



# PARLIAMENTARY DEBATES

DEWAN RA'AYAT  
(HOUSE OF REPRESENTATIVES)

OFFICIAL REPORT

THIRD SESSION OF THE SECOND PARLIAMENT  
OF MALAYSIA

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MALAYSIA

**DEWAN RA'AYAT**  
**(HOUSE OF REPRESENTATIVES)**

*Official Report*

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Third Session of the Second Dewan Ra'ayat

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*Thursday, 19th January, 1967*

*The House met at Ten o'clock a.m.*

PRESENT :

- The Honourable Mr Deputy Speaker, TUAN SYED ESA BIN ALWEE, J.M.N., S.M.J., P.I.S.
- .. the Prime Minister and Minister of Foreign Affairs, Y.T.M. TUNKU ABDUL RAHMAN PUTRA AL-HAJ, K.O.M. (Kuala Kedah).
- .. the Deputy Prime Minister, Minister of Defence and Minister of National and Rural Development, TUN HAJI ABDUL RAZAK BIN DATO' HUSSAIN, S.M.N. (Pekan).
- .. the Minister of Home Affairs and Minister of Justice, TUN DR ISMAIL BIN DATO' HAJI ABDUL RAHMAN, S.S.M., P.M.N. (Johor Timor).
- .. the Minister of Finance, TUAN TAN SIEW SIN, J.P. (Melaka Tengah).
- .. the Minister of Works, Posts and Telecommunications, TAN SRI V. T. SAMBANTHAN, P.M.N. (Sungei Siput).
- .. the Minister of Transport, TAN SRI HAJI SARDON BIN HAJI JUBIR, P.M.N. (Pontian Utara).
- .. the Minister of Education, TUAN MOHAMED KHIR JOHARI (Kedah Tengah).
- .. the Minister of Health, TUAN BAHAMAN BIN SAMSUDIN (Kuala Pilah).
- .. the Minister of Commerce and Industry, DR LIM SWEE AUN, J.P. (Larut Selatan).
- .. the Minister for Welfare Services, TUAN HAJI ABDUL HAMID KHAN BIN HAJI SAKHAWAT ALI KHAN, J.M.N., J.P. (Batang Padang).
- .. the Minister for Sarawak Affairs, TAN SRI TEMENGGONG JUGAH ANAK BARIENG, P.M.N., P.D.K. (Sarawak).
- .. the Minister of Information and Broadcasting and Minister of Culture, Youth and Sports, TUAN SENU BIN ABDUL RAHMAN (Kubang Pasu Barat).
- .. the Minister of Agriculture and Co-operatives, TUAN HAJI MOHAMED GHAZALI BIN HAJI JAWI (Ulu Perak).
- .. the Minister of Lands and Mines, TUAN ABDUL RAHMAN BIN YA'KUB (Sarawak).

- The Honourable the Minister for Sabah Affairs, TUN DATU MUSTAPHA BIN DATU HARUN, S.M.N., P.D.K. (Sabah).
- .. the Assistant Minister of National and Rural Development, TUAN SULAIMAN BIN BULON, P.J.K. (Bagan Datoh).
- .. the Assistant Minister of Culture, Youth and Sports, ENSKU MUHSEIN BIN ABDUL KADIR, J.M.N., S.M.T., P.J.K. (Trengganu Tengah).
- .. the Assistant Minister of Education, TUAN LEE SIOK YEW, A.M.N., P.J.K. (Sepang).
- .. the Parliamentary Secretary to the Minister of Health, TUAN IBRAHIM BIN ABDUL RAHMAN (Seberang Tengah).
- .. the Parliamentary Secretary to the Minister of Labour, TUAN LEE SAN CHOON, K.M.N. (Segamat Selatan).
- .. the Parliamentary Secretary to the Minister of Finance, TUAN ALI BIN HAJI AHMAD (Pontian Selatan).
- .. the Parliamentary Secretary to the Deputy Prime Minister, TUAN CHEN WING SUM (Damansara).
- .. TUAN ABDUL GHANI BIN ISHAK, A.M.N. (Melaka Utara).
- .. TUAN ABDUL KARIM BIN ABU, A.M.N. (Melaka Selatan).
- .. WAN ABDUL KADIR BIN ISMAIL, P.P.T. (Kuala Trengganu Utara).
- .. TUAN ABDUL RAHMAN BIN HAJI TALIB, P.J.K. (Kuantan).
- .. WAN ABDUL RAHMAN BIN DATU TUANKU BUJANG, A.B.S. (Sarawak).
- .. TUAN ABDUL RAZAK BIN HAJI HUSSIN (Lipis).
- .. DATO' ABDULLAH BIN ABDULRAHMAN, DATO' BIJAYA di-Raja (Kuala Trengganu Selatan).
- .. Y.A.M. TUNKU ABDULLAH IBNI AL-MARHUM TUANKU ABDUL RAHMAN, P.P.T. (Rawang).
- .. TUAN HAJI ABDULLAH BIN HAJI MOHD. SALLEH, A.M.N., S.M.J., P.I.S. (Segamat Utara).
- .. TUAN ABU BAKAR BIN HAMZAH (Bachok).
- .. TUAN HAJI AHMAD BIN ABDULLAH, S.M.K. (Kelantan Hilir).
- .. TUAN AHMAD BIN ARSHAD, A.M.N. (Muar Utara).
- .. TUAN HAJI AHMAD BIN SA'AID, J.P. (Seberang Utara).
- .. DR AWANG BIN HASSAN, S.M.J. (Muar Selatan).
- .. TUAN AZIZ BIN ISHAK (Muar Dalam).
- .. TUAN CHAN CHONG WEN, A.M.N. (Kluang Selatan).
- .. TUAN CHAN SEONG YOON (Setapak).
- .. TUAN CHAN SIANG SUN, A.M.N., P.J.K. (Bentong).
- .. TUAN CHEW BIOW CHUON, J.P. (Bruas).
- .. TUAN CHIA CHIN SHIN, A.B.S. (Sarawak).
- .. TUAN FRANCIS CHIA NYUK TONG (Sabah).
- .. TUAN CHIN FOON (Ulu Kinta).
- .. TUAN D. A. DAGO ANAK RANDAN *alias* DAGOK ANAK RANDEN (Sarawak).
- .. TUAN C. V. DEVAN NAIR (Bungsar).
- .. TUAN EDWIN ANAK TANGKUN (Sarawak).

- The Honourable DATIN HAJAH FATIMAH BINTI HAJI ABDUL MAJID (Johor Bahru Timor).
- .. TAN SRI FATIMAH BINTI HAJI HASHIM, P.M.N. (Jitra-Padang Terap).
- .. TUAN S. FAZUL RAHMAN, A.D.K. (Sabah).
- .. TUAN GANING BIN JANGKAT (Sabah).
- .. TUAN GEH CHONG KEAT, K.M.N. (Penang Utara).
- .. TUAN HAJI HAMZAH BIN ALANG, A.M.N., P.J.K. (Kapar).
- .. TUAN HANAFI BIN MOHD. YUNUS, A.M.N., J.P. (Kulim Utara).
- .. TUAN HANAFIAH BIN HUSSAIN, J.M.N. (Jerai).
- .. TUAN HARUN BIN ABDULLAH, A.M.N., J.P. (Baling).
- .. WAN HASSAN BIN WAN DAUD (Tumpat).
- .. TUAN HUSSEIN BIN TO' MUDA HASSAN, A.M.N. (Raub).
- .. DATO' HAJI HUSSEIN BIN MOHD. NOORDIN, D.P.M.P., A.M.N., P.J.K. (Parit).
- .. TUAN HAJI HUSSAIN RAHIMI BIN HAJI SAMAN, S.M.K. (Kota Bharu Hulu).
- .. TUAN IKHWAN ZAINI (Sarawak).
- .. TUAN ISMAIL BIN IDRIS (Penang Selatan).
- .. TAN SRI SYED JA'AFAR BIN HASAN ALBAR, P.M.N. (Johor Tenggara).
- .. PENGHULU JINGGUT ANAK ATTAN, Q.M.C., A.B.S. (Sarawak).
- .. TUAN KADAM ANAK KIAI (Sarawak).
- .. TUAN KAM WOON WAH, J.P. (Sitiawan).
- .. TUAN KHOO PENG LOONG (Sarawak).
- .. TUAN EDMUND LANGGU ANAK SAGA (Sarawak).
- .. TUAN LEE SECK FUN, K.M.N. (Tanjong Malim).
- .. DR LIM CHONG EU (Tanjong).
- .. TUAN LIM PEE HUNG, P.J.K. (Alor Star).
- .. DR MAHATHIR BIN MOHAMAD (Kota Star Selatan).
- .. TUAN T. MAHIMA SINGH, J.P. (Port Dickson).
- .. TUAN C. JOHN ONDU MAJAKIL (Sabah).
- .. TUAN JOSEPH DAVID MANJAJI (Sabah).
- .. TUAN MOHD. ARIF SALLEH, A.D.K. (Sabah).
- .. TUAN MOHD. DAUD BIN ABDUL SAMAD (Besut).
- .. TUAN MOHAMED IDRIS BIN MATSIL, J.M.N., P.J.K., J.P. (Jelebu-Jempol).
- .. TUAN MOHD. TAHIR BIN ABDUL MAJID, S.M.S., P.J.K. (Kuala Langat).
- .. TUAN MOHAMED YUSOF BIN MAHMUD, A.M.N. (Temerloh).
- .. WAN MOKHTAR BIN AHMAD (Kemaman).
- .. TUAN HAJI MOKHTAR BIN HAJI ISMAIL (Perlis Selatan).
- .. TUAN MUHAMMAD FAKHRUDDIN BIN HAJI ABDULLAH (Pasir Mas Hilir).
- .. TUAN HAJI MUHAMMAD SU'AUT BIN HAJI MUHD. TAHIR, A.B.S. (Sarawak).

- The Honourable DATO' HAJI MUSTAPHA BIN HAJI ABDUL JABAR, D.P.M.S., A.M.N., J.P. (Sabak Bernam).
- „ TUAN MUSTAPHA BIN AHMAD (Tanah Merah).
- „ TAN SRI NIK AHMAD KAMIL, D.K., S.P.M.K., S.J.M.K., P.M.N., P.Y.G.P., Dato' Sri Setia Raja (Kota Bahru Hilir).
- „ TUAN NG FAH YAM (Batu Gajah).
- „ TUAN ONG KEE HUI (Sarawak).
- „ TUAN HAJI OTHMAN BIN ABDULLAH (Hilir Perak).
- „ TUAN OTHMAN BIN ABDULLAH, A.M.N. (Perlis Utara).
- „ TUAN QUEK KAI DONG, J.P. (Seremban Timor).
- „ TUAN HAJI RAHMAT BIN HAJI DAUD, A.M.N. (Johor Bahru Barat).
- „ TUAN RAMLI BIN OMAR (Krian Darat).
- „ TUAN HAJI REDZA BIN HAJI MOHD. SAID, P.J.K., J.P. (Rembau-Tampin).
- „ TUAN SEAH TENG NGIAB, P.I.S. (Muar Pantai).
- „ TUAN SIM BOON LIANG, A.B.S. (Sarawak).
- „ TUAN SIOW LOONG HIN, P.J.K. (Seremban Barat).
- „ TUAN SNAWI BIN ISMAIL, P.J.K. (Seberang Selatan).
- „ TUAN SNG CHIN JOO (Sarawak).
- „ TUAN SOH AH TECK (Batu Pahat).
- „ TUAN SULEIMAN BIN ALI (Dungun).
- „ TUAN SULEIMAN BIN HAJI TAIB (Krian Laut).
- „ PENGIRAN TAHIR PETRA (Sabah).
- „ TUAN TAJUDDIN BIN ALI, P.J.K. (Larut Utara).
- „ TUAN TAI KUAN YANG (Kulim Bandar Bharu).
- „ TUAN TAMA WENG TINGGANG WAN (Sarawak).
- „ DR TAN CHEE KHOON (Batu).
- „ TUAN TAN CHENG BEE, J.P. (Bagan).
- „ TUAN TAN KEE GAK (Bandar Melaka).
- „ TUAN TAN TOH HONG (Bukit Bintang).
- „ TUAN TAN TSAK YU (Sarawak).
- „ TUAN TIAH ENG BEE (Kluang Utara).
- „ TUAN TOH THEAM HOCK (Kampar).
- „ TUAN HAJI ZAKARIA BIN HAJI MOHD. TAIB, P.J.K. (Langat).

ABSENT :

- The Honourable Mr Speaker, DATO' CHIK MOHAMED YUSOF BIN SHEIKH ABDUL RAHMAN, S.P.M.P., J.P. Dato' Bendahara Perak.
- „ the Minister for Local Government and Housing, TUAN KHAW KAI-BOH, P.J.K. (Ulu Selangor).
- „ the Minister of Labour, TUAN V. MANICKAVASAGAM, J.M.N., P.J.K. (Klang).
- „ Assistant Minister without Portfolio, TUAN HAJI ABDUL KHALID BIN AWANG OSMAN, (Kota Star Utara).
- „ the Assistant Minister of Finance, DR NG KAM POH, J.P. (Telok Anson).

- The Honourable TUAN HAJI ABDUL RASHID BIN HAJI JAIS (Sabah).  
 „ TUAN ABDUL SAMAD BIN GUL AHMAD MIANJI (Pasir Mas Hulu).  
 „ PUAN AJIBAH BINTI ABOL (Sarawak).  
 „ O.K.K. DATU ALIUDDIN BIN DATU HARUN, P.D.K. (Sabah).  
 „ TUAN JONATHAN BANGAU ANAK RENANG, A.B.S. (Sarawak).  
 „ PENGARAH BANYANG ANAK JANTING, P.B.S. (Sarawak).  
 „ DATU GANIE GILONG, P.D.K., J.P. (Sabah).  
 „ TUAN STANLEY HO NYUN KHIU, A.D.K. (Sabah).  
 „ TUAN HUSSEIN BIN SULAIMAN (Ulu Kelantan).  
 „ TUAN THOMAS KANA (Sarawak).  
 „ TUAN AMADEUS MATHEW LEONG, A.D.K., J.P. (Sabah).  
 „ DATO' LING BENG SIEW, P.N.B.S. (Sarawak).  
 „ TUAN LIM KEAN SIEW (Dato' Kramat).  
 „ TUAN PETER LO SU YIN (Sabah).  
 „ DATO' DR HAJI MEGAT KHAS, D.P.M.P., J.P., P.J.K. (Kuala Kangsar).  
 „ DATO' HAJI MOHAMED ASRI BIN HAJI MUDA, S.P.M.K. (Pasir Puteh).  
 „ ORANG TUA MOHAMMAD DARAH BIN LANGPAD (Sabah).  
 „ TUAN MOHD. ZAHIR BIN HAJI ISMAIL, J.M.N. (Sungai Patani).  
 „ RAJA ROME BIN RAJA MA'AMOR, P.J.K., J.P. (Kuala Selangor).  
 „ TUAN SANDOM ANAK NYUAK, A.M.N. (Sarawak).  
 „ TUAN D. R. SEENIVASAGAM (Ipoh).  
 „ DATO' S. P. SEENIVASAGAM, D.P.M.P., P.M.P., J.P. (Menglembu).  
 „ TUAN YEH PAO TZE, A.M.N. (Sabah).  
 „ TUAN STEPHEN YONG KUET TZE (Sarawak).

## PRAYERS

(Mr Deputy Speaker *in the Chair*)

## ANNOUNCEMENTS BY MR DEPUTY SPEAKER

### MESSAGE FROM THE SENATE

**Mr (Deputy) Speaker:** Ahli<sup>2</sup> Yang Berhormat, saya hendak memaalumkan ia-itu saya telah menerima satu perutusan yang bertarikh 8 haribulan November, 1966, daripada Yang di-Pertua Dewan Negara berkenaan dengan perkara<sup>2</sup> yang tertentu yang telah dihantar oleh Majlis ini minta di-per-setujukan oleh Dewan Negara.

Sekarang saya minta Setia-usaha Majlis membachakan perutusan itu pada Majlis ini.

