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McNamara Paper

Travel
June

The White Room Group
Archives



1772358

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Folder 3 of 4

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WBG Archives

ITINERARY FOR JAPAN and MALAYSIA, June 4-13, 1978

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
June 4	1015	1415	Depart Washington (Dulles)	BN007 B727 nonstop
Sun.	1215	1715	Arrive Dallas/Fort Worth	
	1315	1815	Depart Dallas/Fort Worth	BN501 B747 nonstop
	1600	0200	Arrive Honolulu	Kahala Hilton Hotel
June 5				
Mon.	1200	2200	Depart Honolulu	JL071 B747 nonstop
June 6	1455	0555	Arrive Tokyo (Narita)	Imperial Hotel
Tues.			Briefing	
			Private dinner	
June 7				
Wed.	0730---	0845	Breakfast w/Foreign Minister Sonoda	
	0900---	0945	Finance Minister Murayama	
	1000---	1015	Tokyo Office	
	1045---	1100	Briefing by Imperial Protocol Office	
	1100---	1130	The Emperor	
	1145---	1215	External Economic Affairs Minister Ushiba	
	1245---	1415	Luncheon hosted by Minister Ushiba	Kitcho Restaurant
	1430---	1515	President Ishihara Overseas Economic Cooperation Fund	
	1530---	1545	The Hotel	
	1600---	1630	Economic Planning Minister Miyazawa	
	1645---	1715	Agriculture Minister Nakagawa	
	1900		Dinner hosted by Minister Murayama	Fukudaya Restaurant
June 8				
Thurs.			Breakfast	
	0740---	0755	TV Interview (Studio 102), NHK	
	0805---	0820	Chairman Sakomoto, NHK	
	0900---	0925	President Kashiwagi, Bank of Tokyo	
	0945---	1030	President Sumita, ExImBank of Japan	
	1040---	1130	Chairman Doko, Keidanren	
	1200---	1330	Press Luncheon	Nippon Kisha Club
	1400---	1440	Prime Minister Fukuda	
	1515---	1545	Governor Morinaga, Bank of Japan	
	1600---	1645	Meeting with Japanese Economists	
	1830---	2030	Reception hosted by Mr. and Mrs. McNamara at Sakura-No-Ma	Imperial Hotel
			Private dinner	
June 9				
Fri.	1055	0155	Depart Tokyo	JL711 DC8 nonstop
	1620	0850	Arrive Singapore	
	1745	1015	Depart Singapore	SQ112 B737 nonstop
	1830	1100	Arrive Kuala Lumpur	Hilton Hotel
June 10				
Sat.	1030		Award Ceremony	
	1230		Private lunch	
	1415		Courtesy call on YBM Minister of Finance	
	1430		Meeting at Treasury	
	1515		Courtesy call on YAB Deputy Prime Minister--to be confirmed	
	1545		Courtesy call on YAB Prime Minister--to be confirmed	
	2000		Award dinner	

DATE	TIME	GMT	REMARKS
June 11	0900		Fly to Kota Bharu w/Finance Minister
Mon.	0945		Arrive Pengkalan Chepa, Kota Bharu--to be received by YBM Menteri Besar Kelantan and senior Government officials
	1000		Visit to Family Planning and Health Training Centre at Kota Bharu
	1030		Visit to main Health Centre/Family Planning Unit, Tendong
	1100		Visit to Desa Clinic, Gelang Mas, Pasir Mas
	1215		Rest at Istana Telipot (Guest Palace)
	1245		Lunch by YAB Menteri Besar Kelantan
	1400		Fly from Padang Dato Perdana to Mengkebang-- project of State Land Development Board
	1415		Arrive Mengkebang
	1515		Depart for Tanah Merah
	1530		Arrive Tanah Merah and visit North Kelantan project area
	1615		Aerial view of North Kelantan project area
	1645		Arrive Kota Bharu
	1700		Briefing at Operations Room, Kelantan State Secretariat
	1800		Rest at Istana Telipot
	2000		Barbeque by YBM Minister of Finance
			Overnight in Kota Bharu
			Istana Telipot
June 12	0800		Depart Kota Bharu for Alor Star
Mon.	0845		Arrive Alor Star--to be received by YAB Menteri Besar Kedah
	0915		Depart airport for MADA Headquarters for briefing on Muda project, RISDA project, and National Minor Waterworks project
	1015		Visit to Agricultural Development Centre area at Kuala Sungai (Kawasan Pusat Kemajuan Petani)
	1045		Depart for Jitra
	1105		Visit RISDA project area at Jitra
	1205		Depart Jitra for State Guest House
	1220		Arrive State Guest House
	1240		Lunch by YAB Menteri Besar
	1400		Aerial view of MADA project area
	1445		Fly to Kota II Pump Station project area
	1500		Arrive at Kota II Pump Station
	1530		Depart Kota II Pump Station for Butterworth
	1545		Depart for Kuala Lumpur
	2000		Dinner by YAB Deputy Prime Minister or by Chief Secretary to the Cabinet
			Executive Jet F28
June 13	0545	2215	Depart Hotel for Subang Airport
Tues.			Depart Kuala Lumpur
			Arrive Singapore
	0755	0025	Depart Singapore
			PA006 B747 Hong Kong 1205/1345
	1100	1800	Arrive San Francisco
	1255	1955	Depart San Francisco
	2105	0105	Arrive Washington (Dulles)
			UA058 DC8 nonstop
			CKW
			June 2, 1978

MALAYSIA: COUNTRY BRIEFING

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A



VISIT OF
MR. ROBERT S. McNAMARA
PRESIDENT OF WORLD BANK
AND
MRS. McNAMARA

JUNE 9TH TO 13TH, 1978

MINISTRY OF FINANCE
MALAYSIA

Mr. Robert S. McNamara
Mrs. McNamara

- President of World Bank

Other members of the delegation:

Mr. William D. Clark

- Vice-President, External Relations

Mr. S. Shahid Husain

- Vice-President, East Asia and Pacific

Mr. Leslie Helmers

- Chief, Division D

Mr. Joseph Goldberg

- Projects Department

Mr. Koch Weser

- Personal Secretary to
Mr. Robert S. McNamara

FRIDAY, JUNE 9, 1978

- 1830 - Arrive at Subang International Airport by SQ 112
from Singapore.
- 1915 - Leave Airport for Kuala Lumpur Hilton.
- Evening - Free

SATURDAY, JUNE 10, 1978

- 0940 - Leave Kuala Lumpur Hilton for Dewan Tunku Chancellor, University of Malaya.
- 1005 - Arrive at Dewan Tunku Chancellor, University of Malaya.
- 1030 - Award Ceremony.
- 1230 - Private Lunch.
- 1400 - Leave Kuala Lumpur Hilton for Istana Negara.
- 1430 - Audience with Their Majesties Yang Di Pertuan Agong and Raja Permaisuri Agong.
- 1500 - Leave Istana Negara for Kuala Lumpur Hilton.
- 1545 - Leave Kuala Lumpur Hilton for Ministry of Finance.
- 1600 - Courtesy call on the Honourable Minister of Finance.
- 1615 - Dialogue session at the Operations Room.
- 1730 - Leave Ministry of Finance for Kuala Lumpur Hilton.
- 1950⁴⁵ - Leave Kuala Lumpur Hilton for Hotel Equatorial.
- 2000 - Dinner by Tun Abdul Razak Foundation at Hotel Equatorial.

SUNDAY, JUNE 11, 1978

0840	-	Leave Kuala Lumpur Hilton for RMAF Base.
0900	-	Leave RMAF Base for Kota Bharu.
0945	-	Arrive at Pengkalan Chepa, Kota Bharu.
1000	-	Courtesy call on the Honourable Menteri Besar Kelantan.
1100	-	Visit Health Centre/Family Planning Unit, Ketereh.
1150	-	Visit Farmers Development Centre, Ketereh.
1230	-	Leave Ketereh for Istana Telipot.
1240	-	Arrive at Istana Telipot.
1315	-	Lunch by the Honourable Menteri Besar of Kelantan at The Royal Club.
1400	-	Leave Padang Dato Perdana by helicopter to State Land Development Scheme, Batu Mengkebang.
1430	-	Arrive at State Land Development Scheme, Batu Mengkebang.
1520	-	Leave Batu Mengkebang by helicopter for aerial view of North Kelantan Project Area.
1550	-	Arrive Kota Bharu and leave for Padang Rokma, Wakaf Baru to visit 2L (Training and Visit) Development Project.
1620	-	Arrive at Padang Rokma, Wakaf Baru.
1700	-	Leave Padang Rokma, Wakaf Baru for Kota Bharu.
1720	-	Arrive Kota Bharu for dialogue session at the Operations Room, Kelantan.
1820	-	Leave for Istana Telipot.
1950	-	Leave Istana Telipot for Palm Manor.
2000	-	Barbeque by the Honourable Minister of Finance.

MONDAY, JUNE 12, 1978

- 0745 - Leave Istana Telipot for Pengkalan Chepa, Kota Bharu.
- 0800 - Leave Pengkalan Chepa, Kota Bharu for Alor Star, Kedah.
- 0845 - Arrive at Kepala Batas Airport, Alor Star.
- 0915 - Leave Airport for Muda Agricultural Development Authority (MADA) Headquarters for briefing on:-
 - i) MUDA project
 - ii) National Small-Scale Irrigation Project
 - iii) RISDA Project
- 1110 - Leave MADA Headquarters for Farmers Development Centre, Kuala Sungai.
- 1120 - Arrive at Farmers Development Centre, Kuala Sungai.
- 1145 - Leave Farmers Development Centre, Kuala Sungai for the Honourable Menteri Besar's Residence.
- 1200 - Arrive at the Honourable Menteri Besar's Residence.
- 1230 - Lunch by the Honourable Menteri Besar of Kedah.
- 1345 - Leave for Kepala Batas Airport, Alor Star.
- 1400 - Leave Airport by helicopter for aerial view of MUDA project area.
- 1445 - Arrive at Kampong Padang Baling.
- 1545 - Leave Kampong Padang Baling for Tikam Batu, Kota II.
- 1605 - Arrive at Tikam Batu, Kota II and leave for Kota II Pump Station by car.
- 1615 - Arrive at Kota II Pump Station.
- 1700 - Leave Kota II Pump Station for Butterworth.
- 1730 - Arrive at Butterworth and leave for Kuala Lumpur by F28.
- 1800 - Arrive at RMAF Base, Kuala Lumpur.

MONDAY, JUNE 12, 1978 (Continued)

- 1805 - Leave RMAF Base for Kuala Lumpur Hilton.
- 1945 - Leave Kuala Lumpur Hilton for Sri Taman.
- 2000 - Dinner by the Honourable Prime Minister at Sri Taman.

TUESDAY, JUNE 13, 1978

0545 - Leave Kuala Lumpur Hilton for RMAF Base.
0615 - Leave RMAF Base for Singapore.
0755 - Leave Singapore for United States by PA 006.

PROGRAMME FOR MRS. McNAMARA

SATURDAY JUNE 10, 1978

0940)
) - As per the programme for Mr. McNamara.
1500)

1515 - Leave Kuala Lumpur Hilton for Selangor Pewter, Jalan
Genting Kelang, Setapak, Kuala Lumpur.

1530 - Arrive at Selangor Pewter.

1615 - Leave Selangor Pewter for Muzium Negara, Kuala Lumpur.

1630 - Arrive at Muzium Negara.

1715 - Leave Muzium Negara for Kuala Lumpur Hilton.

1730 - Arrive at Kuala Lumpur Hilton.

1950)
) - As per the programme for Mr. McNamara.
2000)

SUNDAY JUNE 11, 1978

- 0840)
) - As per the programme for Mr. McNamara.
1700)
- 1720 - Arrive Kota Bharu and leave for Che Minah Songket and
Batik Factory, Penampang, Kota Bharu.
- 1820 - Leave for Istana Telipot.
- 1950)
) - As per the programme for Mr. McNamara.
2000)

MONDAY JUNE 12, 1978

0745)
0800) - As per the programme for Mr. McNamara.
0845)
0855 - Leave Airport for the Honourable Menteri Besar's Residence.
0910 - Leave the Honourable Menteri Besar's Residence for Muzium Negeri at Leboh Raya Darulaman.
0915 - Arrive at Muzium Negeri.
1000 - Leave Muzium for Wisma Negeri to visit:-
 i) Balai Besar
 ii) Balai Nobat
 iii) Masjid Zahir
1030 - Visit Pekan Rabu.
1055 - Leave Pekan Rabu for Sultanah Asma Secondary School.
1100 - Arrive at Sultanah Asma Secondary School.
1150 - Leave Sultanah Asma Secondary School for the Honourable Menteri Besar's Residence.
1200 - Arrive at the Honourable Menteri Besar's Residence.
1230 - Lunch by the Honourable Menteri Besar of Kedah.
1345 - Leave for Kepala Batas Airport, Alor Star.
1400)
2000) - As per the programme for Mr. McNamara.

PROGRAM FOR MR. McNAMARA'S STAY IN MALAYSIA

Saturday, June 10 1/

10:00 a.m. Awardees arrive at university .
10:30 The awards ceremony will begin
12:00 The awards ceremony will be completed and will be followed
 by a brief coffee and cake reception
1:00 p.m. There will be a lunch hosted by the US ambassador for Mr. McNamara.

In the afternoon there will be a courtesy call on the Minister of Finance;
courtesy call on the Prime Minister; and briefing by the Deputy Prime
Minister and the officials of the Economic Planning Unit. 2/

8:00 Dinner in honor of awardees

Sunday, June 11

9:30 a.m. Fly to Kota Bharu with Minister of Finance
10:30-11:00 Briefing by Director General of the National Family
 Planning Board
11:00-11:30 Briefing on the North Kelantan project
11:45-12:00 p.m. Visit rural health and family planning clinic
12:30 Lunch hosted by Chief Minister (Menteri Besar) of Kelantan
2:00-4:30 Visit North Kelantan project area
Evening Barbecue hosted by Minister of Finance

Monday, June 12

8:00 a.m. Fly to Butterworth
8:45 Fly 3/ from Butterworth to Kota II pumping station, Muda II
 area and rubber smallholders
12:30 p.m. Lunch hosted by Chief Minister (Menteri Besar) of Kedah
2:00-4:00 Further field visits to smallholder area
4:00 Fly back to Kuala Lumpur
Evening Dinner hosted by either Prime Minister or Deputy Prime
 Minister

Tuesday, June 13

5:45 p.m. Leave Hilton Hotel for Subang Airport

6:15 Depart for Singapore

-
- 1/ During afternoon of June 10, while Mr. McNamara will be meeting with the Malaysian Prime Minister and others, the Government proposes to show Mrs. McNamara the museum, and a batik and pewter factory.
 - 2/ Governor of Central Bank will not be present as he is in Europe attending the Annual Meeting of the Bank for International Settlements in Basle.
 - 3/ By helicopter to each area to allow more time for discussions.

N.B. (1) Executive jet will be available for travel within Malaysia. Very probably, this jet will also be available to fly Mr. McNamara and his party from Singapore to Kuala Lumpur on June 9 and back to Singapore on June 13.

(2) TV coverage probable throughout trip.

After Service,
Famous down
Fishes etc

W/Lt after some time
At 3 times

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ITINERARY

Yields 8 1/2 today as to date

II Cultures - with the as future

9.00 a.m. : Invited guests take their respective positions.

9.15 a.m. : Arrival of Mr. Robert S. McNamara at MADA Headquarters, Telok Chengai.

Received by Y.B. Dato' Syed Nahar Shahabuddin, Chairman of MADA and introduced to Members of Board of Directors of MADA, Heads of Government Departments, Senior Officials of MADA and Chairmen of 27 Muda Area Farmers' Associations.

Into Operation Room.

9.20 a.m. : Welcoming Speech by Y.B. Dato' Syed Nahar Shahabuddin, Chairman of MADA.

9.30 a.m. : Briefing by Mr. Syed Ahmad Almahdali, General Manager of MADA.

10.00 a.m. : Question time on briefing by General Manager of MADA.

[Snack served]

10.07 a.m. : Briefing by Mr. Cheong Chup Lim, Deputy Director General, Drainage and Irrigation Department (D.I.D.)

10.27 a.m. : Question time on briefing by Deputy Director General of D.I.D.

10.34 a.m. : Briefing by Dr. Mohd. Nor bin Abdullah, Chairman/Director General of Rubber Industry Smallholders Development Authority (RISDA).

11.04 a.m. : Question time on briefing by Chairman/Director General of RISDA.

: Souvenir presentation by Y.B. Dato' Syed Nahar Shahabuddin, Chairman of MADA.

* 302 on target
March II

IV Fertilizer
2-3 times per year

I. 1st further target for yield increase
a) average 7 yields per ha
b) no. of farmers per 4000 sq ft
c) planter need 1/2 water

II. Cup of respect
2-3 times per year
III. What is 2-3 times per year
IV. What is 2-3 times per year

11.10 pagi : Bertolak ke Pusat Kemajuan Peladang I-II MADA, Kuala Sungai melalui Jalan Ampang-Jajar Pasang-Surut.

11.20 pagi : Tiba di Pusat Kemajuan Peladang I-II.

: Disambut oleh Ketua Bahagian Pertanian MADA, dan Pengerusi Persatuan Peladang I-II.

: Diperkenalkan kepada Ahli-Ahli Lembaga Pengarah Persatuan Peladang I-II dan Pegawai-Pegawai Pusat Kemajuan Peladang I-II.

: Melawat -

(i) Pejabat Pusat Kemajuan Peladang.

(ii) Projek-Projek Persatuan Peladang.

(iii) Pameran alat-alat dan jentera-jentera ladang.

: Penyampaian Cenderamata oleh Pengerusi Persatuan Peladang I-II.

11.45 pagi : Bertolak ke Kediaman Y.A.B. Menteri Besar Kedah di Mentalon melalui Jalan Putera.

Pejabat Pengurus Besar,
Lembaga Kemajuan Pertanian Muda,
Telok Chengai,
Alor Setar.

Bertarikh : 8hb. Jun, 1978.

- 11.10 a.m. : Leaves for Farmers' Development Centre (FDC),
Locality I-II MADA, Kuala Sungai via Tidal Barrage route.
- 11.20 a.m. : Arrives at FDC Locality I-II.
- : Received by Head of Agricultural Division of MADA and
Chairman of Farmers' Association (FA), Locality I-II.
- : Introduced to Members of Board of Directors of the FA
and Officials of the FDC.
- : Visit -
- (i) FDC Office.
- (ii) FA Projects.
- (iii) Display of farm implements and machineries.
- : Souvenir presentation by
Chairman of F.A. Locality I-II.
- 11.45 a.m. : Leaves for the Menteri Besar's Residence at Mentalon
via Jalan Putera.

Office of the General Manager,
Muda Agricultural Development Authority.
Telok Chengai,
Alor Setar.

Dated : 8th June, 1978.

B

MR. McNAMARA's ARRIVAL STATEMENT

MALAYSIA

I am very pleased to be in Malaysia again. I was here seven years ago to gain firsthand knowledge of the efforts you were making to build a better life for the people. I have come again to observe the impressive progress you have made since my last visit to your beautiful country -- and also to receive together with Tunku Abdul Rahman, Malaysia's first Prime Minister, the international award of the Tun Abdul Razak Foundation. I am deeply grateful for the honor the Foundation has conferred on me.

The World Bank has had a long and fruitful association with Malaysia. In nearly 20 years, the Bank has lent about US\$900 million to Malaysia for 40 development projects. *About 550 million of that amount has been in the past 5 years.* Much of the lending--some 42%--has been for agriculture and rural development. The emphasis on this vital sector reflects a belief we share with you that agricultural and rural development can bring the fruits of development to the very poor.

My brief stay will include visits to some of the agricultural and rural development projects with which the Bank has been associated. I ^{will} also ~~intend to~~ hold discussions ~~with your leaders~~ and look forward ^{to} meeting your Prime Minister, the Deputy Prime Minister, the Minister of Finance and other officials. I hope, thereby, to gain a deeper understanding of your efforts to reach the goals that you have chosen. The World Bank is proud to be associated with this effort and will continue to offer its assistance.

C

background notes

Malaysia

department of state * january 1976

OFFICIAL NAME: Malaysia

GEOGRAPHY

Malaysia occupies the southern half of the Malay Peninsula and the northern quarter of the neighboring island of Borneo. The two parts are separated by about 400 miles of the South China Sea.

West Malaysia, the mainland, has an

area of about 51,000 square miles. A range of steep forest-covered mountains runs north and south along the center of the peninsula, flanked on the east and west by coastal plains. West Malaysia shares a land border with Thailand in the north and is separated from Singapore in the south by the narrow Johore Strait. About 80 per-

cent of the area is covered by tropical jungle, the rest by extensive rubber plantations and other agricultural holdings. The coastline in the west is largely mangrove and mud flats with infrequent bays and other indentations. The east coast is a continuous stretch of sand and surf bordered by tropical vegetation. The total coastline is more than 1,200 miles long.

East Malaysia consists of the States of Sarawak and Sabah (formerly North Borneo). It shares the island of Borneo with the provinces of Indonesian Kalimantan. Sarawak, with its capital at Kuching, is about 500 miles long and a maximum of 150 miles wide with a total area of nearly 48,000 square miles. A broad, frequently swampy coastal plain, crossed by a number of wide rivers, merges into the jungle-covered hills and mountains of the interior. Sabah has an area of about 29,000 square miles. Its narrow coastal plain gives way to a mountainous, jungle-covered interior culminating in Mount Kinabalu, the highest peak in Malaysia at 13,455 feet. The capital of Sabah is the seaside city of Kota Kinabalu (formerly Jesselton).

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

The stripes in Malaysia's flag represent the equal membership of the 13 States in the federation and the Fed-

PROFILE

Geography

AREA: 128,553 sq. mi. (slightly larger than N. Mex.). CAPITAL: Kuala Lumpur (pop. 500,000). OTHER CITIES: Penang, Ipoh.

People

POPULATION: 12.1 million (1975 est.). ANNUAL GROWTH RATE: 2.7%. DENSITY: 80 per sq. mi. ETHNIC GROUPS: 44% Malay, 36% Chinese, 10% Indian, others. RELIGIONS: Muslim, Hindu, Buddhist, Christian. LANGUAGES: Malay, Chinese dialects, English, Tamil. LITERACY: 50%. LIFE EXPECTANCY: 63 yrs.

Government

TYPE: Parliamentary democracy under a constitutional monarch. INDEPENDENCE: August 31, 1957. CONSTITUTION: 1963.

BRANCHES: Executive—Paramount Ruler (Chief of State), Prime Minister (Head of Government), Cabinet. Legislative—bicameral Parliament (58-member Senate, 154-member House of Representatives). Judicial—Federal Court, High Courts.

POLITICAL SUBDIVISIONS: 13 States. POLITICAL PARTY: National Front (Barisan Nasional). SUFFRAGE: Universal adult.

FLAG: 14 horizontal red and white stripes with a yellow crescent and star on a

dark blue field in the upper left corner.

Economy

GNP: \$8.7 billion (1974 est.). ANNUAL GROWTH RATE: 6%. PER CAPITA INCOME: \$715.5. PER CAPITA GROWTH RATE: 4%.

AGRICULTURE: Labor 59%. Land 12%. Acres per capita 0.8%. Products—rubber, palm oil, timber, cocoa, rice, pepper, pine.

INDUSTRY: Labor na. Products—steel, automobiles, electronics.

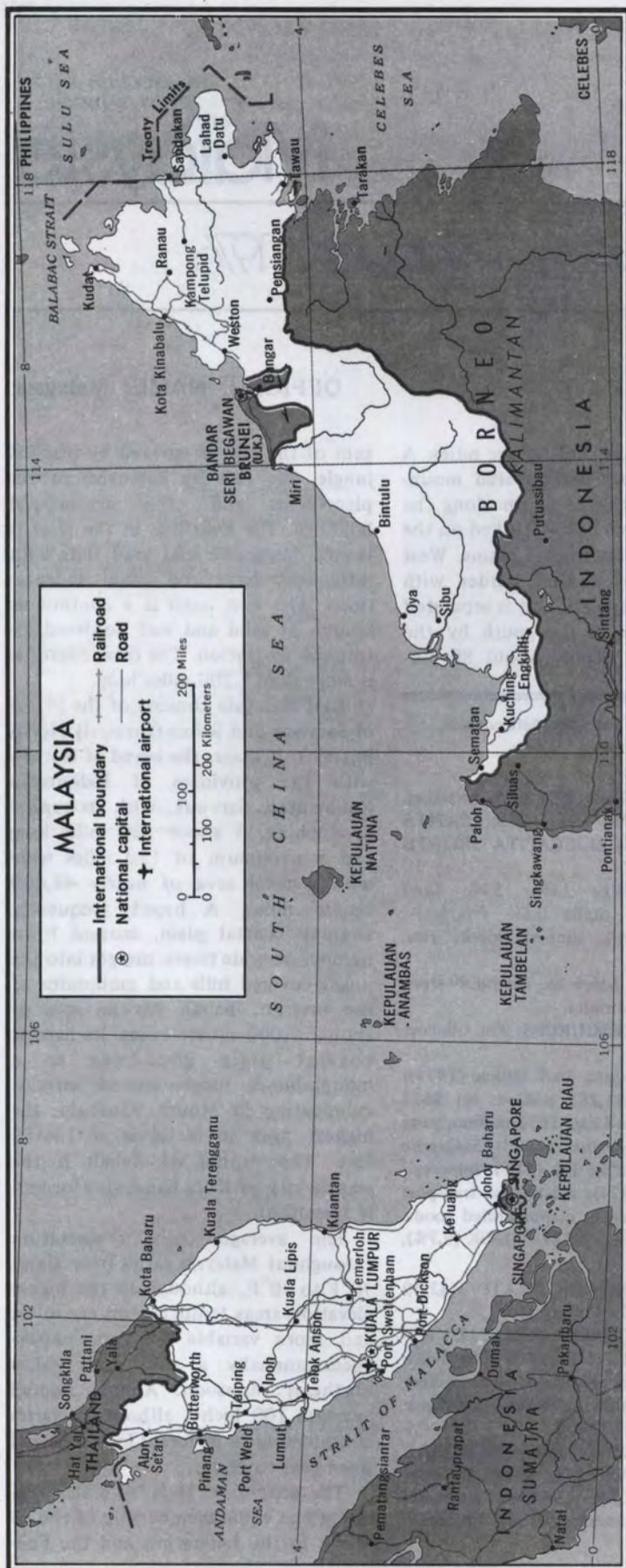
NATURAL RESOURCES: Tin, oil, copper, timber.

TRADE: Exports—\$4.5 billion (1974): natural rubber \$1,283 million, tin \$673 million, timber and logs \$652 million, palm oil \$482 million. Partners (1973)—Singapore (23%), Japan (18%), US (11%). Imports—\$4.37 billion (1974): machinery, transport equipment, chemicals, manufactured goods. Partners (1974)—Japan (21.2%), UK (9.7%), US (9.3%).

OFFICIAL EXCHANGE RATE: M\$2.49 = US\$1 (Nov. 1974 floating rate).

US AID RECEIVED: Total—\$22.3 million (1974): P.L. 480, \$100,000; Peace Corps, \$3.2 million; military assistance credit sales, \$18.8 million; military assistance program grants, \$200,000.

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: UN, Asian Development Bank (ADB), ASEAN, Five-Power Defense Arrangement, British Commonwealth.



eral Government. The dark blue stands for the unity of the Malaysian people and the star for unity of the States. The crescent symbolizes Islam. Yellow is the color of royalty.

PEOPLE

Population distribution is uneven; most of the people live in West Malaysia. About 45 percent of the people are under 15 years of age.

Malaysia has a polyglot population composed of several ethnic groups, of which the Malays are the single largest group. They are predominantly rural and control much of the political and social life of the country. They are Muslims and speak the Malay language.

Thirty-six percent of the population are Chinese whose ancestors came to Malaysia during the late 19th and early 20th centuries. The Chinese are mainly urban dwellers and, by virtue of their predominate role in trade, business, and finance, possess a great deal of Malaysia's economic power. They speak a variety of Chinese dialects (Cantonese, Hakka, Hokkien, Teochew, and others); educated Chinese also speak Mandarin. The majority are Confucianists, Taoists, Buddhists, and Christians.

Malaysians of Indian descent make up 10 percent of the population. Their ancestors came from India, Pakistan, and Ceylon, primarily as laborers on rubber plantations around the turn of the century. Descendants of Hindus, Buddhists, and Muslims, they continue to speak various Indian languages (Tamil, Punjabi, and Sinhalese).

Although non-Malay indigenous tribal peoples comprise only 8 percent of the total population, they make up more than half the population of Sarawak and about two-thirds that of Sabah. The non-Malays are divided into several ethnic groups and inhabit distinct territories, but they share some general patterns of living and culture. Until the 20th century most were animists, but a great number have since become Christians.

About 60-70 percent of the people of Malaysia speak Malay, with wide differences in facility. English is widely used in government and business. Literacy rates range from 25 percent in East Malaysia to more than 50 percent in West Malaysia. Some of

the indigenous peoples of East Malaysia and the aboriginal people of West Malaysia have adopted elements of the Malay culture and Islam. Otherwise there has been limited cultural assimilation among the various ethnic groups. The Chinese, Malays, and Indians, while considering themselves Malaysians, tend to maintain their own cultural identities. They do, however, develop ties through association in educational, sporting, and cultural organizations.

HISTORY

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

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

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

West Malaysia, then known as Malaya, enjoyed a century of prosperity with the gradual establishment of a well-ordered system of public administration, extension of public services, and development of large-scale rubber and tin production. This period was interrupted by the Japanese invasion and occupation from 1942 to 1945.

The Federation of Malaya was established from the British territories of

peninsular Malaysia in 1948. The British colonies of Singapore, Sarawak, and Sabah (North Borneo) joined the Federation of Malaya to form Malaysia on September 16, 1963. The Sukarno government of Indonesia objected to the formation of Malaysia and conducted a program of "confrontation" against the new State which included economic, political, diplomatic, and military offensives. This "confrontation" continued through Singapore's withdrawal from Malaysia on August 9, 1965, and ended only after the fall of the Sukarno regime in 1966. Relations between Malaysia and Indonesia have subsequently become very cordial.

After World War II the local Communists, almost all Chinese, expanded their influence and made plans for an armed struggle. A "state of emergency" was declared in June 1948, and a long and bitter guerrilla war ensued.

The "emergency" ended in 1960 as Malaya, in partnership with the United Kingdom, gained the distinction of being one of the few countries in the world to control a large-scale Communist uprising. However, what remained of the Communist force regrouped in Southern Thailand and over the years was able to rebuild its strength. In the past few years, small bands of Communist guerrillas have once again been encountered in the northern portion of West Malaysia, and in light of Communist successes in Indochina appear to have renewed their efforts. However, government forces are apparently well in control of the situation. A small-scale Communist insurgency in the East Malaysian State of Sarawak has also been contained, and in 1973-74 skillful government counter-guerrilla activities resulted in the surrender of most of the insurgents there.

GOVERNMENT

The country has a constitutional monarchy, nominally headed by the Yang di-Pertuan Agong, or Paramount Ruler. The Ruler is elected for a 5-year term by the Sultans of nine States of West Malaysia from among their own members. He performs the duties of a constitutional monarch and is the leader of the Islamic religion for Malaysia.

TRAVEL NOTES

Climate and Clothing—Tropical, except in the highland resort areas. Light clothing should be worn.

Customs—Tourist visas may be obtained upon arrival. Business visitors should have valid visas issued by Malaysian authorities (or British authorities where Malaysia has no representative of its own). All must have inoculations against smallpox and cholera.

Health—Kuala Lumpur is generally free from most diseases commonly associated with the Far East. Tap water from the municipal water system is considered safe. The use of malaria suppressives at all times is recommended. Children and young adults should also be inoculated against diphtheria and polio.

Telecommunications—Telephone service to the US is available 24 hours a day and, except for the Christmas season, requires no advance booking. Telegraph service is also available.

Transportation—The modern Subang International Airport is 12 miles from Kuala Lumpur, and many daily flights connect the capital with Singapore, Bangkok, and Hong Kong. Daily train service connects Kuala Lumpur with Penang, Singapore, and Bangkok. Bus transportation is available. Taxis are metered and fares are reasonable. Traffic moves on the left.

Executive power is vested in the Cabinet, led by the Prime Minister, the leader of the political party that wins the most seats in a parliamentary election. The Cabinet is chosen from among the members of Parliament and is responsible to that body.

The bicameral Parliament consists of a Senate and a House of Representatives. Of the 58 members of the Senate, 26 are elected by universal adult suffrage (two from each State) and 32 are appointed by the Yang di-Pertuan Agong. All sit for 6-year terms. Representatives of the House are elected in single constituencies by universal adult suffrage. The 154 members in the House of Representatives—114 from the States of West Malaysia and 40 from the States of East Malaysia—are elected to maximum terms of 5 years. Legislative power is divided between Federal and State legislatures.

The Malaysian legal system is based on English common law. The Federal

READING LIST

These titles are provided as a general indication of the material published on this country. The Department of State does not endorse the specific views in unofficial publications as representing the position of the U.S. Government.

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Court, the highest court in Malaysia, reviews decisions referred from the High Courts and has original jurisdiction in constitutional matters and in disputes between States or between the Federal Government and a State. West Malaysia and East Malaysia each have a High Court.

The Federal Government has authority over external affairs, defense, internal security, justice (except Islamic and native law), Federal citizenship, finance, commerce, industry, communications, transportation, and other matters. The States of East Malaysia enjoy guarantee of States'

rights with regard to immigration, civil service, and customs matters.

