of lowland forest areas, logging will progressively expand into hill forests. Research on forest management and logging systems which minimize erosion problems and on forest utilization leading to more effective use of commercially less desirable species will all be important if the forest resources of the country are to be fully utilized in ways which are consistent with sustained yield management and conservation. The incorporation of a larger variety of species in regenerated forests will also be promoted for purposes of genetic conservation.

Wildlife management

684. In view of the declining acreage under forests, emphasis will be given to multi-use forest management for wildlife as well as timber production. This will require strict enforcement of the laws on wildlife protection and the prohibition of hunting within forest reserves as provided for in the forest enactments. In addition, research will be undertaken in forestry and wildlife management so that compatible management systems can be devised. The goal is to ensure that as far as possible breeding populations of all known species can be maintained in a natural state within the forests of the nation.

Ecosystem conservation

685. A great variety of forest systems exists in the country due to differences in climate, topography, geology, soils, geographical region and man-induced influences. Geographically, the forests in the northwest of Peninsular Malaysia with elements of Thai/Burmese flora differ from those of the southeast which have Bornean elements. The forests of Sabah and Sarawak also differ in composition from those of Peninsular Malaysia.

686. The existing national parks, although large, are not able to preserve the wide range of differences existing in the country. To ensure that the diversity of ecosystems is effectively conserved, a survey will be carried out during the Plan period to provide the basis for the establishment of a system of national parks, nature reserves, wildlife sanctuaries and virgin jungle reserves.

687. Those features of Malaysia's landscape which reflect its natural beauty will be preserved for recreation and tourism. Some of the areas with such potential include limestone outcrops such as Gunong Tempurong and Gunong Rapat around Ipoh, Bukit Takun and Batu Caves near Kuala Lumpur and the Langkawi Islands; the quartz dyke on either side of Klang Gates; and the combination of headlands and coastal hill forests in Muka Head in Penang, Cape Rachado, Lumut and Segari north of the Dindings estuary. Several of these areas with important landscape and floristic components have potentials for recreational-type national parks. In Penang, Port Dickson and on the East Coast of Peninsular Malaysia, developments along the entire length of the beaches should be managed in such manner that their landscape and recreational potential will not be impaired. Continued attention will also be given to the preservation and rehabilitation of important historical and archaeological sites such as the Niah Caves in Sarawak and Merbok in Kedah.

TABLE 11-2

PENINSULAR MALAYSIA: EXISTING NATIONAL PARKS,
NATURE RESERVES, NATURE MONUMENTS AND WILDLIFE
SANCTUARIES

<i>State</i>	<i>Reserve or park</i>	<i>Approximate area (acres)</i>
Perak	Chior Game Reserve	10,700
	Sungkai Game Reserve	6,000
	Batu Gajah Bird Sanctuary	11
Pahang	Krau Game Reserve	136,000
	Fraser's Hill Wildlife Reserve (Contiguous with Wildlife Reserve in Selangor)	2,500
	Cameron Highlands Wildlife Reserve	176,000
	Pahang Tua Bird Sanctuary	3,300
Johor	Segamat Wildlife Sanctuary ³	77,000
	Endau-Kluang Wildlife Reserve	250,000
	Endau-Kota Tinggi (W) Wildlife Reserve	199,000
	Endau-Kota Tinggi (E) Wildlife Reserve	46,000
	Pulau Lima Islands Bird Sanctuary	5
Negri Sembilan	Port Dickson Islands Bird Sanctuary	1
Selangor	Fraser's Hill Wildlife Reserve	7,360
	Kuala Selangor Wildlife Reserve	108
	Bukit Kutu Wildlife Reserve	4,800
	Klang Gates Wildlife Reserve	322
	Bt. Sungai Puteh ³	99
	Kuala Lumpur Golf Course (Bird Sanctuary)	996
	Bt. Nanas Forest Reserve	40
	Templer Park Nature Reserve	3,000
Sungai Dusun Game Sanctuary	10,700	
Pahang, Kelantan, Treng- ganu	Taman Negara	1,140,000

³ No longer effective.

TABLE 11-3

**PENINSULAR MALAYSIA: PROPOSED NATIONAL PARKS,
NATURE RESERVES, NATURE MONUMENTS AND WILDLIFE
SANCTUARIES**

<i>State</i>	<i>Reserve or park</i>	<i>Approximate area (acres)</i>
Perak	Belum Wildlife Reserve	531,000
	Grik Wildlife Reserve	168,000
	Segari Wildlife Reserve	3,450
	Selama Wildlife Sanctuary	55,000
	Kuala Gula Bird Sanctuary	2,200
	Gunong Tempurong Nature Monument	3,000
Selangor	Batu Caves Nature Monument	385
	Templer Park Nature Monument	7,500
	Kuala Selangor Nature Monument	1,400
Negri Sembilan	Pasoh IBP Research Reserve	6,000
Johor	Mersing Nature Monument	46,000
	Padang Mulud Nature Reserve	5,320
	Johor State (Gunong Blumut) National Park ⁴	128,000
Johor-Pahang	Taman Endau-Rompin National Park ⁴	500,000
Pahang	Tasek Bera Nature Reserve	82,000
	Menchali Nature Reserve	1,000
	Tasek Chini Nature Reserve	12,000
Trengganu	Ulu Trengganu Wildlife Reserve	288,000
	Dungun Turtle Sanctuary	800
	Trengganu Bird Sanctuary	730
Kedah	Ulu Muda Wildlife Reserve	285,000
Penang	Batu Feringghi Wildlife Reserve	3,620
Kelantan	Sungai Nenggiri Wildlife Reserve	91,000

⁴ These are designed to be multiple-use national parks with logging restricted to designated areas.

Environmental pollution control

688. Measures for controlling environmental pollution are provided in the Environmental Quality Act which was passed by Parliament in 1974. The Department of the Environment within the Ministry of Science, Technology and the Environment working closely with relevant Government agencies will be responsible for implementing the provisions of the Act and overseeing management of the environment generally. Selective environmental control programmes will be implemented during the Plan period, focusing on the following priority areas.

Pollution monitoring

689. Fundamental to the control of environmental pollution is the determination of base-line levels for specific pollutants and the monitoring of ambient levels. These call for continuous monitoring of both atmospheric and water pollution in large urban conurbations as well as areas subject to known sources of pollution, for example, from cement factories and rivers known to be receiving or likely to receive harmful effluents. Specific pollutants to be monitored include carbon monoxide, sulphur dioxide, nitrogen oxides, particulates in the atmosphere, silt from mining, effluents from oil palm, rubber and other agro-processing industries, pesticides and toxic elements from industrial sources. Coastal waters including marine life will also be monitored in view of oil spills and discharges of sewerage, urban waste and toxic industrial effluents.

Contingency plan for oil pollution

690. In view of heavy tanker traffic in the Straits of Malacca, a contingency plan for dealing with oil pollution arising from accidents will be given priority. The plan will be co-ordinated by the Department of the Environment and will involve related Government agencies together with the assistance of private oil companies. Following the "Showa Maru" oil spill, the Government has initiated negotiations with the Japanese Government regarding compensation for the accident. The losses and costs arising therefrom are clear indications of the importance which must be given to avoiding such incidents in the future.

Machinery for pollution control

691. An important means for controlling industrial pollution is the dispersal of industries away from large urban conurbations. Such dispersal will obviate concentration of pollution in any single region and reduce planning problems due to congestion. The Department of the Environment will examine the use of licences, fines and charges for effluent disposal.

V. ENVIRONMENTAL IMPACT ASSESSMENT

692. In the evaluation of all relevant projects, an assessment of the overall impact of these projects on the environment will be undertaken. Ministries and Departments as well as the private sector will be required, before embarking on the implementation of such projects, to identify all likely environmental effects as well as the means to be taken to counter them. These assessments will be taken into account in the final design and implementation of the projects but bearing in mind that the adoption of environmental protection measures will need always to be in balance with development costs.

VI. ENVIRONMENTAL EDUCATION

693. Effective management of the environment requires not only technical capability but also full awareness on the part of the population at large as to the measures required for the purpose. The mass media and educational institutions will be used to stimulate awareness among the general public of the importance of environmental conservation and the social and economic *rationale* affecting decisions on environmental issues. At the same time, technical training for personnel involved in environmental management, scientific analysis of natural resource management and the economics of the environment will be expanded.

VII. CONCLUSION

694. Problems concerning the environment will be given specific consideration in the process of development while the capability and machinery for dealing with these problems will be progressively developed during the Plan period. The purpose of this Chapter has been to focus attention on the environmental problems arising from development and the several measures which would be developed to overcome them. While industrial and urban development have not reached such a stage as to pose major environmental problems, it will be Government's policy to ensure that, in the process of development, undesirable environmental consequences are minimized and early remedial action is taken to avoid prohibitive curative costs in the future. In the use of the nation's renewable natural resources, Government policies will seek to ensure sustained yield management and the preservation of basic options in resource use through the maintenance of ecosystem reserves.

Part Three

Contributions of the Public and Private Sectors to Development

CHAPTER XII

The Public Sector Programme and its Financing

I. INTRODUCTION

695. The public sector development programme of the Third Malaysia Plan (TMP) will be an important vehicle through which the Government will implement its commitments under the New Economic Policy (NEP). The programme is designed to enable the Government to implement new projects and consolidate efforts initiated under the Second Malaysia Plan (SMP) to expand employment opportunities and improve the productivity and incomes of the poor; increase the pace of restructuring Malaysian society as envisaged under the NEP; and stimulate more rapid development in the relatively less developed regions of the country. By contributing towards the enlargement of the productive and infrastructural base of the economy, the public sector programmes will also stimulate private sector activity throughout the economy, especially in manufacturing.

696. Total allocations of public sector development expenditure amount to \$18.6 billion under the TMP compared with \$9.8 billion expended under the SMP. A sum of \$2.2 billion is for defence and internal security expenditures while the allocations for socio-economic development amount to \$16.4 billion. The financing of this substantially enlarged expenditure programme under the TMP will require prudent fiscal and monetary policies in order to manage the national economy with a minimum of domestic price inflation and to maintain the credit worthiness of the country.

II. DEVELOPMENT EXPENDITURE, 1971-75

697. Public development expenditure under the SMP amounting to \$9.8 billion was 34.2% greater than the original target of \$7.3 billion which was revised to \$10.3 billion in the course of the SMP. Of the total amount expended, \$8.4 billion was for capital formation by the public sector with the remainder constituting, in the main, transfers to the private sector. As a result, public investment grew by 29.0% per annum in current prices. As prices of capital goods and costs of construction rose rapidly during

the period, public investment in real terms grew by 17.6% per annum between 1970 and 1975, raising its share in total investment from 32.2% in 1970 to 43.1% in 1975. This contributed in a major way to the acceleration of economic growth in the country despite adverse economic conditions.

698. Accounting for 74.5% of total development expenditure in the public sector, development expenditure by the Federal Government grew by 22.3% per annum, with the year to year growth varying with the anti-cyclical efforts of the Government. In view of depressed economic conditions in 1972 and 1975, development expenditures were expanded substantially during those years. In contrast, development expenditures in 1973 and 1974 were controlled due to inflationary conditions. At the same time, projects essential for employment creation and domestic food production were emphasized. With the major economic problem in 1975 being recession, the Federal development expenditure programme gave emphasis to the implementation of projects aimed at stimulating economic growth.

699. The State Governments and Public Authorities accounted for 13.4% and 12.1% of total development expenditures and expanded by 17.4% and 41.8% per annum respectively. The faster rate of expansion registered by the Public Authorities reflected the growing role they played in the implementation of the NEP.

700. A major portion of total development expenditure was for economic and social programmes with the former taking up 72.3% and the latter 13.7% of the total. Expenditures for defence and internal security and general administration made up the remainder. Though small in relative terms, the growth of expenditure for these programmes was rapid.

701. The largest allocations were for agriculture and land development which constituted 21.7% of the total expenditure programme. They enabled about 412,000 acres of new land to be developed by the Federal Land Development Authority (FELDA) compared with the target of 403,000 under the Mid-Term Review of the SMP. Together with the efforts of the Rubber Industry Smallholders Development Authority (RISDA) in the replanting and newplanting of smallholder rubber and those of the Ministry of Agriculture for the provision of drainage and irrigation facilities to enable the double-cropping of rice, these programmes had a significant and positive impact in raising the productivity of rubber smallholders and padi planters—two of the largest groups in poverty in the country.

702. In contrast to past development plans, the most distinctive feature of the public sector development programme was the sizeable increase in the amounts expended for commerce and industry, the major objective being to enable public enterprises including the *Perbadanan Nasional* (PERNAS), the Urban Development Authority (UDA), the *Majlis Amanah*

Rakyat (MARA) and the State Economic Development Corporations (SEDCs) to expand their activities in support of greater involvement of the Malays and other indigenous people in commerce and industry. Expenditures in this regard amounted to about \$758 million and accounted for 46.8% of the total for commerce and industry. This enabled PERNAS, the SEDCs, UDA and MARA to establish new enterprises, enter into joint-ventures with the private sector and acquire equity participation to be held in trust for the Malays and other indigenous people in various fields of private sector activity. The remaining expenditures for commerce and industry went towards the expansion of the activities of such national enterprises as the Malaysian Airline System, the Malaysian International Shipping Corporation and the Malaysia Shipyard and Engineering Sdn. Bhd. As a result of the funds channelled by the Federal Government to these and other agencies by way of loans, equity investment and grants, the direct involvement of the public sector in the production of goods and services in the country expanded dramatically.

III. THE SIZE AND STRATEGY OF THE PUBLIC SECTOR DEVELOPMENT EXPENDITURE PROGRAMME, 1976-80

703. As shown in Table 12-1, the total allocation of development expenditure for the public sector for the period 1976-80 is \$18.6 billion, 89.0% higher than the amount expended under the SMP. The amount of public development expenditure required to achieve the public investment target of \$17.4 billion in current prices (\$9.2 billion in real terms) discussed in Chapter VI is \$20 billion. The allocation which has been made for development expenditure is therefore a minimum, yielding an investment of about \$15.8 billion, which in real terms amounts to \$8.3 billion or 36.0% greater than in the SMP. It will be the Government's strategy to ensure that as more resources become available, the size of the development expenditure programme is increased so that the investment target is fully realized.

TABLE 12-1

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE, 1971-80 (\$ million)

	<i>Cumulative total,</i>	
	<i>1971-75</i>	<i>1976-80</i>
Federal	7,320	13,797
State	1,313	1,406
Public Authorities	1,187	3,352
TOTAL ...	9,820	18,555

704. Out of the total development expenditure in the public sector of \$18.6 billion, the allocation for development expenditure by the Federal Government is \$13.8 billion with the State Governments and Public Authorities each accounting for \$1.4 billion and \$3.4 billion respectively. In the case of the Public Authorities, the bulk of the allocation is for the National Electricity Board (NEB) and the Telecommunications Department totalling over \$2.3 billion, while RISDA and the Malaysian Rubber Development Corporation together are expected to spend \$807.8 million.

705. The total allocation of development expenditure implies an average annual rate of growth of 10.8%. In the light of the rapid growth of development expenditure under the SMP, the targets for the TMP have been formulated taking into account the need to ensure effective consolidation of programmes begun in the last five years and efficient utilization of capacity already developed.

706. The primary consideration underlying the public sector development expenditure programme under the TMP is to reduce the wide economic and social imbalances currently existing in the country by according emphasis to the advancement of the less developed States, reducing the incidence of poverty irrespective of race and restructuring Malaysian society. Towards this end, project priorities were determined on the basis of their contributions to these objectives.

707. The distribution of development expenditure by States has been based on the need, as discussed in Chapter X, to redirect development expenditure to the poorer States as well as the depressed areas in the other States. The priority States are Kedah, Perlis, Kelantan, Trengganu and Malacca as they are the lowest income States in the country with income levels well below those of other States. The design of a strong public sector programme to narrow this gap took several factors into consideration. These included the development potential of the various States, including land and forestry areas available for development, the pace by which project identification and preparation could be accelerated and the measures needed to expand implementation capacity to cope with the large volume of development activity entailed. Within the more developed States, the allocations of development expenditure took account of the need to deal more effectively with depressed areas within these States themselves.

708. Table 12-2 shows the optimal targets and the allocations which have been made by States under the TMP. The optimal targets were determined as broad guidelines of the investments required in each State if current differences in *per capita* incomes between them are to be progressively narrowed. It is to be noted that the allocations for the States of Kedah, Perlis, Kelantan, Negri Sembilan and Malacca fall short of the optimal expenditure required though they represent a considerably enlarged effort as compared to previous Plans. Even then, it will be the objective of the Government to further bridge these gaps in the course of the TMP as and

when financial resources become available. To this end, immediate and priority attention will be given to the preparation of projects with direct poverty redressal effects as well as the need to build up capacity for the effective implementation of these projects.

TABLE 12-2

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE
BY STATE, 1976-80
(\$ million)

	<i>Optimal target (%)</i>	<i>Target value</i>	<i>Allocation</i>
<i>Low income States</i>			
Kedah	6.3	1,037.6	854.1
Perlis	1.0	164.7	156.5
Kelantan	7.6	1,251.7	1,018.8
Trengganu	5.4	889.3	911.2
Malacca	3.0	494.1	327.7
<i>Higher income States</i>			
Penang	6.2	1,021.1	894.3
Perak	12.5	2,058.7	1,791.9
Selangor	13.2 ¹	2,173.9	1,413.1
Federal Territory of Kuala Lumpur			1,490.0
Pahang	9.0	1,482.2	2,054.1
Negri Sembilan	5.1	839.9	616.6
Johor	11.8	1,943.4	1,831.7
Sabah	8.4	1,383.4	1,452.3
Sarawak	10.5	1,729.3	1,657.0
	<u>100.0</u>	<u>16,469.3</u>	<u>16,469.3</u>
<i>Multi-state</i> ²			<u>2,085.6</u>
TOTAL			18,554.9

¹ The optimal targets for Selangor and the Federal Territory of Kuala Lumpur cannot be shown separately as the GDP on which the calculation is based is for the State as a whole.

² Multi-state projects are those which have not been assigned to any particular State and include equipment for defence and internal security.

709. A primary factor explaining the large allocations, for example to Selangor, the Federal Territory and Pahang was the need to provide for continuation of work initiated under the SMP on a number of major infrastructure and regional projects with long-term significance for expanding the productive capacity of the entire economy. These are national in character and include the improvement of the country's main highway network, ports and telecommunications services. Large-scale integrated development schemes such as in Pahang Tenggara are also national in character in as far as they provide for the absorption of settlers from other States. The successful implementation of these projects is particularly vital for facilitating the modernization of the rural economy and the establishment of new growth centres, especially on the East Coast of Peninsular Malaysia.

710. Notwithstanding the basic importance of these projects to the country's future development, high priority was accorded to projects providing more immediate impact for alleviating poverty and reducing racial imbalances, particularly in the poorer States. The amounts allocated to Kedah, Kelantan, Trengganu and Malacca reflect in particular, the need to develop existing smallholder agriculture, improve infrastructure, expand facilities for marketing, credit and processing of agricultural produce and enhance the reach as well as the quality of social services in these States.

Allocations by State

711. The public development expenditure programmes by major sectors as allocated among the various States of Malaysia are shown in detail in Appendices I and II to this Plan document.

712. Kedah, Perlis, Kelantan, Trengganu and Malacca have been respectively allocated \$854.1 million, \$156.5 million, \$1,018.8 million, \$911.2 million and \$327.7 million for the 1976-80 period. The bulk of these expenditures will be financed by the Federal Government and its agencies as the State Governments concerned have limited resources for development.

713. About 36.3% of the total expenditure in Kedah, 28.0% in Perlis and 36.5% in Kelantan will be for agriculture and rural development, reflecting the agricultural-bias of their economies and the concentration of programmes on the problems of rural poverty especially among existing smallholders. In these States, drainage and irrigation and rubber replanting and newplanting are provided substantial allocations as these programmes are crucial for raising the incomes of the poverty groups. In comparison, the allocations for land development by FELDA amounting to \$29.4 million in Kelantan and \$21.7 million in Kedah are small, in view of the limitations of land resources for new land settlement schemes. The expenditures on education and health amounting to \$72.1 million and \$40.6 million respectively in Kelantan and \$93.2 million and \$26.1 million respectively in Kedah are large in relation to their population and if compared with some of the other States. About 50.2% of the total rural electricity programme is geared to Kedah, Perlis, Kelantan and Trengganu. Kedah has been allocated \$59.2 million for low-cost housing to provide for the growing size of towns such as Alor Star and Sungai Petani. Reflecting Kelantan's lower level of basic infrastructure development, a sum of \$86.5 million has been allocated for roads and bridges. Out of the allocation of \$25.3 million for education in Perlis, the major project will be the completion of a branch campus of the *Institusi Teknologi MARA* (ITM). In Malacca, the largest allocation is for agricultural and fisheries development amounting to \$66.7 million followed by commerce and industry for which the allocation is \$59.8 million. These allocations reflect the importance of *in situ* agricultural improvement programmes, industrial development and social services in the poor States.

714. The allocations for Selangor and the Federal Territory, Perak, Pahang, Johor, Sarawak and Sabah are greater than those provided for other States. The large allocations to these States arise from the need to complete work on major infrastructure projects initiated under the SMP and the availability of land for large-scale agricultural development and settlement. It should be noted that many of these projects, for example, the major highways, electricity generation and land development have benefits which extend beyond the boundary of the States in which they are located.

715. Selangor receives an allocation of \$1.4 billion, while that for the Federal Territory is \$1.5 billion. About \$2.2 billion is accounted for by Federal projects including Kuala Lumpur international airport (\$42.8 million), Port Klang (\$91.5 million), the Universities including the ITM (\$304.8 million) and the Kuala Lumpur-Petaling Jaya highway (\$24.3 million). They are continuation projects with large contractual commitments for which financial provisions have to be made over the Plan period.

716. The allocations to Penang provide for the consolidation of development effort initiated under the SMP. The major projects relate to continuation work on the expansion of the Prai Power Station (\$254.2 million) and development of the Port of Penang (\$120.6 million) as well as roads and bridges (\$26.9 million). Other major programmes are housing (\$39.4 million), education (\$86.4 million) and civil aviation (\$42.0 million). A number of these projects will generate benefits extending beyond Penang, while stimulating at the same time the development of the neighbouring States in Peninsular Malaysia.

717. The principal allocations for Perak will be for major infrastructure projects, the benefits of which also transcend State boundaries. These include the development of the Naval Base (\$325.0 million), electricity, mainly the Temenggor Hydro-electric Scheme (\$296.0 million), and road projects (\$142.7 million).

718. Pahang, Johor and Trengganu are the three States in Peninsular Malaysia which have large potentials for new land development thus providing opportunities for settlement by the landless and the poor from all States in the country. About \$318.6 million has been provided for the Pahang Tenggara Development Authority to develop new land for settlement and to establish a complex of new growth centres based at Bukit Ridan. About \$200 million has been allocated for Kuantan Port in view of Kuantan's important role in the strategy to stimulate development in the East Coast. In Johor, some \$215 million will be spent to develop the Johor Tenggara region. In Trengganu, \$104.6 million has been allocated to the Trengganu Tengah Development Authority for land development and associated infrastructure expansion, including the Jerangau/Jabor road. The allocations to regional development authorities are additional to the substantial amounts

which have been provided to FELDA to undertake the planting of crops, mainly rubber and oil palm, especially in these regional development areas. The allocations for such land development, to FELDA mainly, amount to \$455.1 million for Pahang, \$244.1 million for Johor and \$56.6 million for Trengganu.

719. Sabah and Sarawak have been provided with allocations amounting to \$1.5 billion and \$1.7 billion, respectively. As in the other States, the major expenditure will be on agriculture and rural development with land development undertaken mainly by the land development agencies in these States constituting the largest programme in the agricultural sector. The bulk of the allocation for both States will be for the development of the transport and communications system, particularly roads and bridges. Education and health programmes will also be expanded.

Allocations for anti-poverty projects

720. Some 38.2% of total development expenditure or \$7.1 billion will be directly for poverty redressal projects. The distribution of this expenditure among the States takes account of the relative incidence of poverty within each State. The major projects are for rubber smallholders, padi cultivators, fishermen, coconut smallholders, mixed farmers, estate workers, residents of New Villages and the *Orang Asli*. Projects directed at the alleviation of urban poverty include low-cost housing, public transportation, sewerage and infrastructure facilities and financial assistance for petty traders.

721. Poverty redressal projects include programmes for the replanting and newplanting of rubber by RISDA; drainage and irrigation schemes; the rehabilitation and consolidation of existing holdings by the Federal Land Consolidation and Rehabilitation Authority (FELCRA); the promotion of inter-cropping, off-season cropping and crop diversification; fisheries and livestock development; credit and marketing services by *Bank Pertanian*, the co-operative movement and the Federal Agricultural Marketing Authority (FAMA); and the provision of extension and advisory services through Farmers' Development Centres established by the Farmers' Organisation Authority.

722. New land development has a major role to play in reducing poverty by providing productive employment to the landless and those with uneconomic holdings. With about \$1.1 billion provided to FELDA, this will enable it to open up 350,000 acres of land and settle about 20,500 families. Other land development agencies will account for 390,000 acres of the land to be opened up. In addition, efforts will be made to establish farm enterprise schemes involving a greater degree of settler participation in their development and management. In total, and including joint-venture projects with the private sector, the land development programme is estimated to settle about 60,000 families.

723. Other programmes will contribute to poverty redressal by improving the access of the poor to basic amenities. These include low-cost housing, public transport, rural electrification, water supply, health and education. The amount allocated for public low-cost housing is \$515.0 million or more than twice that spent under the SMP. Sites and Services projects to be implemented on the fringes of the urban areas will involve the provision of sites and basic services to enable the lowest income groups to build their own houses with Government assistance. Rural electrification will be expanded and a provision of \$174.6 million has been made for this purpose, the bulk of which is for the poor States. In the health programme, the establishment of additional rural clinics and district hospitals will enable health services to be extended to a greater part of the rural population.

Allocations for restructuring projects

724. The amount allocated for programmes designed to facilitate the restructuring of society, in particular by increasing the opportunities for the Malays and other indigenous people to participate in the modern sectors of the economy, is \$3.5 billion or 18.8% of the total. The main focus of these programmes will be to assist the Malays and other indigenous people to participate in commercial and industrial activity with the support of major public sector agencies—PERNAS (\$200.0 million), MARA (\$315.0 million), the SEDCs (\$425.8 million), UDA (\$200.0 million) and *Bank Pembangunan* (\$65.0 million) as well as the *Bumiputra Investment Fund* (\$200.0 million) to be established under the Plan. These agencies have been provided with \$1.4 billion to establish new enterprises and acquire corporate capital to be held in trust for the Malays and other indigenous people. They will also have the important function of providing credit and technical assistance. Education and training projects will be expanded. These will provide opportunities for the Malays and other indigenous people to acquire industrial and commercial skills for greater employment in commerce and industry. The main projects in this connection are the expansion of the ITM (\$66.0 million), the MARA vocational schools (\$22.6 million) and the establishment of special residential science schools at a cost of \$21.0 million. In respect of other Malaysians, the restructuring objectives of the NEP will be achieved *inter alia* through the implementation of policies designed to increase employment in agriculture and other sectors where their representation is currently low in relation to the NEP targets.

IV. HIGHLIGHTS OF SECTORAL ALLOCATIONS

725. Table 12-3 shows that the allocation of \$12.7 billion for the economic sector accounts for 68.3% of the total expenditure programme of \$18.6 billion. Expenditure for agriculture and rural development amounts to \$4.7 billion, with land development by FELDA, FELCRA and other agencies absorbing \$2 billion. Other agricultural programmes take up \$2.7 billion for the development of *in situ* agriculture. The proposed allocations reflect the importance to be given to programmes dealing with factors which inhibit

TABLE 12-3

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE, 1971-80
(\$ million)

Sector	Revised SMP allocation, 1971-75			Estimated expenditure 1971-75			TMP allocation, 1976-80			%	
	SMP allocation, 1971-75	Estimated expenditure 1971-75		SMP allocation, 1971-75	Estimated expenditure 1971-75		SMP allocation, 1976-80	TMP allocation, 1976-80			
		Peninsular Malaysia	Sarawak		Total	Peninsular Malaysia		Sarawak	Total		Peninsular Malaysia	Sarawak	Total
ECONOMIC	7,349.72	5,771.95	732.53	595.83	7,100.31	72.3	10,475.540	1,006.312	1,183.304	12,665.156	68.3
(a) AGRICULTURE AND RURAL DEVELOPMENT	2,368.96	1,747.02	221.96	160.11	2,129.09	21.7	3,901.897	389.034	444.605	4,735.536	25.5
Agriculture	202.49	115.77	37.90	58.56	212.23	2.2	345.221	49.023	102.500	496.744	2.7
Rubber Planting	190.16	116.28	16.97	25.16	158.41	1.6	620.899	27.600	26.438	674.937	3.6
Land Development (FELDA, FELCRA, DARA, LKJT, LKTT)	1,252.73	992.31	103.13	43.74	1,139.18	11.6	1,603.689	170.000	236.000	2,009.689	10.8
Drainage and Irrigation	314.21	240.07	15.08	15.94	271.09	2.8	565.756	24.000	31.275	621.031	3.3
Forestry	40.18	21.09	7.65	2.03	30.77	0.3	46.449	2.640	6.378	55.467	0.3
Animal Husbandry	81.14	59.27	6.61	3.84	69.72	0.7	132.645	32.653	13.711	179.009	1.0
Fisheries	42.01	24.04	1.88	6.06	31.98	0.3	253.844	6.350	15.540	275.734	1.5
Agriculture Credit and Marketing (Bank Pertanian, FAMA, Co-operatives, Padi Board and Rural Credit)	179.52	104.83	27.14	0.10	132.07	1.3	224.407	65.996	4.413	294.816	1.6
Agricultural Research (MARDI and Division of Food Technology)	37.92	28.60	5.60	4.68	28.60	0.3	60.583	—	—	60.583	0.3
Others	0.69	0.44	0.14	—	0.58	—	48.404	10.772	8.350	67.526	0.4
(b) MINERAL RESOURCES DEVELOPMENT	0.69	0.44	0.14	—	0.58	—	2.039	1.350	1.648	5.037	—
Mines Department	—	—	—	—	—	—	0.560	—	—	0.560	—
Geological Survey	0.69	0.44	0.14	—	0.58	—	1.479	1.350	1.648	4.477	—
(c) COMMERCE AND INDUSTRY	1,608.14	1,542.34	38.45	37.41	1,618.20	16.5	1,600.818	32.500	101.200	1,734.518	9.5
National Corporation (PERNAS)	150.00	150.00	—	—	150.00	1.5	200.000	—	—	200.000	1.1
Malis Amanah Rakyat (MARA)	215.27	205.27	—	—	205.27	2.1	315.000	—	—	315.000	1.7
State Economic Development Corporations (SEDCs)	192.93	190.49	25.57	11.47	227.53	2.3	368.800	32.500	22.500	423.800	2.3
Industrial Estates	35.26	18.01	0.40	7.00	25.41	0.3	200.000	—	—	200.000	1.2
Urban Development Authority (UDA)	175.00	182.10	—	12.36	194.46	2.0	200.000	—	—	200.000	1.1
Contribution to Bumiputera Investment Fund	—	—	—	—	—	—	—	—	—	—	—
Malaysian Industrial Development Finance Bhd. (MIDF)	100.00	100.00	—	—	100.00	1.0	—	—	—	—	—
Mekansia Rubber Development Corporation (MARDEC)	76.71	60.59	—	—	60.59	0.6	132.862	—	—	132.862	0.7
Malaysian International Shipping Corporation (MISC)	107.04	113.01	—	—	113.01	1.2	11.000	—	—	11.000	—
Other investment in economic enterprises (including Bank Perbadaguan)	225.78	223.74	7.44	4.33	235.51	2.4	120.887	—	61.700	182.587	1.0
Others—(NISIR, SIM, NPC, TOURISM, FIDA etc.)	60.15	29.13	5.04	2.25	36.42	0.4	51.969	—	—	51.969	0.3
Selangor Government	260.00	260.00	—	—	260.00	2.6	—	—	—	—	—
PETRONAS	10.00	10.00	—	—	10.00	0.1	—	—	—	—	—
Others	—	—	—	—	—	—	0.300	—	—	0.300	—
(d) FEASIBILITY STUDIES	43.68	28.94	1.62	5.33	35.89	0.4	25.000	5.000	6.000	36.000	0.2
(e) TRANSPORT	1,687.67	1,215.58	327.97	237.76	1,781.31	18.1	2,071.364	351.749	395.914	2,819.027	15.2
Roads and Bridges	858.51	620.44	191.46	107.28	919.18	9.4	1,196.214	208.900	210.000	1,615.114	8.7
Railways	97.71	95.10	9.39	—	104.49	1.1	200.000	—	—	200.000	1.1

Civil Aviation	253.59	140.78	32.46	28.78	202.02	118.400	46.700	45.900	211.000	1.1
Ports and Marine	366.15	290.71	91.04	69.21	441.96	475.250	55.049	100.014	630.313	3.4
P.W.D. Plant and Equipment	111.71	68.55	3.62	41.49	113.66	81.500	41.100	40.000	162.600	0.9
(f) COMMUNICATIONS	640.97	467.42	65.00	71.54	603.96	1,051,253	64,986	75,789	1,192,028	6.4
Telecommunications	515.55	392.79	47.07	55.05	494.91	957,390	60,610	62,000	1,080,000	5.8
Broadcasting	100.89	55.91	16.66	14.60	87.17	36,415	2,660	8,425	67,500	0.4
Postal	20.49	15.23	1.26	1.68	18.17	30,790	0,916	4,294	36,000	0.2
Meteorological Services	4.04	3.49	0.01	0.21	3.71	6,658	0,800	1,070	8,528	—
(g) UTILITIES	999.61	770.21	77.39	83.68	931.28	1,823,169	161,693	158,148	2,143,010	11.5
Electricity	579.26	456.02	49.26	59.01	564.29	1,197,735	115,193	92,042	1,404,970	7.6
Rural Electrification	70.03	60.34	3.31	6.17	69.82	158,000	10,500	6,099	174,599	0.9
Water	350.26	253.85	24.82	18.40	297.07	467,434	36,000	59,740	563,174	3.0
Gas	0.06	—	—	0.10	0.10	—	—	0.267	0.267	—
II. SOCIAL	1,431.03	1,132.60	107.57	107.50	1,347.67	2,511,266	273,377	307,510	3,092,153	16.6
(a) EDUCATION AND TRAINING	763.63	575.78	44.89	55.18	675.85	1,282,593	201,827	186,900	1,671,320	9.0
Ministry of Education	558.42	381.80	44.89	55.18	481.87	1,068,100	195,000	186,900	1,450,000	7.8
Industrial Training	4.98	4.20	—	—	4.20	14,493	6,827	—	21,320	0.1
MARA (ITM, Scholarships and Training)	200.23	189.78	—	—	189.78	200,000	—	—	200,000	1.1
(b) HEALTH AND FAMILY PLANNING	226.79	144.34	12.78	16.80	173.92	327,150	23,000	27,000	377,150	2.0
(c) SOCIAL AND COMMUNITY SERVICES	440.61	412.48	49.90	35.52	497.90	901,523	48,550	93,610	1,043,683	5.6
Housing	239.97	185.94	21.29	27.58	234.81	606,045	22,900	81,200	710,145	3.8
Sewerage	22.53	19.94	0.52	0.65	21.11	134,500	—	4,000	138,500	0.7
Culture, Youth and Sports	24.29	23.27	2.01	1.08	26.36	25,600	1,000	5,900	32,500	0.2
Community Services	83.49	95.57	23.59	2.99	122.15	79,088	18,650	—	98,238	0.5
Welfare	13.90	14.83	1.29	0.22	16.34	8,990	1,000	2,010	12,000	0.1
Orang Asli	7.50	7.26	—	—	7.26	22,000	—	—	22,000	0.1
Land	48.93	65.67	1.20	3.00	69.87	23,300	5,000	—	30,300	0.2
III. GENERAL ADMINISTRATION	369.86	227.34	31.88	89.45	348.67	418,891	92,582	86,205	597,678	3.2
IV. SECURITY	1,104.84	943.94	31.35	48.91	1,024.20	2,040,000	80,000	80,000	2,200,000	11.9
(a) DEFENCE	810.00	764.89	—	—	764.89	1,470,000	40,000	40,000	1,550,000	8.4
Accommodation	430.00	389.00	—	—	389.00	711,000	40,000	40,000	791,000	4.3
Equipment	380.00	375.89	—	—	375.89	759,000	—	—	759,000	4.1
(b) INTERNAL SECURITY	294.84	179.05	31.35	48.91	259.31	570,000	40,000	40,000	650,000	3.5
Accommodation	243.52	135.30	31.35	48.91	215.56	320,000	40,000	40,000	400,000	2.2
Equipment	51.32	43.75	—	—	43.75	250,000	—	—	250,000	1.3
V. TOTAL	10,255.45	8,075.83	903.33	841.69	9,820.85	15,445,697	1,452,271	1,657,019	18,554,987	100.0

productivity improvement in existing agricultural holdings. The programmes to be stressed are rubber replanting and newplanting by RISDA and the extension of drainage and irrigation facilities, which have been allocated \$674.9 million and \$621.0 million respectively compared to \$212.2 million and \$271.1 million in the SMP. Agricultural credit and marketing programmes to be undertaken by *Bank Pertanian*, FAMA, the rural co-operatives and the National Padi and Rice Authority have been provided with \$294.8 million. Production-oriented, extension and research programmes in the fields of agriculture, fisheries and livestock development amount to \$1.0 billion, all of which are aimed at extending the scope of agricultural services to the poor.

726. An allocation of \$1.7 billion has been made for projects in the field of commerce and industry. This is mainly intended for agencies concerned with promoting the participation of the Malays and other indigenous people in commercial and industrial activity. PERNAS has been allocated \$200.0 million, MARA, \$315.0 million, the SEDCs, \$425.8 million, UDA, \$200.0 million and \$65.0 million for *Bank Pembangunan*.

727. The allocations to the transport, communications and utilities sectors, much larger than those provided under the SMP, amount to \$2.8 billion, \$1.2 billion and \$2.1 billion, respectively. These allocations are mainly for continuation as well as new projects for the development of feeder roads, ports, railways and airports in Peninsular Malaysia, Sabah and Sarawak. They include the design of the Penang Linkage, the development of a port at Tanjung Kidurong in Sarawak with liquefied natural gas (LNG) facilities and the improvement of public transportation in the Federal Territory. The largest allocations within the utilities sector are for the programmes of the NEB and the Telecommunications Department. They will help overcome current backlogs and enable a greater part of the country to be served by electricity, telephone and telex services.

728. The social services sector is allocated \$3.1 billion, primarily for education, training and health programmes. The needs of the rural areas in the poor States, in particular, will receive priority as past efforts have already brought about a relatively high standard of these services in the more developed urban areas.

729. The allocations for defence and internal security amount to \$2.2 billion. A sizeable part of the allocations will be for the provision of accommodation for members of the security forces and their families in the effort of the Government to ensure that service personnel and their families are properly housed and that their welfare is promoted.

V. THE FINANCING OF PUBLIC DEVELOPMENT EXPENDITURE

730. The financing of the public expenditure development programme under the TMP will, as in past Plans, continue to be a challenging one. With expansion in the range and complexity of Government operations, it

will be necessary to ensure that current expenditures are adequately funded by Government revenue while efforts are stepped up, at the same time, to mobilize domestic and external capital to finance the public development expenditure programme.

731. The revenue of the Federal and State Governments is estimated to rise from \$5.9 billion in 1975 to \$11.1 billion in 1980—an average growth of 13.3% per annum. Public current revenue is estimated to be \$43.3 billion for the period as a whole with \$37.0 billion being Federal revenue and the remainder State revenue.

732. Direct taxes are estimated to contribute 34.4% of the total with indirect taxes and non-tax revenue accounting for 65.6%. Revenue from direct taxes is projected to grow by 17.5% per annum following the growth of incomes and improvement in the tax collection machinery. A major new source will be revenue from income tax on petroleum production. Taxes on foreign trade and domestic indirect taxes are projected to grow by 11.1% per annum as a result of increases in the volume of domestic and foreign trade, accelerated growth of domestic production and increases in the prices of both export and import commodities.

733. As a proportion of GNP, total public revenue is expected to increase from 27.9% in 1975 to 29.3% in 1980. With taxation already high by international standards, the growth of revenue will come mainly from rising GNP and greater progressivity of the tax system rather than a significantly enlarged overall tax effort.

734. Public current expenditure is estimated to amount to about \$42.5 billion over the period 1976-80 with 87.0% representing Federal current expenditure and 13.0% being State expenditure. This will be double the amount spent in the SMP, a large part of which going towards the expansion of the personnel strength of the security forces. Apart from the wage and salary bill which accounts for over one-half of current expenditure, other major commitments include debt-service payments, supplies and Federal grants to State Governments. By sectors, social services, mainly education and health, are estimated to absorb about one-third of total operating expenditure. To provide for increased availability and quality of these services, especially in the rural areas, expenditure on social services is forecast to grow strongly.

735. Total current expenditure in relation to GNP will be 27.1% in 1980, a ratio which is already high by international standards. Notwithstanding expansion in the demand for public services and the needs of modern Government, efforts will be directed to increase productivity and efficiency in the public service as an essential means for containing the future growth of current expenditure.

736. Federal and State Government revenue is estimated to exceed current expenditure by \$800.0 million, compared with \$900.0 million in the SMP. The current account of the Federal Government will be balanced for the period as a whole. The surplus of the State Governments is largely accounted for by Sabah and Sarawak reflecting their stronger financial position compared to other States in Peninsular Malaysia. Revenue from petroleum is the major factor explaining the favourable financial position of Sabah and Sarawak.

737. The operating surpluses of the Public Authorities are projected at \$900.0 million arising mainly from the NEB, the Telecommunications Department and the electricity boards of Sabah and Sarawak. In comparison, the surpluses of the Malayan Railway, Port Authorities and Municipalities are not likely to be significant.

TABLE 12-4

MALAYSIA: CONSOLIDATED PUBLIC SECTOR
EXPENDITURE AND FINANCING, 1971-80
(\$ million)

	Cumulative total	
	1971-75 (Estimated)	1976-80 (Estimates)
Government revenue	21,700	43,300
— Government current expenditure	20,800	42,500
= Current surplus	900	800
+ Public Authorities current surplus	800	900
= Public sector surplus	1,700	1,700
— Public sector development expenditure	9,820	18,555
= Overall deficit	8,120	16,855
<i>Sources of financing</i>		
Net foreign borrowing	2,300	5,800
Net domestic borrowing	4,650	11,000
Use of accumulated assets and special receipts	1,170	100

738. Taken together, the current surpluses of the Federal and State Governments and the Public Authorities amount to \$1.7 billion for the 1976-80 period. As development and defence expenditure is targetted at \$18.6 billion, there is a deficit of \$16.9 billion. This deficit is more than two times larger than in the SMP and gives rise to the need for a substantially higher level of borrowing to be effected. The mobilization of the required resources without creating inflationary pressure on the economy is nevertheless a feasible objective given the investible resources to be generated by the forecasted growth of GNP.

739. Loans to be raised on the domestic market are projected at about \$11 billion for the five-year period, the bulk of which will continue to be raised from the non-bank private sector. The principal sources will be the national social security organizations, including the Employees Provident Fund, the insurance companies, the finance companies especially those licensed as borrowing companies, discount houses and the merchant banks. The National Savings Bank will also remain an important source of domestic resources for the financing of the national development effort over the TMP period. Other non-bank financial institutions can be expected to continue to raise their holdings of Government securities significantly.

740. Financial policy aimed at mobilizing institutional surplus funds in particular should enable the total domestic borrowing target of \$11 billion to be met. This level of resource mobilization implies a rate of monetary expansion consistent with the growth of nominal GNP over the next five years. The financial strategy underlying these projections takes account of the necessity to ensure that the financing of the public sector programme under the TMP will continue to be undertaken within an environment of financial stability, thereby enabling economic development to take place in the context of reasonable domestic price stability.

741. The amount projected for external borrowing, in the form of both market and project loans, is about \$5.8 billion with the bulk coming from institutional sources, principally the World Bank, the Asian Development Bank and the Islamic Development Bank. Bilateral arrangements with foreign Governments indicate that the amounts that can be expected from these sources will be significant. Borrowing from international markets would also be stepped up substantially during the TMP period. Although this is a potentially significant source of external capital given Malaysia's dynamic growth prospects and high credit standing in the international financial community, the amounts to be raised will of necessity depend on market conditions.

742. On the basis of a domestic borrowing target of a net amount of \$11 billion and external borrowing of \$5.8 billion, total public sector borrowing will amount to \$16.8 billion. As the public sector deficit amounts to \$16.9 billion, the projected levels of borrowing will be sufficient to finance almost the entire public sector development programme with the remaining amount of resources coming from a minor use of the accumulated assets in the public sector as well as special receipts.

743. The country has substantial capacity to undertake the proposed levels of borrowing for the TMP. The external debt service ratio was less than 4% of export earnings in 1975. By 1980, this ratio will increase to about 7%. These levels of debt service are about the lowest among countries at similar levels of development. Even so, the ratio is only a crude indicator of a country's capacity for external borrowing. Factors including the growing diversity of Malaysia's export structure, the prospects of growth of the national economy, the level of its international reserves and its debt service record are equally important considerations in determining the country's credit worthiness.

744. In the final analysis, the realization of the targets for external project borrowing will hinge on the capacity of individual Ministries, Departments and Public Authorities to prepare projects which attract external financing. The Government will give every priority to ensure that the planning, administrative and implementation machinery for this purpose is effectively geared to the preparation of extended pipelines of projects suitable for external capital assistance.

CHAPTER XIII

External Assistance and Regional Co-operation

I. INTRODUCTION

745. Malaysia has consistently recognized the importance of international collaboration in securing solutions to the economic problems of developing countries. These relate *inter alia* to the mobilization of development assistance both capital and technical to supplement domestic resources for the acceleration of socio-economic development as well as the need for regional co-operation to enlarge the capacity of developing countries to surmount their common problems.

746. This Chapter outlines the efforts to be made by the Government during the Third Malaysia Plan (TMP) for securing the required level of development assistance; fostering greater economic co-operation at the international, regional and sub-regional levels; and stepping up its own technical assistance efforts to other developing countries.

II. NEED FOR EXTERNAL ASSISTANCE

747. The Government has committed itself to accelerating national economic and social development through the New Economic Policy (NEP) as well as the maintenance of law and order in the country. Notwithstanding the achievements of the nation's past development efforts, the prevailing high incidence of poverty and the wide disparities in income continue to pose a major challenge to the timely attainment of the objectives of the NEP. The public sector development programme under the TMP seeks to meet this challenge. As discussed in Chapter XII, these development efforts will involve investments for projects which generate socio-economic benefits for the lower income groups.

748. The large financing requirements for the investments targetted under the TMP will come mainly from the nation itself through greater mobilization of domestic resources. The proportion of revenue from taxation to the Gross National Product which stood at 23% in 1975, is indicative of the efforts already being made to mobilize domestic resources

for development. As private investment has an important role to play in achieving the country's development goals, there is a need to strike a balance between additional taxation on the one hand and the provision of adequate incentives to the private sector to play a meaningful role in national economic development on the other. A greater emphasis on securing adequate levels of external assistance to supplement domestic resources is therefore important for the development effort.

749. Malaysia is well-placed to attract such assistance in view of:—

- (i) its strong credit standing, comparatively low external debt and consistently good performance on economic, financial and political criteria which ensure effective utilization and timely servicing of all assistance received; and
- (ii) its ability to implement the TMP being well within the country's overall absorptive capacity.

III. TECHNICAL ASSISTANCE

750. Malaysia receives technical assistance from four main sources. The first is from bilateral sources. Malaysia is a member of the Colombo Plan for Co-operative Economic Development in South and Southeast Asia. Technical Economic Co-operation Agreements concluded with non-Colombo Plan countries constitute the other portion of bilateral technical assistance.

751. Under the Colombo Plan, close technical and economic co-operation has been maintained with Australia, Canada, India, Japan, New Zealand and the United Kingdom. Technical and Economic Co-operation Agreements concluded with non-Colombo Plan countries include Belgium, Bulgaria, France, the Federal Republic of Germany, Indonesia, Kuwait, the Netherlands, Poland, Rumania, Saudi Arabia, the Union of Soviet Socialist Republics and the United Arab Emirates.

752. The second source of technical assistance is multilateral agencies. The most significant of these are the United Nations Development Programme (UNDP) and the Commonwealth Fund for Technical Co-operation (CFTC).

753. A third source of technical assistance comes from specialized agencies and foundations. These include the Asia Foundation, the Ford Foundation and the International Development Research Centre. Malaysia also receives assistance from various voluntary organizations including the International Executive Service Corps, the Canadian Executive Service Corps, the United States Peace Corps, the Japanese Overseas Co-operation Volunteers, the German Volunteer Service, the Canadian University Services Overseas, the Australian Volunteer Agencies, the Volunteer Service Abroad (New Zealand) and the Volunteer Service Overseas (the United Kingdom).

754. A fourth source of technical assistance is the engagement of professional staff under Inter-Governmental Agreements. In recent years, Malaysia has secured the services of doctors, engineers and teachers under these Agreements.

Review of technical assistance, 1971-75

755. The total value of technical assistance received during the period 1971-75 amounted to \$330 million or 1.6 % of total current expenditure of the Federal and State Governments. As shown in Table 13-1, about \$150 million originated from Colombo Plan countries, in particular, Australia, Canada, India, Japan, New Zealand and the United Kingdom. It is envisaged that these countries will continue to play an important role in meeting the technical assistance requirements for the TMP.

TABLE 13-1

MALAYSIA: VALUE OF TECHNICAL ASSISTANCE RECEIVED¹, 1971-75
(\$ million)

<i>Donor</i>	1971	1972	1973	1974	1975	<i>Cumulative total, 1971-75</i>
United Nations Development Programme and United Nations Agencies	11.5	11.5	11.4	14.2	17.9	66.5
Colombo Plan countries	39.7	37.4	16.7	32.8	22.7	149.3
Non-Colombo Plan countries	2.6	29.2	22.7	2.4	1.7	58.6
Volunteer agencies	6.9	6.9	7.6	7.8	7.5	36.7
Specialized agencies	1.6	3.9	4.8	4.2	4.3	18.8
TOTAL ...	62.3	88.9	63.2	61.4	54.1	329.9

¹ Excludes Malaysia's contribution to these programmes as shown in Table 13-5.

756. The UNDP and other Specialized Agencies of the United Nations contributed an average of \$13.3 million annually. This represents the nation's second largest source of technical assistance. Owing to the international nature of the sources and their commitment to economic and technical co-operation, the UNDP and UN Specialized Agencies' contributions are expected to remain important.

757. Technical assistance extended by non-Colombo Plan countries, Volunteer and Specialized Agencies increased substantially during the Second Malaysia Plan (SMP) period. While the bulk of this was from bilateral sources, the Volunteer Agencies contributed significantly towards programme and project implementation capacity through the assignment of trained, skilled and dedicated manpower. The Volunteer Agencies and Specialized Agencies are expected to maintain their contributions at present levels for the duration of the TMP.

758. Table 13-2 indicates the composition of technical assistance by type. Expert services accounted for almost one-half of the total technical assistance received. About 38% of technical assistance was given in the form of equipment in conjunction with the provision of foreign expertise. Training accounted for 16% of the total value of technical assistance. Although this is currently the smallest end-use of technical assistance, the nation will make increasing recourse to this type of assistance under the TMP to develop local expertise.

TABLE 13-2

MALAYSIA: COMPONENT BREAKDOWN OF TECHNICAL ASSISTANCE² BY SECTOR, 1971-75

(\$ million)

<i>Sector</i>	<i>Expert/Volunteer</i>	<i>Training</i>	<i>Equipment</i>
<i>Economic</i>			
Agriculture and rural development	32.3	0.6	11.6
Mineral resource development	0.2	—	1.2
Commerce and industry	12.5	0.8	0.3
Feasibility studies	0.2	—	8.9
Transport	5.2	0.1	22.5
Communications	6.7	2.0	1.9
Utilities	2.4	—	12.9
<i>Social</i>			
Education and training	53.4	41.9	22.2
Health and family planning	13.2	5.0	7.2
Social and community services	4.9	0.4	—
General administration	11.6	0.5	28.3
TOTAL ...	142.6	51.3	117.0

² Specialized Agencies' contributions are not included.