*(Whereupon the Clerk reads the following message)*

“Mr Speaker,

The Senate has agreed to the following Bills:

- (1) to amend the Royal Malaysia Police Act, 1963, to vest the control of components in the States of Malaya in the Inspector General of Police and provide for the appointment of a Deputy Inspector General of Police and for other matters connected therewith;
- (2) to amend and consolidate the law relating to the Development Fund of the Federation and to make provision relating to financial procedure with respect to the Development Funds of the States;
- (3) to amend the Currency Act, 1960, of the States of Malaya and the Currency Ordinances, 1960, of Sabah and Sarawak;
- (4) to amend the Customs Ordinance, 1952;
- (5) to amend the Treasury Bills (Local Ordinance, 1946);

- (6) to apply a sum out of the Consolidated Fund to the service of the year ending on the thirty-first day of December, 1967;
- (7) to amend the Municipal Ordinance;
- (8) to make provision for the preparation and promotion of standards in relation to commodities, processes and practices, for the establishment of a Standards Institution and Standards Council, for defining the functions of the Institution and the functions and powers of the Council, and for incidental and connected purposes;

without amendment.

(Sgd.) DATO' HAJI ABDUL RAHMAN BIN MOHD. YASIN,  
*President.*"

### ASSENT TO BILLS PASSED

**Mr (Deputy) Speaker:** Ahli<sup>2</sup> Yang Berhormat, saya hendak mema'umkan kepada Majlis ini bahawa Duli Yang Maha Mulia Yang di-Pertuan Agong telah memperkenankan Rang Undang<sup>2</sup> berikut yang telah di-luluskan oleh Parlimen baharu<sup>2</sup> ini:

- (1) The Royal Malaysia Police Bill, 1966
- (2) The Development Funds Bill, 1966
- (3) The Currency Laws (Amendment) Bill, 1966
- (4) The Customs (Amendment) Bill, 1966
- (5) The Treasury Bills (Local) (Amendment) Bill, 1966
- (6) The Consolidated Fund (Expenditure on Account) Bill, 1966
- (7) The Municipal (Amendment) Bill, 1966, and
- (8) The Standards Bill, 1966.

### MESSAGE FROM THE PRESIDENT OF THE CONSTITUENT ASSEMBLY OF THE REPUBLIC OF VIETNAM—GREETINGS

**Mr (Deputy) Speaker:** Ahli<sup>2</sup> Yang Berhormat, saya telah menerima satu perutusan daripada President Constituent Assembly of the Republic Vietnam pada 10hb November, 1966. Sekarang saya minta Setia-usaha Majlis membacakan perutusan itu.

*(Whereupon the Clerk reads the message)*

"The Constituent Assembly of the Republic of Vietnam extends greetings to the Members of Parliament and people of Malaysia. It also expresses the hope of the Vietnamese people to co-operate closely with the people of Malaysia in the building of democracy, defence of freedom and peace for humanity."

(Sgd.) PHAN KHAC SUU,  
*President of the Constituent Assembly of the Republic of Vietnam*

## ORAL ANSWERS TO QUESTIONS

### DIPLOMATIC RELATIONS WITH U.S.S.R.

**1. Tuan C. V. Devan Nair** asks the Minister of Foreign Affairs whether the Government will consider the early establishment of diplomatic relations with the U.S.S.R.

**The Prime Minister:** Mr Speaker Sir, in terms of national priorities, there is no immediate need to set up diplomatic relations with Soviet Russia. However, there has been close contact between the two countries in recent times and the Honourable Member will remember, in September, 1966, our Trade Mission went to Russia to discuss trade with the Russian Government: I would say here that they were very, very well received by the Russian Authorities and we have in return invited them to come here. Their mission will be here as from the 20th March and will be here for 10 days. Two journalists, from *Tass* and from *Pravda*, the official Russian news agencies, have also been here and have also come here as our guests. They have been taken round throughout the country to see for themselves how things are here and, I think, to express an opinion on their side, it has been one of mutual respect for us. As I said, in the setting up of diplomatic relations between the two countries, there must be mutual agreement to do so. We on our own cannot press them for it, but I can tell you that we have no objection to diplomatic relations with Russia, and any time they want to establish a mission here, we will only be too happy to do the same in their country.

**Dr Tan Chee Khoon:** Mr Speaker, Sir, will the Honourable Prime Minister consider a request made in the papers by the Secretary-General of the Transport Workers' Union that this country allow a trade union mission to go and observe May Day festivities in Moscow.

**The Prime Minister:** They can, I think, go at other times; but May Day is supposed to be a communist day and I do not think, with due respect to our trade unions, that they are members of the communist organisation, and therefore there is no particular desire on their part to go for May Day celebrations in Russia.

**Dr Tan Chee Khoon:** Mr Speaker, Sir, is the Honourable Prime Minister trying to tell this House that May Day is only celebrated by the communists and not by the workers throughout the world? Is the Honourable Prime Minister aware that May Day is celebrated by workers in the United States. Is he trying to tell us that the United States workers are also communists?

**The Prime Minister:** The Honourable Member must know that the United States is a very big country and can afford to do everything they want to; but we, being a small country pestered by communist subversive activities, cannot afford to do the same thing as that done in the United States.

### THREAT OF PHYSICAL VIOLENCE TO POLITICAL LEADERS OF THE SARAWAK STATE ALLIANCE-INVES- TIGATION

**2. Tuan Edmund Langgu anak Saga** asks the Prime Minister to state what steps have been taken to institute a Commission of Inquiry as suggested by the leader of the Sarawak State Alliance to investigate the serious charges made public by Penghulu Tawi Sli that the lives of certain political leaders of the Alliance were being threatened with physical violence and what was the justification thereof.

**The Prime Minister:** Mr Speaker, Sir, on the 9th September, 1966, information was received by the Police that Alliance Members of the Sarawak Council Negeri have been intimidated

and that the lives of these Members were in danger. Investigations was held, but we found that there was no strong evidence to support it. Up to now there has been no more trouble.

### MENCHETAK RANG UNDANG<sup>2</sup> DALAM BAHASA KEBANGSAAN

**3. Datin Fatimah binti Haji Abdul Majid** bertanya kepada Perdana Menteri bila-kah Kerajaan akan bertindak tegas menchetak semua Rang Undang<sup>2</sup> yang di-bawa ka-Majlis ini, dalam Bahasa Kebangsaan.

**The Prime Minister:** Tidak berapa lama lagi kita dapat mengemukakan ka-semua Rang Undang<sup>2</sup> ka-dalam Dewan ini dengan Bahasa Kebangsaan, ia-itu apakala jentera Kerajaan untuk membuat kerja ini telah pun di-susun dengan sempurna.

### GENERAL ELECTION IN SARAWAK

*(People of Sarawak to express feeling  
freely)*

**4. Tuan Edmund Langgu anak Saga** asks the Prime Minister to state whether the coming general election in Sarawak is going to afford an opportunity for the people of Sarawak to express freely their true feeling with regard to Malaysia as required by Article 1 of the Bangkok Agreement.

**The Prime Minister:** Mr Speaker, Sir, in the forthcoming election in Sarawak, as is done in all States, the practice is for the candidates and those who campaign in the elections to express their views and opinion as they like, provided they stick to the constitutional practice, and provided also they observe the law. So, in the forthcoming election in Sarawak, the people who take part in the election, in the campaign, and so on, can express their views in any way they like, exercise their right in any way they like; so long as they observe the Constitution and the law of the State, they will not be precluded from expressing their views in regard to Malaysia.

**Tuan Edmund Langgu anak Saga:** Would the Central Government allow any impartial foreign commission to ensure that this election is carried out in a real democratic manner?

**The Prime Minister:** I do not think that we want to hang on to any foreign mission, any foreign country. We are exercising our right and that is none of their business. (*Laughter*) In the same way, they do not ask us to witness their elections. (*Laughter*)

**Tuan Ong Kee Hui (Sarawak):** Mr Speaker, Sir, would the Honourable Prime Minister assure this House that anyone campaigning on secession movement in Sarawak would not be locked up?

**The Prime Minister:** Mr Speaker, Sir, we stick by our words.

### MANDATORY SANCTIONS ON RHODESIA

**5. Dr Tan Chee Khoon** asks the Minister of Foreign Affairs if the Malaysian Government will press for mandatory total sanctions on Rhodesia by the United Nations, and if not, why not.

**The Prime Minister:** Mr Speaker, Sir, the United Nations Security Council had on December 16, 1966, passed a resolution calling for selective mandatory sanctions, including an oil embargo against the illegal regime in Rhodesia. Malaysia, as a member of the United Nations, supported this resolution. There is, therefore, no question of Malaysia acting on its own to apply any of these sanctions against Rhodesia.

In December, 1965, the Malaysian Government imposed a total embargo on Rhodesia, besides other measures like exchange control restrictions and the surcharging of mail from Rhodesia. This position will be reviewed after the Malaysian Government has received a report on the effectiveness of the selective mandatory sanction from the United Nations Secretary-General round about the 1st of March, 1967.

**Dr Tan Chee Khoon:** Mr Speaker, Sir, if this country considers the illegal Ian Smith regime as undemocratic, illegal, against the wishes of the people, then will this Government, at the earliest opportunity in the United Nations, press for mandatory total sanctions against Rhodesia and against anyone who defies the United Nations in the imposition of mandatory total sanctions?

**The Prime Minister:** Mr Speaker, Sir, we will act jointly with the other countries, with the other members of the United Nations who supported the United Nations resolution.

**Dr Tan Chee Khoon:** Is the Honourable the Prime Minister aware that way back in the 1930s, the League of Nations then imposed sanctions against Italy for her aggression on Ethiopia? Is the Honourable the Prime Minister aware that because Italy happens to be a nation of white people and the victims were a people of the black race, the League of Nations then took a half-hearted attitude towards those sanctions, with the result that those sanctions completely failed? In this instance, is the Honourable Prime Minister aware that, again, the aggressor in this case belongs to the white race and the victims in this case also belong to the black race? As such, in the eyes of Afro-Asia, we as an Afro-Asian nation should press more vigorously for total mandatory sanctions to bring the Ian Smith regime to heel.

**The Prime Minister:** I am aware of what happened recently; I haven't been Prime Minister since 1930. But, one thing I can say is that we will do all we can to bring the Ian Smith regime to their knees.

### TUNJOK PERASAAN ANTI-JOHNSON PADA MASA PRESIDEN AMERIKA SHARIKAT MELAWAT MALAYSIA

**6. Tuan Ahmad bin Arshad** bertanya kepada Menteri Hal Ehwal Dalam Negeri:

- (a) sa-lain daripada 200 orang penunjak<sup>2</sup> perasaan yang melontar batu dan botol di-Perpustakaan Amerika Sharikat (USIS), Kuala Lumpur pada pagi 10hb Julai, 1966, dan mengadakan tunjok perasaan anti-Johnson di-situ sama-masa Presiden Amerika Sharikat melawat ka-negeri ini, terangkan dalam berapa buah bandar lagi tunjok<sup>2</sup> perasaan haram saperti itu telah di-adakan;

- (b) dapat-kah Kementerian beliau memberitahu Majlis ini daripada bangsa apa-kah terdiri-nya penunjak<sup>2</sup> perasaan yang mengambil bahagian dalam kedua<sup>2</sup> kejadian yang tersebut di-atas, parti siasah mana-kah yang mereka anoti dan sama ada orang<sup>2</sup> yang bukan warganegara Malaysia ada di-antara mereka;
- (c) berapa orang-kah yang terbunuh.

**Menteri Hal Ehwal Dalam Negeri (Tun Dr Ismail):** Tuan Yang di-Pertua, dalam jangka masa antara 28-30hb Oktober, 1966 tunjok-perasaan<sup>2</sup> haram telah berlaku di-lapan buah bandar selain daripada Kuala Lumpur. Kebanyakan daripada penunjak<sup>2</sup> perasaan itu ia-lah daripada ra'ayat Malaysia. Daripada hasil penyiasatan atas mereka<sup>2</sup> yang tertangkap, mereka telah mengakuī bahawa mereka ada-lah menjadi ahli Parti Buroh Malaya dan ahli Partai Rakyat Malaya.

Berkenaan taraf kera'ayatan mereka<sup>2</sup> yang terlibat seperti Ahli Yang Berhormat sedia ma'alum, amat-lah sukar untuk memastikan sama ada terlibatnya mereka<sup>2</sup> yang bukan warganegara dalam penunjak<sup>2</sup> perasaan itu. Pihak Polis tidak-lah ada bukti<sup>2</sup> yang menunjukkan sa-demikian.

Ha-nya sa-orang sahaja penunjak perasaan telah terbunuh dalam pertunjokkan perasaan<sup>2</sup> yang berlaku. Ini telah berlaku di-Kuala Lumpur pada 30hb Oktober, 1966.

**Tuan Ahmad bin Arshad:** Tuan Yang di-Pertua, soalan tambahan atas jawapan yang telah di-kemukakan oleh Yang Berhormat Menteri yang berkenaan tadi. Saya chuma ingin hendak membangkitkan, dapat-kah Kementerian ini membuktikan dan memberi tahu Dewan ini bahawa tunjok perasaan yang kita telah dapat tahu di-buat oleh ahli<sup>2</sup> Parti Buroh dan Partai Rakyat itu di-antara yang mengarahkan Parti Buroh itu ada-kah termasuk Ahli Yang Berhormat daripada Batu? (*Ketawa*).

**Tun Dr Ismail:** Tuan Yang di-Pertua, kalau saya jawab bagi pehak Ahli Yang Berhormat daripada Batu tentu-lah saya nanti di-katakan melanggar atoran dan peratoran, tanyalah kepada Ahli Yang Berhormat yang ada di-hadapan kita itu (*Ketawa*).

#### ALLEGATION OF INTERFERENCE BY FOREIGNERS IN THE INTERNAL AFFAIRS OF THE STATE OF SARAWAK

**7. Tuan Edmund Langgu anak Saga** asks the Prime Minister to state what steps the Central Government has taken to investigate the serious allegation by Penghulu Tawi Sli that some people from Singapore or certain foreigners interfered in the internal affairs of the State of Sarawak during the recent constitutional and political crises in the State.

**The Prime Minister:** There is a report that foreigners living in Sarawak have interfered with our internal matters and there is also evidence to support this report of interference; and in one instance a member of a foreign mission had been requested to leave the State. We have not obtained concrete evidence against those named by the Chief Minister and, therefore, we have not been able to do anything against those people. But I can assure this House that as soon as we get any report, and if the report is supported by strong evidence, we will take immediate steps to remove these people, whether they belong to commercial houses, to foreign missions or expatriates who are employed in the State service.

#### SUAMI<sup>2</sup> YANG SENGAJA MENGENKARI PERENTAH MAHKAMAH MEMBAYAR NAFKAH ISTERI DAN ANAK<sup>2</sup> MEREKA (PINDAAN UNDANG<sup>2</sup> NAFKAH ISTERI DAN ANAK<sup>2</sup>, 1950)

**8. Tan Sri Fatimah binti Haji Hashim** bertanya kepada Menteri Ke'adilan oleh sebab selalu berlaku suami<sup>2</sup> sengaja mengengkari perentah<sup>2</sup> Mahkamah supaya mereka membayar nafkah kepada isteri dan anak<sup>2</sup> mereka dan selalu menghilangkan diri, ada-kah Kerajaan berchadang hendak meminda

Undang<sup>2</sup> Nafkah Isteri dan Anak<sup>2</sup>, 1950 untuk memberi kuasa kepada Mahkamah:

- (a) mengeluarkan perintah<sup>2</sup> kepada suami<sup>2</sup> supaya membayar nafkah anak isteri mereka terus kepada Mahkamah; dan
- (b) sa-kira-nya suami<sup>2</sup> makan gaji dengan Kerajaan atau sharikat<sup>2</sup>, maka Mahkamah di-beri kuasa memerintahkan majikan<sup>2</sup> memotong elaun<sup>2</sup> nafkah itu tiap<sup>2</sup> bulan dari gaji pekerja<sup>2</sup>-nya.

**Menteri Hal Ehwal Dalam Negeri (Tun Dr Ismail bin Dato' Haji Abdul Rahman):** Tuan Yang di-Pertua, Kementerian Hal Ehwal Dalam Negeri ada mengambil ingatan di-atas soal ini, tetapi oleh sebab chadangan yang ada dalam soal ini ada banyak bersangkut paut dengan soal pentadbiran dan lain<sup>2</sup> hal berkenaan dengan *Procedural Matters*, jadi, Kerajaan terpaksa akan memungut *factor*<sup>2</sup> dan *information*<sup>2</sup> berkenaan dengan perkara ini. Dan apabila telah dapat ma'lumat<sup>2</sup> ini semua, Kerajaan akan menimbangkan chadangan Ahli Yang Berhormat itu.