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

Principal Government Officials

Paramount Ruler—Yahya Petra ibni Sultan Ibrahim

Prime Minister; Minister of Defense; Minister of Finance; Minister for Coordination of Public Corporations—Datuk Hussein bin Onn

Other Ministers

Foreign Affairs—Tunku Ahmad Rithauddeen

Communications—Tan Sri V. Manickavasagam

Trade and Industry—Dato Hamzah bin Abu Samah

Labor and Manpower—Dato Lee San Choon

Agriculture and Rural Development—Inche Ghafar bin Baba

Transport and Public Works—Datuk Haji Abdul Ghani Gilong

Health—Tan Sri Lee Siok Yew

Lands, Mines, and Special Functions—Datuk Haji Mohamed Asri

Home Affairs—Tan Sri Ghazali Shafie

Information and Special Functions; General Planning and Socio-economic Research—Dato Abdul Taib bin Mahmud

Local Government and Environment—Tan Sri Ong Kee Hui

Primary Industries—Dato Musa bin Hitam

Welfare Services—Puan Hajjah Aishah Ghani

Power, Technology, and Research—Tuan Haji Mohamed bin Ya'acob

Culture, Youth and Sports—Dato Ali bin Haji Ahmad

Education—Dr. Mahathir bin Mohamed

Law and Attorney General—Tan Sri Abdul Kadir bin Yusoff

Housing and New Villages—Inche Michael Chen

Chairman of PETRONAS—Tengku Tan Sri Razaleigh

Minister Without Portfolio—Inche Mohamed Khir Johari

Chargé d'Affaires to the U.S.—Inche Anaitullah Karim

Chargé d'Affaires to the U.N.—Inche Agit Singh

Malaysia maintains an Embassy in the United States at 2401 Massachusetts Ave., NW., Washington, D.C. 20008.

POLITICAL CONDITIONS

The principal political force in Malaysia for many years was the Alliance Party, a coalition of parties representing the three major ethnic groups of the country—the United Malays National Organization, the Malaysian Chinese Association, and the Malayan Indian Congress. Several legal opposition parties exist. Communist parties are not legal.

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

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

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

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

The presently governing National Front (Barisan Nasional) was formed in 1973 and includes both members of

the Alliance Party as well as former opposition parties. The National Front was successful in all of the States in the general elections of August 1974, winning better than 70 percent of the popular vote. Of the 154 seats in the House of Representatives, 135 are held by the National Front and 19 seats by three opposition parties.

Following the death of Prime Minister Tun Abdul Razak in London in January 1976, Deputy Prime Minister Datuk Hussein bin Onn became Prime Minister in accordance with Malaysian constitutional processes.

ECONOMY

Malaysia has one of the most impressive economies in Asia, third only to Japan and Singapore. Main factors contributing to this growth in the past have been the expanding level of investment, increased production of ex-

port commodities, and a healthy atmosphere for domestic and foreign private investment. The rate of private investment, for example, was over 9.5 percent of the GNP in 1973. The export sector is critical to the economy; it represents over 52 percent of GNP.

Malaysia's financial position is sound. Its foreign exchange reserves are sufficient to finance about 5 months of retained imports at current levels. Annual debt service payments represent a relatively low percentage of total export earnings. Exports of four major commodities—rubber, tin, timber and logs, and palm oil—constitute over two-thirds of gross export earnings.

In 1975 Federal Government revenues totaled \$1.9 billion; ordinary expenditures reached \$2 billion, and developmental expenditures surpassed \$760 million. The deficit, which after

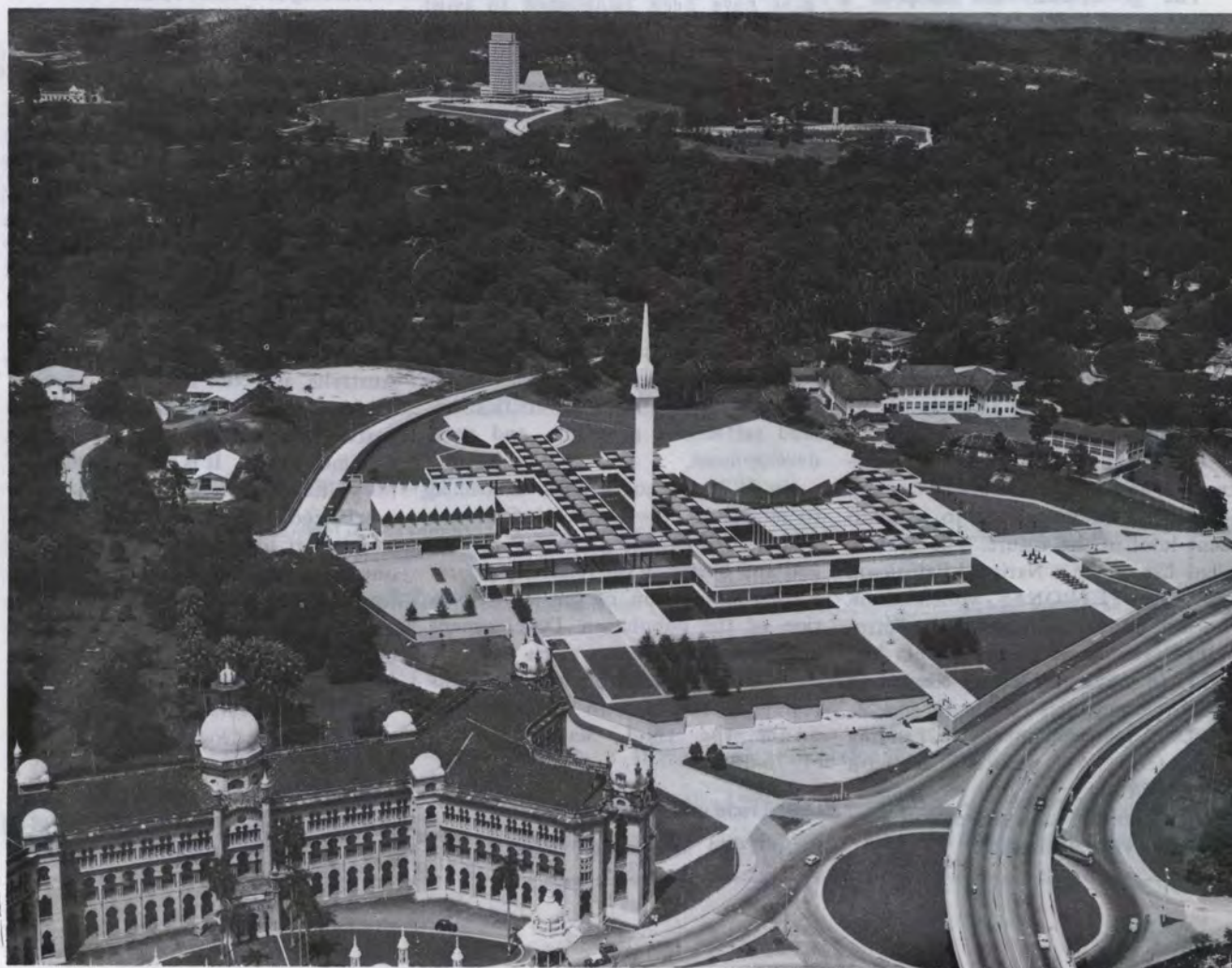
various adjustments totaled \$857 million, was financed by domestic borrowing supplemented by borrowing \$300 million from abroad.

Agriculture and Natural Resources

The predominant sector of the Malaysian economy is agriculture. In recent years it accounted for about 30 percent of the GNP, provided employment for about 50 percent of the economically active population, and contributed around 55 percent to Malaysia's export earnings. Agricultural production increased 5.4 percent in 1974.

Natural rubber continues to be the most important contributor to the Malaysian economy. In 1974 it accounted for about 30 percent of gross export receipts and a little over 17 percent of the GNP. Lower than aver-

National Mosque and Parliament Building (background) in Kuala Lumpur



age rubber prices and demand caused a drop in rubber export earnings compared to previous years. In order to stabilize its natural rubber earnings, the government is considering a rubber price stabilization and buffer stock scheme. The Rubber Research Institute of Malaya has continued its excellent work in developing better, more productive rubber trees and more economic methods of collecting and processing the latex. Malaysia's natural rubber is in a good competitive position compared with synthetic rubber, and following a slump in 1974, current prices (1975) are good. Among the main purchasers of Malaysian rubber in recent years have been the United States, the United Kingdom, the U.S.S.R., the Federal Republic of Germany, and the People's Republic of China.

Malaysia remains the world's leading exporter of tin, and its hardwood timber is also a leading foreign exchange earner.

The government has adopted a policy of diversification of economic activities with emphasis on the agricultural sector. It has emphasized, with success, cultivation of the oil palm, and Malaysia is now one of the world's largest producers of palm oil.

Malaysia also produces large quantities of pepper (from Sarawak) and coconut products. A government program of price supports and production subsidies is followed to increase the production of rice. West Malaysia now produces about 80-85 percent of its yearly rice needs. East Malaysia, however, relies greatly on imports for its requirements.

Petroleum production has increased, and Malaysia hopes to develop its exports of petroleum to a significant level in the future. The government has set up a National Petroleum Company, PETRONAS, which is authorized under the terms of the Petroleum Development (Amendment) Act, 1975, to acquire effective control of foreign companies through the issuance of management shares. Pending resolution of negotiations with PETRONAS by foreign companies, new exploration and production have come to a virtual standstill.

Industry

Malaysia historically has been an importer of manufactured goods, concentrating its energy on the export of raw materials. Before independence only a few local industries were developed, and engineering industries were limited to repair work and the manufacture of spare parts. After independence in 1957 the government promoted industrialization to provide employment for the rapidly expanding labor force and to protect the economy from an excessive dependence on exports of primary commodities. Now manufacturing is a rapidly growing factor in the economy. Its contribution to GDP rose from 13.4 percent in 1970 to nearly 18 percent in 1973. Industrial production increased 11.3 percent in 1974 over the previous year.

The government has an aggressive strategy of industrial development which encourages foreign interest and participation. Several government organs have been established to assist domestic and foreign investors as well as to furnish equity and participate in ownership of selected industries.

Development Programs

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

In 1975 the government continued to pursue its New Economic Policy, a policy of eradicating poverty in general and bettering the relatively poorer economic position of the Malay portion of the population. Development expenditures in recent years have exceeded \$500 million annually. This policy is expected to be continued under the third Malaysian plan (1976-80).

U.S. Trade and Investment

In 1974 Malaysia's exports to the

United States totaled \$636 million, principally tin (\$201 million), rubber (\$139 million), palm oil (\$59 million), and wood (\$14 million). Imports from the United States amounted to \$430 million, mainly machinery and transport equipment (\$205 million), chemicals (\$53 million), and manufactured goods (\$48 million).

The United States is among the leading sources of foreign private investment in Malaysia. Current estimates place U.S. private investment at more than \$461 million in fields ranging from oil exploration and timber processing to the manufacturing of textiles and sophisticated electronic components. Prospective investors in Malaysia now should take into account the 1975 Industrial Coordination Act, which requires manufacturing companies in Malaysia to obtain a license from the government. It is likely that the act will be used increasingly to insure the employment of indigenous Malay citizens (*bumiputra*) in manufacturing and other firms.

FOREIGN RELATIONS

In world affairs Malaysia has moved toward a nonaligned posture in recent years by expanding relations with the U.S.S.R. and Eastern European countries and by establishing ties with North Viet-Nam, North Korea, and the P.R.C. At the same time Malaysia has also maintained close and cordial relations with Western countries, particularly its traditional allies—Britain, Australia, and New Zealand.

As a former British possession, it participates actively in the British Commonwealth. It is also a member of the United Nations and its major specialized agencies.

Support for regional cooperation is one of the main elements of Malaysian foreign policy, and Malaysia has played a very active role in the Association of Southeast Asian Nations (ASEAN) from its inception in 1967.

In recent years the Malaysian Government has advocated a concept of Southeast Asian neutralization as a goal for the countries of the region, calling for the eventual creation of a zone of "peace, freedom, and neutral-

ity" in the region which would be recognized or guaranteed by the major powers. The proposal contemplates the withdrawal of foreign military bases from the region when they are no longer required for regional security.

While relying for external security primarily on its own defense forces, Malaysia is also a member of the Five-Power Defense Arrangement (with Britain, Australia, New Zealand, and Singapore). Designed to succeed the former defense role of the British in the Malaysia/Singapore area, the Five-Power Defense Arrangement obligates members to consult in the event of external threat and provides for the stationing of Commonwealth forces in the area. Under this agreement Australian air units are presently stationed in Malaysia.

U.S.-MALAYSIA RELATIONS

The United States welcomed the

formation of Malaysia in 1963 and has maintained diplomatic relations ever since. Malaysia's helpful efforts to contribute to stability in Southeast Asia, the growth of U.S.-Malaysian economic ties, Malaysia's role in ASEAN, its self-reliant drive to develop its economy while combating two Communist insurgencies, and its participation in the Five-Power Defense Arrangement are in harmony with U.S. policy and form a solid basis for U.S.-Malaysian friendship.

The two governments have engaged in close consultations on the matter of U.S. programs for the disposal of surplus strategic stockpiles of tin and rubber. The United States has consistently sought to carry out its stockpile disposal programs in a way that would avoid serious effects on the economy of Malaysia and other producing countries.

U.S. friendship and support for the Malaysian developmental effort are demonstrated through the Peace Corps

program, a Public Law 480 (Food for Peace) program, a military assistance program which provides training for Malaysians in the United States, a Fulbright educational exchange program initiated in 1963, and a cultural exchange program. The United States also seeks to promote U.S. trade and investment in Malaysia to the benefit of both countries.

Principal U.S. Officials

Ambassador—Francis T. Underhill, Jr.
Deputy Chief of Mission—Robert Dillon

Political Affairs Officer—Frank Bennett

Economic Affairs Officer—Dawson Wilson

Public Affairs Officer (USIS)—Haynes Maloney

The U.S. Embassy in Malaysia is located in the A.I.A. Building, Jalan Ampang, Kuala Lumpur.

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OFFICIAL BUSINESS

SPECIAL FOURTH-CLASS RATE
BOOK



This section includes summary C.V.'s of the persons Mr. McNamara is likely to meet, and a list of Cabinet members followed by their biographical data.

May 15, 1978

MALAYSIA

BIOGRAPHIC DATA

Datuk HUSSEIN Onn - Prime Minister

Born in 1922 in Johore Bahru, Malaysia. Son of Datuk Onn, Founder - President of UMNO (principal Malay political party), remembered from the early 1950s as the main advocate of a multinational society. Married to the sister of the late Prime Minister's wife. Six children.

Primary and secondary schooling in Singapore and Johore Bahru. Graduated in 1941 from India Military Academy, served in Middle East part of the time in the Intelligence Service. Returned to Malaya in 1945 with British Army and joined Police Force. Entered Malaya Civil Service 1950. Became UMNO Youth Leader. Left Malaya in mid-fifties to study law in the United Kingdom. Practiced law in Kuala Lumpur until 1969, when he was elected to Parliament, rejoined UMNO and then entered Cabinet as Minister of Education. Became Deputy Prime Minister and Minister of Trade and Industry in 1973. Personally intervened to resolve the deadlock over the oil franchise between foreign oil companies and the Government. Able executive. Unity of his political party has been threatened by aspiring political leaders but thus far he has been able to maintain control.

Dr. MAHATHIR bin Mohammad - Deputy Prime Minister

Born on December 20, 1925 in Alor Star, Malaysia. Married to Dr. Hasnah binti Ali. Three sons and two daughters. Educated at Malay School, Seberang Perak; Sultan Abdul Hamid College, Alor Star; and University of Malaya, Singapore where he obtained a M.B.B.S. degree in 1953.

Held many important positions in political, social and business fields. A member of the UMNO Supreme Council, Chairman of Anti-T.B. Kedah, President of Kedah Malay Chamber of Commerce, and Chairman of Food Industries of Malaysia Sdn. Berhad (F.I.M.A.). Was appointed the Minister of Education on September 6, 1974, and was chosen by Datuk Hussein Onn as the Deputy Prime Minister in 1976.

Author of the book, "The Malay Dilemma," which he wrote in 1969 after he was expelled from UMNO because of his criticism of Malay leadership. The book is banned in Malaysia.

Tengku Tan Sri RAZALEIGH Hamzah - Minister of Finance

Born in 1936, in Kota Bharu, Malaysia, where he has a strong political power base. Graduated in 1959 from the Queens University, Belfast. An economist by training. Headed several agencies including Bank Bumiputra, PERNAS, and PETRONAS, all of which have a mandate to promote Malay economic interest. In spite of his very tough stand with foreign companies, however, Tengku Razaleigh is of the opinion that foreign capital is an important investment source for Malaysia.

Minister of Finance since March 5, 1976, when he succeeded the present Prime Minister, Datuk Hussein Onn. At age 41, he is the youngest member of the Cabinet as well as the youngest Minister of Finance in the history of Malaysia. Some people believe he is a prospective Prime Minister.

Tan Sri ISMAIL bin Mohamed Ali - Governor of Bank Negara (Central Bank)

Born in 1918 in Port Klang, Malaysia. Trained in economics at Trinity Hall, Cambridge (1938-41), and in law at Middle Temple, London, (1941-43), qualifying him as a Barrister-at-Law. After receiving his degree, worked in the Treasury, the Ministry of Commerce and Industry, and the Embassy of Malaysia in Washington.

Governor of Bank Negara since 1962. A regular delegate to Bank/Fund annual meetings and a key contact for economic and financial missions. Known as a cautious and conservative financier. As a senior member of the National Development Planning Committee (NDPC), the highest economic policy making organ of the Government, he exerts a strong influence on all aspects of the country's economic policies. Supported the Bank's efforts to raise Malaysia's proposed investment level in the Third Malaysia Plan.

In addition to his duties as Governor of Bank Negara, Tan Sri Ismail is Chairman of the Malaysian Industrial Development Finance Board (MIDF), a development bank with extensive Government participation. IFC is participating in the equity capital of MIDF, as well as holding a loan.

MALAYSIA CABINET

1978

PRIME MINISTER	Datuk Seri Hussein bin Onn
DEPUTY PRIME MINISTER AND MINISTER OF EDUCATION	Dr. Mahathir bin Mohammed
TRADE AND INDUSTRY	Datuk Haji Hamzah bin Haji Abu Samah
LABOUR AND MANPOWER	Datuk Lee San Choon
COMMUNICATIONS	Tan Sri Datuk V. Manickavasagam
LAW AND ATTORNEY GENERAL	Tan Sri Abdul Kadir bin Yusof
SCIENCE, TECHNOLOGY AND ENVIRONMENT	Tan Sri Datuk Ong Kee Hui
HOME AFFAIRS	Tan Sri Muhammad Ghazali bin Shafie
TRANSPORT AND WORKS	Datuk Haji Abdul Ghani bin Gilong
NATIONAL LAND DEVELOPMENT AND FEDERAL TERRITORY	Datuk Haji Mohamed Asri bin Haji Muda
WELFARE SERVICES	Puan Hajjah Aishah binti Abdul Ghani
PRIMARY INDUSTRIES	Datuk Musa bin Hitam
FOREIGN AFFAIRS	Y.M. Tengku Ahmad Rithaudeen bin Tengku Ismail
PUBLIC ENTERPRISES	Datuk Mohamed bin Yaacob
HOUSING AND VILLAGE DEVELOPMENT	Michael Chen Wing Sum
FINANCE	Tengku Tan Sri Datuk Razaleigh Hamzah
CULTURE, YOUTH AND SPORTS	Datuk Abdul Samad bin Haji Idris
LOCAL GOVERNMENT AND FEDERAL TERRITORY	Tuan Hassan Adli bin Haji Arshad
HEALTH	Tan Sri Lee Siok Yew
AGRICULTURE	Datuk Ali bin Haji Ahmad
INFORMATION	Datuk Amar Haji Abdul Taib bin Mahmud

THE PRIME MINISTER OF MALAYSIA,
AND MINISTER OF DEFENCE

DATUK SERI HUSSEIN BIN ONN SMJ., SPMJ., D.K. (Johor), SPCM., SSIJ.



Datuk Hussein Onn is the son of late Datuk Onn bin Jaafar, the first President of U.M.N.O. and a former Menteri Besar of Johore. Aged 54 Datuk Hussein was educated in English College, Johore Bharu. He is married to Datin Suhaila, the second daughter of Tan Sri Mohd. Noah, the first elected Speaker of Parliament. They have four daughters and two sons. He joined Johore Military Forces as a Cadet. Later he had military training at the Military Academy at Dehra Dunn, India. After that he joined Indian Army — the 19th Hyderabad Regiment.

In 1942 he saw action in Egypt and later in Syria, Palestine and Iraq. Thereafter during the war he served

with the Intelligence Branch of Military H.Q., New Delhi. He was attached to Civil Affairs (Malaya) Section. He was seconded to Malayan Police Recruiting and Training Centre at Rawalpindi as an instructor. Captain Hussein left Madras in the second wave of invasion forces in the middle of 1945. After arrival in Malaya, he was sent to Johore Bharu as Commandant of Police Depot.

Datuk Hussein joined his father when he formed the Peninsular Malay Movement and later the U.M.N.O. He was the first U.M.N.O. Secretary-General and Head of the U.M.N.O. Youth Division at the age of 28. During the early years of the Emergency he was a captain in the Johore Military Forces. It was during

this period that Datuk Hussein raised, organised and trained 10,000 Kampong Guards. It was after this that he became more seriously involved in politics.

On demobilisation, Captain Hussein joined the Malay Administrative Service and served in Kuala Selangor and Klang as an A.D.O. In 1950 he was appointed a Federal Councillor. He was also a member of Johore State Legislative and Executive Councils. While serving as a member of Integrity Services Commission, he decided to leave for London to study Law at Lincoln's Inn. He passed his Bar finals in 1958.

On his return from London Datuk Hussein rejoined U.M.N.O. in 1964 and was appointed a member of Executive Committee in June, 1969 and re-elected in January, 1971. In the May, 1969 general elections he won easily in Johore Bharu. Timur Parliamentary Constituency. At U.M.N.O.'s General Meeting in 1972, Datuk Hussein was elected as one of the Vice-Presidents and on August 8, 1973 he was elected Deputy President of U.M.N.O. at its Supreme Council meeting.

Datuk Hussein was returned unopposed in Sri Gading, Johore in the 1974 General Elections. He was re-elected U.M.N.O. Deputy President for a three-year term on June 21, 1975.

A MAN OF DESTINY

Datuk Hussein became Minister of Education in Malaysian Cabinet in September 1970. He was appointed the Deputy Prime Minister of Malaysia in a major Cabinet reshuffle announced by Tun Abdul Razak on August 13, 1973. He also held the Trade and Industry portfolio. Before he became the Minister of Education he was a partner in a legal firm in Kuala Lumpur.

Twice in his life Datuk Hussein has been summoned to higher duty in times of grave national tragedy — first when he was chosen to be the Deputy Prime Minister when Tun Ismail died in 1973 and again in January, 1976 with the passing away of Tun Razak. Thus he has proved himself as a man of destiny.

A leader of integrity, honesty and devotion to duty he said when he was appointed Deputy Prime Minister, "What after all is high office? It only means greater responsibilities. What are we for? People didn't give us power to satisfy our personal wants. They expect us to help. This trust you must discharge....."

On another occasion he observed: "There is no nobler thing to do than to serve your country. What higher ambition can a man have?"

His ideals, his principles and his philosophy are outlined in these words: "If I am trusted and if am asked to serve and if the country wants me, I will not refuse at whatever cost to me. But to scramble for office at whatever cost? No."

He is also quoted as having said, "I would rather be politically unpopular than fail in my duty. What is one's political future compared to one's responsibility. Recent events prove that he sticks to this principle at all times.

Speaking to reporters after a meeting of the UMNO Supreme Council meeting on December 11, 1976, Datuk Hussein emphasised that "differences of opinion expressed by various UMNO leaders do not mean that the party is not stable or that the country is shaky".

The Prime Minister, who is the acting President of UMNO, said there was no crisis in the party. It was only natural that there should be differences of opinion among UMNO members. "If UMNO is in crisis, I should be the first to be worried. My head would be the first to roll. There would have to be more serious indications in the present situation to show that UMNO was facing a crisis.

"In a democracy where there was freedom of expression, the members were free to air their views. And in a big political organisation like UMNO, it was natural that there should be divergent views. If UMNO members were to remain silent, then it could be misconstrued that the acting President was practising dictatorship among party members," he added.

Datuk Hussein has shown statesmanship of a high order in dealing with several crucial issues since he became Prime Minister, so much so that today there is supreme confidence in his leadership. As Tunku Abdul Rahman Putra Al-Haj, our former Prime Minister said, "He has shown that he has the courage to do what he thinks is good for the country." But what is more significant is the confident assertion of the Tunku that "Datuk Hussein Onn will definitely survive. As U.M.N.O. becomes stronger he will have all the support he needs."

A SPECIAL HONOUR

Indeed every loyal Malaysian wishes and prays that he will continue to be at the helm for many, many more years.

Intensively interested in helping those in need, he has served in various welfare organisations. He is now the President of the Malaysian Association for the Blind. He was awarded the S.P.C.M. (Dato Seri Paduka Cura Si Manja Kini), the highest civilian award by the Sultan of Perak in his birthday honours list in August, 1976.

He was given the special honour of being the first person since the late 1950's to have a citation read before he received the Datoship from the Sultan of Perak. Recreation: Golf.

Address: Prime Minister's Department, Jalan Datuk Onn, Kuala Lumpur.

DEPUTY PRIME MINISTER AND
MINISTER OF EDUCATION

DR. MAHATHIR BIN MOHAMMAD, M.B.B.S.



Dr. Mahathir bin Mohammad was born on December 20, 1925 in Alor Star, Kedah. Married Dr. Hasnah binti Ali, they have three sons and two daughters. He was educated at Malay School, Seberang Perak, Sultan Abdul Hamid College, Alor Star and University of Malaya, Singapore where he obtained a M.B.B.S. degree in 1953. Dr. Mahathir worked with Government for a year as Houseman and for three years as M.O. in Alor Star, Langkawi and Perlis.

Dr. Mahathir first became active in politics in 1945 when he joined various organisations among which were the Kesatuan Melayu Kedah, Seberkas, Kesatuan Pemuda Melayu Kedah and later the UMNO.

He resigned in 1957 to go into private practice. In 1964 stood for election. He became Member of Parliament for Kota Setar Selatan. In 1969, stood again and lost. In 1974, took part in the Elections as a Barisan Nasional Candidate and was returned unopposed in the Kubang Pasu Parliamentary Constituency.

In 1973 he was appointed a Senator. Also in 1973 he was appointed the Chairman of FIMA Sdn. Bhd. He was a Malaysian delegate to the U.N. in 1965. Attended Harvard Seminar on International Affairs in

1967. He was a member of the Supreme Council of UMNO 1965-69.

Throughout his public life Dr. Mahathir has shown keen interest in education and has followed the development and progress of higher education in the country.

He was appointed the Chairman of the first Higher Education Council in 1968 and in 1972 he was appointed a member of the Higher Education Advisory Council.

He was also appointed member of the University Court and University of Malaya Council and in April, 1974 he was appointed Chairman of the Universiti Kebangsaan Council.

Dr. Mahathir has held many important positions in political social and business fields. He is a member of the UMNO Supreme Council, Chairman of Anti-T.B. Kedah, President of Kedah Malay Chamber of Commerce and Chairman of Food Industries of Malaysia Sdn. Berhad, (F.I.M.A.).

ELECTED VICE-PRESIDENT

Expelled from UMNO 1969-72. He was re-admitted in 1972 and re-elected a member of the Supreme Council of UMNO. At the UMNO General Assembly on June 21, 1975 he was elected one of three Vice-Presidents defeating five other candidates. He was the Chairman of Anti-T.B. Assn. of Kedah in 1957; Chairman of Child Welfare Council, Kedah Branch since 1971.

He was appointed the Minister of Education on September 6, 1974. He was chosen by Datuk Hussein Onn as the Deputy Prime Minister in 1976.

Speaking at the opening of a guidance and leadership course in Shah Alam on December 13, 1976, Dr. Mahathir said the future of the Malays depended much on the changing of their attitude to a positive one and the ability of their children to acquire knowledge. "We need knowledge to take part in politics, in commerce and industry and in religion. And in all these fields we need the right and positive attitude to help encourage us in our efforts to attain our objectives."

Recreation: Handicraft and Boat building.

MINISTER OF TRADE AND INDUSTRY

DATUK HAJI HAMZAH BIN HAJI ABU SAMAH., SMK., SIMP., SPIK.



Datuk Hamzah is married to Datin Hajjah Zainun binte Datuk Hussein, a sister of the late Prime Minister, Tun Abdul Razak Al Haj. Datuk Hamzah has served as Magistrate, President of the Sessions Court, Deputy Public Prosecutor, State Legal Adviser — and finally as Chief Registrar of the Federal Court. He was returned unopposed to Parliament for the constituency of Raub in a by-election in 1968 and again in the 1969 General Elections. On Oct. 31, 1967, following his by-election success, Datuk Haji Hamzah was sworn in as an Assistant Minister (Home Affairs). He was made Minister for Information and Broadcasting, after his victory at Raub in the May 1969 General Elections. Later he was appointed Minister for Culture, Youth and Sports.

Datuk Hamzah was appointed the Minister of Defence in a major Cabinet reshuffle on August 13, 1973.

Datuk Hamzah represented Pahang and Kedah in cricket and played for Pahang in the Malay Cup Football Tournament. He is President of Olympic Council of Malaya. He was re-elected unopposed at the Council's meeting in Sept., 1976 on Malaysian Cricket Assn. of which he has been President for eight years running, the Malaysian Lawn Tennis Association and Vice-President Football Associations of Malaysia and Selangor of which he has been Vice-President for eleven years. He was elected to the Executive Council of Asian Games Federation in August, 1972. He was also elected to four committees of International Football Federation (FIFA). He was re-elected a member of UMNO Supreme Council in June, 1975.

Y.B. Datuk Haji Hamzah was born on January 1, 1924 in Pekan. Datuk Haji Hamzah is the second son of Datuk Abu Samah who retired from Pahang Civil Service as State Secretary. Educated at Malay School in Kajang, Selangor, Datuk Hamzah had his early education at Malay School in Kajang, Selangor, and completed his secondary education at Malay College, Kuala Kangsar. He proceeded on a Pahang State Government Scholarship to Britain in 1950 and was called to the Bar of England in 1953 after becoming Member of the Honourable Society of Grey's Inn.

MINISTER OF LABOUR AND MANPOWER

DATUK LEE SAN CHOON, S.P.M.J., K.M.N., M.P.

Datuk Lee San Choon was born on March 24, 1935, in Pekan, Pahang. Had his early education at Pekan Sultan Ahmad School, Pahang and later at English College, Johore Bahru. He worked as Welfare Officer, Department of Social Welfare, Personnel Officer, Malayan Weaving Mills Limited, and was Executive Secretary, Alliance Headquarters.

In 1959 he stood for General Elections in Kluang Utara Constituency and was returned. Was again returned in the 1964 and 1969 General Elections in Segamat Selatan Constituency.

Datuk Lee was Political Secretary to Tun Tan Siew Sin and appointed Parliamentary Secretary in Ministry of Labour on July 1, 1965, and Assistant Minister for Special Functions May 21, 1969. Acted as Minister of Labour on several occasions during the absence of the Minister. He was Asst. Minister of Labour and Manpower before becoming Deputy Minister of Communications. He was appointed Minister with Special Functions on June 5, 1973. Datuk Lee was appointed the Minister of Technology, Research and Co-ordination of New Villages in a major Cabinet reshuffle on August 13, 1973. He attended the 173rd session of governing body of I.L.O. in Geneva in 1968.

Datuk Lee is now the President of M.C.A. and mem-



ber of the Alliance Executive Council. He is Chairman of Malaysian Multi-Purpose Co-operative Society, Member Working Team for Higher Education Planning — Tunku Abdul Rahman College, Adviser to Malaysia Fish Industries General Association, and also serves as Hon. Adviser to a number of youth clubs in his Constituency.

MINISTER OF COMMUNICATIONS

TAN SRI DATUK V. MANICKAVASAGAM, PMN., SPMS., JMN., PJK., MP.



Tan Sri Datuk V. Manickavasagam has been in Malaysian Cabinet for eleven years running. He is now one of the senior Ministers. For a period during the suspension of Parliament and the N.O.C control of the country, Tan

Sri Manickavasagam held dual cabinet portfolios — those for Labour and Transport (Acting).

Tan Sri Manickavasagam was born in Kuala Selangor on October 4, 1926. He was educated at the High School, Klang and began life as a businessman and landed proprietor.

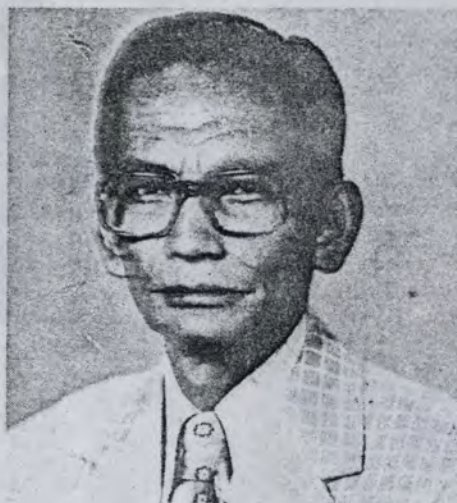
Later he entered politics and was elected to the Klang seat of Parliament in the 1959 general elections. Tan Sri Manickavasagam was re-elected National President of the Malaysian Indian Congress in May, 1975. He is a founder member of the Alliance National Council. He was elected unanimously as President when Tun Sambanthan resigned at the end of June, 1973. He successfully contested the Klang parliamentary constituency seat in 1964 and in 1969.

He has the unique distinction of being the first Malaysian to be elected as the President of the International Labour Organisation (I.L.O.) based in Geneva, Switzerland. He led the Malaysian delegation to several conferences of the I.L.O. in Geneva and these climaxed with his appointment as its President in June 1970.

He went on a goodwill tour of five African countries and made another tour later of other African countries. He was the leader of Malaysian delegation to U.N. General Assembly in September 1967.

MINISTER OF LAW AND ATTORNEY GENERAL

TAN SRI ABDUL KADIR BIN YUSOF, P.M.N., S.P.I.K., S.P.M.J., P.J.K., B.J.K., A.D.K.



Tan Sri Abdul Kadir bin Yusof, P.M.N., S.P.I.K., S.P.M.J., P.J.K., B.J.K. A.D.K. — Attorney General Malaysia and Law Minister of Malaysia. He is the first Malaysian to become the Attorney General. Born on September 10, 1918 in Muar, he is married to Puan Sri Dr. Fatimah binti Hashim, the former Minister of Welfare Services, Malaysia. They have six children. They are the first couple in Asia to serve on the Cabinet of any country in Asia at the same time.