759. The sectoral allocation of technical assistance as shown in Table 13-3 reflects the relative need for the transfer of real resources. High priority has been given to education and training, agriculture and rural development, transport and communications and general administration. The concentration of technical assistance in these four areas results from the need to build up an infrastructure of public facilities and an efficient administrative machinery which will provide the framework for further growth and development of the country. In education and training, technical assistance has been channelled to the Ministry of Education for projects such as educational development, curriculum development and educational television. Tertiary institutions such as the Universities, *Institusi Teknologi MARA* and the *Politeknik Ungku Omar* have also benefitted substantially from technical assistance. A significant proportion of volunteers in the educational sector have been directed towards the teaching of science and mathematics both at the secondary and tertiary levels.

TABLE 13-3

MALAYSIA: ALLOCATION OF TECHNICAL ASSISTANCE
BY SECTOR, 1971-75

(\$ million)

Sector	1971	1972	1973	1974	1975	1971-75	
						Total	Share of total (%)
<i>Economic</i>							
Agriculture and rural development	10.6	7.0	7.3	11.8	8.7	45.4	13.8
Mineral resource development ...	1.2	—	0.1	0.1	—	1.4	0.4
Commerce and industry ...	2.0	1.9	2.5	3.5	3.7	13.6	4.1
Feasibility studies ...	1.7	7.2	—	0.2	—	9.1	2.8
Transport ...	12.3	1.9	9.2	4.0	0.3	27.7	8.4
Communications ...	1.5	4.9	4.8	2.7	2.1	16.0	4.8
Utilities ...	0.9	2.0	11.0	1.0	0.4	15.3	4.6
<i>Social</i>							
Education and training ...	24.0	26.5	20.0	28.2	26.7	125.4	38.0
Health and family planning ...	4.2	3.6	3.4	7.3	8.5	27.0	8.2
Social and community services ...	1.5	1.3	1.4	0.8	0.7	5.7	1.7
General administration ...	2.4	32.6	3.5	1.9	2.9	43.3	13.1
TOTAL ...	62.3	88.9	63.2	61.5	54.0	329.9	100.0

760. In agriculture and rural development, the research institutes were important beneficiaries. These included the Malaysian Agricultural Research and Development Institute (MARDI) and the Department of Agriculture itself in areas such as agricultural planning and programme identification, food handling and crop protection. Other beneficiaries were agencies such as the Federal Land Development Authority (FELDA), the National Livestock Development Authority (MAJUTERNAK) and the Fisheries Development Authority of Malaysia (MAJUJIKAN) as well as the Department of Statistics. Specialized training institutions including the Fisheries Training Institute in Penang have also benefitted from technical assistance in their research and training programmes. A number of projects were implemented with technical assistance inputs. These included the Forest Industries Development Project, the Trengganu Logging Training Centre, the Cocoa Cultivation and Processing Project, the study of the development possibilities for the fish industry in the Dindings Region, the Padi Mechanization Scheme in Bumbong Lima and the supply and installation of grain silos in Trengganu.

761. The transport and communications sector continued to be a major user of technical assistance. The Telecommunications Department obtained equipment, expertise and fellowship training awards for the Telecoms Training Centre. Several feasibility studies and follow-up design tasks

were also completed under technical assistance programmes. These included the Kuantan/Segamat highway, the design and supply of steel structures for 21 bridges in Sarawak, the National Airport Master-plan Study, the Gua Musang/Kuala Krai highway and the Shipping Services Study. The planning capabilities of the Malaysian International Shipping Corporation, the Malayan Railway and the Highway Planning and Public Transport Unit of the Ministry of Works and Utilities were enhanced with the assignment of experts under multilateral and bilateral arrangements.

762. In the field of general administration, technical assistance has been utilized for on-going training programmes for administrators and other professional staff in the public service. The National Institute of Public Administration (INTAN) has benefitted in a major way from such assistance as have a number of Ministries in the Government.

Requirements for technical assistance, 1976-80

763. In planning for the nation's overall requirements for technical assistance, three areas have been identified. Short-term operational personnel to support Malaysian professionals in education, health and agriculture will still be required in keeping with the projected expansion of the services to be rendered by these sectors. Medium and long-term technical assistance will be needed for research and development projects, sometimes coupled with equipment, to ensure their effectiveness. Training scholarships and fellowship programmes will be essential for upgrading the country's manpower.

764. A large number of important projects aimed at improving the living conditions of the poor have been identified. In the *agriculture sector*, which includes fisheries, where the incidence of poverty is highest, the aim of these projects is to increase productivity and incomes. Programmes identified include crop protection, grain handling and storage, soils analysis, crop diversification and land development. The development of natural and agricultural resources such as water, forestry, pastures, livestock, fisheries and poultry are also important. Assistance is required for the Water Management Training Centre, the implementation of the Fisheries Long-Term Development Plan, livestock development, programmes undertaken by various agricultural agencies, the crop protection programme of the Department of Agriculture, the FELDA Settler Training School and research projects to be undertaken by the Rubber Research Institute including the Rubber Wood Technology and Weed Control and Herbicides projects.

765. In view of the pace-setting role of industry in the TMP, the *industrial sector* will require technical assistance in respect of training and consultancy services. Vocational and technical education undertaken by various MARA Vocational Schools as well as the activities of the National Industrial Training and Trade Certification Board need an increasing supply of well-qualified technical staff. Both short and long-term consultancy services will be

required by the MIDF Industrial Consultants Sdn. Bhd., the National Productivity Centre and the Federal Industrial Development Authority (FIDA). Closely associated are the requirements of the National Electricity Board (NEB) in the establishment of its Training School and the Metal Industries Development Centre to be established by FIDA.

766. Considerable technical assistance will continue to be required for the implementation of programmes in the *transportation and communications sector*. These would include expertise to assist with feasibility and design studies for new ports, roads, telecommunications and urban centres. The modernization programmes of the Malayan Railway, urban transport planning projects and the on-going Flight Information Region project of the Civil Aviation Department would place continuing demands on technical assistance and consultancy services.

767. The provision of *health and other social services* is being increasingly directed towards the less fortunate segments of society. Para-medical staff in terms of short-term volunteers with expertise in radiology and nursing will be required to extend the reach of health services. Experts will also be in demand to constantly upgrade the quality of health and medical services.

768. In the field of *education and training*, the need for teachers particularly at the secondary and tertiary levels is a priority requirement for the teaching of science and mathematics. Teaching assistance will also be required for the teaching of English as a strong second language.

Technical assistance administration

769. In view of the many requirements of technical assistance, the need for a detailed evaluation of priorities is important. The determination of these priorities by the Economic Planning Unit—the agency responsible for the evaluation, monitoring, co-ordination and administration of technical assistance—will take account of the following:—

- (i) the importance of the technical assistance inputs requested for the successful completion of the project; and
- (ii) the availability of Malaysian counterpart inputs to understudy and take over from the experts upon completion of their assignments.

770. Periodic reviews of the country's technical assistance requirements will take account of the need to overcome project delivery constraints, changes in the policies of donor countries and the capacity of the recipient agencies to fully absorb and utilize technical assistance. The aim will be the evolution of a streamlined administrative framework which is more responsive to project requirements.

IV. CAPITAL ASSISTANCE

771. Capital assistance to Malaysia takes a number of forms:—

(i) Project loans from multilateral sources in particular, the World Bank, the Asian Development Bank (ADB), and the Islamic Development Bank (IDB).

(ii) Bilateral loans under Government-to-Government agreements.

Market loans, suppliers' credits for specific purposes and external loans raised for defence purchases are other important elements in the external borrowing programme.

Review of progress, 1971-75

772. As shown in Table 13-4, during the period 1971-75, Malaysia secured external capital assistance totalling \$2.3 billion. Although this was larger than the revised SMP target of \$1.4 billion, a large share of the assistance secured was for projects whose implementation will stretch into the TMP. Notwithstanding this fact, there were shortfalls in the disbursement of loans secured indicating the need for improvements in project preparation and implementation capacity under the TMP.

TABLE 13-4

MALAYSIA: FOREIGN LOANS SECURED DURING 1971-75 (\$ million)

	<i>Source</i>								
<i>Multilateral</i>									
World Bank	710.5
Asian Development Bank	547.2
								Sub-total	1,257.7
<i>Bilateral</i>									
Canada	126.2
Denmark	14.4
France	28.3
Federal Republic of Germany	52.0
Japan (Yen Credit) ³	470.3
Republic of Korea	9.2
Kuwait ³	66.1
Saudi Arabia ³	191.2
Sweden	86.3
United States of America	10.1
								Sub-total	1,054.1
								TOTAL	2,311.8

³ The Third Yen Credit and the loans raised from Saudi Arabia and Kuwait are only expected to be disbursed during the TMP.

773. Project loans from multilateral sources amounted to \$1.3 billion and formed the major component of all assistance received. Of the total World Bank commitments to Malaysia amounting to \$710 million, about \$128.5 million of these loans had been disbursed up to the end of 1975. During the SMP, World Bank financing was secured for 14 projects in land development (Keratong and Jengka), drainage (Western Johor), education, transport including public transport, water supply and sewerage.

774. Of the \$547 million secured from the ADB for 17 projects to be implemented for periods stretching beyond the SMP, a sum of \$55.4 million had been disbursed. They comprised in the main, infrastructural projects for road and port development as well as regional development. Project loans from bilateral sources totalling \$1.1 billion were utilized for a wide array of projects, in particular, consultancy services and projects with high equipment content.

775. The Second and Third Yen Credits amounting to approximately \$470 million were major components of bilateral capital assistance. Disbursements progressed satisfactorily as loan agreements are in practice signed only after project preparation is finalized. The Third Yen Credit was signed in January 1975 for projects initiated in the latter part of the SMP to be implemented during the TMP.

776. In 1975, soft term loans amounting to \$250 million were obtained from Saudi Arabia and Kuwait. These will be utilized during the TMP for land settlement in Pahang Tenggara and Ulu Kelantan, the establishment of a Medical Faculty at the *Universiti Kebangsaan Malaysia* and the construction of a new campus for the *Universiti Teknologi Malaysia*.

777. Equally important sources of project loans were Canada, Denmark, France and Sweden. A survey of forest resources in Sabah and the Pahang Tenggara Masterplan Study were completed with assistance from Canada. The Tuanku Jaafar Power Station extension project was financed with French credit while project loans from Denmark were used principally for consultancy services and the purchase of agricultural equipment.

Requirements for capital assistance, 1976-80

778. The requirements for capital assistance for the TMP have been determined on the basis of a careful evaluation of the experiences learned during the SMP period and an assessment of the resources that can be mobilized. While the financing of the proposed programme of \$18.6 billion would require substantial foreign borrowing, the favourable prospects on the balance of payments and the strong external reserves position of the country will permit a high level of foreign borrowing from institutional, bilateral and market sources.

779. The net requirements from the World Bank for the TMP are estimated to amount to approximately \$1.5 billion. Since the Bank is limited to financing a maximum of 35% or the foreign exchange costs for any single project, project identification and preparation efforts have been intensified to generate the large number of projects required.

780. The Government welcomes the increasing emphasis being given by the World Bank to anti-poverty programmes. In this connection, the Government is hopeful that World Bank support will be received for, among others, the following: land rehabilitation schemes of the Federal Land Consolidation and Rehabilitation Authority, the development of coconut areas, village modernization and development, the Kuantan and Kelantan urban development projects, Sites and Services projects throughout the country and integrated rural development schemes in Peninsular Malaysia, Sabah and Sarawak.

781. The net requirements from the ADB are estimated at \$860 million. In line with the development strategy to open up opportunities for growth in the less developed States, the Government will continue to seek the assistance of the ADB principally for projects which contribute to greater regional balance. These include irrigation projects in Sarawak, electricity programmes in Sabah, the Kuala Krai/Gua Musang/Lipis road, the East-West Highway dispersal links, the Trengganu River multi-purpose project and infrastructure for townships in Pahang Tenggara and Trengganu.

782. Financing from the IDB as well as other bilateral sources will be sought to meet the substantial financing requirements for transport, power and communications projects. They will be largely utilized for projects with a high component of off-shore costs.

783. Bilateral loans will be sought from a number of countries including Canada, France, Japan, Kuwait, Saudi Arabia and the United Arab Emirates. The Government is hopeful that the contributions from Kuwait and Saudi Arabia will be additional to the loans totalling \$250 million provided in 1975 for projects to be implemented during the TMP.

V. REGIONAL ECONOMIC CO-OPERATION

784. Recent changes in the international economic order have drastically altered the traditional structure of international relations. Although this world-wide economic crisis has affected all countries, the developing countries have experienced the greatest set-backs in their development efforts.

785. Recognizing the vital importance of regional economic co-operation to enable countries to meet common problems while accelerating their progress and development, Malaysia is intensifying its efforts to foster greater collaboration at the international, regional and sub-regional levels. This is borne out by its active participation in several regional organizations including the Association of Southeast Asian Nations (ASEAN), the United

Nations and its Specialized Agencies, the Islamic Conference, the Ministerial Conference for the Economic Development of Southeast Asia, the Colombo Plan for Technical Co-operation and a number of specialized Southeast Asian Agencies.

Association of Southeast Asian Nations (ASEAN)

786. With the formation of ASEAN which comprises Malaysia, Indonesia, Philippines, Singapore and Thailand, Malaysia has committed itself to the basic aim of ASEAN which is to accelerate the economic growth, social progress and cultural development of this important sub-region. This will be achieved through joint endeavours in the spirit of equality and partnership. This also calls for more effective collaboration in trade expansion efforts, improvement to transportation and communication facilities and collective action to enable more rapid development of the agricultural and industrial sectors. The central purpose of ASEAN, as re-stated at the Bali Summit which culminated with the Declaration of ASEAN Concord signed by the Heads of Governments on 24th February, 1976, is to advance the well-being of the Southeast Asian peoples through effective socio-economic development.

787. On the basis of the recommendations of a United Nations Study Team on "Economic Co-operation in ASEAN", the ASEAN group has endorsed and is implementing several regional projects in the key sectors of agriculture, industry, trade, transport and communications. Projects identified in the field of commerce and industry include the selective Trade Liberalization Schemes, Industrial Complementation Schemes, Trade Statistics, training in Export Promotion and the ASEAN Product Display Centre.

788. ASEAN has also developed close relations with the European Economic Community (EEC). Preferential treatment has been secured under the Generalized System of Preferences of the EEC for several primary export products from ASEAN countries. Assistance has also been obtained from the EEC in export promotion and regional integration activities.

789. In view of the growing need to consider appropriate measures in the field of economic co-operation, the Second ASEAN Economic Ministers Meeting held in Kuala Lumpur in March, 1976 resulted in a number of important steps being taken for regional co-operation. Agreement was reached to establish an Experts Group to review the industrial co-operation programme, in particular to examine the feasibility of establishing the following ASEAN industrial plants: urea projects in Indonesia and Malaysia, superphosphate production in the Philippines, diesel engines manufacture in Singapore and soda-ash production in Thailand. Other projects being considered include metal-working machine tools, fisheries, electrolytic tin plating, heavy-duty rubber tyres and electronic components.

790. Agreement was also reached for concerted action on basic commodities, particularly food and energy, with a view to according priority and trading preferences to member countries. The adoption of a joint approach to world economic problems is another feature of the growing cohesion among ASEAN countries.

The Colombo Plan

791. The Colombo Plan for Co-operation and Economic Development in South and Southeast Asia was established to provide a framework within which international efforts could be encouraged to overcome the vast problems facing the countries in the area. Malaysia which has over the past 20 years utilized more than 6,000 training places and secured the services of more than 1,200 experts under the Colombo Plan is, on its part, making available more training places in Malaysian institutions for trainees from the region. These are in the fields of telecommunications, land development, customs and police administration, broadcasting, development planning and public administration. Malaysia also contributes to the Colombo Plan Staff College for Technical Education located in Singapore and the Population and Drug Advisory Programmes of the Colombo Plan.

The UNDP and the UN Specialized Agencies

792. Malaysia is an active participant in several on-going regional projects which are under the auspices of the United Nations and its Specialized Agencies. These include the Asia Trade Expansion Programme, the Asia Rice Trade Fund, the Asian Statistical Institute and the Asian Development Institute.

793. In addition, Malaysia is providing host facilities for the Asian Centre for Development Administration (ACDA). This Institute which commenced courses in October, 1973 is concerned with the training of senior administrators and leaders of national research and training institutions. The Centre is provisionally housed in facilities equipped by the Government. Malaysia has also made available a permanent site and the construction of a new building is underway.

794. The Southeast Asia Tin and Research Development Centre and the Asian Institute for Broadcasting Development are also located in Malaysia. Appropriate provisions will be made in the TMP in support of these Centres.

Ministerial Conference for the Economic Development of Southeast Asia

795. This Conference serves as a useful consultative forum for the exchange of ideas on the development of the Southeast Asian region. Since its inception nine years ago, it has brought into realization a number of regional projects.

796. Projects initiated by this Conference and involving the active participation of Malaysia include:—

- (i) the Southeast Asian Fisheries Development Centre which has as its basic aim the development of the fishing industry in the Southeast Asian region. The Centre now has three departments, Training in Thailand, Research in Singapore and Aquaculture in the Philippines;
- (ii) the Southeast Asian Promotion Centre for Trade, Investment and Tourism established for the promotion of exports investment and tourism in the regions; and
- (iii) the Study Group on Asian Tax Administration and Research for exchange of information on tax administration in the context of economic development.

Other Southeast Asian Regional Projects

797. A number of other regional endeavours have been initiated by Southeast Asian Governments. The first is the Inter-Governmental Coordinating Committee on Family and Population Planning in Southeast Asia which was established following a Southeast Asia Ministers Conference on Family and Population Planning held in Kuala Lumpur in 1970. The second is the Southeast Asia Agency for Regional Transport and Communications Development which was established by the first Conference of Transport and Communications Ministers of the region in Kuala Lumpur in 1967. Recognizing the importance of co-operative action in areas such as these, Malaysia has provided host facilities for the secretariats and continues to help the financing of associated local costs.

798. Another important Southeast Asian agency is the Southeast Asian Ministers of Education Organization. Malaysia's role in this organization includes the provision of host facilities for the Regional Centre for Education in Science and Mathematics (RECSAM) located in Penang.

Islamic Conference

799. The Islamic Conference, first mooted in Rabat, Morocco in 1969, has made significant progress in many fields of co-operation. Several economic, social and cultural projects are now being implemented including the International Islamic News Agency, the Islamic Development Bank, the Islamic Cultural Centre and the Islamic Solidarity Fund. The success achieved so far has provided greater impetus for widened co-operation.

800. The IDB, operational since October 1975, with headquarters in Jeddah, Saudi Arabia, was established for the purpose of fostering economic development and social progress of member countries and Muslim communities. Malaysia, one of the signatories to the IDB Charter, has already pledged \$49 million to the capital stock of the IDB.

801. Malaysia will continue to give every possible support to the realization of the goals of the Conference. It will emphasize economic and technical co-operation as well as trade and investment expansion among member countries.

VI. MALAYSIA AS A DONOR COUNTRY

802. Malaysia has within its limited resources endeavoured to provide training places, study visits and advisory assistance to other developing countries including Bangladesh and Papua New Guinea. Its main co-operative efforts have focussed upon in-service training programmes in Government development and research agencies to enable participants to share in the country's experiences in the field of development planning and implementation. Malaysia's contribution to international and regional development organizations amounted to about \$40 million as shown in Table 13-5.

TABLE 13-5

MALAYSIA: CONTRIBUTIONS TO INTERNATIONAL/ REGIONAL ORGANIZATIONS, 1971-75⁴

(\$ million)

<i>Organization</i>	1971	1972	1973	1974	1975	<i>Total, 1971-75</i>
Commonwealth/Colombo Plan	0.1	0.1	0.2	0.2	0.2	0.8
United Nations Agencies	2.8	2.7	2.7	2.7	2.7	13.6
Other Regional/International Organizations ...	1.2	1.3	1.3	2.6	19.5	25.9
TOTAL ...	4.1	4.1	4.2	5.5	22.4	40.3

⁴ Includes contribution to IDB.

803. The number of participants by sector of training is summarized in Table 13-6. The trainees principally from the ASEAN region attended courses conducted by national and regional training institutions in Malaysia. These included RECSAM, INTAN, the Telecoms Training Centre, ACDA, the Industrial Training Institutes and the Forestry College.

804. In addition, Malaysian agencies participated in Third Country Training Programmes by hosting and providing training facilities for overseas participants. Study areas offered by Malaysia included agricultural research, forestry, land development, customs administration and development planning and implementation.

805. During the TMP, Malaysia will broaden its efforts to provide technical assistance for other developing countries. A greater number of training places will be made available in national training institutions and greater emphasis will be devoted to increasing the capacity and capability of regional institutions located in Malaysia. Special emphasis will be given to fellowships for trainees from the ASEAN countries.

TABLE 13-6

MALAYSIA: TRAINING PLACEMENTS AND STUDY VISITS
OFFERED, 1971-75

<i>Sector</i>	1971	1972	1973	1974	1975	<i>Total, 1971-75</i>
Agriculture and rural development ...	7	2	22	23	15	69
Commerce and industry ...	1	6	1	5	—	13
Transport ...	—	—	—	3	3	6
Communications ...	1	2	5	5	9	22
Education and training ...	14	9	34	37	24	118
Health and family planning ...	78	46	54	99	80	357
Social and community services ...	—	—	—	1	—	1
General administration ...	8	34	14	30	33	119
TOTAL ...	109	99	130	203	164	705

VII. CONCLUSION

806. Malaysia's development efforts in past planning periods have consistently recognized the importance of external assistance for the implementation of the nation's development programme. Despite the success of past development efforts and the rapid build-up of domestic resources, the nation continues to experience financial and skilled manpower limitations which could affect the successful implementation of the large public sector programme of the TMP. Efforts to secure the required level of development assistance on concessionary terms from all possible sources will therefore be sustained. In this regard, Malaysia fully appreciates the assistance received and will continue to endeavour to effectively utilize and service all assistance extended.

807. Recognizing the importance of concerted action to enable the countries in the region to meet their common problems, Malaysia will increasingly adopt a regional perspective in contributing to the solution of these problems. Malaysia is already participating in organizations and projects of a regional nature involving the participation of several countries. As Malaysia increasingly encourages and supports regional projects, it will be also responsive to the regional implications of its own national development projects.

808. In spite of its own resource constraints, Malaysia has taken steps towards contributing to the development efforts of other countries especially those within the region. The thrust of this effort to date has been in the sharing of its experiences in development. Malaysia will continue to play an increasingly important role as a donor country through joint endeavours in the spirit of equality and partnership for the mutual benefit of countries in the region.

Administrative Machinery for Planning and Implementation

I. INTRODUCTION

809. The public sector faces a challenging administrative and organizational task in the implementation of the Third Malaysia Plan (TMP). Administrative efficiency will be crucial given the larger size of the investment effort, in particular the need to ensure effective implementation of development programmes for the redressal of socio-economic and structural imbalances. This necessitates improvements being made to the administrative machinery requiring higher levels of professional capability, human understanding and dedication in the formulation and implementation of programmes and projects in line with national objectives.

810. Since the successful implementation of the TMP also depends to a great extent on the performance of the private sector, the administrative system has a vital role to play in creating the environment necessary for the private sector to attain the targets set for it. The responsibilities of the public service in this regard are wide. Not only is it now necessary that adequate infrastructure be provided for the growth of private investment, it is also essential to ensure that private initiative is encouraged to develop along more socially responsible lines in accordance with the New Economic Policy (NEP). Close rapport between the Government and private enterprise is therefore paramount. In this connection, clear and consistent interpretation of Government policies under the NEP as well as responsiveness on the part of public servants to the needs and problems of the private sector in the implementation of the NEP cannot be over-emphasized. The Government will continue to provide the necessary machinery to ensure that there is consistency in the interpretation and implementation of policies and programmes by the public sector.

811. The efficiency of the administrative machinery of the Government in achieving the goals of the nation will also depend on the co-operation and support it receives from the *rakyat*. Their participation in the development effort and their confidence in the future are crucial elements in encountering

communist subversion and insurgency. This challenging task requires full understanding and appreciation on the part of public servants of the complex socio-economic, political and human problems in the country.

II. THE PLANNING PROCESS

812. The planning machinery comprises the Economic Planning Unit (EPU) and the General Planning and Socio-economic Research Unit (GPU) in the Prime Minister's Department and planning cells in strategic agencies e.g. the Treasury, *Bank Negara Malaysia*, the Planning Division of the Ministry of Agriculture, the Development Division and the Educational Planning and Research Division of the Ministry of Education, the Planning and Development Division of the Ministry of Health, the Highway Planning and Public Transport Unit of the Ministry of Works and Utilities and the Research and Planning Division of the Ministry of Communications. Their activities are supported by the Department of Statistics which provides the statistical information needed for planning. The EPU is responsible to the National Development Planning Committee (NDPC), an inter-agency committee comprising the civil service heads of all major economic development Ministries under the Chairmanship of the Chief Secretary to the Government. The NDPC in turn reports to the National Economic Council (NEC)—a committee of the Federal Cabinet under the Chairmanship of the Prime Minister.

813. More recently, a Consultative Committee comprising the NDPC and members of the private sector has been set up. The object is to provide for continuing interaction between representatives of the public and private sectors on matters pertaining to the formulation and implementation of policies and programmes for national economic and social development, particularly those concerning the private sector.

814. At the State level, the State Planning Units (SPUs) are located within the State Secretariat and work to the State Action Committees which are under the Chairmanship of the Menteri Besar/Chief Minister. The activities of planning units in State Governments are in a number of cases supplemented by specially created Federal and/or State regional development authorities established for regional development areas.

III. STRENGTHENING OF PLANNING AT STATE LEVEL

815. Under the TMP, efforts will be made to develop new planning processes at the regional and State levels with a view to enabling the States to plan their requirements more effectively, consistent with national objectives. To this end, the SPUs will be strengthened particularly in the less developed States. The Federal EPU will continue to extend such technical and training assistance as may be required for this purpose.

816. In addition, the Government will establish regional offices of the Federal EPU to assist the SPUs in the identification and preparation of programmes and projects for the implementation of the NEP. These offices will be located in Alor Star, Kota Bharu and Johor Bahru.

817. Experienced personnel will be deployed to help upgrade the planning capabilities of State Governments in the endeavour to strengthen the process of decentralized planning. The major function of regional offices of the Federal EPU will be to work alongside the SPUs in the identification and preparation of projects particularly for external financing. To meet the requirements of international financial institutions, emphasis will be given to the preparation of project packages to complement the work of Federal agencies in this regard. The availability of such projects is extremely essential if Malaysia is to take full advantage of its credit worthiness to attract a greater volume of external resources for its development effort as envisaged in Chapter XII.

IV. THE PREPARATION OF THE THIRD MALAYSIA PLAN

818. The TMP was prepared by the central agencies of the Federal Government including the EPU, the Implementation and Co-ordination Unit (ICU), the GPU and the Department of Statistics, all in the Prime Minister's Department, the Treasury and *Bank Negara Malaysia* in conjunction with all Federal Ministries and Departments, State Governments and Statutory Authorities participated in the initiation of plan proposals in respect of their areas of concern and in the deliberations on these proposals working through specially constituted Inter-Agency Planning Groups (IAPGs) under the direction of the NDPC and the NEC. The private sector was also involved in the planning process through its participation in the Private Sector Consultative Committee of the NDPC.

819. The recommendations so formulated were examined in detail by special committees comprising a number of Ministers headed by both the Prime Minister and the Deputy Prime Minister before their consideration by the NEC and thereafter by the Cabinet. This process, wherein fundamental issues are fully considered at the highest levels of Government, ensures that Malaysia's development policies and programmes meet the needs of the people in terms of the underlying concepts and strategy of the Plan.

V. CO-ORDINATION AND IMPLEMENTATION

820. Plan co-ordination and implementation is the direct responsibility of executive Ministries, Departments and agencies at the Federal, State and regional levels. To ensure co-ordination and implementation at the national and inter-departmental levels, ICU was established within the Prime Minister's Department. The Unit works to a National Action Council (NAC) under the Chairmanship of the Prime Minister, the executive committee of

which—also under his Chairmanship—meets regularly with selected agencies of the Government for intensive review of their progress and problems. Arrangements at the State and District levels follow closely the pattern at the Centre.

821. The heart of the implementation machinery is the Operations Room at the central, Ministerial, State and District levels. This will be revamped to introduce new techniques for the monitoring of plan implementation especially in regard to the use of feedback techniques with respect to the progress and problems experienced by the less developed States. In respect of *in situ* development, a concerted approach will be undertaken to integrate agency proposals for the development of the areas concerned. The focal point in this strategy will be the more effective role of the District Officer to mobilize resources and achieve high levels of productivity in area development.

822. The implementation of the Second Malaysia Plan was accompanied by the creation of a large number of new agencies, particularly in the agricultural sector, involved in land development, marketing, credit extension and advisory services. In commerce and industry, the number of agencies is also large with functions extending to the direct operation and management of public enterprises. While most are Federal agencies, some come under the jurisdiction of State Governments.

823. As these agencies have essential roles to play in national development, high priority has been given to their funding in the allocations for development and operating expenditures as well as their requirements for experienced personnel. As a result, there was a sharp increase in the size of the public service and expenditures on wages and salaries. While this increase was necessary for the implementation of the NEP, positive steps in terms of improving implementation capacity, operational procedures and inter-Ministry co-ordination will be taken under the TMP to increase productivity in the public service and its efficiency in the development process.

824. Among other measures, the Government will promote operational efficiency among these agencies through consolidation of their activities to avoid duplication of functions. To this end, the functions and operations of public sector agencies will be reviewed to ensure that they are consistent with the purposes for which they were originally established.

825. The emergence of a number of public sector enterprises—as instruments for implementing Government's policies for eradicating poverty and restructuring society—calls for special efforts to meet their specialized personnel requirements and to develop their organization, management and supervision capabilities along lines which induce progressive improvements in performance. The development of corporate management skills within public enterprises will be important in this regard. A Ministry of Public Enterprises has now been established to ensure that public corporations

work in tandem with each other and with the rest of the Government. The problems involved are significant and complex. The Government will bring about continuous improvement in the management and operation of public enterprises through efficient organization and financial management.

VI. FINANCIAL ACCOUNTABILITY AND MANAGEMENT AUDITING

826. The standards of financial management of public sector commercial enterprises vary widely. The Government is conscious of the need for these standards to be raised so that there is proper and effective utilization of public funds. A basic principle of sound financial management is accountability for the funds used and the regular auditing of accounts. Experience indicates that independent management and financial audits serve an extremely useful purpose in ensuring high standards of efficiency and accountability. Steps will be taken to ensure that performance will not only be based on proper cost-benefit analysis but that the actual benefits accruing from public expenditure effectively reach intended beneficiaries. The practice which has been adopted by some public authorities in utilizing private sector management consultancy services to prepare financial reports and assess operating efficiency will be followed more widely. In addition, the National Institute of Public Administration (INTAN) will be strengthened to equip itself for providing management consultancy services to public corporations.

827. Capacity for undertaking management auditing will be developed in INTAN through its bureau of consultancy and research. This bureau will have the function, among others, of providing consultancy services to Government agencies by undertaking studies on management, organization, systems and procedures and the design of management information capabilities—essential elements contributing to the implementation of management audits.

VII. RESEARCH FOR DEVELOPMENT PLANNING

828. The EPU, GPU, the Department of Statistics, the Malaysian Centre for Development Studies and INTAN, working in conjunction with the Universities, have on-going research programmes addressed to the major issues of socio-economic development facing the country. The results of such research undertaken in the course of the SMP were utilized in the preparation of the TMP. The research activities of these agencies under the TMP will be directed at enriching staff work in the Government for greater precision in national, sectoral and regional planning in the future. The research to be undertaken will focus on the needs for effective planning and evaluation of rural and urban poverty redressal policies and projects as well as the need to take account of the interaction of economic, social, cultural and human problems in the design of policies and projects for poverty redressal.

829. The statistical information system in Malaysia has undergone considerable expansion and improvement. There is, nevertheless, still a need for strengthening the quantitative basis of the analyses required for effective planning and implementation. The Department of Statistics has the major

responsibility for the collection, processing and interpretation of national economic, social and demographic statistics. The major undertakings during the TMP will be the launching of the *National Agricultural Census* in 1977 at an estimated cost of \$8 million and the decennial *Census of Population and Housing* at a cost of \$17 million. Together with localized sectoral follow-up surveys (covering, *inter alia*, the fisheries sector), the information to be provided will form the basis for the design of Government's rural poverty redressal policies and projects in the Fourth Malaysia Plan. The Department will also assist in the development of a system for monitoring short-term economic trends in the economy.

830. In collaboration with *Universiti Sains Malaysia*, a *National Integrated Data System (NIDAS)* will be developed under the aegis of the GPU. NIDAS is aimed at the mobilization and rationalization of existing procedures of collecting, storing and processing comprehensive data on a regional basis within a functionally oriented system. It will constitute a data bank tailored to the needs of planning, monitoring, control and evaluation of public and private sector activities in development. The research activities of existing scientific institutions such as the Malaysian Rubber Research and Development Board (MRRDB), the Rubber Research Institute of Malaysia (RRIM), the Malaysian Agricultural Research and Development Institute (MARDI) and the Institute of Medical Research (IMR) will also continue to contribute significantly to the design and evaluation of the Government's poverty redressal projects.

831. The processes of planning, implementation, co-ordination, evaluation and research described above constitute the overall framework within which the Government will operate to strengthen its development efforts. These are interdependent and mutually reinforcing processes with their interactions contributing to the efficient design and implementation of development policies and programmes. In this regard, the Public Complaints Bureau provides an important feedback mechanism.

VIII. MANPOWER DEVELOPMENT

832. The shortage of skilled manpower at the professional and sub-professional levels is a major constraint in the implementation of projects and programmes. The National Manpower Survey of 1973 indicated that about 10% of approved posts remained unfilled in the public sector. For specific occupations such as engineers, engineering technicians, doctors, agricultural specialists and managers, the number of unfilled positions was in excess of 20%.

833. There will continue to be strong demand for qualified manpower especially in the technical and scientific fields in view of the expanded role of the public sector in the planning and implementation of programmes for eradicating poverty and restructuring society. The estimated demand and supply positions as illustrated in Chapter VIII clearly indicate that shortages of scientific and technical manpower will continue to be a major constraint

during the Plan period. While there will be rapid expansion of science and technical courses at the tertiary level and of scholarship and training programmes in the public sector, their impact will only be felt towards the end of the Plan period.

834. In order to ensure that anticipated shortages do not constrain the planning and implementation of Government programmes, measures will be taken to ensure efficient utilization of the limited supply of scientific, technical and managerial manpower in the public sector through effective allocation of manpower resources, rationalization of job functions and streamlining of departmental and agency functions. In-service training at all levels in the public sector and training at INTAN and overseas institutions will continue to be emphasized in order to upgrade the professional skills and experience of local officers. Although efforts will be made, where necessary, to recruit foreign personnel on contract in critical areas of skill shortage, the Government will implement high level training for its senior officers to develop its own corps of expertise to provide consultancy services in various fields of development.

835. The growing complexity of the development process coupled with increasing concern over the distribution of the benefits of regional, occupational, social and racial groups requires an increased level of refinement and expertise in drawing up and evaluating plans, programmes and projects. This will be achieved in part through further research work by the Government and expanded training of officers involved in the planning and implementation of development.

836. The training requirements of the central, sectoral and regional agencies will be provided to a large extent by INTAN. In addition, the Government will continue to invest in the expansion of the national universities to provide high level formal training.

837. INTAN will play a key role in the training process. As presently organized, INTAN comprises six major departments for development policy and administration; management development; employee development; local Government and urban development; external affairs and national security administration; and consultancy and research. Under the TMP, the activities of these departments will be expanded. Emphasis will be given to courses in sectoral development planning and administration. These courses will be of a standard sufficient to provide specialized training for Government personnel who are to implement and co-ordinate national, State and regional development programmes.

838. While the human dimensions of societal development will have to be carefully considered in the process of plan implementation, it is also necessary that the attitudes, interests and motivations of all public officials be aligned with national objectives. Positive steps in terms of re-orientating their attitudes through training will be undertaken whilst the incentive system in the Government service itself will be reviewed to ensure that the

highest levels of motivation prevail among them. In this context, the Government will take a serious view of public officials who deviate from the standard of conduct expected of them. Strong disciplinary action will continue to be taken against those who indulge in corrupt practices.

IX. CONCLUSION

839. The further development of the Government's machinery for planning and implementation is vital to enable Government agencies to fulfill their role towards meeting the objectives of the NEP. During the TMP, emphasis will be given towards consolidating the functions of planning and implementation agencies and overcoming their weaknesses through programmes for training and research. Particular attention will be given to strengthening planning and implementation capabilities at the State, regional and district levels.

840. In the final analysis, the achievement of the objectives of the TMP and the NEP will require political and administrative leadership at both the Federal and State levels. This leadership must be of a calibre which assures dedication, integrity, efficiency and responsiveness to the aspirations of the *rakyat* on the part of all public servants in the task of national development. The measures discussed in this Chapter to improve the Government's planning and implementation machinery are only a means to this end.

The Role of the Private Sector

I. INTRODUCTION

841. Economic development in Malaysia and the prospects for achieving the socio-economic objectives of the New Economic Policy (NEP) within the context of growth depend largely on dynamic expansion of the private sector. Therefore, while the public sector programme has considerable importance for development, the Third Malaysia Plan (TMP) has also given high priority to the rapid advancement of the private sector because of its important role throughout the economy. Private enterprise provides the major source of output, income and employment creation in the country. In addition, entrepreneurship, private investment and the transfer of technology are essential for agricultural modernization and industrial development.

II. MAJOR DEVELOPMENTS IN THE PRIVATE SECTOR, 1971-75

842. The overall performance of the private sector during 1971-75 was strongly influenced by external circumstances which affected the growth of incomes and production in the economy. Private investment grew by 7.2% per annum between 1970 and 1975 in real terms compared to the target of 8.9% in the Mid-Term Review of the Second Malaysia Plan (SMP). The shortfall was due to the decline of investment activity in 1975 as a result of world-wide recession and the unexpectedly large impact which it had on the investment climate. Between 1970 and 1974, private investment grew by 10.1% per annum. In 1975, private investment declined by 3.6% in real terms from \$2,140 million in 1974 to \$2,062 million in 1975. The highest rates of expansion occurred in 1973 and 1974 when exports recovered strongly from the poor external demand situation in 1971-72 and generated boom conditions in the economy up to the middle of 1974. Private investment grew by 8.8% and 22.3% in these two years, respectively. However, in view of its poor performance in the other years of the SMP period, private investment as a source of growth was not as expansionary as public investment which grew by about 18% per annum. As a result, the share of the private sector in total capital formation fell from 67.8% in 1970 to 56.9% in 1975, while that of the public sector rose from 32.2% to 43.1% during the same period.

843. Price increases which affected the economy during the inflationary situation in 1973 and 1974 led to unusually large increases in the prices of investment goods. The costs of construction and building materials are estimated to have increased by 28% in 1973 and 13% in 1974 while import prices of machinery and transport equipment rose by 13% in 1974 and 17% in 1975. Although these substantial cost increases were mainly related to world inflation, shortages of external supplies, rapidly rising import prices, particularly the five-fold increase in the price of petroleum, and the buoyant domestic demand situation, rigidities in local supply conditions were also contributory factors. As a result, bottlenecks developed in the availability of materials required for the production process. These bottlenecks were most evident in the construction sector and gave rise to difficulties and delays in the implementation of building and construction projects. The supply situation eased in 1975 because of the lack of effective demand arising from lower levels of economic activity in the country.

844. Apart from the cyclical unevenness in private sector performance and the abnormal situation prevailing in 1975, private investment had a positive impact on industrial development. The manufacturing sector, which continued to be the dynamic element in the economy, grew by 10.9% per annum between 1970 and 1975 and although accounting for only 14.4% of Gross Domestic Product (GDP), it contributed about 19.3% of the total expansion in output. The sector provided one out of every four new jobs created during the period. Its development was accompanied by the increased importance of exports as a source of growth and the decreasing contribution of import substitution in relative terms. The electronics, garments, textiles and footwear industries, mostly pioneer industries, provided the basis for the sharp expansion in the exports of manufactured goods. Further, these industries accounted for about two-thirds of the employment created in the manufacturing sector during the SMP.

845. Investment in the construction sector was largely for the creation of capacity to support the implementation of public sector programmes and the development of residential housing. Construction activity continued to expand in 1975 despite the recession in the economy due largely to the priority accorded by Government's fiscal and monetary policies to the expansion of housing programmes in the country. The expansionary role played by public sector development expenditure for infrastructure projects was also instrumental in sustaining high levels of construction activity. As a result, the construction sector registered an average growth rate of 8.1% per annum during 1971-75 or faster than that for the economy as a whole.

846. As part of its promotional efforts, the Government continued to pay particular attention towards the provision of a wide range of tax incentives under the Investment Incentives Act of 1968. The incentives for export-oriented industries were improved, while new incentives were introduced for the electronics and hotel industries. Further, facilities for Free Trade Zones (FTZs) and licensed manufacturing warehouses were established. Industries

located in designated areas were given more favourable tax holidays under the Locational Incentives Scheme introduced in 1973. The Labour Utilization Relief was another scheme introduced to provide tax incentives for labour intensive industries. The use of tariffs and quotas to protect local industries from import competition was expanded. Resources were made available by the Government for the Malaysian Industrial Development Finance Bhd. (MIDF) to expand its role for medium and long-term financing for the manufacturing sector. In addition, commercial banks were required to direct a greater proportion of their loans for the financing of manufacturing activities. The Government, through *Bank Negara Malaysia*, took measures to ensure that the commercial banking system played a greater role in the development of the private sector. Government funds were also channelled to the State Economic Development Corporations (SEDCs) for the establishment of industrial estates and FTZs. These zones played a major role in industrial expansion. Over two-thirds of the expansion in non-traditional manufactured exports and about one-third of the employment created by the manufacturing sector originated from the FTZs.

847. The promotional efforts of the Government to attract foreign investment were considerably stepped up. Among other measures, the Federal Industrial Development Authority (FIDA) established overseas centres with offices in New York, San Francisco, London, Dusseldorf and Tokyo. Major investment conferences were held abroad and in Kuala Lumpur with high level participation by representatives of the Government and business corporations. In addition, Malaysia concluded agreements with 11 countries for the avoidance of double taxation.

848. The implementation of the NEP during the SMP was accompanied by a greater measure of involvement by the public sector in commerce and industry. The various policies introduced were aimed at facilitating the implementation of the objective of restructuring society, especially by giving the Malays and other indigenous people the opportunity to participate in the modern sectors of the economy.

849. Reflecting a change in the Government's approach to implementing its policies, a number of Public Authorities and corporations was created to operate actively and directly in the private sector. The principal agencies were the *Perbadanan Nasional* (PERNAS), the Urban Development Authority (UDA) and the SEDCs. Their operations were directed at the establishment of new enterprises, participation in joint-ventures and acquisition of the capital of existing companies for the purpose of creating new assets and holding them in trust for the Malays and other indigenous people. Government funds channelled to these and other agencies as loans, grants and equity investments amounted to about \$2 billion for the five-year period. Notwithstanding its direct involvement in the production of goods and services, the share of the public sector only rose from about 25% in 1970 to about 30% of the GDP in 1975.

850. Other administrative measures introduced were designed to facilitate the attainment of national policies in the industrialization process. In 1974, the Foreign Investment Committee (FIC) was established to ensure the progressive achievement of the ownership targets under the NEP. The targets are that by 1990, Malaysians will own 70% of total corporate stock with the balance of 30% by foreign interests. Among Malaysians, the overall target is that the Malays and other indigenous people will own at least 30% and other Malaysians 40%. In 1970, foreign ownership in the corporate sector was over 60%. Its share in 1975 was 55% compared with 8% for individual Malays and Malay interests and 37% for other Malaysians.

851. Under the Petroleum Development Act of 1974, the *Petroleum Nasional Bhd.* (PETRONAS) was established with overall regulatory and developmental functions in all stages of the development of the oil and natural gas industry. The Industrial Co-ordination Act of 1975 provided the Ministry of Trade and Industry with the legal framework for promoting the orderly development of the manufacturing sector. Other measures introduced in the manufacturing sector included the wider enforcement of price controls on essential commodities.

852. The introduction of these policies during the SMP raised a number of questions relating to the role of the private sector *vis-a-vis* that of the Government in the economy. These issues are discussed in more detail in Section V below.

III. PROSPECTS FOR PRIVATE INVESTMENT, 1976-80

853. Private investment is projected to provide the major source of capital formation during the 1976-80 period in contrast to the experience in the SMP when the main role was played by public investment. With public sector investment planned to increase by only 6.2% per annum or much slower than in the SMP, the capacity required by the economy for its future growth depends significantly on high levels of private investment.

854. Private investment during the 1976-80 period is targetted to grow by nearly 10% per annum in 1970 prices as shown in Table 6-3 of Chapter VI. The private investment programme is thus forecast to amount to \$13.7 billion or 48.2% higher than the \$9.2 billion during 1971-75. In current prices, private investment is estimated to be \$26.8 billion. Compared to public investment of \$17.4 billion in current prices, it will be seen that the main source of capital formation in the country will come from the private sector.

855. Expenditures by the private sector in capacity creation will amount to 7.8% of the growth in the total output of the country compared to 5.0% in the SMP. Such increases in capacity will have multiplier effects in the generation of income and employment growth in the country. Their direct contribution to growth will be particularly high in construction where they

will account for nearly one-third of the expansion in the construction industry. Other industries which will benefit directly from a high level of private sector investment will be forestry, cement, transport equipment, industrial machinery and mining (mainly quarrying).

856. The role of private investment will be especially crucial for the growth of the manufacturing sector. In view of the emphasis given to the manufacturing sector, the impact which private investment will have on the growth of value added in individual industries is examined below.

857. Table 15-1 shows that the oils and fats, industrial chemicals and fertilizers, industrial machinery, electrical machinery (mainly electronics) and transport equipment industries among others, are forecast to experience growth substantially higher than the average of 12% per annum for the manufacturing sector as a whole. These estimates reflect the results of recent investments as well as new investments envisaged under the TMP. The oils and fats industry is estimated to grow by 16.5% per annum due basically to investments in the processing of palm oil. Increases in value added from the industrial chemicals and fertilizer industry will result from the commencement of operations by enterprises set up under the SMP. The growth of the textiles industry is expected to come from opportunities for

TABLE 15-1

PENINSULAR MALAYSIA: VALUE ADDED GROWTH IN
MANUFACTURING INDUSTRIES, 1971-80
(% per annum)

	1971-75	1976-80
Processed food	3.8	8.4
Oils and fats	24.6	16.5
Other food	4.8	8.9
Beverages and tobacco	7.9	9.5
Textiles and clothing	17.2	17.8
Leather and footwear	6.0	8.4
Sawmills and furniture	9.1	9.3
Paper and printing	9.2	12.2
Industrial chemicals and fertilizers	8.9	15.1
Chemical products... ..	15.9	12.0
Petroleum refining	3.2	9.4
Rubber processing	5.8	8.0
Rubber products	8.3	10.2
Cement	8.9	8.8
Non-metallic products	7.1	11.1
Ferrous products	9.7	12.6
Non-ferrous products	9.9	9.7
Industrial machinery	13.3	13.9
Electrical machinery	22.0	19.7
Transport equipment	11.8	13.4
Other manufactured products	19.3	13.9

the export of garments. New investments in electronics are expected to come from the manufacture of more sophisticated component parts. The current existence of excess capacity in assembly operations would not warrant substantial new investments for this line of activity in the electronics industry.

858. Investment in the processing of local raw materials will be encouraged. In the wood products industry, the main emphasis will be the production of finished products—panelling, mouldings, flooring, chipboard, knock-down furniture and prefabricated housing. Although Malaysia is the largest producer of natural rubber, the rubber products industry is at present made up of only a few industries—tyres, tubes and rubber footwear—with foam products, sheets and mats, hoses, surgical gloves, pharmaceutical items and various rubber components representing a smaller proportion. Recent approvals, however, indicate that there will be new investments for the production of a wider range of specialized items mainly for export.

859. Project approvals by the Government indicate that investments in the manufacturing sector will continue to be for export-oriented industries. In the 1976-80 period, exports are projected to account for 51.8% of the growth in the manufacturing sector. Import substitution as a source of growth is expected to fall and account for 12% of the growth as compared to 28.8% in the SMP.

860. The size of investment needed for development of the country's oil and natural gas resources will be substantial, with most of the investments envisaged to take place after 1980. A Masterplan study for the development of Malaysia's oil and natural gas industry is being undertaken by PETRONAS.

861. Private investment in residential construction will accelerate in view of the greater emphasis that will be given to low-cost housing. Of the target of 482,800 units of houses to be built, 262,000 units fall within the private sector compared to 173,700 completed during the 1971-75 period. This ambitious housing programme will entail substantial acquisition of machinery and equipment to expand the capacity of the construction industry. While the supply of these capital goods will be met mainly through imports, additional investments will be encouraged for the production of materials used in construction and building during the TMP.

IV. THE FINANCING OF PRIVATE INVESTMENT

862. The resources required to finance the private investment programme amounting to \$26.5 million in current prices (including stock changes) during the 1976-80 period are substantial. As shown in Table 15-2, the resources that are estimated to be available for private investment will be \$32.4 billion. However, account has to be taken of net remittances abroad by individuals; purchases of Government securities by non-bank institutions as well as *Bank*

TABLE 15-2

**MALAYSIA: ESTIMATED PRIVATE INVESTMENT AND
ITS FINANCING, 1971-80**
(\$ million)

	<i>Cumulative total</i>	
	<i>1971-75</i>	<i>1976-80</i>
<i>Private investment target (including change in stocks)</i> ...	12,285	26,545
– Private long-term capital inflow ...	2,496	3,650
= Domestic financing needs ...	9,789	22,895
<i>Domestic financing for private investment</i>		
Private savings before transfers ...	14,926	32,365
– Net transfers ...	884	655
= Private savings after transfers ...	14,042	31,710
– Purchases of Government securities ...	4,300	10,400
– Private sector outflow and balance of payments errors and omissions ...	1,100	2,450
– Increase in currency holdings and private sector deposits with <i>Bank Negara Malaysia</i> ...	2,233	2,400
= Self-financing of private sector ...	6,409	16,460
+ Public sector financing of investment in private sector and other transfers ¹ ...	3,380	6,435
= Total domestic financing ...	9,789	22,895
+ Private long-term capital inflow ...	2,496	3,650
= Total private investment ...	12,285	26,545

¹ This includes transfers from the development expenditure allocations to Government agencies operating in the private sector; public transfers to households; transfers from the current expenditure to commercial undertakings; and own-financed activities by public sector agencies.

Negara Malaysia; normal outflows of mainly short-term capital abroad; and increases in currency holdings including deposits with *Bank Negara Malaysia*. The amount available for self-financing in the private sector, after allowing for these items, is \$16.5 billion.

863. An additional source of financing that will be available to public sector agencies operating in the private sector is the funds that the Government will make available to institutions such as PERNAS, UDA, the SEDCs and the *Majlis Amanah Rakyat* (MARA). These funds are to enable the agencies concerned to undertake projects for advancement of the

Malays and other indigenous people in commerce and industry. In addition, national corporations such as the Malaysian International Shipping Corporation (MISC), *Bank Pembangunan*, the Malaysia Shipyard and Engineering Sdn. Bhd., the Malaysian Rubber Development Corporation (MARDEC) and the Rubber Industry Smallholders Development Authority (RISDA) will also receive substantial transfers from the Government. The total sum involved comes to about \$1.7 billion.

864. Private long-term capital inflows into the country are estimated at \$3.7 billion for the period as a whole. This represents the amount which will be financed by foreign controlled companies incorporated in Malaysia and branches of foreign firms established in the country, existing and new, for financing their investment activities. The projected amount of long-term capital is a realizable target given the vast investment opportunities in the country.

V. POLICIES FOR PRIVATE SECTOR DEVELOPMENT

865. The realization of the challenging targets for the private sector requires the maintenance of a favourable investment climate. To this end, the Government will implement policies and measures to encourage the private sector to play the role required of it in the attainment of the socio-economic objectives of the nation.