#### ADEQUATE PRECAUTIONS AT JALAN PENGKALAN KEPAL TO PREVENT THEFT

**9. Dr Tan Chee Khoon** asks the Minister of Finance if the Customs Department at Alor Star had taken adequate precautions at Jalan Pengkalan Kepal where \$400,000 worth of opium and morphine was stored, and if so, why was the whole lot of opium and morphine stolen on 29th November, 1966

**The Minister of Finance (Tuan Tan Siew Sin):** Mr Speaker, Sir, I am advised that the Customs Department, in consultation with the Public Works Department in Alor Star, did renovate and strengthen the strong room in which the opium in question was stored in October last year, more than a month before it was broken into. This room has a concrete ceiling and walls, with an iron door, and is situated within another room which also has concrete walls with an iron door. I am informed that despite these measures, entry was effected by the use of heavy steel cutters and other implements on the iron doors.

In addition to what was considered to be an adequate strong room for the storage of the opium, a caretaker had been appointed for this particular Customs station in October last year also, and the normal routine precautions included surprise visits by officers of that Department. The Police had also included these premises in their list for cover by Police on beat duty and on security rounds. Despite all these precautions the theft took place. Under the circumstances, I have asked the Department of Customs and Excise to look again into the whole question of security arrangements to find out whether they cannot improve on them and thus prevent a recurrence of incidents of this kind.

**Dr Tan Chee Khoon:** If what the Honourable the Minister of Finance has been advised is true, how does he reconcile it with what has been stated by Enche' Syed Ahmad Aidit, a former Acting Superintendent of Customs, Kedah North. He stated:

"The Alor Star customs strong room has through the years been a source of temptation to thieves because of its accessibility and the quantity of exhibits kept in it. My worst fears have been realised and I feel sorry for my successor".

He went on to say:

("It did not come as a suprise". He had, before leaving, advised that the wire mesh covering the windows of the office be replaced by iron bars following several attempts, some successful, to break into the office, but only the windows through which the thieves haven broken, have since been removed and replaced by iron bars.")

These are, Mr Speaker, Sir, by a former Acting Superintendent of Customs, Kedah North. They seem to be at variance with what the Minister has told us this morning.

**Tuan Tan Siew Sin:** I do not think the newspaper report referred to by the Honourable Member, assuming that the report reflects what the ex-officer in question had actually said, is at variance with the reply given by me. The Honourable Member will note that that report did not state when this particular officer left the service whereas at the beginning of my reply I made it clear that in October last year steps were taken to look into the question of

security arrangements again and measures were taken in October last year, one month before the theft took place, to renovate and strengthen the strong room.

**Dr Tan Chee Khoon:** For the information of the Honourable Minister, assuming that this report is true, he is reported to have been acting Superintendent from 1963 to 1965 and he made these comments after the 19th of December in London after the robbery had taken place. The further question that I would like to ask the Honourable Minister is this: Why was such a huge quantity of opium and morphine left in that strong room? Should it not have been either dumped into the sea or turned to the Government Medical Store for medical use?

**Tuan Tan Siew Sin:** Mr Speaker, Sir, in fact the Honourable Member by this further question has reinforced what I said. This officer left the service in 1965, whereas this theft took place at the end of 1966 and in October the Department of Customs and Excise did take steps to improve the security arrangements of this particular strong room.

In regard to the other point made by the Honourable Member, I agree that there is some validity in his query and we will in future see to it that quantities of that magnitude should not be left in the strong room for too long but should either be taken away or destroyed.

#### LOANS BY GOVERNMENT TO PRIVATE CONCERNS, 1966

**10. Tuan Haji Abu Bakar bin Hamzah** asks the Minister of Finance to state the total sum of money given on loan by Government to private concerns in 1966, the name of the concerns and whether any interest was charged on the loans made.

**Tuan Tan Siew Sin:** Mr Speaker, Sir, I assume that what the Honourable Member means by "private concerns" are statutory bodies and co-operative societies because the Government does not normally invest in other private concerns. The Central Government lent a total sum of \$31,879,350 to such

institutions in 1966. This included a sum of \$15 million to the Malaysian Industrial Development Finance Limited. Apart from this loan which was free of interest, the remaining loans were charged a rate of interest ranging from  $\frac{1}{4}$  per cent per annum to  $5\frac{1}{2}$  per cent per annum and were made to:

1. Federation of Malaya Government Officers' Co-operative Housing Society Ltd.;
2. Malaysian Armed Forces Co-operating Housing Society Ltd.;
3. Bank Agong Kerjasama Malaysia Berhad;
4. Malacca Malay Co-operative Transport Society Ltd.;
5. Telok Gadong Fishermen's Co-operative Credit and Marketing Society;
6. Sharikat Nelayan Bekerjasama Tanjong Piandang, Parit;
7. Sharikat Kenderaan dan Pengangkutan Berkerjasama<sup>2</sup>, Parit;
8. Bank Persatuan Sharikat Kampung Bekerjasama, Seberang Prai.

#### TOTAL COST OF SHARES BOUGHT BY GOVERNMENT, 1966

**11. Tuan Haji Abu Bakar bin Hamzah** asks the Minister of Finance to state the total cost of shares bought by Government in 1966, both from sources inside and outside the country and to state the sources.

**Tuan Tan Siew Sin:** Mr Speaker, Sir, the total cost of shares bought by the Government in 1966 amounted to \$41 million and this sum was paid out of the Development Fund. The shares in question were those of the National Electricity Board amounting to \$40 million and the Malaysian Industrial Development Finance Limited amounting to \$1 million.

#### AMOUNT OF TAXES COLLECTED IN 1966

**12. Tuan Haji Abu Bakar bin Hamzah** asks the Minister of Finance to state the amount of tax collected, in 1966 in each of the States in West Malaysia, giving the figures separately for Rates and Assessments.

**Tuan Tan Siew Sin:** The question is rather vague, but I take it that the Honourable Member is only referring to Federal taxes for which the Federal Government is responsible. In regard to State taxes, the question should be addressed to the respective State Governments.

Since the Federal accounts for 1966 have not yet been finalised, I can only give estimates of total Federal revenue collected for the year in West Malaysia in the form of taxes. The details are to be found in the Treasury Memorandum on the Revenue Estimates 1967, which will be distributed during the course of my Budget Speech this afternoon, and which I hope the Honourable Member will study, as this Paper gives as much information as is possible. While it may be possible with an inordinate amount of research and time to give figures of Federal revenue collected in each of the States of West Malaysia in respect of road transport fees and licences and minor items of revenue, it is just not possible to do so in respect of customs and excise duties, income tax, payroll tax and turnover tax since the collection and accounting of this revenue is not done on a State basis.

**13. Tan Sri Fatimah binti Haji Hashim** bertanya kepada Menteri Pengangkutan, memandang kepada bertambahnya bilangan kemalangan yang berlaku kepada bas<sup>2</sup> rombongan, ada-kah dia akan mengadakan undang<sup>2</sup> melarang pemandu<sup>2</sup> bas chatar bekerja lebeh daripada lapan jam sa-hari.

**Menteri Pengangkutan (Tan Sri Haji Sardon bin Haji Jubir):** Tuan Yang di-Pertua, sa-saorang pekerja di-sharikat<sup>2</sup> bas jalan raya, bekerja hanya sa-lama 6 hari dalam sa-minggu ia-itu 8 jam dalam sa-hari dan tidak lebeh daripada 48 jam dalam sa-minggu. Jika ia sanggup bekerja lebeh daripada masa yang tersebut ia di-beri gaji sa-rendah<sup>2</sup>-nya tidak kurang daripada separoh daripada gaji-nya yang biasa di-kira dari satu jam ka-satu jam.

Berkenaan dengan bas yang di-sewa khas atau chartered, ada-lah menjadi kebiasaan dan, mengikut Sharikat<sup>2</sup> bas telah di-jalankan mengadakan sa-orang pemandu dan sa-orang conductor yang

juga layak boleh memandu dan ada kebenaran-nya. Apabila bas sewa khas ini membuat perjalanan yang jauh, pemandu dan conductor-nya yang tahu memandu itu akan berganti<sup>2</sup> memandu dari satu masa ka-satu masa. Oleh yang demikian pemandu bas sewa khas tidak-lah memandu lebeh daripada 8 jam pada tiap<sup>2</sup> hari.

#### SIXTH FORM ENTRANCE EXAMINATION—ALLEGED FAVOURITISM OF NATIONAL GROUP

**14. Dr Tan Chee Khoo [Under S.O. 24 (2)]** ask the Minister of Education if he is aware of favouritism of the National Group in the conduct of Sixth Form Entrance Examinations this year, and that the results have disappointed many parents who expected their children to get through, and if so, whether he would clarify the position.

**The Minister of Education (Tuan Mohamed Khir Johari):** Mr Speaker, Sir, there has been no favouritism shown towards any particular group in the Sixth Form Entrance Examination. The results of all candidates are based on the aggregate obtained in the three subjects presented by the candidates for the examination either in Arts or Science. In the examination, there is an English Language paper, subsequently called "Special English Paper", in which all candidates must pass before their aggregate in the three subjects offered can be considered. In this respect, a slightly lower level of pass in the Special English paper is recommended for those pupils who have come through the Remove Classes. This consideration applies to all pupils. All these candidates will only be confirmed in their places, if they obtain satisfactory results in the School Certificate or the Malaysia Certificate Examination. Those who could not get through the Sixth Form Entrance Examination may also be admitted to the Sixth Form Art or Science, if they obtained very good results in their School Certificate or Malaysia Certificate of Education which will be known in early March.

**Dr Tan Chee Khoon:** Mr Speaker, Sir, is the Honourable Minister of Education aware that there have been lots of cases where students, who passed in the Entrance Examination held in July and have been given places in January this year, have very often either failed the Senior Cambridge Examination, or passed so badly that they just could not warrant retention of their places in the Lower Sixth—and this has happened in both the Arts and the Science streams. Conversely, is the Honourable Minister of Education also aware that there are a large number of students, who have failed their Entrance Examination but subsequently have passed very well in the Senior Cambridge Examination held in December, with the result that, in fairness to the Education Department, they have found places for such people who have done very well, who by their school records have done very well but for some unaccountable reasons have failed in the Entrance Examination? Is the Honourable Minister aware that these two facts that I have stated, and the Honourable Minister have given me facts and figures, of these two instances, have given rise to this allegation that there has been favouritism towards a particular group. Can the Honourable Minister please elaborate?

**Tuan Mohamed Khir Johari:** Sir, the results of any examination must necessarily depend on the performance of any student on that particular day of the examination. So, what the Honourable Member has stated has actually happened: there are cases where the students who failed in the Entrance Examination but did very well subsequently in the Cambridge Examination, and there are some who passed the Entrance Examination but later on did not get such good results in the Cambridge Examination. So, we got to have the Examination in order to admit the children to schools, so that they could continue with the education instead of having to wait

until March to be admitted to Form VI. There is always a remedy in that if the results in the Cambridge or the M.C.E., of any particular students are good then he will be admitted to the Sixth Form in March.

**Dr Lim Chong Eu:** Mr Speaker, Sir, arising out of the reply by the Minister, will the Honourable Minister inform this House whether his Ministry will consider this whole question of the timing of the Examinations; whether the Entrance Examination is redundant or not, whether the Cambridge Examination results are more important, or the Malayan Certificate Examination results are more important: in view of the present imbalance between the results of the Entrance Examination and the results of the Cambridge Examination which causes considerable administrative delay. Virtually students, who are admitted into the Sixth Form do no work in the first term, and in fact their admission in the first term is no guarantee that the students will remain after the first term, if their results are bad, and, in the meantime those students who are waiting for the Cambridge results doing nothing and trying their very best to get into other schools, eventually find that they have got admission on the results of the Cambridge Examination. So, in view of this, will the Honourable Minister assure this house that due consideration will be given—after all they have had nearly six years experience and each year the same problem arises?

**Tuan Mohamed Khir Johari:** Sir, I have given quite a lot of thought to this factor, and in fact at one time I seriously considered the abolition of this Entrance Examination. However, subsequently I had discussions with the Examination Syndicate of Cambridge and I tried to impress upon them to get the results out earlier but they replied to us that that was not possible. However, I can assure the Honourable Member and this House that this matter will receive further thinking from me and if it is the wish of the parents that they would wait for three months before their children go into the Sixth Form, I will gladly comply with their wish.

**Dr Tan Chee Khoon:** Will the Honourable Minister, since he is so amenable to suggestions from us on this side of the house, consider holding these School Certificate Examinations plus the H.S.C. Examinations a little earlier—let us say not in mind November as is the practice now, but in mid-October. In this case, if the Cambridge Authorities and the Local Examiners were to hurry up a bit, they possibly could give us the results in mid-January. Is the Honourable Minister also aware that this question of holding earlier examinations for both the Senior Cambridge and H.S.C. level also affects the University, because in the case of the University, chaps have been given scholarships before the H.S.C. results are known, and then it is most embarrassing on the part of the Federal Government, or the State Government, to find that these chaps who have been given scholarships have failed their examinations?

**Tuan Mohamed Khir Johari:** Sir, I will give consideration to this, but I must say that as a matter of fact examination results have never pleased everybody.

**Dr Lim Chong Eu:** Sir, arising out of the original reply by the Honourable Minister, I would like to ask the Honourable Minister whether confirmation of the results of the Entrance Examination are based upon the results of the Cambridge Examination or upon the Malaysia Certificate Examination or upon both?

**Tuan Mohamed Khir Johari:** The final results as to whether the students will stay on in Form VI classes or not will depend on the Cambridge Examination results.

**Dr Lim Chong Eu:** In view of that, and in view of the fact that it is possible for a student to get a pass and qualify for the Malaysia Certificate Examination, which is our national certificate examination, by passing the National Language but failing in English and, therefore, not qualifying to get the

Cambridge Examination, would it not seem to the Honourable Minister that this preparation in the Entrance Examination to allow of a lower standard of English in the Entrance Examination—I am not bothered about the question of the National group which interests the Member for Batu—will not affect the administrative details, because what happens is that the Cambridge results require a higher standard of pass in English, and in actual fact our national effort is to insist that there should be a higher standard in the National Language. It is because of this conflict that we have these difficulties at the present time.

**Tuan Mohamed Khir Johari:** Sir, when I said “Cambridge Examination results” I also included the Malaysia Certificate Examination, because both papers are at present marked by the Cambridge Examinations Syndicate.

**Tuan Haji Abu Bakar bin Hamzah (Bachok):** Tuan Yang di-Pertua, soalan tambahan. Ada-kah dengan sebab Kementerian Pelajaran berpegang dengan hakikat bahawa memasoki Tingkatan Enam itu mesti-lah didasarkan peperiksaan ujian masuk itu di-atas Cambridge? Ada-kah kerana itu maka Form Six, atau Tingkatan Enam telah di-tegah daripada di-buka di-Sekolah Izzudin Shah di-Ipoh.

Tuan Yang di-Pertua, untok memudahkan Yang Berhormat Menteri kita menerangkan kepada saya Sekolah Izzudin Shah di-Ipoh ini, bukan sekolah kerajaan, tetapi dia merupakan Centre bagi pelajaran menengah, sa-hingga keputusan dalam peperiksaan LCE dengan FMC, saya rasa menandingi sekolah Alam Shah. Pada tahun ini tujuh puluh orang masuk, enam puluh dapat Grade A, empat yang dapat Grade lain. Jadi di-pehak seko'lah itu tidak tahu mengapa Pejabat Pelajaran di-Perak menyampaikan perintah daripada Kementerian Pelajaran, tidak boleh di-buka Form Six di-situ. Jadi, saya hendak tanya, ada-kah dengan sebab jawapan Yang Berhormat Menteri tadi mengatakan bahawa ujian masuk Form Six itu mesti didasarkan di-atas Cambridge, maka di-sekolah itu, Malay Medium maka tidak di-benarkan di-buka?

**Tuan Mohamed Khir Johari:** Tuan Yang di-Pertua, sa-belum sa-buah sekolah itu di-benarkan mengadakan Tingkatan Enam, pehak Kementerian mesti-lah berpuas hati bahawa segala kelengkapan, segala guru<sup>2</sup> yang mahir untuk mengajar dalam kelas<sup>2</sup> Tingkatan Enam itu di-sekolah itu, ada di-sekolah itu. Jadi apabila kita puas hati maka pehak Kementerian memberi kelulusan kepada sekolah itu tidak kira sekolah yang di-bantu oleh Kerajaan atau pun sekolah private. Untuk pengetahuan Ahli Yang Berhormat, di-Kuala Lumpur ini ada sa-buah sekolah private yang kita telah memberi kebenaran untuk mengadakan Tingkatan Enam dengan sebab kita berpuas hati ada guru<sup>2</sup> dan kelengkapan yang cukup.