He was educated at Raffles College, Singapore (Diploma in Arts) and Lincoln's Inn, London. Coming from a poor family he admits, he had been assisted throughout

his school career by scholarships awarded by the Government.

Tan Sri Kadir was in the Johore Civil Service 1942-50; Magistrate in Johore until 1953 when he left for U.K. to study Law — Called to the Bar in 1955, he was appointed a Magistrate in Perak 1955-57; D.P.P., Perak, 1957-59; Legal Adviser, Kedah/Perlis 1959-62; Solicitor-General of Federation of Malaya 1963. Later he became the Attorney General. He retired in April 1969. He was appointed a Senator in June and a member of the Cabinet the same time. Tan Sri Kadir has served on various committees and boards. He is now the Chairman of the Advisory Committee of Gerakan Belia Empat (4B Malaysia) which has a membership of more than 70,000 youths of all races. He has toured the world with his wife and visited important centres of learning and of interest especially in the Middle East. He attended the International Conference on Human Rights at Canberra in 1963, the Commonwealth Law Ministers' Conference in London, 1965, the Afro-Asian Legal Consultative Committee in Baghdad in 1964 the fourth Commonwealth and Empire Law Conference in New Delhi, January 6-13, 1971; Afro-Asian Legal Consultative Committee meeting in Colombo, January 1971. Elected Vice-Chairman of the Committee for 1971. Also attended 13th Session of Asian African Legal Consultative Committee at Lagos January 19-26, 1972. Asian African Consultative Committee Conference in New Delhi January 10-17, 1973 and Commonwealth Law Ministers' Conference in London, January 15-19, 1973.

Address: Attorney-General's Chambers, State Secretariat Building, Kuala Lumpur.

MINISTER OF SCIENCE, TECHNOLOGY AND ENVIRONMENT

TAN SRI DATUK ONG KEE HUI, P.M.N., P.N.B.S., P.J.I.K., M.P.

Datuk Ong Kee Hui, P.N.B.S., M.P. was born on Aug. 19, 1914, Kuching. m. Wee Bee Siok. Educated at St. Thomas School, Kuching; St. Andrew's School, S'pore; College of Agriculture, Serdang, Malaya. Member of Parliament since 1963. Datuk Ong was with the Department of Agriculture from 1936-1964. He was Chairman and Managing Director of Geoblit Seafoods and Processing Bhd., United Borneo Enterprises and Tropical Seafoods (Sarawak) Sdn. Bhd. till 1971; Chairman, Board of Governors of St. Thomas's School, Kuching. Datuk Ong was appointed member Kuching Municipal Council in 1953; and in Council Negri from 1955 to 1956; He represented KMC in Council Negri and Supreme Council 1956-63.

Datuk Ong was Chairman Sarawak United People's Party and President of Kuching Municipal Council from 1960 to 1965. Datuk Ong attended Colombo Plan Consultative Committee in 1962; Commonwealth Parliamentary Assn. Conference in London in 1961. He was the Chief Delegate 18th ECAFE, Tokyo in 1962; 14th Meeting, Colombo Plan Const. Com. 1962 in Melbourne; Chief Delegate ECAFE/FAO conference Bangkok 1962; Delegate Trade Promotion Manila 1963 and Delegate to 17th Session ECAFE conference New Delhi 1961. He was conferred P.N.B.S. (Panglima Negara Bintang Sarawak) by H.E. Governor of Sarawak, 1970.

Datuk Ong visited U.K., Europe, Philippines, Thailand, India, Japan, Australia and Canada. He was elected President of Eastern Regional Organisation for Housing & Planning and led Malaysian delegates to conference of Eastern Regional Organisation for Housing and Planning in Seoul 1972. He was also the leader of Malaysian delegation to 22nd Meeting of Colombo Plan Consultative Committee in New Delhi 1972. Datuk Ong was appointed Pro-Chancellor of University of Agriculture



in July, 1973.

Datuk Ong was Minister of Technology, Research and Local Government when he was appointed Minister of Local Government and Housing in a Cabinet reshuffle on Aug. 13, 1973. He was made a Tan Sri by H.M. the Yang Dipertuan Agung on his birthday on June 4, 1975. He is the Chairman of National Library Fund Raising Committee. He is also President of Huang Tai Chi Society. He was awarded the fourth honorary dan Tai Chi Chuan by the Huang's Tai Chi Society. Earlier he received his third and proficiency certificate.

Address: Kuala Lumpur — No. 6 Lorong Dungun, Damansara Heights, Kuala. Kuching, Sarawak — No. 4 Ong Kwan Hin Road, Kuching.

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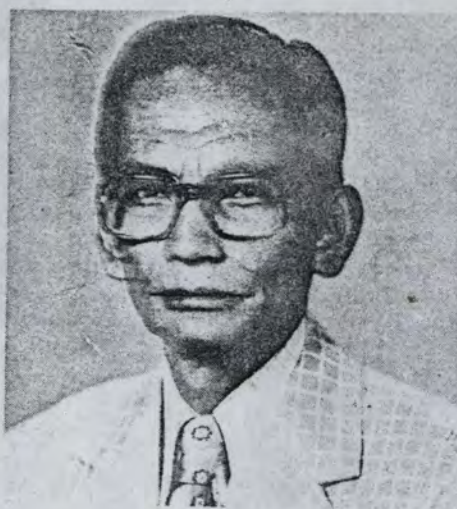
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Address: Attorney-General's Chambers, State Secretariat Building, Kuala Lumpur.

MINISTER OF HOME AFFAIRS

TAN SRI MUHAMMAD GHAZALI BIN SHAFIE, P.M.N., S.I.M.P., S.P.I.K., P.D.K.



Tan Sri Muhammad Ghazali bin Shafie was born on March 22, 1922, in Kuala Lipis. Educated at Raffles College; University College of Wales; Lincoln's Inn; London School of Economics and Political Science; University of London and Inst. of Commonwealth Studies, London. He passed LL.B. Hons & Post Graduate Certificate in Int. Studies. Was Intelligence Officer, Resistance Movement in 1944, Indian Field Security Section in 1946; Second Asst. State Secretary, Selangor 1951; 1st State Secretary, N.S. 1952; Commissioner for Malaya in India, New Delhi, 1957. Tan Sri Ghazali is married to Puan Sri Khatijah binti Abdul Majid and they have two sons.

Tan Sri Ghazali was a member of National Operations Council. He was required by Govt. to retire from post of Secretary-General of Ministry of Foreign Affairs Sept. 20, 1970 and was appointed a Senator on Sept. 21, 1970.

On Sept. 23, 1970 appointed Minister with Special Functions. In Feb. 1971 he was appointed Minister of Information. In March, 1972 he resigned from Malaysian Cabinet and Senate to contest a parliamentary by-election in Kuala Lipis, Pahang in April, 1972 which he won with an overwhelming majority. Then reappointed Minister with Special Functions and Minister of Information. He was appointed Minister of Home Affairs and Minister of Information on Aug. 13, 1973. He was returned unopposed in Lipis, Pahang in the 1974 General Elections. He was re-elected a member of UMNO Supreme Council in June, 1975. He was a member of University of Malaya Council; Board of Management, University of Malaya Hospital. Now he is Chairman Governing Council, Institute of Technology MARA; President, Arts Council Malaysia; Member, Board of Trustees, National Art Gallery, President, Malaysia Amateur Athletic Union; Vice-President, Football Assn. Selangor; Patron, Selangor Malays Badminton Assn. and Selangor Football Assn. and President, Royal Selangor Flying Club. He was elected Chairman of Olympic Council of Malaysia.

In recognition of his service in formation of Malaysia in November, 1963 he was awarded the Panglima Darjah Kinabalu by the State of Sabah and in May, 1964 the Pingat Malaysia by the State of S'pore. In June, 1965 he was awarded Panglima Mangku Negara by His Majesty the Yang Dipertuan Agung. In 1971 he was awarded Seri Indera Mahkota Pahang by H.R.H. Sultan of Pahang. In 1971 he was conferred an honorary degree of Doctors of Letters by Univ. of Malaya. Other awards: in 1965 Vietnam National Order — Grand Officer (Second Class); 1965 France Order Des Arts Et Des Lettres (Officer); 1966 Republic of Korea Order of Distinguished Diplomatic Service Merit (Second Class); 1969 Republic of Korea Order of Distinguished Diplomatic Service Merit (First Class); 1967 Federal Republic of Germany — the Grand Cross (Second Class) of Order of Merit of Federal Republic of Germany; 1968 Philippines Order

WHO'S WHO IN MALAYSIA

of Sikatuna (Datu); 1968 Ethiopia: 1967 Iran — Order of the Tadj (Second Class); 1969 Iran-Grand Coix of the Order of Homayoun (First Class); 1969 Tunisia-Grand Officer of Order of Republique of Tunisia; 1970 Netherlands-Grand Officer of Order of Orang Nassau; 1970 Japan Second Class of the Order of the Rising Sun and 1970 Indonesia-Bintang Mahaputera (Second Class).

While in University College of Wales, Tan Sri Ghazali

was a member of Students Council; rep. Univ. Coll, in Nat. Union of Students in Britain. On Exec. Comm. of U.N. Students Assn. in G.B. Served as Member Rly. Enquiry Commission; 1950, served as Chmn. of Board of Jurors for Asia Film Festival in Tokyo; 1962 served as Member of Commission of Enquiry N. Borneo & Sarawak (under Chairmanship of Lord Cobbold). Recreation: Golf, Flying, Cine & Still Photography. Address: Ministry of Home Affairs, Jalan Dato Onn, Kuala Lumpur.

MINISTER OF TRANSPORT AND WORKS

DATUK HAJI ABDUL GHANI BIN GILONG, SPDK., JP.



sident. Was an elected Legislative Councillor of Sabah in 1962. When Malaysia came into existence, he was elected an M.P. In first elections in Sabah, he was elected a member of Legislative Council of Sabah for constituency of Ranau in April, 1967. He resigned from Council on May 19, 1969, following his appointment as Federal Minister. On June 19, 1968 he assumed office as Federal Minister responsible for Sabah Affairs. With his appointment, he became the youngest member in Malaysian Cabinet.

Datuk Ghani Gilong was made a J.P. in 1962. He was awarded Panglima Darjah Kinabalu (P.D.K.) on August 31, 1963 by first Yang Dipertua Negara of Sabah for his services to people and for his role in formation of Malaysia. A social worker, he was leader of Red Crescent Society in Ranau for several years. Was Chairman of Ranau District Council. In 1961, he attended a six-month leadership course in New Zealand. Early 1968, he became member of USNO after dissolution of UPKO in 1967. In 1969 he was elected to Executive Council of central body of USNO. Later he was made Deputy President of USNO. He is also on the Executive Council of the Alliance Party in Sabah.

Datuk Ghani Gilong is married to Datin Hajjah Halimah binti Ginsos. They have eight children. In August, 1970 he and his family embraced Islam. In early part of 1971, he and Datin Hajjah Halimah went on a pilgrimage to Mecca. Recreation: Badminton, Volleyball, Shooting, Music and Dancing, particularly Sumazan, a traditional Kadazan dance.

Datuk Haji Abdul Ghani bin Gilong held the portfolio of the Ministry of Justice from May, 1969 to September, 1970. Later he was appointed to head the Ministry of Transport in September, 1970.

Datuk Ghani Gilong was born at Kampong Matan Ranau, Sabah May 30, 1932. Educated at Sekolah Rendah Kerajaan Ranau and Sekolah Menengah Sacred Heart, K.K. A businessman from 1961 he participated in politics in Sabah. Elected Vice-Pres. of UPKO and later Pre-

MINISTER OF NATIONAL LAND DEVELOPMENT AND FEDERAL TERRITORY

DATUK HAJI MOHAMED ASRI BIN HAJI MUDA, S.P.M.K., S.P.D.K.

Datuk Haji Mohd. Asri bin Haji Muda, S.P.M.K., S.P.D.K. born on October 10, 1923 in Kg. Masjid, Kota Bharu. m. Hajjah Sakinah. Educated at Majlis Ugama Islam School. K. Bahru. Learned Japanese. Politician, teacher, Malay School, Japanese School Ma'ahad Ahya el-Shariff, Semangol, Perak, Editor, 'Penyedar' dan 'Suara Islam', Reporter for Majlis, Short story writer and columnist.

Datuk Asri was Asst. Secretary General, Persatuan-Persetiaan Melayu, Kel. 1945-46. Sec. Dewan Pimpinan Hizbul Muslimin 1947-48. Rep. 'Kongres Bahasa dan Persatuan P.T.M.' in Language Congress in Medan. He was Ag. Sec. General of P.M.I.P. from 1949 to 1954 and Commissioner P.M.I.P., Kelantan 1954-61; Vice President, P.M.I.P. from 1961; Pres. from 1964 Datuk Asri has served as Kelantan State Assembly Speaker. He is Patron for Council for Child Welfare in Kelantan; Kelantan State Assemblyman and M.P. from 1959 to 1968. He was elected in the general elections in May, 1969; and was appointed a Member of the National Unity Council, and in July, 1973 he was appointed the Deputy Chairman of the National Council for Islamic Affairs by the Council of Rulers in 1973. Recreation: Golf and Badminton.



MINISTER OF WELFARE SERVICES
PUAN HAJJAH AISHAH BINTI ABDUL GHANI, J.M.N.

Puan Hajjah Aishah binti Abdul Ghani — Born on June 5, 1924, Selangor. She is married to Encik Abdul Aziz bin Abu Hassan, retired head of Radio Malaysia, Malay Service.

Puan Hajjah Aishah was educated at Islamic College, Padang Sumatra. Entered politics in 1946 and contested Parliamentary Elections. She was returned unopposed in Kuala Langat, Selangor in the 1974 General Elections. She has been active in the affairs of the Wanita UMNO Malaysia for the past fifteen years. She was returned unopposed as leader of Wanita UMNO at its general assembly in July 1976. Puan Aishah went to the United Kingdom in 1955 to study English. During her four year stay there she took a course in journalism. She represented Malaysia in goodwill missions overseas and attended U.N. General Assembly. She visited Russia at the invitation of the Soviet Women's Committee in 1968.

Puan Aishah had been the Vice-President of Wanita UMNO until 1972 when she became its President. A member of the National Unity Council and National Youth Consultative Council of Malaysia.



MINISTER OF PRIMARY INDUSTRIES

DATUK MUSA BIN HITAM, S.P.M.J., M.P.



Datuk Musa bin Hitam, M.P., was born on April 18, 1934 in Johore. He is married to Ines Reyna de Musa. They have three children. He was educated at English College, Johore Bharu; University of Malaya (B.A.) and Sussex University (M.A. in international relations).

Datuk Musa Hitam was Associate Secretary, International Student Conference in Leiden, Holland, 1957.

1959. He was A.D.O., Kluang, 1959-64; Political Secretary to the Minister of Transport, 1964-1965; Exec. Secretary of UMNO from August 1965 to May 1969.

He was elected M.P. for Segamat Utara Constituency in 1968 and was Asst. Minister before going to Britain for further studies. Lecturer at University of Malaya. He was returned unopposed in Labis, Johore in 1974 General Elections. He was the Chairman of FELDA before his appointment as Assistant Minister of Trade and Industry. He was elected Chairman of Commonwealth Parliamentary Association's Executive Committee for a three — year term.

Datuk Musa Hitam is the first Asian to hold the post. Speaking after his appointment, he was quoted as saying that he regarded the appointment as a great honour for Malaysia, "indicative of the faith that the Commonwealth has shown in our country in recognition of our strong belief and practice of parliamentary democracy".

He travelled widely when serving at International Student Conference Secretariat in Holland. He represented Malaysia at Afro-Asian Nations Conferences at Algiers, Accra and Cairo. He was Malaysian Delegate to the United Nations in 1967 and 1971.

Datuk Musa Hitam is an elected Member of the UMNO Supreme Council and the former Deputy President of UMNO Youth.

Address: Ministry of Primary Industries, Wisma Damansara, Kuala Lumpur. Telephone: K.L. 204511.

MINISTER OF FOREIGN AFFAIRS

Y.M. TENGKU AHMAD RITHAUDEEN AL-HAJ BIN TENGKU ISMAIL, PMK., SPMP.

Tengku Ahmad Rithaudeen bin Tengku Ismail aged 43 is a lawyer. He was the Kelantan UMNO Information Officer. He has been associated with UMNO for several years.

Tengku Ahmad is the Member of Parliament for Kota Bharu Hilir. He was returned unopposed in Kota Bharu, Kelantan in 1974 General Elections. He is a member of the Royal family of Kelantan.

The Tengku graduated from the University of Nottingham before returning to Malaya in 1957 to become a Magistrate.

He resigned while he was the Legal Adviser to the Kelantan State Government in order to go into private practice.

The Tengku was appointed Minister with Special Functions on August 13, 1973. He was responsible for the General Planning Unit and other matters under the purview of the Prime Minister and also the Prime Minister in foreign affairs matters. He was later appointed the Minister of Foreign Affairs.

Address: Wisma Putra, Jalan Hose, Kuala Lumpur.



MINISTER OF PUBLIC ENTERPRISES

DATUK MOHAMED BIN YAACOB, M.P., P.G.D.K., P.M.K., S.M.T., S.P.M.K.



Datuk Haji Mohamed bin Yaacob is a son of a poor village goldsmith from Kelantan who rose to the rank of a Cabinet Minister in the Malaysian Government. He was the Deputy Minister of Finance when he was appointed the Minister of Education in a Cabinet reshuffle on August 13, 1973.

He was educated at the Sultan Ismail College in Kota Bharu and began his career as a postal clerk (1948).

Six years later he proceeded to England to study law. On his return he was made the District Officer of Bachok, Kelantan.

Soon after that he joined the Federal Judicial & Legal Service and was posted as a Magistrate in Muar and Batu Pahat and in 1961 he became the President of the Sessions Court Muar, Johore. For 2 years he served as Deputy Public Prosecutor in Perak. He was then successively Legal Adviser in Trengganu and Johore.

Datuk Mohamed was appointed the Chief Scout of Malaysia by the Yang Dipertuan Agung early in 1975.

Datuk Mohamed resigned from the Government service to contest the Parliamentary seat at Tanah Meran on an Alliance ticket which he won. He was re-elected M.P. in the 1974 General Elections.

He is now a member of the Supreme Council of UMNO.

Address: Ministry of Power, Technology and Research, Kuala Lumpur.

MINISTER OF HOUSING AND VILLAGE DEVELOPMENT

MR. MICHAEL CHEN WING SUM

Mr. Michael Chen Wing Sum was born in 1932 in Perak. m. Helen. c. Three. Educated at Chung Lin High School, Penang, Hong Kong Chinese University and Lincoln's Inn, London. He is an Advocate and Solicitor.

Mr. Chen was elected a Member of Parliament in 1964 and was Parliamentary Secretary to the Deputy Prime Minister until May, 1969. He is now Executive Secretary to the Alliance.

Before going into politics Mr. Chen was a Reporter with Kwang Hwa Jit Poh of Penang. For three years he was Legal Adviser to two Chinese Teachers Associations and several other organisations.

Mr. Chen was re-elected M.P. for Ulu Selangor in 1972 elections. Mr. Chen was brought into the Cabinet as Minister with Special Functions under the Prime Minister on August 13, 1973. He will be responsible for the Centre for Nuclear Research, environmental and other matters. He was the President of the Table Tennis Association of Malaysia and a Vice-President of



the Asian Table Tennis Union. Address: Prime Minister's Department, Jalan Datuk Onn, Kuala Lumpur.

MINISTER OF FINANCE

TENGKU TAN SRI DATUK RAZALEIGH HAMZAH, P.S.M., S.P.M.K.

Tengku Tan Sri Datuk Razaleigh bin Tengku Hamzah, P.S.M., is the youngest member of the Malaysian Cabinet and at 39 he is the youngest man ever to hold the portfolio.

An economist by training he graduated from the Queen's University, Belfast in 1959 and then read Law at Lincoln's Inn, London. However his studies were interrupted when his father Tengku Mohamed Hamzah bin Zainal Abidin, a former Menteri Besar of Kelantan, died suddenly. He therefore returned to Malaysia to continue the business of his father. Tengku Razaleigh's success in business drew him to politics. He was elected Chairman of Ulu Kelantan UMNO Division.

He was the President of Associated Malay Chamber of Commerce and Chairman of the \$50 million National Corporation (PERNAS) until October, 1976 when he relinquished this post. He is also the Chairman of Malaysian National Insurance. He became Managing Director and Chairman of Bank Bumiputra in October, 1970 — the youngest man in Malaysia to hold such a post. He was leader of Malaysia's first trade mission to Peking in May, 1971. He was elected one of three Vice-Presidents of UMNO at its General Assembly in K.L. on June 21, 1975.

A State Assemblyman, he received Darjah Seri Paduka Setia Mahkota Kelantan in July, 1971, and awarded Panglima Setia Mahkota by Yang Di Pertuan Agung on June 6, 1973.

At the Malaysian International Investment Seminar in 1975, the late Tun Abdul Razak reiterated the Cabinet's position when he said, "We have established Petronas as an independent body under the charge of Tengku



Razaleigh in whose management I have complete confidence....."

Tengku Razaleigh was unanimously elected by the Malaya Chamber of Commerce and Industry as Father of Malaysia's Economy. However, even prior to holding these key positions he was already internationally recognised. The Time magazine in a 31-page Special Supplement in July 1974 named 150 men and women under the age of 45 as future leaders of the world. Tengku Razaleigh was specially selected. Address: Ministry of Finance, State Secretariat Building, Kuala Lumpur.

MINISTER OF CULTURE, YOUTH & SPORTS

DATUK ABDUL SAMAD BIN HAJI IDRIS, J.M.N., P.J.K., A.M.N.

Married Datin Aishah binti Haji Hussin. He was educated at Malay School, Seri Menanti.



Datuk Abdul Samad was a Member of the Negri Sembilan State Executive Council; and was Deputy Menteri Besar of N.S. Datuk Abdul Samad has served as the Vice-President of N.S. Persidangan Belia Club, Seremban and as President of N.S. Malays Football Assn. He is the Chairman of Board of Governors Sekolah Ugama Menengah Tinggi, N.S. Executive Member Central UMNO Malaysia.

Datuk Abdul Samad was returned unopposed in Kuala Pilah, Negri Sembilan in the 1974 General Elections. He was the Deputy Minister of Labour and Manpower before his appointment as Deputy Minister of Home Affairs on August 13, 1973. He was appointed Minister of Culture, Youth and Sports in July 1976.

Recreation: Golf, Badminton, World Affairs, Writing Historical Books Literary and Cultural activities.

Datuk Abdul Samad bin Idris, J.M.N., A.M.N., P.J.K., was born on October 13, 1923 in Seri Menanti, N.S.

Address: Ministry of Culture, Youth and Sports, Jalan Gurney, Kuala Lumpur.

MINISTER OF LOCAL GOVERNMENT AND FEDERAL TERRITORY

TUAN HASSAN ADLI BIN HAJI ARSHAD J.S.M.



ordinary member. He was Permanent Chairman of PMIP Congress 1954-55. In 1955 he contested in the first National General Elections in Teluk Anson constituency but was not successful. In 1956 he was elected as Leader of PMIP Youth. In 1958 he was elected Vice-President of PMIP and was conferred the title "Panglima Jihad" by the Congress. In 1968 he was elected Deputy President of PMIP.

In 1959 he again contested in the Parit Buntar State constituency but was not successful. However he won the elections in the Parliamentary constituency of Kuala Trengganu North. He was a PMIP Member of Parliament until 1964. In the 1964 general elections he contested but failed to win the parliamentary seat in Hilir Perak constituency and in the next general elections in 1969 he did not participate.

In the August 1974 General Elections he contested as a National Front candidate in the Bagan Datuk constituency and won. He was then appointed Deputy Minister of Labour and Manpower. After the May 13, 1969 incident, he became a member of the National Consultative Council and a member of Perak Goodwill Council.

In February 1974 he was appointed by the late Prime Minister Tun Abdul Razak as Deputy Chairman of Islamic Missionary Foundation (Yayasan Dakwah Islamiah). He resigned to contest in the August 1974 general elections. Tuan Haji Hassan Adli was active in many educational organisations, parents associations and Islamic missionary work. Married to Cik Fatimah Zaharah binti Haji Nasir, they have nine children — eight girls and one boy. Recreation: Farming and Live-stock raising.

Tuan Haji Hassan Adli bin Haji Arshad, J.S.M., was born in Kampung Parit Dayang, Bagan Datuk, Perak, on April 17, 1929. Educated at Bagan Pasir Malay School and Arabic School Al-Ulum in Bagan Datuk. He received its highest certificate (Al-Qismul-'Ali). He studied English at a private class.

Tuan Haji Hassan Adli was a teacher at Al-Ulum Arabic School 1949-55 when he resigned because of his full involvement in the then Pan-Malayan Islamic Party (PMIP). Since 1955 he became a small-holder on his own coconut plantation. In 1955 he joined PMIP as an

MINISTER OF HEALTH

TAN SRI LEE SIOK YEW, P.M.N., P.J.K.



Tan Sri Lee Siok Yew was born in 1924. He is a former Alliance M.P. in Sepang Constituency, Selangor. He is head of the Selangor M.C.A. Youth Section. Elected Hon. Secretary-General of M.C.A. in 1973.

Tan Sri Lee is a member of Alliance National Executive Committee, the Rural Development Board and the Rubber Replanting Board. In 1962, he was a representative of Malaya to the 18th U.N. General Assembly. Early in 1964, he was a member of the Malaysian Party to the Tripartite Foreign Ministers Conference in Bangkok.

Tan Sri Lee was appointed Assistant Minister for Education in the Malaysian Cabinet after the 1964 elections. He was re-elected M.P. in the General Elections in May, 1969.

The Deputy President of the Malaysian Chinese Association he is also Deputy Chairman of National Goodwill Council. Address: Ministry of Health, Jalan Young, Kuala Lumpur.

MINISTER OF AGRICULTURE

DATUK ALI BIN HAJI AHMAD



Datuk Ali was the President of the Federation of Malay Students Union from 1953 till 1955; Vice-President, Malay Language Society, University of Malaya 1954; Member of the Malay Education Council, Singapore from 1954 to 1956.

He served as an Assistant District Officer in Pontian from 1958 till 1960, and was the Head of the Research Division, Dewan Bahasa dan Pustaka from 1960 till 1963, when he resigned to become Assistant Secretary General of UMNO until 1965. In 1965 he was appointed as Parliamentary Secretary to the Ministry of Finance.

From May 1969 until end of 1972 Datuk Ali was Deputy Minister of Finance. He was the Deputy Minister of Home Affairs when he was appointed the Minister of Culture, Youth and Sports in a major Cabinet reshuffle on August 13, 1973. In 1969-1970 he was Governor of the World Bank. From 1969 till he left the Ministry of Finance he was the Governor of the Asian Development Bank, and in 1972 he was also elected as Vice-Chairman of the Asian Development Bank.

In January 1976, he was appointed the Minister of Agriculture, Malaysia. Address: Ministry of Agriculture, Jalan Swettenham, Kuala Lumpur.

Datuk Ali Haji Ahmad was born on June 29, 1930 in Pontian District, Johore. He is married to Jamilah binti Abdul Rahim. He was educated at a Malay School in Pontian District; English College, Johore Bahru, and the University of Malaya (B.A. Hons.).

MINISTER OF INFORMATION
DATUK AMAR HAJI ABDUL TAIB BIN MAHMUD, P.D.K., P.G.D.K.

Datuk Haji Abdul Taib bin Mahmud was the State Minister for Development; and Forestry in Sarawak. Born on May 21, 1936, Miri. Married Lejla binti Abu Bekir. He was educated at St. Joseph's School Miri and Kuching and the University of Adelaide, Australia. After obtaining a Law degree he was admitted to Supreme Court of South Australia.

Datuk Haji Taib has served as Judge's Associate in South Australia in 1961. Then he joined the Legal Department Sarawak 1962-1963. He was a nominated member of Council Negri and a Member of Supreme Council.

Datuk Taib was Assistant Chairman Barisan Rakyat Jati Sarawak. In 1972 he was elected the Deputy President of Party Bumiputra, Kuching, Sarawak. Datuk Taib was appointed State Minister for Communications and Works in 1963-1966 and became Assistant Minister of Commerce after the General Elections in May, 1969. Later he was appointed Deputy Minister in the Prime Minister's Department. Datuk Taib is the President of



Malaysia's Inter-Religious Organisation. Address: Ministry of Information Angkasapuri, Kuala Lumpur.

A NOTE ON TITLES

King (elected from among the hereditary rulers for a five-year period)
= Yang Di-Pertuan Agong

Hereditary Titles

Rulers of the nine dynastic states = Sultan in case of Johore, Kedah, Kelantan, Pahang, Perak, Selangor and Trengganu;
Raja in case of Perlis and Yang Di-Pertuan Besar in case of Negeri Sembilan

Prince = Raja, Ungku, Tengku or Tunku

Knight = Datuk

Award Titles

Tun (Highest Title) = Lifetime peerage, which can also be granted to women

Tan Sri = Lifetime knighthood granted by the King

Datuk = Lifetime knighthood granted by a State ruler.

The following topics, which are likely to come up in the discussions with the Malaysian Government, are discussed in this section:

1. Malaysia's Growth Strategy
2. Malaysia's Poverty Eradication Program
3. Malaysia's Restructuring Policy
4. The Outlook for Petroleum Revenues

In addition, we have included:

5. A recent Reuters dispatch on Dr. Mahathir's trip to Europe to Attract Foreign Investment. (A full discussion of this issue is in the Economic Section (F) under "Economic Situation.")

History of Kelantan
Why poor

Topics

1. Progress & future program of ASEAN
2. Progress of New Econ. Policy: economic advance of Malaysia (in rural area; urban area); ^{China} attitude of
3. Strength of communist guerrillas in southern Thailand & Malaysia
4. Future relations in E Asia between: Cambodia/Vietnam; China/Vietnam; Viet/Thai
5. D Pasing & Kissinger's counsel in '67
6. Pasing "There is no other thing than to serve your country" what higher sentiment can a man have?"
→ good job on paddy - less work on rubber
3. Most groups of Malays & participate in modern sector v. sec. & sec.

1. Labor must play major part: needs to be kept back
2. But 90% of new labor force can't be absorbed in urban
a. in effort of agri & food sector must be emphasized
cost per family must be brought down
b. smallholder rubber & paddy farmers protect
196-90:

Economic Program

1. Outlook for 82 GNP growth: essential for reducing poverty & achieving 32% employment growth
2. " private investment (in face) recent decline. Effect of ICA (have modifications of 77 econ. problem?
3. Progress in racial restructuring (possible use) incentives or penalties
4. What progress in raising rates of poor: rural? urban? Malay = 1/3 Chinese? tend?
5. Govt's proj. dev. capacity is weak: what progress in strengthening
6. What role should B2 play: little need of fin. assistance for it.
7. What progress in raising yields (very low) of smallholders?
8. Outlook for moderates (vs. as modern extremists) in stirring racial balance
9. What possibilities of expanding & accelerating land dev. proj (above 15% of total land area)
3500 families + 4000 in seeds 1975-90 - perhaps a 50% effort
10. Why is the govt so weak in developing proj?
11. What progress in expanding services in rural areas: elec?; roads; etc
12. What potential (why what means) for stimulating small & small-scale ind.

E. TOPICS FOR DISCUSSION

1. Malaysia's Growth Strategy

Under the aegis of the New Economic Policy announced in 1970, the Government has set ambitious targets for reducing poverty and racial imbalances by 1990. Moreover, Government has repeatedly reaffirmed its commitment to achieving these targets. Recent economic work done in connection with the proposed Malaysia Publication (Volume I is attached as briefing material) has once again brought out the importance of maintaining a long-term growth GNP rate of at least 8% per annum to achieve those targets. Without this high growth, employment growth of over 3% per annum will not materialize if, at the same time, rural incomes are to be increased significantly. Also, the relative position of Malays could not be improved without a worsening of the absolute position of the non-Malays. This conclusion is completely in line with stated government policy which stresses that the goals of the New Economic Policy have to be achieved in a context of rapid economic growth. The Government's long-term plan, for instance, calls for a GDP growth of 8.2% for 1976-90.

Events in the past few years have modified to a certain extent Malaysia's prospects for growth and warrant a re-emphasis of the necessity of rapid growth. First, resource prospects now appear much better than when the Plan was drafted. This is a result of both the larger oil and natural gas exports now projected as well as more favorable prospects for the prices of other export commodities. This greater resource availability effectively removes the resource constraint on achieving rapid growth. On the other hand, the recent decline in private investment raises some doubts about prospects for rapid industrial growth, the driving force of the growth strategy. While there is still controversy and uncertainty about the exact extent of the decline as well as its causes, there is general agreement that there was a substantial decline (over 30% by our estimates) during 1975 and 1976. A number of possible factors were involved in this downturn in manufacturing investment, and it is difficult to determine their relative importance with certainty. First, the world recession in 1974/75, in addition to being largely responsible for the downturn in the growth of manufacturing output, no doubt had some negative impact on investment activity as well. Second, 1974 was a peak period for private investment in Malaysia. Some cyclical decline in the rate of private investment in 1975 would probably have been experienced in any event. Third, there was considerable uncertainty in the private sector regarding the impact of the Industrial Coordination Act (ICA), passed by Parliament in May 1975. Finally, the manufacturing industry may have lost some of its competitive edge through the 28% appreciation of the exchange rate since 1970. No doubt all of these causes were at work; however, we give somewhat more weight to the impact of the ICA than does Government. The Government has agreed that the Act caused uncertainty initially; however, it now feels that the modifications made to the Act last year have remedied these uncertainties. While it is still too early to determine whether the decline was mainly cyclical or more structural (i.e.,

the ICA), it is clear that, whatever the causes, a recovery is needed if manufacturing growth is not to falter in the coming years. In view of both our own uncertainty about the causes of the downturn as well as the sensitivity of Government to suggestions that its restructuring policies may be involved, we have not explicitly recommended that the Government make further specific changes in the ICA at this time. Rather, we have suggested that Government monitor investment closely and provide a policy framework to ensure a vigorous private sector. We have also suggested that a system of positive incentives for racial restructuring may be more productive than a system of penalties since incentives would provide a more conducive atmosphere for growth and hence for restructuring itself.