866. Malaysia's political, economic and social stability have been important factors influencing the growth of private investment in the country. Economically, the country's vast natural resources enable the development momentum to be stepped up. In turn, the investible resources so generated provide the assurance that development will continue to be undertaken in the context of financial and monetary stability. In terms of economic policy, Malaysia has continued to foster the growth of private enterprise through its positive policies on trade and investment. While the re-emergence of militant communism in the country, coming on top of recent political developments in the Southeast Asian region, has created uncertainties, the Government is confident that its efforts for national security and development will overcome these threats and enhance the favourable climate for investment in the country.

The restructuring of share capital

867. The corporate sector plays an important role in the generation of incomes and employment in the country. It is estimated that in 1970, the corporate sector contributed about 30% of GDP with 47% from the non-corporate sector and 23% from the Government.

868. Within the corporate sector, Malaysian interests accounted for 36.7% of total share capital and foreign interests, 63.3%. During 1971-75, ownership of this stock by Malaysians grew more rapidly than that of the foreign sector. As a result, the share of Malaysians in the ownership of corporate stock in the private sector increased to 45% in 1975 while that for the foreign sector declined to 55%. Among Malaysians, the ownership of equity

by individual Malays and Malay interests increased by 44% per annum from \$125.6 million in 1970 to \$768.1 million in 1975 and accounted for 7.8% of the corporate capital in 1975. The share capital holdings of other Malaysians grew by 15% per annum during the period to reach 37% in 1975.

869. The objective of the NEP in respect of the ownership of share capital in the economy is that by 1990, the Malays and other indigenous people should own at least 30%, other Malaysians 40% and the foreign sector 30%. These ownership ratios are recognized as long-term targets to be achieved through the process of growth. The pursuit of these objectives and at the same time the promotion of foreign investment in sufficient quantities to support overall development are compatible aims in a situation of dynamic growth in the economy.

870. The basic premise of the NEP is that the restructuring process will be undertaken through growth, with growth being defined on a broad basis, not merely in terms of equity expansion. The criteria for this purpose will be determined by the FIC in consultation with the private sector. As companies grow with the economy, they are expected to provide opportunities for all Malaysians to participate in the ownership and management of their enterprises. These companies are required to submit their proposals to the FIC indicating their plans for complying with the ownership targets of the NEP by 1990.

871. The ownership targets of the NEP are global in nature in the sense that they apply to the sector as a whole but in the process of restructuring, certain companies will be affected. In the effort to ensure that the global targets are reached, emphasis will be given to Malaysian majority ownership and control in sectors where local expertise is available for undertaking the activities or where the enterprise involves exploitation of the country's natural resources. For such activities, immediate compliance with the NEP targets will be required to the extent of at least 70% Malaysian ownership. On the other hand, the Government is prepared to allow foreign majority control in projects which are export-oriented and require a high level of technology.

872. The efforts to ensure that the Malays and other indigenous people own at least 30% of all share capital by 1990 will require greater Government participation and the full co-operation of the private sector. Government assistance will continue to be provided for the establishment of new enterprises either wholly-owned or through joint-ventures by such agencies as PERNAS, SEDCs, UDA and MARA; purchase of share capital on behalf of the Malays and other indigenous people; education and training in business and technology and provision of subsidized credit and capital assistance. In addition, a *Bumiputra Investment Fund* will be established to buy up shares which individual companies are required to set aside for acquisition by the Malays and other indigenous people.

Tariff and tax incentives

873. Tariff protection and tax concessions are important instruments which have stimulated the rapid development of industrialization in the country. The Government will continue to provide these incentives for industrial development and if necessary, strengthen them further to induce investments in strategic activities in the economy. In addition, consideration will be given for the extension of tax benefits to the agricultural sector in activities which involve the processing of the country's agricultural commodities and raw materials as well as marine and livestock products.

874. With future growth prospects in manufacturing increasingly dependent on exports, high levels of efficiency among individual enterprises are essential. To this end, the incentives provided will be kept under continuous review to ensure that they contribute effectively to the objectives of industrial development; a high rate of employment creation; export promotion; industrial dispersal; and the use of local raw materials in the manufacturing process. In addition, the provision of tariff protection and tax concessions will need to ensure that they contribute to high rates of efficiency in view of the increasing influence which the manufacturing sector will have on the general level of prices in the domestic economy and the ability of local manufacturers to compete in world markets.

875. Although the current levels of tariff protection in the country are not high by international standards, they have increased over the years. In the process, differences have also arisen in the rates of effective tariff protection granted. A continuing review of the levels of protection provided to individual industries will be undertaken to ensure that over time their effective rates are reduced and narrowed among industries. This is necessary to promote an efficient pattern of industrialization, strengthen export competitiveness in the manufacturing sector and reduce the social costs of tariff protection.

876. As with tariff protection, the Government has also granted fiscal incentives for promoting industrial development. In the SMP period, one-half of the number of approved projects were accorded various forms of tax incentives. It would appear, however, that in some cases the provision of these tax incentives might not have been a major factor in the establishment of the enterprises concerned. The system of tax incentives will continue to be kept under review to ensure that it contributes towards an efficient pattern of development in the country. Such changes as are made with respect to tariffs and other fiscal incentives will be implemented within the framework of existing legislation.

Capital and financial assistance

877. The commercial banks and finance companies will continue to play the main role in meeting the credit needs of the private sector. With rapid development in the commercial banking and financial system, its capacity to mobilize resources and meet the credit and technical needs of

investors will expand. At the same time, efforts will continue to be necessary to induce an adequate flow of resources from the banking system to specific activities and groups, namely, agriculture and agro-businesses, residential construction, small borrowers, small-scale industries, Malay and other indigenous entrepreneurs and potential house owners. In addition, the role of specialized institutions in assisting small borrowers will extend beyond the provision of credit. The agencies concerned include the MIDF and its subsidiaries, the MIDF Industrial Consultants Sdn. Bhd. (MIDFIC) and the Malaysian Industrial Estates Sdn. Bhd. (MIEL), the Borneo Development Corporation, *Bank Pertanian Malaysia*, MARA, the Credit Guarantee Corporation (CGC) and *Bank Pembangunan*. Their advisory and professional services will be expanded so that they may play an effective role in meeting the credit needs of small borrowers and in creating a commercial and industrial community among the Malays and other indigenous people.

Role of public corporations

878. The direct involvement of Government agencies in commerce and industry is necessary to facilitate and accelerate the greater participation of the Malays and other indigenous people in the modern sectors of the economy. At present, the share of the public sector in the economy is small, accounting for about 30% of GDP compared to 70% by the private sector.

879. The Government is mindful of the need for public corporations to play a developmental role as they expand their operations in the economy. To this end, public corporations will continue to establish enterprises in activities which have considerable potential for expanding the participation of the Malays and other indigenous people in commerce and industry; promote the diversification of economic activity especially in new growth centres and in the less developed States; develop the potentials for processing local raw materials; and establish industries which are of national interest. The operations of public corporations and their commercial enterprises must be based on financial viability and social and management accountability. These criteria are fundamental if they are to make a positive contribution towards the growth of employment and incomes in the country.

880. Although the activities of public corporations will grow rapidly, the scope for private enterprise, however, will by no means decline. The scale of opportunities to be opened up by strong economic growth will enable both public corporations and private enterprise to grow in tandem. In fact, the use of public funds in support of public corporations will supplement rather than replace potential private capital. Furthermore, joint-ventures will enable private enterprises to integrate their expertise and experience with that of public corporations, thus enlarging the opportunities for private enterprise to play an important role in directly contributing to the attainment of the objectives of the NEP.

Administrative issues

881. Rules and regulations affecting the private sector are administered by various Ministries, mainly the Ministry of Trade and Industry. FIDA is the principal agency responsible for industrial promotion. Measures have been taken to streamline the processing of industrial applications and these have resulted in speedier project implementation. FIDA has established a follow-up unit to assist investors overcome problems relating to the implementation of these projects. The feasibility of adopting a package approach to the promotion of industrial projects is being considered. The basic aim is greater integration of the roles of Federal Departments and State Governments on such matters as expatriate employment, acquisition of industrial sites and provision of infrastructure facilities.

Industrial legislation and administrative controls

882. The introduction of the Industrial Co-ordination Act and the Petroleum Development Act have been interpreted as having brought about radical changes in the basic framework of minimum Government intervention in and administrative control over the activities of the private sector. The Industrial Co-ordination Act was enacted to provide the legal framework within which the private sector will be encouraged to undertake the orderly development of manufacturing industries. A major feature of the Act concerns the licensing of manufacturing establishments in contrast with previous practice when manufacturers were required to obtain approvals only. Licensing will be required only once for all manufacturing activities except those exempted by the Minister concerned and is designed to ensure that individual enterprises conduct their operations in a manner consistent with the requirements of industrial and social policy. The implementation of the Act will be undertaken in a pragmatic manner and will be accompanied by measures not only to ensure that the machinery for its administration is strengthened to avoid delays and red-tape but also to permit the inter-play of market forces in the economy. Where difficulties arise in the implementation of the Act, the Government will, as always, welcome consultation with the private sector in the endeavour to deal with substantive problems.

883. The Government has noted the uncertainties which have arisen as a result of the Petroleum Development Act of 1975. The role assigned to PETRONAS as well as the legislative provisions enacted are based on the consideration that Malaysia, as an independent sovereign country, must retain the right to protect its national interest and to exploit the country's natural resources as it deems best. At the same time, the Government fully recognizes the important role of foreign technology and financing in the petroleum industry and the need to maintain adequate safeguards for the participation of the private sector in the industry. As such, the Government will implement the Act fairly, equitably and in a manner that will not adversely affect Malaysia's investment climate and its unblemished record

of fair treatment to all investors. Notwithstanding the special requirements of the petroleum industry, the Government will ensure that other sectors of the economy will continue to operate within the framework of normal and established practice.

Private-public sector co-ordination

884. The interdependence of the private and public sectors has to be maintained. A number of committees established by various Ministries including the Ministry of Trade and Industry already provide consultative forums for the private sector. In addition, the Government will seek to foster closer relations with the private sector on overall issues affecting private investment through the Private Sector Consultative Committee of the National Development Planning Committee (NDPC). The Committee was established for the purpose of obtaining private sector involvement in the consideration of major policy issues affecting its participation in the development process under the TMP. The Government is appreciative of the co-operation which it has obtained from the private sector in this regard.

885. This process of consultation will be continued in the course of implementing the TMP so that substantive problems could be identified and remedial action taken in a timely and effective manner. To facilitate consultation and problem solving, a special unit within the Prime Minister's Department is being set up to maintain continuous contact with the private sector to enable the NDPC at the officials level and the National Economic Council of the Cabinet, chaired by the Prime Minister, to be regularly informed of policy issues affecting the private sector.

Part Four

Sectoral Development Programmes

CHAPTER XVI

Agriculture, Animal Husbandry, Fisheries and Forestry

I. INTRODUCTION

886. The accelerated development of agriculture, the dominant sector of the economy, is essential for the attainment of the objectives of the New Economic Policy (NEP). This sector which contributed 45.5% of foreign exchange earnings, 29.8% of the Gross Domestic Product (GDP) and employed about 1.9 million workers or 49.3% of the total work force in 1975, accounts for the highest incidence of poverty. In 1975, about 69% of all households in poverty were in the agricultural sector, with the majority located in the less developed States. The Third Malaysia Plan (TMP) will therefore emphasize the implementation of programmes and projects in this sector with the aim of redressing poverty and regional disparities.

887. This Chapter reviews briefly the progress achieved during the Second Malaysia Plan (SMP) and explains the policies and strategies underlying the programmes for the TMP.

II. PROGRESS, 1971-75

888. Value added or net output in the agricultural sector grew by 5.9% per annum during 1971-75 exceeding the SMP target of 5.5%. This growth was largely due to acreage and productivity increases supplemented by the expansion of infrastructural facilities, extension, credit, marketing and research services.

889. The production of palm oil and kernels grew by 24.3% per annum whereas the contribution of a number of crops (including sugarcane, fruits, vegetables and starchy roots) though minor at present, increased by 5.8% per annum indicating progressive diversification of the agricultural base. Agriculture maintained its strategic position in the economy, although its share of GDP decreased slightly from 32.1% in 1970 to 29.8% in 1975. The growth of agricultural production is shown in Table 16-1.

TABLE 16-1

MALAYSIA: GROWTH OF AGRICULTURAL OUTPUT, 1971-80
(1970 = 100)

	1971	1972	1973	1974	1975	1980 (Projected)	Average annual growth rate (%)	
							1971-75	1976-80
Rubber	104.4	104.3	123.5	122.0	116.3	155.6	3.1	6.0
Palm oil and kernels	136.7	167.7	187.0	237.1	296.8	634.2	24.3	16.4
Sawlogs	103.4	117.9	132.4	132.9	108.2	149.6	1.6	6.7
Padi	108.6	110.4	118.0	126.1	120.2	143.5	3.7	3.6
Coconut and copra	99.8	101.6	103.2	105.4	106.5	114.7	1.3	1.5
Pineapple	95.2	90.9	86.3	87.9	81.7	92.4	-4.0	2.5
Pepper	109.7	105.4	92.2	113.1	124.0	174.7	4.4	7.1
Tea	120.0	87.5	80.0	77.5	72.5	59.1	-6.2	-4.0
Fish	107.9	104.4	131.8	152.2	159.5	192.2	9.8	3.8
Livestock ¹	103.9	112.0	109.0	116.8	125.1	164.3	4.6	5.6
Miscellaneous ²	104.7	115.2	118.4	123.1	132.5	190.2	5.8	7.5
Aggregate production index	106.8	112.6	126.2	132.5	131.2	186.5	5.6	7.3

¹ Includes beef from buffalo and oxen, mutton, pork and poultry meat and eggs.

² Includes sago, tapioca, cocoa, coffee, sugarcane, groundnuts, maize, fresh fruits, tobacco, spices, food crops and other minor crops.

890. The number of jobs created during the SMP was 150,000 or 25.5% of total jobs created. Although this raised employment in the sector to 1.9 million in 1975, the share of agriculture in total employment declined from 53.5% in 1970 to 49.3% in 1975 due to the more rapid growth of other sectors.

891. A total of \$2.1 billion was expended for agricultural development during the SMP. New land development accounted for 53.5%, *in situ* development 45.1% with the remaining 1.4% by other agricultural activities.

In situ development

892. There was significant progress in the improvement of agriculture in existing areas. During the SMP, a total of \$959.1 million was expended for *in situ* development of which \$531.2 million was for drainage and irrigation, replanting and livestock and fisheries programmes with a view to increasing productivity.

893. *Drainage and irrigation* Under the SMP, about 324,000 acres of padi land in Peninsular Malaysia were improved through irrigation facilities. Of this, 272,000 acres were provided with double-cropping facilities. The Muda Irrigation Scheme was completed in 1974 and provided for 152,000 acres to be double-cropped (in addition to 83,000 acres under the First Malaysia Plan, FMP). Similarly, the 47,000-acre Kemubu Irrigation Scheme was completed in 1975. However, only 4,000 acres out of the 12,000 acres within the Besut project were double-cropped in the same year. The remaining

69,000 acres suitable for double-cropping were provided by other schemes including Krian and Trans-Perak. In Sabah and Sarawak, about 8,000 acres and 2,800 acres respectively were provided with improved irrigation facilities of which 7,000 acres and 2,000 acres were provided with double-cropping facilities.

894. Under the SMP, some 247,000 acres of swamp and existing agricultural land, mainly in Peninsular Malaysia, were improved through drainage facilities for the cultivation of crops other than padi including coconut, rubber and cocoa. During the latter part of the SMP, work on the Western Johor Agricultural Development Project (Phase I) covering some 330,000 acres of agricultural land was initiated.

895. *Replanting* A total of 418,000 acres was replanted with rubber and pineapple—412,000 for rubber and 6,000 for pineapple. In addition, 52,440 acres of coconut were replanted or rehabilitated and 46,000 acres of rubber were newplanted in areas contiguous to existing smallholdings. This accounted for 93.7% of the targets set for the SMP.

896. *Livestock* A significant feature in the development of the livestock industry was the establishment of the National Livestock Development Authority (MAJUTERNAK) in 1972 responsible for the development and commercialization of the beef and dairy industries. During the period, seven beef/dairy farms were established in Johor, Negri Sembilan, Pahang, Perak, Sarawak, Selangor and Trengganu. Approximately 12,000 acres were cleared with about 10,000 head of cattle stocked and 640 people employed on the farms. Under its abattoir reorganization and modernization programme, MAJUTERNAK completed the Shah Alam abattoir in 1973 which is now fully operational while that in Johor Bahru is in the process of being implemented.

897. The Division of Veterinary Services in the Ministry of Agriculture continued to provide improved veterinary health services and promote smallholders' livestock production. To encourage smallholders to participate in livestock production, a number of *pawah* schemes for buffaloes and oxen were implemented. Under the SMP, \$3.8 million was expended for these schemes and 8,700 buffaloes and oxen distributed to the farmers. In addition, the successful establishment of milk collecting centres not only stimulated the local production of fresh milk but provided supplementary income to smallholders. Advisory and training services were also extended for poultry rearing. In the endeavour to diversify main crop incomes, day-old chicks were also distributed to initiate the establishment of small poultry projects.

898. *Fisheries* Several infrastructural facilities approved under the SMP were completed. These included the fishing harbour complexes at Kuala Kedah, Lumut, Kuala Trengganu and Kuching. In addition, the Government provided other facilities such as landing jetties, guiding lights, packing sheds and cold rooms.

899. The Fisheries Development Authority of Malaysia (MAJUIKAN) established in 1971, constructed 135 boats under its trawler scheme of which 98 were launched during the SMP mainly in the States of Johor, Kedah, Kelantan, Pahang and Trengganu providing employment for over 1,000 fishermen in off-shore operations as well as in the associated industries. In addition, a fish/prawn processing plant in Kuala Kedah and one ice plant in Kuala Perlis were also established.

Land and forestry development

900. Over one million acres of land were opened up during 1971-75 or 83.3% of the revised SMP target of 1.2 million acres. The Federal Land Development Authority (FELDA) which accounted for 412,000 acres exceeded the SMP Mid-Term Review target of 403,000 acres. The new schemes were largely located in Pahang (49.3%), Johor (22.4%) and Negri Sembilan (15.2%). Of the total new acreage, 288,000 were planted with oil palm and 112,000 with rubber. The balance of over 12,000 acres was developed with sugarcane and cocoa as part of the FELDA diversification programme. During the same period, over 13,700 families were settled in FELDA schemes.

901. A total of 461,100 acres was developed by other Federal and State agencies during the SMP. The Federal Land Consolidation and Rehabilitation Authority (FELCRA) developed 19,000 acres of youth schemes and 39,300 acres of fringe schemes and rehabilitated 9,100 acres during 1971-75. A further 47,300 acres of block newplanting were undertaken by the Rubber Industry Smallholders Development Authority (RISDA).

902. The State agencies in Peninsular Malaysia developed a total of 151,100 acres exceeding the SMP target of 87,500 acres. In Sabah and Sarawak, the State agencies together developed 204,400 acres of which 50,500 acres were undertaken by the State Land Development Boards.

903. The private sector developed about 115,900 acres and a further 21,300 acres as joint-venture projects representing 67.2% and 42.6% of the targets respectively. The shortfall was partly due to the emphasis given by the private sector to the consolidation rather than expansion of existing estates through replanting of old rubber trees and conversion to oil palm. The private sector programme included projects developed by Government-sponsored agencies such as the *Lembaga Urusan dan Tabung Haji*. A significant feature of private sector development was the increasing emphasis on new crops such as cocoa and sugarcane.

904. *Forestry* The Forest Industries Development Projects for Peninsular Malaysia and Sarawak were completed during the SMP period. These projects quantified the perspective for forestry development up to 1990 and identified programmes to be implemented to promote maximum sustained exploitation of forest resources. For Sabah, a forest inventory project was completed in 1973.

905. In addition, the State Forest Departments carried out forest regeneration programmes, including the establishment of 6,000 acres of pine plantations mainly in Johor, Negri Sembilan and Pahang.

Institutional development

906. Institutional improvements were made during the SMP to develop a more effective machinery for providing agricultural supportive services. These included extension, training, credit, subsidies, research, marketing and processing. Several new institutions such as the National Padi and Rice Authority (LPN), the Food Industries of Malaysia Sdn. Bhd. (FIMA), MAJUIKAN, MAJUTERNAK, RISDA, the National Tobacco Board (NTB) and the Farmers' Organization Authority (FOA) were established in the earlier period of the SMP. Following the establishment of this range of institutions, increasing emphasis was given in the latter part of the SMP to the effective consolidation of work among these agencies.

907. *Training and extension* During 1971-75, about \$57.6 million was spent on agricultural education and training at the professional, supervisory and operative levels. *Universiti Pertanian Malaysia* (UPM), formerly the College of Agriculture, commenced degree courses in forestry, veterinary science and agriculture in 1972. It also continued to provide diploma courses in veterinary science and agriculture. In addition, UPM conducted courses in fisheries and agri-business. Total enrolment in 1975 was 695 at the degree level and 1,858 at the diploma level.

908. The training of operative level personnel was conducted at five agricultural institutes in Johor, Pahang, Penang, Perak and Selangor while a sixth is under construction in Trengganu. The five institutes had a total training capacity of 1,200 per year. A total of 841 Junior Agricultural Assistants was trained during the SMP. In Sabah, an agricultural vocational school at Timbang Menggaris was completed in 1973 to provide training in crop cultivation, animal husbandry and mechanization. To date, 140 students have graduated from this school. During the SMP, two Agricultural Training Centres were established in Sarawak bringing the total to 11. The Centres, each with a capacity to train 60 youth per course, have since 1971 produced 3,100 graduates.

909. The Division of Fisheries in the Ministry of Agriculture launched a number of training schemes for fishermen. The Marine Fisheries Training Centres in Penang and Kuala Trengganu provided short-term courses for lower level operatives in basic navigation and engine maintenance while the Fishermen's Training Institute in Penang conducted one-year advanced technical training courses to produce skippers and enginemen. In addition, the Inland Fisheries Training Centre at Bukit Tinggi, Pahang provided short courses in fish culture to the rural people.

910. In order to make available qualified personnel for the livestock industry and training institutions, the Division of Veterinary Services provided in-service training for Veterinary Assistants, Inseminators, Laboratory Assistants and Meat Inspectors at its Veterinary Research Institute, Ipoh, *Institusi Haiwan*, Kluang and at Shah Alam Abattoir. Training facilities at the Ayer Kroh and Cheras training centres were greatly expanded to accommodate increasing numbers of in-service personnel as well as farmers from the rural areas. During the SMP, 330 in-service personnel and 2,750 farmers were trained by these training centres and institutes.

911. To enable greater participation of the Malays and other indigenous people in the timber industry, two logging training centres were established in Pahang and Trengganu. These two centres trained 202 loggers during 1971-75. In addition, four forestry training schools were constructed in Pahang, Sabah, Sarawak and Selangor to provide in-service training for the operative staff. These schools trained a total of 1,030 staff during the SMP. To meet the need for trained personnel at the sub-professional level, the *Institusi Teknologi MARA* and subsequently the Forestry College at Kepong established in 1972, produced 72 diplomates by 1975.

912. In addition to formal training, extension services were provided by a number of organizations. The main agencies responsible for extension are the State Departments of Agriculture and Veterinary Services supported by the Federal Departments which supply funds, key personnel, supervision and technical support. Other agencies involved in extension services to specific sub-sectors are RISDA for rubber smallholders and the Malaysian Pineapple Industry Board (MPIB) for pineapple growers. During 1971-75, three additional rural agricultural training centres and five farm mechanization training centres were established, increasing the totals to 25 and 10 respectively in Peninsular Malaysia.

913. *Agricultural credit and subsidies* Total loans approved during the SMP by *Bank Pertanian Malaysia* (BPM) amounted to \$159 million. The bulk of the loans was for padi production amounting to 41.2%; agro-based industries, 23.6%; estate development, 15.3%; and tobacco production and marketing, 10.3%. Credit was provided either directly by BPM or through established local credit centres, comprising mainly Farmers' Organizations (FOs). In addition, BPM established 14 branches throughout the country.

914. Complementing the credit schemes of BPM, FOA also provided credit to its members, mainly for agricultural inputs, rice milling operations, expansion of agricultural production, processing and marketing. The total credit provided by the FOA during the SMP amounted to \$3.6 million.

915. RISDA made available credit for rubber smallholders participating in replanting and newplanting programmes. Credit was provided to assist smallholders to cultivate short-term cash crops to ensure uninterrupted

income while the trees were immature. Credit for fertilizer and weedicide was also provided to ensure proper management and maintenance of their holdings. RISDA extended credit amounting to \$3.3 million during the SMP.

916. Various subsidy schemes were implemented during the SMP to promote crop diversification and cushion the effects of rising costs of inputs. The subsidies given were in the form of planting materials, fertilizer and pesticide. A sum of \$158.4 million was expended for rubber replanting and newplanting throughout the country. The subsidies for coconut replanting and rehabilitation and pineapple replanting in Peninsular Malaysia amounted to \$15 million and \$4.8 million respectively. In addition, a total of \$15 million was provided for other permanent crops, food crops and lime. A significant feature of the subsidies programme in Sarawak was the Pepper Subsidy Scheme for which a total of \$11.1 million was allocated. The Urea Subsidy Scheme for padi farmers was introduced during the second half of 1974 to meet the sharp increase in the price of urea. A total of \$60 million was provided under this Scheme.

917. During the SMP, a capital subsidy scheme was implemented for inshore fishermen. The main aim of the subsidy scheme was to increase the productivity and income of fishermen and enable them to increase their participation in the marketing of their produce. In 1974, the previous system of grants was modified to a subsidy scheme which provided an 80% subsidy on nets with a maximum of \$1,000 and 33% on engines with a maximum of \$2,500 to permit greater coverage. Over \$1.5 million was given as capital assistance to fishermen to modernize their fishing operations both in Peninsular Malaysia and Sarawak.

918. *Agricultural research* Agricultural research activities by Government agencies were undertaken to raise the income of small farmers, increase the production of export crops, promote agricultural diversification and stimulate import substitution. The research activities of the Malaysian Agricultural Research and Development Institute (MARDI), the principal agency undertaking agricultural research, progressed during the SMP. Four new rice varieties and two *pulut* varieties were released. For further breeding work in oil palm improvement, seeds of diverse types of oil palm were obtained from Nigeria. Significant progress was also achieved in research on field crops for pasture and fruits.

919. The Fish Research Institute undertook marine and brackishwater research while research on freshwater fish culture was undertaken by MARDI. The focus of the applied research programme was the demersal fish resources in national and international waters. The data processed provided information on the catch rate of commercial and trash fish, fish density distribution and the extent of exploitable fish resources. Research was also undertaken on aquaculture.

920. During the SMP, the Veterinary Research Institute in Ipoh was enlarged to include a unit for isolation of experimental animals and a swine fever vaccine production unit. In addition, two regional laboratories were constructed at Petaling Jaya and Penang to serve as diagnostic and disease control centres.

921. Research on all aspects of rubber continued to be conducted by the Malaysian Rubber Research and Development Board (MRRDB) as well as its component units, the Rubber Research Institute of Malaysia (RRIM) and the Malaysian Rubber Producers Research Association (MRPRA). The achievements during the SMP included RRIM's new high-yielding planting material with a yield potential of over 3,000 lbs. per acre per year, modernization of agro-economic management and the development of yield stimulants. New processing methods have been developed for Standard Malaysian Rubber (SMR) and special purpose rubbers. Research on the diversification of end-uses will result in the greater use of natural rubber for the production of winter tyres, engineering components and automobile bumpers.

922. The Forest Research Institute (FRI) at Kepong, the main agency undertaking research in forest development and timber utilization, devoted considerable effort to the investigation of timber properties and processing characteristics for the fuller utilization of forest resources. At the same time, market research and promotion of exports were undertaken by the Malaysian Timber Industries Board (MTIB).

923. *Agricultural processing and marketing* During the SMP, the involvement of the Government in processing and marketing was for assisting the small-scale producers and the Malay and other indigenous traders to play a greater role in the marketing process. This was undertaken by various agencies for specific agricultural activities.

924. The Malaysian Rubber Development Corporation (MARDEC) established 14 SMR factories with a total capacity of 145,300 tons per year for the production of SMR from latex and scrap rubber purchased from smallholders. In addition, three SMR factories with a combined yearly capacity of 120 tons were established by FELDA. RISDA also established 1,049 units of Group Processing Centres, now called Smallholders Development Centres, to improve the processing of smallholder rubber. During the same period, FELDA established nine palm oil mills increasing the total capacity to 401 tons of fresh fruit bunches (ffb) per hour.

925. The LPN established six integrated complexes and the Federal Agricultural Marketing Authority (FAMA) nine drying complexes to meet drying and milling requirements resulting from the expansion of padi double-cropping. In addition, another six integrated complexes are under construction.

926. The establishment of the FOA in 1973 was for the objective of establishing FOs through the merger of existing agro-based co-operatives and Farmers' Associations. During the SMP, the main activities of FOs were channelled through the Farmers' Development Centres (FDCs)

in specific development areas. These FOs have provided *inter alia* facilities for the rehabilitation of rice mills, tobacco curing, trading of agricultural inputs and consumer goods and agricultural marketing.

927. During the SMP, FAMA implemented a number of marketing improvement schemes for pepper, coconut, coffee, groundnuts and vegetables. These marketing improvement schemes involved both regulatory activities and the establishment of processing centres. As part of its marketing improvement programme, FAMA also participated in direct trading in order to provide additional market outlets. FAMA initiated the establishment of three pepper grading and processing centres in Johor and Sarawak. In addition, two processing centres for copra, one each for coffee and groundnuts and one coffee powder mill were also established. Work on another four copra processing centres was also initiated during the SMP.

Agricultural production

928. The principal source of agricultural growth came from exports, Agricultural production expanded by 5.6% per annum during the SMP. The value added in the sector grew by 5.9% per annum compared to 8% during the FMP. The slower growth resulted from the decline in commodity prices especially during the early years of the SMP. To protect incomes from commodity price fluctuations, efforts were intensified for the promotion of agricultural diversification. The Green Book campaign for the cultivation of commercially viable short-term crops on existing land was introduced in December, 1974 with Phase I of the campaign emphasizing production of food for domestic needs and supplementing income to smallholders.

929. *Rubber* In Peninsular Malaysia, rubber production from the estate sector grew steadily during 1971-74, rising from about 611,000 tons in 1970 to 673,000 tons in 1974, an increase of 2.5% per annum. This was achieved despite a 12.5% decline in the rubber acreage from about 1.6 million in 1970 to 1.4 million in 1975, caused by the subdivision of estates and conversion to other crops mainly oil palm. However, production in 1975 declined to about 588,000 tons due to restrictions imposed by the Government under the national price stabilization scheme. Although sensitive to price changes, smallholder production continued to increase by 37.5% from about 585,000 tons in 1970 to 805,000 tons in 1975. The increase was mainly due to the sizeable production from FELDA schemes amounting to 53,900 tons in 1975 and higher yields in replanted areas. The acreage under smallholdings also increased by 5.5% from about 2.7 million in 1970 to 2.8 million in 1975.

930. In Sabah and Sarawak, rubber production increased from 53,000 tons in 1970 to 60,000 tons in 1975. The decline in rubber prices was responsible for the slow growth as many tappers chose to find other remunerative employment. The total acreage increased from 732,000 in 1970 to 748,000 in 1975.

931. In view of the wide fluctuations of rubber prices and their impact on smallholder incomes and foreign exchange earnings, the Government took several steps on the domestic and international fronts. On the domestic front, the national price stabilization scheme was initiated in November, 1974 when the rubber price was less than \$1.00 per kilo. The programme involved production restrictions through increased stockholding by dealers/packers/remillers, suspension in the use of stimulants, enforcement of tapping holidays, acceleration of replanting and stock purchases by the Government to rationalize the supply of rubber. Following the implementation of the programme, the price rose to 160.47 cents per kilo in December, 1975. At the same time, efforts were made to promote the establishment of the International Rubber Price Stabilization Scheme in association with other members of the Association of Natural Rubber Producing Countries (ANRPC). The scheme will enhance the competitive strength of natural rubber in the world market as well as achieve price stability at levels which would be remunerative to producers and fair to consumers.

932. *Palm oil and kernels* Production of palm oil increased three-fold from 424,000 tons in 1970 to 1,276,000 tons in 1975 while kernel production increased from 91,000 tons to 252,000 tons. The acreage under oil palm in Peninsular Malaysia increased by 115.2% during 1971-75 from about 667,400 to 1,436,000. Smallholdings accounted for about 43% of the total acreage while the remaining 57% was under estates. In Sabah, the area under oil palm increased by about 49% to 142,400 acres and in Sarawak, from 2,400 acres to 37,600 acres.

933. A Task Force, with representatives from the public and private sectors, reviewed the marketing arrangements for Malaysian palm oil in 1974. The recommendations which include, *inter alia*, the establishment of a Palm Oil Registration and Licensing Authority are under consideration by the Government. To further facilitate the marketing of palm oil, the Government together with the private sector initiated a study for the establishment of a Palm Oil Commodity Exchange. The study has now been completed and is also under consideration.

934. *Padi* With the world food crisis in 1972-73, the Government reviewed the target of 90% self-sufficiency and subsequently increased it to 100%. Several measures were adopted including the provision and improvement of irrigation facilities both for single and double-cropping, the increase of yields through varietal improvement and the provision of incentives such as the Guaranteed Minimum Price and the Urea Subsidy Schemes.

935. Domestic production of padi increased from 1.6 million tons in 1970 to about two million tons in 1975. It accounted for about 87% of domestic requirements of 1.5 million tons of rice for the latter year. The increase in

production was mainly due to increases in yields and acreage under double-cropping. Average yields increased from 430 *gantangs*³ per acre in 1970 to 470 *gantangs* in 1975 in Peninsular Malaysia and from 200 to 300 *gantangs* in Sabah and Sarawak.

936. In Peninsular Malaysia, the cultivated acreage decreased from 992,000 in 1970 to 944,000 in 1975 due to the decline in dry padi acreage. The area under off-season cropping, however, increased at a rapid rate from 326,000 acres to 527,000 acres, an increase of 61.7% over the five-year period. The increase was largely due to the availability of irrigation facilities in the Muda, Kemubu and Besut areas. In Sabah and Sarawak, the acreage under padi remained small due to the limited availability of suitable areas for padi cultivation. In 1975, 118,000 acres were planted with padi in Sabah and 336,000 acres in Sarawak. Double-cropping acreage in Sabah, however, increased from 4,500 in 1970 to 9,000 in 1975.

937. *Coconuts* Copra production increased by only 1.3% per annum during 1971-75, rising from 209,000 tons in 1970 to 223,000 tons in 1975. This was due to the larger acreage of 795,000 acres in 1975, compared to 767,000 acres in 1970 and to increased production in smallholdings following replanting and rehabilitation. To cushion the adverse effects of declining copra prices, FAMA established copra processing centres and initiated regulatory measures and trading programmes.

938. *Pepper* The acreage under pepper expanded from 22,000 acres in 1970 to 23,200 acres in 1975, with Sarawak accounting for about 90% of the total. Similarly, exports which accounted for nearly 95% of production rose slightly from 25,800 tons to 32,000 tons during the same period.

939. In order to promote the efficient growth of the pepper industry through improved marketing and expanded markets for Malaysian pepper, the Pepper Marketing Board was established in December 1971. During the SMP, the Board initiated the establishment of three pepper grading and processing centres in Sarawak and Johor. These centres are to ensure quality control and will be equipped with facilities for storage, cleaning, drying, grading and packing.

940. *Timber* The production of sawlogs increased steadily from 508.7 million cu. ft. in 1970 to reach a peak of 675.9 million cu. ft. in 1974 following the 1973/74 economic boom. However, with the recession in 1975, production dropped to 550 million cu. ft.

941. *Minor crops* The cultivation of minor crops was encouraged during the SMP with the objective of diversifying the agricultural base and providing supplementary incomes to smallholders. Various subsidies and marketing incentives were provided for the expanded production of cocoa, tobacco, sugarcane, groundnuts, pineapple, fruits and vegetables.

³ 1 *gantang* of padi = 1.65 kilos.

942. Cocoa continued to be planted by smallholders and estates either as a single crop or as an intercrop. The total acreage increased from 19,100 in 1970 to 79,000 in 1975 with production increasing from 4,300 tons in 1970 to 17,600 tons in 1975. Cocoa has proved to be a promising intercrop with coconut. By 1975, 52,000 acres of coconut in Selangor and Perak had been intercropped with cocoa.

943. The production of tobacco increased almost five-fold from 4.2 million lbs. in 1970 to 20.0 million lbs. in 1975. By 1975, 120,000 farmers were involved in tobacco cultivation on 30,550 acres.

944. Sugarcane cultivation, particularly on estates also expanded. The total acreage increased from 17,800 in 1970 to 54,700 in 1975 while production grew by 25.3% per annum to 1.6 million tons in 1975. The acreage under groundnut cultivation, largely undertaken on small and scattered holdings as an off-season crop with padi, in Kedah, Kelantan, Perak, Pahang and Trengganu, also expanded from 8,000 in 1970 to 20,500 in 1975.

945. With the provision of farm crop subsidies as well as market protection, the acreage under fruits grew from 118,700 in 1970 to 141,800 in 1975 of which 60% was under bananas. Fruit production rose from 556,400 tons in 1970 to 733,900 tons in 1975. Vegetable acreage under both subsistence and commercial growers also increased from 59,500 in 1970 to 67,500 in 1975, while production increased from 370,400 tons in 1970 to 523,100 tons in 1975.

946. *Fisheries and livestock* Fish landings increased by 9.8% per annum from 335,000 tons in 1970 to 535,000 tons in 1975. The fishing fleet was expanded from 20,300 vessels in 1970 to 22,400 in 1975. Despite the increase in total landings, the average catch per unit of fishing gear, however, declined due largely to the depletion of resources within the present range of operation.

947. During the SMP, Malaysia was self-sufficient in the production of eggs, poultry meat and pork and produced 85% of its beef requirements. However, 95% of its milk and milk product requirements continue to be imported. The total value of livestock production increased by 84.3% from \$434 million in 1970 to \$800 million in 1975.

III. OBJECTIVES AND TARGETS OF AGRICULTURAL DEVELOPMENT, 1976-80

948. Under the TMP, agricultural production is targetted to grow by 7.3% per annum compared to the growth of 5.6% during the SMP. Export demand will continue to be the major determinant of growth although the influence of exports relative to domestic demand will decline as private consumption and the use of agricultural products for further processing in the country increases.

949. The agricultural sector is expected to remain the largest contributor to the GDP, though its share is projected to decline from 29.8% in 1975 to 26.5% in 1980. Agriculture will continue to be the largest source of employment providing about 125,900 new jobs or 17% of total new employment in the country, raising total employment in the sector to about two million in 1980. The bulk of the jobs created will be in new land development schemes.

950. With the expected recovery of the world economy, the prospects for an increase in agricultural prices are bright. This would provide an impetus to agricultural production resulting in a greater volume of exports and increased foreign exchange earnings.

Policy objectives

951. The thrust of policies, programmes and projects within the agricultural sector will be to contribute to the eradication of poverty. This will be accomplished by raising income levels and increasing employment opportunities in the sector through programmes aimed at productivity increases in existing holdings; new land development; and the provision of a wide range of social services to raise the living standards of low income groups.

Issues and strategies

952. As shown in Table 9-3 and discussed in Chapter IX, the agricultural sector has the highest incidence of poverty. In 1970, nearly 70% of the total of 853,000 agricultural households were estimated to be in poverty in Peninsular Malaysia. The incidence was high among padi farmers, fishermen, rubber smallholders, forestry workers, coconut smallholders, estate workers and oil palm smallholders. While the causes of poverty were many and varied from one poverty group to another, the common causes remain uneconomic-sized holdings, low productivity, inadequate returns to farmers and socio-political factors, including land tenancy. The agricultural programmes are designed to deal with these problems through improvements to existing agricultural areas; the transfer of farmers in traditional agriculture to modern agriculture in public and private land development schemes; and the enforcement and improvement of tenancy regulations.

953. An integrated approach to accelerating agricultural development will be an important strategy of the Plan. This will include the provision of a selected package of inputs by agricultural agencies through FDCs to a large number of small farmers to generate yield, production and income increases. The agricultural package will comprise extension services, credit, improved planting materials and other subsidies and processing and marketing facilities. Productivity improvements will also be facilitated with the implementation of irrigation, drainage and other infrastructure schemes including rural roads, bridges and flood control. The agricultural census and

local area surveys to be carried out by the Department of Statistics and the Department of Agriculture respectively will identify the areas requiring specific attention. These areas include those with great potential but which lack the necessary infrastructural facilities and supporting services.

954. In view of the importance of rubber to the rural economy and the close and positive correlation between agricultural growth and rubber export prices, steps will continue to be taken to promote greater price stability through the International Rubber Price Stabilization Scheme in co-operation with other producing and consuming countries. Measures will also be taken to widen market outlets for Malaysia's agricultural produce through international, regional and bilateral co-operation. On the domestic front, crop diversification and local processing programmes will be intensified to cushion the effects of transient price slumps in any particular commodity.

955. During the TMP, the Government will continue to give high priority to increasing rice production to achieve self-sufficiency. Efforts will also be made to increase import substitution in respect of commodities where it would be economical to do so. Possibilities in this regard are wide and include beef, milk and animal feed. With respect to rice, the self-sufficiency target will take into account the need to improve farm income levels as well as protect consumer interests. The target will be attained through increased double-cropping supported by the provision of credit, subsidies, extension and other measures to increase yields. Recognizing that Malaysia is a high cost producer and that during the Plan period it may prove possible to import rice at prices lower than domestic prices, the Government will adopt a flexible approach in padi production. This will permit the nation to benefit from price falls in the world market and at the same time assure reliable supply.

956. The availability of a sufficient number of trained personnel at all levels is a prerequisite for the effective planning and implementation of agricultural programmes. During the SMP, agricultural development was constrained by serious shortages of personnel at all levels, particularly at the operative level. In view of this, continuing efforts will be made to expand training facilities during the TMP.

957. The shortage of trained and qualified personnel has been exacerbated by the establishment of numerous organizations with almost similar functions placing heavy demands on the currently limited number of trained agricultural personnel. In land development programmes alone, agencies such as FELDA, FELCRA, RISDA and State organizations, namely State Land Development Boards, State Economic Development Corporations (SEDCs) and State Agriculture Development Corporations (SADCs), undertook almost similar projects. In the field of extension services, the Department of Agriculture, the main agency responsible, as well as other agencies such as the FOA and RISDA, provided extension services. To bring about more efficient utilization of limited skilled manpower resources, efforts will

be made under the TMP to streamline the administrative machinery for agricultural development. The strategy for integrated area development through the FDCs, formulated during the Mid-Term Review of the SMP, to meet the needs for proper co-ordination of inter-departmental activities at the ground level, will be emphasized wherever appropriate.

958. The rapid rate of logging and forest clearing resulting from various development programmes, especially land development, could have adverse effects on the future supply of timber, water resources as well as ecological and soil conservation. In view of this, increasing attention will be given to the management of the permanent forest reserves for sustained yield of timber, minimization of soil erosion as well as maintenance of protective forest areas for watershed protection and ecological conservation.

959. The exploitation of inshore fishing grounds coupled with traditional methods of fishing have resulted in poor catch and contributed to the high incidence of poverty among inshore fishermen. During the TMP, the fishing potential of off-shore and distant waters will be increasingly tapped.

960. Land development, the major source of new employment in the agricultural sector, will complement the *in situ* programmes in the rural poverty redressal efforts of the Government. During the TMP, settler selection criteria will give more weight to the landless and those with uneconomic holdings irrespective of their present location. For the poor States of Kedah, Kelantan and Perlis where areas suitable for new land schemes are limited, the agricultural poor will be encouraged to move to schemes developed in the land-rich States of Johor, Pahang, Sabah and Sarawak.

961. To reach a greater number of the agricultural poor, concerted efforts will be made to introduce new types of land development schemes in addition to those currently carried out by FELDA which are relatively high cost. The new approach will emphasize greater settler participation in FELDA projects as well as the implementation of farm-enterprise schemes providing for a greater measure of self-help in the development and maintenance of these schemes. Pilot projects for the purpose will be implemented in the course of the TMP.

962. Considering the availability of land in relation to the number of landless and the number of rural families under poverty, the size of holdings for new public land development schemes will be kept under review to ensure that the programme will benefit a larger number of the landless and those with uneconomic holdings. The objective will be to provide settlers with economic-sized holdings which together with the development of supplementary sources of farm incomes and the provision of basic social services will enable an adequate standard of living to be maintained.

IV. PROGRAMMES, 1976-80

963. The agricultural programmes for the TMP will be specifically geared towards increasing the incomes of the agricultural poor in the rural areas by raising their productivity and reducing underemployment. These objectives will be achieved through *in situ* development, new land development and the provision of adequate supporting services.

In situ development

964. *Drainage and irrigation* As part of the overall programme to increase rice production in the country, substantial investment will continue to be made for the provision of drainage and irrigation facilities. The provision of improved irrigation facilities in existing major irrigation schemes will constitute an important part of the programme. About 240,000 acres of padi land will be provided with new or improved irrigation facilities under the TMP. The Trans-Perak Stage IV and a number of smaller irrigation schemes will be brought into operation. The acreage capable of being double-cropped is expected to increase from 591,300 to 686,300. In Peninsular Malaysia, the acreage under double-cropping will be increased from 572,000 to 650,000. In Sabah, double-cropped acreage will be expanded from 17,000 to 27,000, while in Sarawak, double-cropped acreage will be increased from 2,000 to 9,000.

965. In addition, 559,000 acres will be provided with new or improved drainage facilities for crops other than padi such as coconut intercropped with cocoa and coffee, oil palm and pineapple. The Western Johor Agricultural Development Project Phase I and smaller drainage schemes are expected to be operational during the Plan period. With these new schemes, the total area will be increased from 830,300 acres to 998,000 acres in Peninsular Malaysia and in Sabah from 16,400 acres to 25,400 acres at the end of the TMP. In Sarawak, drainage facilities will be improved to enhance the productivity of 23,000 acres of existing land and to develop 3,300 acres of new land.

966. *Replanting* The rubber replanting, coconut replanting and rehabilitation and pineapple replanting programmes will be accelerated. Under the Plan, rubber replanting will continue to be undertaken on a substantial scale with assistance provided to smallholders to plant rubber in new land contiguous to existing holdings. Priority will be given to smallholders with holdings of five acres or less. Seedlings will be provided by RISDA nurseries working closely with the RRIM to ensure usage of high-yielding varieties. The provision of extension services and agricultural input credit will also contribute to higher yields. A target of 500,000 acres for replanting and newplanting has been set for Peninsular Malaysia, 35,000 acres for Sabah and 62,500 acres for Sarawak.

967. During the Plan period, 100,000 acres of coconut smallholdings will be replanted or rehabilitated. Of the total, 22,800 acres will be intercropped with cocoa and other approved crops such as pineapple, coffee, banana and cashew nuts. Livestock will also be introduced into coconut smallholdings. About 26,300 acres of pineapple smallholdings will be replanted with high-yielding varieties under the Plan.

968. *Crop diversification* Agricultural diversification will be intensified through the provision of crop subsidies. In this effort, commercial mixed farming will be encouraged under Phase II of the Green Book campaign. Horticulture as a means of improving the nutrition and income of smallholders will also be promoted. To this end, research and extension programmes in vegetable and fruit production and varietal improvement will be expanded by MARDI and the Department of Agriculture.

969. The NTB will gear its activities to meet the demands of the cigarette industry, estimated at 172 million lbs. of cured tobacco leaves. For this purpose, the NTB will develop 6,000 acres of tobacco per annum. The Department of Agriculture will also promote the cultivation of spices and develop the silk industry by implementing pilot projects for spice cultivation in Kedah and Trengganu and one sericulture project in Trengganu.

970. *Livestock* During 1976-80, it is projected that livestock production will grow at the rate of 5.6% per annum compared to the SMP growth of 4.6%. Since Malaysia is already producing sufficient poultry meat, eggs and pork, emphasis will be given to the development of the beef and dairy industry during the Plan period.

971. The commercially-oriented projects of MAJUTERNAK will include the establishment of five more beef/dairy farms in Johor, Kelantan, Trengganu, Sabah and Sarawak. These farms will provide steers to be sold for slaughter and heifers for improving breeding stock. In addition, MAJUTERNAK will undertake the construction and re-organization of six abattoirs to improve facilities for the hygienic slaughter of animals.

972. Complementary to MAJUTERNAK'S activities, the Division of Veterinary Services will focus on the improvement of basic services for the development of animal husbandry. This will include training and extension and health services for livestock smallholders.

973. *Fisheries* With a view to improving the income and welfare of poor fishermen and increasing fish landings, efforts of both the Division of Fisheries and MAJUIKAN will be intensified and effectively co-ordinated during the Plan period. Five fishing harbours will be constructed at Geting, Chendering, Kuala Keluang, Kuantan and Kuala Sedili, mainly for trawlers. In addition, several jetties will be built in fishing villages throughout the country. At all major fishing harbours, shore facilities such as cold rooms, auction halls and sorting and packing facilities will be provided. These will facilitate improvements for the handling and marketing of fish.

974. MAJUIKAN's investment programme for the period will involve the expansion of fishing fleet, ice plants, fishmeal plants and fish processing plants. A total of 240 trawlers will be constructed. In addition, a fleet of 20 purse seiners to exploit the pelagic resources of off-shore waters will be launched.

975. Emphasis will also be given to the development of aquaculture to supplement sources of fish production with a view to increasing protein intake and creating employment opportunities. Subsidies will be provided for this purpose.

Land and forestry development

976. Land development aimed at providing land for the landless and those with uneconomic holdings will continue to be emphasized. The target for new land development during the Plan period is about one million acres. As shown in Table 16-2, the targets for FELDA, FELCRA, RISDA, the State land development agencies, the private sector as well as joint-venture projects between the public and private sectors will all form important components of the new land development effort.

TABLE 16-2

MALAYSIA: PROGRESS IN LAND DEVELOPMENT, 1971-75 AND TARGET ACREAGE, 1976-80

<i>Agency/Programme</i>	<i>Target, 1971-75</i>	<i>Achievement, 1971-75</i>	<i>Target, 1976-80</i>
FELDA	403,000	412,375	350,000
FELCRA	100,000	58,255	50,000
RISDA	150,000	47,251	100,000
State programmes:	337,300	355,544	240,000
<i>Peninsular Malaysia</i>	87,500	151,108	100,000
<i>Sabah</i>	97,000	73,698	70,000
<i>Sarawak</i>	152,800	130,738	70,000
Joint-venture/private sector:	222,500	137,144	260,000
<i>Peninsular Malaysia</i>	222,500	130,644	100,000
<i>Sabah</i>		—	80,000
<i>Sarawak</i>		6,500	80,000
TOTAL	1,212,800	1,010,569	1,000,000

977. FELDA is targetted to develop 350,000 acres during the Plan. In addition to the planting of rubber and oil palm, the agency will carry out the additional responsibility of introducing diversification crops on a large scale, such as sugarcane and cocoa and promoting supplementary farm activities. It will also step up social and infrastructural development. The rate of settler-intake will be increased with the establishment of special units from the Public Works Department for land development to enable prompt provision of infrastructural facilities.

978. *FELCRA* Government efforts in assisting farmers with their problems of uneconomic-sized holdings will be stepped up. The programmes of *FELCRA* will comprise the development of 25,000 acres as youth land schemes and another 25,000 acres as fringe alienation schemes. *FELCRA*'s efforts will also encompass the rehabilitation of 7,500 acres of unsuccessful State land schemes. In the endeavour to develop effective programmes for overcoming the problem of uneconomic-sized holdings, a socio-economic survey in the Kemubu area is being undertaken to assess the feasibility of the various alternatives involved.

979. *RISDA* will open up a total of 100,000 acres as block newplanting schemes. Wherever possible, the programme will be developed as settlement schemes with those entering these schemes required either to sell or lease their existing holdings so that block replanting or consolidation could be undertaken.

980. *State agencies*, such as the State Land Development Boards, SEDCs and SADCs will continue to undertake land development programmes to supplement the efforts of Federal agencies. A target of 240,000 acres has been set for this purpose during the Plan period. In the implementation of these programmes, emphasis will be given to the development of commercially-operated ventures.