**Tuan Haji Abu Bakar bin Hamzah:** Tuan Yang di-Pertua, tidak-kah ini bererti bahawa pehak Kementerian belum berpuas hati dengan sekolah Izzudin Shah itu. (*Ketawa*).

**Tuan Mohamed Khir Johari:** Ya (*Ketawa*).

**DASAR PELAJARAN NEGERI  
SABAH DI-SAMAKAN DENGAN  
DASAR PELAJARAN KERA-  
JAAN PUSAT PADA TARIKH  
YANG LEBEH AWAL**

**15. Pengiran Tahir Petra:** bertanya kepada Menteri Pelajaran:

(a) ada-kah Kerajaan akan memberi timbangan supaya dasar pelajaran negeri Sabah di-samakan dengan dasar pelajaran Kerajaan Pusat pada tarikh yang lebeh awal lagi daripada yang terbentang dalam Perlembagaan, ia-itu, sepuluh tahun sa-lepas Sabah mencapai Kemerdekaan-nya menerusi Malaysia, di-sebabkan dasar pelajaran sekarang ini ada-lah saperti dasar pelajaran penjajah dahulu;

(b) Jika ya, apa-kah langkah<sup>2</sup> yang perlu di-ambil oleh kedua<sup>2</sup> Kerajaan Pusat dan Kerajaan Negeri supaya penyamaan dasar ini dapat di-usahakan.

**Tuan Mohamed Khir Johari:** Tuan Speaker, jawapan kepada soalan (a): sa-bagaimana Ahli Yang Berhormat sedia ma'alum menurut Perlembagaan

Malaysia, pelajaran ada-lah urusan Persekutuan. Akan tetapi Cheraian 17 (A) dalam penyata Jawatan-kuasa antara Kerajaan tahun 1962 ada menetapkan bahawa sistem yang ada sekarang, serta dasar pentadbiran Pelajaran di-Malaysia Timor hendak-lah tetap di-bawah jagaan Kerajaan Negeri Sabah dan Sarawak sa-lama 10 tahun dari hari Malaysia. Kechuali jika Kerajaan di-negeri<sup>2</sup> itu sendiri bersetuju mengubah-nya pada tarikh yang lebeh awal: (b) untuk menchapai matlamat penyatuan Kementerian Pelajaran dengan persetujuan Kerajaan negeri, telah menghantar dua orang pegawai kanan ka-Sabah dan Sarawak untuk membuat kajian teliti berkenaan dasar dan sistem pelajaran di-kedua<sup>2</sup> buah negeri itu. Sa-lain daripada ini, Kementerian telah meminjamkan dua orang pegawai kanan daripada Kementerian untuk menjadi Pengarah Pelajaran bagi kedua<sup>2</sup> buah negeri Sabah dan Sarawak. Keputusan untuk menyamakan dasar pelajaran Sabah dengan dasar pelajaran Kerajaan Pusat pada satu tarikh yang lebeh awal hendak-lah datang-nya dari Kerajaan negeri itu dahulu.

**MENGHAPUSKAN PEPEREKSAAN  
'AM MASOK KA-SEKOLAH  
RENDAH DI-SARAWAK**

**16. Penghulu Jinggut Anak Atan:** bertanya kepada Menteri Pelajaran bolehkah Kerajaan memberi timbangan menghapuskan Peperiksaan 'Am masok ka-Sekolah Rendah di-Sarawak untuk menyamakan peratoran dengan negeri<sup>2</sup> yang lain-nya dalam Malaysia dan dengan chara bagini membuka peluang kepada semua penuntut, kebanyakan-nya datang daripada keluarga miskin, dapat meneruskan pelajaran mereka ka-sekolah<sup>2</sup> menengah.

**Tuan Mohamed Khir Johari:** Tuan Speaker, saperti mana yang di-ketahui oleh Ahli<sup>2</sup> Yang Berhormat ia-itu mengikuti 17 (A) Penyata Jawatan-kuasa antara Kerajaan berkenaan dengan Malaysia tahun 1962, dasar dan susunan pentadbiran pelajaran yang ada sekarang di-Sarawak ada-lah terus di-kawal oleh Kerajaan Negeri Sarawak hingga di-persetujukan lain daripada itu nanti. Dengan hal yang demikian perkara yang di-kemukakan oleh Ahli

Yang Berhormat itu mesti-lah di-timbangkan terlebih dahulu oleh Kerajaan Negeri Sarawak.

### **PRICE CONTROL OF IMPORTED RICE IN SARAWAK**

**17. Tuan Penghulu Jinggut anak Attan** asks the Minister of Commerce and Industry whether he is aware of the rising cost of imported rice in Sarawak which has caused undue hardship to the poor people, if so, whether he will find ways and means to control the price.

**The Minister of Commerce and Industry (Dr Lim Swee Aun):** Mr Speaker, Sir, in the latter part of 1966, when the Government of Thailand announced a temporary ban on the export of Thai rice, the world market price of Thai rice increased rapidly. Rice dealers in Malaysia, in anticipation of this shortage of imported rice, also increased the retail price of rice.

There is, however, no shortage of local rice in Malaysia because of the existence of Government Rice Stockpile. To counter the rising trend in the price of rice in this country, the Government released Stockpile rice at the usual price of \$27.25 a picul to the private sector through the wholesalers, and even through the dealers, to sell to the consumers at not more than \$29.00 a picul or \$1.70 a gantang.

In addition to this, in Sarawak, 300 bags of rice was released by the Ministry to the District Officer of Baram, 300 bags to the Armed Forces, and 20 bags to the Miri Relief Committee at the price of \$27.25 a picul.

### **GOVERNMENT ACTION TO ENSURE SAFE OCCUPATION OF THE SHAW ROAD LOW-COST HOUSING PROJECT AND OTHER HOUSING SCHEMES**

**18. Tuan C.V. Devan Nair (Bungsar)** asks the Minister for Local Government and Housing to make a statement as to what action has been taken to ensure that the Shaw Road low-cost housing project and other housing schemes are safe for occupation following the short piling scandal last year.

**Dr Lim Swee Aun:** Mr Speaker, Sir, in accordance with the undertaking given by Gammons (Malaya) Limited in respect of the Shaw Road low-cost housing project, as stated in the reply of the Honourable Minister of Local Government and Housing to the Oral Questions at the last session of this House, remedial works are now being taken by the firm and the brief details are as follows:

- (a) The load carrying capacity of the Gamco pile has been reviewed and its core section is now regarded not to carry any load, i.e. the outer spun section is to take all the loading. This, therefore, means that additional piles must be driven to carry the necessary loading to support the building. Previously the pile was designed to carry 50 tons but now, in view of the additional piles, the design has been revised to carry a load of 35 tons. All this is being done in accordance with the requirements of the Structural Engineer of the Federal Capital.
- (b) For building Block "A", 124 additional piles are being driven. The footings have been re-designed as a strip footing.
- (c) For building Block "B", 233 additional piles are being driven. Similarly the footings have been re-designed as a strip footing. Field tests had indicated that more piles are required for this block.
- (d) In Block "B", where the piles were driven short of 30 feet, further boring has been carried out to check the subterranean soil condition to ensure that the piles have been driven to hard stratum.
- (e) Pile loading tests are being carried out on the driven piles to test their load resisting capacities. At least two tests are being carried out at each block. One load test was completed on the 30th December, 1966 for Block "B" and the pile was found to be satisfactory.

- (f) Gammon has given the undertaking to guarantee that the pile foundations, when completed, will be satisfactory in all respects and that Gammon will indemnify the Commissioner against any subsequent damages to the buildings resulting from any failure or defects of the pile foundations constructed by them.
- (g) All the above mentioned work will be undertaken by Gammon free of charge to the Commissioner.

The Commissioner of the Federal Capital is satisfied that the remedial works will ensure that the superstructure will be safe for occupation. The Minister for Local Government and Housing is not aware of any other short piling in other low-cost housing schemes.

**Dr Tan Chee Khoon:** Mr Speaker, Sir, is the Honourable the Minister telling us now that Gammons have decided on this new method of driving more piles in, rather than as we were told last time by the substantive Minister for Local Government and Housing that they would pull up all the piles to find out whether there was any short piling. Mr Speaker, Sir, is the Honourable Minister aware that there has been talk in town that the new clerk of works down there is not what he purports to be—in other words he is not as experienced as he should be. Will he investigate this, because it was, amongst other things, the shortcoming of the previous clerk of works that caused this fiasco? Furthermore Mr Speaker, Sir, will the Honourable Minister tell this House—he told us just now that Gammons would indemnify the Municipality for any damage to the building—whether he will get an undertaking from Gammons that should the building collapse, they would not only indemnify the Municipality but also indemnify anyone who has been killed should the building collapse in further?

**Dr Lim Swee Aun:** Mr Speaker, Sir, as far as I remember, at the last session of this House, the Minister for Local Government and Housing said that there would be remedial work done at

the piling site and, if necessary, he will pull out any pile to prove that there was short piling. However, the work that is being done now has been reviewed by the Structural Engineer, and instead of calculating the Gammon pile each to carry 50 tons, they have revised it to work out at only 35 tons. Hence, additional piling has to be done, and, even after additional piling has been done, there is test weight bearing, and they have found that with this load bearing it has been satisfactory. I am glad that the Honourable Member has drawn the attention to the new clerk of works, and I will certainly inform the Commissioner of the Municipality to keep an eye on this one again. If the Honourable Member has any more information of this sort, would he come to the Ministry early, and not wait for the session of this House to inform us?

With regard to the question of indemnity, I shall look into the matter.

#### MENGAMBIL PEKERJA<sup>2</sup> MENE-RUSI PUSAT PEKERJAAN

**19. Datin Fatimah binti Haji Abdul Majid** bertanya kepada Menteri Buroh ada-kah beliau sedar bahawa sa-tengah<sup>2</sup> majikan di-negeri ini tidak mengambil pekerja<sup>2</sup> mereka menerusi Pusat Pekerjaan, dan jika sedar, terangkan apa-kah langkah<sup>2</sup> yang akan di-ambil supaya mereka berbuat demikian.

**Tuan Lee San Choon (Setia-usaha Parlimen kepada Menteri Buroh):** Saya tahu ada majikan<sup>2</sup> dalam bahagian private yang tidak mengambil pekerja<sup>2</sup> melalui perkhidmatan Pusat Pekerjaan atau Employment Exchange. Kementerian saya menjalankan kempen yang luas untuk menyedarkan majikan<sup>2</sup> tentang perkhidmatan yang di-sedia oleh Pusat Pekerjaan dan juga bagi menarek mereka mengambil lebih banyak lagi pekerja daripada Pusat Pekerjaan. Pegawai<sup>2</sup> saya juga sentiasa mengadakan lawatan ka-tempat<sup>2</sup> pekerjaan dengan tujuan meluaskan lagi menggunakan Pusat Pekerjaan.

Hingga sekarang lebeh banyak majikan yang telah sedar akan kebaikan Pusat Pekerjaan dan kita telah dapat menempatkan lebeh banyak pekerja<sup>2</sup> di-dalam pekerjaan. Di-dalam tahun 1966, 925 majikan baharu menggunakan Pusat Pekerjaan bagi pertama kali. Angka ini mungkin bertambah.

### RETENTION OF THE INDUSTRIAL ARBITRATION TRIBUNAL

**20. Tuan C. V. Devan Nair** asks the Minister of Labour whether, having regard to the excellent work done by the Industrial Arbitration Tribunal, it is the intention of the Government to:

- (i) renew the contract of the President of the Industrial Arbitration Tribunal on its expiry; and
- (ii) to retain the Industrial Arbitration Tribunal, with suitable modifications, as one of the permanent features of the industrial relations system in the country.

**Tuan Lee San Choon:** Mr Speaker, Sir, the question of the renewal of the contract of the President of the Industrial Arbitration Tribunal will be considered at the appropriate time. His present contract is due to expire in June this year. As to the question of whether the Industrial Arbitration Tribunal would be retained in its present or modified form, I am not really able to make any statement on this at this stage as we are now reviewing the present industrial relations system. A positive answer to this question must await the completion of the review.

**Tuan C. V. Devan Nair:** Sir, the Honourable Minister has not really answered my question as to whether or not it is the Government's intention to renew the contract of the President of the Industrial Arbitration Tribunal on its expiry. We still have not got the answer to the question as to what the Government intentions are—or are we to assume that the Government does not have any intentions?

**Tuan Lee San Choon:** Sir, as I said, his contract expires in June this year and the question of renewal will be announced at the appropriate time. It is still too early to announce this.

**Tuan C. V. Devan Nair:** Sir, are we to assume that the Government has not even thought of this question of the renewal of the contract? As Members of this House, Sir, we are entitled to an answer.

**The Prime Minister:** Sir, I might be able to answer the question put by the Honourable Member just now. This is a matter for the Government and, as my colleague has replied, at the appropriate time the Government will give a reply. Government appreciates the good work that has been done by the present holder and, if there is work to be done in that field, we hope that he would be happy to accept renewal. But if there is no work in that field, there is always other work for a person of his calibre.

### EXEMPTED BUSINESS

#### (MOTION)

**The Deputy Prime Minister (Tun Haji Abdul Razak):** Tuan Yang di-Pertua, saya menhadangkan:

Sungguh pun telah ada syarat<sup>2</sup> Peratoran Meshuarat 12 (1) ia-itu persidangan Majlis hari ini akan di-tempohkan pada pukul 12 tengah hari dan di-sambong sa-mula pada pukul 2.30 petang dan dari masa itu meshuarat akan di-teruskan hingga usul bagi bacaan kali yang kedua Rang Undang<sup>2</sup> Perbekalan tahun 1967 telah di-chadang dan di-sokong dan pada waktu itu Majlis ini akan di-tanggohkan.

**The Minister of Home Affairs (Tun Dr Ismail):** Tuan Yang di-Pertua, saya sokong.

Question put, and agreed to.

Resolved.

Sungguh pun telah ada syarat<sup>2</sup> Peratoran Meshuarat 12 (1) persidangan Majlis hari ini akan di-tempohkan pada pukul 12 tengah hari ini dan di-sambong sa-mula pada pukul 2.30 petang dan dari masa itu meshuarat akan di-teruskan hingga usul bagi bacaan kali yang kedua Rang Undang<sup>2</sup> Perbekalan tahun 1967 telah di-chadang dan di-sokong dan pada waktu itu nanti Majlis pun di-tanggohkan bagi di-persetujukan.

## BILLS PRESENTED

### THE MILITARY FORCES (AMENDMENT) BILL

Bill to amend the Military Forces Ordinance, 1952; presented by the Parliamentary Secretary to the Deputy Prime Minister; read the first time; to be read a second time at a subsequent sitting of this House.

### THE NAVY (AMENDMENT) BILL

Bill to amend the Navy Ordinance, 1958; presented by the Parliamentary Secretary to the Deputy Prime Minister; read the first time; to be read a second time at a subsequent sitting of this House.

### THE MALAY REGIMENT (AMENDMENT) BILL

Bill to amend the Malay Regiment Enactment (F.M.S. Cap. 42); presented by the Parliamentary Secretary to the Deputy Prime Minister; read the first time; to be read a second time at a subsequent sitting of this House.

### THE AIR FORCE (AMEND- MENT) BILL

Bill to amend the Air Force Ordinance, 1958; presented by the Parliamentary Secretary to the Deputy Prime Minister; read the first time; to be read a second time at a subsequent sitting of this House.

### THE AIR FORCE VOLUNTEER RESERVE (AMENDMENT) BILL

Bill to amend the Air Force Volunteer Reserve Ordinance, 1958; presented by the Parliamentary Secretary to the Deputy Prime Minister; read the first time; to be read a second time at a subsequent sitting of this House.

### THE NAVAL VOLUNTEER RESERVE (AMENDMENT) BILL

Bill to amend the Naval Volunteer Reserve Ordinance, 1958; presented by the Parliamentary Secretary to the Deputy Prime Minister; read the first time; to be read a second time at a subsequent sitting of this House.

### THE TERRITORIAL ARMY (AMENDMENT) BILL

Bill to amend the Territorial Army Ordinance, 1958; presented by the Parliamentary Secretary to the Deputy Prime Minister; read the first time; to be read a second time at a subsequent sitting of this House.

### THE INTERPRETATION BILL

Bill to make provision for the interpretation of certain written laws, for shortening the language used therein, for matters relating to written laws generally and for other like purposes; presented by the Minister of Home Affairs and Minister of Justice; read the first time; to be read a second time at a subsequent sitting of this House.