Our more general position of the growth issue is summarized below:

- (a) growth, particularly in the manufacturing sector, is essential to achieve the goals of the NEP;
- (b) from the viewpoint of resource availability, rapid growth is feasible;
- (c) a substantial recovery in manufacturing investment is needed if the Government's growth targets are to be realized;
- (d) Government should therefore keep very close tabs on the pace of manufacturing investment and take further actions, if necessary, to ensure continued rapid growth in this sector;
- (e) besides ensuring rapid growth in the private sector, an expansion in government programs and projects to improve directly the incomes and living standards of the poor is also warranted in view of the improved resource prospects of the public sector;
- (f) such an expansion requires that Government give high priority to measures to expand the capacity of the public sector to plan and implement poverty projects and programs. One such measure we have suggested is for Government to make greater use of non-Malays in the private sector to fill temporarily (e.g., on a consultancy basis) key positions until qualified Malays can be hired.

*What
are they
driving to
achieve
this*

E. TOPICS FOR DISCUSSION

2. Malaysia's Poverty Eradication Program

Historical Performance

Malaysia has had a long-standing commitment to eradicate poverty and develop the rural areas. The initial thrust of government policies in the mid-1950s was on rural infrastructure. In the 1960s emphasis was increasingly placed on providing land to the rural poor and increasing the productivity of the small-scale farmers. The results of these early efforts were somewhat dampened by the deterioration in the terms of trade of rubber growers, the relatively long gestation period of rural investments - in particular the tree crops - and a relatively high rate of population growth. Nevertheless, there were very solid achievements. Over the 1960-75 period, smallholder agriculture grew by almost 6% a year, there was some reduction in the incidence of poverty, and there was a substantial increase in rural infrastructure.

Current Programs

There is still substantial poverty in the rural areas. Low incomes are strongly related to the large proportion of agricultural workers with no land of their own or with holdings too small to provide full-time productive employment and income above the poverty line. The Government is continuing to invest heavily in land development, selecting settlers from among the landless poor. Between 1955 and 1975, nearly 1.5 million acres were developed in Peninsular Malaysia alone, about half of this by the Federal Land Development Authority (FELDA). The current rate of land development by all agencies in Peninsular Malaysia is about 175,000 acres a year, which should provide settlement to 12,000 families and jobs for 18,000 people. This number appears small in relation to the total number of agricultural households below the poverty line - more than half a million. But in relation to the total labor force growth in Malaysia of 120,000 additional jobs a year, job creation through land development has been quite significant. It has helped to accelerate the rate of total employment creation and to contain the number of households in the traditional smallholder sector. A continued high rate of land development offers major opportunities for poverty eradication both by distributing assets to the poor as well as by stimulating the overall growth of the economy. At the same time, the Government is accelerating its program to develop existing agricultural land. In the Third Malaysia Plan (1976-80) the Government has doubled its assistance to small farms, raising the area covered to 1.7 million acres.

World Bank Programs

In addition to working closely with the Government on studies that will help frame the poverty eradication program, the Bank's own lending program concentrates almost exclusively on assisting Malaysia's poverty groups. Bank loans are, and will be in the future, to assist those in

absolute poverty by providing irrigation and drainage facilities and farm-to-market roads for existing smallholders, as well as by continuing to provide landless laborers with newly-developed land. The Bank is also helping to improve support services by expanding extension, by increasing agricultural small-scale industrial credit, and by producing higher quality seeds. The Bank plans to mount a concentrated effort to help agricultural development institutions. It is also helping the Government to expand social services, in particular for low-income groups, through assistance for formal and informal skill training, the expansion of family planning services, and selected infrastructure support for the rural areas.

UNDP Project

Malaysia's present capacity to identify, prepare, and implement projects specifically for poverty alleviation is limited to a relatively few Government departments and agencies, although the work of these institutions has been outstanding. In general, the Government's project development capacity is weak, particularly at the state level in the poorer sections of the country. Last April, with the assistance of the UNDP, the Bank launched a major effort to help strengthen the Government's project planning and implementation capacity in selected central government agencies and in three of Malaysia's poorest states, Kedah, Kelantan and Perlis.

E. TOPICS FOR DISCUSSION

3. Malaysia's Restructuring Policy

Substantial racial imbalances permeate the Malaysian economy. Malay incomes are about half those of the Chinese, with Indians midway between the two. Malays are concentrated in agriculture, particularly traditional agriculture, while non-Malays predominate in the industry and service sectors. In the corporate sector, the Malay share of share capital of limited companies is only about 8% /1 while other Malaysians hold 37% and foreigners the remainder. These racial imbalances have continually threatened national unity, prompting Government to adopt ambitious targets to reduce these racial imbalances. In the context of the New Economic Policy, the Government has formulated specific quantitative targets for 1990 for the racial restructuring of employment and equity ownership.

These targets represent a nearly complete racial restructuring of employment by substantially reducing the Malay share in agriculture and increasing their share in industry and services. These targets are set within a framework of rapid economic and employment growth so that new opportunities to non-Malays in the modern sector are not too severely restricted.

Notwithstanding the substantial room for restructuring under conditions of very rapid growth in aggregate employment over a 15-year period, the patterns into which new employment needs to be channeled are starkly different from those applicable in the past. The most sweeping changes targeted are in agriculture, which would absorb only 5% of the Malay net addition to the labor force. This implies that almost 80% of the new jobs in agriculture would be taken up by Chinese. Many observers have raised questions about the realism of these targets, which would maintain the proportion of Chinese employed in agriculture at about 25% and sharply reduce that of the other races. In addition to the question of the feasibility of these numerical targets, there are some problems with the underlying policy framework because most, if not all, of the desirable new jobs created in agriculture will be in land development schemes. Until now, few new settlers have been Chinese. There would certainly be a problem with bypassing poor Malays to give new land to Chinese. If this were not done, however, Malays would receive not only the new land, but also many jobs in the modern sector. The Chinese would have to stay in agriculture and could easily feel bypassed in reaping the benefits of development. Finally, there is the question of nondiscriminatory policy measures that could induce the Chinese to stay in agriculture.

*Low
might
this be
desirable?
is it
realistic*

The foregoing discussion serves to demonstrate that the employment restructuring targets may not be easy to fulfill. This is true even if the total employment targets by sector are realized. These targets are rather high, however, at least for the modern sectors. The Third Malaysia Plan explicitly states that not much improvement in productivity has been assumed, especially in some of the service sectors, and that some underemployment in these sectors may persist. Because policy instruments have not yet been

/1 About 70% of the Malay share is being held "in-trust" for Malays by public trust agencies.

devised to induce workers to leave agriculture under these circumstances, the estimates may overemphasize the relative shift from agricultural to service employment. In addition, the employment estimates are based not only on rather high employment elasticities, but on high production targets in the modern sector, especially in manufacturing. As a result of the substantial decline in manufacturing investment in 1975-76, a substantial recovery will have to occur soon if production targets are to be reached. If employment in the modern sectors expands less rapidly than foreseen, more workers will remain in agriculture and the restructuring targets, especially those for agriculture, will be even more difficult to reach without forcing them upon reluctant segments of the population.

All this is not to say that the objective to restructure employment should be put aside as unrealistic or impractical. It does not appear to be desirable, however, to enforce the restructuring targets whatever the cost. Such enforcement may endanger the process of economic growth, which is instrumental to any reasonable effort at restructuring. To be guarded against, then, is the vicious circle that can develop between further enforced restructuring and continuing economic stagnation.

Under these circumstances, it seems appropriate to conclude that the objective and the process of restructuring are more important than the specific numerical targets set. The major objective is to foster national unity, which will be jeopardized if the vicious circle indicated is allowed to develop. Still, the process of reducing the identification of race with economic function should be continued. But, as Government has stipulated, it should be continued in such a way that all major groups in society feel they are participating significantly and continuously. If this involves softening some of the numerical targets - for example, by including the Malays benefiting from land development schemes among those whose jobs have been restructured - the cost is relatively small if the objective and process of restructuring are retained. In addition, given the relatively comfortable resource position Malaysia will enjoy in the coming years, more use may be made of incentives to attain the restructuring objectives than regulations, which may have a dampening effect on business activity and the growth context in which restructuring has to take place.

Our position on restructuring may be summarized as follows:

- (a) we fully support the need substantially to improve racial balance in the economy;
- (b) we also agree with Government that the essential condition for successful restructuring is rapid economic growth;
- (c) even with rapid growth, however, it may be difficult to achieve the precise quantitative targets set out in the New Economic Policy;
- (d) therefore we believe government policy should first promote rapid growth but should also give more emphasis to the general objective of improving racial balance than to achieving the specific quantitative targets set out in the New Economic Policy, since too literal an attempt to achieve these precise targets may in the end be counterproductive.

E. TOPICS FOR DISCUSSION

4. The Outlook for Petroleum Revenues

The improved outlook for oil production has substantially enhanced the resource position of the economy and, in particular, of the public sector. Projections of oil export earnings and revenues are based on official forecasts that oil production will increase from the past (1971-75) average of 80,000 barrels a day to 240,000 by 1980. Beyond that, it is assumed that oil production will increase at an annual rate of 5% a year implying some further increase in proven oil reserves beyond the current official estimate of one billion barrels. On this basis, export revenues from oil are expected to reach about M\$13 billion during 1976-80 and about M\$25 billion during 1981-85, the equivalent of about 14% of merchandise exports and 7% of GNP. This is more than double the relative level of oil exports achieved during the Second Plan, 1971-75 (see attached table).

Based on the production sharing agreement signed with the oil companies last year, over two thirds of gross oil revenues will accrue to the public sector including Petronas, the state oil company. Thus, the public sector will receive about M\$9.6 billion during 1976-80 and about M\$18.6 billion during 1981-85. This is the equivalent of over 5% of GNP and over 16% of total projected public sector revenues./1

An important element in these projections is the role of Petronas. About 40% of these public revenues from oil represent Petronas' net income. This is important to highlight since there may be a tendency to earmark such funds for further petroleum-related investments. For example, an agreement has recently been reached to build a large liquified natural gas project whereby Petronas will finance 65% of the total cost of M\$2.4 billion. Other petroleum-related investments such as a fertilizer plant and an oil refinery are under consideration by Petronas. While developing the petrochemical industry may turn out to be a sound investment, the size of the investment should not be determined by how much Petronas receives from oil revenues. The obvious danger of tying oil revenues to petrochemicals is relative over-investment in petrochemicals and under-investment elsewhere. We have therefore recommended to Government that Petronas' revenues be included in the normal review and allocative procedures of the public sector. While some high level officials have supported this approach, it appears that no government decision has yet been taken on this matter. It may, therefore, be fruitful to raise this issue with Government to lend our support to those who advocate this position.

/1 In addition to oil, the production of LNG is scheduled to begin in the early eighties. This will further boost public revenues so the revenue prospects in the longer run are even more favorable than those given above.

Table : PETROLEUM PRODUCTION EXPORTS AND PUBLIC REVENUES, 1971-85

	<u>Actual</u> 1971-75	<u>Projected</u> 1976-80 1981-85	
Average annual production ('000 bpd)	80	207	280
<u>Exports</u>			
M\$ billion	2.4/ <u>a</u>	13.1	24.9
Share of merchandise exports (%)	6.5	14.1	14.4
<u>Public Revenues</u> (incl. Petronas)			
M\$ billion	0.9	9.6	18.6
Share of public revenues (%)	4.0	16.0	16.6

/a Includes re-exports of oil from Brunei.

E. TOPICS FOR DISCUSSION

5. Dr. Mahathir's Trip to Europe to Attract Foreign Investment

PRESS RELEASE

(REUTERS, KUALA LUMPUR, MAY 13, 1978)

INVESTMENT

BY THAUNG MYINE

DEPUTY PRIME MINISTER DATUK MAHATHIR MOHAMED GOES ON A TWO-WEEK TRIP TOMORROW TO BRITAIN AND WESTERN EUROPE ON A MISSION TO ATTRACT FOREIGN INVESTMENT TO MALAYSIA, WHICH IS LAGGING FAR BEHIND THE TARGETTED AMOUNT.

THE THIRD MALAYSIA PLAN COVERING 1976-80 CALLS FOR TOTAL INVESTMENT OF 44 BILLION RINGGIT (18 BILLION U.S. DOLLARS) BUT SO FAR INVESTMENT, PARTICULARLY IN THE PRIVATE SECTOR, IS RUNNING AT LESS THAN HALF THE GOALS SET.

THE PLAN FORMS THE KEY EFFORT OF THE GOVERNMENT TO BUILD A PROSPEROUS, MULTI-RACIAL SOCIETY OF THE POLITICALLY DOMINANT MALAYS IN THE MAJORITY, AND ECONOMICALLY POWERFUL CHINESE MINORITY.

PRIME MINISTER DATUK HUSSEIN ONN AND DATUK MAHATHIR AS HIS DEPUTY HAVE STAKED THEIR POLITICAL FUTURE ON THE GOAL OF ANHNYDUENT, MULTI-RACIAL SOCIETY, AND SWORN THAT ALL THE PROMISES OF THE PLAN WOULD BE CARRIED OUT.

DATUK MAHATHIR TOLD NEWSMEN THAT HE WOULD HOLD SEMINARS IN BIRMINGHAM, FRANKFURT, PARIS AND COPENHAGEN TO DISPEL DOUBTS AMONG EUROPEAN INDUSTRIALISTS OVER MALAYSIA'S SECURITY, POLITICAL STABILITY, INCENTIVES AND POLICIES ON REMITTANCE OF PROFITS.

DATUK MAHATHIR HOPES TO PERSUADE INDUSTRIALISTS WHO HAD CLOSED DOWN THEIR PLANTS IN EUROPE BECAUSE OF HIGH COSTS AND INFLATION TO TRANSFER THEIR ENTERPRISES TO MALAYSIA WHERE LABOUR COSTS ARE LOW AND LAND AND OTHER INFRA-STRUCTURE FACILITIES ARE AVAILABLE.

DATUK MAHATHIR AND HIS HIGH-POWERED TEAM OF 18 TOP INVESTMENT OFFICIALS WILL CONCENTRATE ON CONVINCING INDUSTRIALISTS TO PUT THEIR MONEY IN THE MANUFACTURING SECTOR WHICH REQUIRED AN ANNUAL INVESTMENT OF TWO BILLION RINGGIT (890 MILLION U.S. DOLLARS) UNDER THE PLAN.

DEPUTY TRADE AND INDUSTRY MINISTER DATUK LEW SIP HON SAID THAT THE MANUFACTURING SECTOR PERFORMED UNSATISFACTORILY IN THE PAST TWO YEARS WITH THE PROPOSED CAPITAL INVESTMENT TALLING ONLY 2.1 BILLION RINGGIT.

CHINESE MALAYSIAN INDUSTRIALISTS WITH CASH TO SPARE ARE PARTLY RESPONSIBLE FOR INVESTMENT FALLING SHORT OF THE TARGETS, BY HOLDING BACK FINANCE IN FEAR OF THE INDUSTRIAL COORDINATION ACT WHICH REQUIRES 30 PERCENT BUMIPUTRA (MALAY) PARTICIPATION IN NEW PROJECTS OR EXTENSION OF EXISTING ONES.

THE ACT IS A MAJOR INSTRUMENT OF THE GOVERNMENT'S NEW ECONOMIC POLICY TO CURE THE HISTORIC INEQUALITY BETWEEN THE MALAY ECONOMIC HAVE-NOTS AND THE MINORITY CHINESE WHO HAVE DOMINATED MALAYSIA'S ECONOMY, BUSINESS, FINANCE AND OCCUPATIONS FOR GENERATIONS. MALAYS COMPRISE ABOUT 52 PERCENT OF THE 12.5 MILLION POPULATION AND THE CHINESE 35 PERCENT.

A GOVERNMENT INVESTMENT MISSION WILL ALSO GO TO JAPAN IN NOVEMBER. JAPAN HAS GIVEN MALAYSIA FOUR YEN LOANS AND PROMISED ANOTHER, ALTOGETHER AMOUNTING TO MORE THAN 450 MILLION DOLLARS.

THE GOVERNMENT THINKS THAT THERE IS MORE ROOM FOR CAPITAL FROM THE UNITED STATES, WHICH HAS ALREADY INVESTED 100 MILLION DOLLARS IN MALAYSIA. AN INVESTMENT MISSION IS DUE TO GO THERE IN DECEMBER.

GOVERNMENT MISSIONS WILL ALSO VISIT EASTERN EUROPEAN COUNTRIES LIKE YUGOSLAVIA, POLAND, THE SOVIET UNION AND OTHERS WITH WHICH MALAYSIA CAN SET UP JOINT VENTURES IN AGRO-BASED AND RUBBER-BASED INDUSTRIES.

THE GOVERNMENT IS CONSOLED BY THE FACT THAT THERE HAS BEEN A LOT OF INVESTMENT IN THE GROWING OIL INDUSTRY.

ESSO DRILLING OFFSHORE OIL HAS INVESTED 600 MILLION RINGGIT (255 MILLION DOLLARS) WHILE SHELL AND MITSUBISHI HAVE AGREED TO A 35 PERCENT SHARE IN ONE BILLION DOLLAR LIQUEFIED NATURAL GAS (LNG) PRODUCTION IN SARAWAK STATE OF EAST MALAYSIA, SCHEDULED TO START OPERATION IN 1983.

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PERSPECTIVE ON MALAYSIA'S
ECONOMIC DEVELOPMENT

BY

THE WORLD BANK
ECONOMIC MISSION

Diedarkan Oleh
Bahagian Ekonomi, Kementerian Kewangan.

5hb. Jun, 1978.

Malaysia is a resource rich country and has exploited these resources to achieve a per capita income in 1976 of US\$860 making it one of the most prosperous countries in Southeast Asia. To day Malaysia is the world's leading exporter of tin, rubber, and palm oil, is a major exporter of tropical hardwoods, and has significant resources of oil and natural gas. In recent years Malaysia's manufacturing sector has also registered substantial growth and while the share of manufacturing output is still relatively small, the country has become an important exporter of manufactured goods. The rapid growth of this sector together with a major expansion of public sector investment during recent years has been a main reason for the acceleration of the overall growth rate from 6 per cent during the 1960s to about 8 per cent in the seventies. The substantial expansion in production has been achieved in the context of economic freedom and stability.

This pattern of development has resulted in an economy that is highly open with exports and imports each equivalent to almost half of GNP. While the size of the Government has increased substantially, it has generally not competed with nor constrained the private sector. Reflecting both low world inflation and careful economic management by Government, a long record of price stability has been achieved. The acceleration of inflation in recent years can be almost wholly attributed to the large increase in world inflation.

A look beyond macro economic aggregates however reveals a serious problem: a substantial part of the population is poor. In 1970, for instance, the Government estimated that almost half the population had incomes insufficient to provide minimum requirements of food, shelter, clothing, and other basic needs. Since then there has

1/ This version of the overview to the proposed publication on the Malaysian economy reflects most of the substantive changes which were agreed with the Government. The major revision still outstanding is to include a discussion on the importance of accelerating rural development and of limiting the rate of population growth.

been a definite decline in poverty such that by 1976 the incidence of poverty has probably fallen to about 40 percent. Also by international comparison Malaysia's poverty line appears to overestimate the extent of absolute poverty. Nonetheless serious problems of poverty and uneven distribution of income remain. Further the ethnic composition of the poor is very unequal with poverty largely concentrated amongst the Malays.

How can this poverty be reconciled with rapid growth and relatively high per capita GNP? First, the agriculture sector, the main source of employment in the economy, has historically developed in a highly dualistic manner. Thus despite the presence of a relatively high productivity estate sector, the majority of households in agriculture is still engaged in lower income traditional activities consisting mainly of smallholder rubber and rice farming. Further this dualism has significant racial connotations. By and large Malays, who held the land by custom have stayed in traditional agriculture while the immigrant groups of Chinese and Indians entered the sectors which eventually proved to be more dynamic: tin mining, agriculture estates commerce and eventually manufacturing. As a result most of the poor are Malays and many Malays are poor.

Second, Malaysia has experienced very rapid population growth during the 1960's which has reduced the per capita production growth to half that of total output. In addition the country experienced a serious and sustained terms of trade loss during the 1960's which further reduced average real income growth during the period. Of particular

significance was the large decline in the price of rubber; in the course of one decade the unit value of this main export product was halved (in terms of real purchasing power). Since rubber tapping is the principal occupation of Malaysia's poor, this has had a serious negative effect on the efforts at poverty alleviation. As a result, during the 1960's the position of many of Malaysia's poor improved only very slowly.

This generally disappointing outcome occurred notwithstanding the very effective programs to increase agricultural productivity, which were undertaken by the government as well as in the private sector. These programs resulted in a growth of smallholder output which was almost as high as for the sector as a whole (6 percent). Real price of rubber and paddy smallholder output in particular made substantial gains, which were, after 1970, no longer offset by a decline in the real price of rubber.

Through a vigorous replanting program, smallholder rubber output rose substantially. In fact during 1960-75, smallholder output grew almost twice as fast as that of estates. Large irrigation projects, in particular the MUDA scheme, substantially increased rice output of smallholder producers. The Government also instituted a large land development program which opened up virgin territory to the landless as well as poor farmers. This program not only provided above

poverty incomes to large numbers of poor households but also relieved pressure on the land already being farmed. The private sector as well as the government in some of its land development schemes moved from rubber into palm oil, thereby not only increasing the short-term return but also contributing to the long-term diversification of the economy. Government also expanded its role in providing social services and there were substantial increases in the provision of education and health to the poor. These programs have increased the welfare of many of the poor significantly, as is evidenced by the fact that death rates have declined substantially and life expectation increased for all segments of Malaysian society, while primary education is now almost universal.

The above serves to illustrate that it would hardly be appropriate to judge the government policies only on the basis that the incomes of the poor generally did not show much improvement. Rather, it should be emphasised that significant improvements, in raising production levels, diversifying output, and improving social services, were made and there would have been greater impact on rural incomes had it not been for a poor external environment. Alternatively, given the decline in primary product prices, Malaysia's poor would have been much worse off if there had been no Government intervention.

Because the problem of poverty is both large and persistent, the Government has given top priority to poverty eradication. This is one of the twin objectives of the New Economic Policy (NEP) announced by Government in 1970. The other objective is to reduce the racial imbalances that exist in income, employment and asset ownership. Thus by 1990 the NEP stated objectives are to reduce the incidence of poverty by two-thirds, to

achieve a pattern of employment by sector and occupation that reflects the racial composition of the population and to increase the bumiputra share of equity ownership of the corporate sector from 2 per cent in 1970 to at least 30 per cent by 1990. While Government intervention would continue as an important means of achieving these objectives, the New Economic Policy gives new emphasis to the necessity of rapid modern sector growth as the context within which the objectives will only be attainable. Thus the Government's long-term plan is based on the requirement that almost 90% (2.1 million) of the total new jobs to be created during 1975-90 would be in industry and services. This implies a substantial reduction in the share of agriculture employment and a net shift out of agriculture of over one million jobs compared to the number that would be employed in agriculture if present employment patterns were to persist.

Work undertaken by the World Bank during the past few years has reaffirmed the importance of maintaining a long-term GNP growth rate of at least 8 per cent per annum as well as even more rapid growth of the manufacturing sector in order to achieve the NEP targets. Without this high growth, employment growth of over 3 per cent per annum will not materialize if, at the same time, rural incomes are to be increased significantly. Also the relative position of the Malays could not be improved to the desired extent without a worsening of the absolute position of the non-Malays. A lower growth rate would make it very difficult to achieve a substantial reduction in poverty notwithstanding reasonable agriculture growth and some redistributive measures. For instance a growth rate of 6 per cent a year would probably result in at least twice as many households in poverty in 1990 as are projected in the Perspective Plan. Similarly such moderate

growth would substantially reduce the creation of new employment in the modern sector. This would make it impossible to achieve the restructuring targets because it would imply the non-Malay growth of employment in the modern sector were held well below labour force growth and substantial reverse migration of non-Malays from urban to rural areas. The general thrust of this argument is completely in line with Government policy which stresses that the goals of the NEP have to be achieved in a context of rapid economic growth. The Government's long-term plan, for instance, calls for a GDP growth of over 8 per cent.

Given the necessity of high growth, how can it be achieved? Since the Third Plan was drafted there have been significant changes in a number of key factors affecting growth. Resources prospects are much better as a result of both larger oil and natural gas exports now being projected as well as generally more favourable prospects for the prices of Malaysia's other export commodities. Both the balance of payments and the resource position of Government will therefore be significantly improved compared to the past. During the Third Plan for instance exports could be as much as 15-20 per cent higher than earlier projected, significantly increasing foreign exchange resources available for growth. These improved export prospects especially for oil will also greatly increase Government revenues. Public sector revenues could increase from the equivalent of 26% of GNP during the Second Plan Period to about 33% during the next decade. The availability of resources, which has not been a serious problem in the past, is not expected to be a constraint in the future. Compared to most other developing countries therefore, Malaysia is in an excellent position.

While Malaysia appears to have the financial capacity to achieve rapid growth, there are number of factors which will require a change in the pattern of growth. First the growth of Malaysia's labour force is likely to be even higher than the rapid rate recorded in the sixties and early seventies. In addition the economy will have simultaneously to meet the employment restructuring targets of the NEP. Thus the pattern of growth will have to allow for a considerable shift of Malays from agriculture to industry and services as well as absorb the growth in the non-Malay labour force. In confronting these demands, the economy will be able to rely less than in the past on rapid growth of primary productions.

While Malaysia is still rich in natural resources, which will provide a reliable base for the expansion of the economy, the physical growth rates of such major commodities as rubber, palm oil, forestry products and petroleum are all likely to be less than in the past. With growth in the resource sectors decelerating, rapid industrial growth will become increasingly essential to a successful economic performance. This imperative arises not only from the view point of production and the creation of real incomes, but also from the view point of employment and its restructuring. However the economy is not well poised at the moment for such rapid industrial growth due to the decline in manufacturing investment during the past two years. A number of reasons have been advanced for this decline, and it is difficult to determine the relative significance of these various explanations. However, it is clear that a substantial increase in manufacturing investment is needed if the manufacturing growth rate is not to falter in the coming years.

While Government does not have direct control over private investment as it does over public investment, it can play stronger instrumental role in providing a policy framework conducive to vigorous private sector growth. Because the more obvious areas of import substitution have been exhausted, sustaining rapid growth in manufacturing will have to increasingly rely on export expansion. Therefore policies will have to ensure a favourable export environment. In this context a modification of the current tariff structure which tends to discriminate against some manufactured exports given the relative set of export incentives merits consideration. Also exchange rate management will have to give careful consideration to the impact on manufactured exports. An attempt to offset high rates of world inflation via substantial exchange rate appreciation could significantly undermine Malaysia's competitive position as well as exacerbate the mal-distribution of income. With regard to institutional factors, Government has already acted to alleviate fears in the private community over the Industrial Co-ordination Act and the Petroleum Development Act. Government has also stressed that it will implemented the ICA in a flexible and pragmatic manner so as to encourage investment and growth. Since much of the concern in the private sector has been over how the ICA will be implemented, a flexible implementation of the Act by Government should help to ease considerably the concern in the non-Malay business community. One area where a flexible approach seems warranted is at the firm level. A further increase in the minimum size of firm to which the ICA would apply for instance might help ease the administration of the Act as well as ease fears among smaller family firms, without endangering the fulfilment of the NEP objectives.

While much of the discussion about restructuring has recently focussed on the ICA the more general restructuring targets of the New Economic Policy present a considerable challenge to the growth process. Not only does the economy have to provide productive employment for a rapidly growing labour force, but is also required to provide for a considerable change in the racial composition of employment by sector and occupation. Achieving the employment restructuring targets requires a substantial change in the patterns into which new employment needs to be channelled compared to the past. The most sweeping changes would be required in agriculture which would be required to absorb only 5 per cent of the Malay net addition to the labour force. This implies that about 75 per cent of the new places in agriculture would be taken up by non-Malays. Many observers have raised questions about the realism of these targets, which would maintain the proportion of non-Malays employed in agriculture at about 30% and sharply reduce that of the Malay. This objective is further constrained because most, if not all, of the desirable new jobs created in agriculture will be in land development schemes and until now, few new settlers have been non-Malays. There would certainly be a problem with bypassing poor Malays to give new land to non-Malays. If this were not done, however, Malays would receive not only the new land, but also many jobs in the modern sector. The non-Malays would have to stay in agriculture and could easily feel bypassed in reaping the benefits of development.

The foregoing discussion serves to demonstrate that the employment restructuring targets may not be easy to fulfil. This is true even if the total employment targets by sector are realized. These targets are rather high, however, at least for the modern sectors. The Third Malaysian Plan explicitly states that not much improvement in productivity has been assumed, in the service sectors, and that some underemployment in these sectors may persist. Because policy instruments have not yet been devised to induce workers to leave agriculture under these circumstances, the estimates may overemphasize the relative shift from agricultural to service employment. If employment in the modern sectors expands less rapidly than foreseen, more workers will remain in agriculture and the restructuring targets, especially those for agriculture, will be even more difficult to reach without forcing them upon reluctant segments of the population. This is not to say that the objective to restructure employment should be put aside as unrealistic or impractical. It does not appear to be desirable, however, to enforce the restructuring targets whatever the cost. Such enforcement may endanger the process of economic growth, which is instrumental to any reasonable effort at restructuring. To be guarded against, then, is the vicious circle that can develop between further enforced restructuring and continuing economic stagnation. A drop in the growth rate to 6 per cent for instance would not allow for a sufficient flow of labour from traditional agriculture to the industry and services sectors to achieve the targeted restructuring of employment.

Under these circumstances, it seems appropriate to conclude that the objective and the process of restructuring are more important than the specific numerical targets set. The major objective is to foster national unity, which will be jeopardized if the vicious circle indicated is allowed to develop. Still, the process of reducing the identification of race with economic function should be continued. But, as Government has stipulated, it should be continued in such a way that all major groups in society feel they are participating significantly and continuously. If this involves softening some of the numerical targets - for example, by including the Malays benefiting from land development schemes among those whose jobs have been restructured - the cost is relatively small if the objective and process of restructuring are retained. In addition, given the relatively comfortable resource position Malaysia will enjoy in the coming years, more use may be made of incentives to attain the restructuring objectives than regulations, which may have a dampening effect on business activity and the growth context in which restructuring has to take place.

The general process of restructuring, especially of occupations, will also require a considerable expansion in the number of technically trained Malays. Judging by the substantial progress made during the Second Malaysia Plan in increasing Malay enrolments while allowing for significant growth in non-Malay enrolments, the Government obviously gives high priority to this issue. Nevertheless the Third Plan raises the spectre of substantial shortages of technical manpower by 1980.

A re-assessment of the long-term educational requirements may therefore be warranted if shortages in the supply of skills are not to constrain the potential for restructuring made possible through rapid growth.

Another possible constraint on the achievement of the NEP objectives is the capacity of the public sector to undertake a larger development program. The availability of resources is not likely to be exhausted by rapid private sector growth. Thus, whatever happens in the private sector, larger and more effective public sector programs to reduce poverty would be financially feasible and economically justified. Areas where Government might consider expanding its poverty program include the stepping up of land development, smallholder replanting schemes, credit and extension services for paddy farmers, and rural roads and electrification. Government might also consider more direct measures to increase the poor's access to and reduce the cost of such basic needs as education and utilities.

While there is a strong justification in terms of poverty alleviation for an expansion of such programs, the implementation of the public sector will require strengthening to make such an expansion possible. Since the scarcity of qualified manpower in the public sector appears to be a serious constraint on expanding the development program Government might consider making greater use of skills available in the private sector on a temporary basis until the public sector proper can be expanded.

In summary Malaysia's prospects for continued rapid growth and for an amelioration of the twin problems of poverty

and racial imbalances appear good. Certainly, on the resource side there should be no ^{serious} constraint. To achieve its goals however will require vigorous action by Government along a number of fronts. The policy framework will have to be readjusted as necessary to promote a rapid recovery and sustained growth of the industrial sector. A pragmatic attitude will be needed in interpreting and implementing the quantitative restructuring targets to ensure that the overall goal of improving racial balance is not lost sight of. The education system will require close scrutiny to ensure that it does not constrain the restructuring potential of rapid economic growth. A larger and more effective effort to reduce poverty by direct public sector action is warranted but will require a concerted effort to expand the capacity of the public sector to prepare and implement poverty orientated programs.

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COUNTRY PROGRAM PAPER
MALAYSIA

POSTSCRIPT

88. Management Review of the Malaysia CPP, dated February 3, 1978, took place on February 17, 1978, under the chairmanship of Mr. McNamara. The following conclusions were reached.

89. In view of Malaysia's current and prospective resource surplus, the issue was raised of whether the size of the proposed lending program should be reduced. In response, the Region noted that: the projected level of reserves in Malaysia was not excessive because of Malaysia's considerable vulnerability to fluctuations in the prices of a few primary commodities; the resource surplus would begin to decline in the 1980s when the rate of economic growth was expected to accelerate; and the size of the proposed program was justified on the grounds that it provided much needed institutional and technical assistance in the effort to reduce poverty. While management approved the size and composition of the proposed program, it was agreed that the next CPP would review the size of the program in light of Malaysia's progress in mobilizing resources from other external sources. It was also agreed that the next CPP would review whether the program should include more industrial projects and would include a discussion of Malaysia's demographic trends.