981. *The private sector* A total of 260,000 acres is expected to be developed by the private sector. This will be largely undertaken on a joint-venture basis with public sector agencies including the SEDCs.

982. *Forestry* Priority in forestry development will be given to extending and consolidating permanent forest reserves in Peninsular Malaysia in line with land capability criteria. This will provide the basis for preparing detailed management plans for the Forest Management Units for the purpose of guiding forest exploitation and the establishment of wood processing industries. Priority will also be given to the development of viable systems for forest regeneration. In addition, the State Governments will continue with forest regeneration work, including the establishment of pine plantations in Johor, Negri Sembilan and Pahang for the pulp and paper industry.

Institutional development

983. *Training and extension* Training and extension service facilities to farmers will be stepped up during 1976-80. An additional Farm Mechanization Training Centre will be built at Ayer Itam, Johor to provide basic training to farmers. Four Regional Farm Mechanization Service Centres will be established in Johor, Kelantan, Pahang and Perak. The total enrolment of the Agricultural Institutes will be increased to 1,680 with an output of 560 per annum.

984. The Division of Fisheries will continue to train fishermen to achieve a modest level of technical proficiency at its Marine Fisheries Training Centres in Penang and Trengganu and the Fishermen's Training Institute in Penang. During 1976-80, the number of trained operatives to be produced will be 1,020 for the Training Centres and 300 for the Institute. In addition, the Division will also provide courses in fish culture to the rural people at its Inland Fisheries Training Centre at Bukit Tinggi and at its fish breeding stations. More than 5,000 people will be trained at these Centres during the Plan period.

985. The Division of Veterinary Services will provide improved facilities for the training of departmental personnel as well as the rural population. Training facilities at the *Institiut Haiwan* at Kluang, the Veterinary Research Institute at Ipoh and various poultry training centres will be expanded. It is estimated that 4,600 people will be trained during the Plan period.

986. Forestry training will continue to be emphasized with the *Universiti Pertanian Malaysia* (UPM) playing a major role. During the Plan period, UPM will produce 98 graduates in forestry. It will be the sole institution responsible for forestry training at diploma level. A total of 346 diplomates will be produced during the Plan period. A Regional Training Centre will be established in Trengganu to meet the needs for in-service training in the East Coast of Peninsular Malaysia. In addition, the training of Malay and other indigenous loggers will be accelerated with the establishment of another Logging Training Centre in Perak.

987. Apart from the expansion of its in-service training facilities, the Drainage and Irrigation Department (DID) will set up a water management training centre in Kelantan where irrigation extension personnel and farmers would be given appropriate training in irrigation and water management at the farm level. In this way, better water management and advanced agricultural practices can be promoted with a view to better exploiting the potential of increasing agricultural productivity in completed irrigation projects.

988. The construction of the Institute of Land Development at Trolak, Perak is in progress. The Institute will meet the needs of trained staff for land development and settlement schemes. It will commence operations in the early part of the Plan period with a capacity of 210 students per annum.

989. The Department of Agriculture will accelerate its extension programme during the Plan period. An Extension-Liaison Unit will be established in the Federal Department of Agriculture for the purpose of ensuring the effective transfer of research findings from MARDI to the State Departments of Agriculture and other Federal agencies for dissemination to the farming community. In addition, an Extension and Seed Project will be implemented to create effective extension service institutions at the State level.

990. *Agricultural credit and subsidies* BPM's activities will be expanded with the establishment of 16 additional branches. Although emphasis will be given to the provision of short-term credit, the Bank will continue to provide loans for medium-term projects. The Credit Guarantee Corporation in association with commercial banks is also expected to increase its scope of operations to cover the needs of agricultural smallholders. The role of FOs as local credit centres to BPM will be strengthened to facilitate the wider distribution of farm credit. In the provision of credit by RISDA to rubber smallholders, a new scheme will be introduced under which livestock could be secured for the promotion of mixed farming to supplement smallholder incomes.

991. Under the Plan, subsidies will be provided for farm mechanization and the use of transport services and agricultural inputs. Subsidies for farm mechanization and transport will be provided by FOA to FOs. Subsidies for agricultural inputs will continue to be given for permanent crops, food crops and other crops requiring replanting, such as rubber, coconut and pineapple.

992. Subsidy schemes for fishermen will continue to be provided to increase productivity and enable them to operate fishing boats with modern gear. In addition, subsidies will also cover the development of fish culture.

993. During the TMP, the oxen *pawah* scheme will be continued. The Division of Veterinary Services will also undertake the distribution of good quality bulls to farmers where artificial insemination is impracticable.

994. *Agricultural research* The research programmes of MARDI, emphasizing rural development objectives, will cover rice, field crops (maize, sorghum, groundnuts, soya-bean, mung beans, pastures, tapioca), coconut, cocoa, oil palm and sugarcane. Agricultural product utilization research and water management research will be extended and agricultural mechanization activities will be promoted. In its research on food and non-food crops, particular attention will be given to the maximum development of end-use possibilities for agricultural products as well as the reduction of losses during processing, handling, storage and transportation.

995. Under the TMP, fisheries research will concentrate on the assessment and evaluation of fish resources particularly in off-shore and deep sea areas. In addition, prawn resources will be evaluated. The development of aquaculture will be advanced. A new brackishwater research station will be established in Johor for research on culture techniques in the brackish and marine environment.

996. The research programmes of the MRRDB will focus on the techno-economic work required for the planning and implementation of the International Rubber Price Stabilization Scheme. The Board will continue to promote and design programmes for and evaluate scientific and technical research in the fields of natural rubber production and consumption.

997. The FRI will focus its research efforts on the development of forest regeneration techniques. In addition, research work on timber utilization will continue with particular attention given to production-oriented research, pulping of mixed hardwoods and the utilization of lesser used and known species.

998. *Agricultural processing and marketing* MARDEC will establish 25 SMR factories with a daily capacity of 15-100 tons each in Peninsular Malaysia to produce SMR from smallholder latex. About 94,000 smallholders on about 282,000 acres of rubber will benefit from MARDEC's operations. FELDA will also establish a latex concentrate factory with a daily capacity of ten tons. In addition, RISDA will establish 1,200 units of Smallholders Development Centres at a rate of 240 units per year during the Plan period. Each unit will serve 20-50 smallholders depending on the size of the units.

999. FELDA will construct 16 palm oil mills with a combined capacity of 513 tons ffb per hour to cater for new areas coming into harvest. The seven mills constructed during the SMP will also be expanded to provide an additional capacity of 171 tons ffb per hour. With the completion of these projects, FELDA will have a total milling capacity of 1,085 tons ffb per hour by 1980. At the same time, FELDA will also establish a mill at the Tun Abdul Razak Agricultural Research Centre at Sungai Tekam with a capacity of ten tons ffb per hour for oil palm processing research.

1000. Farmers' Organizations will set up tobacco barns as well as provide facilities for cocoa, coconut and fruit processing. FAMA will provide facilities for the processing of copra, groundnuts, cocoa and bananas as well as establish 31 market centres throughout the country. These market centres will handle the marketing of agricultural products undertaken by both FOs and individual farmers, especially those produced under the Green Book campaign. FAMA will also extend its regulatory schemes for the marketing of cocoa, fruits and feedgrains and intensify and expand its trading programme to ensure adequate market outlets for smallholder produce. Market promotional activities to increase outlets for agricultural produce in both domestic and overseas markets will be emphasized.

1001. LPN will continue to carry out the objectives set out in its Enactment which are primarily to carry out a comprehensive and effective Guaranteed Minimum Price scheme for padi, promote the processing and marketing of padi and rice and maintain a rice stockpile for strategic and price stabilization purposes. The first year of the Plan period will see the completion of the 12 integrated complexes of LPN. Existing projects will be kept under close review while feasibility studies will be carried out on new projects for the modernization of the padi and rice industry.

TABLE 16-3

**MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR
AGRICULTURAL PROGRAMMES, 1971-80**
(\$ million)

	Revised SMP allocation, 1971-75	Estimated expenditure, 1971-75	%	TMP allocation, 1976-80				Total
				Peninsular Malaysia	Sabah	Sarawak		
<i>Agriculture</i>								
Pineapple replanting	202.49	212.23	104.8	345.22	49.02	102.50	496.74	
Coconut replanting	4.76	3.93	82.6	21.47	—	—	21.47	
Diversification of crops	33.63	26.79	79.7	62.30	—	—	62.30	
Extension and services	24.48	23.55	96.2	134.77	49.02	102.50	286.29	
	139.62	157.96	113.1	126.68	—	—	126.68	
<i>Rubber replanting</i>	190.16	158.41	83.3	620.90	27.60	26.44	674.94	
<i>Land development</i>	1,252.73	1,139.18	90.9	1,603.69	170.00	236.00	2,009.69	
FELDA	679.27	645.14	95.0	985.02	—	—	985.02	
FELCRA	51.69	49.43	95.6	77.50	—	8.00	85.50	
Youth land schemes	18.00	17.83	99.1	50.78	—	—	50.78	
Public estates	65.96	61.28	92.9	(47.00)	—	—	(47.00)*	
Land Development Boards	188.48	164.83	87.5	99.12	170.00	228.00	497.12	
Jengka Triangle	133.14	107.78	81.0	96.20	—	—	96.20	
Pahang Tenggara Development Authority	68.75	47.25	68.7	142.15	—	—	142.15	
Johor Tenggara Development Authority	40.33	40.10	99.4	89.43	—	—	89.43	
Trengganu Tenggara Development Authority	7.11	5.54	77.9	63.49	—	—	63.49	

TABLE 16-3—(cont.)

**MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR
AGRICULTURAL PROGRAMMES, 1971-80**
(\$ million)

	Revised SMP allocation, 1971-75	Estimated expenditure, 1971-75	%	TMP allocation, 1976-80				Total
				Peninsular Malaysia	Sabah	Sarawak		
<i>Drainage and irrigation</i>	314.21	271.09	86.3	565.75	24.00	31.28	621.03	
<i>Forestry</i>	40.18	30.77	76.6	46.45	2.64	6.38	55.47	
<i>Veterinary</i>	81.14	69.72	85.9	132.65	32.65	13.71	179.01	
<i>Fisheries</i>	42.01	31.98	76.1	253.84	6.35	15.54	275.73	
<i>Agricultural research</i>	28.60	28.60	100.0	60.58	—	—	60.58	
<i>Credit and marketing</i>	179.52	132.07	73.6	224.41	66.00	4.41	294.82	
<i>Bank Pertanian</i>	50.00	50.00	100.0	75.77	—	—	75.77	
<i>Farmers' Organization Authority</i>	22.00	17.60	80.0	95.30	—	—	95.30	
<i>Co-operatives</i>	0.38	0.38	100.0	5.00	—	—	5.00	
<i>FAMA</i>	10.00	4.88	48.8	18.94	3.50	4.41	26.85	
<i>National Padi and Rice Authority</i>	70.00	56.62	80.9	29.40	—	—	29.40	
<i>Others</i>	27.14	2.59	9.5	—	62.50	—	62.50	
<i>Others</i>	37.92	55.04	145.5	48.41	10.77	8.35	67.53	
TOTAL	2,368.96	2,129.09	89.9	3,901.90	389.03	444.61	4,735.54	

* Not included in the total.

1002. Measures will be taken during the TMP to bring about effective co-ordination and integration of the multiple agencies involved in agricultural development. As part of the strategy for area development, FOA will establish 75 FDCs, one in each designated area. The FDCs will serve as focal points for all farmers to gain access to the necessary inputs, know-how and facilities required for improvements in farm practices.

1003. The Land Development Co-ordinating Committee established in 1971 will be strengthened to effectively service the National Land Council in the formulation of national land development policies as well as in identifying and resolving problems and bottlenecks experienced in the implementation of land development programmes.

V. ALLOCATION FOR AGRICULTURAL DEVELOPMENT

1004. The total allocations for agricultural development under the Plan amount to \$4.7 billion, an increase of 95.8% over the SMP allocation of \$2.4 billion, as shown in Table 16-3. The share of the agricultural sector out of the total allocation has also increased from 23.1% to 25.5%.

CHAPTER XVII

Manufacturing

I. INTRODUCTION

1005. Manufacturing will continue to play a strategic role in the achievement of the goals of the New Economic Policy (NEP). Under the Third Malaysia Plan (TMP), the sector will register the fastest rate of expansion thereby becoming progressively more important in the generation of income and employment in the country. The rapid expansion of this sector is essential for the achievement of the NEP objectives and for correcting present imbalances among States and regions.

II. PROGRESS, 1971-75

Growth of output and employment

1006. During the Second Malaysia Plan (SMP) period, value added in the manufacturing sector grew by 10.9% per annum in real terms as compared to the target of 12.5%, while the share of the manufacturing sector in the Gross Domestic Product (GDP) rose from 12.2% in 1970 to 14.4% in 1975. The contribution of the major industries to the growth of value added in the manufacturing sector in Peninsular Malaysia were: rubber processing and rubber products (31.0%); food manufacturing (28.4%); ferrous and non-ferrous products (5.8%); chemical and chemical products (5.6%); and wood products (5.0%). Other industries of importance in the sector included beverages and tobacco, textiles, paper and paper products, petroleum products, non-metallic mineral products, industrial and electrical machinery and transport equipment.

1007. The output of manufactured *food products* increased by 11.5% per annum during 1971-75. While there were marked increases for most items in the group, the output of canned pineapple fell significantly. This was due to the decline in exports arising from the phased imposition of the Common External Tariff on canned pineapple by the European Economic Community (EEC). The *beverages and tobacco products* industry grew by 7.9% per annum during 1971-75. The beverages industry reached its peak in 1974 but showed a decline in 1975.

1008. Value added by the *textiles and clothing* industry, including leather and footwear, grew by 14.5% per annum despite the effects of the global recession in 1975. Production expanded as a result of the imposition of a ban on certain imported fabrics and the granting of duty exemptions on raw materials imports.

1009. Although value added in the *wood and paper products* industries expanded by 9.2% per annum during 1971-75, production and exports were constrained by fiscal and monetary measures taken by the industrialized countries to control inflation during 1973/74. The extent of the difficulties faced by the industry was evident from the fact that there was capacity underutilization in the saw-milling industry amounting to about 50% in 1974.

1010. While *rubber processing* accounts for a substantial share in the manufacturing sector, the manufacture of *rubber products* is still a relatively minor activity, with tyres, tubes and rubber footwear being the principal products. Output from rubber processing and the manufacture of rubber products grew at 2.3% per annum during 1971-75.

1011. The output of *chemicals and chemical products*, comprising mainly gases, industrial chemicals, chemical fertilizers, refined coconut oil, paints, varnishes and lacquers, soaps, washing and cleaning compounds, perfumes, cosmetics and toilet preparations and matches, grew by 13.3% per annum. An even faster rate of growth would have been registered had it not been for the substantial decline of production in 1975, brought about by worldwide shortage of raw materials and intermediate inputs by major suppliers, namely Japan, the United Kingdom and the Federal Republic of Germany.

1012. Output of *petroleum and coal* products increased marginally by 3.2% per annum largely as a result of declines in the imports for re-export of crude petroleum. *Non-metallic mineral products* comprising mainly hydraulic and structural cement and concrete products registered continuous growth of 8.1% per annum despite the economic slowdown in 1975.

1013. The *basic metals and metal products* industries catering for the domestic market grew by 9.8% per annum during 1971-75. Output, after reaching its peak in 1974, declined in 1975 as a result of the slowdown in construction activities. The basic metals industry was further affected by the increases in fuel costs during the latter part of the SMP period as well as competition from dumping.

1014. The *industrial and electrical machinery* industry registered a steady growth of 15.6% per annum during 1971-75. This rapid growth was mainly attributed to the special fiscal incentives provided, the boom in the electronics industry and the increasing investments of multi-national electronic firms in the country. The manufacture of electronic components and sub-assemblies for export were the major products of this industry

although complete assemblies of radios, television and stereo sets were also produced. The *transport equipment* industry comprising mainly the assembly of passenger cars and other motor vehicles also grew rapidly at 11.8% per annum during the period.

1015. Employment in the manufacturing sector grew at 6.6% per annum during the SMP period and generated 108,300 jobs. The bulk of manufacturing employment created in Peninsular Malaysia was in the textiles, wood, chemical and transport equipment industries.

1016. During the SMP period, of the total of 2,118 projects granted approval by the Ministry of Trade and Industry, 748 were given pioneer status, 130 investment tax credits, 54 labour utilization relief and 73 other incentives while 1,113 were approved without being given tax incentives. When in full production, these projects with a total called-up capital of \$2.8 billion are expected to provide employment to 294,000 people. Of the total projects approved, 258 were for the manufacture of textiles, 294 food, beverages and tobacco industries, 198 electrical and electronic components, 212 transport equipment and 167 chemical products.

Growth of manufactured exports

1017. The export performance of the manufacturing sector during 1971-75 was impressive, increasing by about 29% per annum compared to the growth target of 15% under the SMP. The share of manufactured exports in gross merchandise exports accordingly increased from 11.4% in 1970 to 23% in 1975.

1018. In Peninsular Malaysia, the main manufactured exports comprising food, rubber products, industrial and electrical machinery and wood products together accounted for 87.4% of total manufactured exports during 1971-75. Significant growth rates were recorded for almost all manufactures except paper, petroleum, metal and non-metallic mineral products. The growth of textiles and electronic exports was particularly rapid.

1019. Gross exports of *textiles and clothing* including leather and footwear increased by about 22% per annum in real terms during 1971-75 due largely to the increase in the number of textiles mills established in the country, the export promotion efforts of the Government and the increase in export consciousness among textile producers. The realization of the full export potential of the industry was, however, limited by quotas imposed by several developed countries. Exports of *electronics and electronic components* increased sharply during 1971-75. These were largely from international concerns located in the Free Trade Zones (FTZs) established in the years 1972/73.

1020. Gross exports of *machinery and transport equipment* increased by about 26% per annum in real terms between 1970 and 1975. These, in particular transport equipment, were mainly exported to the neighbouring countries such as Singapore, Thailand, Indonesia and Hong Kong.

Export markets

1021. Principal markets for Malaysian manufactured exports were Singapore, the United States of America (USA), Japan and the countries of the EEC. Apart from rubber and tin, the USA is an important market for a wide range of manufactured goods particularly wood products, textiles, clothing and footwear and food products. During 1971-74, about 11% of Malaysian manufactured exports went to the USA. With the enlargement of the European Economic Market in January, 1973, the EEC has become one of Malaysia's leading trading partners, accounting for 20.9% of total manufactured exports.

1022. Although primary commodities comprised the bulk of Malaysia's exports to Japan, the range and value of exports have been increasing. Japan accounted for 4.1% of Malaysia's manufactured exports during 1971-74. Malaysia's trade in manufactured goods with the countries of the Association of Southeast Asian Nations (ASEAN) accounted for 55.7% during 1971-74, the bulk of which was with Singapore. While exports of manufactured goods to West Asia, the East European countries, Latin America and the People's Republic of China were negligible, increased efforts will be made to establish closer and more active trade and economic relations with these countries.

1023. Efforts were made during the SMP to promote the exports of manufactured goods. The International Trade Division established within the Ministry of Trade and Industry in 1972, with the assistance of the Trade Commissions located in the major trading centres of the world, provided a wide range of export development services to Malaysian exporters which included: export advisory services; overseas market intelligence; overseas business contacts; and the organization of Malaysian participation in international trade fairs and exhibitions.

1024. To ensure the availability of adequate shipping services at competitive freight rates for Malaysian exports, a National Shippers Council was formed and is serviced by the Ministry of Trade and Industry. Through this Council, Malaysian shippers are brought together to promote their common interest *vis-a-vis* shipping conferences and other shipowners.

1025. Appropriate export incentives were provided under the Investment Incentives Act, 1968 to encourage Malaysian manufacturers to expand into overseas markets. The number of export-oriented projects approved, that is, those exporting at least 80% of their output, increased from 33 in 1971 to 103 in 1975. The total number of export-oriented projects approved during the SMP period was 433. The principal industries included electrical and electronics, textiles and clothing, food manufacturing and wood products.

1026. The Government concluded bilateral trade agreements with 13 countries providing *inter alia* for most favoured nation treatment in the conduct of trade relations between Malaysia and these countries. The

Government also established in 1970 the Malaysian Commission on the EEC to safeguard as well as promote Malaysia's economic and trade relations with the member countries through bilateral means as well as through joint efforts with the ASEAN countries.

1027. To spearhead Government's efforts in the co-ordinated promotion of foreign trade, investment and tourism, the Committee of Officials on Foreign Trade and Investment (COFTI) was established in September, 1972. The Committee formulates policies on trade, investment and tourism and also considers and develops programmes for the intensification of export development, investment and tourism promotion measures.

1028. The State Governments have also contributed towards the promotion of exports of manufactured goods through the establishment of FTZs. During the SMP, five such zones involving a total gazetted area of 1,508 acres were established. By the middle of 1975, over 56% were taken up by export-oriented industries.

Dispersal of industries

1029. One of the objectives of the industrialization policy of the SMP was the promotion of industrial activities in less developed areas to achieve more balanced regional industrial growth. For this purpose, a Locational Incentive Scheme was implemented in 1975 whereby tax relief was granted to projects established in Kedah excluding the Kuala Muda District, Pahang excluding the Kuantan District, Kelantan, Trengganu, Perlis, Sabah, Sarawak and Johor Tenggara. The incentives are for varying periods from five to ten years depending on the amount of capital expenditure, size of employment, priority of products manufactured and local content.

1030. Of the total projects approved by the Government during 1971-75, 1,234 were located outside industrially developed areas. The percentage of approved projects located in less developed areas increased from 43.1% in 1971 to 67.7% in 1975. The less developed states of Perlis, Kedah, Kelantan, Trengganu, Sabah and Sarawak received an increasingly larger share of the approved projects from 20 or 12.3% of the total in 1970 to 92 or about 20% in 1975.

1031. Some progress has been made in the dispersal of industries to the less developed States and further efforts will be made to accelerate this programme. These include the establishment of industrial estates, the provision of adequate water and power supplies and more efficient transport and telecommunications facilities. In mid-1975, more than 50% of all industrial estates developed by the various State Economic Development Corporations (SEDCs) and the Malaysian Industrial Estates Sdn. Bhd. (MIEL) in Peninsular Malaysia were located in the three developed states of Penang, Selangor and Johor. Only about 11% were located in the less developed States of Kedah, Kelantan and Trengganu.

1032. In addition to industrial estates to encourage the dispersal of industries, work commenced on the establishment of several new growth centres in regional development areas such as in Pahang Tenggara and Johor Tenggara. Based on the natural and agricultural resources available within these regions, several potential industries have been identified including integrated timber complexes, oil palm processing, chipboard and rubber products.

1033. During the SMP period, the Federal Industrial Development Authority (FIDA) established regional offices at Alor Star, Kuantan, Kuching, Kota Kinabalu, Kota Bharu and Ipoh with the objective of providing assistance for the establishment of industries in the less developed areas. Likewise, in addition to existing branch offices, the Malaysian Industrial Development Finance Bhd. (MIDF) also established four other regional offices in Kuantan, Kota Bharu, Ipoh and Johor Bahru. The share of all loans approved by MIDF for industrial activities in the less developed States of Kelantan, Trengganu, Kedah, Perlis, Sabah and Sarawak increased in value from 17.8% in 1971 to 18.2% in 1975. *Bank Pembangunan* also established two regional offices in Alor Star and Kota Bharu.

Development of small-scale industries

1034. The development of small-scale industries is an integral part of Malaysia's industrial development. These industries are labour intensive, utilize substantial domestic raw materials as inputs and can provide complementary and feeder services by acting as sub-contractors or ancillary establishments producing component parts for the use of larger industries. To promote their growth, various measures were taken by the Government including the provision of finance, training and advisory and consultancy services. Among the important institutions providing finance to small-scale industries are the *Majlis Amanah Rakyat* (MARA), *Bank Pembangunan*, MIDF, *Bank Pertanian* and all the commercial banks through the Credit Guarantee Corporation (CGC).

1035. By the end of the SMP period, MARA provided loans amounting to \$163 million for the development of small-scale industries and businesses, while *Bank Pembangunan* which was established in 1973 granted 39 loans amounting to \$7.6 million. The CGC guaranteed over 35,800 loans amounting to \$302 million. Of the total 1,154 loans amounting to \$417.4 million provided by MIDF, more than 75% were for the financing of small and medium scale industries.

1036. MIEL, a subsidiary of MIDF, continued to provide ready-made factory buildings mainly for small-scale and medium-scale industries. By the end of 1975, it had designed and built 380 factories of different kinds in 14 locations at a total cost of \$50 million. Out of this, 250 factories were built during the Plan period involving \$44.3 million.

1037. To develop the traditional handicraft industry, the *Lembaga Kraftangan Malaysia* was established in 1974. Training and research centres were established in Kuala Trengganu, Kota Bharu, Kuala Kangsar, Seremban and Temerloh to train operators on better techniques of production and marketing. These centres also supply semi-processed raw materials and light machinery and tools to handicraft producers.

1038. To ensure effective co-ordination of the various agencies, an Advisory Council on Consultancy and Advisory Services for Small-scale Industries and Businesses was established in 1972. During the SMP, the number of consultancy assignments completed by the member agencies of the Council increased from 723 in 1971 to 2,463 in 1975 covering management accounting, marketing, advertising, production and technology.

Participation of the Malays and other indigenous people

1039. Although the ownership by the Malays and other indigenous people of share capital in public and private limited manufacturing companies continues to be low, there has been some improvement in their share in the sector. Their share in the total increased from 1.8% in 1970 to 2.4% in 1973. A sum of \$814.7 million or 29.2% of proposed called-up capital in approved manufacturing projects was reserved for the Malays and other indigenous people. Of the actual called-up capital of \$980.3 million, about 20.1% or \$196.9 million were subscribed by Malay individuals and Malay interests.

1040. In Peninsular Malaysia the employment of Malays in the manufacturing sector increased significantly during the SMP period although this increase took place at the lower levels of the occupational hierarchy. Their share in total manufacturing employment grew from 28.9% in 1970 to 33.1% in 1975. Their share in the professional, technical, administrative and managerial occupations increased from 14.6% in 1970 to 24.1% in 1975.

1041. An active role has been played in the manufacturing sector by agencies operating on behalf of the Malays and other indigenous people. The 13 SEDCs alone established eight subsidiaries and participated in 76 joint-ventures. During 1971-75, the SEDCs invested \$93.4 million in various projects in the sector and provided 10,900 jobs. Some major joint-venture projects included sugar manufacturing in Kedah and Negri Sembilan, a cement project in Perlis, wood products manufacturing in Johor and Pahang, a motor assembly plant in Sarawak and a palm oil mill in Trengganu.

1042. The *Perbadanan Nasional* (PERNAS), which began operations in 1970 formed eight wholly-owned subsidiaries in construction, engineering, mining, property development, securities, trading, insurance; the eighth subsidiary was formed in 1975 as a purchasing agent for the Government. In addition, six of the wholly-owned subsidiaries established on their own or as joint-ventures 49 other companies which were involved in off-shore mining, highway construction, trading and manufacturing. The joint-ventures

are carried out both with local and foreign companies. Through its engineering subsidiary, PERNAS participated in several manufacturing activities including the manufacture of telecommunications equipment, edible oil and container transport. In terms of employment, 87% of 777 employees in this subsidiary and its associate companies were Malays. PERNAS Securities Sdn. Bhd., incorporated in 1971, also acquired shares in several manufacturing companies including tyre manufacturing.

1043. MARA, through its Transport and Commerce and Industry Divisions established ten companies in manufacturing. These companies had a paid-up capital of \$50 million and provided employment to over 3,000 Malays and other indigenous people by the end of 1975. In addition, MARA also acquired minority share holdings in 12 private companies. Total MARA investments in these companies reached \$3.6 million in 1975. In January, 1973, the *Kompleks Kewangan Malaysia Bhd.* was incorporated as a holding company with eight subsidiaries to expand the activities of *Amanah Saham MARA Sdn. Bhd.* and its subsidiaries with a view to increasing the participation of Malays and other indigenous people in securities trading.

1044. The Food Industries of Malaysia Sdn. Bhd. (FIMA) was incorporated in 1972 to promote the development of food processing industries in the country particularly in the less developed areas. By the end of the SMP period, the company had investments in seven subsidiaries which were involved, among others, in the canning of pineapple, manufacture of feed-meal, fruit juice, cans and boxes.

III. POLICIES AND PROSPECTS, 1976-80

Policies

1045. The industrialization strategy during the TMP will continue to be geared to meet the NEP objectives of eradicating poverty and restructuring society in the context of an expanding economy. Emphasis will be given to the promotion of efficiency, creation of employment, development of small-scale industries and the participation of the Malays and other indigenous people in the growth of the sector.

1046. To promote the growth and diversification of the manufacturing industry, Malaysia will continue to provide a variety of fiscal incentives including tariff protection and tax incentives. While a liberal system of incentives is necessary for private investment, the future strategy will continue to stress the need to encourage the growth of labour intensive, resource including agro-based and export-oriented industries as well as their dispersal to the less developed states of Kedah, Perlis, Kelantan, Trengganu, Pahang, Sabah and Sarawak.

1047. As growth of the manufacturing sector under the Plan will be increasingly dependent on exports as opposed to domestic demand, it is imperative that such industries are efficient and competitive in the world

market. To this end, the package of incentives for industrial development will be kept under review to ensure that they do not shelter high-cost industries but contribute towards the growth of industrial efficiency.

1048. The Government will continue to encourage the development of small-scale industries as they provide practical avenues for developing potential entrepreneurial talent and leadership as well as mobilizing middle class individual savings for investment in industrial ventures. The promotion of small-scale industries will also enhance the participation of Malays and other indigenous people in this sector.

1049. With the discovery of oil and natural gas in the continental shelf of Malaysia, there is great potential for the development of petro-chemicals and petro-chemical products industries. A national petroleum policy has been formulated with the objective of bringing about the efficient utilization of this resource for industrial development as well as ensuring that the nation exercises majority control in the management and operation of the industry. The national oil company, *Petroleum Nasional Bhd.* (PETRONAS) established in 1974, provides the organization and machinery for the effective implementation of the national policy with respect to the petroleum industry. Although PETRONAS has been vested with the responsibility for the exploration, development, refining, processing, manufacturing, marketing and distribution of petroleum and petro-chemical products, the Government welcomes the private sector, including foreign enterprises, to participate with PETRONAS in these industries consistent with the national petroleum policy.

1050. In the promotion of industrial development, priority will be given to raw-material based industries including food, rubber, wood and palm oil products. In the endeavour to extend the end-uses of these raw materials, the research activities of agencies such as the Malaysian Agricultural Research and Development Institute (MARDI), the Standards and Industrial Research Institute of Malaysia (SIRIM), the Forest Research Institute (FRI) and the Rubber Research Institute of Malaysia (RRIM) will be strengthened. In addition, a Rubber Technology Centre has been established at the RRIM to spearhead a wider range of end-uses of natural rubber in the manufacture of rubber products. As Malaysia's industrial base expands, opportunities will also be enlarged for the domestic manufacture of intermediate and capital goods.

Prospects

1051. Value added by the manufacturing sector is projected to grow by 12.0% per annum in real terms during 1976-80. As a proportion of the GDP value added in manufacturing will rise from 14.4% in 1975 to 16.8% in 1980. The food manufacturing industry including beverages and tobacco is expected to account for 36.2% of total manufacturing output in Peninsular Malaysia; rubber products and processing industry, 24.2%; chemicals and

chemical products, 6.4%; ferrous and non-ferrous products, 6.2%; and machinery, 5.5%. The other industries will account for the remaining 21.5% of total manufacturing output.

1052. Most industries in the manufacturing sector are projected to grow rapidly. Food manufacturing is forecast to grow at 12.5% per annum; textiles and clothing, 12.3%; wood and paper products, 10.2%; chemical and rubber products, 10.9%; basic metals and non-metallic mineral products, 11.2%; machinery and transport equipment, 15.0%; and other manufactured products, 13.9% per annum.

1053. Export demand will constitute the major source of growth for the food, wood, chemicals, rubber and machine products industries. The growth of private consumption will also be an important element in the expansion of the industrial sector. It will constitute the principal source of growth for a widening range of manufactured products including textiles, wood and paper products. Continued import substitution is expected to account for some 40% of the growth of the textiles industry.

1054. In Sabah and Sarawak, the petroleum products industry will be the key component in manufacturing output. Wood processing will constitute the next important source of industrial production in both States.

1055. The manufacturing sector is expected to generate 169,900 jobs during the TMP contributing 22.9% of total new job creation. Employment in the sector will therefore increase from 398,200 in 1975 to 568,100 in 1980, a rate of growth of 7.4% per annum. Its share in total employment will increase from 10.1% in 1975 to 12.2% in 1980. The agro-based industries, wood products, textiles and clothing, industrial and electrical machinery, oils and fats and chemical products industries are expected to account for the major part of job creation in the manufacturing sector.

1056. Exports of manufactured goods which accounted for 23% of total merchandise exports in 1975 grew by about 29% per annum during 1971-75. Exports of manufactured goods will continue to be actively promoted during the period of the TMP and are projected to grow by 19.9% per annum during 1976-80.

IV. PROGRAMMES, 1976-80

1057. While the private sector will continue to play a significant role in the manufacturing sector, the public sector through its various agencies will also be actively involved. FIDA will continue to provide the machinery for the promotion and co-ordination of industrial development in the country. Continuing efforts will be made to attract investment from both foreign and local sources, particularly in labour intensive, resource-based including agro-based, export-oriented and high technology industries. At the same time, FIDA will continue to assist investors in speeding up the implementation of their projects. It will also work closely with the State Governments to ensure proper co-ordination of industrial development and the development of industrial estates.

1058. During the Plan period, FIDA will continue to emphasize greater participation of the Malays and other indigenous people in new industries. In this connection, the Authority will continue to conduct feasibility studies and industrial surveys to identify new investment opportunities and to pursue the policy of dispersal of industries.

1059. SIRIM, was formed in 1975 and comprises a Science and Industrial Research Division (formerly known as National Institute for Science and Industrial Research) and a Standards Division (formerly known as Standards Institution of Malaysia). The Research Division will intensify its research activities aimed at the domestic application of a wide range of proven industrial technology for the manufacture of resource-based products. The main objectives of the Standards Division are to develop and promote national standards for commodities, processes and practices as well as to test and provide Certification Marking for commodities which conform to Malaysian standards. During the Plan period, it will further promote the use of Malaysian standards through the Certification Marking Scheme.

1060. Other agencies which are involved in industrial research include the RRIM, the Malaysian Rubber Producers Research Association (MRPRA), MARDI and FRI. The RRIM together with MRPRA will continue to undertake research into the end-uses of rubber and rubber wood. MARDI will intensify its research activities in the utilization and processing of agricultural products, livestock and fish for industrial and commercial use. On the other hand, FRI will further develop the use of Malaysian timber as well as the fibre by-products of plantation crops for pulping.

1061. The development of skills required for the industrialization process is given priority in the Plan. In this regard, the Industrial Training Institutes (ITI), MARA Vocational Institutes, National Youth Pioneer Corps (NYPC), vocational schools of the Ministry of Education, the National Productivity Centre (NPC) as well as the Universities and Colleges will continue to play an important role. The private sector is expected to complement the efforts of Government in the production of skilled manpower. Integrated training will be promoted through the establishment of the National Industrial Training Council with representation from Government, employers and workers.

1062. Public sector agencies such as *Bank Pembangunan*, MARA, *Bank Pertanian*, MIDF and the CGC will continue to play an active role in providing credit for the establishment and expansion of new industries. Under the Plan, *Bank Pembangunan*, the Loans Division of MARA and *Bank Pertanian* have been allocated \$65.0 million, \$60.0 million, and \$75.8 million respectively for their lending operations.

1063. The Government will continue to encourage and assist the development of small-scale industries during the Plan period. The Advisory Council on Consultancy and Advisory Services for Small-Scale Industries and Businesses will be strengthened to become the Co-ordinating Council

for the Development of Small-Scale Industries. The Council will be responsible for co-ordinating and harmonizing programmes and policies of existing institutions over the whole range of services to small-scale industries. In servicing the Council, FIDA as the Secretariat will act as a contact point between the private sector and Government and will be responsible for the formulation of measures for the effective development of small-scale industries and the identification of appropriate projects including the feasibility of sub-contracting arrangements between small-scale and larger industries.

1064. The Government will continue to provide locational incentives to encourage the dispersal of industries to the less developed States. The establishment of industrial estates by the SEDCs and the construction of factories by MIEL will enable dispersal to be effected. On the basis of a national strategy for the development of industrial estates, a total of about 9,000 acres of industrial estates will be developed throughout the country during the Plan period. Of these, some one-quarter is expected to be located in the less developed States of Kelantan, Trengganu, Kedah, Sabah and Sarawak. Basic infrastructural facilities such as electricity, water and telecommunications services will be provided in these industrial estates. The SEDCs will also undertake the construction of low-cost houses to cater for the needs of industrial workers.

1065. The completion of the ports at Kuantan, Pasir Gudang and Bintulu will encourage the dispersal of industries to the less developed areas. Adequate facilities will be provided at existing and new ports to facilitate movement of raw materials and finished goods.

1066. The Government through its public sector agencies will also continue to participate directly in the management and operation as well as equity participation in manufacturing ventures. The SEDCs, ~~other~~ on their own or in joint-venture with the private sector, have planned to undertake 31 new manufacturing projects such as cement production, ceramics, bricks, glass, wood-based and food processing industries. All these would involve a capital investment of \$110.6 million and an employment potential of over 10,000 jobs.

1067. PERNAS will be involved in several manufacturing projects during the TMP including the manufacture of fertilizer, cement, telecommunications equipment and pharmaceuticals. It will undertake mutually agreed-upon acquisition of share capital in existing companies on behalf of the Malays and other indigenous people.

1068. PETRONAS projects in the petroleum and petro-chemical fields will be determined after the completion of the Masterplan study to identify short-term and long-term industries to be established. To meet the urgent needs of the agricultural sector, a detailed feasibility study on a nitrogenous fertilizer plant is also included in the Masterplan study.

1069. Under the Plan, FIMA is expected to expand its activities by undertaking projects such as the manufacture of edible oil, processing of cashew nuts and the cultivation of fruits and vegetables.

1070. The Pahang Tenggara, Trengganu Tengah and the Johor Tenggara Development Authorities have plans to undertake several manufacturing projects, particularly those which are resource-based. They have been allocated a sum of \$37.3 million, \$15.9 million and \$25.4 million respectively for equity participation.

1071. A major feasibility study is being undertaken for the establishment of a second integrated steel mill in Peninsular Malaysia. A Metal Industries Development Centre of Malaysia (MIDCOM) will be established. The main objective of this Centre is to ensure that the foundry and metal-working industries are able to supply the local market with quality products such as castings, dies and moulds, tools, jigs and fixtures thereby raising technological and operational efficiency of existing and new establishments.

1072. Efforts to increase participation by the Malays and other indigenous people in industry will be further intensified. A multi-pronged approach will be adopted through the provision of credit, technical and managerial know-how including training. The activities of NPC, ITI, MARA as well as the Ministry of Education and the Universities will play an important role in providing the Malays and other indigenous people with the skills required for their participation in commerce and industry. FIDA will assist in the identification of suitable industries for their participation and maintain a list of potential investors for joint-ventures.

1073. Commercial banks will play an increasing role in providing finance to Malays and other indigenous people to engage in commerce and industry. Towards this end, all commercial banks have established special units to cater to the Malays and other indigenous people. The CGC will facilitate the extension of credit for small business ventures. In May, 1975, the CGC raised the maximum limit on loans extended to the Malays and other indigenous people under the guarantee scheme from \$100,000 to \$250,000 per loan. In addition to present regional offices of the CGC in Kota Bharu and Kuantan, an additional two will be set up to cater for the southern and northern regions of Peninsular Malaysia.

✓ 1074. In the endeavour to promote increased share ownership of the Malays and other indigenous people within the corporate sector, the approved companies in the private sector have reserved 30% of their equity capital for sale to them. In view of the slow rate at which these shares have been acquired, a *Bumiputra Investment Fund* will be established under the Plan for selective purchase of these reserved shares. These shares will be held in trust for eventual sale to the Malays and other indigenous people.

V. ALLOCATION FOR INDUSTRIAL AND COMMERCIAL DEVELOPMENT

1075. The allocations of public sector development expenditure for industrial, commercial, tourism and mining activities are shown in Table 17-1.

TABLE 17-1

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR INDUSTRY, COMMERCE, TOURISM AND MINERAL RESOURCES PROGRAMMES, 1971-80¹

(\$ million)

	Revised SMP allocation, 1971-75	Estimated expendi- ture, 1971-75	%	TMP allocation, 1976-80			Total
				Peninsular Malaysia	Sabah	Sarawak	
PERNAS	150.00	150.00	100.0	200.00	—	—	200.00
MARA	215.27	205.27	95.4	315.00	—	—	315.00
Contribution to <i>Bumiputra Investment Fund</i>	—	—	—	200.00	—	—	200.00
SEDCs	192.93	227.53	117.9	368.80	32.50	22.50	423.80
Industrial estates	35.26	25.41	72.1	—	—	—	—
UDA	175.00	194.46	111.1	200.00	—	17.00	217.00
MIDF	100.00	100.00	100.0	—	—	—	—
MARDEC	76.71	60.59	79.0	132.86	—	—	132.86
MISC	107.04	113.01	105.6	11.00	—	—	11.00
Selangor Government	260.00	260.00	100.0	—	—	—	—
Other investment in economic enterprises (including <i>Bank Pembangunan</i>)	225.78	235.51	104.3	120.89	—	61.70	182.59
PETRONAS	10.00	10.00	100.0	—	—	—	—
Others (SIRIM, NPC, Tourism, FIDA, etc.)	60.15	36.42	60.5	52.27	—	—	52.27
Mines and Geological Survey	0.69	0.58	84.1	2.04	1.35	1.65	5.04
TOTAL ..	1,608.83	1,618.78	100.6	1,602.86	33.85	102.85	1,739.56

¹ The allocations cover programmes of agencies involved in other activities which are described in their respective Chapters.

CHAPTER XVIII

Mining

I. INTRODUCTION

1076. The mining sector which includes quarrying will assume a new and strategic role in the national economy. This is due to developments in the exploitation of the oil and natural gas resources of the country. This Chapter reviews progress in the sector during 1971-75 and outlines its prospects for development.

II. PROGRESS, 1971-75

1077. The mining sector accounted for 4.0% of Gross Domestic Product (GDP) in 1975 compared to 5.7% in 1970. Value added in the sector declined marginally during 1971-75 from \$613 million in 1970 to \$612 million in 1975. Production of tin-in-concentrates declined to 63,300 tons in 1975 from 72,600 tons in 1970. Gravel pump mining accounted for more than 53% of total production, a slight decline of about 2% from production in the first half of the Second Malaysia Plan (SMP) period. Similarly, production of iron ore dropped substantially from 4.4 million tons in 1970 to 348,000 tons in 1975. Production of bauxite also declined from 1.1 million tons in 1970 to 692,000 tons in 1975. Production of petroleum, however, registered an average of 86,500 barrels per day over the SMP period, fluctuating between 68,700 and 99,000 barrels per day. The Mamut copper mine in Sabah which commenced production in May, 1975 produced about 20,900 tons of copper.

1078. The export value of tin increased by \$200 million from \$1.0 billion in 1970 to \$1.2 billion in 1975, accounting for 13.4% of total export receipts. Except for 1970, 1974 and 1975, export values were below \$1.0 billion per year due to lower export prices and volumes. The export value of crude and partly refined petroleum increased steadily during the SMP period to reach \$853 million in 1975 despite a decline in the export volume. Export earnings from bauxite fell by 42.5% to \$10.4 million in 1975 while iron ore exports declined substantially from \$107.2 million in 1970 to \$2.4 million in 1975 due to lower prices and volumes.

1079. The average tin price was in the region of \$810 per *pikul* for the SMP period: the lowest monthly average of \$610 per *pikul* being recorded in November, 1972 and the highest of \$1,303 per *pikul* in March, 1974. The fluctuations in tin prices and the imposition of export control seriously affected the marginal mines. Recognizing these problems, the Government introduced "a hardship quota pool" in October, 1975 whereby miners with insufficient quota to meet operating costs could apply for additional quotas from the pool. The system enabled marginal mines to continue production and averted retrenchment of workers. As a result of increases in oil prices in 1974, the selling price of Malaysian crude and partly refined petroleum rose to \$214 per ton in that year and remained above \$200 per ton in 1975, compared to \$42.8 per ton in 1970. The prices of bauxite and iron ore stagnated at \$16-\$17 per ton and \$20-\$22 per ton respectively during 1971-75.

1080. Major activities under quarrying are related to the exploitation of limestone and other rocks, gravel, sand and clay. The output of these materials is modest compared to the total output of the mining sector. Total output value of this sector in 1970 amounted to more than \$30 million with the bulk consisting of sand, gravel and limestone and other rocks. Two-thirds of the limestone output is channelled for construction purposes whilst the remainder goes into the production of cement and non-metallic materials. Clay is mainly used in the production of structural clay products. A sustained high level of construction activity during 1971-75 has induced rapid growth of quarrying resulting in a doubling of output.

1081. Total mining employment declined marginally during 1971-75 with 86,600 employees at the end of 1975 compared to 87,300 in 1970. The mining sector does not provide substantial job outlets because of its relatively capital intensive operations. Likewise, oil exploration and extraction are highly capital intensive operations.

1082. Geological surveys were undertaken to obtain a more complete picture of the mining potential for other minerals. A copper mine at Mamut, in Sabah, is now in production. Another copper prospect, also in Sabah, is being investigated whilst in Peninsular Malaysia negotiations are in the final stages for the prospecting of copper, lead and zinc in the Pahang Tenggara area. A study is being undertaken on the feasibility of using local bauxite to manufacture alumina and/or aluminium in the country. Deposits of quality coking coal have been found in Balingan, Silantik and Bintulu in Sarawak.

1083. In 1972, about \$58 million was expended for capital purposes in the tin mining industry. New tin mining projects, particularly dredge mining in a number of large areas in Selangor and Perak have resulted in additional investments in the industry. For the sector as a whole, as a result of the development of new tin mining projects, the Mamut copper mine and the preparation by the petroleum companies to commence production, capital investment in this sector increased substantially in the latter part of the SMP period.

1084. The growth of share capital in the sector during 1971-75 was small while ownership continued to be mainly held by foreign interests. Though most of the gravel pump mines are owned by Malaysians, dredging is largely dominated by foreign interests. There were only four dredges owned by Malaysians in 1975 out of a total of 55.

1085. To expand the participation of Malaysians in the mining sector, in particular the Malays and other indigenous people, the Government will continue to accord them preferences in the granting of mining rights, except in cases where foreign capital and expertise are required for new ventures.

1086. The Government is also considering the formulation of a National Mining Code which will consolidate existing State mining laws and incorporate changes conducive to smoother implementation of mining projects and allow for large-scale mining ventures. This code will be similar to the National Land Code.

1087. Over the past few years, the share of equity ownership by Malay individuals and Malay interests in tin mining increased from \$3.4 million or 1% in 1970 to \$6.8 million or 1.7% in 1973 as against the share of Chinese which rose from \$94.7 million or 28.7% in 1970 to \$138.8 million or 35.5% in 1973. In terms of ownership of mines, 50 units were owned and operated by Malay individuals and Malay interests out of 961 in operation as at the end of September, 1975 compared to 26 units in 1970.

1088. Despite the overall decline of employment in the mining sector, total Malay employment in Peninsular Malaysia increased by 5.6% per annum from 21,100 in 1970 to 27,700 in 1975 or 33.1% of total employment of 83,700. Of the total, employment of the Malays and other indigenous people in the petroleum industry remained at about 1,552 or 40% of the total employment in the industry. Concerted efforts by public sector agencies such as the *Perbadanan Nasional* (PERNAS) and the State Economic Development Corporations (SEDCs) not only provided training for the Malays but also enabled them to be employed at the skilled and professional levels.

1089. PERNAS, through its subsidiary, Pemas Mining Sdn. Bhd., prospected large areas for tin and other mineral deposits including the off-shore areas of Perak, Penang and Selangor. Prospecting results indicate that the Mengkudu and Nipah areas in Perak contain some economic tin deposits. Further prospecting is in progress. The SEDCs of Perak and Selangor have undertaken mining ventures involving substantial acreage. The Mineral Investigation Drilling Unit has also prospected a total of 340,000 acres of Malay Reservation land by the end of 1975.

1090. A major development was the establishment of the legal, institutional and policy framework to monitor, control and regulate the petroleum industry. The objectives for the development of the petroleum industry, among others, are to:—

- (i) put to good use the petroleum resources of the country, as a first priority to serve national needs by making available adequate supplies at reasonable prices to meet domestic consumption including the requirements of power, industry and agriculture;
- (ii) enhance the favourable investment climate of the country by opening up new opportunities for the establishment of heavy energy-using and petro-chemical industries both for the domestic and the export market;
- (iii) take advantage of the option of increasing revenue and export earnings by the export of oil and gas to overseas markets;
- (iv) ensure that Malaysians are adequately represented in terms of ownership, management and control in all phases of petroleum operations ranging from exploration at one end to marketing and distribution at both the local and international levels at the other; and
- (v) effect an optimal social and economic pace of exploration of the nation's endowment of exhaustible oil and natural gas resources, taking into account the need for conservation of these depletable assets and the protection of the environment.

Consistent with these objectives, the Government will encourage Malaysians to participate actively in all the above and related activities including shipping and insurance in domestic, regional and foreign markets.

1091. The entire rights for exploring and exploiting oil and natural gas have been vested in PETRONAS, the national petroleum company established in 1974. To ensure that maximum benefits accrue to the country, the concession system is now in the process of being replaced with production sharing arrangements. Several oil companies have agreed in principle to convert to production sharing while Agreements have been signed between PETRONAS and the State Governments vesting ownership of oil and gas resources in PETRONAS. Although PETRONAS is the only public sector agency participating in petroleum related activities, the Government welcomes the participation of the private sector provided it is consistent with overall national objectives.

1092. A Masterplan study is being undertaken by PETRONAS for the overall development of oil and natural gas resources of the country. The Government, through PETRONAS, will assume an increasingly significant role in the development of these resources particularly through joint-ventures in the extraction as well as downstream activities of the industry. The private sector is expected to play an important role in both upstream and downstream activities.

III. PROSPECTS, 1976-80

1093. The mining sector will assume increasing importance as the several recent oil and gas strikes are brought into production and as several related new projects such as the liquefied natural gas project materializes. Quarrying is expected to increase in line with the growth of construction and infra-structural development. The tin industry, however, is likely to grow only slowly unless new commercial ore deposits are found.

1094. The value added in the mining sector is expected to increase annually at 5.7% to reach an estimated \$806 million by 1980. Production of tin will increase by about 0.5% to 65,000 tons in 1980; copper is estimated to reach 108,000 tons; and crude and refined petroleum output will expand substantially to 180,000 barrels per day by 1978, about double the peak production during 1971-75. Employment, however, will grow less than 1% per annum reflecting the capital intensive nature of mining and refining operations.

1095. The export receipts from tin is expected to increase to \$1.4 billion by 1980 as the world economy regains its growth momentum resulting in increased demand for tin. Crude and partly refined petroleum exports will emerge as one of the important contributors to export earnings. The value of exports from this source is projected to increase by about 15% per annum reaching \$1.7 billion by 1980. Copper will become another major export earner after tin and petroleum. It is estimated that export earnings of copper will increase to \$124 million in 1980, an increase of about 47% per annum.

1096. To further the development of the mining of tin and other minerals, the Government will increase its efforts on mineral exploration. A regional aero-geophysical and a geochemical survey will be conducted to cover the central belt of Peninsular Malaysia stretching from Kelantan to South Pahang where potentials for copper, lead and zinc are known to exist. In addition, the Government is also planning to carry out an investigation of the mineral potential in the Straits of Malacca.