### THE CONTRACTS (MALAY STATES) (AMENDMENT) BILL

Bill to amend the Contracts (Malay States) Ordinance, 1950; presented by the Minister of Home Affairs and Minister of Justice; read the first time; to be read a second time at a subsequent sitting of this House.

### THE SUPPLEMENTARY SUPPLY (1966) BILL

Bill to apply sums out of the Consolidated Fund for additional expenditure for the service of the year 1966 and to appropriate such sums for certain purposes; presented by the Parliamentary Secretary to the Minister of Finance; read the first time; to be read a second time at a subsequent sitting of this House.

### THE SUPPLY BILL, 1967

Bill to supply a sum out of the Consolidated Fund to the service of the year 1967 and to appropriate that sum and such other sums as have been authorised to be issued for the service of that year; presented by the Parliamentary Secretary to the Minister of Finance; read the first time; to be read a second time at 2.30 p.m. on 19th January, 1967.

**THE RACING CLUB (PUBLIC  
SWEEPTAKES) (AMENDMENT)  
BILL**

Bill to amend the Racing Club (Public Sweeptakes) Act, 1965 and to provide for matters consequential thereupon; presented by the Parliamentary Secretary to the Minister of Finance; read the first time; to be read a second time at a subsequent sitting of this House.

**THE ROAD TRAFFIC (AMEND-  
MENT) BILL**

Bill to amend the Road Traffic Ordinance, 1958; presented by the Minister of Transport; read the first time; to be read a second time at a subsequent sitting of this House.

**THE FISHERIES (AMENDMENT)  
BILL**

Bill to amend the Fisheries Act, 1963; presented by the Minister of Agriculture and Co-operatives; read the first time; to be read a second time at a subsequent sitting of this House.

**THE FARMERS' ASSOCIATION  
BILL**

Bill to provide for the registration of Area, State and Federal Farmers' Associations, the control and supervision of such associations and for matters connected therewith; presented by the Minister of Agriculture and Co-operatives; read the first time; to be read a second time at a subsequent sitting of this House.

**THE FEDERAL AGRICULTURAL  
MARKETING AUTHORITY  
(AMENDMENT) BILL**

Bill to amend the Federal Agricultural Marketing Authority Act, 1965; presented by the Minister of Agriculture and Co-operatives; read the first time; to be read a second time at a subsequent sitting of this House.

**THE ABORIGINAL PEOPLES  
(AMENDMENT) BILL**

Bill to amend the Aboriginal Peoples Ordinance, 1954; presented by the Minister of Lands and Mines; read the first time; to be read a second time at a subsequent sitting of this House.

**MOTIONS**

**PERSIDANGAN MESHUARAT  
(USUL)**

**The Deputy Prime Minister (Tun Haji Abdul Razak):** Tuan Yang di-Pertua, saya mohon menhadangkan:

Bahawa menurut syarat<sup>2</sup> dalam perenggan (1) dalam Peratoran Meshuarat 12, Majlis ini memerintahkan ia-itu dalam meshuarat sekarang ini, syarat<sup>2</sup>

(a) perenggan kechil (a) dalam perenggan (1) dalam Peratoran Meshuarat 12, hendak-lah difahamkan sa-olah<sup>2</sup> perkataan<sup>2</sup> "atau Khamis" itu di-gantikan dengan perkataan<sup>2</sup> "Khamis atau Sabtu";

(b) perenggan (3) dalam Peratoran Meshuarat 12, hendak-lah difahamkan sa-olah<sup>2</sup> perkataan "hari Juma'at" itu di-gantikan dengan perkataan "hari Sabtu".

Tuan Yang di-Pertua, menurut atoran Majlis Meshuarat ini, Persidangan Dewan ini tidak-lah di-adakan pada hari Sabtu. Tujuan Usul ini ia-lah supaya membolehkan Persidangan Majlis<sup>2</sup> pada kali ini bermeshuarat pada hari Sabtu. Saperti Ahli<sup>2</sup> Yang Berhormat mengetahui, Meshuarat Belanjawan tahun ini yang di-mulakan pada hari ini ada-lah di-jadualkan tamat pada 4hb Mach. Akan tetapi pada 9hb Februari ada-lah Hari Raya Tahun Bahru China, dan untok membolehkan Ahli<sup>2</sup> Dewan ini, terutama sa-kali Ahli<sup>2</sup> Dewan daripada keturunan China supaya dapat merayakan hari ini dengan sempurna, dengan meriah-nya, saya akan menhadangkan, apabila tiba masa-nya kelak, supaya Meshuarat Dewan ini di-tanggohkan dalam masa perayaan itu sa-lama saminggu. Dan begitu juga, Tuan Yang di-Pertua, supaya membolehkan Ahli<sup>2</sup> daripada Malaysia Timor balek ka-tempat masing<sup>2</sup> sebab persidangan ini ada-lah lama—memakan masa satu bulan sa-tengah. Oleh kerana penanggohan itu telah di-chadangkan dan juga memandangkan kapada urusan<sup>2</sup> yang banyak di-hadapi oleh Majlis ini, maka terpaksa-lah kita mengadakan meshuarat pada hari Sabtu. Akan tetapi saya chadangkan bagi permulaan ini meshuarat pada hari Sabtu itu di-adakan

sa-hingga pukul satu petang sahaja dan kemudian kalau di-fikirkan mustahak, boleh-lah di-adakan meshuarat pada sa-belah petang.

Tuan Yang di-Pertua, saya dengan sukachita mengemukakan usul ini.

**The Minister of Home Affairs (Tun Dr Ismail):** Tuan Yang di-Pertua, saya menyokong.

Question put, and agreed to.

Resolved,

Bahawa menurut syarat<sup>2</sup> dalam perenggan (1) dalam Peratoran Meshuarat 12, Majlis ini memerentahkan ia-itu dalam meshuarat sekarang ini, syarat<sup>2</sup>—

(a) perenggan kechil (a) dalam perenggan (1) dalam Peratoran Meshuarat 12, hendak-lah di-fahamkan sa-olah<sup>2</sup> perkataan<sup>2</sup> “atau Khamis” itu di-gantikan dengan perkataan<sup>2</sup> “Khamis atau Sabtu”;

(b) perenggan (3) dalam Peratoran Meshuarat 12, hendak-lah di-fahamkan sa-olah<sup>2</sup> perkataan “hari Juma‘at” itu di-gantikan dengan perkataan “hari Sabtu”.

**THE SABAH CUSTOMS ORDINANCE (CAP. 3)—THE CUSTOMS DUTIES (SABAH) (AMENDMENT) (No. 5) ORDER, 1966**

**The Parliamentary Secretary to the Minister for Finance (Tuan Ali bin Haji Ahmad):** Mr Speaker, Sir, I beg to move, that this House resolves that in accordance with the powers vested in it by virtue of sub-section (3) of section 8 of the Sabah Customs Ordinance (Cap. 33), the Customs Duties (Sabah) (Amendment) (No. 5) Order, 1966 which has been laid before the House as Statute Paper No. 89 of 1966 be confirmed.

Mr Speaker, Sir, it was the practice in the past to differentiate between plastics advertising materials for publishing domestically manufactured goods as those for publishing imported goods. This distinction is now not practicable as our own fabricators of plastic goods can supply a very comprehensive range of advertising materials. The tariff classification has accordingly been amended in West Malaysia to show

plastic advertising materials under one code rather than two sub-codes. The present order seeks to do the same.

Sir, I beg to move.

**Tuan Chen Wing Sum:** Sir, I beg to second the motion.

Question put, and agreed to.

Resolved,

That this House resolves that in accordance with the power vested in it by virtue of sub-section (3) of section 8 of the Sabah Customs Ordinance (Cap. 33), the Customs Duties (Sabah) (Amendment) (No. 5) Order, 1966, which has been laid before the House as Statute Paper No. 89 of 1966 be confirmed.

**THE SARAWAK CUSTOMS ORDINANCE (CAP. 26)—THE CUSTOMS (IMPORT AND EXPORT) (AMENDMENTS) (No. 4) ORDER, 1966**

**Tuan Ali bin Haji Ahmad:** Mr Speaker, Sir, I beg to move that this House resolves that in accordance with the powers vested in it by virtue of sub-section (3) of section 8 of the Sarawak Customs Ordinance (Cap. 26), the Customs (Import and Export) Duties (Amendment) (No. 4) Order, 1966 which has been laid before the House as Statute Paper No. 90 of 1966 be confirmed.

This Order is the same as the Customs Duties No. 5 of 1966 which has just been confirmed by this House except that it applies to Sarawak.

Mr Speaker, Sir, I beg to move.

**Tuan Chen Wing Sum:** Sir, I beg to second the motion.

Question put, and agreed to.

Resolved.

That this House resolves that in accordance with the powers vested in it by virtue of sub-section (3) of section 8 of the Sarawak Customs Ordinance (Cap. 26), the Customs (Import and Export) Duties (Amendment) (No. 4) Order, 1966, which has been laid before the House as Statute Paper No. 90 be confirmed.

**THE CUSTOMS ORDINANCE, 1952—THE CUSTOMS DUTIES (AMENDMENT) (No. 7) ORDER, 1966**

**Tuan Ali bin Haji Ahmad:** Mr Speaker, Sir, I beg to move that this House resolves that in accordance with

the powers vested in it by virtue of sub-section (2) of section 10 of the Customs Ordinance, 1952, the Customs Duties (Amendment) (No. 7) Order, 1966 which has been laid before the House as Statute Paper No. 7 of 1967 be confirmed.

The purpose of this Order is to ensure that adequate protection is accorded to domestic industries. It has been brought to the attention of the Treasury that domestic manufacturers have faced severe competition from imported sweets while at the same time they were finding it increasingly difficult to export their manufactures. In order, therefore, that these products could be given adequate protection, the Minister of Finance has agreed to increase the import duty on sugar confectionery.

Mr Speaker, Sir, domestic manufacturers of rubber footwear in West Malaysia have complained that importers have been able to avoid the high protective duty imposed on imported rubber footwear. This could be done in two ways, firstly, by importing complete soles and other almost completed footwear parts, which attract a lower rate of duty, and then putting them together once they are in the country; and secondly, by importing complete footwear with soles made of plastic. The Treasury has caused these complaints to be looked into and have found them to be justified. The Minister of Finance has therefore, changed the duty structure in order to accord more effective protection to domestic manufacturers. The main changes are to make complete soles of rubber or plastic bear the same duty as the footwear itself, and that imported footwear of rubber and their plastic equivalents should bear the same rate of duty.

Mr Speaker, Sir, a protective duty has been imposed on imported hand sieves. This is in order to assist a domestic manufacturer who has found it increasingly difficult to compete against imports which are sold practically at dumped prices.

The import duty on acyclic alcohols has been imposed as a result of recommendation made by the Tariff Advisory

Board. These alcohols have almost identical properties as the products of our domestic distilleries i.e. ethyl and methyl alcohol which is dutiable at \$2 per gallon. It follows logically that imported acyclic alcohols should also be made to bear the same duty burden.

Mr Speaker, Sir, I beg to move.

**Tuan Chen Wing Sum:** Sir, I beg to second the motion.

**Tuan Geh Chong Keat (Penang Utara):** Mr Speaker, Sir, I wish to seek clarification from the Honourable Minister under Code No. 062 010-Sugar confectionery, not containing cocoa.

Mr Speaker, Sir, I have spoken previously on the subject of duty imposed on sliced nutmegs, which comes under the heading of "Desiccated Fruits". Now, most of the items under "biscuits" or "desiccated fruits" which are imported from the Island of Penang are being taxed at the Butterworth end. My contention of seeking clarification is this: sliced nutmegs which are desiccated use a certain percentage of sugar; and since sugar is being imported under very, very restricted quota and more percentage of locally manufactured sugar is being used for the preparation of this item, "desiccated fruits and biscuits", would the Honourable Minister consider the waiving of duty for these items, especially nutmegs, which are being produced from locally grown fruit and using locally manufactured sugar—only once in a way have we a very, very small quota of the imported sugar released. The manufacturers of biscuits, too, are using locally manufactured flour and locally manufactured sugar. Thank you.

**Tuan Ali bin Haji Ahmad:** Mr Speaker, Sir, sliced nutmegs are not covered by this Order.

Question put, and agreed to.

Resolved,

That this House resolves that in accordance with the powers vested in it by virtue of sub-section (2) of section 10 of the Customs Ordinance, 1952, the Customs Duties (Amendment) (No. 7) Order, 1966, which has been laid before the House as Statute Paper No. 7 of 1967 be confirmed.

**THE SABAH CUSTOMS ORDINANCE (CAP. 33)—THE CUSTOMS DUTIES (SABAH) (AMENDMENT) (No. 6) ORDER, 1966**

**Tuan Ali bin Haji Ahmad:** Mr Speaker, Sir, I beg to move,

“That this House resolves that in accordance with the powers vested in it by virtue of sub-section (3) of section 8 of the Sabah Customs Ordinance (Cap. 33), the Customs Duties (Sabah) (Amendment) (No. 6) Order, 1966, which has been laid before the House as Statute Paper No. 8 of 1967 be confirmed.”

This Order provides for increased protection on sugar confectionery and acyclic alcohols in Sabah. The reasons for this have been given when the House considered the Customs Duties (Amendment) (No. 7) Order, 1966 which has just been confirmed.

Although the tariff classification in respect of rubber footwear has been brought into line with that of West Malaysia, no change of duty has been made.

Mr Speaker, Sir, I beg to move.

**Tuan Chen Wing Sum:** Sir I beg to second the motion.

**Tuan Geh Chong Keat:** Mr Speaker, Sir, in respect of what I said just now, in regard to sliced nutmegs and other products manufactured in Penang with locally grown products and locally manufactured products—when I say “locally” I am referring to products manufactured in the West Malaysian mainland—would the Minister consider lifting of duties for all these products manufactured or produced at Penang; and also would other products, which are not referred to in this Statute Paper No. 10, be given due consideration? Thank you, Sir.

**The Minister of Commerce and Industry (Dr Lim Swee Aun):** Mr Speaker, Sir, this is exactly what the Honourable Members from Penang would like—they always want to have the cake and eat it. They want to retain their free port status and stay outside the Customs Area, and due to protection of confectionaries made in the rest of the Customs Area, they want special exemption for the entry of

goods made in the free port area into the Customs Area. Is that exactly what you want?

**Tuan Geh Chong Keat:** I would prefer the Honourable Minister to complete his speech before I say what I want to say, Sir.

**Dr Lim Swee Aun:** It is unfortunate, because if that is done and then—this is where the manufacturer has to compete—when you come to these exemptions, we wouldn't know the sources of these products, and this will encourage difficulties in administration.

**Tuan Geh Chong Keat:** Mr Speaker, Sir, at this juncture I am not entering into any debate on the question of the free port status of Penang. I would prefer to do that after the Budget speech to be delivered by the Minister of Finance. As it is, Sir, I am making a request on the item under the basis of the introduction of this item—that these products I referred to are being locally grown, i.e. fruits in the Island of Penang and using locally manufactured products, because sugar has been very, very much restricted by the Honourable Minister of Commerce and Industry from being imported into the Island of Penang. Therefore, I feel that at this juncture these items using locally manufactured products should be given due consideration, and the question of the free port of Penang does not arise at this juncture, Mr Speaker.

**Dr Lim Swee Aun:** It does arise in that sugar is duty free in Penang. So, there is a price differential between confectionaries made in Penang as compared with goods made within the Customs Area.

**Tuan Geh Chong Keat:** Mr Speaker, Sir, they are made of sugar imported into Penang.....

**Mr (Deputy) Speaker:** Order, order, this is about Sabah Customs.

Question put, and agreed to.

Resolved,

That this House resolves that in accordance with the powers vested in it by virtue of sub-section (3) of section 8 of the Sabah Customs Ordinance (Cap. 33), the Customs Duties (Sabah) (Amendment) (No. 6) Order, 1966, which has been laid before the House as Statute Paper No. 8 of 1967 be confirmed.

**THE SARAWAK CUSTOMS  
ORDINANCE (CAP. 26)—THE  
CUSTOMS (IMPORT AND  
EXPORT) DUTIES (AMENDMENT)  
(NO. 5) ORDER, 1966**

**Tuan Ali bin Haji Ahmad:** Mr Speaker, Sir, I beg to move,

That this House resolves that in accordance with the powers vested in it by virtue of sub-section (3) of section 8 of the Sarawak Customs Ordinance (Cap. 26), the Customs (Import and Export) Duties (Amendment) (No. 5) Order, 1966, which has been laid before the House as Statute Paper No. 9 of 1967 be confirmed.