Attachment

East Asia and Pacific Region
March 6, 1978

REVIEW DRAFT

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Country Program Paper

MALAYSIA

February 3, 1978

East Asia and Pacific Regional Office

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COUNTRY PROGRAM PAPER
MALAYSIA

1976 Population:	12.7 million /a		<u>FY69-73</u>	<u>FY74-78</u>	<u>FY79-83</u> * 160 m pa
1976 Per Capita GNP:	\$860 /a	IBRD	195.6	574.5	821.5 /b
Current Population		No. of loans	15	20	22
Growth Rate: 2.8% p.a.		No. of loans per million population	1.18	1.57	1.73
Current Exchange rate					
M\$2.5 = US\$1.00					

Average Lending Per Capita Per Annum: Current \$ (Const. FY77 Commitment \$)

IBRD 3.1 (5.0) 9.0 (9.8) 12.9 (9.8)

/a World Bank Atlas, 1977 (forthcoming)

/b The FY77-81 lending program proposed in this CPP compares with the program for the same period approved at the last CPP review (June 4, 1976) as follows:

	<u>FY77-81 Lending Program</u>		<u>Percentage Change</u>
	<u>Approved</u>	<u>Proposed</u>	<u>Proposed/Approved</u>
No of loans and credits	23	23	-
Current \$ million	575.0	699.5	22
Constant FY77 Commitment \$	500.7	603.2	20
Per capita per annum (Constant FY77 Commitment \$)	7.9	9.5	20

A. INTRODUCTION

1. The last Country Program Paper on Malaysia was reviewed with Mr. McNamara on June 4, 1976. The present paper outlines a Bank economic and lending program directed towards supporting Malaysia's critical social and economic objectives. In view of the favorable resource position Malaysia is likely to be in for the foreseeable future, Malaysia has little need of financial assistance per se. Rather our program will address Malaysia's critical development constraint by helping to identify, design and implement projects that will improve the lives of a large number of Malaysia's poor. The principal means of providing such assistance will be through the traditional financing of projects, principally in the agricultural sector. To the extent consistent with staff availabilities, our lending will be concentrated in areas that have maximum impact on the poor. Further, in designing projects, an effort will be made to maximize the Bank's support for the sector as a whole. Thus the technical assistance/training component of our projects will be broadened wherever possible to include not only assistance in implementing the particular project the Bank is financing, but would also attempt to ease sectoral constraints and thus help the Government to implement a larger and more effective sector program.

2. The economic sections of this paper reflect the findings of an economic mission which visited Malaysia in February 1977 primarily to review the Third Malaysia Plan (see report No. 1594-MA October 14, 1977).

B. COUNTRY OBJECTIVES AND PERFORMANCE

Background

3. With a 1976 per capita GNP of US\$860, Malaysia is one of the more prosperous countries in Southeast Asia. The country has a relatively favorable population density (averaging about 100 persons per square mile) and is rich in land and mineral resources. In Peninsular Malaysia (where almost 85% of the population resides) around 4 million acres could still be added to the 8 million acres now under cultivation; and in Sabah and Sarawak, which have much lower population densities, over 4 million additional acres could also be developed for cultivation. The country is predominantly agricultural, with the agricultural sector accounting for almost half of employment and a third of total output. Over the past 15 years (1960-75), Malaysia's growth record has been admirable with output increasing on average by almost 7% a year. Of particular note is the relatively high growth rate of agricultural output which also averaged about 7% a year during this period.

4. The most distinctive characteristic of Malaysia is its ethnic, linguistic, cultural, and religious pluralism, broadly based on the Malay (55%), Chinese (34%), and Indian (9%) populations. This fundamental ethnic diversity is the central political and economic issue in Malaysia. At the time of independence (1957), an agreement was reached between the two dominant ethnic groups, the Malays and the Chinese. Citizenship was given to large numbers of Chinese with the understanding that they could freely pursue their

business interests. The Malays were guaranteed that certain features of Malay life would be adopted as national institutions, including the position of the sultans, their language, their religion, and their special rights to land. Thus, in the 1960s the situation was characterized by the political dominance of the Malays and the economic dominance of the Chinese. During this decade the Malaysian economy maintained an average rate of real growth of around 6%. At the same time, progress was made in reducing the country's dependence on rubber exports through diversification to palm oil, rapid development of timber resources, and growth of manufactured goods production and exports. The ratio of exports to GNP fluctuated around 45% and the balance of payments position remained strong. The Government's conservative fiscal and monetary management resulted in a relatively low level of external public debt and a favorable international financial standing.

5. Despite this respectable macro economic performance during the 1960s, two interrelated and fundamental problems persisted: serious racial inequities and widespread poverty. In 1970, 80% of the Malays in Peninsular Malaysia were employed in the rural sector, primarily in traditional agriculture, compared to only a little over half of non-Malays. Conversely, in the urban areas the non-Malay share of jobs exceeded 75%. In most of the major economic sectors, Malays were poorly represented in managerial, professional, supervisory and clerical occupations. The average Malay income per capita was half that of the Chinese, with the average per capita income of Indians between the two. Malay agricultural landholdings outside traditional agriculture were negligible. Chinese landholdings were on average twice as large as the Malay ones. In the corporate sector the Malays owned only 2% of the country's share capital of limited companies while the Chinese community held about a third and foreigners almost two thirds.

6. Exacerbating these racial differences was a high degree of absolute poverty in Malaysia. Despite a relatively high per capita income, almost half of the population was still poor in 1970.^{/1} Poor households are found predominantly in the rural areas, with agricultural activity as the prime source of income. In Peninsular Malaysia the states with the highest incidence of rural poverty are in the north and northeast (Kelantan, Trengganu, Perlis and Kedah). The occupations which have the highest incidence of poverty and which comprise almost half of the rural poor are rubber smallholders and padi farmers. The primary causes of poverty for these groups are low yields and small holdings, and in addition, for paddy farmers, lack of drainage and irrigation facilities for double cropping. Rural poverty is also widespread among fishermen, coconut smallholders, and estate workers.

^{/1} The poverty line income used by the Malaysians is based on the cost of a minimum subsistence diet and the cost of four essential non-food items. The 1976 poverty line is estimated to be US\$215 per capita per annum. This is substantially higher than in other East Asian countries. The difference is due partly to high domestic prices (including the rice price). Probably, however, the diet used in estimating the Malaysian poverty line is more "generous" than in the other countries. The Government has been sensitive about the explicit use of the poverty line estimate because it could increase pressure for wage increases for civil servants, many of whom might feel too close to the poverty line.

7. While it is generally agreed that hunger is not a serious problem in Malaysia, malnutrition is. A study of preschool children in a rural area of a relatively poor state (Trengganu) suggested that 20-25% were suffering from moderate to severe malnutrition. There are significant differences in health, access to medical and educational services, and housing quality between rural and urban areas, and among the various states. While progress has been made in reducing mortality, death rates in the poorer states remain significantly higher than in the richer states and rates for Malays higher than for other communities. In 1970 it was estimated that 69% of private dwellings in rural areas were substandard compared to only 19% of urban housing. Inter-state differences in housing quality were nearly as wide.

8. These related problems of poverty and racial inequities have consistently challenged national unity and in 1969 erupted in severe racial riots. The Government responded swiftly to these disturbances, restored order in a relatively short time, and initiated the New Economic Policy (see below). Since then the position of the country's leadership continued virtually unchallenged until the present Prime Minister assumed office in January 1976. He is a strong proponent of national unity and has thus been advocating a moderate course in balancing Malay and non-Malay interests. Largely for this reason his leadership is being challenged by the more extremist Malay-rights factions of his party. Thus, sparked by a conflict over control of the state government of Kelantan, the Pan Malaysian Islamic Party (PMIP), an extreme Malay rights party, withdrew from the National Front Coalition. Because of the PMIPs strong base in other predominantly Moslem states, this split could undermine the conciliatory position of the present top leadership and hence the goal of national unity.

9. Following the large scale communist insurgency in the fifties, the threat of communism has always loomed large in the consideration of Malaysian governments. It is noteworthy, however, that during the past year there has been a marked decline in the number of terrorist incidents in urban areas. With the cooperation of Thailand, the Government has stepped up its military campaign against the communists in the jungle areas bordering the two countries. Security remains tight, particularly in the areas that border Thailand, and legislation has been enacted to facilitate speedy convictions for terrorists. Terrorism is still largely associated with Chinese elements, and one danger is that an overzealous implementation of racial restructuring policies will provoke a backlash among the local Chinese which could benefit the terrorists. Therefore, insurgent activity must be checked and interracial equity promoted without antagonizing the non-Malays.

10. Government Objectives. Following the racial riots of 1969, the Government formulated a long-term policy to address the issues of racial inequities and poverty. In particular the Government incorporated within the Second Malaysia Plan (SMP), 1971-75, a New Economic Policy (NEP). The objective of the NEP is to promote national unity through the two-pronged strategy of: (a) reducing and eventually eradicating poverty by increasing employment opportunities and raising income levels for all Malaysians; and (b) restructuring Malaysian society to reduce and eventually to eliminate the identification of race with economic function. More specifically, the policy

proposes to reduce in a 20 year period (1970-90) the sharp income differences between Malays and non-Malays by reducing the disparities in the ownership and control of wealth in the modern sector and by reducing the concentration of Malay employment in traditional low income rural activities, while increasing Malay presence in the relatively high income urban sector.

11. Some of the principal quantitative targets of the NEP are to reduce the incidence of poverty from 49% of the population in 1970 to 17% by 1990; to increase the Malay share of employment in industry from 31% in 1970 to 52% by 1990; to increase the Malay share of administrative and managerial jobs from 22% in 1970 to 49% in 1990; and to increase the Malay ownership share of equity in corporate assets from 2% in 1970 to 30% by 1990. There is considerable doubt that these goals can be achieved with the policies the Government is now pursuing.

12. The principal means, proposed in the official development plans, of achieving these objectives is rapid growth of the industrial and service sectors. This growth will not only increase average incomes but will also serve the objective of racial restructuring of the labor force. Indeed, during the Second Plan period there was a notable acceleration in the growth rate of the economy. Resulting from a substantial increase in the growth rate of investment, both public and private, in the early seventies (when fixed investment grew by almost 18% a year) and conversely low growth of the agricultural labor force, the economy moved from an historical growth path of about 6% to one closer to 8%.

13. The Government's long term plan is based on maintaining this higher growth path and projects that almost 90% (2.1 million) of the total new jobs to be created (2.4 million) during 1975-90 would be in industry and services. This implies a substantial reduction in the share of agricultural employment (from 49% in 1975 to 35% in 1990) and in the process a net shift out of

Table 1: THIRD MALAYSIA PLAN EMPLOYMENT PROJECTIONS

	'000			% p.a.	
	1970	1975	1990	1970-75	1975-90
Agriculture	1,787	1,937	2,231	1.6	1.0
Industry	486	622	1,430	5.0	5.7
Services	1,067	1,369	2,687	5.1	4.6
Total	3,340	3,928	6,348	3.3	3.3
Labor force	3,607	4,225	6,807/a	3.2	3.2/a
Unemployment (%)	7.4	7.0	6.7		

Source: Third Malaysia Plan

agriculture of close to a million jobs compared to the number that would be employed if there were no reduction in agriculture's share of employment. While this projection implies that agriculture would have to absorb only a 1% p.a. growth in its labor force compared to 1.6% p.a. during 1970-75, these rates must be viewed in the context of the Government's poverty reduction targets. During 1970-75 there was almost no reduction in absolute poverty in agriculture, whereas during 1975-90 the Government has set as a target a 60% reduction in absolute poverty. While it is essential that a maximum effort be made to expand income and employment opportunities in agriculture (see paras. 26-30 below), nevertheless, without such rapid growth of industry and service sector employment (see Table 1 above), it would be very difficult to achieve these ambitious poverty targets or to achieve a considerable degree of racial restructuring of employment.

14. In addition to pursuing a rapid growth strategy, the Government also proposes to achieve its goals through more direct means: on the poverty side, mainly through public investment and programs directed toward the poor, and on the racial restructuring side, through controls and quotas. Since most of the poor live in rural areas and receive the bulk of their income from agriculture, the principal Government anti-poverty programs are directed toward rural households. Government agricultural programs fall into two basic categories: in situ development and new land development. The former program, which in the Third Malaysia Plan has been given much more emphasis, attempts to increase the productivity of small farmers by supplying them with irrigation and drainage, improved inputs and better access to credit and by teaching them better farming practices. The latter program develops previously uncultivated land and settles on it people with little or no land of their own, thereby providing them with the means to earn a better living, and at the same time relieving the pressure of population on already occupied agricultural land.

15. During the period 1970-1990, the perspective plan projects a considerable reduction in the incidence of poverty in agriculture in Peninsular Malaysia, from 68% to 27%. This would be achieved by raising the incomes of 340,000 families above the poverty line as well as by providing above poverty incomes for an additional 60,000 households. About 60% of this reduction can be attributed directly to the land development programs and the remainder largely to in situ programs. In addition to its agricultural programs, the Government is also mounting urban and countrywide programs to provide the poor better access to housing, sewerage, water, electrification, health and family planning.

16. Government efforts to achieve a better racial balance are diverse and include: direct regulation of private sector enterprises, establishment of public bodies to purchase directly or to create corporate assets on behalf of Malays, expansion of education and training and technical assistance programs for Malays, a system of quotas and preferences favoring Malays in admission to tertiary educational institutions, the introduction of Bahasa Malaysia as the main medium of instruction in schools, a Malay preference in public service jobs, financial credit assistance to Malay enterprises, administrative measures in the public sector giving price preferences to Malay suppliers, and a quota of public construction contracts to Malay firms. The most controversial and potentially far reaching policy is embodied in the Industrial Coordination Act (ICA), passed in 1975, which enforces equity and employment restructuring targets through a system of licensing of existing and new firms above a certain minimum size. While it is expected that

licences will be granted automatically, ^{/1} the ICA attaches conditions to the licence which require among other things, that 30% of equity be reserved for Malays, that the composition of the Board of Directors reflect the equity structure of the company, that employment reflect the racial composition of the population, that the company use services of Malaysian enterprises with preference given to Bumiputra ^{/2} companies, that the company enter into agreements only with written approval of the Ministry of Trade and Industry, and that the company appoint Bumiputra distributors to distribute at least 30% of domestic output.

17. Under the aegis of these policies, and before the ICA was starting to be implemented, some notable progress was made during 1970-75. Malay graduates from higher level institutions increased by more than threefold. The Malay share of institutional credit increased from 14% to 30%. The Government estimates that, in the context of the accelerated growth of the economy achieved during the Second Plan period, the Malay share of employment in manufacturing increased from 29% to 33%, and their share of administrative employment increased from 22% to 32%. The Malay share (including Malay interests) of corporate equity increased from 2.4% to 7.8%.

18. However, some of these government policies, particularly the ICA, are having adverse consequences on the overall level of private investment as well as on the attitudes of the non-Malay community. The ICA is just now beginning to be implemented, so it is too early to make an informed judgment as to how it will operate at the enterprise level, including what the time-table of achieving the conditions will be. It does appear, however, that each firm covered by the ICA will at some point have to meet its restructuring targets. Naturally, such an extension of Government control has had an unsettling effect on the investment climate, particularly the fear in the business community that existing licences could be revoked upon an annual review of their progress in meeting the conditions. It is likely that this fear was an important cause of the decline in the rate of private (non-oil) investment during the past two years from 14% of GDP in 1974 to 8% in 1976, although other factors, such as the international recession in 1975 and a decline in the competitive position of Malaysian manufacturing, were also involved. Besides the effect on investment, some of the restructuring policies, especially the educational quotas and employment preferences for non-Malays, appear to be raising serious doubts in the non-Malay community about their long-term place in Malaysian society.

19. The upshot of this is that in practice the Government is increasingly emphasizing legislative controls over growth to attain its targets. This course appears to have strong political backing among Malay politicians and tends to be self-reinforcing since the principal beneficiaries of these controls are usually the Malay elite. It has been argued that achieving

^{/1} It is reported, however, that some of the conditions enumerated are often being checked or even imposed where specific Government services are needed, such as clearance of imports through customs.

^{/2} Malay and other indigenous people. Literally translated as "sons of the soil." The other indigenous people account for about 8% of the total population.

a better racial balance is vital to the survival of the state and that therefore sacrificing some growth to achieve this balance is justified. While there is no question that the aim of the Government is sound, this legislative approach to redress racial inequities has the potential of inflicting serious damage to the engine of Malaysia's growth - the private investor, both domestic and foreign - and so, ultimately, to restructuring itself. Over the past three years, private investment has fallen to a level which will make it impossible to continue the accelerated growth which has contributed much to the success of the 1970-74 period. There is a real danger that the Government will find itself in a vicious circle if it continues on its present course. Legislative controls, by undermining growth and hence the contribution of growth to the attainment of the NEP goals, could lead the Government to enact even more controls in an attempt to meet their targets. While an attempt may be made to expand public investment to substitute for the adverse effects of slower growth in the private sector, and while an expansion of the development program certainly would yield positive benefits, no feasible expansion of public investment could, by itself ensure the attainment of the long term poverty and employment restructuring targets. Thus, a substantial rebound in private investment activity must be attained.

Recent Developments and Medium-term Outlook

20. In mid-1976 Parliament approved the Third Malaysia Plan (TMP) covering the period 1976-80. Unfortunately, the macroeconomic framework for policy was then already somewhat out of date. The TMP was drafted during the 1975 recession and as a result took a conservative view of future resource availabilities. At the same time, the substantial fall in private investment had not yet been recognized so that the base year estimate of private investment was much too high. Improved information on economic developments during the Second Plan period and events during 1976 have now made these deficiencies in the Plan abundantly clear. First, there was a larger recovery in traditional exports and in the terms of trade in 1976, as well as higher present and prospective levels of oil production. Second, it now appears that real private investment not only fell back considerably in 1975 but declined further in 1976. To achieve the TMP targets, private investment would now have to increase on average by a formidable 24% a year during the four remaining years of the Plan, compared to the average TMP projection of 10% a year. For 1977, however, investment approvals to date do not indicate an upsurge in private investment.

21. It thus appears that, with considerably more resources than foreseen in the Plan, Malaysia is investing less. The magnitude of the prospective increase in resources is considerable. Exports, over the five years of the Plan, could be about US\$5 billion (or 13%) higher than projected in the TMP.

22. Largely as a result of these higher exports, public revenues are expected to be higher by about US\$3 billion during the Third Plan period. Since this represents about a 15% increase over the revenues projected in the TMP it will significantly ease the financial constraint on the public sector, even though the bulk of the development program will still have to be financed by public sector borrowing. Of particular note is that about US\$2 billion of the additional US\$3 billion will accrue to Petronas, the

state oil company. We have roughly estimated that Petronas may finance about US\$1 billion of oil, gas, and related projects during the Third Plan period. We have recommended to the Government that these projects should be subjected to the same scrutiny as all other development projects and that Petronas' revenues should be considered as general government resources. As long as the latter recommendation is not implemented, the additional resources available to finance the development program are only US\$1 billion.

23. In making long-term macroeconomic projections for this CPP, there is considerable uncertainty about how permanent the damage to the investment climate may be. Our discussions with business circles, as well as the continuing decline in 1977 of investment approvals for manufacturing, suggest that there is little prospect for a recovery in private (non-oil) investment in the near future. On the other hand it can be argued that there has been historically a cyclical pattern to investment, that once the rules of the game (i.e. the ICA) become clear the investment climate will improve and that, in any event, investors will find it hard to resist new opportunities resulting from the substantial increase in domestic purchasing power. Private (non-oil) investment may then quickly recover to the level prevailing in 1974 and the adverse impact on growth of the drop in investment in 1975 and 1976 would be short-lived. Both these scenarios are possible, but they seem to be at the extreme of the spectrum of possible outcomes. Therefore, we have taken a middle position. Our judgment at this time is that the investment disincentives of the ICA are serious. Although the Bank has brought the issue to the attention of the Prime Minister, there is little likelihood that the Government will ease these controls in the near future. Even if the implementation and control measures of the ICA were to be relaxed shortly, it would take time to restore the business community's confidence. Nevertheless, we expect that, in the longer term, private investors will respond to opportunities. Thus, we are projecting private (non-oil) investment to grow at about the same rate as GDP for the next few years (thus maintaining the current relative level of 8% of GDP) followed by an acceleration in the eighties, so that by 1990 the rate of private investment would again reach about 12.5% of GDP. This implies an average annual growth of private (non-oil) investment of 7.5% for the rest of this decade and 11% during the 1980s. Given the low present level of investment, GDP growth would be reduced to about 6% for the next few years, with only a gradual recovery to the earlier level of 8% by 1990. There is little doubt that such a period of reduced growth would seriously affect employment prospects. Overall, it could result in about 500,000 fewer jobs in industry and services which could result in open unemployment or in disguised unemployment in agriculture.

24. Assuming that about three quarters of these surplus workers are absorbed in agriculture, the long-term growth in agricultural employment would be doubled from 1% p.a. to 2% p.a. In the context of an overall agricultural growth rate of 5-6% p.a., it would appear that substantial income gains could still be made. However, preliminary estimates indicate that the growth of agricultural output would not be evenly distributed throughout the sector. For instance the output growth of poor rubber and padi smallholders, who are the largest groups of agricultural poor, would probably be closer to 2.0% p.a. and 3.5% p.a. respectively. If these groups, therefore, have to absorb a significantly larger number of workers, it would obviously undermine their potential growth in income.

25. Such a deterioration in new income and employment opportunities is serious in itself, but the problem is exacerbated in the Malaysian context by the goal of restructuring employment. While the primary aim is to increase the employment of Malays in the modern sector, an important other element of this restructuring effort is to generate sufficient employment in the modern sector for non-Malays so that their employment grows at least as fast as their labor force. The significant reduction in employment opportunities caused by the lowered investment level would make meeting both these objectives impossible.

26. To what extent can a poor growth performance in the private sector be offset by an expanded public development program? In view of the generally good export prospects, as well as the higher levels of oil production now forecast, there should be no resource constraint on undertaking a substantially larger development program. In view of the substantial amount of under-developed land in Malaysia, an expansion of the land development program would help ease the employment problem resulting from a sluggish industrial performance. Assuming current planning levels, the Government will develop about 3.2 million acres of new land during 1975-1990. At an average allotment of 10 acres per family, this would eventually settle about 300,000 families. Because, however, of lags between development and settlement and the higher acreage allotments of land per settler during the past five years, actual settlement during 1975-90 would be closer to 235,000 families with a potential employment of about 350,000. This is equivalent to about 15% of the total new employment in Malaysia during the period and accounts for almost all new employment in agriculture.^{/1} An expansion of this program could thus have a significant impact. A 50% increase in the current rate of development could, for instance, create an additional 150,000 jobs or almost a third of the surplus manpower not absorbed in industry and services.

27. An increase in the land development program of this magnitude, however, could seriously strain the implementing capacities of the various land development agencies. Further, such an expansion would, in about a decade, probably begin to push up against a land constraint. It is roughly estimated that in Peninsular Malaysia, some four million additional acres could be brought into cultivation. The current development program calls for the development of 2.4 million acres during 1975-90. A fifty percent increase would bring this total to 3.6 million acres, close to the total estimated available land. On Sabah and Sarawak, while there is no precise estimate of land available for agricultural development, it is clear that land would not constrain a substantial increase in the program. The ultimate pace of development would, however, be limited by the fact that only 15% of the country's population live in these two states. In view of the potential land development has for creating employment and reducing poverty, a review of the opportunities for accelerating the land development program deserves high priority.

^{/1} As Table 1 on page 4 indicates, this estimated employment increase is somewhat greater than the total estimated new employment in agriculture. Because one feature of the land development program is that it takes farmers with uneconomic sized holdings and attempts to consolidate the vacated land, the program to a certain extent represents an opportunity for achieving minimum ratios of holdings to farm families rather than new employment. Thus the net new employment in agriculture resulting from land development schemes would be less than the gross employment these schemes create.

28. The development issues Malaysia faces at present may also be analyzed as follows: 40% (five million) of Malaysia's population has incomes below the poverty line. Of these, about three-and-one-half million derive their livelihood from smallholder farming, non-estate labor and fishing. The objective of raising the incomes of these people has the highest Government priority. In fact, if their incomes are not increased, the situation may very well become explosive as it was a few years ago when the Government had to support the depressed rubber prices. In situ and land settlement projects, both of which result in substantial income increases, are the best means to address this problem. The remaining one-and-one-half million of Malaysia's population in poverty consist of families of which the breadwinner is unemployed or a casual laborer, not earning enough to support his family. The Government had hoped, as stated in its Third Malaysia Plan, to tackle this problem by accelerating growth in the manufacturing and services sectors.

29. Economically, the three types of investments are equally valuable. Although the cost per worker or farmer is probably now about US\$17,000 in the manufacturing sector (excluding housing), /1 about US\$10,000 (including housing) in the land settlement schemes, and about US\$2,500 in the in-situ schemes, all these investments have about the same economic rate of return of about 15% to 20%. Socially, however, as we analyzed in the last CPP, in-situ development has, for obvious reasons, the highest priority. It was for this reason that the Government in the Third Malaysia Plan raised its target for assistance to in-situ farms from 0.8 million acres (in the Second Plan) to 1.7 million acres.

30. Now that it appears that Malaysia will have more resources than originally projected under the Third Malaysia Plan and that it is likely that private investment will remain depressed for some time to come, the question may be asked whether the Government should spend its additional resources on land settlement or on in-situ development. The answer is not difficult. In view of the existing constraints, it should increase its investments as much as possible wherever it can, on both fronts. While in-situ development is constrained because of the inherent organizationally difficult nature of the schemes, federal land settlement development becomes more and more difficult because the states appear to be less willing to part with their land. Because of this factor, FELDA (by far the most successful land development agency) is experiencing increasing difficulty and it seems unlikely that it will be able to expand much beyond its present target of developing about 120,000 acres of land per annum. We expect, however, that by substantially strengthening other institutions much more can be done under the aegis of the states themselves. The federal Government and some of the states seem to be aware of this: very recently, for instance, the state of Kelantan established a new agency in South Kelantan to accelerate the pace of its land settlement schemes. In view of the potential an expanded land development program has for creating employment and reducing poverty, we have given high priority in our economic and sector work program to reviewing these implementation and land constraints.

/1 This is based on the average employment associated with manufacturing investments approved by FIDA in 1976. In the Penang industrial estate, however, the cost per worker was closer to US\$30,000.

31. In addition to the development of new agricultural land and assistance to in-situ agriculture, we believe strongly that the Government should expand its development program in other areas as rapidly as possible. The recent economic report indicated a number of areas where an expanded program was warranted including proposals to expand programs in rural electrification, sewerage, housing and family planning. Also, it was recommended that the Government consider increasing allocations to public corporations as a means of both accelerating the equity restructuring and stimulating private investment. In order to accomplish a significant increase in public programs to reduce poverty, however, the Government's capacity to identify, prepare and implement projects will have to improve. While Government has acknowledged this need, at this time there is little indication that effective steps are being taken to remedy this deficiency.

32. In our judgment efforts to build up Malaysia's development program are unlikely, at least for the next few years, to absorb the additional resources. Considering the possibility that pressures will increase elsewhere in the public sector to use the additional foreign exchange resources on less productive expenditures, we have also recommended that the Government investigate other avenues of alleviating poverty such as through capital transfers to the poor and tax reductions that could be specifically targeted on the poor.

C. EXTERNAL FINANCE

33. During most of the past twenty years, foreign exchange availability has not been a problem in Malaysia. The current account balance of payments maintained a surplus almost throughout the sixties; the foreign exchange reserve position was strong; and the burden of external debt service was negligible. It was only in the Second Plan period, 1971-75, that sizeable balance of payment deficits emerged, reflecting both an expansion in the real investment rate and a weakening - in some years - of the terms of trade. Even so, the average ratio of current account deficits to GNP was only 2.5% during 1971-75, which cannot be considered high. These deficits were financed mainly by direct investment which accounted for two thirds of the net capital inflow during the period. The remainder was financed largely by loans to the public sector.

34. During 1976, a substantial increase in exports together with low investment activity led to a current account surplus equal to the accumulated deficit of the previous four years. Oil exports almost doubled during 1976, and current oil production (about 200 thousand barrels per day) is at the same per capita level as Indonesia. Together with significant increases in other exports, in both prices and volumes, and only moderate import increases, this led to a current account surplus equivalent to 6.2% of GDP. Despite a reduction in market borrowing by the Government, as well as a fall in net corporate investment, reserves increased by US\$900 million. As a result, at the end of 1976 Malaysia had a strong external position: gross official reserves were the equivalent of about seven months of imports and debt service was the equivalent of about 4.3% of exports.

35. As the terms of trade are expected to remain at about the 1976 level, and private investments are not assumed to recover in relation to GNP, the balance of payments surplus achieved in 1976 is likely to persist for some years to come. This potential availability of resources in conjunction with the depressed investment outlook could result in a jump in consumer goods imports over past trends. Thus, for instance, it is possible that pressures will build to increase public sector current expenditures which would either directly or indirectly increase imports. Similarly the liquidity of the private sector resulting from postponed investments could also lead to increased imports of consumer goods. Therefore, for the purposes of the CPP projections, it is assumed that over the period 1977-81 imports of consumer goods and travel expenditures would be about 30% higher (US\$2 billion) than they would be if past trends were to continue. Even with such an increase in imports, Malaysia should be in substantial surplus during the next five years, 1977-81. (See Table 2.) The cumulative current account surplus could amount to 5% of GDP.^{/1} This current account surplus is more than sufficient to provide for an adequate level of reserves, and capital inflows should moderate in the future.^{/2}

36. On the public side it is assumed that assistance from the World Bank and ADB would be maintained at their current real level, while other official project aid (mainly bilateral from Japan and some of the OPEC countries) would roughly level off at current nominal levels. On the other hand, in the absence of a foreign exchange need it is anticipated that cash borrowing by the Government would be reduced substantially. Such a loan

^{/1} It is still possible that imports could be even higher and the resulting current account surplus smaller than projected here. It has been argued for example that few countries have the control and discipline to achieve the reserve increase implicit in these projections and that the surplus foreign exchange would one way or another leak out into higher imports. While this argument has merit, nevertheless we feel that these particular estimates provide a useful framework for discussing the macro issues confronting the Malaysian economy in that they clearly indicate the potential foreign resources available to accelerate economic development. While, therefore, the macro framework in the attachments should be characterized as "estimates" rather than "projections", it should still be pointed out that in the past Malaysia has exhibited an excellent capability to maintain a relatively high level of reserves. During the past 15 years, official reserves in Malaysia have averaged the equivalent of 7 months of imports. In this light, these CPP projections, which project a reserve level (including Petronas money held abroad) equivalent to 8.2 months of imports on average during 1977-90, do not appear unreasonably high.

^{/2} Because of the relatively high level of imports in Malaysia, the required reserve accumulation is considerable. To maintain the current level of reserves (seven months of imports), for instance, would require 3.2% of GDP (\$2.7 billion over the period 1977-81) to be set aside for reserve growth.

pattern would result in a considerable shift in the composition of commitments, with a large increase in the share of official project lending, which is largely unconnected with balance of payments needs (see Table 3). In the context of a lower overall level of commitments, the World Bank's share of commitments in particular would increase from 16% to 29%. As a result, the Bank's share of debt outstanding and disbursed would increase from the current level of 19% to 22% by 1981.

37. In view of the deterioration in the climate for private investment, it is also likely that net direct private investment would be less than in the past. This would be the net result of both lower foreign inflows resulting from the depressed investment climate and an increased outflow resulting from surplus funds being accumulated by private domestic investors as well as increased purchases of corporate stock by the public sector to repatriate equity. Further it is also possible that in view of the foreign exchange surpluses and depression of domestic investment activity, there could be an increase in unrecorded capital outflows. It is difficult to predict with any accuracy the size of such capital movements. While for the purposes of the CPP projections, a particular set of estimates for these capital movements was assumed, they should be viewed more as illustrative than as projections.

38. Even with the compensating capital movements assumed, Malaysia would still experience some increase in the relative level of foreign exchange reserves.^{/1} At the end of 1981, reserves would be the equivalent of about nine months imports. Further, debt service would have increased only slightly from current level of 4.3% of exports to 4.6% by 1981. In this light, Malaysia appears to be an excellent credit risk and the projected increase in the Bank's exposure should not be cause for concern.

39. A relatively large share of Malaysia's exports will, for the foreseeable future, be composed of a few primary commodities (excluding petroleum). Thus by 1980 four primary commodities (tin, rubber, palm oil, and forestry products) will still account for about 60% of Malaysia's merchandize exports (compared to 63% in 1976). This makes Malaysia's export earnings vulnerable to substantial short-term fluctuations. Given, however, a relatively high level of reserves (8-9 months of imports) and Malaysia's excellent credit standing in foreign capital markets, there is little risk that short-term fluctuations in export prices would require a curtailment of imports. Besides cushioning a drop in export earnings through additional borrowing and by drawing down reserves, Malaysia would also have the option of postponing capital outflows related to the repatriation of equity, curtailing non-essential consumer goods imports and possibly by increasing the level of oil exports.

40. Assuming that in the 1980s, investment activity accelerates and the growth of exports remains about the same as in the late 1970s, except for the beginning of natural gas exports in 1983, the real growth of imports will increasingly outpace that of exports. Given relatively constant terms of trade, which are implied by World Bank price projections for Malaysia's major

^{/1} For the purpose of this analysis, reserves held abroad by Petronas are treated as official reserves.

Table 2: BALANCE OF PAYMENTS AND CAPITAL INFLOW PROJECTIONS
(US\$ million at Current Prices)

	1972-76	1977-81
Exports (goods and NFS)	19,024	43,376
Imports (goods and NFS)	-17,397	-35,773
Resource balance	1,627	7,603
Factor services (net)	-1,288	-3,208
Current transfers (net)	- 285	- 250
Balance on current account	54	4,145
Net private capital	1,017	790
Net public capital	1,039	1,760
Short-term capital movements (including errors and omissions and IMF)	-543	-2,499
Increase in reserves	1,567	4,196

Table 3: PUBLIC SECTOR COMMITMENTS
(US\$ million in Current Prices)

	<u>1972-76</u>		<u>1977-81</u>	
	\$	%	\$	%
<u>Project Loans</u>	<u>1,140</u>	<u>39.9</u>	<u>1,765</u>	<u>67.1</u>
IBRD	463	16.2	752	28.6
ADB	193	3.8	345	13.0
Other	484	16.9	670	25.5
(Japan)	(204)	(7.1)	(250)	(9.5)
(OPEC)	(111)	(3.9)	(220)	(8.4)
(Other)	(169)	(5.9)	(200)	(7.6)
<u>Market Loans</u>	<u>1,716</u>	<u>60.1</u>	<u>865</u>	<u>32.9</u>
<u>Total</u>	<u>2,856</u>	<u>100.0</u>	<u>2,632</u>	<u>100.0</u>

exports, the current account surplus would be gradually eroded during the 1980s and eventually eliminated by 1990. Toward the end of the period there would, therefore, be a need for additional foreign borrowing; and, assuming a continuation of the pattern of official project borrowing outlined above, the Bank's exposure would begin to decline from a high of 29% in 1988 to 25% by 1990. The Bank's share of commitments would fall more significantly from a high of 30% in 1985 to 19% by 1990.