1097. The participation by individual Malays and other indigenous people in the sector will continue to be mainly in gravel pump mining since this is less demanding in terms of technical expertise and capital resources compared to dredging. To promote greater participation on their part, the Mineral Investigation Drilling Unit will extend the acreage of scout prospecting and also undertake close prospecting of certain areas. Scout prospecting will also be extended to the non-Malay Reserve areas. Despite considerable risks, Government agencies like PERNAS and some SEDCs will continue to undertake mining operations in order to encourage the

development of the nation's mineral resources for greater participation of the Malays and other indigenous people. Pernas Mining Sdn. Bhd. will commence mining in Malacca and Perak in the early part of the Third Malaysia Plan (TMP). The Selangor State Development Corporation will undertake extensive mining operations involving heavy capital expenditures in the Kuala Langat area. The Fund for Exploitation of Minerals on Malay Reservation Land, set up in the late sixties to provide financial assistance to Malay miners, will be re-organized.

1098. The TMP will see the end of the Fourth International Tin Agreement and the beginning of the Fifth. The Fifth Agreement, which was successfully negotiated in Geneva in June, 1975 and scheduled to come into operation in July, 1976, will ensure more effective stabilization of prices and growth of the industry. The present stock of 20,000 metric tons maintained compulsorily by producer countries and an additional 20,000 metric tons to be subscribed voluntarily by consumer countries should enable the Buffer Stock to operate as a more effective stabilization mechanism. With the establishment of the Southeast Asia Tin Research and Development Centre in Malaysia, research for extending the uses of tin will be stepped up.

CHAPTER XIX

Housing

I. INTRODUCTION

1099. The fulfilment of housing needs is a major social objective of national development. The aim is to ensure that all Malaysians in particular the lower income groups, have access to adequate housing. The Third Malaysia Plan (TMP) emphasizes the provision of housing as an important component of the programmes to eradicate poverty. Alongside programmes for urban low-cost housing, equal emphasis will be accorded to improving rural living conditions through various public and private housing development schemes. Major land schemes throughout the country will continue to give particular emphasis to improved living conditions in the rural areas, whilst major regional development programmes will ensure orderly and systematic implementation of rural housing schemes throughout the country, especially in the less developed States.

1100. The thrust of the efforts of public housing programmes will be to bring housing within the means of the poor. Housing investment for middle and high income groups will continue to be largely met by private developers. The Government will exercise such supervision as may be necessary to ensure planned and orderly development of housing by the private sector.

II. THE HOUSING SITUATION

1101. According to the 1970 Population and Housing Census, there were 1.6 million private living quarters in Peninsular Malaysia of which approximately one-quarter were in urban areas, as shown in Table 19-1. The urban housing stock is generally of higher quality than the rural stock. It is estimated that only 2.1% of the urban stock needs replacement as against 6% in the rural areas.

TABLE 19-1

PENINSULAR MALAYSIA: HOUSING STOCK, 1970
(000)

<i>Sector</i>					<i>Unit</i>	<i>Percentage of total</i>	
Urban	...	...	...	...	375	...	23.4
Rural	...	...	...	...	1,226	...	76.6
Total					1,601	...	100.0

1102. The more immediate problem confronting urban areas is that of overcrowding resulting from both the natural increase of urban population and in-migration. The higher urban housing density of 7.07 persons per living quarters as compared to 5.34 persons per living quarters in rural areas is indicative of the extent of overcrowding and reflects the growing pressure on urban areas for the provision of adequate housing and basic amenities. In the absence of effective measures, housing problems in the urban areas will become more acute as urbanization continues. It is envisaged that by 1990, more than 42% of the total population of Peninsular Malaysia will be urban dwellers compared to only 29% in 1970, as shown in Table 19-2. With the development of new regional growth centres which will siphon-off in-migration into existing towns, the pressure on urban housing will be reduced. These regional growth centres will be designed to meet the desired housing targets, standards and settlement patterns.

TABLE 19-2

PENINSULAR MALAYSIA: URBAN POPULATION, 1970-90
(In million)

				1970	1975	1980	1990
Urban	...	...	...	2.63	3.32	4.15	6.36
Total	...	...	...	9.15	10.39	11.82	15.10
Urban as percentage of total				28.7	32.0	35.1	42.1

1103. The standards of housing and access to basic services are indicative of the quality of life in the urban and rural areas. As shown in Table 19-3, the proportion of rural households with access to basic amenities such as piped water, electricity and adequate sanitation facilities was much lower than that for urban households. However, there are wide disparities in housing standards and access to basic amenities within the urban areas as evident in squatter settlements and urban slums.

TABLE 19-3

PENINSULAR MALAYSIA: DISTRIBUTION OF HOUSEHOLD AMENITIES, 1970

<i>Strata</i>	<i>Percentage of households with piped water</i>	<i>Percentage of households with electricity</i>	<i>Percentage of households with adequate toilet facilities</i>	<i>Percentage of households with bathing facilities¹</i>	<i>Percentage of households with flush toilets</i>
Metropolitan	89.6	85.6	95.1	} 12.8	42.0
Urban large	71.4	79.6	84.6		
Urban small	61.5	68.1	83.4		
Rural	32.3	24.6	59.7	3.8	11.0
TOTAL ..	<u>47.5</u>	<u>43.7</u>	<u>69.8</u>	<u>5.9</u>	<u>18.6</u>

¹ Longbath or shower.

III. PROGRESS, 1971-75

1104. For the period under review, a total of 260,000 housing units was completed, of which the public sector constructed about 86,000 units with the remaining 174,000 units being accounted for by the private sector, as shown in Table 19-4. Although about 50% of the public sector housing programme constituted low-cost housing in the urban areas, in comparison, hardly 1.1% of the 64,900 units built by private developers can be considered low-cost.

TABLE 19-4

PENINSULAR MALAYSIA: HOUSING PERFORMANCE, 1971-75
(units)

<i>Public sector</i>	86,076
Public housing schemes (Ministry of Housing and Village Development ²)	13,244
Federal agencies housing projects	41,965
Federal institutional quarters	24,240
SEDC and other State projects	6,627
<i>Private sector</i>	173,734
Private developers	64,862
Co-operative societies and individuals	108,872
TOTAL ...	<u>259,810</u>

² Formerly the Ministry of Housing and New Villages.

1105. The Ministry of Housing and Village Development is responsible for the formulation of national housing policies and programmes and the co-ordination and monitoring of housing activities in both the public and private sectors. In extending loans to State Governments for low-cost housing schemes, the Ministry also complements the efforts of State Governments in the planning and implementation of low-cost schemes in the areas of greatest need.

1106. During the Second Malaysia Plan (SMP), 13,244 low-cost units were constructed throughout the country for a total sum of ~~\$234.8~~ million. Other Federal and State agencies also supplemented the public housing programmes of the Ministry. These included the Federal Land Development Authority (FELDA), Federal Land Consolidated and Rehabilitation Authority (FELCRA), the *Majlis Amanah Rakyat* (MARA), Urban Development Authority (UDA), the State Economic Development Corporations (SEDCs), the State Housing Commissions and the State Land Development Boards. FELDA spent about \$24.2 million on the provision of 15,877 timber housing units for settlers in its land settlement schemes. The SEDCs and UDA built low and medium-cost housing in the urban areas, the latter in joint-ventures with the private sector. To complement its efforts on housing, the Government also constructed institutional quarters which accounted for 18.7% of all public sector housing constructed during the SMP. The institutional quarters provided accommodation for certain categories of Government employees, including the industrial and manual groups. 80.5

1107. As envisaged in the SMP, private developers concentrated on the construction of houses for the middle and higher income groups in urban areas. Buoyed by growing effective demand for housing and the building and property boom during the first half of the SMP period, private developers accelerated their construction activities. The resultant acute shortages of building materials and skilled labour brought about a spiralling of prices of houses and an increase in rentals. A large proportion of the population was thus unable to purchase their own accommodation nor meet the increases in rentals. The lower income households were particularly affected in this regard. With the slow-down of the economy in late 1974, a decline in the effective demand for commercial housing was experienced leading to a curtailment in private sector building activities.

IV. PROGRAMMES, 1976-80

1108. Comprehensive programmes to provide adequate housing and accommodation for the lower income groups have been designed by the Government to meet the expanded need envisaged for the TMP period. While the Government will concentrate its efforts on low-cost housing, the supply of housing for the middle and higher income groups will continue to come from private developers. Increased joint-venture schemes will also be undertaken between the public and private sectors to accelerate the pace of low-cost housing construction.

1109. It is estimated that at least 515,000 units will be required for Peninsular Malaysia during the Plan period to cater for housing needs arising from new household formation, normal replacement and the backlog of 68,000 units from the SMP period. It is envisaged that both the public and private sectors will construct some 482,800 units during the Plan period, as shown in Table 19-5.

TABLE 19-5
MALAYSIA: PUBLIC AND PRIVATE SECTOR
HOUSING PROGRAMMES, 1976-80
(units)

<i>Public sector</i>	220,800
Public housing schemes	62,200
Federal agencies and regional development authorities public housing programmes	53,100
Institutional quarters and other staff accommodation ...	41,300
Sarawak and Sabah Land Development Boards, <i>Jabatan Orang Asli</i>	6,900
SEDCs commercial housing programme	1,300
SEDCs own-funded/joint-venture projects, other State projects, Government Officers' Housing Company and other minor housing programmes	56,000
<i>Private sector</i>	262,000
Private developers	100,000
Co-operative societies	12,000
Individuals and groups	150,000
TOTAL ...	482,800

1110. The public sector housing programmes which will constitute 45.7% of the total construction to be undertaken, are generally classified into three major types of schemes: public low-cost housing, institutional quarters and commercial housing. Of the 220,800 units to be constructed, more than 58.5% will be for the lower income groups.

1111. Low-cost housing will be built by the State Governments with Federal funds from the Ministry of Housing and Village Development. About 56,800 units will be built in Peninsular Malaysia, 1,800 units in Sabah and 3,500 units in Sarawak. In addition to the public low-cost housing programmes by the Ministry, a number of Federal agencies and regional development authorities will also be involved in providing low-cost housing. They are FELDA (33,500 units), FELCRA (1,600 units), the Pahang Tenggara Development Authority, DARA (9,200 units), Trengganu Tengah Development Authority, LKTT (3,000 units) and the Johor Tenggara Development Authority, LKJT (5,800 units). Together they will be build about 53,100

low-cost units and contribute towards the efforts of poverty eradication and improvement of rural life. Similarly, in Sabah and Sarawak, the respective land development boards will each construct about 4,000 units and 1,400 units, respectively.

1112. The public sector programme will also contribute to the provision of housing for employees of the Government and Public Authorities. Of the total of 41,300 units to be constructed for this purpose more than 70% will be to meet the needs of the personnel of the security forces and their families.

1113. In addition, the SEDCs will also undertake commercial housing through Federal Government loan financing as well as from other sources. Joint-venture projects between public sector authorities and private developers are also envisaged. Some 56,000 units are expected to be completed during the Plan period, including those to be built by the Government Officers' Housing Company Sdn. Bhd. The Selangor State Development Corporation alone is expected to construct some 22,900 units in Shah Alam, with private sector participation, at an estimated cost of \$442.2 million.

1114. The private sector, including licensed developers, co-operative societies, individuals and groups is expected to construct approximately 262,000 units or 54.3% of the total target for both the public and private sectors. Private developers alone will build some 100,000 units while individuals and groups are envisaged to contribute another 150,000 units. The bulk of the units to be constructed by individuals and groups is expected to be located in the rural areas or smaller towns where housing lots are relatively easier and cheaper to obtain and also near industrial areas where such housing units may be rented out to factory workers.

V. ISSUES AND PROBLEMS

1115. The experience of the SMP has brought to the fore a number of issues and problems which has influenced the scope and extent of national programmes for housing development in the country. The result of all these shortcomings has been the inability of the nation to meet the general effective demand for housing, particularly low-cost housing. Public and private investments, in this respect, have not been able to adequately respond to national needs. Whilst implementation capacity appears to be the core of the problem, this is aggravated by the fact that the housing programme so far undertaken has not been able to reach the low income masses of the population who are in dire need of housing facilities.

1116. These issues will receive the attention of the Government while implementing the national housing programme for the Plan period, particularly low-cost housing which, in the main, will feature prominently in

the strategy for the sector in the 1976-80 period. Other issues relating to improvements in implementation and capacity for orderly and adequate development are:—

- (i) *co-ordinating implementation* In view of the many State and Federal agencies responsible for housing development, *proper co-ordination* is necessary to ensure that every agency plays its role meaningfully and adequately in fulfilling national objectives. In this regard, the active and vigorous participation of the State Governments is of utmost importance. Housing, being a State subject, requires the States to assume positive roles in meeting the needs for low-cost housing in their own areas and to be accountable for shortfalls;
- (ii) *private sector role* Similarly, private developers will have to be more responsible to national social objectives and not merely economic gains. Checks will need to be instituted to keep prices within reasonable limits so that low and middle income buyers will have adequate access to private sector housing;
- (iii) *physical planning* Urban development planning will have an important role in housing development. Urban planning efforts will be geared to determining optimum housing densities and distribution in the large towns and cities which will minimize living costs in urban areas, taking into consideration the cost of land, transportation and the essential services. A basic issue is that of developing sprawling sub-urban housing as against high density housing development with their attendant benefits and costs;
- (iv) *workers' housing programme* Private industrialists would be encouraged to participate in workers' housing programme of their own to augment efforts of the public sector as well as to relieve critical shortages in their respective industrial estates. The provision of cheap and adequate accommodation for workers employed in modern, urban-based industries is important to promote the social well-being of the workers who are mostly rural youth; and
- (v) *supply and demand of building materials* The housing industry has to compete with the commercial and industrial sectors for limited building materials. This has caused building material prices such as cement, steel and tiles to increase markedly during the inflationary years of the SMP period. Special efforts will continue to be made to ensure that domestic production of building materials is expanded in line with demand.

1117. Determined public efforts to provide cheap and adequate accommodation for the people have not been lacking but the sheer magnitude of the task involved necessitates bold and imaginative innovations in the approach to the housing problem. To this end, the planning and implementation machinery at all levels of Government will be strengthened to be

responsive to the increasing demands for low-cost housing. Likewise, the private sector will also be required to assess and adjust to the situation and to take such measures as may be necessary to increase substantially their building capacity.

VI. HOUSING STRATEGY

1118. To meet the housing targets of the Plan, realistic measures will be taken by the Government in designing and implementing special programmes for the low income groups as well as ensuring effective participation by both the public and private sectors in sound housing development. The measures to be taken to attain the objectives of the Government's housing programmes are outlined in the following paragraphs.

Housing for the lowest income groups

1119. To enable the poorest sectors of the population in both the urban and rural areas to acquire proper housing, the main thrust of the Government's housing programme would be to provide inexpensive housing units and also improve sub-standard dwellings through the following means:—

- (i) joint efforts by the public and private sectors in the construction of low-cost units within the price range of \$5,000-\$7,000 each, with appropriate Government assistance;
- (ii) Sites and Services projects in urban areas as an immediate measure for the rehousing of squatter families. The projects will provide housing lots with basic housing shells. The inhabitants will accordingly complete the construction of their homes with Government loan facilities for the procurement of materials. The cost of each unit is estimated at \$3,900 for a 1,200 sq. ft. lot; and
- (iii) squatter improvement schemes through the provision of basic services and facilities within the neighbourhood.

Public low-cost housing

1120. Designed for the lower income groups, public low-cost housing programmes are undertaken by the State Governments under the supervision and co-ordination of the Ministry of Housing and Village Development. The Ministry provides direct financial assistance, technical expertise and guidelines on implementation. The creation of the National Housing Department within the Ministry will further strengthen the Ministry's capability in discharging its co-ordinating and supervisory functions for the States. For the programme to be effective, the full participation and co-operation by the States are essential. With the increased financial allocations being provided for the programme in the Plan, the implementation capacity of the States will be strengthened and expanded so as to meet their respective targets.

Greater use of timber for housing

1121. The use of timber in home construction has great potential. Recent amendments to existing by-laws as well as the willingness of insurance firms and commercial banks to provide loans for timber houses should stimulate a wider use of timber for building construction. As part of the effort to promote the use of timber and other local low-cost building materials, the Government will intensify its research endeavours at the development and wider use of appropriate building technology for the purpose.

Home ownership policy and promotional incentives

1122. The Government realizes that the benefits of housing should be widely enjoyed by the population irrespective of income, as accommodation is a basic necessity. To this end, the Government will strive to provide adequate accommodation for all Malaysians, particularly the lower income groups, through appropriate housing programmes and incentives for home ownership. Besides affording accommodation, these programmes will also aim at promoting national unity among different communities and social groups throughout the country.

1123. The Government also provides loans to its employees to finance the purchase of houses. An annual sum of \$100 million is allocated for the purpose. The Government Officers' Housing Company Sdn. Bhd. will undertake special projects for public employees earning below \$300 per month, which will include the provision of loans at subsidized interest rates. For the majority of households in the middle and higher income brackets, their housing needs will continue to be catered for by private developers. The Government will, however, assume strict supervision of private developers' activities to ensure conformity with the requirements of the Housing Developers (Control and Licensing) Act, 1966. It will also promote the development of financial arrangements to meet more directly the financial needs of the developers as well as end-purchasers.

1124. A major part of both bridging and end-financing for housing projects is provided by the commercial banks and the financial institutions, including borrowing companies, building societies, insurance companies, housing co-operatives and the Housing Loans Division of the Treasury. The growth in national savings expected during the 1976-80 period will generate a significant amount of such finance. This is envisaged to be about two and a half times more than that for the 1971-75 period growing from \$662 million to \$1.6 billion. In addition, new loans to be disbursed to individuals for housing are also expected to increase significantly by two-thirds to \$2.2 billion, compared with the \$1.3 billion disbursed during the 1971-75 period. Commercial banks and borrowing companies will continue to direct a minimum of 50% of net loans and advances for priority sectors and purposes, including individual home ownership schemes. In the endeavour of the Government to encourage home ownership, *Bank Negara Malaysia*

will continue to accord priority in its monetary policy to the extension of loans and advances by the commercial banking system for home ownership. An additional source of financing for rural housing would be the provision of mortgage loans by rural co-operative societies.

Measures to reduce costs and prices of houses

1125. Apart from adequate financing, another problem to be met in the provision of housing for the *rakyat* is the compelling need to effect cost reductions. At current prices, the cost of the cheapest form of urban housing ranges from \$7,700 to \$20,000 per unit as undertaken by the City Hall of Kuala Lumpur and private developers respectively. A three-room flat in a seventeen-storey structure costs the City Hall about \$12,000 whilst the Selangor State Development Corporation builds single-storey terrace houses at a cost of \$12,000 each. According to the 1973 Household Income and Expenditure Survey of the Department of Statistics, households on the average spend approximately 15% of their income in meeting accommodation costs. On the basis of the above costs, it is estimated that households earning less than \$400 per month or some 70% of the urban population cannot afford to purchase or rent most of the housing units at present constructed by the various agencies.

1126. Significant reductions in construction costs and the prices of houses are therefore imperative to bring housing within the means of a substantially large number of low income households. The cost of land, building materials and other elements in housing construction is generally subject to imperfections both institutional and economic. The removal of such imperfections can help to lower the costs and prices of dwelling units for which the following are relevant factors:

- (i) *land* The curbing of speculation in real estate transactions, facilitation of land conversion for residential use, speedy processing of building plans and modification of infrastructural and building standards to meet local needs;
- (ii) *building materials* Increased supplies of essential building materials to support rapid expansion of the construction industry;
- (iii) *labour* Expansion of the supply of semi-skilled and skilled construction workers; and
- (iv) *research* Stepped-up research into cost-reducing method of construction.

1127. The provision of housing for low income groups will require a pragmatic approach to be taken in the planning and design of houses which come within the income means of these groups. This will be achieved by encouraging higher density construction, reducing interior living space and economizing on the quality of finish and building materials without sacrificing reliability and durability. Through such measures, reductions of housing costs of up to 51% could be realized.

Rural housing

1128. While efforts will be made to provide low-cost housing and accommodation in the urban areas where overcrowding is most acute, programmes for improvements and additions to the rural housing stock will also continue to be implemented. In addition to the general provision of adequate basic amenities for rural households such as piped water, electrification and sanitation facilities, the construction of low-cost units will be accorded priority in the rural areas. In the case of estates, the Government will work in conjunction with estate management to effect needed improvements.

1129. Major improvements will be undertaken in the various regional development schemes designed to modernize and urbanize the rural countryside. The regional development strategies during the TMP period will ensure integrated development of new growth centres with their hinterland to not only provide income and employment but, through the possession of proper housing and other social amenities, to ensure their well-being.

Role of private developers

1130. A Private Sector Consultative Committee on Housing and Construction, comprising representatives from both the public and private sectors, has been formed to assist the Government in the formulation of appropriate programmes to deal with the housing problem, particularly with respect to the low income groups. Private developers who are expected to cater especially to the needs of the middle and higher income groups will be encouraged to participate in providing low-cost housing as well in joint-venture with public housing agencies. A housing company, *HDA Perumahan Bhd*, with the sole objective of undertaking private low-cost housing, had been formed by the Housing Developers' Association. The company, with appropriate assistance from relevant Government agencies, is expected to play a constructive role in the building of houses for the lowest income groups. In addition, private industrial enterprises will be encouraged to collaborate with the SEDCs in the provision of appropriate housing in industrial estates for their work force. Landowners, in particular the Malays and other indigenous people, with land near industrial estates can play a helpful role in this regard by undertaking housing development for rural migrant workers with such Government assistance as may be necessary.

VII. ALLOCATION FOR HOUSING DEVELOPMENT

1131. As shown in Table 19-6, a total of \$2.5 billion has been allocated under the TMP for public housing and staff quarters, a three-fold increase over the allocation for the SMP. The allocation for public housing exclusive of staff quarters amounts to \$1.7 billion, of which \$720 million or 42.6% is for the construction of some 129,400 low-cost units. The Ministry of Housing and Village Development has been provided with \$480 million for low-cost housing programmes to be undertaken by

State Government agencies—\$426 million in Peninsular Malaysia, \$35 million, Sarawak and \$18 million Sabah. The allocation also includes the provision of a \$10 million revolving fund intended for a complementary housing programme to meet the needs of rural migrant workers employed in industrial estates as well as housing construction for estate and mine workers. In addition, other Federal agencies and regional development authorities including FELDA, FELCRA, the Sarawak and Sabah Land Development Boards, DARA, LKTT and LKJT and the *Jabatan Orang Asli* have been allocated a total sum of \$184 million for the construction of about 60,000 low-cost units.

TABLE 19-6

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR HOUSING PROGRAMMES, 1976-80

(\$ million)

Public low-cost housing programme ³	480.0
Federal agencies and regional development authorities housing programmes	168.0
Institutional quarters and other staff accommodation	778.7
Sarawak and Sabah Land Development Boards, <i>Jabatan Orang Asli</i>	15.8
SEDCs commercial housing programme	26.3
SEDCs own fund/joint venture projects, other State projects, Government Officers' Housing Company and other programmes ...	998.8
Total ...	2,467.6

³ Includes the provision for SEDCs low-cost housing programmes of \$313 million.

1132. The allocation for staff quarters amounts to \$778.7 million for the construction of 41,300 units. Most of these units are intended for security personnel and Government staff in areas where living accommodation is not readily available.

1133. The Government will also be involved in commercial housing. A sum of \$26.3 million has been allocated to the SEDCs for the construction of 1,300 medium cost units. Besides the commercial housing programme, the SEDCs will also utilize their own or State Government funds to construct some 30,000 commercial housing units.

Transport and Communications

I. INTRODUCTION

1134. The provision of transport and communications services is essential for social and economic development. Under the Third Malaysia Plan (TMP), the sector will continue to be improved and expanded not only to facilitate and promote greater integration among all Malaysians in nation-building but also support and stimulate the development of the major sectors of the economy and to ensure its rapid growth and equitable distribution among regions.

1135. While the present transport and communications networks in Peninsular Malaysia are well placed in relation to the location of economic activity and population distribution, accelerated economic and social development under the Plan will create capacity problems. Hence, improvements and upgrading of the networks will be undertaken. Furthermore, in order to stimulate and provide incentives for the rapid growth of the less developed States as well as new regional development areas, expansion of the networks in these States and regions will also be accorded high priority. Extension and improvement of these facilities to rural communities will help contribute to the eradication of poverty.

1136. In Sabah and Sarawak, the present transport network will be improved and expanded to meet the requirements of natural resource development as well as to connect present and new production areas and population centres.

1137. A significant feature in the development of the transport sector under the Plan is the development of public transport services. The provision of such services is to cater for the increasing transportation needs of urban workers particularly those in the lower income groups.

1138. Communications facilities, particularly telephone and telegraph services, will continue to be expanded to meet the growing requirements of commerce and industry. Postal, meteorological and broadcasting facilities will also be expanded.

II. PROGRESS, 1971-75

1139. By the end of the Second Malaysia Plan (SMP) period, total ~~pe~~ ^{problem} of development expenditure for transport and communications amounted ~~ay~~ ^{ay} \$2.4 billion compared to the revised allocation of \$2.3 billion under the Mid-Term Review (MTR) of the SMP. The details of the financial progress in respect of this sector are shown in Table 20-1.

TABLE 20-1

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR TRANSPORT AND COMMUNICATIONS PROGRAMMES, 1971-75 (\$ million)

	<i>Revised SMP allocation, 1971-75</i>	<i>Estimated expenditure, 1971-75</i>	<i>%</i>
Roads ¹	970.22	1,032.84	106.5
Railways	97.71	104.49	106.9
Ports, shipping and marine	366.15	441.96	120.7
Civil aviation	253.59	202.02	79.7
Telecommunications	515.55	494.91	96.0
Postal services	20.49	18.17	88.7
Meteorological services	4.04	3.71	91.8
Broadcasting	100.89	87.17	86.4
TOTAL ..	2,328.64	2,385.27	102.4

¹ Includes plant and equipment of the Public Works Department (PWD).

1140. Although the overall financial achievement exceeded the revised SMP target under the MTR resulting largely from cost escalation, a number of constraints was encountered in the implementation of the various development programmes. Notable constraints included the shortage of professional and technical staff in various implementing agencies; administrative delays in land acquisition; inadequate project preparation, particularly in respect of externally financed projects; and shortage of construction materials all of which inevitably slowed down project implementation.

Roads and road transport

1141. Improvement and extension of the road network within the country was emphasized under the SMP. The programmes included the expansion and improvement of the main arterial roads linking major production areas and sources of raw materials to markets and ports and the construction of new roads providing access to new land settlement schemes.

1142. *Improvement to existing roads* Improvement programmes for the existing highway network were carried out based on the recommendations of the General Transport Survey (GTS) undertaken in 1967. Major improvements were largely confined to Routes I, II and III of the Federal Highway network. By the end of 1975, major improvements undertaken on Route I

included segments between the Johor Bahru Causeway to mile seven north of Johor Bahru including the Johor Bahru interchanges; the dual-carriageway between Sungai Besi and Jalan Cheras; and the Tanjung Malim town by-pass. On Route II, they included the new Temerloh bridge and on Route III, various road segments in Pahang, Trengganu and Kelantan including the new Jerteh bridge.

1143. The reconstruction of the Kuala Lumpur/Petaling Jaya highway which started in 1973 is still in progress while improvements on the Kuala Lumpur/Karak highway, including the realignment and relocation of certain segments will be completed in 1978 together with the construction of a tunnel at Genting Sempah.

1144. In *Sabah*, major improvements completed included the Tawau/Kunak/Semporna road; the Sandakan/Telupid road; Kota Kinabalu/Moyog/Kirokot road and the stretches between Tenom and Keningau and between Sikuati and Beaufort. The upgrading of the Keningau/Sepulot road including the construction of two bridges across Sungai Sook and Sungai Pagallan have also been completed.

1145. Detailed engineering work was also completed on the following roads: Papar to Sindumin on the West Coast, Tamparuli to Ranau across the Crocker Range and the Lahad Datu/Kunak/Balung road to Semporna on the East Coast.

1146. In *Sarawak*, major improvements were carried out on the main road network connecting the various Divisions. Principal improvements included the various segments of the Bintulu/Miri road; the Beluru/Long Teru road; the Simanggang/Sibu road; and the reconstruction of the Kuching/Serian road.

1147. Most of the improvement programmes to high priority urban and inter-urban road networks in the country have been carried out. Significant progress has been achieved on the improvement to the Kuala Lumpur by-passes and throughways, aimed at relieving traffic congestion in the central business district and facilitating the movement of through-traffic. These included the construction of the Jalan Sungai Besi viaduct, the six-lane widening of Jalan Pekeliling and the construction of the Jalan Loke Yew viaduct.

1148. Following the Government's acceptance of the recommendations of the Kuala Lumpur Urban Transport Policy and Planning Study, a programme for the development of public transport for the Kuala Lumpur metropolitan area was prepared. By the end of 1975, design works in respect of various road components such as the road dispersal links, busways and the traffic improvement schemes in the central area were largely completed.

1149. *Major expansion of the road network* The security problem prevailing in 1974 somewhat interrupted the construction programme of the East/West Highway. To date, about 28 miles of the 72-mile Highway have been completed. An accelerated effort is being made to speed up the construction of the remaining section of the Highway including two major bridges at Sungai Rui and Sungai Perak in order to keep pace with the impounding of the Temenggor dam.

1150. Construction work on the Kuantan/Segamat highway has progressed satisfactorily with the partial completion of 17 miles by the end of the SMP. The new Kuala Lumpur/Seremban Expressway project is almost completed.

1151. In *Sabah*, major projects undertaken included the completion of the West Coast road to Ranau, the Sandakan/Ranau road and the Kota Kinabalu/Lok Kawi road. The expansion of the Kunak/Lahad Datu/Sandakan road was also undertaken. Work completed comprised the 6½-mile gap between Kunak and Silam, the 22½-mile Lamag road from mile 32 Labuk road to Bukit Garam and 30 miles of road from Lahad Datu to Bukit Garam.

1152. In *Sarawak*, the construction of the 30-mile Ulu Batang Mukah/Sungei Arip road is almost completed. Other major projects completed included the Miri/Bintulu trunk road, the Matang/Istana road including a bridge across Sungai Sarawak at Satok, Kuching and the Bintulu/Tanjung Kidurong road. The Matang/Istana road will form an essential access for the development of the north bank of Kuching, while the Bintulu/Tanjung Kidurong road will provide access to the new port and the liquefied natural gas (LNG) plant.

1153. *Development and feeder roads* In order to serve new and *in situ* land development schemes, a number of development and feeder roads were identified in the SMP. In Pahang Tenggara, about 180 miles of feeder roads were planned and designed for construction during the TMP largely to provide access to major land development schemes of the Federal Land Development Authority (FELDA) and new townships. Similarly, in Johor Tenggara, the design of about 189 miles of development and feeder roads was completed, while the 28-mile Penggerang Highway and the 15-mile Ayer Tawar road are under construction. Design work on the Jerangau/Jabor/Tanjung Gelang highway and its associated feeder roads in the Trengganu Tengah development area has also been completed and construction will commence at the beginning of the TMP. In addition, a number of rural roads aimed at facilitating the movement of goods and people from the villages were constructed in the various States of Peninsular Malaysia.

1154. In *Sabah*, a number of development and feeder roads were constructed to serve various land development schemes located mainly in Tawau, Semporna, Lahad Datu, Sandakan, Lembah Labuk, Marudu and the Telok Kimanis areas, while in *Sarawak*, 127 miles of development and feeder roads were completed mainly in the First, Second, Fourth, Fifth and Sixth Divisions to serve both the new land development schemes as well as the security needs of these areas.

1155. *Highway maintenance* There has been rapid growth of road traffic in Malaysia in recent years. During the SMP period, the vehicle fleet in Peninsular Malaysia grew by 13.6% per annum from 669,000 vehicles in 1970 to 1,267,000 vehicles in 1975, as shown in Table 20-2. A similar trend was also registered in Sabah and Sarawak where average growth was 10.4% and 8.5% per annum, respectively. The rapid growth in traffic, coupled with the increasing use of wider and heavier commercial vehicles caused most of the major highways in the country to deteriorate thus requiring major rehabilitation and maintenance.

TABLE 20-2
MALAYSIA: VEHICLE REGISTRATION, 1970-75
(000)

	<i>Peninsular Malaysia</i>			<i>Sabah</i>			<i>Sarawak</i>		
	1970	1975	<i>Average annual growth rate (%) 1971-75</i>	1970	1975	<i>Average annual growth rate (%) 1971-75</i>	1970	1975	<i>Average annual growth rate (%) 1971-75</i>
Private motor cycles	350.0	722.3	15.6	5.2	5.1	-0.4	17.4	27.5	9.6
Private motor cars, taxis and hire cars..	238.4	407.2	11.3	22.1	37.4	11.1	16.0	23.3	7.8
Buses	5.9	8.7	8.1	0.5	0.7	7.0	0.4	0.5	4.6
Lorries and vans ..	55.8	92.2	10.6	4.8	9.9	15.6	2.8	4.3	9.0
Other vehicles ..	19.1	36.7	14.0	3.0	5.4	12.5	2.9	3.8	5.6
TOTAL ..	669.2	1,267.1	13.6	35.6	58.5	10.4	39.5	59.4	8.5

1156. A Highway Maintenance Study was undertaken in 1974 with the objective of determining the optimum scope and methods for road rehabilitation and maintenance by the PWD. Of the total of 1,432 miles of road surveyed, 20% necessitates immediate improvement, 35% have a remaining life of one to three years while 45% a remaining life of over three years. A detailed review of the Study's recommendations has been initiated.

1157. *Road transport* During the SMP period, a number of policy measures for the development of road transport were implemented. These included the liberalization of "A" carrier licences and of carriers below 50 cwt. The latter category of licences are now granted on application with no restriction on goods carried and routes taken. In view of the growing complexity of the transport needs of new industries, carrier licences for specialized items such as petrol, palm oil and frozen goods are also granted on application.

1158. Priority in the issuance of "A" carrier licences is given to Malays and other indigenous people to promote their participation in the road transport industry. As a result, their share in terms of the number of licences held has increased from 10% in 1970 to about 54% in 1975. The *Majlis Amanah Rakyat* (MARA) continued to provide technical advice and credit to Malay and other indigenous transport operators.

1159. In recognition of the need to improve public transport services and to provide incentives to bus operators to replace their old buses, the Government reduced the seat tax at the beginning of 1976. The tax is to be phased out over a period of four years. In the case of new buses, full exemption will be granted from 1976.

Railways

1160. The dieselization programme of the Malayan Railway was completed by the end of the SMP. Although the crash programme to improve the permanent way has been carried out, a substantial backlog of work has yet to be implemented. These included track renewal, replacement of worn-out sleepers, rehabilitation of bridges and the strengthening of ballast. The reconstruction of the Seremban/Port Dickson line is in progress. By the end of the SMP period, more than one-half of the work had been completed including the construction of seven bridges.

1161. In 1975, the Malayan Railway reviewed its pricing policy in order to improve and expand its share of the transport market. The outcome of this review was the introduction of a new tariff structure which became effective in January, 1976.

1162. In spite of the various improvement and modernization programmes, the overall performance of the Malayan Railway during the SMP period was far below expectations. The Railway continued to incur an accumulated deficit of \$101.9 million up to the end of 1975. While passenger traffic showed an upward trend, increasing from 5.2 million passengers in 1970 to 6.3 million in 1975, there has been a decline in the freight handled from 3.6 million tons in 1970 to 2.9 million tons in 1975 in part due to active road transport competition.

1163. The Sabah Railway completed its modernization programme with the purchase of workshop machinery, engineering, telecommunications and signalling equipment as well as six passenger coaches in 1975.

Ports, shipping and marine services

1164. With the rapid expansion of Malaysia's international trade, efforts were directed towards the development and expansion of its port facilities and related maritime services including Malaysia's own shipping line.

1165. Major expansion of facilities at Port Klang was undertaken during the SMP to cope with the rapid increase in freight traffic, both exports and imports. These included the commissioning of the 2,100 feet container wharves, the 700 feet conventional wharf and ancillary facilities and the acquisition of container cranes and handling equipment at the North Klang Straits. At the South Port, two wharves were reconstructed and one wharf was extended to provide additional facilities for liquid cargo. In addition, a second extension programme involving the construction of 3,500 feet of wharves together with ancillary facilities was undertaken in 1974 following the completion of a feasibility study in 1973.

1166. The expansion programmes together with the commissioning of the container terminal and the use of LASH and Roll-on-Roll-off methods for cargo handling have enabled Port Klang to handle an increasing volume of traffic from 3.8 million tons in 1970 to 4.8 million tons in 1975.

1167. Traffic through Penang port expanded from 3.3 million tons in 1970 to 3.8 million tons in 1975. To meet the projected growth in port traffic, the Penang Port Commission undertook feasibility studies for further expansion of the Butterworth wharves by an additional berth and the construction of a bulk cargo terminal to provide bulk loading and discharging facilities to existing and potential industries in the Prai industrial area. Following these studies, design works for these facilities were carried out and construction has commenced. In order to prepare a long-term overall port development programme for Penang port, a 20-year Masterplan study was completed in 1975.

1168. The Penang Port Commission also expanded its ferry services by acquiring six double-decker ferry vessels in 1974 and 1975 and the construction of new ferry terminals both at Butterworth and Penang Island. The additional vessels are needed to cope with the growth in commuter traffic between Penang Island and the mainland up to 1981.

1169. In *Sabah*, two major port expansion projects were undertaken during the SMP. These were the expansion of the Kota Kinabalu and Sandakan ports. At Kota Kinabalu, three ocean berths, one coaster berth and a bulk liquid cargo berth were built. The ocean berths are capable of handling both conventional and container ships.

1170. At Sandakan, a new wharf is being constructed with four berthing facilities for both conventional and container vessels. The oil jetty at Tawau was completed during the SMP.

1171. In *Sarawak*, the Kuching port expansion project has been completed, thereby increasing overall capacity to 650,000 tons per annum. The Sibuluan port expansion project will be commissioned in 1976 and will increase the handling capacity of the port from 175,000 tons to 450,000 tons per annum to meet traffic demands up to 1985. A detailed feasibility study for the development of a deep water port at Tanjung Kidurong near Bintulu has also been completed. Steps were initiated to commence design work including the LNG loading facilities.

1172. The *Malaysian International Shipping Corporation* (MISC), the national shipping line, continued its fleet expansion and diversification programmes under the SMP. By the end of 1975, MISC has a total of 20 vessels in operation with a combined tonnage of 500,000 deadweight. The fleet comprises eight cargo liners, a bulk carrier, three woodchip carriers, one ore/oil carrier, three palm oil carriers, three coastal vessels and one general purpose vessel. MISC liner ships now call regularly at all the important ports on the Far East/Europe run. In addition to liner services, MISC ships are also chartered out to other shipping operators. In order to improve and promote better shipping services and hence strengthen the trade links between Sabah and Sarawak and Peninsular Malaysia, MISC also started its coastal services in 1973. Currently, six vessels are in operation.

Civil aviation and air transport

1173. The overall progress in the implementation of civil aviation programmes was rather slow. In Peninsular Malaysia, design work for the expansion of the Kuala Lumpur international airport terminal building is in progress while construction work for the expansion of Penang airport only started in 1975. The new Johor airport at Senai was completed and became operational in January, 1974. A number of major works were undertaken and completed in respect of domestic airports in Ipoh, Alor Star, Kota Bharu and Kuala Trengganu by the end of 1975 including improvements to radio and visual aids at these airports.

1174. In *Sabah*, expansion of the Kota Kinabalu airport is still in progress, whilst a Masterplan for the reconstruction of the Sandakan airport has been completed. In Sarawak, the upgrading of Miri airport to meet Boeing 737 requirements and the expansion of Kuching international airport are also in progress and will be completed during the TMP period.

1175. Passenger traffic at major airports in the country increased by 17.6% per annum during the SMP period while air freight traffic grew by 24.8% per annum as shown in Table 20-3.

1176. Following the recommendations of the Airport Tariff Study completed in 1974, the Civil Aviation Act was amended in February, 1975 to enable the development of a commercial accounting system for airport operations. Airport tariffs were also revised to reflect more accurately the cost of providing airport services and facilities. This revision is expected to increase airport revenues by about \$12 million annually.

1177. In 1973, the Government assumed responsibility for the control of air traffic services within the Kuala Lumpur and Kota Kinabalu Flight Information Regions (FIRs).

TABLE 20-3

MALAYSIA: PASSENGER AND FREIGHT TRAFFIC AT AIRPORTS, 1970-75

	Passenger traffic (000)			Freight traffic (metric tons)		
	1970	1975	Average annual growth rate (%) 1971-75	1970	1975	Average annual growth rate (%) 1971-75
PENINSULAR MALAYSIA						
Kuala Lumpur	513.0	1,362.6	21.6	2,658.0	11,239.0	33.4
Penang	198.7	560.6	23.1	440.0	4,337.0	58.0
Ipoh	46.1	89.8	14.3	71.0	161.0	17.8
Kota Bharu	30.6	87.6	23.4	237.0	696.0	24.0
Malacca	15.4	28.3	12.9	20.0	198.0	58.2
Johor Bahru ²	—	24.4	—	—	70.0	—
Alor Star	4.4	15.5	28.6	14.0	17.0	4.0
Trengganu	3.8	14.8	31.3	18.0	26.0	7.6
Kuantan	3.9	10.6	22.1	13.0	15.0	2.9
Sub-total	815.9	2,194.2	21.4	3,471.0	16,759.0	36.7
SABAH						
Kota Kinabalu	290.6	458.4	9.5	3,127.8	4,889.8	9.4
Sandakan	129.0	208.6	10.1	778.6	1,279.2	10.4
Labuan	31.6	93.6	24.3	129.9	344.3	21.5
Lahad Datu	46.6	99.7	16.4	205.3	446.7	16.8
Tawau	79.0	154.7	14.4	436.8	1,474.9	27.6
Sub-total	576.8	1,015.1	12.0	4,678.4	8,434.9	12.5
SARAWAK						
Kuching	144.0	200.1	6.8	1,259.5	3,372.4	21.8
Sibu	108.7	186.0	11.3	575.4	902.4	9.4
Miri	—	131.2	—	—	923.7	—
Bintulu	28.1	33.9	3.8	88.2	141.0	9.8
Sub-total	280.8	551.2	14.4	1,923.1	5,339.5	22.7
TOTAL	1,673.5	3,760.5	17.6	10,072.5	30,533.4	24.8

² The Johor Bahru airport commenced operations on 1st January, 1974.

1178. The *Malaysian Airline System* (MAS), the national flag carrier, which started operations in October 1972 with seven Boeing 737, nine F27, and three BN2 aircraft, had acquired three Boeing 707, two additional Boeing 737 and one each of F27 and BN2 aircraft by the end of the SMP period. In addition, one DC-10 aircraft was also ordered in 1975 to be delivered in August, 1976.

1179. Besides providing increased frequencies of service on domestic sectors, MAS from the outset as a regional carrier, provided services to Singapore, Brunei, Jakarta, Medan, Bangkok, Hong Kong and Madras. With the Boeing 707 operations, its international routes cover Manila, Hong Kong, Taipei, Tokyo, Kuwait, London, Sydney and Melbourne. As a result of these expansions, total revenue increased from \$61.4 million in financial year 1972/73 to \$264.7 million in 1974/75.

Telecommunications

1180. A number of major programmes were implemented for the expansion of telecommunications facilities in Peninsular Malaysia, Sabah and Sarawak. By the end of 1975, major projects completed included automatization of nine manual exchanges in Peninsular Malaysia and 20 in Sarawak; provision of 88,932 new direct telephone lines in Peninsular Malaysia, 7,574 in Sabah and 9,168 in Sarawak; expansion of the microwave systems in Peninsular Malaysia, Sabah and Sarawak involving a total of 380,000 circuit miles; the introduction of subscribers trunk dialling (STD) facilities in the First, Second, Sixth and Seventh Divisions of Sarawak; and the provision of a direct satellite link in 1975 between Peninsular Malaysia, Sabah and Sarawak, enabling simultaneous sharing of television programmes by the three regions.

1181. With regard to external service facilities, major achievements included the provision of additional international circuits involving expansion of telex, telegraph and telephone services; extension of the international automatic exchange from 300 to 700 lines with provision of 20 additional manual positions; commissioning of international and national automatic telex exchanges; and the commissioning of a computerized message switching centre. With regard to staff training, by the end of the SMP period, the target of 91,000 trainee-weeks for the telecommunications staff was achieved.

1182. The demand for telephone services has been increasing steadily over the SMP period. In spite of the installation of a total of 105,674 new direct telephone lines, the number of applicants on the waiting list have not been eliminated. By the end of 1975, there were still a total of some 40,000 applicants in Peninsular Malaysia, 4,700 in Sabah and 3,500 in Sarawak. One significant feature of the expansion of telephone services during the SMP period was the increase in the level of telephone penetration in Malaysia. At the end of 1972, the penetration was only 2.0 telephones per 100 population but by the end of 1975 this level was increased to 2.4. By the end of the TMP period, this level is expected to reach 5.8.

Postal services

1183. The coverage of postal services was considerably expanded under the SMP particularly in the rural areas of Peninsular Malaysia, Sabah and Sarawak to meet the demand for postal services which has been growing by 8% per annum in Peninsular Malaysia, 19.2% in Sabah and 10.4% in Sarawak. In Peninsular Malaysia, major facilities completed included 119

post offices, 340 postal agencies and 73 mobile post offices. In Sabah, 11 post offices and seven mobile post offices were provided whilst in Sarawak six post offices and nine mobile post offices were provided. Work on the construction of new General Post Offices for Kota Bharu, Ipoh, Kuantan, Sandakan and Kuching was in progress and will be completed during the TMP.

Meteorological services

1184. To improve weather forecasting and to develop weather information, meteorological services were expanded including the installation of a storm warning radar at Kluang, Johor; the establishment of seismological stations at Kuala Lumpur, Kluang, Kota Kinabalu; and upper air stations at Kuala Lumpur, Kuantan, Penang, Kota Bharu and Kuching. The Meteorological Department also purchased hydrometeorological equipment for its major stations for the reception of weather satellite data.

Broadcasting services

1185. Major broadcasting service projects completed included the new Radio House Complex and the National Broadcasting Training Centre at Angkasapuri, the extension of TV coverage to the East Coast and Central Region of Peninsular Malaysia; and the inauguration of simultaneous telecast services in 1975 linking Peninsular Malaysia with Sabah and Sarawak. Approximately 80% of the population in the country are now within TV and radio coverage, thus enhancing efforts made through radio and television broadcasts in the realm of nation-building, especially in promoting national unity.

III. PROGRAMMES, 1976-80

1186. *Objectives* The development programmes for transport and communications under the Plan are aimed at consolidating and making further improvements to existing facilities and services to meet the requirements of social and economic development. The capacity of transport and communications facilities on the West Coast of Peninsular Malaysia, although already well developed, will be further improved and upgraded to meet normal traffic growth. On the other hand, in the East Coast States, the rapid rate of land development and the projected expansion of urban and industrial growth will require the rapid extension and upgrading of the transport and communications facilities. Such facilities will be provided ahead of effective demand, if necessary, to accelerate dispersal of industries and urban growth for the redressal of regional imbalances. The extension of the transport networks particularly the construction of development and farm-to-market roads will provide access to new areas and will form part and parcel of an overall integrated regional development programme.

1187. In Sabah and Sarawak, further expansion and improvements to the transport system will be carried out under the Plan to facilitate economic development, and social and political integration. Priority will be given to improvement and expansion of ports, airports and construction of trunk and feeder roads, especially to agricultural development areas. The road development programmes include improvements and upgrading of trunk roads to connect major population centres, access to the ports and industrial estates and feeder roads to new agricultural and development areas. Rural air services and riverine transportation will also be expanded to meet the transport requirements for the interior areas. These will be accomplished through the construction of jetties along the rivers and new rural aerodromes in areas which are not yet accessible by land transport.

1188. *Programmes* Given the supporting but essential role of transport and communications in the overall development strategy under the TMP, the following major programmes will be implemented:—

- (i) upgrading and improvement of major road networks in Peninsular Malaysia, Sabah and Sarawak to meet the projected growth in traffic;
- (ii) construction of new development and feeder roads to areas where land will be developed and people settled;
- (iii) construction and improvement of farm-to-market roads in presently settled agricultural areas where *in situ* agricultural improvement programmes will be implemented;
- (iv) expansion of ports, marine services and the shipping fleet of MISC to meet the projected growth in international trade;
- (v) expansion and upgrading of airports and related facilities and the purchase of additional aircraft for MAS to facilitate international and domestic air travel;
- (vi) continuing improvement and modernization of the Malayan Railway system by replacing obsolete rolling and coaching stock, installation of new equipment and modernizing communications and signalling facilities to improve its efficiency and ensure its economic role in the total transport system; and
- (vii) expansion of telecommunications, postal, meteorological and broadcasting facilities to serve the requirements of administration, commerce and industry.

Roads and road transport

1189. *Improvement to existing roads* Roads play a dominant role in the transportation system in Peninsular Malaysia. Road traffic is expected to grow at an average rate of 12.5% per annum over the Plan period. This growth is expected to occur largely along the major traffic corridors on the West Coast as well as in specific sections on the East Coast resulting from the rapid rate of land development and urbanization in these areas. Major works on road improvements, especially to Route I, the main north/south

artery on the West Coast and Route II which provides the only link between the developed West Coast and the East Coast were initiated during the latter part of the SMP and will be completed during the first half of the Plan period.

1190. The new Kuala Lumpur/Seremban Expressway (38 miles) and improvements to existing road between Seremban and Kuala Lumpur on Route I are under construction. The other two major segments of Route I which will be constructed during the Plan period are the Kuala Lumpur/Rawang/Batang Kali road (25 miles) and the Ipoh/Changkat Jering road (39 miles). Other segments of Route I will also be improved and upgraded during the Plan period. These include the stretch between Ipoh and Bidor (40 miles) and the stretch in and round Butterworth.

1191. A major reconstruction and improvement programme for Route II is a stretch between Kuala Lumpur and Karak (55 miles) involving the construction of a three-quarter mile tunnel. This road is expected to be completed and opened to traffic by the end of 1977. The reconstruction of the Kuala Lumpur/Petaling Jaya highway is expected to be completed in early 1977.

1192. The remaining improvement programme will be confined to the widening, strengthening and realignment of roads along major Federal roads especially in the States of Kelantan, Trengganu, Malacca, Negri Sembilan, Kedah and Perlis.

1193. *Major expansion of road network* Construction works for the East/West Highway and the Kuantan/Segamat road will continue under the Plan period and will be completed by 1977 and 1978 respectively. A new highway linking Jerangau, Jabor and Kuantan port will be constructed under the Plan. The road will provide the main access to the Trengganu Tengah regional development area.

1194. Feasibility studies will be initiated on a number of road projects for implementation during the Plan period. These include the feasibility study on the East/West Highway connections with the West Coast and the East Coast road network and a feasibility study for the Kuala Krai/Gua Musang/Kuala Lipis road. The latter is vital for integrated regional development of the Kuala Lipis and Ulu Kelantan areas. The construction of this road will provide easy access to southern Ulu Kelantan which is now only accessible by rail and, seasonally, by small river craft and also to connect FELDA settlements south of Kuala Krai and east of Gua Musang where 36,000 acres of new land will be developed for rubber smallholdings. It will also serve the exploitation of timber resources and help promote the establishment of integrated timber-based industries in the Gua Musang and Kuala Lipis areas.

1195. With the completion of this road, the Ulu Kelantan and North Pahang areas will be connected to both the Kuantan port in the East Coast and the developed areas in the West Coast. It will also meet the security requirements of the areas.

1196. Detailed design for the construction of a bridge linking Penang with the mainland will also be carried out during the TMP period.

1197. *Development and farm-to-market roads* With the rapid rate of land development, especially in the new regional development areas of Johor Tenggara, Pahang Tenggara and Trengganu Tengah, the development of feeder roads to support agriculture and land development as well as urbanization programmes in these areas, will be intensified during the Plan. About 409 miles of development and feeder roads will be constructed in these three regional development areas during the Plan period. A substantial portion of the development roads programme under the Plan is for FELDA schemes in Pahang, Johor and Trengganu where most of such schemes will be implemented. A sum of \$198.5 million has been allocated for these development roads under the Plan.

1198. In an effort to accelerate *in situ* agricultural improvement schemes throughout the country, the construction and improvement of farm-to-market roads which form an integral part of the overall agricultural package programme will be carried out. Under the Plan, such a programme will initially be carried out for the six northern districts in Kelantan. Other areas will also be identified during the Plan period for the implementation of such programmes.