This Order is the same as the Customs Duties (Sabah) (Amendment) (No. 6) Order, 1966, which has just been confirmed by this House, except that it applies to Sarawak.

Mr Speaker, Sir, I beg to move.

**Tuan Chen Wing Sum:** Sir, I beg to second the motion.

Question put, and agreed to.

Resolved,

That this House resolves that in accordance with the powers vested in it by virtue of sub-section (3) of section 8 of the Sarawak Customs Ordinance (Cap. 26), the Customs (Import and Export) Duties (Amendment) (No. 5) Order, 1966, which has been laid before the House as Statute Paper No. 9 of 1967 be confirmed.

**THE CUSTOMS ORDINANCE,  
1952—THE CUSTOMS DUTIES  
(AMENDMENT) ORDER, 1967**

**Tuan Ali bin Haji Ahmad:** Mr Speaker, Sir, I beg to move,

That this House resolves that in accordance with the powers vested in it by virtue of sub-section (2) of section 10 of the Customs Ordinance, 1952, the Customs Duties (Amendment) Order, 1967, which has been laid before the House as Statute Paper No. 10 of 1967 be confirmed.

The Government firmly believes that sound and viable industries in this country should be protected against unfair competition from imported goods. The Tariff Advisory Board established under the Tariff Advisory Board Act has been assigned the task of investigating into the needs of domestic industries for such protection and Hon'ble Members will be aware that the Board has conducted several enquiries in this field. Certain reports

of the Board have already been submitted to the Treasury and where the recommendations contained therein have been accepted, these form part of the tariff changes effected in the Customs Duties (Amendment) Order before this House for confirmation.

In accordance with the provisions of the Tariff Advisory Board Act, these reports will be published in due course in whole or in part where it is deemed proper to do so. In the meantime, Honourable Members will note that in the Order before them increased protection has been accorded to hard soap in bars or tablets, paper and paper-board, various types of paper products, cement, marble, aluminium slugs, certain types of cables, and batek. All these are products of thriving domestic industries and the increased protection will, I am sure, be a further encouragement to these industries to do even better.

The Order before the House also abolishes import duties on all raw materials for the making of paper as well as on all types of paper presently manufactured in this country. This move will ensure that domestic industries making use of these materials will not be handicapped by having to bear a duty burden and would be better enabled thereby to reduce of their own products to consumers.

Opportunity has been taken to mend the classification of certain tariff codes. These include golden syrup, various types of sauces, chemical fertilisers, electric cables, dish washing machines, welding equipment and welding electrodes and electric lighting and signalling equipment for bicycles. These amendments have been made in the light of practical administration by the Royal Customs in the past year, and will help to facilitate declaration of such goods in future. In order to enable the Department of Statistics to collect more accurate data, certain new tariff codes have been created. Hon'ble Members will notice these in the Second Schedule in the Order. These new codes have hitherto been included in miscellaneous codes, but have since assumed importance of their own and

should therefore be separately classified. No change in the rate of duty is made in respect of all these codes.

Mr Speaker, Sir, I beg to move.

**Tuan Chen Wing Sum:** Sir, I beg to second the motion.

Question put, and agreed to.

Resolved,

That this House resolves that in accordance with the powers vested in it by virtue of sub-section (2) of section 10 of the Customs Ordinance, 1952, the Customs Duties (Amendment) Order, 1967, which has been laid before the House as Statute Paper No. 10 of 1967 be confirmed.

### THE SABAH CUSTOMS ORDINANCE (CAP. 33)—THE CUSTOMS DUTIES (SABAH) (AMENDMENT) ORDER, 1967

**Tuan Ali bin Haji Ahmad:** Mr Speaker, Sir, I beg to move,

That this House resolves that in accordance with the powers vested in it by virtue of sub-section (3) of section 8 of the Sabah Customs Ordinance (Cap. 33), the Customs Duties (Sabah) (Amendment) Order, 1967, which has been laid before the House as Statute Paper No. 11 of 1967 be confirmed.

This Order is in most respects similar to the Customs Duties (Amendment) Order, 1967 which has just been confirmed by this House. The only notable difference is that no protective duty is imposed on cement as no such industry exists in this State at the moment.

Mr Speaker, Sir, I beg to move.

**Tuan Chen Wing Sum:** Sir, I beg to second the motion.

**Tuan Haji Abu Bakar bin Hamzah (Bachok):** Tuan Yang di-Pertua, dua tiga motion telah berlalu, tetapi motion ini, Tuan Yang di-Pertua, saya suka menarek perhatian berkenaan dengan dalam muka 5 daripada Statue Paper No. 11, perkara 841-123 ia-itu Code berkenaan dengan kain batek lepas dan batek biasa.

Ini, Tuan Yang di-Pertua, nampaknya kita telah mengenakan *preferential duty* ini sampai kepada 25 per sen ia-itu penoh kita kenakan kepada chukai yang sa-patut-nya. Tuan Yang di-Pertua, apabila kita sebut batek lepas

atau pun batek sarong ini berarti barang<sup>2</sup> yang di-perbuat di-dalam negeri kita sendiri yang akan di-bawa masuk ka-Sabah, lain-lah kalau kita sebut kain sa-mata<sup>2</sup> atau *textile* yang di-bawa dari luar. Kalau begitu, Tuan Yang di-Pertua, kalau kita mengenakan chukai yang penoh begitu *preferential duty*-nya terlampau tinggi tentu-lah tidak menggalakkan orang<sup>2</sup> kita berusaha mengeluarkan kain<sup>2</sup> yang samacham ini, dan orang<sup>2</sup> di-Sarawak atau di-negeri<sup>2</sup> yang akan di-bawa masuk yang di-dalam negeri Malaysia juga tentu-lah tidak dapat bertukar<sup>2</sup> kepandaian mereka itu dalam usaha<sup>2</sup> barang<sup>2</sup> perusahaan tempatan yang samacham ini.

Jadi, saya tidak fikir chukai yang samacham ini bijak di-sahkan malah saya minta-lah perkara ini supaya dapat diberi pertimbangan yang lebeh munasabah lagi. Ini, Tuan Yang di-Pertua, boleh kita lihat dalam muka yang pertama begitu berkenaan dengan *notes* yang kita kena mengenakan dengan GROUP 841 berkenaan dengan CLOTHING. Jadi, ini kata-nya walau pun kain<sup>2</sup> itu di-bawa masuk sa-chara kepingan<sup>2</sup> yang kechil tetapi kalau dia itu sudah di-kira masuk di-dalam jenis ini dan lebar-nya 36" maka dia juga di-kenakan chukai yang samacham ini, saya tidak nampak di-mana-kah *significance*-nya patut kita sahkan di-atas group ini. Ini saya minta keterangan daripada pehak yang berkenaan Kementerian ini.

**The Parliamentary Secretary to the Minister of Finance (Tuan Ali bin Haji Ahmad):** Tuan Yang di-Pertua, barang<sup>2</sup> yang di-buat di-Malaysia apabila masuk ka-Sabah dan ka-Sarawak tidak-lah dikenakan chukai.

Question put, and agreed to.

Resolved,

That this House resolves that in accordance with the powers vested in it by virtue of sub-section (3) of section 8 of the Sabah Customs Ordinance (Cap. 33), the Customs Duties (Sabah) (Amendment) Order, 1967, which has been laid before the House as Statute Paper No. 11 of 1967 be confirmed.

**THE SARAWAK CUSTOMS ORDINANCE (CAP. 26)—THE CUSTOMS (IMPORT AND EXPORT) DUTIES (AMENDMENT) ORDER, 1967**

**Tuan Ali bin Haji Ahmad:** Mr Speaker, Sir, I beg to move,

That this House resolves that in accordance with the powers vested in it by virtue of sub-section (3) of section 8 of the Sarawak Customs Ordinance (Cap. 26), the Customs (Import and Export) Duties (Amendment) Order, 1967, which has been laid before the House as Statute Paper No. 12 of 1967 be confirmed.

This Order applies to Sarawak in the same way that the Customs Duties (Sabah) (Amendment) Order, 1967 applies to Sabah.

Mr Speaker, Sir, I beg to move.

**Tuan Chen Wing Sum:** Sir, I beg to second the motion.

Question put, and agreed to.

Resolved,

That this House resolves that in accordance with the powers vested in it by virtue of sub-section (3) of section 8 of the Sarawak Customs Ordinance (Cap. 26), the Customs (Import and Export) Duties (Amendment) Order, 1967, which has been laid before the House as Statute Paper No. 12 of 1967 be confirmed.

*Sitting suspended at 11.50 a.m.*

*Sitting resumed at 2.30 p.m.*

(Mr Deputy Speaker *in the Chair*)

**THE SUPPLY (1967) BILL**

**Second Reading**

**The Minister of Finance (Tuan Tan Siew Sin):** Mr Speaker, Sir, I beg to move that a Bill intituled "An Act to apply a sum out of the Consolidated Fund to the service of the year 1967 and to appropriate that sum and such other sums as have been authorised to be issued for the service of that year" be read a second time.

The year 1966 was a significant one for Malaysia. The accord which ended confrontation reached last August between Malaysia and Indonesia was undoubtedly the most important event of the year. Though the ending of confrontation will result in some decrease in the expenditure on defence and internal security, such a decrease will by no means be as large as is generally believed. The main reason

for this is that we will still have to provide the minimum requirements for the defence and security of East Malaysia, and these requirements which have to be met from our own resources might not be less than that provided by us during the period of confrontation, in view of the withdrawal of Commonwealth forces from this area. The normalisation of relations with Indonesia should, however, bring positive advantages in the matter of the resumption of our previous two way trade and, in the long term, closer economic relations between our two countries might offset somewhat increased defence and internal security expenditures.

On the home front, the Malaysian economy, though rather less buoyant than in the previous year, expanded at a satisfactory rate in 1966. Total output as well as income and savings increased during the year but their rates of growth were lower than the exceptionally high rates achieved in 1965. Physical output in agriculture and forestry, mining, manufacturing and construction, and the volume of services recorded in the distributive and service industries were, by and large, all higher in 1966. For the economy as a whole, the impetus to growth came primarily from an expansion in domestic demand, particularly in the public sector. Aggregate consumption and investment expanded at about the same rates as in 1965. Retail prices, however, remained relatively stable in most parts of the country during the year. Total exports of goods and services were, on the whole buoyant, despite generally lower prices for our export commodities, and the export surplus is likely to be somewhat smaller than in the previous year. The year 1966 also saw the completion of the first year of our First Malaysia Plan.

Efforts by the Government to increase production and employment and raise living standards thus met with a fair measure of success. What is rather more encouraging is that all these accomplishments took place within a framework of overall monetary stability. However, these achievements have also

given rise to some strains on the economy; the Central Government's overall budgetary deficit has remained at a high level, on account of its persistently large development expenditures, and was partially financed by drawings on its accumulated reserves. Although the country's balance of payments remained generally sound, the overall position showed a deficit during the year.

### **International Economic Trends**

I shall touch very briefly on the international economic trends which affect our financial and economic prospects, bearing in mind that our economy is so dependent on the selling prices of our main export commodities. In 1966, total trade in the free world continued to expand and on the basis of present information, world trade is likely to rise by about 7.2% during the year. Primary producers as a whole enjoyed generally higher export prices in the first 10 months of 1966 compared with either the corresponding period of the previous year or the whole of 1965. In particular, price increases were recorded for minerals and metals as a group, as well as for inedible agricultural products. Malaysia, however, did not benefit from this general increase in commodity prices in 1966, as export prices for most of our primary commodities, notably rubber, tin and palm oil, declined during the year.

All these commodity price changes occurred against the background of a continuing high level of economic activity in the industrial world. Indications are that this trend will continue in 1967 but it is likely that the rate of growth will on the whole be slower than in the previous year. In 1966, a number of industrial countries, especially the United States, had already reached virtual full employment of their industrial facilities. In such countries, recourse was made during the year to monetary, fiscal and other measures of a restrictive nature to check the excessive growth of money supply relative to the potential growth of real output or to arrest a deterioration in their balance of payments. Others, notably Japan, France and

Italy, had gone through a recession lately, and in these, appropriate Government measures had assisted in the economic recovery that is now being experienced.

Developments of special concern to Malaysia occurred during the period May to July when the pound sterling faced another crisis of confidence. Although the seamen's strike in the United Kingdom directly contributed to the pressure on sterling, as also the tight money conditions and rising interest rates prevailing elsewhere, more important were the continuing doubts felt about the British Government's ability or determination to correct the payments imbalance without resorting to exchange devaluation. Necessarily tough measures were, therefore, introduced in July to give expression to the Government's declared intention to achieve a favourable payments position while maintaining the exchange rate for sterling. As a result, in the first 9 months of 1966, there was some improvement in the balance of payments, and the year should end with a smaller overall deficit than in 1965.

### **Gross National Product and Savings**

Preliminary estimates indicate that the gross national product at market prices (GNP) amounted to \$9,305 million in 1966, and increase of 6.3% over the previous year. Although the overall rate of growth in output was lower than the exceptionally high rate of 9.7% achieved in 1965, it was nevertheless satisfactory and compares favourably with the average annual rate of growth of 5.7% recorded for the period between 1960 and 1965. What is more gratifying is that despite political tensions in South East Asia, though not in Malaysia itself, during the past few years, and the generally adverse trend in our terms of trade, Malaysia has consistently managed to achieve relatively high rates of growth during the 1960's. As a result, the per capita gross national product increased from \$820 in 1960, to \$931 in 1965, and \$962 in 1966. On a regional basis, the slower tempo of expansion during the year occurred primarily in West Malaysia where the rate of growth was

estimated at 5.4% in 1966 compared with 9.5% in 1965, and 5.9% in 1964. However, the rates of GNP growth in East Malaysia continued to be impressive. In Sabah, gross national product at market prices increased by 17.1% in 1966 compared with 15.2% in 1965 and 11.5% in 1964. Similarly, in Sarawak, growth rates for the years 1964, 1965 and 1966 were estimated at 7.6%, 8.5% and 9.5% respectively.

The expansion in domestic demand provided the main stimulus to growth in 1966. Total consumption at current market prices increased during the year by about the same rate as in 1965, that is, by 6.2% to some \$7,306 million in 1966, while total investment outlay, at \$1,770 million, rose by about 8.6% compared with a growth rate of nearly 9% in the previous year. The substantial amount of capital formation achieved in 1966, amounting to about 19% of the gross national product, is a high rate of capital formation for a developing economy by any accepted standard. Aggregate domestic demand in the economy thus amounted to \$9,076 million during the year, an increase of 6.7% or about the same rate of increase as in 1965. Although both the private and public sectors contributed to the growth of the economy during the year, the dynamic component continued to be the public sector, despite some slackening in the growth of public sector expenditure. Whereas aggregate private expenditure in Malaysia, at \$6,618 million in 1966 increased by 4.8% compared with a gain of 4.5% in 1965, aggregate public expenditure, amounting to \$2,458 million in 1966, rose by 12.1% as against an increase of 13.6% in the previous year.

The high level of economic activity in the industrial countries in 1966 led to a continuing strong demand for our exports. Despite generally lower prices prevailing during the year under review for our main export commodities, the external balance on goods and services, which showed a large surplus of \$246 million in 1965 compared with a surplus of only \$6 million in 1964, continued to record a favourable balance of about \$229 million as a result of a

substantial increase in the export volume. Gross domestic savings, which increased substantially in 1965, continued to grow during the year, from \$1,657 million in 1965 to an estimated \$1,771 million in 1966, an increase of nearly 7%. The savings/GNP ratio, however, remained unchanged at about 19%, that is to say, gross savings during the year continued to be at the rate of about 19 cents for every dollar generated in production.

### **Production Trends in the Domestic Economy**

In our efforts to ensure an adequate rate of economic growth, undue attention is sometimes directed towards the more glamorous sector of industrial development, so that one is apt to lose sight of the fact that Malaysia, despite its efforts to industrialise, is essentially an agricultural country and will continue to be so for some time to come. Net output in agriculture, forestry and fisheries constitute about 30% of our gross domestic product and this large sector of the economy provides employment for about 60% of the working population. It is thus appropriate that I should draw the attention of the House to the silent but nonetheless impressive revolution that is taking place in this sector of our economy through technological progress.