D. PROGRESS TOWARD THE 1976 GOALS

41. The Bank lending program for Malaysia for FY77-81, approved in June 1976, was \$575 million. Although this level may be considered high for a country with as high per capita income as Malaysia, the program was approved because of its orientation toward agriculture and rural development. The program included five projects each for FYs 1977 and 1978, totalling \$105 million and \$110 million, respectively. In FY77 we made loans totalling \$131 million for four projects, and for the current fiscal year we expect to make loans for five projects, totalling \$107 million.

42. Malaysia's commitment to assist its low income groups has been strengthened significantly in the past few years. The Bank can justifiably take some measure of credit for its efforts to help Malaysia identify and prepare projects of this type geared toward the rural poor. In view of Malaysia's otherwise weak preparation capability, the number of rural development projects recently financed or in the current pipeline is impressive. The bulk of these projects has been financed by the Bank, with ADB involved in almost all of the remaining ones. Aside from the agriculture sector, there has also been some evidence of a strengthened pipeline of projects for external financing from multilateral and bilateral sources. ADB lending and project commitments under Japanese lines of credit have increased. There is increasing interest from the OPEC aid organizations.

43. While project preparation has shown marginal improvement in most sectors, the Government's general capacity to develop projects remains very weak. The principal constraint is trained staff. Many Government positions are unfilled. Many other posts are filled with recent college graduates who must gain more experience before they can make a substantive contribution. Moreover, a number of experienced personnel are leaving Government service for private sector employment or are leaving the country. Much of this has to be seen against the background of the Government's reluctance to fill vacancies with non-Malays, and the growing disenchantment of non-Malays currently in government service.

44. The Bank's experience with its own projects has generally been satisfactory. This has been the result of Bank staff working closely with the Government in the early stages of identification and preparation. In several cases, the Bank has been able to assist the Government in developing more complex and more extensive project packages. In the past a large share of our lending for rural development was modeled on the very successful and familiar FELDA land settlement model. In an effort to broaden the impact of Bank lending, we have, over the last few years, dramatically re-directed our

lending program by developing a large number of agriculture and rural development projects designed to help at relatively low investments on their existing land holdings, large groups of rural poor. We have undertaken projects for small-scale irrigation, area development and agriculture support services. The Small-Scale Irrigation Project (approved in FY77) is assisting over 60,000 smallholder farmers through the construction and rehabilitation of about 200 small irrigation schemes. The project introduces a system of project evaluation that places the responsibility for appraisal of subprojects largely with the Malaysian Government, thereby permitting the Bank to fund a large number of small schemes that reach out directly to dispersed and relatively isolated pockets of poverty. In the state of Kelantan, Malaysia's poorest state, we are assisting under another project (approved in FY76) about 100,000 families through a package of development activities, including improved water control and small-scale irrigation for paddy farmers, new and improved access roads, and a strengthening of the state's agricultural support services. This year, under a third project, we have provided assistance for expanding and strengthening Malaysia's national extension services which should reach over a million rural low income families. The project includes training, technical assistance, production of improved seeds, a revision of the approach to extension, and a provision for improving program monitoring and evaluation. We have also just completed arrangements with the Government for the East Asia and Pacific Region's first co-financed loan, whereby Malaysia was able to obtain very good terms from the participating commercial banks.

45. While these recent projects are by themselves impressive, they are in most cases among the best projects in their respective sectors and as such are not truly representative of the general standard of development projects in Malaysia. Malaysia's overall public investment program needs to be substantially strengthened. In view of the importance in Malaysia of linking project designs to the difficult policy objectives of the New Economic Policy, continued pursuit and development of more complex and interdisciplinary projects will be essential. With the help of the UNDP-financed and Bank-executed State and Rural Development Project, which provides technical assistance in selected federal departments and states, we hope to help the Government to develop further its programs and projects for reducing poverty. This technical assistance should also release the Bank's Regional Office in Bangkok from their work on Malaysia.

E. BANK GROUP STRATEGY

46. There are two principal branches to the Bank's strategy. The first is the Bank's ongoing dialogue with the Government in Malaysia on macroeconomic issues. These concerns have been discussed above. In summary, in our discussions with the Government we propose to continue to highlight the investment and employment issue. We will urge the Government to increase substantially its public investment program. We will also emphasize in our discussions that, while the goal of improving racial balance is appropriate, the content, pace, and implementation of some of the particular restructuring policies are open to serious question on at least two bases: first, and paradoxically, they may, by slowing growth, impede the Government's efforts to restructure the

society. Second, (for the Bank even more importantly), these policies may seriously undercut efforts to reduce poverty, since fewer people will be able to move from low-productivity occupations, especially in agriculture, to better paying ones. In this context the Bank should strongly caution the Government that a restrictive and overly ambitious pursuit of its restructuring objectives could seriously slow the amelioration of poverty by limiting employment opportunities in the modern sector.

47. The second branch of the Bank's strategy is the design of the lending program. The Bank's lending program has two fundamental objectives: (a) to support the Government's poverty eradication strategy and (b) to help strengthen and expand the Government's development arm, in part by reducing manpower constraints, in selective areas. We have developed a program that almost exclusively concentrates on Malaysia's poverty groups. Although we have cut some basic infrastructure projects from the active program, we are holding them on a reserve list because - less directly - we believe these projects play an important and necessary role in Malaysia's development program.

48. A lending program totalling \$821.5 million is proposed for FY79 through FY83. The program for FY78 through FY82 totals \$743.5 million, compared with the Bank Review Group allocations of June 6, 1977, which recommends a level of \$725 million for Malaysia. The proposed program acknowledges the Bank's competing priorities, particularly with regard to Bank staff. It also takes into account Malaysia's own current manpower constraints. In general, over the next few years we believe the Government will need less external capital than previously forecast, largely because of strong commodity prices and oil earnings. Furthermore, the country's sound financial position should allow the Government to raise substantial sums at acceptable terms in foreign capital markets through market borrowing.

49. The Malaysians believe strongly that project borrowing, particularly from the IBRD and ADB, is necessary to assist them to mount an effective attack on poverty. The country needs technical assistance and expertise to help develop their poverty programs and to assist in designing and packaging projects that reach out directly to low income families in the rural and urban areas. As discussed above (in Section B), there is a good possibility that private investment will fall far short of Third Plan targets, with serious adverse consequences for income and employment. In this light, although public investment cannot completely substitute for private investment, a considerable acceleration in public sector efforts to reduce poverty is warranted. Continued Bank support would be invaluable in helping the Government expand its public investment program and, in particular, strengthen its attack on poverty.

50. From a political point of view, continued adequate growth of incomes in Malaysia is critical. Underneath an apparently stable surface of communal cooperation are potentially explosive issues that can be eased only by substantial economic growth. Adequate and equitable growth is essential for carrying out the country's policy of bringing about greater Malay participation in the economy while at the same time providing continued opportunities for the non-Malays. Bank economic studies have been instrumental in

assisting the Government to analyze ethnic poverty issues, and our project assistance has substantially raised the Government's efforts to build a strong poverty redressal component in its public investment program. We believe future Bank assistance will continue to provide important support for the country's socioeconomic policy goals.

51. The central thrust of the Bank's lending program is poverty redressal in the rural areas, through improved support services and better facilities. Our loans will assist those in absolute poverty by providing irrigation and drainage facilities and farm to market roads for existing smallholders, as well as by continuing to provide landless laborers with newly developed land. Our program will also improve support services by expanding extension, by increasing agricultural small-scale industrial credit, and by producing higher quality seeds. We plan to mount a concentrated effort to help such institutions as RISDA, FELCRA, and the Agriculture Credit Bank. The groundwork for this assistance has already been laid by the North Kelantan Rural Development, National Small Scale Irrigation, Agricultural Research, and National Extension Projects.

52. We also plan to help the Government expand social services, in particular for low income groups through assistance for formal and informal skill training and the expansion of family planning services. Assistance to infrastructure development will be very selective, concentrating on secondary rural road links, extending electricity into the rural areas, and providing assistance to lower income families in the urban areas through low cost housing. Finally, we plan to explore the possibilities of initiating programs that will improve the environment, replenish and preserve forests and soils, and check pollution.

53. Our program supports the Government's continuing desire to integrate more closely the North Borneo States of Sabah and Sarawak with Peninsular Malaysia. Recent education, irrigation, and agricultural extension projects financed by the Bank included the requirements of Sabah and Sarawak, helping link Peninsular Malaysia programs to Sabah and Sarawak. We also hope that these projects will point toward further development of the more populated rural areas of the two states. In FY79, we propose to send a mission to Sabah and Sarawak to follow up on a preliminary Bank rural development study prepared in May 1977. By next year we should be able to draw on additional information being gathered by the Government, including the findings of the 1977 agricultural census.

54. We also intend to seek an increase in the number of sector style loans. In many instances, the poverty areas that need to be reached are too small to justify individual projects. We therefore propose to design projects similar to the National Small-Scale Irrigation Project, where a large number of relatively small areas can be identified that fit a basic set of prototype development schemes. The Government has shown itself capable of evaluating and preparing these subprojects, permitting the Bank, with a minimum implementation burden, to assist a large number of widely scattered poverty groups through one project. In other instances, where the Bank has worked extensively with the implementing institution in preparing a fairly standardized project, such as in the field of power, we propose to fund

certain components of the institution's program. In this case, instead of concentrating on project specific preparation, we will seek more general institutional improvements and changes. In all cases we will insure that the implementing agencies are capable of preparing and executing projects that meet Bank standards.

55. Malaysia's present capacity to identify, prepare and implement projects is limited to a relatively few government departments and agencies, of which the Drainage and Irrigation Department in the Ministry of Agriculture and the Federal Land Development Authority are outstanding examples. In general, the Government's project development capacity is weak, and this weakness has been highlighted recently by Malaysia's failure to expand its public investment program as rapidly as need would justify and financial resources permit. There is a weakness in leadership and planning within Government departments and agencies, and there is also a weakness in overall coordination and implementation of the Government's development program. Malaysia's public sector does not yet have sufficient trained manpower to support a rapidly growing public investment program. The problem is greatest in the poorer states which need the projects the most. The country's project pipeline for poverty oriented projects is very thin, and a large proportion of its new initiatives has been heavily dependent on technical support from the Bank and ADB.

56. To some extent Malaysia's public sector manpower limitations arise from the Government's policy to hire and promote Malays over non-Malays. We suspect there is an increasingly concerted effort to hold jobs open for Malays, even if the shortage of qualified Malays means a position is not staffed for many months. As the public investment program grows, and additional staff requirements increase, the shortage of trained personnel will become even more acute. We are concerned that the Government has not adequately defined its current and future public sector manpower requirements and that it has not taken adequate measures to accelerate training especially (for Malays) in order to meet future public sector skill demands.

57. Last April, with the assistance of the UNDP, we launched a major effort to strengthen the Government's project planning and implementation capacity. The Bank is the executing agency for a US\$5 million grant from the UNDP that provides 19 technical advisors for a total of almost 60 man-years. The project is providing assistance in federal planning units and agencies, including the Economic Planning Unit, Ministry of Agriculture, and land development agencies. The project is also providing advisors to the state planning units of two of the poorest states, Kedah and Kelantan. This assistance should not only help to improve overall project development in the agricultural sector and to develop additional projects in these two states, but it should also help to identify further specific institutional and departmental weaknesses.

58. In addition, through our lending program, we have recently made a major effort to strengthen and expand the Government's skilled manpower. For example, the National Extension Project calls for a 70% increase in extension staff, and the Agricultural Research Project provides 81 man-years of technical assistance. Also, our education loans are supporting the public service training institute. In the future, we will continue to pinpoint

manpower constraints, raise the issue with the individual government departments, and in every proposed Bank project consider carefully the need to include a training component.

59. In view of Malaysia's resource position, we have financed very low percentages of project cost. The program proposed in this paper is even more sharply focused on rural poverty projects than the previous program. In some sectors the foreign exchange component of projects is particularly low. In agriculture, education, transport (rural roads), we would propose to finance the full foreign exchange component of projects. In power, where commercial co-financing is readily available, we would finance less. Of course, as a matter of general policy, we would seek to mobilize co-financing in all sectors where co-financing is available to fill the foreign exchange gap.

60. The estimated net disbursements of Bank loans during the period 1979 through 1983 would be about US\$550 million, providing an estimated 40% of the total projected net flow of public foreign funds. Disbursed Bank loans outstanding at the end of 1983 would amount to about US\$1 billion or one quarter of Malaysia's total external public debt outstanding and disbursed. Debt service to the Bank would be about 19% of total public debt service in 1983.

Economic and Sector Work Program

61. A considerable amount of economic work has been carried out on Malaysia during the past few years. The Development Policy Staff has been particularly active and has undertaken a number of studies on Malaysia as a country of concentration. This work, which has now been largely completed, has proved helpful to the Government's planning efforts. Particularly noteworthy in this regard is the input-output work undertaken by the Development Research Center in conjunction with the Government's Economic Planning Unit. This work highlighted a number of important issues which were discussed with Government during the drafting of the Third Malaysia Plan. At the same time, there has been a substantial economic and sector work program on Malaysia mounted by the Region, largely in conjunction with the 1975/76 basic economic report.

62. Currently we are updating and integrating much of this past work for a publication of a book of essays on Malaysia. The book will provide a broad review of Malaysia's historical development as well as an analysis, both at the macro and sectoral level, of the prospects and issues of Malaysia's future development. The book should provide a useful vehicle for continuing and extending our dialogue with the Government and in making the Malaysian experience more readily available to others. In the future we are planning a smaller contribution to the economic and sector work program from the Development Policy Staff and we expect most of the work to be carried out by the Region. Besides continuing to monitor the overall macro performance of the economy, the program will concentrate on three areas that emerge from the foregoing discussions. First, we propose to review the performance of the manufacturing sector with particular reference to the impact of Government

restructuring policies and industrial policy incentives; the economic impact of racial restructuring policies of the Government, analyzing the instruments used and their success to date; and the likely future impact of various restructuring policies on growth, income employment and racial equity. Second, we propose to give more attention to the project identification, preparation, and implementation capacity of the public sector, with particular emphasis on in situ and land development programs. Finally, we plan to continue our work on poverty identification and redressal, including the satisfaction of basic needs and the potential for poverty redressal through an expanded land development program and in situ development.

International Finance Corporation

63. IFC has been active in Malaysia since 1963 and has made the following six investments: Malaysia Industrial Development Finance Berhad (MIDF) in 1963 (US\$1.3 million) and in 1974 (US\$630,000); Tasek Cement Berhad in 1966 (US\$1.6 million); Malayawata Steel Ltd. in 1968 (US\$3.5 million) and in 1969 (US\$230,000); and Inter-Malaysia Textiles Ltd. in 1970 (US\$1.5 million).

64. IFC's activities continue to be limited because appropriate financing at terms more attractive than those offered by IFC can be arranged from commercial banks. Also MIDF has been able to finance a number of projects that otherwise would have been suitable for IFC involvement.

F. BANK GROUP PROGRAM

65. Implementation of Bank-financed projects generally has been satisfactory. However disbursements in many cases have been slower than estimated at the time of appraisal. Difficulties in project implementation because of government staff constraints have already been referred to (para. 47). Government preference for the employment of Malays and the awarding of contracts to Malays may become an increasing problem. Currently IBRD/ADB financed contracts are exempt from the preferences that the Government applies to the comparison of bids between local Malay and non-Malay contractors and suppliers. In the future, as Malaysia increases its efforts to help Malay entrepreneurs, the Government may ask the Bank to follow the Government's rules on preferences. We will, however, continue to discourage any soundings by the Government seeking the Bank to participate in its preferential system for bid evaluation.

66. The table below summarizes the proposed Bank lending program for FY79-83. This program has been discussed with government and there is broad agreement on its content, especially during the next few years. We estimate that about two thirds of the program will directly benefit agriculture smallholders who are considered to be below the poverty line and who account for the lowest 40% of household incomes. Almost all of these projects would be located in the poverty regions of the country, including the east coast of Peninsular Malaysia and Sabah and Sarawak.

Summary of Proposed Lending Program (FY79-83)

	<u>Number of Projects</u>	<u>Amount</u> (US\$ million)
<u>Agriculture Smallholder</u>	<u>14</u>	<u>490.5</u>
Area Development	(6)	(179.5)
Area Development, featuring irrigation	(6)	(251)
Credit	(1)	(20)
Support Services	(1)	(40)
<u>Industry</u>	<u>1</u>	<u>35</u>
<u>Transportation</u>	<u>1</u>	<u>50</u>
<u>Education</u>	<u>2</u>	<u>70</u>
<u>Population</u>	<u>1</u>	<u>25</u>
<u>Power</u>	<u>3</u>	<u>151</u>
	<u>22</u>	<u>821.5</u>

67. The main objective of the Bank's lending program is to assist smallholder agriculture development; over the next five years, the majority of our projects will be directed toward raising smallholder farm incomes. The proposed Bank program for agriculture includes a large number of small-scale irrigation schemes for rice farmers. The program also includes larger scale irrigation projects for smallholders which would improve Malaysia's largest irrigation scheme (MUDA) and open new land for rice farmers. Other area development projects are envisaged, concentrating on developing tree crops, such as rubber and coconut, as well as rice, in the less developed states. To this effect the UNDP State and Rural Development Project, for which the Bank is acting as executing agency, is already assisting EPU, RISDA, FELCRA and the Kedah and Kelantan State agencies in project preparation and implementation.

68. In the Third Plan the Government is doubling its assistance to existing small farms, raising the area covered to 1.7 million acres. However, there has been very little evaluation of the various support programs used to help increase production on existing farms. The effectiveness of these programs is being studied under the Bank's recently approved National Extension Project, and using these findings, we plan to make a nationwide support services loan. We also plan to resume work on the preparation for an agricultural credit project.

69. In the past the Bank has provided extensive assistance for development and settling large new land areas, which have been primarily planted with

rubber and oil palms. The program has not only contributed to raising production and incomes of the settlers recruited from among the rural poor, but it has also helped to reduce the pressure of the population on existing agricultural land. A large portion of the land has been developed by FELDA, which has been the Bank's principal vehicle for agricultural assistance. FELDA has done an outstanding job. Recently, the Bank has been urging FELDA to increase its employment impact by reducing the size of holdings assigned to each settler family from 14 acres (oil palms) and 12 acres (rubber) to 10 acres; this would increase the number of beneficiary families by 30% and contribute substantially to reducing investment costs per family. In a proposed Bank loan for FY78, FELDA has agreed to make these changes. The loan would also encourage FELDA to increase its efforts in crop diversification by introducing cocoa and producing annual crops. More generally, in our continuing dialogue with the Government we have urged the country to raise their land development targets. The Government is basically receptive to such a proposal, but in the past land development targets have fallen short because of implementation constraints. FELDA is repeatedly called upon to make up shortfalls of other land development efforts. Therefore, we have funded a study to rehabilitate and develop the state land development schemes in Kelantan and we have assigned technical advisors (under the UNDP Project) to help strengthen several other land development agencies. In providing further assistance for land development, we will seek to support these other organizations, such as FELCRA and the state agencies, possibly through the help of Felda in a joint program.

70. In the future, in the perennial crop sector, we also propose to support the Government's shift in emphasis by concentrating more on the improvement and rehabilitation of existing areas rather than on new development and planting. For example, under a Bank project in the State of Kelantan, a study is being carried out to prepare a project proposal for rehabilitating and developing a number of the State's land development schemes, primarily in rubber, which in the past have received very little assistance. In addition we are assisting RISDA, through the UNDP project, to develop possible means for strengthening the rubber replanting effort so as to assist in particular, those smallholders who have not been able to participate in existing programs or who have not received very effective technical assistance. We also anticipate a Bank project in this area.

71. Industrial output, particularly manufactures for export, should make an increasingly larger contribution to Malaysia's income growth. During the Second Malaysia Plan, value added in the manufacturing sector grew by about 11% per annum in real terms, while its share of GDP rose from about 12% to over 14%. For the Third Plan, the target for value added by the manufacturing sector has been set at 12%, its share of GDP rising to about 17% by 1980. However, as indicated before, private investment in manufacturing has fallen steeply. Our lending program will concentrate on supporting small-scale industries and include a loan (in FY80) for assistance to a development bank (BPMB), which concentrates on assisting Malay entrepreneurs.

72. The development of small scale industries is an important aspect of the Government's overall urban development program. Apart from the present problems with private investment, Malaysia is emphasizing employment and low cost housing and infrastructure services as a means of raising the incomes and productivity of the urban poor, who are predominantly Malay. Rural unemployed move freely into the urban areas, and the Government is rapidly developing new urban centers. The east coast region, which is mostly rural and where 70% of the population is Malay, is being given high priority, with a large portion of the development effort focused on the capital of Pahang State, Kuantan. The Government is attempting to divert public and private investments from the larger cities, which are on the west coast of Peninsular Malaysia, to the less developed east coast. Malaysia is one of the few countries with a spatial policy for national development, and it is making pioneering efforts to improve further its urban and regional planning methods.

73. There have been some major problems, however, in developing urban projects. Industrial demand for sites and services in some of the less developed urban centers, such as Kuantan, does not yet justify substantial increases in investment. We have also been exploring with the Government low cost housing, but the country's responsible Ministry is weak and works slowly. Nevertheless, we hope in the next few years to be able to package an urban development project that will include a large low cost housing component. We have listed as a reserve project assistance to water supply and sewerage services for the major secondary cities, which are experiencing rapid population and industrial growth.

74. Under the Third Plan, the Government is continuing to improve and expand the country's transport sector, not only to facilitate and promote greater integration of the country but also to support and stimulate development of the major sectors and to ensure rapid growth and encourage equitable distribution of the growth among regions. Also the Government proposes to take steps to help stimulate growth of the less developed states. In Sabah and Sarawak, the present transport network is being improved to help meet the requirements of natural resource development, as well as to connect present and new production areas and population centers.

75. In FY77 we assisted the Government in a major effort to improve Sabah's transportation network, by increasing the accessibility of the state's interior settlements and by providing all-weather connections between developing towns on the west and east coast. The project also included a pavement strengthening program for federal highways in Peninsular Malaysia that was linked to the reorganization of maintenance activities in three pilot states. By the end of the Third Plan period maintenance activities in all Malaysia's states should be reorganized and improved.

76. We have phased out our assistance to major highways servicing the more developed areas in Malaysia. In the future, our assistance for Peninsular Malaysia highways, besides the rural roads included in rural development projects, would be primarily for secondary roads connecting the smaller rural road systems with the federal and state road networks and for roads opening up new areas. We are now exploring with the Government the possibility in

Peninsular Malaysia of financing a road that would open up new areas for development in the less developed northeast region and of helping develop a pilot rural roads program in one or more states. Future assistance to road development will also be considered for the Borneo States, Sabah and Sarawak, where the networks are still in a very embryonic state.

77. A Bank financed study is now being made of the future of the Malayan Railways in regard to competition with other transport modes, mainly highways. The study will recommend Government policies regarding investment, pricing and regulation in the transport industry as a whole, and more specifically for the railway. We propose to use the recommendations of the study to assist, if funds are available, in financing improvements in the use of rail and to support a rationalization plan for improving the management and use of the railway. The Government is already taking steps to discontinue a relatively high cost rail line in Sabah.

78. One port project in Sabah has been completed and a second one recently appraised. At this time, ports in Peninsular Malaysia appear to have sufficient capacity, and future Bank assistance for port projects would be for ports in the less developed states of Sabah and Sarawak.

79. Malaysia has a comparatively well developed formal education system. The system is competently administered. The enrollment ratios are relatively high (72% lower secondary and 35% upper secondary), dropout rates are comparatively low, female participation rates high, and there is a low proportion of inadequately trained teachers (about 17%). Despite these strengths, the system needs to be improved in several important areas. There are basic imbalances in the quality and availability of education between many of the lower income regions and the higher income areas. The Bank has assisted a Curriculum Development Center whose major concern is to examine the appropriateness of primary and secondary curricula throughout Malaysia. Much more planning needs to be done with respect to formal skill training, which thus far has been developed largely in isolation from the industrial users. In the future, skill training should also provide much greater opportunities for women, who in the last few years have become an increasingly important component of the industrial work force.

80. The Government's education program aims at strengthening national unity by increasing the use of the national language (Bahasa Malaysia) among the non-Malay population; redressing existing inequities by upgrading school facilities in backward areas; meeting development needs by stressing scientific, technical, and vocational education; and improving educational quality by adopting improved curricula and methods of instruction and training teachers in their use. Our projects will continue to support these basic objectives.

81. Our education lending program will first help reduce imbalances in education by expanding lower secondary schools in currently under-served regions. The preparation of this project is the first practical effort to use districts of Malaysia as the basic unit in planning the allocations of education investments. Earlier allocations have been made to the state level

only. As expansion of lower secondary schools tend to create additional demands for higher levels of education, efforts will be made to link this project to a second one devoted to skill training. Under this second project, we hope to develop practical skill training programs focusing on nonagricultural employment demands in rural areas.

82. Pursuant with the national population policy adopted in 1966, the Government established the National Family Planning Board (NFPB) an inter-ministerial statutory body with a certain degree of autonomy to formulate, coordinate and implement national planning programs in Malaysia. Over the first two five-year development plans the crude birth rate has been reduced from 37.3 in 1966 to 31.4 in 1975, with about 35% of the nation's married women in reproductive age currently practicing contraception.

83. Despite the peoples' apparent readiness for fertility planning, political sensitivity (associated with racial imbalance, conservative religious mores, and a recent Indian backlash) has hurt the program. These problems, along with the lukewarm attitude of the Ministry of Health (MOH) which is responsible for family planning service delivery in rural areas, has slowed expansion of services in rural Malaysia. The new Director General of the NFPB, however, has substantially strengthened the Board's leadership. Having worked in the past in the Ministry of Health, she should be able to improve the coordination and help strengthen the Ministry's commitment to family planning activities.

84. In order to reduce barriers and to promote more effective and extensive implementation of the population program and to expand access to its services, the Government has requested a second Bank loan. The second project, which is planned for Board presentation in FY78, would assist in nation-wide replication of the successful intensive input demonstration area program (introduced in the Bank's first project). It would intensify family planning efforts in urban areas to reach under-served localities and disadvantaged population. It would help diversify contraception and improve the quality of family related services, institutional training facilities, and promote research and evaluation. It would also help expand and strengthen community education programs. A third population project is tentatively planned for FY82.

85. During the Second Plan, in Peninsular Malaysia, the demand for power increased by over 13% per year, and during the Third Plan period, the demand for power is projected to grow at about the same rate. To improve the living conditions in remote areas, during the Third Plan the Government has accelerated dramatically its rural electrification program. Whereas during the Second Plan in Peninsular Malaysia electricity was extended to about 300 villages (benefitting about 33,000 households), in the Third Plan the target is to provide electricity to over 2,600 villages (benefitting more than 210,000 households). The Government is also giving special attention to supplying electricity to new agricultural and regional development areas, as well as the new industrial estates.

86. Our future program objective in the power sector is to help the Government meet its ambitious rural electrification targets. We have been working with the Government on a hydroelectric project for FY79 which should

help lay the groundwork for rural electrification. By October 1978, a study will have been completed of Malaysia's rural power system, and drawing from this study the Bank proposes to assist Malaysia to expand and extend the power distribution network in Peninsular Malaysia to the rural areas, naturally concentrating in the less developed regions of the country.

87. Environmental Control is an increasing concern to the Government. Malaysia has two groups of problems: those arising as a result of the development of Malaysia's land and natural resources and those arising through the discharge of undesirable waste products or effluents into the environment. Many of our projects are already assisting environmental objectives. Irrigation projects, for example, are improving the control of water, thereby reducing the damage caused by flooding. Urban water supply and sewerage projects are helping to contain water pollution and increase potable water supplies. However, much more needs to be done. With the large scale development of land for agricultural settlement and the rapid expansion of the country's wood industry there has been a steady depletion of mature forest stands. We will explore the possibility of assisting in improving forest management in order to help the country find a balance between forest use and sustained yield and conservation. We will also seek to help improve environmental pollution control through continuous monitoring and to encourage the Government to continue to introduce measures to help control and reduce the effluent from oil palm and rubber, as well as other processing industries.

12.7 million (1976); 2.81 p.p.
 per Cap. 1976
 124.5 square miles
 6.1 (national average) (1976)

MALAYSIA - ACTUAL AND PROPOSED LENDING THROUGH FY83

Attachment 1
 Page 1 of 2

	Through FY72	FY73	Actual FY74	FY75	FY76	FY77	Current FY78	FY79	FY80	Program FY81	FY82	FY83	Total FY79-73	Total FY74-78	Total FY79-82	Total FY79-83	Reserve Projects
Agricultural Research - MARDI	1990			28.5													
National Extension	1985						19.0										
Agricultural Credit - Bank Pertanian	1990								20.0								
Agricultural Support Services	1990										40.0						
Land Settlement - Jengka I & II	1990	27.0															
Land Settlement - Jengka III	1990		25.0														
Land Settlement - Johore Tenagara	1990			40.0													
Land Settlement - Keratong	1990				36.0												
Land Settlement - Low Cost Scheme I (Felda VI)	1990						32.0										
Land Settlement - Low Cost Scheme II	1990										30.0						
Rural Area Development - N. Kelantan	1990				21.0												
Rural Area Development - N.W. Selangor	1990						26.0										
Rural Area Development - Coconut Replanting	1990							19.5									
Rural Area Development - Trans Perak	1990								20.0								
Rural Area Development - S. Kelantan	1990								20.0								
Rural Area Development - PISIA	1990									30.0							
Rural Area Development - (Sabah and Sarawak)	1990											40.0					
Rural Area Development - (Kedah and Kelantan)	1990												40.0				
Irrigation - Muda & Kemubu	1990	55.0															
Irrigation - National Small Scale	1990					39.0											
Irrigation - Krian Sungai Manek	1990							28.0									
Irrigation - Muda II	1990								33.0*								
Irrigation - Rompin Endau/Trengganu River Basin	1990										55.0						
Irrigation - National Small Scale II	1990										50.0						
Drainage - Western Johore Phase I	1990			45.0													
Irrigation - Unidentified	1990											65.0					
Forestry - Jengka	1990	6.5															
Forestry - Reafforestation	1990																30.0 (83)
Project Preparation Project	1990					1.8											
Education I & II	1990	24.3															
Education III	1990		19.0														
Education IV	1990					35.0											
Education V	1990							40.0									
Education VI	1990									30.0							
Education VII	1990																50.0 (83)
Industry - MIDF I	1990	8.0															
Industry - Development Bank of Malaysia (BPD) I	1990								35.0								
Industry - BPD II	1990																35.0 (83)
Population I	1990		5.0														
Population II	1990						17.0										
Population III	1990										25.0*						
Power - NEB I-V	1990	156.0															
Power - NEB VI	1990			45.0													
Power - NEB VII	1990				35.0												
Power - NEB VIII	1990					22.0											
Power - NEB IX	1990							36.0									
Power - Rural Electrification I	1990								45.0								
Power - Rural Electrification II	1990										70.0						
Telecommunications I & II	1990	23.1															
Highways II - Route I	1990			19.5													
Highways III - Sabah	1990					35.0											
Highways IV - Secondary Roads	1990									50.0*							
Highways V - Sabah and Sarawak	1990																50.0 (83)
Railways I	1990	16.0															
Railways II	1990																17.0 (80)
Ports - Sabah I	1990	16.1															
Ports - Sabah II	1990						13.0										
Ports - Sabah and Sarawak	1990																25.0 (82)
Urbanization - KL Urban Transport & Highways I	1990		16.0														
Urbanization - KL Urban Transport II	1990				26.0												
Urbanization - Sites & Services I	1990																25.0 (81)
Water Supply - Kuala Lumpur I	1990	3.6															
Water Supply - Kuala Lumpur II	1990		13.5														
Sewerage - Kuala Lumpur I	1990				21.5												
Water Supply & Sewerage	1990																25.0 (80)
Environmental Control	1990																10.0 (83)
LENDING PROGRAM	Total Number	337.6 16	59.5 4	123.5 4	109.5 3	103.5 4	131.0 4	107.0 5	123.5 4	151.0 5	185.0 5	175.0 4	185.0 4	195.6 15	574.5 20	743.5 23	821.5 22
Lending Program in Constant FY77 \$ Million		403.9	79.1	151.5	125.9	111.1	131.0	99.7	107.5	124.4	140.6	124.3	122.8	315.8	619.2	596.5	619.6
Commitment Deflator			75.2	81.5	87.0	93.2	100.0	107.3	114.9	123.0	131.6	140.8	150.7				
Standy Projects	Total Number								33.0 1	50.0 1	25.0 1						

* Standy projects.

IBRD o/s ^{/a}	incl. undisb. excl. undisb.	308.2/ _{181.4}	396.3/ _{234.1}	499.7/ _{248.7}	609.2/ _{299.6}	685.4/ _{321.1}	817.3/ _{363.5}	906.3/ _{431.6}	1,010.1/ _{523.0}	1,137.8/ _{616.9}	1,291.5/ _{713.2}	1,414.9/ _{805.0}	1,549.2/ _{911.3}	-	-	-	-
IBRD: Gross Disbursements		190.7	24.7	30.6	54.4	46.7	41.8	86.1	111.0	119.1	127.5	143.5	157.0	112.1	259.6	387.2	658.1
Less: Amortization		25.0	7.4	7.5	8.8	10.5	12.5	18.0	19.6	25.2	31.2	51.6	50.6	26.7	57.3	145.6	178.2
Equals: Net Disbursements		165.7	17.3	23.1	45.6	36.2	29.3	68.1	91.4	93.9	96.3	91.9	106.4	85.4	202.3	441.6	479.9
Less: Interest & Charges		48.3	12.1	14.9	17.8	20.8	24.4	26.8	35.7	48.5	51.7	60.7	69.1	43.7	104.6	122.8	265.2
Equals: Net Transfer		117.4	5.2	8.2	27.8	15.4	4.9	41.4	55.7	45.4	44.6	31.2	37.3	41.9	97.7	218.8	214.7
Commitments from other sources (CY)																	
ADB		56	65	48	-	75		60	65	70	75	80	85	-	248	350	375
Other, of which		34	102	224	76	130		130	130	140	140	140	140	-	662	600	600
Japan		34	78	60	32	50		50	50	50	50	50	50	-	270	250	250
OPEC		-	-	102	8	40		40	40	50	50	50	50	-	190	230	240
Other		-	24	62	36	40		40	40	40	40	40	40	-	202	200	200

^{/a} The Bank is the executing agency for UNDP financed (\$5.2 million) State and Rural Development Project.