1199. Improvements and extensions to State and rural roads will continue to be undertaken by the respective State Governments under the Plan. A total of \$205.9 million has been provided for this purpose including a grant of \$107 million by the Federal Government. About \$80 million or 75% of the programmes financed directly by the Federal Government are for rural roads in the less developed States of Kedah, Perlis, Kelantan, Trengganu and Pahang.

1200. The rural road development programmes will form an important part of the overall integrated rural development package programmes for raising the productivity and incomes of the rural people by providing greater access to existing populations and improved marketing and distribution outlets for rural produce. In addition, some of these roads will provide necessary physical infrastructure to meet the security needs of the country particularly for the Northern States of Perlis, Kedah and Perak as well as Kelantan.

1201. *Other roads* Federal financial aid to the Municipalities of Ipoh, Georgetown and Malacca will be provided for road programmes aimed at improving traffic flows, especially through-traffic from built-up areas to the main arterial roads.

1202. *The development of public transport* A first major public transport programme will be implemented in the Kuala Lumpur metropolitan area under the Plan. The standard of public transport services in Kuala Lumpur and the surrounding areas needs to be improved as buses are extremely crowded. Further, the high and increasing proportion of low-occupancy

vehicles has led to inefficient utilization of road space resulting in severe congestion which particularly affects bus services. The prime objective of this programme is to increase the cost-effectiveness of the transport system by raising the efficiency of public transport. In addition, the provision and development of public transport service constitutes an important poverty redressal effort for urban areas by making available cheap and efficient transport to serve those in the lower income groups. The availability of cheap and efficient public transport will also increase the accessibility of the poor to employment opportunities.

1203. The programme includes the expansion of the bus fleet by existing bus operators as well as the expansion of mini-bus services. Investment in physical facilities includes road improvements to relieve the city centre of heavy traffic flows by according priority to buses and other high-occupancy vehicles; and improve traffic engineering and control in the central areas to assist the movement of people and raise environmental standards.

1204. The physical programme will be complemented by a series of policy and administrative measures which will be implemented in stages, including restraint measures to discourage the use of private vehicles by raising parking charges, areal road-pricing and the enforcement of parking and traffic regulations. The road component of this programme will also facilitate the collection and dispersal of inter-regional traffic using the Federal through-routes. Similar public transport programmes will also be extended to other major urban areas.

1205. In order to improve public transport services especially for those in the lower income groups, the Malayan Railway provides daily commuter services between Kuala Lumpur and Port Klang and between Kuala Lumpur and Seremban.

1206. The allocations for road development in Peninsular Malaysia under the TMP are shown in Table 20-4 below.

1207. In *Sabah*, the upgrading and improvement of trunk roads to be undertaken under the Plan period include the bituminous surfacing and improvement of the Lahad Datu/Kunak/Balong/Semporna road (90 miles) in the East Coast and the bituminous surfacing and improvement of the road section between Papar and Sindumin (71 miles) on the West Coast and the upgrading of the Tamparuli/Ranau road (44 miles) which provides access to the interior of Sabah from the West Coast.

1208. In *Sarawak*, construction works will proceed to complete the 42 miles of the trunk road between Sungei Arip and Bintulu. Other new trunk road projects include the construction of Kuching/Bako road linking the Bako National Park with the Matang/Istana Road, the completion of the Bintulu/Tanjung Kidurong road, the Beluru/Long Teru road, the Lawas/Merapok/Sindumin road and the construction of bridges along the Miri/Bintulu road.

TABLE 20-4

PENINSULAR MALAYSIA: PUBLIC DEVELOPMENT
EXPENDITURE FOR ROAD PROGRAMMES, 1976-80
(\$ million)

Improvements to existing Federal roads	146.3
Major expansion of Federal road network	480.1
East/West Highway	86.2
Kuantan/Segamat road	60.6
Kuala Lumpur/Karak road	110.6
Improvement and realignment Route I	98.4
Kuala Lumpur/Petaling Jaya highway	24.3
Telok Anson/Lumut road	10.0
Jerangau/Jabor road	80.0
Penang Linkage	10.0
Development roads (FELDA, Jengka, Regional Authorities)	198.5
Kuala Lumpur public transport	95.0
Kuala Lumpur by-passes and throughways	23.1
Municipal roads	9.1
State and rural roads ³	205.9
Highway maintenance programme	30.0
Plant and equipment	81.5
Others	8.2
TOTAL	1,277.7

³ Include farm-to-market roads. Allocation includes \$107 million Federal grants to States.

1209. A programme for development and feeder roads will be implemented to meet the requirements of new land development in Tawau, Sandakan and Kudat Residencies in Sabah and in the First, Second and Fourth Divisions in Sarawak as well as to provide better access to isolated villages. These programmes form part of the effort to eradicate poverty and to improve living conditions in the rural areas.

1210. The allocations for road development in Sabah and Sarawak are shown in Table 20-5 below:

TABLE 20-5
SABAH AND SARAWAK: PUBLIC DEVELOPMENT
EXPENDITURE FOR ROAD PROGRAMMES, 1976-80
(\$ million)

	<i>Sabah</i>	<i>Sarawak</i>	<i>Total</i>
Trunk roads	135.0	115.4	250.4
Development and feeder roads	46.6	68.8	115.4
Urban road improvement	12.0	13.5	25.5
Highway maintenance programme	15.0	—	15.0
Plant and equipment	41.1	40.0	81.1
Others	0.3	12.3	12.6
TOTAL ...	250.0	250.0	500.0

Highway maintenance programme

1211. While there are regular surfacing and routine preventive maintenance programmes carried out in respect of Federal and State roads, such programmes have not been systematically organized. Whilst the findings and recommendations of the Highway Maintenance Study are being reviewed for the purpose of drawing up a comprehensive road rehabilitation and investment programme, a pilot project will be carried out in Kelantan, Johor, Perak and Sabah. A provision of \$45 million is provided under the Plan for this purpose.

Railways

1212. Under the Plan, the programmes of the Malayan Railway will be expanded as part of the effort to modernize and improve the system. These programmes will be implemented with a view to strengthening the role of the Railway in the national transportation system. Over the Plan period, passenger revenue is projected to increase by 27.6% from \$34.8 million in 1975 to \$44.4 million in 1980 and freight revenue by 44.9% from \$44.1 million in 1975 to \$63.9 million in 1980. It is also estimated that the Railway will carry 7.8 million passengers by 1980, an increase of 2.3% per annum over the Plan period.

1213. In order to improve the quality of passenger service and reduce operating costs, about 40% of the Railway's passenger coaches will be replaced with 34 air-conditioned luxury-class coaches and 53 non-air-conditioned economy class coaches during the Plan period. Seating accommodation will be such that it will be suitable for day and night travel.

With the introduction of these coaches, the Railway will provide two types of passenger service, *i.e.* economy and luxury. To ensure efficient service and encourage greater use of the Railway by the travelling public, passenger terminal facilities at major stations will either be rebuilt or renovated.

1214. It is also envisaged that during the TMP period significant increases in freight traffic will occur especially for such commodities as aviation fuel, palm oil, latex, livestock and marine and domestic containers. Ton-miles are also expected to increase by about 80% from 523 million in 1975 to 941 million in 1980. In order to handle the increased traffic, the Railway will purchase 341 bogie oil tanks; 117 latex tanks; 139 hopper wagons; 122 palm oil tanks; 100 container flats; 50 cattle wagons and 150 bogie under-frames during the Plan period.

1215. The improvement of the permanent way is an essential element in the development programme of the Railway in order to meet its service objectives. Following the study on permanent way improvement carried out in 1974, a number of investment programmes will be implemented including track renewal, mechanization of track maintenance, flattening of sharp curves, strengthening of track formation, improvement of fastenings, increasing the number of sleepers per mile and supplying ballast under the sleepers. The improvement programmes also cater for investment in essential civil engineering plant and machinery. These programmes will enable the Railway to carry heavier and more intense traffic, reduce the incidence of derailments and increase operating speeds.

1216. A survey of railway bridges is now in progress, the objective of which is to ensure that they are structurally sound for present traffic conditions as well as to determine their capacity for increased load conditions. A realistic bridge renewal programme will also be formulated for implementation in stages.

1217. The present signalling and telecommunications systems are inadequate for operation of heavy-density traffic and for fast movement of trains. To meet these requirements, the signalling and telecommunications systems will be modernized or upgraded, where applicable, through the introduction of a tokenless block system and UHF/VHF radio links. The implementation of these systems will benefit the Railway in terms of operating efficiency and safety.

1218. In order to improve the housing and living conditions of Railway employees, particularly the lower grade staff and general labourers, present housing facilities will be upgraded. A total of 900 housing units will be built at Bukit Mertajam, Ipoh, Kuala Lumpur, Gemas and Kuala Krai.

1219. Feasibility studies for possible extension of the railway network will also be undertaken. These include the links between Kuala Lumpur, Kuantan, Kuala Trengganu and Kota Bharu as well as between Ipoh and Lumut.

1220. To meet the above requirements, an allocation of \$200 million is made under the Plan, as shown in Table 20-6 below.

TABLE 20-6

PENINSULAR MALAYSIA: PUBLIC DEVELOPMENT
EXPENDITURE FOR RAILWAY PROGRAMMES, 1976-80

(\$ million)

Passenger coaches and facilities	...	...	...	...	...	...	...	54.0
Track renewals	...	...	...	...	...	...	...	25.0
Rehabilitation programme	...	...	...	...	...	...	...	21.1
Purchase of diesel mainline locomotives	...	...	...	...	...	...	...	16.0
Signalling and telecommunications	...	...	...	...	...	...	...	15.0
Hopper ballast wagons	...	...	...	...	...	...	...	3.4
Diesel shunting locomotives	...	...	...	...	...	...	...	10.0
Johor port rail link	...	...	...	...	...	...	...	10.0
Capital spares for locomotives and diesel railcars	...	...	...	...	...	...	...	10.0
Realignment of Port Dickson branch	...	...	...	...	...	...	...	11.5
Track maintenance	...	...	...	...	...	...	...	5.0
Wagon construction	...	...	...	...	...	...	...	5.0
Others	...	...	...	...	...	...	...	14.0
							TOTAL	200.0

In addition, plans are underway to modernize the Sentul Workshop and to take advantage of the Railway's other assets, particularly its land, to generate new sources of revenue.

Port, shipping and marine services

1221. The programmes for port expansion will be accelerated during the Plan period to handle the increasing volume of imports and exports resulting from the rapid economic growth in Malaysia. In 1975, about 90% of the total volume of international trade of Peninsular Malaysia was handled through the two major ports of Klang and Penang. The commissioning of the two new ports at Johor Bahru and Kuantan in 1977 and 1978 respectively, will further increase the share of Peninsular Malaysia's international trade through Malaysian ports. The combined handling capacity of the major Peninsular Malaysia ports will be almost doubled from 6.8 million tons in 1975 to 11.4 million tons in 1980.

1222. The Penang Port Commission will continue to increase its capacity and efficiency through the provision of additional berth capacities and modern shipping and cargo handling facilities. The expansion programmes include the construction of a bulk cargo terminal at the Prai Industrial Estate, a vegetable oil tanker pier, construction of sixth berth-cum-container terminal and expansion of the lighter fleet. These programmes will provide sufficient capacity to meet throughput requirements up to 1985.

1223. The Klang Port Authority will complete the construction of an additional 3,500 ft. of general cargo-cum-container wharves and other supporting facilities in 1977. These expansion programmes will increase the total handling capacity of the port by 900,000 tons.

1224. The Johor port is designed as a specialized port to handle bulk liquid and dry cargo. The facilities originally planned include an oil jetty and back-up tank farms, one coaster wharf and two ocean wharves for dry cargo. However, with the rapid rate of development in the hinterland, including the establishment of a new industrial estate at Pasir Gudang, two additional dry cargo berths and an additional general purpose berth will be constructed during the TMP.

1225. The Kuantan port, when completed, will have three general cargo berths, one multi-purpose berth, one mineral oil jetty, a twin-dolphin berth for palm oil tankers and ship repair facilities. The main hinterland areas that will be served by the port include the State of Trengganu, the districts of Kuantan, Pekan and Jerantut and the northern part of the Pahang Tenggara development area. It is estimated that upon commissioning in 1978 the port will handle a throughput of 1.2 million tons and this will steadily increase to 1.6 million tons by 1980.

1226. To facilitate coastal trade and fishing and encourage small-scale industrial development, a number of jetties in towns along coastal areas including Malacca, Kuala Trengganu and Lumut will be constructed.

1227. In *Sabah*, the new port facilities at Kota Kinabalu and Sandakan will be commissioned in 1977. The Sabah Ports Authority has also initiated a 20-year development Masterplan study for all ports in the State. Detailed engineering design for expansion of Tawau port is now in progress.

1228. In *Sarawak*, an additional 700 feet of wharf will be constructed opposite the existing port at Pending Point, Kuching. This expansion will be sufficient to meet demands up to 1988. A new deep-water port will be developed at Tanjung Kidurong to support the agricultural and industrial development in the Fourth Division as well as oil and natural gas exports. The new port will be managed by the newly established North Sarawak Port Authority. Riverine and coastal transport will continue to play an important role in the economy of Sarawak. Minor wharfage facilities in outlying areas will therefore be provided under the Plan to meet the transport requirements of these isolated communities.

1229. Under the Plan, the corporate strategy and objectives of MISC are:—

- (i) to continue to expand and diversify its fleet so as to achieve a target of over 1,000,000 tons by 1980; and
- (ii) to meet the policy objectives of the Malaysian Government with respect to:—
 - (a) making Malaysia a maritime nation;

- (b) reducing the country's dependence on foreign ships by increasing the level of participation in Malaysian international and coastal shipping businesses;
- (c) shipping commitments in bilateral, regional and other trade agreements; and
- (d) training and development of Malaysians in technical, professional and commercial aspects of shipping business, especially in regard to the Malaysianization of floating staff and support to higher education institutions.

1230. In order to increase its level of participation in international and coastal shipping, a diversified fleet of vessels is being placed on order. During the Plan period, a total of 19 new vessels is scheduled to join the MISC current fleet of 20, thus increasing the total tonnage by another 500,000 tons by 1980. The new vessels consist of nine bulk carriers, five LNG tankers and five coastal vessels. Projects in the pipeline include the purchase of additional parcel tankers and container ships for the liner trade.

1231. Expansion and diversification of fleet will continue to become an important corporate feature of MISC as part of its strategy and planning to raise its level of participation in international shipping based on UNCTAD code of 40:40:20.

1232. In its coastal shipping sector, the objective of MISC is to modernize the shipping services so that more efficient and reliable services can be provided to meet the needs of shippers.

1233. To meet the needs of trained staff, MISC has also established a Maritime Training Centre in Malacca. It is envisaged that 1,000 seamen would be required to man the MISC vessels alone by 1980. The Training Centre will also provide intensive practical management courses for MISC executives relevant to their specific functions and needs for career development.

1234. In addition, scholarships will be offered to students who are now studying abroad or who are about to go abroad to pursue courses principally in marine engineering and naval architecture. An intensive effort will also be made to locate and recruit experienced Malaysian technical and operating staff *e.g.* chief engineers, second officers who are now serving on foreign liners to serve with the Corporation thereby relieving the need to employ expatriates in this category of staff. Training of officers on board the vessel will also continue to be part of the Corporation's effort to ensure that experienced Malaysian staff is available to man the ships.

1235. The Merchant Shipping Act of Peninsular Malaysia, Sabah and Sarawak has been reviewed and a new Merchant Shipping Act applicable to the whole of Malaysia is being drafted. The objective of the new Act is to promote greater participation in coastal trade by Malaysian ships and greater local equity participation in the shipping industry.

Civil aviation and air transport

1236. The rapid growth in air traffic, both passenger and freight, is a testimony to the strength of the Malaysian economy. Airport facilities throughout the country will be expanded, improved and upgraded to meet the projected growth in traffic as well as to ensure the safety of airline operators and passengers.

1237. In *Peninsular Malaysia*, the expansion of airports and aviation facilities at Penang, Kuala Lumpur and Kota Bharu will be completed. Both Kuala Lumpur and Penang international airports are being upgraded and improved with modern facilities to cater largely for the operation of wide-bodied jet aircraft in anticipation of a large inflow of tourist traffic from abroad. Improvements to terminal facilities as well as to aeronautical and commercial operation facilities at Kuala Lumpur and Penang are designed to handle a peak-hour traffic of 2,600 and 1,000 passengers respectively.

1238. Pending the completion of a Masterplan study for Kuantan airport, an expansion programme is now in progress to cater for both the requirements of civil as well as military aircraft. Plans are also being prepared to expand the Kuala Trengganu aerodrome to cater for medium-range jet aircraft operations. The location of the Ipoh aerodrome is too restrictive for future requirements and as such a token provision has been made for the identification of a new site under the Plan.

1239. In line with the rapid growth in air freight traffic, a feasibility study will be undertaken to make the new Johor airport at Senai an air cargo centre for Malaysia and the region. The study will also examine the viability of making the airport facilities interface with other modes of transport, especially the railway.

1240. Provision has also been made for implementing some new STOL airstrips in Pulau Langkawi, Pulau Tioman, Dungun, Taiping, Segamat and Jerantut. These airstrips will cater for both civil and military needs.

1241. Under the Plan, a total allocation of \$118.4 million has been made for Peninsular Malaysia.

1242. In *Sabah*, the objective is to improve existing facilities and provide new ones, where necessary, to ensure safe and efficient air transport. The network will be upgraded and developed within the context of promoting and enhancing social, cultural and economic links between Sabah and other States of Malaysia. Under the Plan, the development of Kota Kinabalu airport as an international and regional airport will be completed. It is envisaged that the new facilities will be able to meet traffic requirements up to 1985. Passenger traffic in 1975 was 458,000 and this traffic will increase by 5.5% per annum to reach 600,000 in 1980.

1243. Towards the latter part of the Plan period, a Masterplan study for a new airport in Tawau will also be undertaken in order to meet projected traffic growth. This will be carried out within the context of the physical expansion plan for the town itself.

1244. New rural aerodromes will also be built in order to serve isolated communities in Sabah. These projects will be implemented in such a way that maximum cost effectiveness and utilization of the facilities are achieved. To meet the programme requirements under the Plan, a total allocation of \$46.7 million has been provided for Sabah.

1245. In *Sarawak*, the expansion of Kuching airport is in progress. The runway is being extended to 8,000 feet while a new terminal complex will be built. The project is scheduled to be completed in 1978 and will handle over 400,000 passengers by 1980.

1246. The expansion of Miri airport is to cater for medium-range jet aircraft. The runway is being extended to 6,500 feet. Other facilities to be provided include aircraft parking apron and taxiways and navigational aids and communications equipment. The project is scheduled for completion in 1979 and will be able to handle traffic volume of around 400,000-450,000 by 1980. The improvements to Miri airport are essential in view of rapid agricultural and industrial development within the Miri/Bintulu region. In view of the physical constraints faced by expanding the existing Sibuluan airport, a new airport will be constructed about ten miles from Sibuluan town to meet the requirements of medium-range jet aircraft under the Plan.

1247. Other new airport projects which are being planned include Bintulu, Limbang and several rural aerodromes. The latter are to cater for the needs of isolated rural communities in the interior of Sarawak while Limbang aerodrome is to provide an air transport link with Kuching, the State capital. The allocation for civil aviation in Sarawak amounts to \$45.9 million under the Plan.

1248. MAS will continue its expansion programme under the TMP. It will take delivery of one DC-10 aircraft in August, 1976 and a second in September 1977. The DC-10 services are planned to be introduced initially to Hong Kong, Taipei and Tokyo and later to London, Sydney and Melbourne. Two additional wide-bodied aircraft and six B737 aircraft will also be acquired by 1980/81. By the end of the TMP period, MAS plans to extend its international services to cover Jeddah, Frankfurt, Rome, Amsterdam, Osaka, Seoul, Colombo and Perth.

Updating of the General Transport Survey

1249. The transport development programmes under the SMP was largely based on the findings and recommendations of the GTS carried out in 1967. Since then there have been substantial changes in the overall transport situation in the country following the rapid rate of land development and the growth of new centres of economic activity. Some of the major changes that have direct consequences on the overall transport demand pattern include the opening of new regional development areas and growth centres and the construction of the Johor and Kuantan ports. These changes have brought about considerable impact on the various modes of transport, particularly the railway.

1250. In the light of these developments and recent increases in fuel prices, the GTS carried out in 1967 will be revised and updated. The review will focus on the present and projected development for all sectors of the economy and their consequences on the demand for transport investment and policies for the next 15 years. The review and updating will give special attention to the role of the Malayan Railway in the overall transport system.

Telecommunications

1251. The telecommunications programmes under the Plan are geared to meet projected demands by industrial, commercial and housing developments. Major programmes to be undertaken during the Plan period include:—

- (i) installation of new crossbar and electronic telephone exchanges, supplemented by mobile exchanges to overcome short-term delays;
- (ii) installation of microwave, VHF, UHF, coaxial and pulse code modulation (PCM) systems;
- (iii) laying of a submarine cable system between Peninsular Malaysia, Sabah and Sarawak;
- (iv) expansion of the telex networks;
- (v) establishment of a public data switching network to cater for organizations using computers or modern electric business machines;
- (vi) construction of a second satellite communications earth station at Kuantan for operation with the Pacific Ocean Satellite; and
- (vii) expansion of the telecommunications network of the countries of the Association of Southeast Asian Nations (ASEAN).

1252. By the end of the TMP period, the national telephone system plan, which started in 1965, will be completed through the installation of new crossbar automatic trunk exchanges as well as the use of electronic switching exchanges at all major telephone exchanges.

1253. To progressively reduce the number of deferred applications for telephones, 396,000 new exchange lines will be installed during the Plan period. The regional distribution of these new lines is shown in Table 20-7 below.

TABLE 20-7

MALAYSIA: NUMBER OF ADDITIONAL EXCHANGE LINES,
1976-80

<i>Peninsular Malaysia</i>								<i>Unit</i>
North	...	...	...	...	...	...	...	100,200
Central	...	...	...	...	...	...	...	150,690
South	...	...	...	...	...	...	...	49,600
East	...	...	...	...	...	...	...	34,200
<i>Sabah</i>	...	...	...	...	...	...	...	29,300
<i>Sarawak</i>	...	...	...	...	...	...	...	32,010
TOTAL								396,000

1254. To meet the demand for telephone services, the *subscribers' network* will also be expanded. Over the Plan period, a total of 452,600 cable pairs, to be used mainly for telephone and telegraph services, will be installed in the various regions of the country as shown in Table 20-8.

TABLE 20-8

MALAYSIA: SUBSCRIBERS' NETWORK, 1976-80

<i>Peninsular Malaysia</i>								<i>Unit</i>
North	...	...	...	...	...	...	...	77,400
Central	...	...	...	...	...	...	...	241,280
South	...	...	...	...	...	...	...	46,000
East	...	...	...	...	...	...	...	34,920
<i>Sabah</i>	...	...	...	...	...	...	...	25,000
<i>Sarawak</i>	...	...	...	...	...	...	...	28,000
TOTAL								452,600

1255. The extension of the subscribers' network will be phased in with the telephone/telegraph/telex/data expansion programme. Over the Plan period, the demand for computerized telex services is expected to grow by 30%-50% per annum. To meet this demand, additional telex and data facilities will be provided particularly for the industrial and commercial sectors. The completion of these programmes will increase the number of subscribers by 149,439, thereby satisfying 42.9% of total demand.

1256. The programme for the *trunk and junction network* will also be expanded under the Plan. It is estimated that total circuit requirements will increase by 15%-20% per annum over the five-year period. In meeting these requirements, the STD system will be expanded throughout the country. This involves the extension of PCM systems, coaxial cable systems, microwave radio systems, as well as aerial and underground cables and overhead carrier systems. More junction links will also be constructed in order to extend telecommunications services to rural areas, new townships and other growth centres.

1257. Existing overseas communication links will be expanded in line with the growing cultural, diplomatic and economic ties between Malaysia and the outside world. Under the Plan, 160 satellite earth circuits, covering 18 countries, will be established. The main projects to be implemented under this programme are:—

- (i) a second satellite earth station at Kuantan beamed towards the Pacific Ocean and expansion of the existing earth station at Kuantan;
- (ii) the laying of an intra-Malaysia sub-marine cable between Peninsular Malaysia, Sabah and Sarawak;
- (iii) expansion of the microwave link and multiplex equipment at the Kuantan earth station; and
- (iv) participation in the telecommunications network of ASEAN.

1258. To meet the financial requirements of the above projects/programmes, an allocation of \$1.1 billion has been made under the Plan as shown in Table 20-9.

TABLE 20-9

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR
TELECOMMUNICATIONS PROGRAMMES, 1976-80
(\$ million)

	<i>Peninsular Malaysia</i>	<i>Sabah</i>	<i>Sarawak</i>	<i>Total</i>
Switching	348.47	26.55	29.80	404.82
Subscribers' network	293.02	19.86	11.81	324.69
Trunk and junction network	204.41	14.20	20.40	239.01
External services	44.10	—	—	44.10
Telex and telegraph	37.40	—	—	37.40
Training	5.00	—	—	5.00
Others	24.99	—	—	24.99
TOTAL ...	957.39	60.61	62.01	1,080.01

Postal services

1259. Under the Plan, the Postal Department's expansion programme will be guided by the objective of providing every town with a population of 3,000 and above with complete post office facilities, a postal agency for all areas with a population of 1,000 and above and mobile post offices for outlying areas and land development schemes. To support the expansion programme, a training institute to train all grades of personnel will be established in Kuala Lumpur. A new Postal Headquarters building will also be constructed in Kuala Lumpur. Other General Post Offices which will be constructed include Kota Bharu, Ipoh, Kuantan, Sandakan and Kuching. An allocation of \$36 million has been provided under the Plan.

Meteorological services

1260. The Meteorological Department will continue to upgrade the quality of meteorological services in particular those related to the needs of civil aviation, agriculture, research and education. Priority will be given to the establishment of a network of agro-meteorological stations in the country to provide adequate meteorological support for proper agricultural planning. In 1976, with the assumption of control of the Flight Information Region over Malaysian air space, a strengthened meteorological support service will be required. Two more storm warning radar systems will be established in Penang and Kluang thus completing the network over Peninsular Malaysia. A storm warning system will be constructed in Kota Kinabalu and Kuching. In addition, the present flood warning and weather forecasting system will be upgraded.

Broadcasting

1261. Radio and Television Malaysia will continue to extend the coverage of its services particularly to smaller towns with the provision of local and regional broadcasting and recording studios. The major programmes under the Plan include the introduction of Colour TV and the provision of regional studios at Kuala Lipis, Kuantan, Alor Star, Bintulu, Kapit, Sarikei, Sandakan and Tawau. A new TV transmitting station will also be constructed at Tenom.

IV. FINANCING OF TRANSPORT AND COMMUNICATIONS PROGRAMMES

1262. In view of the relatively high foreign exchange content of major transport and communications projects, funds from external sources such as the World Bank, the Asian Development Bank and the bilateral aid programmes will continue to be utilized to finance these projects. Under the TMP, it is estimated that external financing will meet as much as 40% of the transport and communications development programmes.

1263. Table 20-10 sets out the allocations for transport and communications development programmes under the Plan.

TABLE 20-10

MALAYSIA: PUBLIC DEVELOPMENT FOR TRANSPORT
AND COMMUNICATIONS PROGRAMMES, 1976-80

(\$ million)

	<i>Peninsular Malaysia</i>	<i>Sabah</i>	<i>Sarawak</i>	<i>Total</i>
<i>Transport</i>	2,071.3	351.8	395.9	2,819.0
Road ⁴	1,277.7	250.0	250.0	1,777.7
Railways	200.0	—	—	200.0
Ports ⁵	475.2	55.1	100.0	630.3
Civil aviation	118.4	46.7	45.9	211.0
<i>Communications</i>	1,051.2	65.0	75.8	1,192.0
Telecommunications	957.4	60.6	62.0	1,080.0
Postal services	30.8	0.9	4.3	36.0
Broadcasting	56.4	2.7	8.4	67.5
Meteorological services	6.6	0.8	1.1	8.5
TOTAL ..	3,122.5	416.8	471.7	4,011.0

⁴ Including PWD plant and equipment.

⁵ Including marine services.

CHAPTER XXI

Utilities

I. INTRODUCTION

1264. To meet the growth of industry, urban development and the modernization of the rural areas, intensive efforts were made to accelerate power and water supply programmes during the Second Malaysia Plan (SMP). Under the Third Malaysia Plan (TMP), these efforts will be continued with emphasis directed towards the economically depressed regions in line with the New Economic Policy (NEP). The expansion of the national grid of the National Electricity Board (NEB) to the East Coast States in Peninsular Malaysia will further stimulate the dispersal of industries to these areas. Rural electrification and rural water supply programmes will be stepped up in Peninsular Malaysia, Sabah and Sarawak. The provision of such facilities is aimed at improving the health, welfare and living conditions of people in rural areas as part of the overall poverty redressal effort of the Government. Greater emphasis will also be given to sewerage development, especially in major urban areas to improve public health, urban environment and the quality of life in urban areas.

II. POWER

Progress, 1971-75

1265. In *Peninsular Malaysia*, the demand for power increased by 13.5% per annum over the SMP period. To meet this demand, the installed generating capacity of the NEB was expanded by 39.2% to 896.7MW in 1975, comprising 570MW steam, 265.4MW hydro-electric and 61.3MW diesel plants. The major projects completed during the SMP period were the Stage II Tuanku Jaafar Power Station at Port Dickson (120MW), Prai Power Station Extension (30MW) and the final extension of Sultan Ismail Power Station at Johor Bahru (30MW). A number of projects was initiated for feasibility studies including the hydro-electric projects of Temenggor, Trengganu and Tembeling. Construction also began in respect of the Pasir Gudang Thermal Power Station, the Stage III Tuanku Jaafar Power Station and the final extension to the Prai Power Station.

1266. Additional transmission and distribution facilities were also provided within the national grid to connect the major load centres on the West Coast with Kuantan on the East Coast. Transmission lines increased by 246 miles to 1,122 miles in 1975, whilst distribution lines increased by a further 1,440 miles to 2,735 miles in 1975. The number of consumers served increased from 467,930 to 704,140 or 50.5% over the SMP period.

1267. To improve living conditions in remote areas, the programme for rural electrification in Peninsular Malaysia was extended to 297 villages, benefitting about 33,100 households, or 44% of the SMP target. The shortfall was due mainly to the shortage of basic materials like bars, insulated aluminium wires, high-voltage cables, transformers and switchgear; the difficulties in obtaining land for sub-stations, sites for rural power stations and wayleave for low-voltage overhead lines. The programme was financed by both the Federal and State Governments and the NEB. As shown in Table 21-1, a sum of \$516.3 million was spent on the electricity supply programmes in Peninsular Malaysia as against the revised provision of \$555 million.

TABLE 21-1

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR
ELECTRIC POWER PROGRAMMES, 1971-75
(\$ million)

<i>Project</i>	<i>Revised SMP allocation, 1971-75</i>	<i>Estimated expenditure, 1971-75</i>	<i>(%)</i>
<i>Peninsular Malaysia</i>	555.0	516.3	93.0
South Region power development	21.2	17.9	84.4
Johor Bahru final extension	12.8	18.0	140.6
Port Dickson and Prai extension	60.5	57.5	95.0
Port Dickson stage III	137.4	111.1	80.9
Temenggor hydro-electric development	64.4	59.2	91.9
Prai second extension	—	1.7	—
Tembeling hydro-electric development	3.7	2.5	67.6
Transmissions, distributions and other genera- tion projects	169.8	164.7	97.0
Rural electrification	60.2	60.3	100.2
Administration	25.0	23.4	93.6
<i>Sabah</i>	29.3	52.6	179.5
Power development	23.1	49.3	213.4
Rural electrification	6.2	3.3	53.2
<i>Sarawak</i>	65.0	65.2	100.3
Power development	61.4	59.0	96.1
Rural electrification	3.6	6.2	172.2
TOTAL ..	649.3	634.1	97.7

1268. In *Sabah*, the total generating capacity of the Sabah Electricity Board (SEB) increased by 30MW to 64MW by the end of 1975, an increase of 88%. The major projects completed included the installation of diesel sets at major load centres at Kota Kinabalu (10MW), Labuan (2MW) and Sandakan (15MW). Transmission lines increased by 81 miles for high-voltage and 207 miles for low-voltage. The number of consumers served increased by 91.9% from 24,000 in 1970 to 46,000 in 1975. To meet the increased demand for power in the State and to economize on fuel costs, a feasibility study of the Tenom-Pangi Hydro-electric Project was completed in 1973. Under the rural electrification programme, an additional 40 villages were provided with electricity during the SMP, benefitting about 2,000 families.

1269. In *Sarawak*, the total generating capacity of the Sarawak Electricity Supply Corporation (SESCO) increased by 29MW to 61MW during the SMP period. The major projects undertaken included the installation of two 8.5MW diesel sets at Kuching and one 5.5MW diesel set at Sibul. The number of consumers served increased from 30,447 in 1970 to 46,540 in 1975.

Programme, 1976-80

1270. The development of power will play a critical role in the growth of the industrial sector under the Plan. With the projected expansion of the manufacturing and commercial sectors of the economy, particularly the development of power intensive industries such as steel, petro-chemical and cement, the provision of reliable power is vital.

1271. Appropriate measures will be taken to ensure that the development of power supply is adequate to meet the projected demands of industry, commerce and domestic consumption. Power generation projects will be programmed and developed based on the most suitable mix of thermal and hydro-electric sources. The feasibility of utilizing nuclear energy is also being considered. The gradual expansion of the national grid to cover the whole of Peninsular Malaysia represents a further effort to reduce the costs of providing power through diesel stations especially for areas in the East Coast States of Kelantan, Trengganu and Pahang.

1272. An appropriate pricing policy will be developed by the various power authorities to ensure that the tariffs charged for supplying power to various categories of consumers reflect the actual costs of providing power except in those cases where subsidies are needed as part of the Government's poverty redressal efforts.

1273. Over the Plan period, the demand for power in Peninsular Malaysia is projected to grow by 12% per annum. The demand from industrial and commercial consumers who now account for 65.8% of total electricity consumption is expected to grow by 15.4% per annum over the Plan period, while that of domestic and other consumers which now account for the

remainder will grow by 11.7% per annum. Based on these projected demands and the extensive studies undertaken by the NEB on the most suitable mix of thermal and hydro-electric facilities, the following projects will be implemented under the Plan:—

- (i) the completion of the Temenggor Hydro-electric Project with four 87 MW units;
- (ii) the extension of the Prai Thermal Power Station with three 120 MW units;
- (iii) the development of a new thermal power station at Pasir Gudang with two 120 MW units;
- (iv) the development of the Tembeling Hydro-electric Project with four 27.5 MW units; and
- (v) the development of the Trengganu River Hydro-electric Scheme with four 100 MW units.

1274. With the completion of these projects, the total generating capacity of the NEB will be more than double from 896.7 MW in 1975 to 1,985 MW in 1980, comprising 1,290 MW thermal, 613 MW hydro-electric and 82 MW diesel plants. The large increase in power generation capacity provided under the Plan is to ensure that present and future expansion of industrial and commercial activities will not be constrained by inadequate power supplies. Furthermore, the implementation of these programmes will enable the NEB to replace the uneconomic diesel power stations on the East Coast and the less efficient thermal sets on the West Coast.

1275. With the rising costs of fuel oil, hydro-electric projects are becoming more viable than steam plants inspite of their heavier capital costs. Great potentials for hydro-electric power exist in Kelantan and Pahang. Most of these hydro-electric schemes will be developed as multi-purpose projects for power generation, flood control, irrigation and recreation. The completion of the Temenggor, Trengganu and Tembeling hydro-electric schemes will provide additional power which will be fed to the national grid system to meet the requirements of both the West Coast and the East Coast States. The transmission facilities will accordingly be extended to Pekan and Tanjung Gelang by 1976 and to Jengka and Jerantut by 1977. Other transmission lines will be extended from Temenggor to Machang, Kota Bharu and Kuala Trengganu by 1980. A sum of \$1.4 billion is allocated under the Plan to implement these projects as shown in Table 21-2.

1276. The programme for rural electrification will continue to be expanded during the Plan period as part of the overall effort to provide social amenities to enhance the quality of life and living standards among the rural communities. The target is to provide electricity to 2,630 villages or about 211,000 rural households. To ensure an effective rural electrification programme, a comprehensive study will be undertaken to determine the most cost-effective way of expanding such programmes. Appropriate criteria

TABLE 21-2

**MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR
POWER PROGRAMMES, 1976-80**

(\$ million)

<i>Peninsular Malaysia</i>	...	...	...	...	...	...	...	...	1,355.7
Port Dickson stage III	...	...	...	...	...	...	...	...	52.7
Temenggor hydro-electric development	...	...	...	...	...	...	...	...	192.0
Prai final extension	...	...	...	...	...	...	...	...	254.2
Johor Bahru final extension	...	...	...	...	...	...	...	...	2.7
Pasir Gudang power station	...	...	...	...	...	...	...	...	71.8
Tembeling hydro-electric development	...	...	...	...	...	...	...	...	26.3
Trengganu hydro-electric development	...	...	...	...	...	...	...	...	27.4
Kenering, Bersia, Pergau and other power generation projects	...	...	...	...	...	...	...	...	38.0
Transmissions and distributions	...	...	...	...	...	...	...	...	400.7
Rural electrification	...	...	...	...	...	...	...	...	158.0
Nuclear power station	...	...	...	...	...	...	...	...	3.6
Administration	...	...	...	...	...	...	...	...	25.0
Johor Tenggara, Pahang Tenggara and purchase of capital assets	...	...	...	...	...	...	...	...	103.3
<i>Sabah</i>	...	...	...	...	...	...	...	...	125.7
Generation	...	...	...	...	...	...	...	...	27.5
Transmissions and distributions	...	...	...	...	...	...	...	...	10.1
Tenom-Pangi hydro-electric development	...	...	...	...	...	...	...	...	65.9
Rural electrification	...	...	...	...	...	...	...	...	10.5
Others	...	...	...	...	...	...	...	...	11.7
<i>Sarawak</i>	...	...	...	...	...	...	...	...	98.1
Generation	...	...	...	...	...	...	...	...	53.2
Transmissions and distributions	...	...	...	...	...	...	...	...	31.1
Rural electrification	...	...	...	...	...	...	...	...	6.1
Others	...	...	...	...	...	...	...	...	7.7
									1,579.5
								TOTAL	1,579.5

will be developed for the selection of areas and villages to be supplied with electricity and the technical standards to be adopted. Special attention will also be given to the supply of electricity to new agricultural and regional development areas as well as to new industrial estates.

1277. In line with the objective of providing electricity through a sole public electricity authority, the Government has taken over the Perak River Hydro-electric Power Company Ltd., its subsidiary, the Kinta Electrical Distribution Company Bhd., and the Electricity Division of the City Council of Georgetown. This is necessary to develop an effective and integrated power system that will provide secure and reliable electricity supply.

1278. Power demand in *Sabah* is expected to grow by 14.7% per annum over the Plan period. To meet the projected growth in power demand, additional generating capacity will be provided by the SEB under the Plan. This will include the installation of four 8.2 MW diesel sets at Kota Kinabalu, two 8 MW sets and one 5.5 MW set at Sandakan, two 5 MW sets at Tawau and other smaller units at Kudat, Lahad Datu, Beaufort, Semporna, Keningau, Ranau and Kota Belud. These programmes will increase the SEB's generating capacity by about 84.85 MW, an increase of about 133%. Additional transmission and distribution facilities associated with the generating capacity expansion programmes will also be constructed including 150 miles of high-voltage and 450 miles of low-voltage lines. One major project to be implemented by the SEB during the Plan period is the Tenom-Pangi Hydro-electric Scheme. The Scheme, the first hydro-electric project undertaken by the Board, will have an ultimate generating capacity of 66 MW when fully completed. The first two 22 MW units are expected to be commissioned in 1980. The rural electrification programme for the State will also be accelerated to cover 45 new rural areas to benefit about 4,800 households or 24,000 people. The total provisions made under the Plan for the SEB's development programme is about \$125.7 million.

1279. The development of electricity in *Sarawak* will also be expanded to meet increased domestic, commercial and industrial demands. A new generating plant will be installed at Kuching comprising three 12MW diesel generating sets which will be commissioned in 1977/79. Two diesel sets of 8MW will also be installed at Sibul by 1977. Other diesel sets will be provided to meet power requirements in Miri and Bintulu. The total generating capacity of SESCO is expected to increase by about 74.65MW to about 135.65MW in 1980. Additional transmission lines and sub-stations will also be constructed in the Kuching and Sibul areas. The rural electrification programme will be expanded to supply another 3,000 households.

1280. To tap the vast hydro-electric potential that exists in Sarawak for future power development, a detailed feasibility study will be initiated for the Batang Ai and Batang Belaga Hydro-electric Schemes. The detailed design of these projects is expected to be undertaken during the latter part of the Plan period. A sum of \$98.1 million is provided under the Plan for SESCO's expansion programme.

Financing of the power programme

1281. Power development by its nature requires not only long gestation periods but also heavy capital outlays. For these reasons careful advance planning and preparation have been carried out by the various power authorities. A substantial portion of the funds for financing the various development projects under the Plan will come from the revenue generated by these authorities. Out of \$1.6 billion required for power development under the TMP, about \$426.5 million or 27% will be provided from the respective power authority's own resources including NEB, \$350 million, SESCO, \$40.7 million and SEB, \$35.8 million. The foreign exchange costs

will be financed through external borrowing from multilateral agencies such as the World Bank and the Asian Development Bank and through bilateral and suppliers' credit offers. The projects expected to be financed through the latter sources include the Temenggor, Tembeling, Trengganu and Tenom-Pangi Hydro-electric Projects and the thermal projects at Prai and Pasir Gudang.

Tariff structure

1282. The NEB tariffs are designed to reflect the actual operating costs of supplying power. However, the tariffs will be structured so as to ensure that the poor have effective access to electricity as well as to promote the development and dispersal of commercial and industrial activities to the less developed States. A study is being undertaken by the NEB to re-examine the present tariff structure with these objectives in mind. Similar studies will be undertaken by the SEB and SESCO.

1283. While the fuel cost variation surcharge has been applied to meet part of the increase in fuel costs, the basic tariffs, however, have not been revised since 1964 and with accelerated load growth, expanded construction programme and inflation, the present tariffs are no longer related to the current costs of operation. The only major revision was the equalization of tariffs, effective from the beginning of 1974, between the West Coast States served by the national grid and the East Coast States served by isolated diesel stations. This action was taken to ensure that the high operating and distribution costs of the diesel stations reflected in the higher rates charged for electricity in the East Coast, would not be a constraint on the development of these areas in line with the overall strategy to redress economic imbalance.

III. WATER SUPPLY

Progress, 1971-75

1284. In *Peninsular Malaysia*, the overall progress of the water supply programme under the SMP has been satisfactory. Total expenditure on water supplies in Peninsular Malaysia during the SMP period amounted to \$253.9 million as shown in Table 21-3. A number of major schemes were implemented during the Plan period. These included the Kuala Lumpur phase II, the Sungai Muda phase I (Penang), the Greater Ipoh phase I (Perak), the Durian Tunggal stage I (Malacca) and the Batu Pahat (Johor) water supply schemes. The Sungai Muda phase I scheme was completed in 1974 while the remaining schemes are expected to be completed during 1976-77. With the increasing demand for water, additional projects were also identified for implementation during the latter part of the Plan period. These include the Kedah Utara phase III, the Sungai Petani phase II, the Arau-Kangar (Perlis) and the Kuala Trengganu water supply projects. The completion of these

TABLE 21-3

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR
WATER SUPPLY PROGRAMMES, 1971-75

(\$ million)

<i>Project</i>	<i>Revised SMP allocation, 1971-75</i>	<i>Estimated expenditure, 1971-75</i>	<i>%</i>
<i>Peninsular Malaysia</i>	292.0	253.9	87.0
Major urban supplies			
Kuala Lumpur I	19.1	15.7	82.0
Kuala Lumpur II	20.0	19.0	95.0
Sungai Muda I	33.4	31.4	94.0
Durian Tunggal I	34.7	29.8	86.0
Other urban supplies	152.8	134.5	88.0
FELDA water supplies	27.0	19.7	73.0
Rural water supplies	5.0	3.8	76.0
<i>Sabah</i>	27.5	24.8	90.2
Kota Kinabalu II	1.2	2.3	192.0
Labuan	2.6	0.6	23.0
Sandakan II	4.5	6.3	140.0
Others	19.2	15.6	81.3
<i>Sarawak</i>	30.8	18.4	59.7
Kuching	13.5	5.9	43.7
Sibu	4.0	3.0	75.0
Others	13.3	9.5	71.4
TOTAL	350.3	297.1	84.8

projects will increase the water supply treatment capacity in Peninsular Malaysia by 92.23 mgd and will benefit an additional 1.5 million people. Thus, about 6.2 million people or 60% of the population will be provided with treated water.

1285. The shortage of water supply remains a problem in such urban areas as Kota Bharu, Kuala Trengganu and Padang Besar as these areas are characterized by either lack of adequate surface water or saline intrusion at potential sources of surface water. To meet the immediate requirements of water supply in Kuala Trengganu and its immediate environs, the present treatment plant capacity at Bukit Losong is being expanded from 2.3 mgd to 5 mgd. The project is scheduled to be completed in 1977. Feasibility studies for the Kota Bharu, Tanah Merah/Machang, Tumpat, Pasir Puteh and Pasir Mas water supply schemes have also been completed.

1286. To fulfil the objective of uplifting the economic and social well-being of the rural population, the rural water supply programme was accelerated during the latter part of the SMP period. Although the responsibility for providing water supply rests with the State Governments, however, the Federal Government during the latter part of the SMP period

provided assistance by way of equipment to accelerate the programme in a number of States depending on the merits of each case. About 310,000 people benefitted under these programmes during the SMP period.

1287. Water supply programmes to the Federal Land Development Authority (FELDA) schemes were also expanded during the SMP period. About 36 villages were provided with water supply, benefitting about 14,000 settler families.

1288. In *Sabah*, extensions and improvements to existing supplies were carried out. These included the Kota Kinabalu, Labuan, Sandakan, Tawau and other smaller schemes. In addition, ten new schemes were also constructed to serve the small townships of Beluran, Kunak, Kota Marudu, Limau-Limauan, Bingkor, Nabawan, Tambunan, Weston, Kuala Penyu and Membakut. A total of 65 extensions to water mains was also implemented to provide potable water to rural communities throughout the State. With the completion of the above schemes, the water supply capacity in Sabah was increased by more than three-fold from 6.5 mgd in 1970 to 21 mgd in 1975, benefitting an additional 79,000 people. Thus, about 227,000 people or 30% of the State population are provided with piped water.

1289. In *Sarawak*, extensions to the Kuching and Sibu water supply schemes were started during the SMP period to increase the supply capacity by 6 mgd and 4 mgd, respectively. New water supply schemes for Miri, Simanggang, Simunjan, Saratok and Tapah/Beratok were completed in the first half of the SMP period. In addition, a large number of minor schemes was also implemented to meet the demand of small townships and rural communities. The completion of these projects will increase the water supply treatment capacity in Sarawak by 15 mgd and will benefit an additional 163,000 people. Thus, about 432,000 people or 38.8% of the State population will be provided with treated water.

Programme, 1976-80

1290. In Peninsular Malaysia and in Sabah, the water systems generally provide service on a regional basis rather than for a single community. These systems, which serve almost all urban areas and adjacent towns and villages, have enabled rural communities to benefit from water supplies they otherwise would be unable to support. In Sarawak, where some 80% of the population live in small communities, water supply systems serve individual communities only.

1291. The water supply programmes proposed under the Plan would meet the growing demands of principal urban areas, extend water supply facilities to settlers under the various land development schemes and provide safe water supply to an increasing segment of the total population especially those in rural areas. These would be met by constructing new projects and expanding services from existing systems.

1292. Expansion of water supplies to poverty and new regional development areas will be accorded high priority. In the case of the poverty areas such as those found in Kedah and Perlis in the north and Kelantan, Trengganu and Pahang in the east, the provision of treated water supplies in these States forms part of the overall Government effort to provide social amenities to improve the health and quality of life for the rural poor. In the case of the new regional development areas in Trengganu, Pahang and Johor, such facilities form part and parcel of the overall economic infrastructure development for the various townships and regional centres to generate further development activities in those regions. The water supply systems in present towns in the East Coast States and the Northern States will also be expanded to ensure that such facilities do not constrain the future development of these towns and their surrounding areas.

1293. Apart from completing the projects carried over from the SMP, a number of new water supply schemes will be implemented during the Plan period. These include the Muar phase I, Johor (8 mgd), the Sungai Muda phase II, Penang (15 mgd), the Kuala Lumpur phase III (42.5 mgd), the Segamat, Johor (2.75 mgd) and the Labis, Johor (2 mgd) water supply schemes. It is estimated that an additional 1.3 million people will benefit from projects implemented under the Plan.

1294. Further detailed technical investigations will be carried out in respect of new water supply schemes at Tiram Layang in Johor Bahru, Kota Bharu, Tanah Merah/Machang, Tumpat, Pasir Puteh, Pasir Mas and Bachok in Kelantan and Kuala Trengganu. A feasibility study will also be undertaken for increasing the water supply to the Kuantan urban region including the port and the industrial estate in the Gebeng area. It is estimated that the treatment capacity will be increased by 60 mgd when these schemes are completed.

1295. An expanded rural water supply programme will be carried out during the Plan period to widen the coverage of water supply to remote rural areas. A provision of \$100 million has been provided for this purpose to benefit about 300,000 people.

1296. The FELDA water supply programmes under the Plan will cover 80 new settlements in addition to completing 32 continuation projects started under the SMP. In addition, six new schemes will be implemented in the Jengka Triangle to be completed by 1979. Total allocation for FELDA water supply programmes under the Plan is \$70.4 million and will benefit about 40,000 settler families.

1297. Water supply programmes in the regional development areas of Johor Tenggara, Pahang Tenggara and Trengganu Tengah will also be implemented. These projects are primarily designed to meet the supply requirements of new townships in these areas. Four water supply schemes with a combined treatment plant capacity of 16.5 mgd in Pahang Tenggara and six schemes with a combined treatment plant capacity of 13.25 mgd in

Johor Tenggara will be constructed. Feasibility studies for the Trengganu Tengah water supply system will be initiated during the early part of the Plan period. A total provision of \$84.1 million has been made under the Plan for water supply development in these three regional development areas.

1298. To meet the future demand for water beyond the Plan period, underground water surveys are being conducted in such areas as Kedah, Perlis, Kelantan, Trengganu, Pahang, Johor and Malacca. Similarly, surface water resource investigations will also be carried out to provide the data base for future water resource development.

1299. In *Sabah*, extensions to existing supplies, especially in major urban areas, will be implemented during the Plan period. Detailed feasibility studies for two major schemes at Kota Kinabalu and Sandakan to increase the capacity by another 30 mgd will be carried out. Various smaller schemes to meet the water requirements of such areas as Labuan, Lahad Datu, Tawau, Semporna and Kudat will also be implemented. These schemes are expected to increase the water treatment capacity by another 15 mgd. In addition, the rural water supply programme will also be expanded. A total allocation of \$36 million has been provided under the Plan for the water supply programme in Sabah. It is expected that an additional 123,000 people will benefit from this programme.

1300. In *Sarawak*, the two major expansion projects at Kuching and Sibu will be completed during the Plan period which will meet water supply demands up to 1981. In addition, extensions and new water supply schemes will be implemented at Bau/Lundu, Lubok Antu, Miri and Kapit. The water supply schemes to serve small isolated communities will also be expanded especially in the coastal and interior areas. It is expected that the total treatment capacity will increase by 29.1 mgd to 50.5 mgd in 1980, benefitting 338,000 people. A total provision of \$59.7 million is made under the Plan for these purposes.

IV. SEWERAGE

1301. Few satisfactory sewerage systems exist in Malaysia. According to the 1970 Census, only 20.6% of the population were provided with flush systems discharging either to communal or municipal sewers or, alternatively, to individual disposal systems. The remaining population was served by bucket (night soil) collection or used pit latrines or open drains. Of the urban areas, only Kuala Lumpur and Georgetown (Penang) have sewers; and a total of 350,000 people or 9% of the 1970 urban population of 3.7 million persons benefitted from this service.