Production in agriculture, forestry and fisheries continued to expand impressively in 1966. During the first 11 months of the year, rubber production in West Malaysia, which accounts for about 94% of Malaysia's total production, amounted to 838,410 tons, an increase of nearly 8% over the amount produced during the corresponding period of 1965. In East Malaysia, however, rubber production declined, due mainly to a shortage of tappers so that for Malaysia as a whole, total rubber production, at an estimated 803,100 tons for the first 10 months of 1966, was 7% higher than the amount produced during the corresponding period of 1965. On the basis of present trends, production in 1966 is estimated to have reached 990,000 tons, an increase of 6% over the previous year, largely

reflecting rising productivity resulting from the progressively increasing acreage planted with high-yielding rubber.

While efforts are being made to diversify the economy, new planting and replanting with high-yielding strains continue to be undertaken, though on a reduced scale, to maintain not only the competitive position of the natural rubber industry *vis-a-vis* synthetic but also to provide some measure of support while the process of diversification is being accelerated. In 1966, the total acreage replanted and new planted in West Malaysia was estimated at 175,000 compared with 197,000 in 1965, bringing the total acreage under rubber in West Malaysia at the end of 1966 to 4.36 million, an increase of 1.2% over the acreage at the end of 1965. Although smallholder acreage amounted to about 57% of that total, production by these smallholdings accounted for only about 46% of total estimated production during the year under review. By the end of 1966, more than 80% of estate acreage consisted of high-yielding material.

The timber industry expanded rapidly in 1966 as a result of the intensive operations of long term timber concessionaires and the opening up of forest areas for agriculture. Indications are that the production of round timber, about 40% of which is produced in Sabah, increased by about 16.7% to an estimated 7 million tons in 1966, while the production of sawn timber was estimated at 1.5 million tons, an increase of 2.8% over the amount produced in 1965. A large proportion of our timber is exported abroad but home consumption, accounted for mainly by the veneer and plywood industries, building construction and furniture making, is increasing rapidly.

The oil palm industry, which has been expanding steadily during the past 5 years, continued to record significant progress in 1966. Intensification of the agricultural diversification programme had led to a significant increase in the acreage under oil palm during the year. Production of palm oil during the first 11 months of 1966 amounted to 162,200 tons, an increase of nearly 21% over the amount

produced in the corresponding period of 1965. During the period under review, output of palm kernels increased by 20.6% to 38,000 tons. On the basis of present trends, palm oil production for 1966 is estimated to have reached 181,100 tons or about 22.4% higher than in 1965. Production of palm kernels is estimated at about 41,700 tons in 1966, an increase of nearly 25% over 1965. Output of all other agricultural commodities, especially padi, coconut oil, pineapples and tea, also increased during the year.

The tin mining industry has continued to record progress in 1966 despite the lower prices which prevailed during the year. Production of tin-in-concentrates in the first 11 months of 1966 amounted to nearly 63,000 tons, an increase of more than 8% over the amount produced during the corresponding period of 1965. For the year as a whole, production is estimated to have exceeded the 1965 level by 7.4% to reach 68,400 tons, compared with a rate of increase of just over 6% recorded in 1965. Production from new mines, despite the progressive depletion of known ore reserves, contributed largely to the increased output. The number of tin mines operating at the end of November, 1966 was 1,113 compared with 1,080 on the same date in the previous year. Gravel pump mines, which accounted for about 54% of total production, increased by 41 during this period to a total of nearly 1,000 at the end of November, 1966, while dredges, which accounted for about 34% of total output, decreased from 65 in November 1965 to 63 in November 1966. The Government has continued to encourage investment in the tin mining industry. Large acreages of virgin jungle are gradually being released to accommodate the growing demand for more mining land and substantial stretches of coastline have been given out for prospecting with a view to off-shore mining for tin in the not too distant future. However, the production of iron ore, which has expanded greatly since 1956, declined by about 9% to an estimated 6.3 million tons in 1966, due mainly to the depletion of high grade ore deposits and reduced demand from

Japan. At the end of October 1966, 29 iron mines were operating in West Malaysia compared with 30 at the end of October 1965.

Manufacturing activities, stimulated largely by increased domestic demand and the high level of agricultural production, continued to expand in 1966. In West Malaysia, the net value of output of industries included in the annual survey of manufacturing which represents about 80% of the net value of output in the entire manufacturing industry, amounted to just over \$500 million in 1965, an increase of nearly 16% over the level attained in 1964, as against a rate of growth of about 24% between 1963 and 1964. Precise information on current manufacturing activities are not as yet available but indications are that the rate of growth in manufacturing output during 1966 will most likely be about the same as that recorded in 1965, namely about 16%. On the basis of monthly data for a selected range of industries in the first 10 months of 1966, increases in production appeared to have taken place in nearly all industries during the year, with the exception of the footwear and cigarette industries. Increases in production were recorded in soft drinks, biscuits, soap, tobacco, rubber goods, mattresses and foam rubber products, cement and sawn timber.

Factories accorded pioneer status have been making steady progress. By the end of December 1966, 143 industrial companies, 120 of which are in West Malaysia, 12 in Sarawak and 11 in Sabah, had been issued with pioneer certificates. In addition, another 60 companies have been approved in principle. Total resources of pioneer companies as at the end of December 1966 amounted to \$357 million, of which called-up capital came to \$252 million and loan capital \$105 million. About 42% of these resources came from domestic sources. A total of 112 pioneer companies in West Malaysia are already in production while 8 other projects are in various stages of implementation. The annual manufacturing survey of selected industries indicates that the net value of output of pioneer companies in West Malaysia

amounted to \$156 million in 1965, an increase of 28% over 1964. Full-time employment rose from about 10,000 to 12,000 between 1964 and 1965. It is interesting to note that while pioneer companies contributed about 31% of the total net value of output of the industries included in the annual survey in 1965, they accounted for only 16% of full-time employment. In spite of all this progress, the manufacturing sector in West Malaysia accounts for a relatively small proportion of the gross domestic product—11% in 1966, compared with 9% in 1960. It is clear that the manufacturing sector has not been expanding fast enough to make a significant impact on the economy, particularly in the matter of more extensive and more rapid import substitution and the creation of employment opportunities. Later on in my address, I shall outline the measures already taken and likely to be taken by the Government to assist our manufacturers to meet the challenge, and it is a big challenge, which they face in trying to increase production to the point of take-off in so far as industrial development is concerned.

Activity in building and construction continued at a high level in 1966 although there could have been some slackening in the rate of growth during the year. Large investment outlays in both the private and public sectors and the continuing demand for residential dwellings and commercial and industrial structures accounted for the uninterrupted growth of this sector of the economy. In general, output in the distributive and service industries also continued to grow during the year in keeping with the general expansion in the other sectors of the economy.

### **Employment and Prices**

The higher level of economic activity recorded in 1966 had led to some improvement in the general employment situation in Malaysia. Sectors of the economy which provided most of the increased employment opportunities included manufacturing and construction, tin mining, timber extraction and sawmilling. Precise information on the current employment and unemployment

situation in Malaysia as a whole is not available. However, indications are that despite the increase in employment during the past year, employment opportunities have not been rising fast enough to accommodate the unemployed, especially those "first-timers" leaving school annually. Youth unemployment continues to be high. In 1966, it was estimated that 142,000 boys and girls left school. Most of them will be seeking employment. By the end of this year another 150,000 boys and girls are expected to leave school. It is clear that, in the last analysis, only an adequate rate of economic growth can take care of this problem.

The rate of unemployment in the urban areas continues to be higher than that in the rural areas and that for the country as a whole. In June, 1966, an official sample survey covering 5 major urban areas in West Malaysia, namely, Kuala Lumpur and Petaling Jaya, Georgetown, Ipoh, Klang and Johore Bahru, indicated that there was a slight decline in the overall rate of unemployment in these urban areas. The overall unemployment rate, expressed as a percentage of the labour force, was about 8% compared with just over 9% in mid-1965. The general pattern of unemployment by age groups followed the trends of recent years with the highest rate in the age groups 15-19 years and 20-24 years. The incidence of unemployment is highest for persons with only primary education. The distribution of unemployment by industry in these towns showed relatively little change, except in the manufacturing industry where the number of persons employed as a percentage of total employment increased from 16.7% in mid-1965 to 20.7% in June 1966. Service industries accounted for 33.6% of total employment, commerce 23.6%, transportation, storage and communications 9.3%, and mining, construction, utilities and agriculture 12.8%.

It is somewhat paradoxical that while surplus labour exists in West Malaysia, East Malaysia, particularly Sabah, continues to experience a general shortage of labour, especially of skilled labour. To some extent, this shortage was met by recruitment from West Malaysia.

During 1966, about 600 persons, mainly rubber tappers and construction workers were recruited from West Malaysia to work in Sabah and Sarawak. In order to encourage the migration of labour the Government has established the Malaysian Migration Fund Board, whose aim will be to promote and finance the transfer of workers from West to East Malaysia. If this Board operates effectively, and if its efforts receive the active and full support of the State Governments concerned, there is no reason why, in the course of time, such transfers should not kill two birds with one stone, namely, eliminate the labour shortage of East Malaysia while reducing to some extent the unemployment situation in West Malaysia at the same time.

To prevent increases in income from being nullified by too rapid population growth, the Government has officially sponsored a programme of family planning through the National Family Planning Board which will launch a pilot scheme in mid-1967. Results of the Board's work will not be apparent for some time to come, but suffice it to say at this stage that the success of this campaign will bring handsome dividends in the form of improvement in the health of mothers and babies and in living standards.

The remarkable stability in the overall level of retail prices in West Malaysia during the past decade and a half continued in 1966. The information available so far indicates that the retail price index for West Malaysia, which measures price changes for a fixed basket of goods and services with 1959 as the base year, showed no appreciable change during the first 9 months of 1966. The monthly retail price index during this period averaged at about 103 compared with an average of 102.3 during the corresponding period of 1965. Price indices in West Malaysia for food, beverages and tobacco, clothing, services and entertainment, showed only a slight increase during this 9-month period. It is unlikely that the level of retail prices has changed significantly during the last quarter of 1966. This achievement of a long and continuous period of price

stability is especially significant when it is recalled that not so very long ago, various prophets of doom predicted that the tax measures introduced for the 1965 Budget would lead to an appreciable increase in the general level of retail prices. The facts are now available for all to see and they bear testimony to the general soundness of the Government's policies. I do not think it is rash on my part to predict that we will continue to enjoy growth within a framework of monetary and price stability in the years ahead.

In my last Budget address I referred briefly to the pressure on retail prices in East Malaysia, particularly Sabah, which arose mainly from favourable export earnings in recent years and the concentration of increased construction activities within limited areas in this part of Malaysia. I am happy to state, on the basis of available evidence, that while export earnings in East Malaysia have continued to be favourable and the tempo of development high, there has been no significant pressure on the general level of retail prices in Sabah and Sarawak during 1966. A comparative study conducted by the Department of Statistics in October 1965 indicated that, on the whole, the general level of retail prices in Jesselton, excluding rent, was about 20% higher than the level prevailing in Kuala Lumpur. Similar calculations for Kuching showed that the general level of retail prices in this town, excluding rent, was approximately 11% higher than in Kuala Lumpur. Results of another survey conducted by an ad hoc committee in Sabah recently revealed that the general level of retail prices, excluding rent, in Jesselton had risen by about 20% between 1963 and 1966. These are admittedly preliminary figures but they are nonetheless significant in that they demonstrate quite clearly that although the general level of retail prices in East Malaysia is higher than that in West Malaysia, the difference between them is not as large as is generally believed.

#### **External Trade, Balance of Payments and Reserves**

Malaysia's foreign trade, which expanded rapidly in 1965, continued to grow in 1966, but at a slower rate. The

latest information indicates that gross exports in 1966 amounted to about \$3,876 million, an increase of 2.5% over 1965, as against an exceptionally high rate of growth of nearly 12% in 1965. Although the volume of exports increased significantly during the year under review, much of the increase was offset by the generally lower commodity prices which obtained. Gross imports, estimated at about \$3,419 million in 1966, were about 2% higher than in the previous year compared with an increase of 4.7% in 1965 and an average annual rate of growth of 3.8% for the period 1961 to 1965. As a result, the trade surplus amounted to \$457 million in 1966 as against a surplus of \$426 million in 1965. Malaysia's terms of trade declined during the year in the sense that the purchasing power of our exports was less in terms of imports, i.e. one unit of export bought less in imports.

The latest trade data indicate that receipts from the export of rubber, round timber, and palm oil and kernels were higher in 1966 than in 1965. Earnings from tin, iron ore and sawn timber, however, declined during the year under review. Gross rubber exports which accounted for about 38% of total exports, increased slightly in 1966 as a result of the larger volume exported during the year. On the basis of export data for the first 10 months of 1966, the gross volume of rubber exports during the year is estimated to have passed the million ton mark to reach 1,024,000 tons, an increase of 7.7% over the amount exported in 1965. Export receipts from rubber, however, are estimated at about \$1,485 million in 1966 or only 1.6% higher than in 1965 on account of a fall in price during the year. The unit value of rubber averaged about 65 cents a pound in 1966 compared with an average of 69 cents a pound in the previous year.

In the first quarter of 1966, the price of R.S.S. No. 1 rubber, noon buyers f.o.b. Singapore, averaged just over 70 cents a pound. Since then, the price has declined steadily, averaging only 67.3 cents a pound in the second quarter, and 62.6 cents a pound in the third

quarter. The major dampening factor was the U.S. General Services Administration's decision to increase stockpile sales of natural rubber by 50,000 tons a year to 170,000 tons in 1966/67 without prior notice as to the amount that will be released to the market. As a result, in early September the price fell below 60 cents a pound and on 26th September, a price of 58.6 cents a pound was recorded, the lowest since March 1954. This latter price was recorded again on 3rd October. Fortunately, as a result of vigorous representations by the Malaysian Government, the U.S. General Services Administration suspended its stockpile sales pending a review of its disposal programme, and decided on 19th October to trim sales of its stockpile rubber to an annual rate of 120,000 tons with effect from 1st January, 1967. In addition, it suspended further disposals for the rest of 1966. This favourable development provided the needed boost and the price rose by nearly 7 cents a pound between 3rd October and 19th October. For the last quarter of 1966, the price averaged 61.9 cents a pound, though it fell again to 58.6 cents a pound towards the end of the year. For the year as a whole, the average price of R.S.S. No. 1 was 65.4 cents a pound compared with an average of 70 cents a pound for 1965.

World production of natural rubber, for which Malaysia accounted for some 40%, is estimated at 2.45 million tons in 1966, an increase of 5% over 1965. World consumption of natural rubber is estimated at 2.52 million tons in 1966, about 7% higher than in 1965 so that, for the world as a whole, production fell short of consumption by about 70,000 tons during the year compared with a shortfall of 27,500 tons in 1965. However, disposals of natural rubber from Government stockpiles more than offset the deficits in both years. World production and consumption of synthetic rubber in 1966 were estimated at 3.26 million tons and 3.17 million tons respectively. The share of synthetic remained at about 56% of the total world market.

On the basis of data for the first 10 months of 1966, gross exports of tin, estimated at \$790 million in 1966, were about 9.5% lower than in 1965 as a combined result of the lower prices obtained during the year under review and a fall in export volume. The volume of tin exports, estimated at about 72,500 tons in 1966, declined by nearly 2% during the year due mainly to the discontinuance of imports of tin from Thailand for re-export. However, net exports of tin, amounting to about 70,600 tons, were about 6.8% higher than in 1965. The unit value of tin exports averaged an estimated \$10,890 a ton in 1966 compared with \$11,800 a ton in the previous year.

World production of tin-in-concentrates outside the Communist bloc countries was estimated at about 160,400 tons in 1966, an increase of 5.2% over 1965. Malaysian production accounted for more than 42% of total world output. Estimated world consumption of tin metal amounted to 167,500 tons in 1966, 1.4% higher than in the previous year. There was thus a smaller deficit between world production and consumption in 1966 than in 1965, more than offset by disposals of stockpile tin in both years.

With the narrowing of the gap between world production and consumption, the price of tin, which reached relatively high levels between March 1965 and February 1966, steadily fell during the greater part of 1966. The daily spot price on the London Metal Exchange averaged £1,296 a ton in 1966, 8.3% below the daily average price of £1,413 a ton in 1965. During the first half of 1966, the average daily spot price was £1,363 a ton compared with £1,375 a ton for the corresponding period of the previous year. The average daily spot price in the latter half of 1966 was, however, much lower and averaged £1,231 a ton compared with £1,449 a ton for the second half of 1965. Major factors which contributed to the decline in price included reported increases in production in the major producing countries and speculation that the output of tin-free cans could well supply about 80% to 90% of the beer and beverage can

market in the United States. As in previous years, the American Stockpile disposal programme continued to have a depressing effect on prices.