^{/b} As of the end of fiscal year.

^{/c} The exchange adjustment of \$16.0 million, as of June 1972, has been included in these figures.

^{/d} The exchange adjustment of \$51.9 million, as of June 1973, has been included in these figures with an increase of \$35.9 million since FY72.

^{/e} The exchange adjustment of \$42.8 million, as of June 1974, has been included in these figures with a decrease of \$9.1 million since FY73.

^{/f} The exchange adjustment of \$46.0 million, as of June 1975, has been included in these figures with an increase of \$5.2 million since FY74.

^{/g} The exchange adjustment of \$33.3 million, as of June 1976, has been included in these figures with a decrease of \$14.7 million since FY75.

^{/h} The exchange adjustment of \$42.3 million, as of June 1977, has been included in these figures with an increase of \$9.0 million since FY76.

Note: All data in this table reflect o/s amounts and transactions of loans sold to third parties.

MALAYSIA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

(\$ millions)

as of September 30, 1977

Project & No.	Amount - Original - Cancelled - Res.	Date: - Approved - Signed - Effective	Closing Date	Forecast Date	FY'76	FY'77				FY'78				FY'79	FY'80	FY'81	FY'82	FY'83	FY'84	FY'85
						1	2	3	4	1	2	3	4							
Education Project ISND 599	8.8 - 8.8	5/30/69 5/23/69 9/16/69	Orig: 12/31/74 Rev: 9/30/77 Act: -	9/30/70 (loc) 6/ 1/77 -	- - 6.0	- - 6.5	- - 6.5	- - 6.8	- - 6.8	- - 6.9	- - 8.8	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -
Second Jungle Triangle ISND 677	13.0 - 13.0	5/12/70 5/20/70 8/30/70	Orig: 5/31/77 Rev: - Act: -	9/30/70 (loc) 10/31/75 -	11.7 12.0 11.8	12.1 12.5 11.9	12.5 13.0 12.5	12.8 12.7 12.7	13.0 - 12.7	- - 12.8	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -
Fifth Power ISND 700	20.0 - 20.0	7/ 7/70 7/16/70 9/29/70	Orig: 1/31/75 Rev: 4/30/77 Act: -	5/ 7/70 4/29/77 -	- - 19.2	- - 19.6	- - 19.7	- - 19.8	- - 20.0	- - 20.0	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -
Second Telecommunications ISND 753	16.7 - 16.7	6/10/71 6/21/71 8/18/71	Orig: 6/30/76 Rev: 2/28/77 Act: -	5/21/71 12/31/76 -	18.5 - 14.9	18.7 - 16.1	- - 17.0	- - 18.7	- - 18.7	- - 18.7	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -
Sabah Ports ISND 774	16.1 - 16.1	6/10/71 6/30/71 8/24/71	Orig: 6/30/75 Rev: 12/31/77 Act: -	5/20/71 8/29/75 -	- 15.0 13.6	- 15.3 13.8	- 16.1 13.8	- - 14.2	- - 14.2	- - 14.2	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -
Railway Project ISND 799	16.0 - 16.0	11/23/71 7/11/72 4/17/72	Orig: 12/31/75 Rev: 3/31/78 Act: -	11/ 8/71 6/30/77 -	- - 14.6	- - 15.3	- - 15.4	- - 13.4	- - 15.4	- - 15.6	- - 15.4	- - 15.4	- - 18.0	- - -	- - -	- - -	- - -	- - -	- - -	- - -
Second Education ISND 810	15.5 - 15.5	3/28/72 4/ 5/72 7/ 7/72	Orig: 12/31/77 Rev: - Act: -	3/ 9/72 6/ 1/77 -	15.5 - 2.8	14.5 - 3.3	14.9 - 3.3	15.3 - 4.1	15.5 - 4.1	- - 4.2	- - 7.9	- - 9.8	- - 11.7	- - 15.5	- - -	- - -	- - -	- - -	- - -	- - -
Kuala Lumpur Urban Transport ISND 851	16.0 - 16.0	7/ 6/72 7/20/72 9/20/72	Orig: 4/30/77 Rev: 4/30/78 Act: -	5/31/72 6/30/76 -	15.2 12.8 12.3	15.2 14.0 13.5	16.0 15.2 14.0	- 16.0 14.5	- - 15.3	- - 15.6	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -
Population Project ISND 880	5.0 - 5.0	1/16/73 2/ 9/73 6/21/73	Orig: 9/30/78 Rev: - Act: -	12/21/72 11/24/76 -	4.0 - - 2	4.1 - - 3	4.4 - - 4	4.5 - - 5	4.6 - - 9	4.7 - - 1.6	- - 2.2	- - 2.7	- - 3.1	- - 4.0	- - 5.0	- - -	- - -	- - -	- - -	- - -
Third Jungle Triangle ISND 885	25.0 - 25.0	3/13/73 3/30/73 6/22/73	Orig: 12/31/81 Rev: - Act: -	2/26/73 4/25/77 -	10.6 - 7.8	12.1 - 8.7	14.1 - 9.7	15.5 - 10.6	16.9 - 11.5	17.6 - 12.1	19.0 - 16.1	19.8 - 17.8	21.1 - 19.7	24.3 - 22.0	25.0 - 25.0	- - -	- - -	- - -	- - -	- - -
Second Water Supply ISND 908	13.5 - 13.5	5/31/73 6/14/73 8/22/73	Orig: 6/30/78 Rev: - Act: -	5/ 2/73 - -	10.3 - 8.6	11.1 - 9.1	12.0 - 9.3	12.4 - 9.3	12.7 - 9.3	13.1 - 10.4	13.5 - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -
and Highway ISND 931	19.5 - 19.5	8/ 7/73 8/22/73 10/29/73	Orig: 8/31/77 Rev: - Act: -	7/16/73 6/ 7/77 -	16.6 - 8.2	17.2 - 9.2	18.0 - 10.3	18.5 - 10.7	19.0 - 11.2	19.5 - 12.5	- - 14.5	- - 15.6	- - 16.6	- - 18.9	- - 19.5	- - -	- - -	- - -	- - -	- - -
Johore Land Settlement ISND 967	40.0 - 40.0	2/ 3/74 2/27/74 5/16/74	Orig: 6/30/82 Rev: - Act: -	1/11/74 4/22/77 -	9.2 - 5.7	10.5 - 7.3	14.3 - 8.7	15.8 - 10.4	17.0 - 11.9	17.4 - 13.1	22.9 - 20.4	25.4 - 26.0	27.3 - 26.6	32.9 - 31.5	36.8 - 35.0	39.0 - 37.4	40.0 - 40.0	- - -	- - -	- - -
Western Johore Agricultural ISND 973	45.0 - 45.0	3/26/74 4/ 5/74 8/14/74	Orig: 6/30/80 Rev: - Act: -	3/13/74 - -	11.0 - 1.3	14.0 - 1.6	17.0 - 2.0	20.0 - 2.0	23.0 - 2.3	26.0 - 3.2	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -
Third Education ISND 974	19.0 - 19.0	3/26/74 4/ 5/74 6/26/74	Orig: 12/31/80 Rev: - Act: -	3/ 8/74 6/ 8/77 -	5.5 - 1	6.7 - 1	7.9 - 1	8.8 - 8	10.4 - 8	12.4 - 8	14.3 - 2.7	16.7 - 4.8	17.0 - 6.8	18.6 - 12.0	18.8 - 17.0	19.0 - 18.5	- - 19.0	- - -	- - -	- - -
Fourth Power ISND 1031	45.0 1.7 45.3	7/ 5/74 7/25/74 10/22/74	Orig: 6/30/80 Rev: - Act: -	8/29/74 4/28/77 -	24.0 - 9.2	29.1 - 12.3	33.3 - 15.8	36.7 - 17.7	39.7 - 20.9	41.4 - 25.1	42.7 - 31.1	43.5 - 35.8	44.1 - 38.3	45.0 - 42.4	- - 43.3	- - -	- - -	- - -	- - -	- - -
Fourth Land Settlement ISND 1044	36.0 - 36.0	9/19/74 10/ 3/74 1/ 9/75	Orig: 6/30/83 Rev: - Act: -	9/ 4/74 4/22/77 -	4.2 - 1.5	5.8 - 2.1	6.9 - 2.7	9.0 - 3.5	10.2 - 3.9	11.0 - 4.6	12.8 - 7.7	14.6 - 9.0	15.4 - 10.3	20.7 - 15.7	26.8 - 21.0	31.8 - 26.0	35.3 - 31.0	36.0 - 36.0	- - -	- - -
Agricultural Research & Extension ISND 1115	28.5 - 28.5	5/13/75 5/30/75 10/21/75	Orig: 6/30/82 Rev: - Act: -	4/25/75 - -	- - -	1.0 - -	3.5 - 1	6.0 - 1.2	7.5 - 1.3	9.0 - 1.5	10.9 - -	12.5 - -	15.0 - -	21.0 - -	23.9 - -	27.0 - -	28.5 - -	- - -	- - -	- - -
Fourth Power ISND 1178	35.0 - 35.0	12/ 2/75 12/17/75 3/10/76	Orig: 6/30/81 Rev: - Act: -	11/10/75 4/29/77 -	1.4 - 1	3.0 - 1	4.6 - 2	6.2 - 3	7.8 - 1.5	10.9 - 2.7	14.3 - 6.4	17.7 - 11.1	21.3 - 15.8	28.7 - 28.6	33.8 - 33.2	35.0 - 35.0	- - -	- - -	- - -	- - -
Kuala Lumpur Sewerage ISND 1213	21.5 - 21.5	2/26/76 3/11/76 8/25/76	Orig: 12/31/81 Rev: - Act: -	2/ 2/76 - -	- - -	1 - -	2 - -	3 - 1	6 - 1	9 - 1	1.3 - -	2.2 - -	3.3 - -	9.5 - -	16.5 - -	21.5 - -	- - -	- - -	- - -	- - -

MALAYSIA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

(\$ millions)

as of September 30, 1977

[illegible]

CONFIDENTIAL

TABLE 3A
- SOCIAL INDICATORS DATA SHEET

LAND AREA (THOU KM ²)	MALAYSIA			REFERENCE COUNTRIES (1970)		
	TOTAL	AGRIC.	MOST RECENT ESTIMATE	PERU	PORTUGAL	MEXICO **
	329.7	60.3				
GDP PER CAPITA (US\$)						
	230.0*	440.0 *	860.0*/a	470.0*	950.0*	690.0*
POPULATION AND VITAL STATISTICS						
POPULATION (MID-YR. MILLION)	8.1	10.8	12.7/a	13.3	9.1	50.4
POPULATION DENSITY						
PER SQUARE KM.	24.0	33.0	39.0/a	10.0	99.0	26.0
PER SQ. KM. AGRICULTURAL LAND	152.0	185.0	211.0/a	48.0	211.0	52.0
VITAL STATISTICS						
CRUDE BIRTH RATE (/THOU, AV)	45.6	42.2	38.7	42.9	21.1	43.8
CRUDE DEATH RATE (/THOU, AV)	17.8	12.9	9.9	14.7	10.4	10.2
INFANT MORTALITY RATE (/THOU)	82.0	40.8/a	35.4/b	65.1/a	58.0	68.5
LIFE EXPECTANCY AT BIRTH (YRS)	51.7	56.7	59.4	58.0	66.1	62.4
GROSS REPRODUCTION RATE	2.9	2.6/a	2.4/b	2.9	1.5	3.1
POPULATION GROWTH RATE (%)						
TOTAL	2.8	2.9	2.8	2.8	0.1/a	3.4
URBAN	5.5	3.0	4.8	4.7	1.8	4.8
URBAN POPULATION (% OF TOTAL)	28.9	28.9	30.2	52.5	26.9	58.7
AGE STRUCTURE (PERCENT)						
0 TO 14 YEARS	43.8/a,b	44.7/a	42.7/b	45.0/a	28.5	46.2
15 TO 64 YEARS	53.4/a,b	52.1/a	53.9/b	51.9/a	61.8	50.1
65 YEARS AND OVER	2.8/a,b	3.2/a	3.4/b	3.7/a	9.7	3.7
AGE DEPENDENCY RATIO						
ECONOMIC DEPENDENCY RATIO	0.9/a,b	0.9/a	0.9/b	0.9/a	0.8	1.0
	1.4/a,b	1.6/a	..	1.5/a,b	1.1/b	2.0
FAMILY PLANNING						
ACCEPTORS (CUMULATIVE, THOU)	..	222.2/a	371.8/b	..	..	55.8
USERS (% OF MARRIED WOMEN)	..	8.0/a	..	..	..	..
EMPLOYMENT						
TOTAL LABOR FORCE (THOUSAND)	2300.0/a	3600.0	4200.0	4300.0	3300.0	13000.0
LABOR FORCE IN AGRICULTURE (%)	56.0/a	49.5	45.2	45.0/a	29.2/c	45.0
UNEMPLOYED (% OF LABOR FORCE)	2.0/a,c	7.0	7.2	9.0/c	2.8	..
INCOME DISTRIBUTION						
% OF PRIVATE INCOME REC'D BY-						
HIGHEST 5% OF HOUSEHOLDS	..	28.3	..	..	..	37.8
HIGHEST 20% OF HOUSEHOLDS	..	56.0	..	..	..	63.2
LOWEST 20% OF HOUSEHOLDS	..	3.5	..	..	..	4.2
LOWEST 40% OF HOUSEHOLDS	..	11.2	..	..	..	10.2
DISTRIBUTION OF LAND OWNERSHIP						
% OWNED BY TOP 10% OF OWNERS						
% OWNED BY SMALLEST 10% OWNERS	..	..	..	..	..	37.1
	..	..	..	..	..	0.3
HEALTH AND NUTRITION						
POPULATION PER PHYSICIAN	6500.0/d	..	4400.0/b,c	1920.0	1120.0/d	1480.0
POPULATION PER NURSING PERSON	2600.0/d	..	1570.0/b	3200.0	1090.0/a	1620.0/a
POPULATION PER HOSPITAL BED	290.0/d	270.0/a	270.0/b	470.0	170.0	960.0
PER CAPITA SUPPLY OF -						
CALORIES (% OF REQUIREMENTS)	..	110.0	115.0	98.0	118.0	114.0/b
PROTEIN (GRAMS PER DAY)	..	49.0/b	54.0	62.0	65.0	65.0
-OF WHICH ANIMAL AND PULSE	..	20.0/b	..	24.0	40.0	28.0/c
DEATH RATE (/THOU) AGES 1-4	..	5.5	4.0/b	..	3.4	9.8
EDUCATION						
ADJUSTED ENROLLMENT RATIO						
PRIMARY SCHOOL	91.0/a	89.0/a	92.0/b,c	114.0	98.0	104.0
SECONDARY SCHOOL	19.0/a	34.0/a	37.0/b,c	36.0	57.0	22.0
YEARS OF SCHOOLING PROVIDED (FIRST AND SECOND LEVEL)	13.0/a	13.0/a	13.0/b	12.0	13.0	12.0
VOCATIONAL ENROLLMENT (% OF SECONDARY)	9.0/a	3.0/a	3.0/b,c	19.0/d	32.0	24.0
ADULT LITERACY RATE (%)	48.0/a,b	55.0	60.0/c	..	..	76.0
HOUSING						
PERSONS PER ROOM (URBAN)	..	2.3/a	..	..	0.8/e	2.2
OCCUPIED DWELLINGS WITHOUT PIPED WATER (%)	..	65.0/a,c	..	..	65.5	61.0/d
ACCESS TO ELECTRICITY (% OF ALL DWELLINGS)	..	43.0/a	..	..	64.2	59.0
RURAL DWELLINGS CONNECTED TO ELECTRICITY (%)	..	30.0/a	..	..	..	26.0
CONSUMPTION						
RADIO RECEIVERS (PER THOU POP)	37.0	41.0	40.0	134.0	142.0	276.0
PASSENGER CARS (PER THOU POP)	13.0	27.0	34.0	17.0	61.0	24.0
ELECTRICITY (KWH/YR PER CAP)	200.0/d	382.0	541.0/b	415.0	824.0	567.0
NEWSPRINT (KG/YR PER CAP)	0.8	4.0	2.9/b	3.7	5.1	3.2

SEE NOTES AND DEFINITIONS ON REVERSE

NOTES

Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961, for 1970 between 1968 and 1970, and for Most Recent Estimates between 1973 and 1975.

* GNP per capita data are based on the World Bank Atlas methodology (1976-76 basis).

** Mexico has set a rapid path of industrial expansion and since Malaysia's industrial base is relatively small and the country has the capacity and plans to expand its industrial production rapidly in the future, Mexico has been selected as the objective country.

Malaysia 1960 /a Peninsular Malaysia; /b 1957; /c 1962, registered applicants for work; /d Federation of Malaya.

1970 /a Peninsular Malaysia; /b 1964-66; /c Piped water inside.

Most Recent Estimate: /a 1976; /b Peninsular Malaysia; /c 1972.

Peru 1970 /a Excluding Indian jungle population; /b Ratio of population under 15 and 65 and over to total labor force; /c Urban only; /d Including evening schools.

Peru 1970 /a Due to migration population growth rate is lower than rate of natural increase; /b Ratio of population under 15 and 65 and over to total labor force; /c Excluding unemployed; /d Registered, including physicians practicing dentistry; /e Including assistant nurses; /f Total, urban and rural.

Mexico 1970 /a Including assistant nurses; /b 1969-71 average; /c 1964-66; /d Inside only.

111, November 1, 1977

DEFINITIONS OF SOCIAL INDICATORS

Land Area (thous km²)

Total - Total surface area comprising land area and inland waters.

Arable - Most recent estimate of agricultural area used temporarily or permanently for crops, pastures, orchards & biomass gardens or to live fallow.

GNP per capita (1973) - GNP per capita estimates of current market prices, calculated by same conversion method as World Bank Atlas (1973-75 basis); 1960; 1970 and 1975 data.

Population and vital statistics

Population (mid-year millions) - As of July first; if not available, average of two mid-year estimates; 1960, 1970 and 1975 data.

Population density - per square km - Mid-year population per square kilometer (100 hectares) of total area.

Population density - per square km of arable land - Computed as above for agricultural land only.

Vital statistics

Crude birth rate per thousand, women - Annual live births per thousand of mid-year population; ten-year arithmetic averages ending in 1960 and 1970, and five-year average ending in 1975 for most recent estimates.

Crude death rate per thousand, women - Annual deaths per thousand of mid-year population; ten-year arithmetic averages ending in 1960 and 1970 and five-year average ending in 1975 for most recent estimates.

Infant mortality rate (/1000) - Annual deaths of infants under one year of age per thousand live births.

Life expectancy at birth (yrs) - Average number of years of life remaining at birth; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.

Crude reproduction rate - Average number of live daughters a woman will bear in her usual reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.

Population growth rate (%) - total - Compound annual growth rates of mid-year population for 1950-60, 1960-70 and 1970-75.

Population growth rate (%) - urban - Compound like growth rates of total population; different definitions of urban areas may affect comparability of data among countries.

Urban population (%) of total - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries.

Age structure (national) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population.

Age dependency ratio - Ratio of population under 15 and 65 and over to those of ages 15 through 64.

Sex ratio (national) - Ratio of population under 15 and 65 and over to the labor force in age groups of 15-64 years.

Family planning - awareness (percentage, total) - Cumulative number of respondents of birth-control devices under auspices of national family planning program since inception.

Family planning - users (%) of married women - Percentages of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

Employment

Total labor force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc.; definitions in various countries are not comparable.

Labor force in agriculture (%) - Agricultural labor force (in farming, forestry, hunting and fishing) as percentage of total labor force.

Unemployed (%) of labor force - Unemployed are usually defined as persons who are able and willing to take a job, out of a job on a given day, remained out of a job, and seeking work for a specified minimum period not exceeding one week; may not be comparable between countries due to different definitions of unemployed and source of data, e.g., employment office statistics, sample surveys, compulsory unemployment insurance.

Income distribution - Percentages of private income (both in cash and kind) received by richest 20, richest 20%, poorest 20%, and poorest 40% of households.

Distribution of land ownership - Percentages of land owned by wealthiest 10% and poorest 10% of land owners.

Health and Nutrition

Physicians per population - Population divided by number of practicing physicians qualified from a medical school at university level.

Physicians per working person - Population divided by number of practicing male and female graduate nurses, "trained" or "certified" nurses, and auxiliary personnel with training or experience.

Physicians per hospital bed - Population divided by number of hospital beds available in public and private general and specialized hospital and rehabilitation centers; excludes nursing homes and ophthalmology for custodial and preventive care.

Per capita supply of calories (%) of requirements - Computed from energy equivalent of net food supplies available in country per capita per day; available supplies comprise domestic production, imports less exports, and changes in stock; net supplies exclude animal feed, seeds, quantities used in food processing and losses in distribution; requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distributions of population, and allowing 10% for waste at household level.

Per capita supply of protein (grams per day) - Protein content of per capita supply of food per day; net supply of food is defined as above; requirements for all countries established by WHO Economic Research Services provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein; these standards are lower than those of 75 grams of total protein and 25 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.

Per capita protein supply from animal and pulse - Protein supply of food derived from animal and pulse in grams per day.

Death rate (/1000) age 1-4 - Annual deaths per thousand in age group 1-4 years, to children in this age group; suggested as an indicator of malnutrition.

Education

Adjusted enrollment ratio - primary school - Enrollment of all ages as percentage of primary school-age population; includes children aged 5-11 years but adjusted for different lengths of primary education; for countries with universal education, enrollment may exceed 100% since some pupils are below or above the official school age.

Adjusted enrollment ratio - secondary school - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational or teacher training instruction for pupils of 13 to 17 years of age; correspondence courses are generally excluded. Years of education provided (first and second levels) - Total years of schooling; at secondary level, vocational instruction may be particularly or completely omitted.

Vocational enrollment (%) of secondary - Vocational institutions include technical, industrial or other programs which operate independently or as departments of secondary institutions.

Adult literacy rate (%) - Literate adults (able to read and write) as percentage of total adult population aged 15 years and over.

Housing

Persons per room (national) - Average number of persons per room in occupied conventional dwellings in urban areas; dwellings include non-permanent structures and unoccupied parts.

Occupied dwellings without stand water (%) - Occupied conventional dwellings in urban and rural areas without inside or outside stand water facilities as percentage of all occupied dwellings.

Access to electricity (%) of all dwellings - Conventional dwellings with electricity in living quarters as percent of total dwellings in urban and rural areas.

Rural dwellings connected to electricity (%) - Computed as above for rural dwellings only.

Communication

Radio receivers (per thousand) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

Passenger cars (per thousand) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearse and military vehicles.

Electricity (kwh/yr per cap) - Annual consumption of electricity in public and private electricity in kilowatt hours per person; based on production data, without allowance for losses in grids but allowing for imports and exports of electricity.

Newsprint (kg/yr per cap) - Per capita annual consumption in kilograms estimated from domestic production plus net imports of newspapers.

ATTACHMENT 30

ECONOMIC DEVELOPMENT DATA SHEETS

	ACTUAL				EST.	PROJECTED			
	1965	1970	1975	1976	1977	1978	1979	1985	1990
NATIONAL ACCOUNTS (1)									
(MILLIONS OF US\$ AT 1967-69 PRICES)									
GROSS DOMESTIC PRODUCT	2975.5	3588.6	5547.8	6245.4	6744.8	7148.3	7576.4	11015.4	15781.2
GAINS FROM TERMS OF TRADE	173.6	40.3	-236.9	-6.6	79.8	6.4	9.9	155.2	90.8
GROSS DOMESTIC INCOME	3145.0	4028.9	5310.9	6238.7	6824.5	7154.7	7586.3	11170.6	15872.0
IMPORTS	1250.1	1540.5	1878.5	2080.8	2330.4	2514.6	2672.2	3823.3	5410.9
EXPORTS - VOLUME	-1222.1	-1679.7	-2167.5	-2627.8	-2858.3	-3017.4	-3186.2	-4331.3	-5632.3
EXPORTS - TT. ADJUSTED	-1395.6	-1720.0	-1530.6	-2621.1	-2538.0	-3023.8	-3196.1	-4486.5	-5723.1
RESOURCE CAP - TT. ADJUSTED	-145.6	-175.4	-52.1	-540.3	-607.7	-509.2	-523.9	-663.2	-312.2
TOTAL CONSUMPTION	2474.9	3038.6	4164.4	4532.1	4548.4	5260.2	5522.6	7891.6	11360.9
INVESTMENT	528.0	810.8	1094.4	1166.3	1268.5	1385.3	1539.8	2615.8	4198.9
NATIONAL SAVINGS	568.9	818.7	1013.3	1488.4	1625.9	1642.8	1803.3	2973.6	4095.2
DOMESTIC SAVINGS	674.2	550.3	1146.5	1706.6	1876.2	1894.5	2063.7	3279.0	4511.1
GDP AT CURRENT US\$	3031.4	4060.5	9386.7	10957.9	12741.4	14584.0	16616.7	36256.3	72852.0
SECTOR CONTRIBUTION									
(SHARE OF GDP AT 1967-69 PRICES)									
AGRICULTURE	0.332	0.365	0.325	0.335	0.329	0.329	0.329	0.321	0.300
INDUSTRY	0.237	0.236	0.257	0.265	0.270	0.273	0.276	0.300	0.333
SERVICES	0.431	0.399	0.419	0.400	0.401	0.398	0.395	0.379	0.367
PRICES (1967-69 = 100)									
EXPORT PRICE INDEX	110.63	104.42	188.00	211.21	234.18	246.60	265.35	411.23	565.69
IMPORT PRICE INDEX	96.87	101.58	211.07	211.74	227.82	246.38	264.54	397.01	556.71
TERMS OF TRADE INDEX	114.20	102.40	89.07	99.75	102.79	100.21	100.31	103.58	101.61
GDP DEFLATOR (US\$)	101.88	101.80	169.20	175.46	188.91	204.02	219.32	329.14	461.64
ANNUAL AVERAGE EXCHANGE RATE	3.00	3.06	2.40	2.54					

ATTACHMENT 3B

ECONOMIC DEVELOPMENT DATA SHEETS

	GROWTH RATES				1975 SHARE OF GDP
	1965 1970	1976 1978	1978 1985	1985 1990	
NATIONAL ACCOUNTS (1) (MILLIONS OF US\$ AT 1967-69 PRICES)					
GROSS DOMESTIC PRODUCT	7.0	7.0	6.4	7.5	100.0
GAINS FROM TERMS OF TRADE					-4.3
GROSS DOMESTIC INCOME	6.4	7.1	6.6	7.3	95.7
IMPORTS	4.7	9.9	6.2	7.2	33.9
EXPORTS - VOLUME	7.2	7.2	5.3	5.4	39.1
EXPORTS - TT. ADJUSTED	5.9	7.4	5.8	5.0	34.8
RESOURCE GAP - TT. ADJUSTED					-0.9
TOTAL CONSUMPTION	5.7	7.7	6.0	7.6	75.1
INVESTMENT	7.5	9.0	9.5	9.9	19.7
NATIONAL SAVINGS	9.1	5.1	8.8	6.6	18.3
DOMESTIC SAVINGS	8.8	5.4	8.2	6.6	20.7
GDP AT CURRENT US\$	12.4	15.4	13.9	15.0	
SECTOR OUTPUT (SHARE OF GDP AT 1967-69 PRICES)					
AGRICULTURE					
INDUSTRY					
SERVICES					
PRICES (1967-69 = 100)					
EXPORT PRICE INDEX	6.1	8.1	7.6	6.6	
IMPORT PRICE INDEX	7.4	7.8	7.1	7.0	
TERMS OF TRADE INDEX	-1.2	0.2	0.5	-0.4	
GDP DEFATOR (US\$)	5.1	7.8	7.1	7.0	
ANNUAL AVERAGE EXCHANGE RATE					

SELECTED INDICATORS	1965-76	1976-78	1978-85	1985-90
ICOR	2.81	2.70	3.39	3.34
IMPORT ELASTICITY	0.70	1.40	0.97	0.97
AVERAGE NATIONAL SAVINGS RATE	0.21	0.24	0.26	0.27
MARGINAL NATIONAL SAVINGS RATE	0.29	0.18	0.35	0.24
IMPORTS/GDP	0.37	0.34	0.35	0.34
INVESTMENT/GDP	0.20	0.19	0.22	0.25
RESOURCE GAP/GDP	-0.04	-0.08	-0.07	-0.04

(1) COMPONENTS MAY NOT ADD UP BECAUSE OF ROUNDING

MALAYSIA

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ATTACHMENT 3C

IMPORT DETAIL

	1972	1973	1974	1975	1976	1977	1978	1979	1985
CONSTANT 1967-69 PRICES (MILLIONS OF DOLLARS)	-----	-----	-----	-----	-----	-----	-----	-----	-----
5.1 TOTAL GOODS (CIF)	1332.4	1592.4	2166.8	1700.9	1874.8				
5.2 TOTAL GOODS (FOB)	1240.4	1487.3	2027.0	1599.0	1774.3				
6. NON-FACTOR SERVICES	248.1	266.3	312.6	279.5	306.5				
7. TOTAL GOODS AND NFS	1488.5	1753.6	2339.6	1878.5	2080.8	2330.4	2514.6	2672.2	3823.3
PRICE INDEX 1967-69 = 100	-----	-----	-----	-----	-----	-----	-----	-----	-----
5. TOTAL GOODS (CIF)	124.96	156.19	189.04	211.07	211.74				
6. NON-FACTOR SERVICES	124.96	156.19	189.04	211.07	211.74				
7. TOTAL GOODS AND NFS	124.96	156.19	189.04	211.07	211.74	227.82	246.08	264.54	397.01
CURRENT VALUES (MILLIONS OF DOLLARS)	-----	-----	-----	-----	-----	-----	-----	-----	-----
5.1 TOTAL GOODS (CIF)	1664.9	2487.3	4096.3	3590.2	3969.7				
5.2 TOTAL GOODS (FOB)	1550.0	2323.0	3832.0	3375.0	3757.0				
6. NON-FACTOR SERVICES	310.0	416.0	591.0	590.0	649.0				
7. TOTAL GOODS AND NFS	1860.0	2739.0	4423.0	3965.0	4406.0	5309.1	6187.9	7068.9	15178.0

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ATTACHMENT 3D

EXPORT DETAIL

	1972	1973	1974	1975	1976	1977	1978	1979	1985
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CONSTANT 1967-69 PRICES (MILLIONS OF DOLLARS)									
1.1 RUBBER	582.5	699.0	669.2	622.7	691.0	732.7	778.5	825.3	1045.7
1.2 TIN	289.0	263.0	276.4	251.3	263.0	261.2	260.3	258.5	241.3
1.3 SAW LOGS	201.5	223.8	211.4	187.4	269.1	269.1	268.2	268.2	249.9
1.4 PALM OIL PRODUCTS	116.5	138.0	160.5	194.5	228.5	245.8	280.6	320.1	508.0
1.5 CRUDE PETROLEUM	61.2	55.4	45.8	54.4	103.2	120.9	131.3	138.6	190.3
1.6 SAWN TIMBER	78.5	97.4	88.5	82.5	133.4	133.4	133.4	133.4	133.4
1.7 NATURAL GAS						.0	.0	.0	38.5
2. MANUFACTURED GOODS	155.9	248.1	242.2	258.7	323.6	362.5	388.2	416.9	696.8
3. ALL OTHER GOODS	102.7	130.5	307.0	370.7	461.4	559.8	593.7	630.7	938.2
4. TOTAL GOODS (F.O.B.)	1587.8	1855.2	2001.0	2022.2	2473.2	2685.5	2834.2	2991.8	4042.0
5. NON-FACTOR SERVICES	98.4	124.2	144.4	145.4	156.8	172.8	183.3	194.4	289.3
6. TOTAL GOODS AND NFS	1686.2	1979.4	2145.4	2167.6	2630.0	2858.3	3017.4	3186.2	4331.3

PRICE INDEX (1967-69=100)

1.1 RUBBER	79.04	146.99	179.05	135.54	176.35	189.06	197.90	220.40	332.32
1.2 TIN	113.40	139.78	227.40	199.94	227.96	298.77	279.57	289.45	450.30
1.3 SAW LOGS	104.25	190.79	202.76	148.92	215.16	241.66	280.29	306.52	526.55
1.4 PALM OIL PRODUCTS	119.31	155.04	323.44	305.46	231.12	312.78	276.95	264.32	403.52
1.5 CRUDE PETROLEUM	128.88	198.59	614.75	653.06	665.68	752.19	815.41	872.39	1292.42
1.6 SAWN TIMBER	129.89	241.76	237.76	222.92	261.72	226.45	292.02	376.87	742.79
1.7 NATURAL GAS						784.10	850.00	909.40	1254.71
2. MANUFACTURED GOODS	114.28	141.87	227.17	257.76	247.01	265.59	286.80	308.40	462.84
3. ALL OTHER GOODS	177.9	203.4	107.3	92.4	100.2	96.62	104.34	112.18	168.35
4. TOTAL GOODS (F.O.B.)	105.75	160.47	207.21	186.34	211.17	234.60	246.65	265.43	412.28
5. NON-FACTOR SERVICES	124.96	156.19	189.04	211.07	211.74	227.62	245.83	264.27	396.59
6. TOTAL GOODS AND NFS	106.87	160.20	205.98	188.00	211.21	234.18	246.60	265.35	411.23