1302. The need to improve and expand sewerage facilities to major towns during the SMP was recognized. Feasibility studies for the provision of comprehensive schemes in Kuala Lumpur, Ipoh and Georgetown were completed and some interim improvement schemes were carried out. A total of \$21.1 million was spent during the SMP.

1303. Under the Plan, sewerage development will be given emphasis as part of the overall programme to improve the environment and the quality of life particularly among the poor in major urban areas of the country. The programme calls for improvement and expansion of existing sewerage facilities and construction of new sewerage systems. Future development of housing and industrial estates near or around existing urban areas will be provided with centralized sewerage collection systems. The extension of sewerage facilities will also be carried out in presently built-up areas where existing systems are inadequate.

1304. With the continued growth of industry and mining, sources of water have been polluted and water treatment costs are increasing. In some instances, extensive land development is contributing to changes in stream flows making them unreliable sources of water.

1305. With the expansion of agro-based industrial activity, manufacturing production and the growth of urban areas, the pollution of downstream water sources is emerging as a potentially serious problem with consequential effects on the supply of water, health and freshwater fisheries. The increasing discharge of toxic waste from industry is another water pollution problem. While at present the control of water pollution is effected on an *ad hoc* basis, the Environmental Quality Act of 1974 is an important first step in providing the basis for long-range planning and control of water pollution. In recognition of these problems, a Malaysia-wide waste water sector survey will be initiated to facilitate the formulation of appropriate policy and the design of the investment programmes required for the treatment of waste water pollution. Some of the major urban areas to be covered by the survey include Seremban, Butterworth, Kuantan, Johor Bahru, Malacca, Kota Bharu, Kuala Trengganu, Kuching, Sibul, Miri and Kota Kinabalu.

1306. The immediate sewerage project to be implemented under the Plan is in the Federal Territory. The first phase of the Kuala Lumpur Sewerage Scheme covering Pantai, Bunas, Puchong and Lower Kerayong will provide sewerage facilities to about 200,000 people. The extension of sewerage services to these people who now rely upon night soil collection and sullage drains will improve their sanitary and living conditions and at the same time improve the aesthetics of the entire urban environment. At present, the sewerage effluents are either discharged to the drains or river systems. Thus, timely treatment of these effluents through the provision of a proper sewerage system will help to conserve the quality of water in the streams which will also benefit those who live in the downstream areas. A sum of \$138.5 million has been allocated for sewerage development.

V. FINANCING OF WATER SUPPLY AND SEWERAGE PROGRAMMES

1307. A number of water supply projects, particularly the major ones under the Plan are expected to be financed with external assistance. These include the Kuala Lumpur phase III, Sungai Muda phase II, Johor Bahru, Muar, Kota Kinabalu and Sandakan schemes. In addition, where feasible, a number of minor water supply schemes will also be packaged to take advantage of similar financing arrangements. The remaining sources of finance will be provided by the State Governments, except for FELDA schemes which will continue to receive direct Federal funds. In the case of sewerage projects, similar financing arrangements will be made particularly those in major urban areas.

1308. The Federal Government will finance the feasibility studies of sewerage programmes while the State Governments and the Municipalities are expected to contribute to the cost of design, land acquisition and construction of sewerage facilities. As both sewerage and water supply programmes generate their own revenue, the entire programme will be implemented, as far as possible, on a self-supporting basis through appropriate tariffs for various categories of users. The concept of beneficiaries paying for water service through adequate tariffs is well-established in Malaysia and water tariffs generally are sufficient to meet operating costs and debt service payments yielding at the same time a small surplus. This, however, is not sufficient to enable the water supply system to be extended to serve a greater population. Expenses of sewerage service are expected to be met principally from general tax assessments of local governments. Table 21-4 shows the allocation of water supply and sewerage development under the Plan.

TABLE 21-4

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR WATER SUPPLY AND SEWERAGE PROGRAMMES, 1976-80 (\$ million)

WATER SUPPLY

<i>Peninsular Malaysia</i>	...	...	...	...	...	...	...	...	...	496.4
Major urban supplies										
Greater Ipoh	...	...	...	...	...	...	...	...	...	29.4
Johor Bahru I	...	...	...	...	...	...	...	...	...	7.0
Kuala Lumpur II	...	...	...	...	...	...	...	...	...	19.0
Kuala Lumpur III	...	...	...	...	...	...	...	...	...	10.0
Muar I	...	...	...	...	...	...	...	...	...	14.9
Sungei Muda II	...	...	...	...	...	...	...	...	...	6.0
Other urban supplies										
East	...	...	...	...	...	...	...	...	...	56.3
Central	...	...	...	...	...	...	...	...	...	14.7
North	...	...	...	...	...	...	...	...	...	28.1
South	...	...	...	...	...	...	...	...	...	21.5

TABLE 21-4—(cont.)

**MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR
WATER SUPPLY AND SEWERAGE PROGRAMMES, 1976-80**
(\$ million)

FELDA water supplies	...	...	...	...	...	...	...	...	70.4 ¹
Rural water supplies	...	...	...	...	...	...	...	...	100.0
Regional authorities water supplies	...	...	...	...	...	...	...	...	84.1
Other water supplies	...	...	...	...	...	...	...	...	34.9 ²
<i>Sabah</i>	...	...	...	...	...	...	...	...	36.0
Kota Kinabalu II	...	...	...	...	...	...	...	...	12.0
Tawau	...	...	...	...	...	...	...	...	1.2
Labuan II	...	...	...	...	...	...	...	...	1.0
Sandakan II	...	...	...	...	...	...	...	...	1.7
Sandakan III	...	...	...	...	...	...	...	...	4.0
Semporna	...	...	...	...	...	...	...	...	3.5
Kota Kinabalu III	...	...	...	...	...	...	...	...	2.0
Others	...	...	...	...	...	...	...	...	10.6
<i>Sarawak</i>	...	...	...	...	...	...	...	...	59.7
Bau/Lundu	...	...	...	...	...	...	...	...	5.0
Kuching	...	...	...	...	...	...	...	...	19.7
Lubok Antu	...	...	...	...	...	...	...	...	4.3
Miri	...	...	...	...	...	...	...	...	3.0
Sibu	...	...	...	...	...	...	...	...	6.0
Others	...	...	...	...	...	...	...	...	21.7
								TOTAL	592.1
SEWERAGE									
<i>Peninsular Malaysia</i>	...	...	...	...	...	...	...	...	134.5
Kuala Lumpur	...	...	...	...	...	...	...	...	134.5 ³
Other projects to be identified	...	...	...	...	...	...	...	...	(10) ⁴
<i>Sabah</i>	...	...	...	...	...	...	...	...	(10) ⁴
<i>Sarawak</i>	...	...	...	...	...	...	...	...	4.0
Kuching, Miri and Sibu	...	...	...	...	...	...	...	...	4.0
								TOTAL	138.5

¹ Includes FELDA schemes in Jengka Triangle.

² Includes surveys and investigations.

³ Includes the continuation projects.

⁴ Token.

CHAPTER XXII

Education and Training

I. INTRODUCTION

1309. The education and training system has a multi-faceted role to play in the creation of a society based on the principles of the *Rukunegara* and the realization of the objectives of the New Economic Policy (NEP). The overriding objective is national integration and unity.

1310. *Bahasa Malaysia* will continue to be implemented as the main medium of instruction to strengthen the basis for national integration and unity among the people of Malaysia, while the use of English will be extended as a strong second language. Policies and programmes for education and training will be geared to enable all Malaysians to participate more fully in the process of national development. To attain this objective, education and training will be oriented to meet the skilled manpower needs of the nation and to provide greater opportunity for education among those in the lower income groups and regions in the country. Curricular and extra-curricular activities will be developed to inculcate discipline and social responsibility as well as to promote a National Identity and unity among all Malaysians. The education and training system of Sabah and Sarawak will be progressively integrated with the national system.

II. PROGRESS, 1971-75

1311. The Second Malaysia Plan (SMP) witnessed major advances in a number of important fields of education and training. The implementation of *Bahasa Malaysia*, in stages, as the main medium of instruction at the primary level in all English medium primary schools was achieved as planned. The expansion in education and training facilities enabled vast increases in intake of students with enrolments in tertiary education being most rapid. The progress in restructuring the education system towards science, mathematics and technology-oriented courses led to increased supplies of scientific and technical manpower. Major efforts were made to implement some of the recommendations of the Dropout Study to provide greater educational opportunities for those in low income groups. Education and training programmes were significantly expanded to increase the supply of skilled manpower among the Malays and other indigenous people to

meet the long-term objective of a racially balanced employment structure and for the creation of a viable commercial and industrial community among the Malays and other indigenous people. The developments in the education system are summarized in Table 22-1 below:

TABLE 22-1

MALAYSIA: DEVELOPMENTS IN THE EDUCATION SYSTEM, 1970-80

	Enrolment			Increase (%)	
	1970	1975	1980 (target)	1971-75	1976-80
<i>Primary</i>					
Peninsular Malaysia	1,421,469	1,586,909	1,815,600	11.6	14.4
Sabah	110,607	133,179	166,140	20.4	24.7
Sarawak	150,111	177,100	227,300	18.0	28.3
Total ..	1,682,187	1,897,188	2,209,040	12.8	16.4
(Percentage of all levels) ..	75.4	68.1	64.4		
<i>Lower secondary</i>					
Peninsular Malaysia	378,535	561,471	676,100	48.3	20.4
Sabah	25,068	41,835	68,492	66.9	63.7
Sarawak	17,041	46,400	67,530	172.3	45.5
Total ..	420,644	649,706	812,122	54.5	25.0
(Percentage of all levels) ..	18.9	23.3	23.7		
<i>Upper secondary</i>					
<i>Arts and science</i>					
Peninsular Malaysia	84,925	153,415	241,900	80.6	57.7
Sabah	3,619	6,518	16,743	80.1	156.9
Sarawak	4,384	7,120	19,130	62.4	168.7
<i>Vocational and technical</i> ..	4,899	14,338	25,920	192.7	80.8
Total ..	97,827	181,391	303,693	85.4	67.4
(Percentage of all levels) ..	4.4	6.5	8.9		
<i>Post secondary</i>					
Peninsular Malaysia	10,619	16,335	35,970	53.8	120.2
Sabah	272	293	618	7.7	110.9
Sarawak	641	1,360	2,320	112.2	70.6
Total ..	11,532	17,988	38,908	56.0	116.3
(Percentage of all levels) ..	0.5	0.7	1.1		
<i>Teacher training</i>					
<i>Peninsular Malaysia</i>					
Primary	1,435	2,735	7,680	90.6	180.8
Secondary	1,123	3,544	4,260	215.6	20.2
Sabah	630	782	924	24.1	18.2
Sarawak	699	879	2,200	25.8	150.3
Total ..	3,887	7,940	15,064	104.3	89.7
(Percentage of all levels) ..	0.2	0.3	0.4		

TABLE 22-1—(cont.)

MALAYSIA: DEVELOPMENTS IN THE EDUCATION SYSTEM, 1970-80

	Enrolment			Increase (%)	
	1970	1975	1980 (target)	1971-75	1976-80
<i>Diploma level</i> ¹	4,993	16,827	25,578	237.0	52.0
(Percentage of all levels) ..	0.2	0.6	0.8		
<i>Degree level</i> ²	8,331	14,702	24,258	76.5	65.0
(Percentage of all levels) ..	0.4	0.5	0.7		
GRAND TOTAL ..	2,229,401	2,785,742	3,428,663	25.0	23.1

¹ Includes enrolments in pre-university, preliminary and introductory courses at the respective colleges.

² Includes enrolments in preliminary and introductory courses being offered at the respective universities.

1312. Total enrolment in *primary education* increased by 12.8% from 1,682,187 in 1970 to 1,897,188 in 1975. The most significant enrolment increases were in Sabah and Sarawak. To cater for enrolment increases throughout the country and to replace sub-standard facilities mainly in the rural areas, a total of 6,151 classrooms were built.

1313. Enrolments at the *secondary level* grew by 60.2%. At the lower secondary level, enrolments increased significantly as a result of improvements in survival rates from primary to lower secondary classes. In Sarawak, major increases in enrolment at the lower secondary level resulted from the abolition of the Common Entrance Selection Examination for entry into lower secondary classes and the improvement in survival rates consequent upon the take-over by the Government of primary schools previously managed by local authorities. Overall, at the secondary level, 4,103 classrooms, 912 science laboratories and 224 libraries were constructed. At the upper secondary level, 13 out of the 19 new vocational and technical schools were constructed. The rest are expected to be completed in 1976/77.

1314. An important feature of upper secondary education was the establishment of 11 fully *residential science schools*, with a total enrolment capacity of 9,240, to provide expanded educational opportunities for pupils from rural areas. Ten of the schools have been completed, while one is expected to be completed by 1977.

1315. Under the *teacher training programme*, a total of 6,397 primary school teachers, 4,493 secondary school teachers were trained in Peninsular Malaysia. The delay in the completion of the physical development programme resulted in an overall shortage of 10,040 primary school teachers and 890 college trained teachers at the secondary level. Consequently, pupil-teacher ratios increased marginally during the period under review.

1316. A number of measures were taken to improve the quality of teacher training. In Peninsular Malaysia, considerable effort was made to implement the new integrated teacher training programme launched in 1973. This programme provides for greater mobility of teachers between the primary and secondary levels. In-service courses in *Bahasa Malaysia*, English and

other subjects were provided. Special training programmes were launched to upgrade the quality of teacher trainers. About 450 teacher trainers attended short-term courses and 72 benefitted from advanced post-graduate training in local and overseas universities.

Other education programmes

1317. The Training Division of the *Majlis Amanah Rakyat* (MARA) besides providing skill training through its vocational institutes implemented a number of other programmes to increase the supply of scientific and technical manpower among the Malays and other indigenous people. Total enrolment in MARA's Junior Science College programme expanded from 150 in 1972 to 1,259 in 1975. In addition, MARA provided scholarships and loans to 8,932 Malay and other indigenous students and 161 other Malaysians in science, technological and other professional courses.

Tertiary education

1318. Enrolments in tertiary education showed rapid growth during the period under review. Overall enrolment in college and university level institutions increased by 136.6% from 13,324 in 1970 to 31,529 in 1975. A significant part of the increase was in science and technical courses. The breakdown of enrolment increases for the various institutions in tertiary education is shown in Table 22-2 below.

TABLE 22-2
MALAYSIA: ENROLMENT INCREASES IN TERTIARY
EDUCATION, 1970-75

	1970	1975	Increase (%) 1971-75
College level			
<i>Politeknik Ungku Omar</i>	493	1,136	130.4
<i>Institusi Teknologi Mara</i>	2,142	7,872	267.5
<i>Kolej Tunku Abdul Rahman</i>	1,195	4,133	245.9
University level			
<i>Universiti Malaya</i>	7,777	8,056	3.6
<i>Universiti Sains Malaysia</i>	271	2,851	952.0
<i>Universiti Kebangsaan Malaysia</i>	169	2,562	1,416.0
<i>Universiti Pertanian Malaysia</i>	585	2,656	354.0
<i>Universiti Teknologi Malaysia</i>	692	2,263	227.0
TOTAL ...	13,324	31,529	136.6

1319. The *Politeknik Ungku Omar* which provides training for middle level technical and commercial manpower expanded its enrolment from 493 in 1970 to 1,136 in 1975 in civil, electrical and mechanical engineering, architecture and business studies. Almost all the physical facilities planned were completed. However, the marine engineering course scheduled for 1975 will now commence during the TMP period.

1320. The *Institusi Teknologi MARA (ITM)* made substantial progress in increasing the supply of qualified Malay and other indigenous manpower at the professional and sub-professional levels. In addition to the existing campus in Shah Alam, new branch campuses were established in Kota Kinabalu, Kuching, Kangar and Kuala Trengganu. A total of 32 new courses and five major schools were established. The new courses include diploma programme in microbiology, food technology, wood technology, textile technology, statistics and actuarial science, land surveying, regional planning, library science and book-keeping. Total enrolments in all the courses increased from 2,142 in 1970 to 7,872 in 1975. However, existing physical facilities at the Shah Alam campus remain inadequate.

1321. Enrolments at the *Kolej Tunku Abdul Rahman* increased from 1,195 in 1970 to 4,133 in 1975. The College, which receives Government support, offers certificate and diploma courses in business studies, arts and science, technology and pre-university courses designed to meet the manpower needs at the sub-professional level. Phase I of the College's building programme at its new campus in Ulu Klang began in 1973 and is expected to be completed in 1976.

1322. Enrolments at the *Universiti Malaya* increased from 7,777 in 1970 to 8,056 in 1975. Two new faculties in Law and Dentistry were established in 1972 with an initial intake of 32 and 51 students respectively. In addition, a Department of Anthropology and Sociology was set up within the Faculty of Arts and a Division of Chemical Engineering within the Faculty of Engineering. New courses in computer science and accounting were introduced. The University also established a Language Centre to implement and co-ordinate the teaching of languages at the University.

1323. Enrolments in full-time courses at the *Universiti Sains Malaysia* increased from 271 in 1970 to 2,180 in 1975, while enrolments in off-campus courses increased from 75 in 1971 to 671 in 1975. These increases were the result of extensions to the Schools of Applied Sciences, Pharmaceutical Sciences, Comparative Social Science and Humanities. Work on the expansion of the Schools of Biological Sciences, Chemical Sciences, Physics and Mathematics, Applied Sciences and Pharmaceutical Sciences commenced during 1975.

1324. The *Universiti Kebangsaan Malaysia* recorded a rapid rate of increase in enrolments from 169 in 1970 to 2,502 in 1975. The University now has four faculties in Arts, Science, Medicine, and Economics and Management, and an Institute of Malay Language, Literature and Culture. The first intake of students into the Medical Faculty commenced in 1973. Phase I of the development of a new site in Bangi for the relocation of the University has been completed. In addition, a branch campus was established in Sabah in 1974 with an enrolment of 60.

1325. The *Universiti Teknologi Malaysia* was established in 1972 following the upgrading of the Technical College. During 1971-75, enrolments in diploma courses expanded from 692 to 1,713. Degree courses were started in 1972 and enrolment reached 550 in 1975. Work is underway to expand the Faculties of Engineering, Surveying and Architecture. Preparatory work has commenced for the development of a new 2,440-acre site in Johor Bahru.

1326. With the establishment of *Universiti Pertanian Malaysia* in 1971, the intake of undergraduate students into agricultural science courses at *Universiti Malaya* was discontinued since 1973. Enrolments in degree courses increased from 114 in 1973 to 695 in 1975 and enrolments in diploma courses increased from 545 in 1970 to 1,858 in 1975. The first batch of students in degree courses in agriculture, forestry, veterinary medicine and animal science was admitted in 1973. New courses in agricultural engineering and agricultural science with education were introduced in 1974. A branch campus of the University was established in Sarawak in 1975 with an intake of 103 students.

III. TRAINING PROGRAMMES

1327. Considerable progress was made in expanding training capacity and strengthening training programmes at craftsmen level. Of significance was the establishment of the National Industrial Training and Trade Certification Board (NITTCB) to provide common trade standards and to improve syllabi and course structures in vocational training institutions. Training programmes of the Ministry of Labour and Manpower, the Ministry of Culture, Youth and Sports, MARA and other institutions were expanded significantly.

1328. The *Industrial Training Institutes* (ITI) under the Ministry of Labour and Manpower offer a wide variety of courses. Workshop and classroom facilities were expanded in the Institutes in Kuala Lumpur and Prai to provide preparatory trade courses for school leavers as well as courses for ex-servicemen, skill upgrading, instructor training and apprenticeship for those now in employment. A total of 51 trade instructors from the various training agencies and 326 supervisors from both the public and private sectors were trained during 1973-75. During the same period, 385 workers from industrial establishments were provided with skill upgrading courses. Total enrolments in all the courses increased from 996 in 1970 to 2,232 in 1975.

1329. There are now six *vocational institutes* under MARA and two are under construction. During 1971-75, MARA provided training to 5,747 students. This comprised 2,514 in vocational institutes, 2,535 in on-the-job training in the public and private sectors, 484 in skill upgrading and 214 as instructors both locally and overseas. In addition, MARA provided special training in specific fields to upgrade the skills of those already in employment.

1330. The Ministry of Culture, Youth and Sports provides training through the *National Youth Development Corps* and the *National Youth Pioneer Corps*. The National Youth Development Corps offers short-term training in discipline for unemployed youth. A total of 6,698 youth completed their training during the period under review. The National Youth Pioneer Corps which offers skill training ranging from 6 to 30 months achieved considerable expansion and diversification of courses. A total of 2,061 youth completed their skill training during 1971-75 and the number of trades offered increased from eight in 1969 to 20 in 1975.

Management training

1331. Apart from expansion at the tertiary education level in management and related courses, short-term management training courses are also conducted by the National Productivity Centre (NPC), ITM, the National Institute of Public Administration (INTAN) and the Malaysian Institute of Management. The NPC provided management training for 14,951 managers and supervisors mainly from the private sector. The NPC also launched special courses for 2,620 Malay and other indigenous managers and supervisors through its Bumiputra Services Division which was set up in 1973. Some 6,500 Malay and other indigenous managers and supervisors benefited from the full range of courses conducted by the NPC during 1971-75. The ITM provides a three-month full residential and intensive course in entrepreneurial and management studies for Malay and other indigenous business executives. The first intake of 47 students was in April 1974 and so far 124 such executives have attended this course. INTAN provided in-service training for 5,600 administrative and managerial personnel in the public sector. These courses focussed on various aspects of public sector management, economic and social planning.

Measures for co-ordination of training

1332. The National Advisory Council on Industrial Training (NACIT) with representation from both the public and private sectors was established in 1972 to co-ordinate overall industrial training. The functions and operations of the Council were reviewed in order to increase its effectiveness. Progress was made in formulating common standards for industrial trades and in improving the quality and content of training programmes. The NITTCB, with the assistance of the private sector, has set standards for 23 industrial trades at the basic, intermediate and advanced levels. The NITTCB has also prepared national training syllabi for 17 industrial trades at the basic level and 16 industrial trades at the intermediate level. A total of 4,760 candidates from the various training institutions and the private sector was evaluated by the Board during 1973-75, of which 40.8% met the standards set by the Board. The Board also evaluated the programmes of training institutions, the training needs of the motor and electrical industries and the employment experience of NITTCB certificate holders. However, staff shortages remain a constraint to the Board's activities.

IV. PROGRAMMES, 1976-80

Objectives

1333. The education and training objectives under the TMP will be to:—

- (i) strengthen the educational system for promoting national integration and unity through:
 - (a) the continued implementation, in stages, of *Bahasa Malaysia* as the main medium of instruction at all levels;
 - (b) the development of personality, character and good citizenship and the promotion of moral discipline through curriculum and extra-curriculum activities;
 - (c) narrowing the gap in educational opportunities between the rich and poor, and among the various regions and races in the country, through a more equitable distribution of resources and facilities; and
 - (d) the eventual integration of the educational systems in Sabah and Sarawak into the national system;
- (ii) the orientation and expansion of the education and training system towards meeting national manpower needs, especially in science and technology;
- (iii) the improvement of the quality of education in order to reduce wastage and increase its effectiveness for nation building; and
- (iv) the expansion of the research, planning and implementation capacity to meet the above objectives.

Ministry of Education programmes

1334. *Primary education* The existing policy to provide nine years of schooling for every child will be maintained. Total enrolment for the Plan period is estimated to increase from 1.9 million in 1975 to 2.2 million in 1980 or by 16.4% as shown in Table 22-3 below. A total of 8,406 classrooms and 755 libraries will be constructed to cater for this increase and to replace existing sub-standard facilities mainly in the rural areas and the less developed States.

TABLE 22-3

MALAYSIA: PROJECTED ENROLMENT INCREASES IN PRIMARY EDUCATION, 1975-80

	1975	1980	Increase (%) 1976-80
Peninsular Malaysia	1,586,909	1,815,600	14.4
Sabah	133,179	166,140	24.7
Sarawak	177,100	227,300	28.3
TOTAL	1,897,188	2,209,040	16.4

1335. *Secondary education* Enrolments at the secondary level will grow rapidly as a result of improvements in survival rates at the primary level and in response to strong demand for further education as shown in Table 22-4 below. In Peninsular Malaysia, the proportion of Form III students proceeding to Form IV increased from 49.4% in 1970 to 65.0% in 1975. In Sabah and Sarawak, the provision of nine years of schooling for every child will lead to expanded enrolments at the secondary level.

TABLE 22-4

MALAYSIA: PROJECTED ENROLMENT INCREASES IN
SECONDARY EDUCATION, 1975-80

<i>Lower Secondary</i>	1975	1980	<i>Increase (%) 1976-80</i>
Peninsular Malaysia	561,471	676,100	20.4
Sabah	41,835	68,492	63.7
Sarawak	46,400	67,530	45.5
TOTAL ...	<u>649,706</u>	<u>812,122</u>	<u>25.0</u>
<i>Upper secondary (Arts and Science)</i>			
Peninsular Malaysia	153,415	241,900	57.7
Sabah	6,518	16,743	156.9
Sarawak	7,120	19,130	168.7
TOTAL ...	<u>167,053</u>	<u>277,773</u>	<u>66.3</u>
<i>Post secondary</i>			
Peninsular Malaysia	16,335	35,970	120.2
Sabah	293	618	110.9
Sarawak	1,360	2,320	70.6
TOTAL ...	<u>17,988</u>	<u>38,908</u>	<u>116.3</u>

1336. In Peninsular Malaysia, 142 existing secondary schools will be extended or replaced and 48 new schools with a capacity of 726 classrooms will be constructed.

1337. In Sabah, extensions and improvements to 12 existing secondary schools and the construction of 17 new schools have been planned. Financial assistance will continue to be given to equip aided secondary schools. A Junior College—an SMP project—will be established in Kota Kinabalu under the TMP with full residential facilities to cater for an enrolment of 390.

1338. In Sarawak, a substantially stepped-up secondary school building programme is planned encompassing the construction of 14 new schools and extensions and improvements to 27 schools.

1339. *Residential science school* In addition to the 11 residential science schools set up during 1971-75 in Peninsular Malaysia, a further seven residential science schools will be constructed during the Plan period bringing total enrolments to 15,120 students. These schools will expand further the opportunities for rural students to pursue their education in science, mathematics and related subjects and to take advantage of centralized educational facilities.

1340. *Upper secondary technical and vocational education* In the field of vocational education, nine more vocational schools providing industrial trade, home science, agricultural science and commercial courses will be constructed bringing the total of such schools to 30. The expansion in technical and vocational education will increase present enrolment from 13,694 in 1975 to 21,540 in 1980.

1341. In Sabah, in addition to extending the vocational school in Sandakan, three new vocational schools are planned. These schools will have an enrolment capacity of 1,600 with residential facilities for 1,044.

1342. In Sarawak, extensions will be made to existing vocational schools in Kuching, Sibul and Miri. Enrolment in vocational schools will expand from 353 in 1975 to 1,100 in 1980.

1343. *Higher education* Higher education facilities have expanded rapidly under the First and Second Malaysia Plans. Their further expansion will have to be reviewed in the light of manpower requirements as discussed in paragraphs 1370 and 1371. During the Plan period, efforts will be made to consolidate degree courses and expand diploma level courses. Accordingly, a polytechnic will be constructed in Kuantan and facilities for diploma level courses at ITM, *Universiti Pertanian*, *Universiti Teknologi* and *Politeknik Ungku Omar* will be expanded. Enrolment projections at colleges and universities are indicated in Table 22-5 below.

1344. At the College level, the *Politeknik Ungku Omar* will be expanded to cater for an enrolment of 1,650 by 1980. The polytechnic at Kuantan will commence courses in engineering and business studies in 1976 with an initial enrolment of 100. Upon full completion of the project, total enrolment will reach 1,100 producing about 500 graduates a year.

1345. The *Institusi Teknologi MARA* will expand its capacity to train Malays and other indigenous people in professional and sub-professional fields. The expansion programme of the ITM at Shah Alam and the four existing branch campuses in Perlis, Trengganu, Sabah and Sarawak will raise total enrolments from 7,872 in 1975 to 9,215 in 1980. A Centre for Entrepreneurial Development will be established, as a constituent part of ITM, to provide education and training opportunities and to undertake research in entrepreneurial development.

TABLE 22-5

MALAYSIA: PROJECTED ENROLMENT INCREASES
IN TERTIARY EDUCATION, 1975-80

	1975	1980	Increase (%) 1976-80
<i>College level</i>			
<i>Politeknik Ungku Omar</i>	1,136	1,650	45.2
<i>Institusi Teknologi MARA</i>	7,872	9,215	17.1
The polytechnic at Kuantan	—	969	—
<i>Kolej Tunku Abdul Rahman</i>	4,133	7,030	70.1
<i>University level</i>			
<i>Universiti Malaya</i>	8,056	9,356	16.1
<i>Universiti Kebangsaan Malaysia</i>	2,562	6,241	143.6
<i>Universiti Teknologi Malaysia</i>	2,263	5,125	126.5
<i>Universiti Pertanian Malaysia</i>	2,656	4,960	86.7
<i>Universiti Sains Malaysia</i>	2,851	5,290	85.5
TOTAL	31,529	49,836	58.1

1346. The *Kolej Tunku Abdul Rahman* will expand its enrolments from 4,133 in 1975 to 7,030 in 1980. The new campus at Ulu Klang will commence courses with the completion of phase I of the building programme. During the Plan period, work on the construction of the Schools of Technology and Pre-University Studies is expected to be completed.

1347. The *Universiti Malaya* will increase its enrolments from 8,056 in 1975 to 9,356 in 1980. The University will consolidate its efforts at the undergraduate level and develop its capability in post-graduate research and education. A Centre for Post-Graduate Studies and Research will be established to undertake multi-disciplinary research in the science, engineering and agricultural fields in collaboration with other institutions.

1348. Enrolments in full-time undergraduate and off-campus courses at the *Universiti Sains Malaysia* will reach 3,905 and 1,040 respectively by 1980. Enrolment in post-graduate courses will increase from 132 in 1975 to 345 in 1980.

1349. The *Universiti Kebangsaan Malaysia* will diversify its courses and rationalize its academic structure through appropriate grouping and upgrading of schools into faculties. Under the Plan, the Faculty of Medicine will be expanded. The University, with the exception of the Medical Faculty, will move to the new campus at Bangi in stages from 1977. Enrolments are expected to increase from 2,562 in 1975 to 6,241 in 1980.

1350. The major development programme of the *Universiti Teknologi Malaysia* will be the construction of a new campus in Johor Bahru to be completed by 1982. The expansion of the Faculties of Surveying, Engineering and Architecture as well as the library and the hostel blocks at the

existing campus in Kuala Lumpur will be completed by 1978. Enrolments in degree courses will increase from 550 to 1,335 and in diploma courses from 1,713 to 3,790 during the Plan period.

1351. At the *Universiti Pertanian Malaysia*, enrolment at the main campus in diploma and degree courses will reach 2,509 and 2,212 respectively by 1980. The intake of students into diploma courses in agriculture and forestry in the branch campus in Sarawak will commence in 1976, while the intake of students into the diploma course in Animal Science will begin in 1978/79. The University will also introduce a new course in Food Technology.

1352. *Teacher Training* The teacher training programmes in Peninsular Malaysia will produce 25,440 college-trained teachers under the Plan from the 14 existing teacher training colleges and four new colleges scheduled for completion by 1977. Four temporary teacher training centres have been established to commence operation in 1976 with a total yearly intake of 1,440. In addition, the existing 14 teacher training colleges will be expanded.

1353. In Sarawak, existing facilities at the Rejang Teacher Training College and the Batu Lintang Teacher Training College will be upgraded. A new Teacher Training College is to be located at Miri with an initial intake of 210 students in 1979. In Sabah, extensions will be made to two of the existing three colleges in Sandakan and Tuaran. The teacher training programmes in Sabah and Sarawak will produce 6,483 college-trained teachers during the Plan period. The shortage of college-trained teachers will continue to exist but is expected to be reduced towards the end of the Plan period with the completion of the various training programmes.

1354. The shortage of graduate teachers will be sizeable. The overall demand for graduate teachers taking into account present deficits is estimated at 9,829. The output of graduate teachers, especially in the science fields, will be considerably stepped up with the establishment of graduate teacher training programmes in the *Universiti Pertanian Malaysia* and *Universiti Teknologi Malaysia*, in addition to existing ones at the *Universiti Malaya*, *Universiti Kebangsaan* and the *Universiti Sains Malaysia*. The total output of graduate teachers from these institutions during the Plan period is estimated at 5,348 as compared to 3,108 during 1971-75. Continuing efforts will be made to upgrade the quality of teaching. Intensive in-service courses will be conducted for the teaching of *Bahasa Malaysia*, English, mathematics, science, technical and vocational subjects to enable teachers to keep abreast of changes in educational curricula and innovations.

V. TRAINING PROGRAMMES

1355. In the implementation of vocational training programmes, emphasis will be given to the closer co-ordination and integration of institutional and on-the-job training within industry.

Expansion of vocational training programmes

1356. Facilities at the *Industrial Training Institutes* in Kuala Lumpur and Prai will be extended to meet the demand for skills in Printing, Metal and Foundry work, Tool and Die Making and Electronics and to provide for the expansion of instructor training particularly to meet the requirement of about 200 new instructors for the ITIs. Three new ITIs are planned for construction in Kuala Trengganu, Johor Bahru and Kota Kinabalu. They will offer courses in heavy plant fitting and maintenance, building and the automotive and engineering trades. Overall, the planned expansion in facilities will increase output annually from 464 in 1975 to 2,020 by 1980.

1357. The target of the *Training Division of MARA* is to produce 18,013 skilled workers during the Plan period. Enrolment in MARA's Vocational Institutes will be expanded to 3,845 by 1980. Programmes for on-the-job training in both the public and the private sectors will cater for about 5,906 Malay and other indigenous students. In addition, MARA will expand its scholarship and loan schemes to cater for an increasing number of Malays and other indigenous people in specific fields of education and training.

1358. The Ministry of Culture, Youth and Sports provides skill training for unemployed youth through the *National Youth Pioneer Corps* and disciplinary training through the *National Youth Development Corps* at Dusun Tua. During the Plan period, the programmes of the National Youth Development Corps and facilities for training of agricultural skills will be located at a new site at Bukit Changgang. This will provide room for further expansion of enrolments in industrial training at Dusun Tua. The intake of students at the National Youth Pioneer Corps will expand from 656 in 1975 to 915 in 1980.

Increasing the effectiveness of training

1359. With the expansion of training programmes and rapid changes in the demand and structure of skills, training activities will need to be closely co-ordinated to ensure that quantitative expansion and qualitative changes in training meet employment requirements. Continuous assessment of skill demands and evaluation of curricula, training standards and job experience of graduates will be necessary. The development of a sizeable programme of on-the-job training in co-operation with industry will also be vital for the development of a sound and effective industrial training policy and programme. A National Industrial Training Council with representation from both the public and private sectors will be established under the Ministry of Labour and Manpower for the above purposes. The functions of this Council will cover all fields of training including the development of management, technician and craftsmen skills.

1360. The Council in its operations will be guided and assisted by the NITTCB and the Manpower Department of the Ministry of Labour and Manpower. The NITTCB will expand its efforts in the setting of standards, development of syllabi and certification of skilled workers. It will be considerably strengthened to provide expert assistance to both the public and private sectors in the formulation and implementation of training programmes.

VI. EDUCATION AND TRAINING POLICIES

1361. The Government views the education and training system as a major vehicle for achieving the overriding objective of national integration and unity. The attainment of this objective calls for dynamic and pragmatic approaches in the planning and implementation of education and training policies and programmes.

1362. *Bahasa Malaysia* One of the basic elements in the effort to promote national integration and unity is the use of *Bahasa Malaysia* in stages as the main medium of instruction at all levels of education. In Peninsular Malaysia, all subjects except English and other languages, at the primary level in all former English medium primary schools, are taught in *Bahasa Malaysia*. By 1980, *Bahasa Malaysia* will be the main medium of instruction in all secondary schools.

1363. The present educational systems in Sabah and Sarawak will be integrated with the National Educational System by expanding the use of *Bahasa Malaysia* at the primary level. Measures will continue to be taken to adopt common syllabi at primary and secondary levels, including teacher training institutions.

1364. While the Government will implement vigorously the teaching of *Bahasa Malaysia*, measures will be taken to ensure that *English* is taught as a strong second language. This is important if Malaysia is to keep abreast of scientific and technological developments in the world and participate meaningfully in international trade and commerce.

1365. *Extending educational opportunities for the poor* Data on household income and educational attainment show that there is a close association between poverty and educational attainment. The majority of the poor have low levels of educational attainment which restrict their access to productive employment opportunities. Therefore, extension and improvement of educational opportunities for the poor of all races is an integral part of the Plan. Measures aimed at expanding educational opportunities for the poor include programmes for pre-school child development and the provision of other compensatory educational facilities to reduce the dropout rate at the primary and secondary levels.

1366. The Dropout Study published in 1972, identified pre-school child development as an important element in remedying the socio-economic and environmental deficiencies that impede the physical, social and emotional

development of children. During the Plan period, opportunities for pre-school child development will be expanded on a selective basis, geared mainly to the location of such facilities in areas where there is a preponderance of poverty groups. Special efforts will be made to develop suitable curricula and to train pre-school teachers. The existing pre-school centres—*Taman Bimbingan Kanak-Kanak*—of the Ministry of Agriculture will be expanded to reach 100,000 children by 1980.

1367. The Dropout Study also identified high rates of dropouts among the poor especially in the rural areas. While there has been some improvement in overall survival rates at the primary and lower secondary levels during 1971-75, the position is not uniform with respect to States and racial groups. Measures aimed at reducing dropouts from the educational system at primary and lower secondary levels will continue to be intensified. This will include the progressive amalgamation of small schools into viable educational units and expansion and improvement of library, hostel and other educational facilities. The amalgamation of small schools, mostly in the rural areas, will enable more effective utilization of resources for improving the quality of education. Other programmes comprise remedial education for slow learners, the continued implementation of the textbook loan scheme for poor pupils and health and nutritional programmes.

1368. *Manpower orientation to education and training programmes* The education and training system will be geared to equip youth with the knowledge and skills necessary for their effective participation in the development of the economy. The shortage of skills, in particular at the professional and technical, managerial and craftsmen levels poses major constraints to the expansion of the economy. As illustrated in Chapter VIII, the rapid growth planned for the economy will generate increasing demand for skills at all levels.

1369. During the Plan period, a number of measures will be taken to bring about closer orientation of the education and training system to meet manpower needs. The teaching of science and mathematics at primary and lower secondary levels will be strengthened through the increased provision of teaching materials and expansion in the number of science and mathematics teachers. Enrolment in science, technical and vocational courses at the upper secondary level will be expanded to account for 51.6% of total enrolment at this level in 1980 as compared to 39.4% in 1975. The implementation of the modern mathematics and integrated science syllabi at the lower and upper secondary levels will be kept under continuous review.

1370. In the expansion of higher education, priority will be given to diploma level courses in line with the need to remedy existing imbalances in enrolments between diploma and degree courses and to meet the sizeable demand for manpower at the sub-professional level. The intake of liberal Arts students will be progressively reduced. Engineering, science, medical, agriculture and business courses will be emphasized. The annual output

from these courses in proportion to total output of degree holders will increase from 45.5% in 1975 to 54.4% in 1980. A similar importance will be given to industrial vocational training for employment in commerce and industry.

1371. A long-term plan for the development of higher education consistent with socio-economic objectives of the NEP will be formulated in the light of manpower needs and physical and financial requirements of the country keeping in mind the need to avoid duplication.

VII. RACIAL BALANCE AND EDUCATION

1372. Table 22-6 shows student enrolments by race within the formal school system in Peninsular Malaysia in 1970 and 1975. Overall, the racial breakdown of enrolment follows the racial composition of the population. During the period 1971-75, enrolments of Malays and other indigenous people at the upper and post secondary levels increased substantially. Their share of enrolments in the science stream at the upper and post secondary levels improved significantly as a result of expansion in science education especially in the rural areas. In 1975, of the total enrolment in the science stream at the upper secondary level, 53% were Malays and other indigenous people, 41% Chinese, 5% Indians and 1% Others. The share of enrolments of the Malays and other indigenous people in the science stream at the post secondary level increased from 24% in 1970 to 42% in 1975.

1373. There were also significant improvements in the racial composition of students in institutions of higher education. Tables 22-7 and 22-8 show student enrolments by race for each of the institutions and by field of study. The data only refer to enrolment in local colleges and universities.

1374. It is estimated that a total of about 31,500 Malaysian students are enrolled in all overseas institutions in 1975. Currently available data indicate that of the total 4,005 Malaysians including scholarship holders who were newly enrolled at tertiary level institutions in the United Kingdom, Australia and New Zealand during 1975, 20.0% were Malays and other indigenous people, 69.0% Chinese, 9.2% Indians and 1.8% Others.

1375. During the period 1971-75, the share of the Malays and other indigenous people to total enrolments in domestic tertiary institutions increased from 50% to 65% (or from 6,622 to 20,547). Much of this increase took place at the degree level where the proportion of the Malays and other indigenous people in total enrolments increased from 40% in 1970 to 57% in 1975 (or from 3,237 to 8,153). At the diploma level, their enrolments increased from 2,865 to 11,579 representing an increase from 83% to 85%. There have also been improvements in the share of the Malays and other indigenous people doing science and technical courses at the tertiary level. In 1975, 29% of them were enrolled in science and technical courses at the degree level, as compared to only 12% in 1970 (or from 384 in 1970 to 2,342 in 1975). During the Plan period, continuing efforts will be made to increase enrolments among the Malays

TABLE 22-6

PENINSULAR MALAYSIA: ENROLMENTS BY RACE AND
LEVEL OF EDUCATION, 1970-75

	1970					1975				
	Malay	Chinese	Indian	Others	Total	Malay	Chinese	Indian	Others	Total
Primary	759,064	511,729	142,147	8,529	1,421,469	875,975	550,064	151,744	9,126	1,586,909
%	53.4	36.0	10.0	0.6	100.0	55.2	34.7	9.6	0.5	100.0
Lower secondary ..	193,054	146,872	36,339	2,270	378,535	305,700	198,493	54,290	2,988	561,471
%	51.0	38.8	9.6	0.6	100.0	54.4	35.4	9.7	0.5	100.0
Upper secondary ..	43,627	38,800	6,258	715	89,400	101,486	54,095	10,420	1,108	167,109
%	48.8	43.4	7.0	0.8	100.0	60.7	32.4	6.2	0.7	100.0
Post secondary ..	4,609	5,267	637	106	10,619	8,817	6,617	804	97	16,335
%	43.4	49.6	6.0	1.0	100.0	54.0	40.5	4.9	0.6	100.0

TABLE 22-7

MALAYSIA: ENROLMENTS IN TERTIARY EDUCATION BY RACE, 1970-75³

	1970					1975				
	Malay	Chinese	Indian	Others	Total	Malay	Chinese	Indian	Others	Total
Diploma and certificate courses⁴										
<i>Universiti Malaya</i>	—	—	—	—	—	63	61	5	3	132
<i>Universiti Pertanian Malaysia</i> .. .	458	72	3	12	545	1,691	139	27	1	1,858
<i>Universiti Teknologi Malaysia</i> .. .	390	198	23	7	618	1,557	118	9	12	1,696
<i>Institut Teknologi MARA</i> .. .	1,801	—	—	—	1,801	7,524	—	—	—	7,524
<i>Politeknik Ungku Omar</i> .. .	216	267	10	—	493	744	341	51	—	1,136
<i>Kolej Tunku Abdul Rahman</i> .. .	—	—	—	—	—	—	1,151	46	4	1,201
Sub-total	2,865	537	36	19	3,457	11,579	1,810	138	20	13,547
%	82.9	15.5	1.0	0.6	100.0	85.4	13.4	1.0	0.2	100.0
Degree courses										
<i>Universiti Malaya</i>	3,005	3,861	559	302	7,727	3,590	3,515	504	122	7,731
<i>Universiti Sains Malaysia</i> .. .	68	144	35	5	252	1,205	1,361	179	14	2,759
<i>Universiti Kebangsaan Malaysia</i> .. .	164	4	1	—	169	2,337	126	35	4	2,502
<i>Universiti Pertanian Malaysia</i> .. .	—	—	—	—	—	538	135	22	—	695
<i>Universiti Teknologi Malaysia</i> .. .	—	—	—	—	—	483	80	3	1	567
Sub-total	3,237	4,009	595	307	8,148	8,153	5,217	743	141	14,254
%	39.7	49.2	7.3	3.8	100.0	57.2	36.6	5.2	1.0	100.0
Preliminary and pre-university courses										
<i>Universiti Malaya</i>	28	14	6	2	50	190	3	—	—	193
<i>Universiti Sains Malaysia</i> .. .	16	3	—	—	19	92	—	—	—	92
<i>Universiti Kebangsaan Malaysia</i> .. .	—	—	—	—	—	54	5	—	1	60
<i>Universiti Pertanian Malaysia</i> .. .	31	2	—	7	40	99	4	—	—	103
<i>Universiti Teknologi Malaysia</i> .. .	74	—	—	—	74	—	—	—	—	—
<i>Institut Teknologi MARA</i> .. .	341	—	—	—	341	348	—	—	—	348
<i>Kolej Tunku Abdul Rahman</i> .. .	30	1,122	41	2	1,195	32	2,739	157	4	2,932
Sub-total	520	1,141	47	11	1,719	815	2,751	157	5	3,728
%	30.3	66.4	2.7	0.6	100.0	21.9	73.8	4.2	0.1	100.0
TOTAL	6,622	5,687	678	337	13,324	20,547	9,778	1,038	166	31,529
%	49.7	42.7	5.1	2.5	100.0	65.1	31.1	3.3	0.5	100.0

³ Figures refer only to enrolments in local universities and colleges.⁴ Does not include enrolments in domestic private institutions.

TABLE 22-8

MALAYSIA: ENROLMENTS IN TERTIARY EDUCATION BY RACE AND FIELD OF STUDY, 1970-75⁵

	1970					1975				
	Malay	Chinese	Indian	Others	Total	Malay	Chinese	Indian	Others	Total
	<i>Diploma and certificate courses⁶</i>									
Agriculture	458	72	3	12	545	934	109	19	1	1,063
Engineering (including Petroleum Engineering)	633	399	27	7	1,066	2,480	371	47	9	2,907
Land and Quantity Survey, Architecture and Town and City Planning	59	5	—	—	64	936	14	—	3	953
Statistics, Computer Science and Actuaries	136	—	—	—	136	267	—	—	—	267
Science and Technology and Applied Science	218	—	—	—	218	1,291	378	11	1	1,681
Animal Science, Fisheries and Forestry	—	—	—	—	—	542	19	6	—	567
Home Science	—	—	—	—	—	69	11	2	—	82
Accountancy	353	34	3	—	390	1,354	313	21	4	1,692
Business	376	27	3	—	406	1,682	588	29	—	2,299
Administration and Law	355	—	—	—	355	542	—	—	—	542
Applied Arts	277	—	—	—	277	303	—	—	—	303
Hotel Catering	—	—	—	—	—	380	—	—	—	380
Library Science	—	—	—	—	—	108	—	—	—	108
Mass Communications	—	—	—	—	—	145	—	—	—	145
Secretarial Science	—	—	—	—	—	492	—	—	—	492
Interpretation/Translation	—	—	—	—	—	5	—	1	—	6
Certificate in English Language Teaching	—	—	—	—	—	36	7	2	2	47
Others	—	—	—	—	—	13	—	—	—	13
Sub-total	2,865	537	36	19	3,457	11,579	1,810	138	20	13,547

Degree courses

Arts and Language	2,104	870	270	133	3,377	1,826	429	168	34	2,457
Economics	494	661	135	52	1,342	1,287	339	86	19	1,731
Law	—	—	—	—	—	124	62	17	8	211
Humanities, Humanities with Education, Social Science and Social Science with Education	61	41	17	3	122	1,833	449	120	10	2,412
Islamic Studies	32	—	—	—	32	486	—	—	—	486
Diploma in Education	146	237	36	24	443	240	283	55	10	588
Diploma in Public Administration	16	2	—	—	18	15	7	1	—	23
Science, Science with Education and Applied Science	188	1,222	66	41	1,517	799	2,096	170	29	3,094
Medicine, Dentistry and Pharmacy	100	403	45	33	581	399	542	60	20	1,021
Agriculture	91	208	15	10	324	273	94	20	2	389
Veterinary Science and Forestry	—	—	—	—	—	105	35	2	—	142
B. Sc. Agriculture Business and Agricultural Engineering	—	—	—	—	—	179	36	6	—	221
Engineering (including Petroleum Engineering)	5	365	11	11	392	361	737	30	7	1,135
Architecture, Land and Quantity Survey, Town and Country Planning and Evaluation	—	—	—	—	—	226	108	8	2	344
Sub-total	3,237	4,009	595	307	8,148	8,153	5,217	743	141	14,254
<i>Preliminary and pre-university courses</i>	520	1,141	47	11	1,719	815	2,751	157	5	3,728
TOTAL	6,622	5,687	678	337	13,324	20,547	9,778	1,038	166	31,529

⁵ Figures refer only to enrolments in local universities and colleges.

⁶ Does not include enrolments in domestic private institutions.

and other indigenous people in areas where they are in short supply in line with the overall manpower needs and the long-term objectives of restructuring the racial composition of employment in professional, technical and managerial occupations.

1376. During the same period, although the share of other Malaysian students in domestic tertiary institutions declined from 50% to 35%, their enrolments increased in absolute terms from 6,702 to 10,982. At the diploma level, enrolment among other Malaysians increased from 592 in 1970 to 1,968 in 1975, while at the degree level their enrolments increased from 4,911 to 6,101.

VIII. EDUCATIONAL RESEARCH, PLANNING AND CO-ORDINATION

1377. The Ministry of Education will continue to undertake research and evaluate its programmes to assess their performance in relation to objectives and costs and to design improvements and modifications. The research and planning capability of the Ministry of Education—in particular the Educational Planning and Research Division, and the Higher Education Division—will be strengthened. The planning and administration of education and the collection of statistics at State levels will be reviewed and improved.

1378. A major effort will be made to improve the curricula as well as the teaching of science and mathematics in schools. The Curriculum Development Centre, when it is fully operational in 1977, will spearhead efforts to improve the quality of education through the modification and development of science, mathematics, *Bahasa Malaysia* and English Language curricula, design effective methods for their teaching in schools, prepare materials for practical work and tests and provide in-service training for teachers. The Centre will co-ordinate its work with the activities of the various divisions of the Ministry.

1379. The Educational Media Service, incorporating the Educational Television Service (ETV), the audio visual aids programme and the schools radio programme will be further expanded and strengthened. Under the ETV programme, a total of 5,500 TV sets and 2,500 power generators were distributed to schools in urban and rural areas during 1971-75. During the Plan period, the Educational Media Service will be extended to Sabah and Sarawak.

1380. Provision has been made in the Plan for the establishment of Education Resource Centres in Kota Bharu, Kuala Trengganu, Alor Star and Kuantan to co-ordinate efforts at the State levels to improve the quality of education. These Centres will conduct in-service training for teachers and educational administrators as well as to collate and disseminate information and materials on various aspects of educational development.

1381. In view of the rapid expansion and development in education and training, the co-ordination of activities within the Ministry of Education and among all agencies involved in training and development of manpower is important. Therefore, during the Plan period, the activities of the Higher Educational Council, the National Council for Scientific Research and Development and the National Industrial Training Council will be geared to achieve a closer co-ordination of policies and programmes in education and training.

TABLE 22-9

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR
EDUCATION AND TRAINING PROGRAMMES, 1971-80

(\$ million)

<i>Programme</i>	<i>Revised SMP allocation, 1971-75</i>	<i>Estimated expenditure, 1971-75</i>	<i>%</i>	<i>TMP allocation, 1976-80</i>
<i>Peninsular Malaysia</i>	<i>545.4</i>	<i>483.2</i>	<i>88.6</i>	<i>1,068.1</i>
Primary education.. .. .	87.4	80.2	91.8	210.0
Secondary education	133.2	138.0	103.6	200.7
Vocational and technical education	34.0	25.7	75.6	20.7
Higher technical education	7.7	6.6	85.7	22.7
<i>Universiti Malaya</i>	11.1	11.0	99.1	22.6
<i>Universiti Kebangsaan Malaysia</i>	40.0	30.2	75.5	176.4
<i>Universiti Pertanian Malaysia</i>	33.0	33.0	100.0	48.1
<i>Universiti Sains Malaysia</i>	25.0	15.9	63.6	45.0
<i>Universiti Teknologi Malaysia</i>	9.6	4.4	45.8	104.3
<i>Institiut Teknologi MARA</i>	107.9	101.4	94.0	66.0
<i>Kolej Tunku Abdul Rahman</i>	8.8	2.6	29.5	6.2
Teacher training	9.0	3.6	40.0	77.2
Other programmes	38.7	30.6	79.1	68.2
<i>Sabah</i>	<i>60.4</i>	<i>44.9</i>	<i>74.3</i>	<i>195.0</i>
Primary education.. .. .	17.6	14.3	81.2	76.1
Secondary education	29.5	22.9	77.6	95.3
Vocational education	7.0	3.9	55.7	16.5
Other programmes	6.3	3.8	60.3	7.1
<i>Sarawak</i>	<i>60.5</i>	<i>55.2</i>	<i>91.2</i>	<i>186.9</i>
Primary education.. .. .	11.2	10.4	92.8	68.0
Secondary Education	41.7	41.2	98.8	82.7
Vocational education	4.5	2.0	44.4	4.3
<i>Universiti Pertanian Malaysia</i>	—	—	—	16.9
Other programmes	3.1	1.6	51.6	15.0
<i>Other Agencies⁷</i>	<i>97.3</i>	<i>92.6</i>	<i>95.2</i>	<i>221.3</i>
Ministry of Labour and Manpower	5.0	4.2	84.0	21.3
MARA Training Division	92.3	88.4	95.8	200.0
TOTAL	763.6	675.9	88.5	1,671.3

⁷ Allocation for youth training provided by the Ministry of Culture, Youth and Sports is included in Table 24-1.

IX. MALAYSIAN STUDENTS OVERSEAS

1382. During the period 1971-75, a total of about 6,050 Federal and State scholarships including MARA awards were given to students for overseas training. These scholarships are designed to augment the supply of manpower in critical areas. It is estimated that there are about 31,500 Malaysian students undertaking a variety of courses including secondary and pre-university education. Comprehensive information with respect to types of courses and the racial composition for all these students is not currently available. Efforts will be made by the Ministry of Education to improve the information system in order to enable proper assessment of the manpower supply position.

1383. Table 22-9 sets out the expenditure for education and training during 1971-75 and the allocations for the Plan period.

CHAPTER XXIII

Health and Family Planning

I. INTRODUCTION

1384. The health and family planning programmes together with the other social programmes in the fields of education, housing, sewerage, potable water supply and electricity have an important role to play in the achievement of the objectives of the New Economic Policy (NEP). The provision of improved health services will not only lead to a better quality of life through general improvement of health conditions but, by reducing the loss of working hours through illness, will also increase labour productivity. Family planning leading to the desired growth of population will also contribute to the development objectives for improving standards of living in the nation.

1385. While considerable improvements in health standards have been made through past development programmes, much remains to be done particularly in the rural areas including the New Villages and estates. Under the Third Malaysia Plan (TMP) therefore, the medical and health programmes will be aimed at improving the distribution of adequate health services and facilities. Priority will be given to the improvement and expansion of rural health facilities including the provision of potable water supply and basic sanitation. The development of new and the improvement of existing hospitals will also be undertaken in the less developed States.

II. PROGRESS, 1971-75

Hospital development and improvement

1386. Under the Second Malaysia Plan (SMP), the main aim of the hospital development and improvement programme was to increase the number of hospital beds for inpatients and to ensure a more equitable distribution of such services to the less developed areas. In Peninsular Malaysia, there was a total of 16,746 acute beds¹ in 1975 as against 14,735 at the end of 1970, an increase of 2,011 beds. In Sabah and Sarawak, there

¹ Acute beds exclude chronic and long-stay beds like tuberculosis, leprosy and mental beds.

were 1,367 and 1,584 acute beds respectively in 1975. The increases over the position in 1970 and the ratio of beds per 1,000 population are shown in Table 23-1 below.

TABLE 23-1

MALAYSIA: ACUTE BED SITUATION, 1970-75

State	Number of acute beds		Increase, 1971-75	Bed per 1,000 population	
	1970	1975		1970	1975
Perlis	258	317	59	2.13	2.30
Kedah	1,000	1,069	69	1.05	0.97
Penang	1,384	1,414	30	1.78	1.60
Perak	2,740	2,816	76	1.75	1.58
Selangor ²	3,222	3,699	477	1.98	1.98
Negri Sembilan	1,375	1,438	63	2.86	2.62
Malacca	698	812	114	1.73	1.76
Johor	2,083	2,507	424	1.63	1.72
Pahang	829	1,115	286	1.64	1.94
Trengganu	475	703	228	1.17	1.52
Kelantan	671	856	185	0.98	1.10
TOTAL	14,735	16,746	2,011	1.67	1.66
Sabah	1,207	1,367	160	1.84	1.83
Sarawak	1,141	1,584	443	1.17	1.38

² Includes the Federal Territory.

1387. The utilization of hospital services in Peninsular Malaysia increased. The number of admissions and outpatients grew from 490,000 and 5.8 million respectively in 1970 to 606,790 and 7.3 million in 1975. To cope with these increased admissions, the available hospital beds were more effectively utilized with the average number of patients per occupied bed rising from 40.6 in 1970 to 47.5 in 1975.

1388. Specialist services in hospitals were expanded. In 1975 there were 236 specialist units in Peninsular Malaysia, 13 units in Sarawak and ten units in Sabah, compared with 121, five and four units respectively in 1970. These services were extended to the larger district hospitals in order to make them available to the rural communities.

Rural health services

1389. The rural health services were aimed at providing a comprehensive preventive and curative service to the rural population. In *Peninsular Malaysia*, during 1971-75, a total of 29 main health centres, 66 health sub-centres and 339 midwives clinics were completed.

1390. In conjunction with the implementation of the above programmes, a review was undertaken to assess the three-tier system of one main health centre, four health sub-centres and 20 midwives clinics-cum-quarters for every 50,000 rural people. As a result, a new two-tier system was introduced in the course of the SMP involving the upgrading of health sub-centres to health centres and midwives clinics to *kelinik desa* to improve the quality of the services. The target envisaged under the new system was one health centre to serve every 15,000-20,000 rural population and one *kelinik desa* for every 4,000 population. The availability of facilities and the ratio of facilities to population at the end of 1975 are shown in Table 23-2 below. The Table shows the task involved in implementing the two-tier system.

TABLE 23-2

PENINSULAR MALAYSIA: AVAILABILITY OF RURAL HEALTH FACILITIES, 1975

State	Main health centre (health centre)		Health sub-centre		Health centre and health sub-centre		Midwives clinic and kelinik desa	
	Number	Popula- tion per facility	Number	Popula- tion per facility	Number	Popula- tion per facility	Number	Popula- tion per facility ³
Perlis	1	128,105	6	21,350	7	18,300	28	3,660
Kedah	7	138,212	28	34,553	35	27,642	160	4,961
Penang	3	135,073	10	40,522	13	31,170	56	5,872
Perak	12	101,531	43	28,334	55	22,152	172	5,367
Selangor ..	9	107,692	28	34,615	37	26,195	133	5,701
Negri Sembilan	2	205,019	17	24,119	19	21,581	85	3,942
Malacca ..	4	86,500	13	26,615	17	20,353	65	4,219
Johor	15	68,328	38	26,971	53	19,338	225	3,686
Pahang	8	56,980	25	18,233	33	13,813	166	2,290
Trengganu ..	4	84,261	14	24,074	18	18,724	76	3,585
Kelantan ..	8	80,180	24	26,726	32	20,045	116	4,334
TOTAL ..	73	94,571	246	28,063	319	21,641	1,282	4,312

³ Includes the midwives at the main health centres and the health sub-centres. Of the 1,282 midwives clinics, 51 have been converted to *kelinik desa*.

1391. In *Sabah*, the rural health services were based on a two-tier system of rural dispensaries and village group sub-centres. Rural dispensaries were provided with beds and in some places maternal and child health facilities. A total of four rural dispensaries and 66 village group sub-centres were completed in the SMP period.

1392. In *Sarawak*, the rural health services were organized on a two-tier system of one main health centre and four health sub-centres to serve a population of 25,000. During the SMP period, community health centres serving a population of 2,000 each as well as travelling dispensaries and floating clinics were introduced. A total of 18 health sub-centres, 30 travelling dispensaries and two floating clinics were provided during 1971-75 with one main health centre, three health sub-centres and eight community health centres in the process of construction.

1393. The rural environmental sanitation project was started in 1969 as a pilot project in 11 areas (one area per State in Peninsular Malaysia) covering a population of 30,000. It was aimed at raising the standard of health of the rural population through improved sanitation by developing sanitary latrines and small community water supply systems on a *gotong-royong* basis. The public health inspectors and overseers at main health centres and health sub-centres provided the technical expertise for these programmes. In 1973, the project was expanded throughout the country designed to cover about 70% of the rural population by 1980.

Urban health services

1394. The urban health services programme in *Peninsular Malaysia* was aimed at decentralizing outpatient services in metropolitan areas and the larger townships through the provision of polyclinics and a network of health offices-cum-maternal and child health clinics to reduce congestion in existing hospitals. During the SMP period, eight polyclinics and eight health offices-cum-maternal and child health clinics were completed while 15 more projects were in the process of construction.

1395. In *Sabah*, the emphasis was to strengthen the health inspectorate and the maternal and child health services. Three district health centres and an area health unit were completed, while 19 health inspectors were trained at the Public Health Institute in Kuala Lumpur during 1971-75. In *Sarawak*, a polyclinic was completed during the SMP period while another polyclinic, a mental health unit and a health office-cum-maternal and child health clinic were under construction in 1975.

Dental health services

1396. The dental health services were extended to the adult population by expanding hospital dental clinics, although emphasis was still given to the treatment of primary school children. In *Peninsular Malaysia*, such treatment was provided through school dental clinics in larger primary schools, main dental clinics in the townships, dental clinics in main health centres and selected health sub-centres, and mobile dental clinics in rural areas. During the SMP, construction of school dental centres to serve a cluster of 4-5 rural schools was started.

1397. In *Peninsular Malaysia*, the number of dental clinics and dental chairs increased from 436 and 663 respectively in 1970 to 583 and 983 respectively in 1975. This resulted in a ratio of one dental chair to 10,200 population or one dental chair to 1,800 primary school children. Fluoridation of public water supplies was also carried out in 35 water supply plants, and two dental surveys—one for school children and the other for adults—were completed with a view to improving the services. In *Sabah* and *Sarawak*, dental health services were also improved and extended to the rural areas.

Control and eradication of communicable diseases

1398. The satisfactory implementation of the programmes for the control and eradication of communicable diseases such as malaria, tuberculosis, leprosy, filariasis, yaws and diphtheria has resulted in the rapid decline of these diseases among the rural population. In *Peninsular Malaysia* during 1971-75 period, 41,008 new cases of tuberculosis were detected and given treatment. Under the Malaria Eradication Programme about 6.6 million people or 66.4% of the rural population benefitted from spraying operations and drug treatment by the end of 1975. Under the case detection programme, an additional 2,405 leprosy cases were detected and registered for treatment between 1970 and 1975 bringing the total number of registered cases to 7,475.

1399. In *Sabah*, the incidence of malaria had been reduced by 90% over the past ten years, while the number of new tuberculosis cases detected has been reduced by 50%. At present, Sabah is free from epidemics of the more dangerous communicable diseases including cholera, dengue and poliomyelitis. In *Sarawak*, tuberculosis is still prevalent while malaria is under satisfactory control.

Training programmes

1400. In view of the very critical shortage of trained and qualified manpower in the health sector, a number of crash training programmes were undertaken during the SMP period with good progress being made for the training of para-medical personnel. The annual intake of trainee nurses and trainee assistant nurses increased from 300 and 175 respectively in 1970 to a total of 800 in each of the two groups in 1975. The training capacity for pharmacists, midwives, dispensers, junior hospital assistants, public health inspectors and junior laboratory assistants more than doubled. Significant progress was also made for other categories of para-medical personnel such as radiographers, dental technicians and dental nurses.

1401. In *Sabah*, the training capacity for hospital assistants and staff nurses was doubled, while that for assistant nurses was more than trebled. In *Sarawak*, the crash training programme permitted an increased intake of trainee nurses, hospital assistants, dispensers, junior laboratory technicians, laboratory technicians and midwives.

1402. The extension to the University Hospital of *Universiti Malaya* was completed in 1975 to permit an increased intake of medical students from 128 to 160 per annum. Temporary pre-clinical blocks for the Medical Faculty of the *Universiti Kebangsaan* were constructed in the compound of the Kuala Lumpur General Hospital where the first batch of 40 medical students began pre-clinical training since May, 1973. The Dental Faculty of *Universiti Malaya* was completed and commenced teaching in 1972 with the first batch of 32 dental students graduating in 1976.

Family planning programme

1403. The objective of the national family planning programme is to gradually reduce the annual rate of population growth from 3% in 1966 to 2% by 1985. The SMP target of the programme was a reduction in the birth rate from 35 per 1,000 in 1970 to about 30 per 1,000 by 1975. To achieve this, the programme called for the recruitment of 600,000 new acceptors of family planning from both programme and non-programme sources, with the annual target rising from 80,000 in 1971 to 160,000 in 1975. This target was revised in the Mid-Term Review to 535,000 new acceptors of which 433,400 or 81% had been achieved by 1975.

1404. The expansion of the family planning services to the rural areas was impeded by lack of staff and inadequate physical facilities. To overcome these problems, the services were functionally integrated with the rural health services on a pilot basis in 1971 covering an estimated population of 1.1 million people. Based on an evaluation of this pilot project, the family planning services are now being functionally integrated with the two-tier system of rural health services.

1405. In 1974, a multi-disciplinary approach to the population planning problem was introduced. The project was designed to strengthen and intensify the family planning programme through the establishment of 11 State maternal child health/family planning administrative centres, 31 family planning clinics in Government hospitals, 162 maternal child health/family planning clinics in rural health centres, a rural health training centre and extensions to a rural health training centre as well as to 365 midwives clinics-cum-quarters. The project also incorporated population education in the school curriculum and the establishment of a population studies and research programme at the *Universiti Malaya*.

1406. During the SMP period, the National Family Planning Board (NFPB) undertook specific projects to promote contraceptive services through its static and mobile clinics. The Board also initiated vasectomy services. In addition, the Federation of Family Planning Associations contributed their services through their static and mobile clinics. Private practitioners also participated in the programme, purchasing contraceptives from the Board for distribution at subsidized rates.

III. PROGRAMMES, 1976-80

1407. Despite the achievements under the SMP two major problems still remain: inequitable distribution of medical and health infrastructure among States and regions, and inadequacy of such facilities and personnel particularly in the rural areas. The need to provide better quality medical and health services and adequate coverage of the rural population is imperative.

1408. The main objectives of the medical and health programmes under the TMP are to improve medical and health-care services to the people, both curative and preventive, and to reduce disparities in the provision of these services among States. The programmes under the TMP will concentrate on the following:—

- (i) consolidation and expansion of the rural health facilities to improve the quality of services as well as to provide for better coverage of the rural population;
- (ii) promotion of the general health of the population through improvements in their nutritional status and environmental sanitation;
- (iii) expansion of dental health services to the rural areas;
- (iv) improvement of hospital facilities and the construction of new hospitals especially in the less developed States;
- (v) strengthening the training programme to produce more and better quality staff; and
- (vi) strengthening family planning services in both the urban and rural areas.

Patient care services

1409. The aim of the patient care services programme is the provisions of high quality diagnostic and curative services to the people both as inpatients and outpatients including the early detection and treatment of diseases or injury. Hyper-speciality departments will be planned on a regional basis for optimum utilization of staff and facilities⁴. The hospital system will be developed on a pyramidal pattern with a clear-cut referral system so that a patient will be treated expeditiously at the level of service which his condition dictates. The hospital facilities will also reflect the changing patterns of diseases and demography. In Peninsular Malaysia, the communicable diseases such as tuberculosis and malaria which in 1961 accounted for 2.9% and 2.8% of total admissions respectively, are now giving way to organic diseases and trauma⁵.

1410. *New hospitals* In Peninsular Malaysia, the average acute bed to population ratio was 1.7 per 1,000 people in 1975. The long-term target for the whole country is two acute beds per 1,000 population. To this end, advances will continue to be made in new hospital construction. Projects initiated under the SMP will be continued during 1976-80. These include the district hospitals in Telok Anson, Jerteh, Sitiawan, Tanah Merah, Jerantut, Machang and Bagan Serai; and general hospitals in Kuala Lumpur, Ipoh

⁴ These include radiotherapy, neurosurgery, thoracic surgery, plastic surgery and advanced accidents and traumatology, while the specialist services are in paediatrics, gastroenterology, gynaecology, dermatology, surgical obstetrics, cardiology, ENT, ophthalmology, radiology and orthopaedic surgery.

⁵ The ten principal causes of admissions into Government hospitals in 1973 were accidents (13.4%), complications of pregnancy (4.7%), gastroenteritis (3.4%), mental illness (3.1%), heart disease (2.9%), skin diseases (2.8%), fevers of unknown origin (2.3%), bronchitis (2.3%), cardio-vascular disease (2.1%) and diseases during early infancy (2.1%).

and Kubang Kerian/Kota Bharu. Construction work will start for the other continuation projects: district hospitals in Kulim, Keratong, Batu Pahat, Raub, Pasir Mas, Kuala Pilah and Maran; and general hospitals in Klang and Kuala Trengganu. In addition, preparatory work will be undertaken for six new district hospitals in Sik, Yen, Sabak Bernam, Kuala Brang, Pasir Puteh and Tumpat; and two new rural hospitals in Selama and Sungai Siput. In *Sabah*, district hospitals in Beluran, Papar, Ranau, Kudat, Kota Belud, Beaufort and Tambunan remain to be completed although a few projects are nearing completion. In *Sarawak*, the implementation of the Serian District Hospital, Limbang Divisional Hospital and Sarawak General Hospital will be continued under the TMP. Land for two new hospital projects, namely Sibu Divisional Hospital and Seratok District Hospital will be purchased.

1411. *Hospital extensions and improvements* Besides extension and renovation of existing outpatient departments and wards in various existing hospitals, diagnostic and supplies facilities will also be improved to ensure adequate support to the clinicians. Intensive care units and coronary care units will be developed in selected hospitals for critically-ill patients requiring specially trained staff and specialized equipment. To cope with the increasing accident rate and heart cases, accidents and emergency centres and coronary resuscitation centres in hospitals will be strengthened.

Public health services

1412. *Rural health services* The strategy for the development of rural health services will place emphasis on the provision of health facilities in areas now devoid of such facilities and, in the case of *Peninsular Malaysia*, on upgrading health sub-centres to health centres and midwives clinics to *kelinik desa* under the modified two-tier system. By the end of 1975, 345 health centres and 1,381 *kelinik desa* were required to attain the long-term target under the two-tier system of one health centre for 15,000-20,000 and one *kelinik desa* for 4,000 rural population. However, there were only 73 health centres, 246 health sub-centres and 1,282 midwives clinics including 51 already converted to *kelinik desa*. In the endeavour to meet the long-term target, a total of 15 new health centres and 177 new *kelinik desa* will be established in Peninsular Malaysia while 52 health sub-centres and 144 midwives clinics will be upgraded. In the upgrading programme, priority will be given to: areas where the Malaria Eradication Programme will move into the consolidation and maintenance phase; areas with high toddler mortality rates; districts where the maternal and child health/family planning services are to be strengthened; and Applied Food and Nutrition Project (AFNP) areas.

1413. Under the new two-tier system, the staff strength in the health centres (previously main health centres) will be increased to meet service demands for: the integration of the national tuberculosis, leprosy and yaws control programmes with the rural health services; maintenance of

the Malaria Eradication Programme; intensification of the national environmental sanitation campaign; and the expansion of the AFNP on a national scale. The existing monovalent service at midwives clinics will be enlarged into a polyvalent service which will include first aid, minor therapy for simple ailments, immunization and various promotive services such as well-baby care, health education, applied nutrition and family planning. The *kelinik desa* will be staffed with two *jururawat desa* while the staff of the health centre will comprise a medical officer, a dental officer, a public health sister, a *jururawat desa*, nurses and other para-medical and non-technical personnel. With the placement of more key staff to improve the quality of health service in the rural areas, more staff quarters will be built. As a stop-gap measure, mobile teams will be developed to provide preventive and promotive services in remoter areas until such times when facilities are available.

1414. The coverage of the rural health services in Sabah and Sarawak will be extended to provide basic medical, maternal and child care services to areas now served by mobile clinics or dispensaries. In *Sabah*, a total of 30 village group sub-centres and 12 rural dispensaries will be established. In *Sarawak*, the present three-tier system will be modified to a two-tier system of health centres and community health centres, each serving a population of 6,000-8,000 and 1,500-2,000, respectively. The community health centre (*kelinik desa*, Sarawak) will have a static clinic and a mobile unit which makes regular visits and provides services to schools, neighbouring villages and longhouses. The health centre will serve as a community centre and have the additional function of providing technical supervision to the staff of community health centres. In the TMP, six health centres and 14 community health centres will be established.

1415. *Rural environmental sanitation* The programme aims at raising the standard of health of the rural people and providing a minimum level of modern amenities by way of potable water and safe disposal of human and other waste products. It involves construction of latrines and communal tube wells to serve ten houses each; tube wells with house connections to serve 25 people each; and gravity water supply systems to serve 500 people each. These small community water supply projects and safe latrines will be implemented on a *gotong-royong* basis with nominal contribution from the people for house connections and latrine bowls, the latter at subsidized cost.

1416. The successful implementation of this programme will provide the rural population with satisfactory sanitary amenities thereby reducing the incidence of water-borne diseases. The reduction of the incidence of communicable diseases amongst the rural communities will be a major contribution towards increasing the working capacity of the population as well as having an impact on the health of infants and school children.

1417. *Applied nutrition* The Applied Food and Nutrition Project involves integrated and co-ordinated efforts in food production, nutrition education and home economics, health and sanitation and supplementary

feeding. The health activities in the AFNP comprise the strengthening of maternal and child health services, cooking demonstrations, supplementary feeding of undernourished infants, toddlers, pregnant and lactating mothers, the control of communicable diseases particularly through immunization and the improvement of sanitation. All these activities will be integrated with other community services to improve the nutritional status of the rural population. During the Plan period, the AFNP will be expanded to cover some 40 districts in Peninsular Malaysia and large portions of Sabah and Sarawak. In implementing the Project, priority will be given to States with high toddler mortality rates.

1418. *Urban health services* In Peninsular Malaysia, decentralization of outpatient services in metropolitan areas and larger townships will be continued during 1976-80 through the establishment of polyclinics, dental/outpatient clinics, outpatient clinics and health offices-cum-maternal child health clinics. In Sabah and Sarawak, the number of service delivery units will be increased and the public health services re-organized to improve the supervision of health personnel.

1419. *Occupational health services* The current pace of industrialization in the country makes it urgent to give adequate attention to industrial accidents and occupational diseases. Measures will be taken by the agencies concerned including the Ministry of Labour and Manpower and the Ministry of Health to effect better control of industrial hazards and protection of the workers as well as strengthen occupational health services.

1420. *Food quality control* The food sanitation and quality control service aims at consumer protection against health hazards and misleading food advertisements. It will also control the use of food additives and determine contamination levels. To resolve these problems, the food quality control unit in the Ministry of Health will be developed to also ensure the quality of Malaysian food exports.

1421. *Control and eradication of communicable diseases* The current programmes for the control and eradication of endemic diseases such as tuberculosis, malaria, leprosy, yaws, filariasis and dengue will be continued and consolidated in the Plan period. Widely prevalent in rural areas, filariasis causes a varying degree of morbidity and leaves some permanently disfigured and handicapped with elephantiasis. Efforts will be made to reduce the incidence of this disease to allow the rural people to live better lives and increase their productivity.

1422. Dengue haemorrhagic fever has recently arisen as a major health problem. To effectively control the spread of this and of other vector-borne diseases, vector control units will be set up in the Plan period, with initial emphasis on the control of dengue haemorrhagic fever in the States most seriously affected by it.

Dental health services

1423. The dental service programme is aimed at providing preventive services and high quality dental care for the people. The integration of the dental services with the rural health programme will be expanded in the Plan period. The preventive and promotive measures will be intensified through fluoridation of public water supplies, topical application of fluoride compounds to teeth, utilization of fluoride solutions in the form of mouth rinses and dental health education. The hospital dental specialist service will be strengthened while the dental services in the urban areas will be consolidated.

1424. The scope of the dental service in *Peninsular Malaysia* will be enlarged to include school children up to the age of 17 and the adult population. Emphasis will be given to the treatment of school children in the rural areas through the introduction of mobile dental squads. These dental squads, operating from established dental clinics will move from school to school. It is envisaged that 22 mobile dental squads will be established during 1976-80 benefitting about 200,000 children from 923 primary and 31 secondary schools in Peninsular Malaysia. The establishment of school dental clinics and school dental centres in the rural areas will be continued. Adequate transport facilities will be provided to main health centres and health sub-centres having dental clinics.

1425. In *Sabah*, a separate allocation will be made in the Plan period for the development of dental health services which would include mobile clinics and the establishment of new school dental clinics and dental centres where none exist at present. In *Sarawak*, the aim is to extend dental health services to the rural areas through the provision of dental clinics in health centres, mobile dental clinics and school dental clinics.

Training programmes

1426. The training programmes and facilities will be improved and expanded consistent with the manpower requirements of the expanding services. In the case of doctors, the target is one doctor per 3,000 population by 1980 and one doctor per 2,200 population by 1990, compared with the ratio of one doctor per 4,000 population in Peninsular Malaysia in 1975. Emphasis will be placed not only on quantity but also quality and productivity of the staff, particularly para-medical personnel. Local training capabilities will be developed.

1427. In the Plan period, four post-graduate medical centres will be set up in the general hospitals at Penang, Kota Bharu, Kuala Lumpur and Johor Bahru. Although these hospitals already have the nucleus of post-graduate training facilities they are in a very rudimentary form and need to be properly developed. Each centre will accommodate about 12 doctors.

1428. The existing 18 Assistant Nurses Training Schools are small and widely scattered. They will be grouped into six large regional training centres for better supervision and maintenance of uniform standards. These centres, each with an annual intake of 240, will be located in general hospitals at Alor Star, Taiping, Klang, Muar, Kuantan and Kuala Trengganu.

1429. The retraining of midwives as *jururawat desa* was started in 1973 at the two Rural Training Schools at Jitra and Rembau with an annual output of 120. This six-month training programme will be continued during the Plan period. The training of a new group of *jururawat desa* will begin in mid-1977 with the completion of three new Rural Health Training Schools at Muar, Mentakab and Kota Bharu. These training programmes will be given emphasis in order to speed up the conversion of midwives clinics to *kelinik desa* under the two-tier system.

Family planning services

1430. The objective of the national family planning programme in the TMP is to bring down the birth rate from about 31 per 1,000 in 1975 to 28.2 in 1980. This is to be achieved through a programme covering one million new acceptors, one-half of whom will be recruited through the non-programme sources.

1431. The national family planning programme will be strengthened in the rural and urban areas. Priority will be given to the extension of these facilities in the latter for the lower income groups. The construction of 11 State family planning administrative centres and 31 family planning clinics in Government hospitals will be given priority for completion by the end of 1978. The family planning programmes in settlement schemes of the Federal Land Development Authority, estates and industries will be strengthened and expanded during the Plan period.

1432. The integration of family planning with rural health services will aim at intensifying family planning activities in the existing 20 health districts by providing additional inputs and converting them into Intensive Input Demonstration Areas. In these areas, family health services will be strengthened so that family planning services can be effectively provided as integral parts of the total family health programme. The integration programmes will also be expanded to cover other areas not included in the Intensive Input Demonstration Areas.

1433. It is considered that the best approach to family planning, apart from clinical approach, is to combine a strong programme with efforts to create the social, economic, cultural and political conditions conducive to the acceptance of a small family norm. Basically, this means widening the scope and methods of the programme from a purely health-oriented and clinic-based to a welfare-oriented and community-based programme. Towards this end, the co-operation of the Ministry of Welfare Services will be sought

together with the strengthening of the information, education and communication activities. In view of the programme expansion, rapid feed-back for programme management and co-ordination is required. To achieve this, the evaluation and management information system of the NFPB will also be strengthened.

1434. Table 23-3 below sets out the allocations for medical, health and family planning programmes in the TMP.

TABLE 23-3

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR
HEALTH AND FAMILY PLANNING PROGRAMMES, 1971-80
(\$ million)

	Revised SMP allocation, 1971-75	Estimated expenditure, 1971-75	%	TMP allocation, 1976-80			
				Peninsular Malaysia	Sabah	Sarawak	Total
<i>Public health services</i>	43.87	35.12	80.1	58.99	5.38	9.33	73.70
Promotion of health and sanitation							
Rural health services	35.36	28.62	80.9	46.03	5.08	7.48	58.59
Rural sanitation and community water supply	1.42	1.42	100.0	7.17	0.30	1.50	8.97
Urban health services	5.60	3.92	70.0	5.03	—	0.35	5.38
Occupational health services	—	—	—	0.38	—	—	0.38
Control of communicable diseases							
Tuberculosis control programme	0.96	0.73	76.0	0.14	—	—	0.14
Leprosy control programme	0.53	0.43	81.1	0.24	—	—	0.24
<i>Patient care services</i>	118.40	79.71	67.3	161.61	16.22	10.08	187.91
New hospitals	75.45	54.71	72.5	109.23	9.50	8.81	127.54
Hospital extensions and improvements	42.95	25.00	58.2	52.38	6.72	1.27	60.37
<i>Dental health services</i>	3.41	2.67	78.3	3.41	0.34	0.78	4.53
<i>Training programmes</i>	18.36	18.36	100.0	18.88	—	3.07	21.95
Para-medical	10.76	10.76	100.0	18.38	—	2.75	21.13
Post-graduate	7.60	7.60	100.0	0.50	—	0.32	0.82
<i>Other health programmes</i>	37.35	36.66	98.2	57.26	1.06	3.74	62.06
<i>Family planning programmes</i>	5.40	1.40	25.9	27.00	—	—	27.00
TOTAL	226.79	173.92	76.7	327.15	23.00	27.00	377.15

CHAPTER XXIV

Community Services and General Administration

I. INTRODUCTION

1435. Improvements in community services and general administration will require an increased allocation under the Third Malaysia Plan (TMP). This Chapter reviews the programmes of the Second Malaysia Plan (SMP) and outlines the major development programmes and projects of the Government Agencies concerned, for the TMP.

II. COMMUNITY SERVICES

Progress, 1971-75

1436. *Community and rural development* During the SMP period, a number of community development projects were carried out with the aim of bringing about a more development conscious rural community. For this purpose, 5,000 community development classes were conducted annually for about 80,000 people. In addition, pilot programmes aimed at involving the rural community in village development through their own efforts were introduced in 1973. These programmes covered 71 villages throughout Peninsular Malaysia. Other projects undertaken were the establishment of nine *pekan sehari*, 75 rural libraries and 519 pre-school children's centres.

1437. *Applied Food and Nutrition Project* The Applied Food and Nutrition Project (AFNP), an integrated inter-agency programme, covering health, education and food production and including a supplementary feeding programme for infants, toddlers, and pregnant and lactating mothers, was launched as a pilot programme in 1969 in Kuala Langat. Using the experiences gained, the AFNP was extended to other districts. By the end of 1975, there were projects in Trengganu, Kelantan, Pahang, Kedah, Perak and Selangor covering a total population of 2.4 million.

1438. *Welfare services* During the SMP period, the welfare services programmes implemented by the Ministry of Welfare Services, working in conjunction with voluntary organizations, underwent a basic change and re-orientation with greater emphasis being given to the preventive and

developmental aspects of welfare services. Foundations were laid for effective social welfare work in drug rehabilitation, school welfare, family counselling and legal aid services. In the implementation of its continuation programmes, the capacity for reformatory training, care and rehabilitation of groups in need of social welfare assistance was expanded.

1439. *Social security* The Social Security Organization (SOCSO) was established in January, 1971 to implement and administer the Employees' Social Security Act, 1969. The first employment injury insurance scheme was introduced in Johor Bahru in 1971 as a pilot project. An invalidity pension scheme was introduced in 1974. By the end of 1975, these schemes covered 646,000 employees in Peninsular Malaysia. In Sabah and Sarawak, the two schemes were in operation in Kota Kinabalu and Kuching only, covering 27,000 employees.

1440. About 112,000 persons benefitted from the schemes during the period. Cash and medical benefits which were provided amounted to \$2.8 million and \$1.6 million respectively. Medical care was provided through a network of Government hospitals and approved private hospitals and clinics.

1441. *Culture, youth and sports* During the SMP period, the Ministry of Culture, Youth and Sports provided various facilities to help youth to become productive, disciplined and self-reliant members of society. For this programme, multi-purpose complexes were completed in all the State capitals except Kota Bharu and Kota Kinabalu—due to site acquisition difficulties—to provide leadership courses, sports and cultural activities. Improvement works for *Stadium Merdeka* were completed.

1442. In line with the objective of providing skilled and semi-skilled training to unemployed and out-of-school youth, the Youth Training Centre at Dusun Tua was expanded. Since the start of the National Youth Pioneer Corps in 1966, a total of 5,028 youth had been enrolled, with 4,106 having completed training in 20 trades. Of those trained, 89% have found employment. In the case of the National Youth Development Corps, 13,344 youth completed training with 98% having found employment.

1443. In addition, an on-the-job training programme was started in 1972 providing informal training in vocational skills at local and district levels for a period between one and three years. A total of 3,362 youth has been enrolled, of whom 685 have found employment.

1444. The farm youth programme was started in 1972 with the purpose of encouraging youth to participate in agro-based projects. The programme covered the provision of extension services, supervisory staff, grants and subsidies and credit facilities. A total of 886 farm youth projects was carried out during the period, giving employment to 7,378 youth.

1445. The *Jabatan Orang Asli* has evolved as an important agency to deal with the social and developmental needs of the *Orang Asli* community and its integration into Malaysian society. In the SMP period, new land areas were

opened for rubber, coconut, oil palm and other commercial crops for the community. New schools were built in deep jungle areas, while an increasing number of pupils were enrolled in secondary schools. As part of the health services programme, 145 medical and emergency evacuation posts were established. Housing schemes were also implemented in the fringe areas in conjunction with land development projects.

1446. *New Villages* A survey carried out in 1972 revealed that living conditions in many of the New Villages are still poor particularly in the remote rural areas. Existing facilities are in many cases inadequate and need improvement. A sum of \$8.9 million was spent between 1973-75 for minor projects, in addition to expenditures incurred by other Ministries for projects such as education, health, water supply and electricity.

1447. *National Archives and Library* Progress was achieved during the SMP period in the development of the National Library, which was established in 1971. Public library development was largely in the urban areas, although mobile library services serving the rural areas were started in Selangor, Sabah and Sarawak.

1448. The extension to the Record Centre Building of the National Archives in Petaling Jaya was completed. A new site for the National Archives building was acquired in Kuala Lumpur.

Programmes, 1976-80

1449. *Community and rural development* During the TMP period, present activities will be continued with emphasis given to the training of community development workers and the people, pre-school education and the development of rural libraries. Three new Women Training Centres will be established at Kuantan, Lumut and Kuching while a Rural Improvement Training Centre will be built at Bangi. The Women Training Centres will continue to concentrate on home economics, child development and family development while subjects pertaining to adult education techniques and community development will be taught at the Rural Improvement Training Centre.

1450. A total of 1,200 pre-school children's centres and 13 rural library networks will be established. Training of workers of pre-school children's centres is a paramount prerequisite in order that the children are properly guided through the most crucial period of their life. Permanent centres to provide facilities and co-ordinate community development as well as adult education activities will be established on a pilot basis in 15 districts.

1451. *Applied Food and Nutrition Project* By the end of 1980, the AFNP will be extended to some 40 districts in Peninsular Malaysia and large portions of Sabah and Sarawak. Greater emphasis will be given to those areas with serious malnutrition problems as indicated by high toddler

mortality rates, particularly in Trengganu, Kelantan, Perak, Kedah and Pahang. Emphasis will be placed on improving community health and sanitation, and nutritional status through various agricultural programmes for food production.

1452. *Welfare services* During the TMP period, the Ministry of Welfare Services will continue to emphasize the preventive and developmental aspects of welfare services. Greater emphasis will also be placed on service-oriented programmes which seek to assist the individual within his own community and family as distinct from institutional care.

1453. The preventive services of the Ministry will be expanded. These include the Public Assistance Programme; a School Welfare Services programme with the object of helping parents to keep their children in school and enable the children to overcome those problems retarding their learning process; a Drug Rehabilitation Service to provide referral, after-care and counselling services for drug addicts; Family Counselling Services; and Legal Aid Services.

1454. The traditional relief and remedial services for groups in need of social welfare assistance will also be consolidated and expanded. Training for the physically and socially handicapped will be given priority. Under the TMP, three sheltered workshops designed to provide vocational training and employment for the handicapped; an additional Remand Home for juvenile offenders; and three Women and Girls Protection Homes will be built. Three comprehensive Drug Rehabilitation Centres will also be established for the rehabilitation and treatment of drug addicts. In order to staff these facilities, a residential training centre will be established to train serving officers.

1455. An innovative project will be the establishment of community-based services which will assess community needs and provide communities a minimum package of social services as well as foster and promote the participation of the people in community organization and community development.

1456. *Social security* During the TMP period, a number of new social security schemes will be introduced while the benefits of the present schemes will be extended to more workers. The coverage of the employment injury and invalidity pension schemes will be extended to more industrial, estate and mine workers by expanding the present designated social security zones. Consideration will also be given to the need to provide such protection to workers in smaller establishments. In an effort to bring social security to farmers and fishermen, comprehensive studies will be undertaken in certain representative farming and fishing areas to determine the requirements for social protection for these groups of workers.

1457. Two new social security schemes will be introduced—a sickness and maternity scheme and a survivors' pension scheme—the latter to be incorporated within the invalidity pension scheme. SOCSO also plans to transform the Employees' Provident Fund (EPF) into an old-age pension scheme for which detailed feasibility studies will be required.

1458. *Culture, youth and sports* In the Plan period, national cultural identity will be further strengthened through the dissemination of cultural information utilizing all available media. Inter-regional cultural exchanges between Peninsular Malaysia and Sabah and Sarawak will continue to be developed to enrich knowledge on different aspects of the country's cultural heritage. Through training and promotion, greater understanding of the cultural values of Malaysia's communities will be encouraged in the process of developing a national culture.

1459. The establishment of the National Cultural Complex will be a major project. It will serve as a centre for artistic development in the fields of theatre, music and dance and provide for cultural interaction between the various racial groups in the country.

1460. Youth training programmes are given priority in the Plan with emphasis on vocational and agricultural training. The National Youth Development Corps at Dusun Tua will be transferred to a new site at Bukit Changgang, Kuala Langat for the agro-based courses, thus allowing for expansion of industrial training at Dusun Tua for the National Youth Pioneer Corps. The National Youth Training Centre at Pertak will be further developed for leadership training and teaching of certain specific skills. The farm youth programme will continue to be subsidized.

1461. In the Plan period, sports facilities will be improved and expanded with the construction of the second phase of the State multi-purpose complexes. These will comprise hostels, playing fields and adequate sports facilities.

1462. *Orang Asli* The socio-economic development programmes for the *Orang Asli* will be strengthened by the extension of social services such as education, health and housing, the modernization of agriculture, productive exploitation of natural resources and active *Orang Asli* participation in cottage industries. Land development projects for rubber, coconuts, seasonal fruits, coffee and oil palm will be implemented. Those living within the Pahang Tenggara area will be encouraged to join land schemes of the Federal Land Development Authority. Other agricultural projects such as livestock, poultry and inland fishery schemes as well as the cultivation of food and cash crops will also be carried out. The development of co-operatives will be expanded in selected *Orang Asli* areas, while small-scale cottage industries (nine handicraft centres and five rattan treatment centres) will be established.

1463. A total of \$22 million is provided for the socio-economic development programmes of the *Orang Asli* during 1976-80, of which \$5.4 million is for land development projects, \$3.4 million for the expansion and improvement of the *Orang Asli* Medical and Research Centre at Gombak, \$2.1 million for education facilities, \$3.1 million for housing schemes and \$1.2 million for other medical and health facilities. Other projects include the expansion of the Development Training Centre at Paya Bongor, Kuantan and supply of television receiver sets.

1464. *New Villages* A major effort will be made under the TMP for the development and modernization of New Villages on a multi-racial basis. Apart from the improvement of basic infrastructural services, facilities for agricultural and industrial development particularly for small-scale enterprises will be provided. This will involve the combined efforts of a number of Ministries and Departments including the Ministry of Housing and Village Development. The allocation for the Ministry of Housing and Village Development is \$20 million for minor projects. These minor projects will be undertaken through the New Village Development Committee working on a *gotong-royong* basis.

1465. *National Archives and Library* Construction works on the National Library building will be started. This will house the increasing collection of materials designed for encouraging reading habits and the spread of knowledge through the State public libraries, mobile libraries and the bulk loan services.

1466. The provision and development of public library services at the State level will be emphasized for which a sum of \$1.6 million has been provided. A sum of \$4.4 million has also been provided for the construction of the National Archives building.

1467. *National Museum* An extension to the *Muzium Negara* will be built at an estimated cost of \$10.5 million. A sum of \$1.3 million has been provided under the Plan for site acquisition. Other projects to be undertaken include: the acquisition of traditional Malay houses; development of archaeological sites; and the preservation and renovation of historical monuments. The allocations for community services are shown in Table 24-1.

III. GENERAL ADMINISTRATION

1468. During the SMP, development expenditure amounting to \$369.9 million was provided for general administration, of which \$233.3 million was for the construction of office buildings. The estimated expenditure for the same period was \$348.7 million indicating a shortfall of 6%.

1469. Approximately 724,000 sq. ft. of office space is being rented in Kuala Lumpur and Petaling Jaya at a rental cost of about \$7.8 million annually. The demand for office space will increase during the TMP.

1470. The allocations for general administration for the TMP as shown in Table 24-1 have been designed to increase the quality of services to the public and to provide adequate physical facilities that will lead to better working conditions and increased output of work. Priority will be given to providing office accommodation in major towns and new growth centres as well as to improve existing sub-standard office accommodation.

TABLE 24-1

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR
COMMUNITY SERVICES AND GENERAL ADMINISTRATION
PROGRAMMES, 1971-80
(\$ million)

	Revised SMP allocation, 1971-75	Estimated expenditure, 1971-75	%	TMP allocation, 1976-80			
				Peninsular Malaysia	Sabah	Sarawak	Total
<i>Social and community services</i> ..	183.74	245.10	133.4	180.73	27.85	8.96	217.54
Welfare and rehabilitation ..	13.90	16.34	117.6	8.99	1.00	2.01	12.00
<i>Orang Asli</i>	7.50	7.26	96.8	22.00	—	—	22.00
Culture, Youth and Sports ..	24.29	26.36	108.5	25.60	1.00	5.90	32.50
Other community services ..	89.12	125.27	140.6	98.84	20.85	1.05	120.74
Community and rural development	1.40	0.44	31.4	9.00	—	—	9.00
Village development ..	10.00	7.35	73.5	20.00	—	—	20.00
Applied Food and Nutrition Project ¹	—	—	—	9.75	0.10	0.15	10.00
National Archives and Li- brary ¹	4.08	1.59	39.0	6.00	0.60	0.40	7.00
National Museum	1.55	1.53	98.7	4.00	1.50	—	5.50
Others	72.09	114.36	158.6	50.09	18.65	0.50	69.24
Land	48.93	69.87	142.8	25.30	5.00	—	30.30
<i>General administration</i> ..	369.86	348.67	94.2	418.89	92.58	86.20	597.67

¹ In Table 12-3 wherein the five-year allocations are classified on an agency basis, the Applied Food and Nutrition project is included in the item Others under Agriculture and Rural Development; while the provisions for the National Archives and the National Museum are included under the item General Administration.

1471. During the period 1971-75, the amount allocated for the construction of Federal Government offices in Kuala Lumpur and other major towns of Peninsular Malaysia, Sabah and Sarawak was \$113 million. The estimated expenditure was \$81.9 million constituting a shortfall of about 28%.

1472. For the Plan period, an amount of \$119.5 million is allocated for continuation projects and for the construction of new Federal Government buildings. The major building programmes are:

- (i) seven seventeen-storey office blocks at Jalan Duta to accommodate the Treasury, the Department of Inland Revenue, the Ministry of Trade and Industry, the Attorney-General's Chambers and the Accountant General's office;
- (ii) new offices to accommodate the Ministry of Works and Utilities and the Ministry of Agriculture;
- (iii) building complexes for the training school of the Public Works Department and the National Institute of Public Administration;
- (iv) two office blocks to accommodate the Information Headquarters and all other Federal offices in Kota Kinabalu;
- (v) office blocks in the major towns in Sabah to accommodate Federal Departments and Statutory Authorities; and
- (vi) new office blocks in Kuching and other major towns in Sarawak to accommodate Federal Departments and Statutory Authorities.

1473. Progress with respect to other programmes under general administration during 1971-75 and the proposals for the Plan, 1976-80 are as follows.

1474. *Judicial* An allocation of \$5.6 million was provided in the SMP for the construction of court houses in Peninsular Malaysia; at Tawau and Keningau in Sabah; and at Sibul in Sarawak. Twenty court houses have been completed in Peninsular Malaysia and work is now in progress in Tawau, Keningau and Sibul.

1475. Under the TMP, \$8.3 million has been provided for continuation projects as well as new court houses. The building of court houses in the rural and regional development areas have been given greater emphasis. Provision has also been made for new High Courts in Sandakan and Miri. The proposed Hall of Justice in Kuala Lumpur has been deferred. The existing Federal and High Courts will be located at the Sultan Abdul Samad Building in the Federal Territory.

1476. *Customs and Excise* An allocation of \$34.6 million was provided under the SMP for the construction and renovation of Customs offices and quarters and for the purchase of equipment. Out of an estimated expenditure of \$27.8 million, \$12 million was for the Customs Complex at Johor Bahru to facilitate exit and entry control.

1477. A sum of \$58 million is allocated under the TMP for the construction of new offices, the replacement of old buildings in Peninsular Malaysia, Sabah and Sarawak and the construction of 2,464 units of staff quarters. The allocation also provides for the purchase of fast patrol boats and equipment for anti-smuggling operations.

1478. *Chemistry* An allocation of \$2.3 million is provided for the Department for extension of existing laboratories in Penang and Petaling Jaya and the construction of new ones at Kuantan and Ipoh. These additional laboratories are required to meet the increasing demand for its services from existing agencies such as the Police, Customs and the Central Narcotics Bureau as well as to cope with the additional workload arising from the enforcement of the Environmental Quality Act, 1974, the Trade Description Act, 1972 and the microbiological examination of food.

1479. *Printing* A sum of \$7.4 million is provided for extension to the Printing Department Headquarters, Kuala Lumpur and the Printing Office in Kuching; the construction of new printing offices in Trengganu and Miri and the construction and extension of stores in Perak and Alor Star respectively. The allocation also includes provisions for the replacement and purchase of machinery and equipment for the headquarters as well as the branch offices.

1480. *Fire services* During the Plan, a survey will be undertaken of the requirements of the various urban centres in the country for adequate fire fighting and preventive services. The survey will cover, in particular, the special needs of industrial estates and high-rise buildings. On the basis of this survey, adequate financial provisions for the purpose will be made in the course of the Plan period.

1481. *Prisons* An allocation of \$49.8 million has been provided to the Prisons Department. This includes the provision of \$21.6 million for continuation works at the New Central Prison in Kajang and the construction of 1,140 units of staff quarters in Peninsular Malaysia for expansion and replacement purposes. An allocation of \$7 million is made for the construction of a new Protective Custody Centre to replace the existing centre in Taiping. The facilities at Taiping will accommodate the Moral Rehabilitation Centre currently located at Pulau Jerejak. The balance of the allocation will be used for the construction of new prisons at Kuching and Simanggang as well as to increase staff quarters in Sabah and Sarawak.

1482. *Information* A sum of \$4.7 million is allocated for the purchase of telephoto transmitting equipment to improve communications between Peninsular Malaysia, Sabah and Sarawak. Provision has also been made in the allocations for the construction of new information offices and for the purchase of mobile units to extend information services to the rural areas.

1483. *Immigration* An allocation of \$6.7 million is provided for new offices and quarters in remote border areas for effective entry and exit control. A total of 565 units of quarters will be built inclusive of replacement programmes. Launches which are outdated will also be replaced.

1484. *Filem Negara* A sum of \$3.5 million is allocated for the construction of a coloured film laboratory to process coloured film strips. Such processing is currently done abroad. The allocation also provides for extension of office as well as storage space at *Filem Negara*.

1485. *Ministry of Foreign Affairs* A sum of \$21.8 million is provided for the completion of on-going construction works for chanceries and official residences at Songkhla and Wellington as well as for the purchase of new chancery buildings and official residences at Belgrade, Hong Kong, Manila, Bonn, Rome, Jeddah, Islamabad and Jakarta.

IV. TOURISM

1486. Tourism has a great potential for income and employment generation in the services industry. During the SMP period tourist arrivals into Peninsular Malaysia increased from 1.2 million in 1972 to 1.4 million in 1975. Foreign exchange received on account of tourism increased from \$265 million in 1972 to \$390 million in 1975 representing an increase of 14% per annum.

1487. Being a labour intensive service industry, tourism provided employment and increased income in a number of areas. In Peninsular Malaysia, in the hotel industry alone, employment rose more than two-fold from 5,200 in 1970 to 13,870 in 1974. Other related industries or businesses such as travel and tour agency and transportation created a total of 28,000 jobs in 1974.

1488. Considerable efforts have been made towards attracting international tourists. Equal emphasis has also been given towards the promotion of domestic tourism. The promotion of domestic tourism is in line with the Government objective of improving the quality of life of its citizens and of creating employment through the development of the services industries, including transportation, retailing and catering. The development of accommodation, transport and recreational facilities has been encouraged. Some of the projects completed are the Bukit Nanas Complex, the Batu Caves Funicular Railway and hotels at Fraser's Hill and Pulau Tioman. A Master-plan for the development of tourism has been prepared and will be implemented during the TMP.

1489. *Participation by Malays and other indigenous people* Progress was achieved in promoting the participation of the Malays and other indigenous people in the tourist industry. In 1975 there were 28 hotels and motels wholly-owned by Malay individuals and Malay interests in Peninsular Malaysia with a capital outlay of \$24.6 million, compared to 14 in 1972. Investment by the Malays and other indigenous people in 18 joint-venture hotels amounted to \$68.1 million in 1975. Malay-owned travel and tour agencies also increased from 42 in 1972 to 115 in 1975. Of the total of

213 licences issued for the operation of tour coaches, 100 licences were given to the Malays and other indigenous people. In respect of the operation of taxis and self-driven vehicles for tourists, about one-third of the total licences issued during the SMP period were given to Malays and other indigenous people. The results from the hotel survey conducted by the Tourist Development Corporation (TDC) in 1973 show that they constituted one-third of total hotel employment.

Prospects, 1976-80

1490. With increased promotional efforts, tourist arrivals into Peninsular Malaysia are expected to reach 1.9 million in 1980, an increase of 5% per annum. Sabah and Sarawak are likely to receive 103,000 and 114,000 visitors respectively in the same year.

1491. Feasibility studies on areas having tourism potential will be carried out by the TDC during the Plan period. The studies will take into account the requirements of the domestic tourist industry and the necessity to improve facilities in existing tourist resorts as well as the development of new facilities. These areas include the Kuala Lumpur-Malacca region, Pulau Langkawi in the north, the Telok Sisek-Tanjung Pelindung at Kuantan and the Kota Bharu-Kuala Trengganu region in the East Coast. A tourist development plan for Sabah and Sarawak will be prepared by the TDC during the Plan period.

1492. Apart from undertaking regulatory and promotional activities, the TDC will continue to implement viable tourist projects either wholly-owned or on a joint-venture basis. These will include the establishment of a company providing management and consultancy services in the tourism industry, a duty-free shop in Penang, the construction of hotels in Kota Bharu and Johor Bahru and the Rantau Abang Motel in Trengganu. A sum of \$20 million is provided under the TMP for TDC to implement its projects.