CURRENT VALUES
(MILLIONS OF DOLLARS)

1.1 RUBBER	460.4	1027.5	1198.2	844.0	1218.6	1385.3	1540.7	1819.1	3478.1
1.2 TIN	327.7	367.6	628.6	502.5	599.5	780.4	727.7	748.2	100.5
1.3 SAW LOGS	210.1	404.6	428.6	279.0	579.0	650.3	751.7	822.0	1319.9
1.4 PALM OIL PRODUCTS	139.0	214.0	519.0	594.0	528.0	768.9	777.0	846.0	2049.9
1.5 CRUDE PETROLEUM	78.9	110.1	281.0	350.3	687.1	909.6	1071.0	1209.5	2458.8

	1972	1973	1974	1975	1976	1977	1978	1979	1985
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1.6 SAWN TIMBER	102.0	235.4	210.5	184.0	349.1	302.1	389.6	502.7	990.9
1.7 NATURAL GAS	.0	.0	.0	.0	.0	.0	.0	.0	882.8
2. MANUFACTURED GOODS	178.2	352.0	550.3	666.7	799.3	962.8	1113.3	1285.9	3225.1
3. ALL OTHER GOODS	182.7	265.8	329.4	342.5	462.4	540.9	619.5	707.6	1579.4
4. TOTAL GOODS (F.O.B.)	1679.0	2977.0	4146.0	3768.0	5223.0	6300.2	6990.4	7940.9	16664.4
5. NON-FACTOR SERVICES	123.0	194.0	273.0	307.0	332.0	393.4	450.5	513.8	1147.3
6. TOTAL GOODS AND NFS	1802.0	3171.0	4419.0	4075.0	5555.0	6693.6	7440.9	8454.7	17811.7

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ATTACHMENT 4A

BALANCE OF PAYMENTS AND EXTERNAL ASSISTANCE

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
	A C T U A L					E S T.	P R O J E C T E D		
SUMMARY OF BALANCE OF PAYMENTS									
1. EXPORTS (INCLUDING NFS)	1802.0	3171.0	4419.0	4075.0	5550.0	6693.5	7440.9	8454.7	9809.2
2. IMPORTS (INCLUDING NFS)	1860.0	2739.0	4423.0	3965.0	4406.0	5309.1	6187.9	7068.9	8051.0
3. RESOURCE BALANCE	-58.0	432.0	-4.0	110.0	1144.0	1384.4	1253.0	1385.8	1758.3
4. NET FACTOR SERVICE INCOME	-134.0	-270.0	-249.0	-229.0	-405.0	-519.7	-568.6	-638.2	-711.8
.1 NET INTEREST PAYMENTS	-43.4	-69.2	-54.4	-60.0	-119.8	-124.7	-98.6	-93.2	-86.8
OF WHICH ON FUR M&T LOANS	-30.2	-42.2	-54.4	-59.9	-119.8	-124.7	-147.0	-179.9	-209.5
.2 DIRECT INVESTMENT INCOME	-91.3	-200.3	-194.6	-165.5	-285.2	-395.0	-470.0	-545.0	-625.0
.3 WORKERS REMITTANCES (NET)	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. CURRENT TRANSFERS (NET)	-55.0	-62.0	-58.0	-52.0	-57.0	-50.0	-50.0	-50.0	-50.0
6. BALANCE ON CURRENT ACCOUNT	-247.0	100.0	-311.0	-171.0	682.0	814.7	634.4	697.6	996.4
7. PRIVATE DIRECT INVESTMENT	114.0	172.1	373.4	229.2	129.8	130.0	130.0	140.0	170.0
8. GRANTS & GRANT-LIKE FLOWS	.0	.0	.0	.0	.0	.0	.0	.0	.0
PUBLIC M&T LOANS									
9. DISBURSEMENTS	202.9	86.2	218.3	589.4	444.5	693.4	689.7	674.1	545.8
10. AMORTIZATION	-21.9	-31.3	-64.8	-85.0	-117.5	-206.0	-273.5	-322.3	-315.4
11. NET DISBURSEMENTS	181.0	54.9	153.5	504.4	326.9	487.4	416.2	351.8	230.4
OTHER M&T LOANS									
12. DISBURSEMENTS	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. AMORTIZATION	.0	.0	.0	.0	.0	.0	.0	.0	.0
14. NET DISBURSEMENTS	.0	.0	.0	.0	.0	.0	.0	.0	.0
15. USE OF IMF RESOURCES	.0	.0	.0	.0	104.2	-104.0	.0	.0	.0
16. SHORT-TERM CAPITAL TRANSACTIONS	-5.4	104.8	41.9	-34.6	-68.8	.0	.0	.0	.0
17. CAPITAL TRANSACTIONS NET	6.3	-195.7	-70.2	-456.8	-261.8	-360.0	-415.0	-470.0	-540.0
18. CHANGE IN RESERVES (- = INCREASE)	-48.9	-236.1	-187.6	-71.2	-912.3	-968.1	-765.5	-719.4	-860.8
19. NET FOREIGN EXCHANGE (1) RESERVES (END OF PERIOD)	981.0	1242.0	1618.0	1524.0	2511.4	3518.5	4284.0	5003.4	5864.2

ATTACHMENT 4A

BALANCE OF PAYMENTS AND EXTERNAL ASSISTANCE

	1981	1982	1985	1990
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P R O J E C T E D				

SUMMARY OF BALANCE OF PAYMENTS				

1. EXPORTS (INCLUDING NFS)	10978.4	12298.0	17811.7	31860.9
2. IMPORTS (INCLUDING NFS)	9156.1	10338.0	15178.8	30122.8
3. RESOURCE BALANCE	1822.3	1960.0	2632.9	1738.2
4. NET FACTOR SERVICE INCOME	-769.3	-853.1	-1161.1	-2263.5
1. NET INTEREST PAYMENTS	-59.3	-32.1	63.9	136.5
OF WHICH ON FUR M< LOANS	-225.0	-242.9	-300.5	-484.4
2. DIRECT INVESTMENT INCOME	-710.0	-820.0	-1225.0	-2400.0
3. WORKERS REMITTANCES (NET)	.0	.0	.0	.0
5. CURRENT TRANSFERS (NET)	-50.0	-50.0	-50.0	-50.0
6. BALANCE ON CURRENT ACCOUNT	1003.0	1056.9	1421.8	-575.3
7. PRIVATE DIRECT INVESTMENT	220.0	280.0	590.0	1800.0
8. GRANTS & GRANT-LIKE FLOWS	.0	.0	.0	.0
PUBLIC M< LOANS				
9. DISBURSEMENTS	546.5	575.8	647.3	1476.0
10. AMORTIZATION	-276.1	-323.0	-355.2	-508.3
11. NET DISBURSEMENTS	270.4	252.7	292.1	967.6
OTHER M< LOANS				
12. DISBURSEMENTS	.0	.0	.0	.0
13. AMORTIZATION	.0	.0	.0	.0
14. NET DISBURSEMENTS	.0	.0	.0	.0
15. USE OF IMF RESOURCES	.0	.0	.0	.0
16. SHORT-TERM CAPITAL TRANSACTIONS	.0	.0	.0	.0
17. CAPITAL TRANSACTIONS NET	-610.0	-700.0	-1040.0	-2100.0
18. CHANGE IN RESERVES				
(- = INCREASE)	-883.4	-889.7	-1263.9	-92.3
19. NET FOREIGN EXCHANGE (1)				
RESERVES (END OF PERIOD)	6747.6	7637.3	11102.7	15061.4

	1972	1973	1974	1975	1976	1977	1978	1979	1980
GRANT AND LOANS COMMITMENTS									
1. OFFICIAL GRANTS	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. TOTAL PUBLIC M< LOANS	237.1	240.9	1102.7	852.5	423.2	520.0	490.0	493.0	545.0
.1 IBRD	47.5	63.0	185.0	63.5	103.5	115.0	150.0	138.0	165.0
.2 IDA	.0	.0	.0	.0	.0	.0	.0	.0	.0
.3 OTHER MULTILATERAL	23.7	56.0	65.4	47.6	.0	75.0	60.0	65.0	70.0
.4 GOVERNMENTS	48.3	33.0	102.2	224.3	76.3	130.0	130.0	130.0	140.0
.5 OF WHICH CENTRALLY PLANNED ECONOMIES (2)	.0	.0	.0	.0	.0	.0	.0	.0	.0
.6 SUPPLIERS	1.4	.0	.0	23.5	.0	.0	.0	.0	.0
.7 FINANCIAL INSTITUTIONS	91.2	70.5	150.2	493.6	243.4	200.0	150.0	160.0	170.0
.8 BONDS	25.1	18.0	.0	.0	.0	.0	.0	.0	.0
.9 PUBLIC LOANS NET	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. OTHER M< LOANS (WHERE AVAILABLE)	.0	.0	.0	.0	.0	.0	.0	.0	.0
MEMORANDUM ITEMS									
1. GRANT ELEMENT OF TOTAL COMMITMENTS	17.3	20.0	24.9	7.6	11.800	15.122	16.842	16.496	16.091
2. AVERAGE INTEREST (PERCENT)	.006	.007	.008	.0084	.0075	.0075	.0073	.0073	.0073
3. AVERAGE MATURITY (YEARS)	13.800	15.600	16.000	9.300	12.100	17.587	18.306	18.164	18.033

1/ NET FOREIGN ASSETS: US\$ EQUIVALENT OF LINE 31.

2/ INCLUDES CMEA COUNTRIES, PEOPLES REPUBLIC OF CHINA, NORTH KOREA, NORTH VIETNAM.

DATE OF LATEST UPDATE 01/26/78

	1981	1982	1985	1990
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GRANT AND LOANS COMMITMENTS				

1. OFFICIAL GRANTS	.0	.C	.0	.0
2. TOTAL PUBLIC M&T LOANS	560.0	600.C	695.0	1553.6
.1 IBRD	180.0	180.0	210.0	295.0
.2 IDA	.0	.C	.0	.0
.3 OTHER MULTILATERAL	75.0	80.C	95.0	133.2
.4 GOVERNMENTS	140.0	140.C	140.0	140.0
.5 OF WHICH CENTRALLY PLANNED ECONOMIES (2)	.0	.C	.C	.0
.6 SUPPLIERS	.0	.C	.0	.0
.7 FINANCIAL INSTITUTIONS	185.0	200.C	250.0	900.0
.8 ACQUIS	.0	.C	.0	.0
.9 PUBLIC LOANS NET	.0	.C	.0	85.4
3. OTHER M&T LOANS (WHERE AVAILABLE)	.0	.C	.0	.0

MEMORANDUM ITEMS

1. GRANT ELEMENT OF TOTAL COMMITMENTS	15.518	15.044	13.650	6.541
2. AVERAGE INTEREST (PERCENT)	.074	.075	.077	.088
3. AVERAGE MATURITY (YEARS)	17.922	17.783	17.475	14.260

1/ NET FOREIGN ASSETS: US\$ EQUIVALENT OF LINE 31.

2/ INCLUDES CMEA COUNTRIES, PEOPLES REPUBLIC OF CHINA, NORTH
KOREA, NORTH VIETNAM.

DATE OF LATEST UPDATE 01/26/78

DEBT AND CREDITWORTHINESS

	1972	1973	1974	1975	1976	1977	1978	1979	1980
	ACTUAL				EST.	PROJECTED			
MEDIUM AND LONG TERM DEBT (DISBURSED ONLY)									

TOTAL DEBT OUTSTANDING (DDO)									
END OF PERIOD	649.6	687.8	829.8	1303.6	1619.2	2105.9	2522.0	2873.8	3108.2
INCLUDING UNDISBURSED	987.9	1177.7	2244.0	2967.9	3200.4	3513.6	3730.1	3900.8	4134.4
PUBLIC DEBT SERVICE	-52.1	-73.4	-119.2	-144.9	-237.3	-330.7	-420.5	-502.2	-524.9
INTEREST	-30.2	-42.2	-54.4	-59.9	-119.8	-124.7	-147.0	-179.9	-209.5
OTHER M< DEBT SERVICE	.0	.0	.0	.0	.0	.0	.0	.0	.0
TOTAL DEBT SERVICE	-52.1	-73.4	-119.2	-144.9	-237.3	-330.7	-420.5	-502.2	-524.9
DEBT BURDEN									

DEBT SERVICE RATIO	2.9	2.3	2.7	3.6	4.3	4.9	5.7	5.9	5.4
DEBT SERVICE RATIO (LI)	8.0	8.6	7.1	7.7	9.4	10.8	12.0	12.4	11.7
DEBT SERVICE/GDP	1.0	1.0	1.2	1.5	2.2	2.6	2.9	3.0	2.8
PUR. DEBT SERVICE/GOV. REVENUE	4.0	3.8	4.8	6.5	8.6	9.8	10.5	10.8	9.9
TERMS									

INT. ON TOTAL DDO/TOTAL DDO	4.7	6.1	6.6	4.6	7.4	5.9	5.8	6.3	6.7
TOTAL DEBT SERVICE/TOTAL DDO	8.0	10.7	14.4	11.1	14.7	15.7	16.7	17.5	16.9
DEPENDENCY RATIOS FOR M< DEBT									

GROSS DISB./IMPORTS (INCL.NFS)	10.9	7.1	4.9	14.9	10.1	13.1	11.1	9.5	6.8
NET TRANSFER/IMPORTS (INCL.NFS)	8.1	.5	2.2	11.2	4.7	6.8	4.3	2.4	.3
NET TRANSFER/GROSS DISB.	74.3	14.6	45.4	75.4	46.6	52.3	39.0	25.5	4.5
EXPOSURE									

IBRD DISB./GROSS TOTAL DISB.	14.2	24.6	21.4	9.0	10.6	11.5	13.6	15.7	22.6
BANK GROUP DISB./GROSS TOTAL DISBURSEMENTS	14.2	24.6	21.4	9.0	10.6	11.5	13.6	15.7	22.6
IBRD DDO/TOTAL DDO	26.8	27.3	27.3	20.8	18.9	17.6	17.8	18.7	20.5
BANK GROUP DDO/TOTAL DDO	26.8	27.3	27.3	20.8	18.9	17.6	17.8	18.7	20.5
IBRD DEBT SERVICE/TOTAL DEBT SERVICE	34.0	27.4	19.6	19.4	14.8	11.1	10.1	10.2	12.2
BANK GROUP DEBT SERVICE/TOTAL DEBT SERVICE	34.0	27.4	19.6	19.4	14.8	11.1	10.1	10.2	12.2

MALAYSIA

ATTACHMENT 4B

PAGE: 2 of

DEBT AND CREDITWORTHINESS

	1981	1982	1985	1990
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PROJECTED

MEDIUM AND LONG TERM DEBT (DISBURSED ONLY)

TOTAL DEBT OUTSTANDING (CDD END OF PERIOD)	3378.6	3631.4	4476.6	7316.5
INCLUDING UNDISBURSED	4438.3	4715.2	5656.2	8824.5
PUBLIC DEBT SERVICE	-501.1	-565.5	-655.8	-992.7
INTEREST	-225.0	-242.5	-300.5	-484.4
OTHER M< DEBT SERVICE	.0	.0	.0	.0
TOTAL DEBT SERVICE	-501.1	-565.5	-655.8	-992.7

DEBT BURDEN

DEBT SERVICE RATIO	4.6	4.6	3.7	3.1
DEBT SERVICE RATIO (1)	11.0	11.3	10.6	10.6
DEBT SERVICE/CDD	2.3	2.3	1.8	1.4
PUR. DEBT SERVICE/GCV. REVENUE	8.3	8.2	6.4	4.8

TERMS

INT. ON TOTAL CDD/TOTAL DDD	6.7	6.7	6.7	6.6
TOTAL DEBT SERVICE/TOTAL DDD	14.8	15.6	14.6	13.6

DEPENDENCY RATIOS FOR M&LT DEBT

GROSS DISP./IMPORTS (INCL.NFS)	6.0	5.6	4.3	4.9
NET TRANSFER/IMPORTS (INCL.NFS)	.5	.1	-.1	1.6
NET TRANSFER/GROSS DISP.	8.3	1.7	-1.3	32.7

EXPOSURE

IBRD DISP./GROSS TOTAL DISP.	26.2	27.3	26.9	16.0
BANK GROUP DISP./GROSS TOTAL DISBURSEMENTS	26.2	27.3	26.5	16.0
IBRD DDD/TOTAL CDD	22.3	24.0	27.9	25.4
BANK GROUP CDD/TOTAL CDD	22.3	24.0	27.9	25.4
IBRD DEBT SERVICE/TOTAL DEBT SERVICE	15.3	16.7	22.5	24.6
BANK GROUP DEBT SERVICE/TOTAL DEBT SERVICE	15.3	16.7	22.5	24.6

OUTSTANDING DEC. 31, 1976

EXTERNAL DEBT (DISBURSED ONLY)	AMOUNT	PERCENT
IBRD	305.5	18.9
BANK GROUP	305.5	18.9
OTHER MULTILATERAL	51.0	5.6
GOVERNMENTS	327.8	20.2
OF WHICH CENTRALLY PLANNED ECONOMIES (2)	.0	.0
SUPPLIERS	30.3	1.9
FINANCIAL INSTITUTIONS	806.2	49.8
BONDS	58.4	3.6
PUBLIC DEBT NET	.0	.0
TOTAL PUBLIC M< DEBT	1615.2	100.0
OTHER PUBLIC M< DEBT	.0	.0
OTHER M< DEBT	.0	.0
TOTAL PUBLIC DEBT (INCLUDING UNDISBURSED)	3200.4	197.7
TOTAL M & LT DEBT (INCLUDING UNDISBURSED)	3200.4	197.7

DEBT PROFILE

TOTAL DEBT SERVICE 1977-81/TOTAL DCD END OF 1976	-140.8
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1/INCLUDING NET DIRECT INVESTMENT INCOME

2/INCLUDES CMEA COUNTRIES, PEOPLES REPUBLIC OF CHINA,
NORTH KOREA, NORTH VIETNAM.

OUTSTANDING DEC. 31, 1985

EXTERNAL DEBT (DISBURSED ONLY)	AMOUNT	PERCENT
IBRD	1250.6	27.9
BANK GROUP	1250.6	27.9
OTHER MULTILATERAL	650.9	14.5
GOVERNMENTS	1170.9	26.1
OF WHICH CENTRALLY PLANNED ECONOMIES (2)	.0	.0
SUPPLIERS	1.9	.0
FINANCIAL INSTITUTIONS	1402.4	31.3
BONDS	1.0	.0
PUBLIC DEBT NET	.0	.0
TOTAL PUBLIC M< DEBT	4478.6	100.0
OTHER PUBLIC M< DEBT	.0	.0
OTHER M< DEBT	.0	.0
TOTAL PUBLIC DEBT (INCLUDING UNDISBURSED)	5656.2	126.3
TOTAL M & LT DEBT (INCLUDING UNDISBURSED)	5656.2	126.3

1/INCLUDING NET DIRECT INVESTMENT INCOME
2/INCLUDES CMEA COUNTRIES, PEOPLES REPUBLIC OF CHINA,
NORTH KOREA, NORTH VIETNAM.

ECONOMIC AND SECTOR WORK PROGRAM

1. For the rest of this fiscal year we plan to concentrate on publishing a book of essays on the Malaysian economy. The content of this proposed book will largely reflect work on Malaysia undertaken during the past few years. However some new analysis will be included. A chapter on the population issue in Malaysia, will be incorporated. The book will include four chapters that provide an overview of Malaysia's historical development and longer term prospects and eight sector chapters analyzing some issues in more detail (i.e. chapters on: Agriculture, industry, exports, public finance, inflation, population, poverty employment and income distribution, and economic planning). We are undertaking this task at the request of the Government, in the expectation that such a book will serve as a useful vehicle for continuing the dialogue with the Government on some of the issues raised above, as well as extending the discussion to a wider audience both within and outside Malaysia.
2. Following that report we propose to undertake during the next few years one comprehensive sector study and a number of special papers that would comprise the building blocks for our next basic economic report. In order to influence the Fourth Malaysia Plan (1981-85) we propose to complete a basic report during calendar year 1980. A comprehensive sector mission in agriculture is proposed to update and broaden our previous work in this sector. In addition, we also propose a rural and agricultural development mission for Sabah and Sarawak. This mission is of high priority because of the paucity of information on these states. The mission would review the smallholder agricultural sector and identify project and program possibilities. The mission would give special attention to reviewing the possibilities for an expanded land development program in Sabah and Sarawak. As major inputs to the agriculture sector review, two reports to broadly review the implementation capacities of the various agencies in land development and in in situ development are proposed. In line with the proposal to alleviate loan officers from some of their more routine tasks, it is also proposed to make substantial use of our loan officer expertise in this effort. These reviews, including recommendations on how to ease whatever constraints are identified, could also be circulated to Government on an ad hoc basis when completed.
3. Regarding poverty and restructuring we would propose to make this the major focus of the FY79 and FY80 economic work program. In that regard we plan to write a paper in FY79 which would give special attention to poverty and in particular to the extent to which basic needs are being fulfilled in Malaysia, and the prospects for reducing poverty. The report would also examine the prospects for reducing poverty in Peninsular Malaysia through an expanded land development program. In FY80 we propose to prepare a report on the pace of restructuring. This report would analyze the progress that has been made in restructuring of employment and equity, and the prospects for meeting the longer term restructuring and targets of the Government.
4. Besides updating current economic events, the FY79 CEM will focus on the recent performance of the manufacturing sector in light of both industrial incentives and restructuring policies.

ECONOMIC AND SECTOR WORK SCHEDULE

<u>Title and Discription</u>	<u>Responsible Division</u>	<u>Total Man-Weeks</u>
<u>FY78</u>		
<u>Education Sector Survey (UNESCO)</u>	AEP	10
<u>Essays on the Malaysian Economy</u>	AEA	92
Publication of a book of essays on the Malaysian economy summarizing much of the Bank's economic work on Malaysia during the past few years, but also including some new analysis such as a chapter on population and family planning.		
<u>FY79</u>		
<u>Rural and Agricultural Development</u>	AEP	60
<u>Sabah and Sarawak</u>		
Identify profiles of smallholder agriculture in Sabah and Sarawak, analyze Government programs, and suggest/identify project possibilities. Timing of mission would be contingent on publication of agricultural census data. Special attention will be given to review the possibilities of expanding land development in Sabah and Sawarak.		
<u>Special Paper - Poverty</u>	AEA	60
Paper will review income profile of poverty households, poverty targets and policies of government, success of government programs to date, and likely impact of government strategies on future employment and poverty. In this context report will consider extent to which basic needs are being met in Malaysia, establish critical levels of basic needs, and analyzing government policies and programs needed to meet these critical levels. Special attention will be given to reviewing the role of land development in reducing rural poverty.		

Country Economic Memorandum

AEA

40

Very brief updating of recent economic trends with special attention to a review of the performance of the manufacturing sector and the impact of industrial policy and incentives and of the ICA on manufacturing.

Implementation Report on Land Settlement

AEA

30

This report would provide a broad review (drawing upon existing material to the extent possible) of the various land development programs with special attention given to reviewing the capacity of the various land development agencies to design and implement projects and to recommend measures to overcome constraints.

FY80

Restructuring Sector Report

AEA

30

Report will analyze government policies to restructure employment and equity. Report will assess likelihood of meeting 1990 perspective plan targets and make recommendations for Fourth Malaysia Plan.

Implementation Report on In Situ
Agricultural Development

AEA

30

This report would provide a broad review of in situ programs with special attention to reviewing the implementation capacity of the various agencies involved and to recommending measures to enable a more effective program to be undertaken.

Secondary Vocational Education Survey

AEP

30

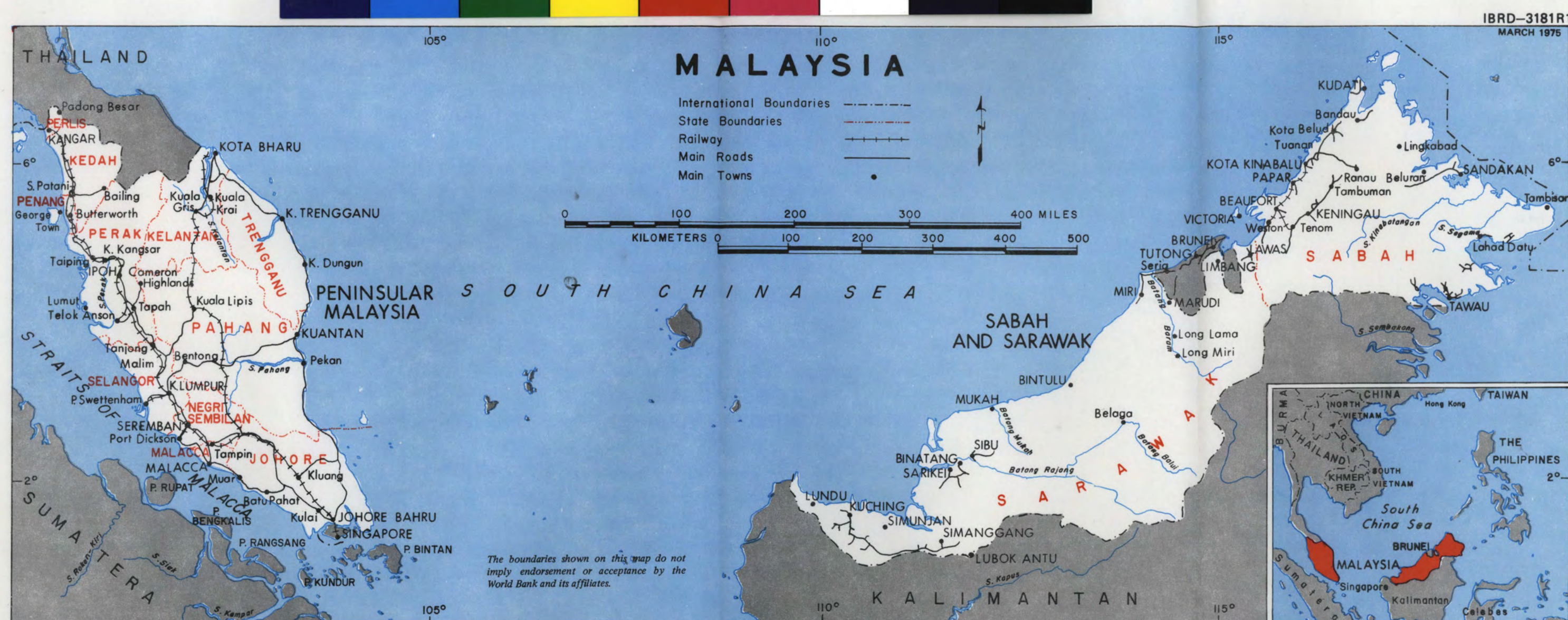
Agriculture Sector Report

AEP

40

Comprehensive review of agricultural sector to be used as basic building block for basic economic report. This report would draw extensively on the implementation and poverty reports proposed above.

<u>Title and Discription</u>	<u>Responsible Division</u>	<u>Total Man-Weeks</u>
<u>FY81</u>		
<u>Basic Economic Report</u> (carry over from FY80)	AEA	200
Report will draw together economic work of previous years with intention of assisting Government during drafting of Fourth Malaysia Plan.		
<u>FY82</u>		
<u>Country Economic Report</u> Review of Fourth Plan and of economic developments issues	AEA	30
<u>Urban Poverty-Special Paper</u> Review of extent and problems of urban poverty.	AEA	40



F. REFERENCE MATERIAL

2. Political Situation

The Government

Since independence in 1957, the Government of Malaysia has worked within a constitutional framework based on parliamentary democracy. The federal charter provides for a strong central government and 13 autonomous states, 11 in Peninsular Malaysia and 2 in North Borneo. It provides for a bicameral parliament, a British-patterned cabinet accountable to the electorate through the legislative body, and an independent judiciary.

Multiracial Base

The politics of Malaysia are strongly influenced by the communal nature of the society, which has since the last century consisted of three major and distinct ethnic groups - the Malays, the Chinese, and the Indians. The British had shown relatively little concern for interracial harmony or cooperation; they had ruled Malaysia through the Malay rulers while relying on Chinese and Indian entrepreneurs and labor for economic development. In preparing for independence, therefore, the overriding issue was to ensure intercommunal peace, to reconcile the conflicting needs of a racially divided society. In the mid-1950s, the main political parties of the three racial communities contrived a rough compromise that became an integral part of the 1957 constitution. The bargain was based on the assumption that the status quo - the political pre-eminence of the Malays and the economic dominance of the Chinese - would be continued but that in time the Malays would be encouraged to become more involved in economic development and the Chinese and other non-Malays in politics.

May 1969 Racial Disturbances

The communal compromises of independence helped ensure temporary peace, but did not help narrow the communal differences. The Chinese attacked the constitutional provisions as safeguarding the "special position of the Malays" and as giving possibly permanent advantage to them. The non-Malay communities were particularly apprehensive that the Government's Malay-centered language, educational and religious politics would eventually destroy their distinct cultural identities. At the same time, there was no progress toward increasing Malay participation in the country's economic growth, particularly in the modern sector. These communal tensions exploded in May 1969. In the country's third general election, the traditional ruling parties suffered unexpected reverses, stemming from the Malay and Chinese mounting socioeconomic frustrations, each group perceiving that the other was in a better position. Three days after the elections there was widespread racial violence in Kuala Lumpur, the country's capital. The Government proclaimed a national emergency, suspended parliamentary rule, and created a National Operations Council to restore law and order and to promote better interethnic relations. During this period, threatened by Malay frustrations and the consequent need for a more aggressive race-oriented economic program, the New Economic Policy was conceived and introduced in the Second Malaysia Plan (1971-75). Its objectives were based on the

premise that national integration could be achieved only if poverty of all Malaysians was eliminated and Malaysian society was restructured so that race would no longer be identified with economic function. In addition, a consensus was reached on fundamental national objectives and values and the constitution was amended to prohibit public discussion of racially-charged issues. Malays would not question non-Malay citizenship rights and non-Malays would not challenge the special rights and privileges of Malays. These measures further entrenched Malay political primacy. Parliamentary rule was reinstated in February 1971.

Political Leadership

Before independence, a coalition of parties representing the three ethnic communities was formed to lead the country. Since then the dominant political group has continued to be the United Malays National Organization (UMNO). The coalition, led by UMNO, first worked through the Alliance Party, which also included a Chinese and an Indian party. Subsequent to the civil disturbances of May 1969, more organizations were added to the coalition and, in early 1974, the Alliance was replaced by the more broadly-based National Front (Barisan Nasional). Malaysia's first Prime Minister, Tengku Abdul Rahman, ruled from the time of independence through the period of civil unrest, 1957-70. Tun Abdul Razak, who had been Deputy Prime Minister, ruled from 1970 until his death in 1976. In 1976, there was an orderly transfer of power to Datuk Hussein bin Onn, who had also been Deputy Prime Minister. Datuk Hussein has gradually built up a strong political base. His strength was initially uncertain. He has a reputation for being very deliberate and careful in decisions soft-spoken and seeking a decentralized government; and of very high integrity and humaneness. Although not at first particularly spectacular, these qualities in the long run have paid off. In particular, three key public actions have instated Datuk Hussein as a very strong leader. First, in the last few years Malaysia has effectively contained communist insurgents, which although largely subdued by the end of the Emergency period (1948-60), still lingered, and in 1975 insurgents had begun to increase their use of terrorist and guerrilla tactics. Action against internal subversion has been very effective, and since 1976 there have been no significant ambushes or acts of sabotage. Second, Datuk Hussein took a very strong position with regard to the investigations into Datuk Harun Idris, the former Chief Minister of the State of Selangor. Datuk Harun had also been a vice-president of the National Front and a very popular leader of UMNO Youth; he was a champion of Malay rights. In November 1975, Harun was arrested and charged with corruption. Resisting tremendous political pressure, Prime Minister Hussein supported legal resolution of the charges, and subsequently Harun was tried and convicted of corruption and forgery. A third major success for the Prime Minister was an explicit political victory. Within the past year Datuk Hussein's leadership was challenged by the ruling party of the State of Kelantan. Although the party, Party Islam (PI), was a member of the ruling National Front, the majority of the State's PI members did not believe they were receiving sufficient support from UMNO. The Chief Minister of Kelantan, Datuk Mohamed Nasir, had been appointed by the former Prime Minister (Tun Abdul Razak) against the wishes of his own party (PI). Furthermore, in the wake of Datuk Hussein's drive to stamp out corruption

Datuk Nasir was threatening to expose allegedly corrupt timber concessions by his party colleagues. In mid-September 1977, the state assembly passed a vote of no-confidence to expel Datuk Nasir from office. Datuk Nasir challenged the motion and in October riots broke out in the state capital (Kotah Baru) and in the neighboring townships. Popular opinion appeared largely in support of the Chief Minister. Last November, the federal government imposed emergency rule in Kelantan to restore order and to prepare for new state elections. Party Islam, which had ruled Kelantan since 1959, based their campaign on Islamic-based ideology in the very predominantly Malay state. The National Front campaigned on a platform of national unity and economic development. In March 1978, UMNO won a decisive victory, further supported by a new party created from dissidents from the PI. It is the first time UMNO has ever held a majority in Kelantan's state assembly, and it is considered a resounding victory for Datuk Hussein's leadership, helping to dispel the fear of similar dissension in some of the other states. The Finance Minister, Tungku Razaleigh, whose home state is Kelantan, ran the campaign, and the victory appears to have assured him of his third ranking position in UMNO's party hierarchy.

Next Elections

National and state elections have been held in 1959, 1967, 1969 and 1974. Some time before August 1979 there will have to be national and state elections. Many people believe that national elections will be held within the next few months. The present governing political coalition should be returned to power with a substantial majority.

Future Stability

Since the May 1969 riots, and measures taken in response to the riots Malaysia has appeared relatively stable, with some easing of communal tensions. However, the communal distinctions and differences are still very pronounced. Underlying tensions persist. Under the New Economic Policy there is a tendency for racial differences to polarize even further, and these problems are exacerbated by the gradual move toward a Malay-based educational system. The country's future stability will largely rest on an acceptable rate of economic growth. National unity, in the long run, can only be forged by uplifting the quality of rural life of all races, which will help achieve a better economic and racial balance among, as well as within, ethnic groups.

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