Sustained world demand for tropical hardwoods and semi-hardwoods has contributed substantially to the rapid growth of the Malaysian timber industry in recent years. Exports of round timber increased sharply during the year, from \$262 million in 1965 to an estimated \$350 million in 1966, an increase of 33%. In terms of volume, round timber exports rose by about 30% to an estimated 4.3 million tons in 1966 compared with 3.3 million tons in 1965. The unit value of round timber exports increased by less than 3% during the year. Exports of sawn timber, which reached a record level of 521,000 tons in 1965, were estimated to have declined by about 3.8% in 1966 to about 501,000 tons. The unit value of sawn timber fell during the year so that total earnings from sawn timber exports, which amounted to about \$82 million in 1966, declined by about 14% compared with 1965.

The volume of iron ore exports, our fourth major exports commodity, declined by about 7.3% in 1966 to an estimated 6.2 million tons as a result of reduced demand from Japan. Total export earnings amounted to about \$148 million or about 8.6% lower than in 1965.

The oil palm industry, which is becoming an increasingly important export income source, continued to make encouraging progress in 1966. Total exports of palm oil amounted to about \$115 million in 1966, an increase of 6.7% over 1965 mainly as a result of the larger volume exported. Although the volume of palm oil exports increased by 23.8% to 174,500 tons in 1966, much of the increase was offset by lower prices obtained during the year. The unit value of palm oil fell from \$762 a ton in 1965 to \$656 a ton in 1966. The volume of palm kernel exports is estimated to have increased by about 15% in 1966, but owing to a fall in its unit value, earnings from palm kernel exports amounted to about what they were in 1965, namely, about \$9 million.

On the whole, exports of rubber, tin, timber, iron ore, and palm oil and kernels, which accounted for about 77% of total gross exports, amounted to an estimated \$2,976 million in 1966 compared with \$2,969 million in 1965. Growth in the exports of other commodities, particularly pineapples, coconut oil, bauxite and some manufactured goods, thus accounted for most of the increase in total exports during the year under review.

The comparatively slower rate of increase in imports during 1966 reflected to some extent a levelling off in the imports of food, beverages, tobacco, and manufactured goods and articles, as the process of import substitution gathered momentum, while there was a decline in the import of inedible raw materials. However, imports of mineral fuels and chemicals were estimated to have increased by about 11.5% during the year, while imports of machinery and equipment were estimated at about 7.5% higher than in 1965.

Preliminary balance of payments estimates for Malaysia indicate that the current account was in surplus by about \$89 million in 1966 compared with a surplus of \$121 million in 1965 and deficits amounting to \$129 million and \$222 million in 1964 and 1963 respectively. The current account surplus in 1966, though somewhat smaller than that recorded in 1965, was brought mainly by an improvement in the merchandise surplus. However, the deficit on invisible account, which is a normal feature of our balance of payments and, indeed, of most developing countries, increased by about \$46 million, largely on account of reduced defence expenditures arising from the withdrawal of Commonwealth forces from East Malaysia. Foreign grants received during 1966 were also lower than in 1965. Nevertheless, the current balance of payments position continues to be healthy.

In 1965, it was estimated that the total inflow of private long term capital, comprising both new funds and re-investment capital, and official long term capital, mainly in the form of net foreign loan receipts, amounted to about \$360 million compared with an aggregate

inflow of about \$270 million in 1964. After making adjustments for unrecorded short term capital movements, including advances and lags on trade and service payments, and errors and omissions, the overall balance of payments in 1965 recorded an estimated surplus of about \$165 million compared with an overall deficit of \$124 million in 1964. Similar information for 1966 is not yet available, but the indications are that the aggregate inflow of long term capital in 1966 was much smaller than in 1965 due mainly to a sharp decline in the amount of official long term foreign borrowing during the year. On the whole, Malaysia's basic payments position, that is, the balance on current and long term capital transactions, continued to be in surplus in 1966 indicating that the country's balance of payments is still basically sound. Despite this healthy position, Malaysia's foreign reserves fell during 1966, as a result primarily of adverse unrecorded capital movements. The balancing item, including errors and omissions, continued to be large.

Malaysia's gold and foreign exchange reserves increased by \$165 million in 1965 compared with a decline of \$124 million in 1964 and a decline of \$66 million in 1963. For the period 1960 to 1965, total reserves increased by about \$520 million on account of the generally favourable balance of payments outcome experienced during this period. However, during the first 11 months of 1966, Malaysia's foreign reserves declined by about \$107 million; official reserves fell by about \$58 million and the net foreign assets of commercial banks fell by nearly \$49 million. As at the end of November 1966, Malaysia's external reserves, including an estimate of Malaysia's share of the foreign assets of the Currency Board, amounted to \$2,657 million, of which about 91% is held by official institutions. This level of reserves is sufficient to finance about 9½ months' imports at the current level, which is satisfactory by any standard.

### Monetary and Financial Developments

We in Malaysia have always been proud of our record of financial stability. Our policy has always been, and will continue to be, growth in conditions of stability. As in previous years, growth in the amount of money or purchasing power in the hands of the private sector continued to be consonant with the rate of increase in the production of goods and services in the domestic economy. Gross currency circulating in Malaysia has been estimated at about \$1,190 million at the end of November 1966, an increase of 5.6% over the amount in circulation at the end of 1965. Active currency, however, that is, currency in the hands of the public, expanded at a comparatively faster rate. At the end of November 1966, active currency, estimated at about \$1,090 million, was 6.5% higher than at the end of 1965. Current account deposits maintained by the public with the banking system rose by nearly 5% to about \$690 million at the end of November 1966. Hence, total money supply in the country, comprising active currency and current account deposits, amounted to about \$1,780 million at the end of November, 1966. This represented an increase of about \$100 million or nearly 6% over total money supply at the end of 1965. Like most developing countries, currency notes and coins account for a large proportion of our total money supply. At the end of November 1966, about 62% of the money supply consisted of currency in circulation and the remaining 38% took the form of current account deposits. During the first 11 months of 1966, *quasi* money or fixed and savings deposits maintained by the public with the banking system increased by \$126 million, or 13.6%, to some \$1,050 million.

The upward trend in the growth of both deposits with commercial banks and bank credit over the past few years continued into 1966. By the end of November 1966, total deposits with commercial banks in Malaysia amounted to \$1,921 million, an increase of \$177 million, or about 10% over those at the end of 1965. The continued increase in deposits reflected, among

other things, the growth of the banking habit and the expansion of banking facilities throughout the country. Total bank credit at the end of November 1966, amounted to \$1,304 million, compared with \$1,141 million at the end of 1965, an increase of 14.3%. It may be of interest for Honourable Members to note that there has been a steady and noticeable increase in the amount of bank credit extended to the manufacturing sector during the past few years. At the end of June 1966, total loans and advances for manufacturing accounted for 17.5% of total bank credit compared with 16.9% at the end of June 1965, 14.2% at the end of June 1964 and 11% at the end of December 1963.

The market for short term funds and Treasury bills, which has been taking shape in recent years, has made satisfactory progress. To ensure that the market will have an adequate supply of Treasury bills and to accommodate rising demand, Honourable Members will recall that this House recently approved legislation to increase the maximum amount of Treasury bills that can be raised from \$600 million to \$1,000 million. Total Treasury bills outstanding at the end of December, 1966 amounted to about \$578 million, an increase of \$128 million, or 28.5% compared with the end of 1965.

Conditions in the Stock Exchange over the first 11 months of 1966 have improved greatly compared with 1965, although the Exchange was generally quiet apart from occasional bursts of unusual activity. An analysis of the turnover data published in the Gazette of the Exchange, for example, indicates that turnover in the first half of 1966 was 61% higher than that in the latter half of 1966. Turnover for the period July to November, 1966 was 41% higher compared with the corresponding period of 1965.

### Currency

I am sure the House would like to know that preparations by Bank Negara to issue new Malaysian notes and coins on 12th June, 1967 are well under way. It would be of interest also for me to refer to the backing for the

new Malaysian dollar. When Bank Negara assumes currency issuing powers on 12th June, the law requires the Bank to maintain exactly the same minimum reserve of external assets against its new notes and coins in circulation as the minimum reserve of external assets which the Currency Board is presently required to maintain against its notes and coins in circulation under the provisions of the Currency Agreement, 1960. Under the terms of this Agreement, the Currency Board is allowed to invest an amount of up to \$300 million in the securities of or guaranteed by any of the Participating Governments, so that the minimum reserve of external assets which the Currency Board is required by law to maintain against its currency liabilities is about 80%. So far, however, no Participating Government has taken advantage of this provision to request the Currency Board to invest in its securities. As a result, the effective reserve of external assets maintained against Currency Board notes and coins in circulation has never been less than 100%. In the same way, although the minimum reserve of external assets which Bank Negara is required by law to maintain is approximately 80%, in practice, and indeed, for a long time more to come, this reserve will be more than 100% (*Applause*). I shall now explain how this happy position will come about.

Bank Negara will issue its new currency in exchange for Currency Board notes and coins. The Malayan dollars received in exchange will be presented to the Currency Board for redemption and Bank Negara will receive 2s. 4d. for every Malayan dollar so redeemed, so that for every Malaysian dollar that is issued by Bank Negara there will be a reserve of external assets of 2s. 4d., that is, 100% cover. In addition, the Bank itself at present holds more than \$200 million in gold and foreign exchange which would form an additional backing for the currency issued by the Bank. The reserve of external assets against notes and coins issued by Bank Negara will thus be well over 100% (*Applause*).

It will be interesting to note that a reserve of external assets of 80% against currency liabilities is considered high even by international standards and many currencies of the industrial countries regarded as "hard" have a foreign exchange backing which is well below this figure. The provisions of the law which allow Bank Negara to issue up to a maximum of about 20% of its notes and coins against domestic assets rather than external reserves is a feature present in every central banking system. This feature is known as a fiduciary issue and merely provides the Bank with some flexibility in the exercise of its powers to ensure that the appropriate amount of money and bank credit will always be available to service the growing needs of an expanding economy. Honourable Members will have noted from my earlier remarks that a fiduciary issue has been provided for even in our present Currency Board system and there should therefore be nothing unusual for our own Central Bank to be endowed with this feature.

Malaysia, with its substantial export base and relatively large foreign exchange reserves, is in a strong position to maintain the strength and stability of the new dollar. Moreover, the Malaysian Government has always demonstrated its ability to maintain, and will continue to maintain a viable and stable economy which provides the very foundations for a strong and sound currency. This policy is most important for, in the final analysis, it is the basic strength of the economy and the policies of the Government that really matter. The financial policies of the Malaysian Government have often been described by many international monetary experts as both sound and conservative and yet progressive, and I can give a pledge that such policies will continue to be maintained in the future (*Applause*).

The recent decision of the International Monetary Fund to include the Malaysian dollar in its list of currencies to be used for future drawings on the Fund, despite the fact that Malaysia will be issuing a new currency in June, has a special significance for us in this

connection. In the past, only the currencies of the rich industrial countries have been accorded this status. Such international recognition clearly confirms not only the inherent strength of the Malaysian dollar but also the Fund's confidence that the Malaysian Government will see to it that the new currency will always be strong and stable in the eyes of the world financial community.

Honourable Members will have noted from Press reports that both the Singapore and Brunei Governments have agreed with us in principle to adopt arrangements which will ensure the free interchangeability of our respective currencies after 11th June next when three new currencies will take the place of one. I have every confidence that it should be possible to work out, in good time, the required details as soon as the monetary authorities of Singapore and Brunei are established and this should go a long way towards removing any inconvenience which might otherwise arise from the change which is due to take place in June 1967.

### **Economic Integration**

The process of economic integration of the component States of Malaysia has now reached the point where all "Made in Malaysia" goods, apart from a few exceptions, are allowed duty free movement within the country, subject to certain conditions. It is the Government's intention to eliminate even this short list of exceptions as soon as possible. It is also intended to enact unified Customs legislation for the whole of Malaysia to replace the three separate laws which now exist.

The shipping lines involved, by increasing the frequency of their sailings between East and West Malaysia, have also helped to increase trade between these two components of Malaysia. Positive Government measures, added to this contribution, have thus resulted in rather striking progress in this field in recent years. Total intra-regional exports increased from about \$5 million in 1961 to \$59 million in 1965, and an estimated \$91 million in 1966. In the case of intra-regional imports,

these were estimated to have grown from \$9 million in 1961 to \$71 million in 1965, and to \$117 million in 1966. To accelerate further the growth of intra-regional trade, the Government has decided on the following additional incentives:

Firstly, port charges at Port Swettenham on cargo to and from all Malaysian ports will be reduced by \$1.30 a ton with effect from 20th January, 1967 i.e., tomorrow (*Applause*); and

Secondly, full drawback on imported raw materials utilised in the manufacture of goods traded between East and West Malaysia will be granted with immediate effect, with the proviso that goods which are already allowed duty free movement within Malaysia will not be eligible for both the full duty drawback as well as the exemption from regional import duty; manufactures of such goods will only be eligible for either one of these concessions.

### **Federal Government Finance**

#### **1965**

Before dealing with the financial position of the Federal Government for 1966 and 1967, I would like to refer briefly to the final outturn for 1965 because at the time of my last Budget speech in November, 1965 these accounts could clearly not be finalised. The current account for 1965 turned out to be slightly better than expected while the higher level of development expenditure was accompanied by a larger amount of domestic borrowing.

For 1965, ordinary budget revenue came to \$1,580 million or \$55 million more than envisaged. This was largely due to more favourable prices at the end of the year for rubber and tin, a higher yield from turnover tax, and the impressive increase in receipts from telecommunications services. Although ordinary budget expenditure turned out at \$1,629 million or \$49 million more than previously envisaged, the deficit on the ordinary budget came to \$49 million, or \$6 million less than expected. Allowing for transfers to the

Development Fund and certain other statutory funds of \$66 million, the current account for 1965 showed a surplus of \$17 million compared with the \$2 million previously expected.

Development expenditure during 1965 came out at \$590 million or \$40 million more than expected. Compared to 1964, the increase was substantial, viz. 14% above the 1964 figure, even after excluding the \$8 million spent in Singapore during 1965. As a result, the overall deficit, after taking into account the \$17 million current account surplus and \$54 million of special receipts credited to the Development Fund, reached a new high of \$519 million. This deficit was financed by loans totalling \$495 million and a run-down in Federal Government reserves of \$36 million. The difference of \$12 million is accounted for by additional cash disbursements to various trust funds. It may be noted that gross domestic borrowing totalled \$412 million or \$72 million more than previously expected. This increase in gross domestic borrowing was largely due to the increase in the Treasury bill holdings of commercial banks which had to meet the new liquidity requirements of the Central Bank.

#### **1966**

The accounts for 1966 have been closed but not yet finalised. It is however clear that although the Federal Government's financial outturn in 1966 has turned out to be more favourable than envisaged in the 1966 Budget, the general picture is one of increasingly severe strain. For the first time since 1958, there is a deficit on current account. The overall deficit, after taking into account development expenditure, is over \$500 million which is uncomfortably large. It leaves the Government's realisable assets at about \$400 million, or around the level prevailing during 1958, which was one of our worst years in this respect.

Ordinary budget revenue for 1966 is now estimated at \$1,640 million. This is \$84 million more than the original budget estimate for the year. The increase is due largely to higher average prices than originally estimated for

rubber and tin, and a higher yield from income tax. This revenue total of \$1,640 million is \$60 million, or 4% more than actual revenue for 1965, but is really \$148 million or 10% more than the comparable revenue for 1965, if Federal Government receipts from Singapore for the first 8 months of that year are excluded. This buoyant increase in revenue is particularly striking when we consider that export duty from rubber declined by \$13 million, while that from tin and iron ore also declined by \$2 million and \$6 million respectively. In addition, interest from investments fell by \$8 million and receipts from the Currency Surplus Fund distribution over \$4 million lower. The increase in revenue was therefore due to a number of special factors. A part of the increase was of course attributable to the tax changes imposed when the 1966 Budget was introduced, and these were estimated to yield \$49 million; the removal of Commonwealth preference from a number of import items in August 1966 was a significant contribution. At the same time, the yield from turnover tax of \$43.5 million during 1966 included some \$15 million of arrears from the 1965 assessments. Also included in ordinary revenue was a total of \$18 million of cash no longer required for various Trust Fund operations.

While the increase in road transport licences and fees of \$21 million, or 19% is welcome, the most striking increase is in the collection from income tax (including tin profits tax) which rose from \$302 million in 1965 to \$365 million in 1966. This is not only a new record, it shows a remarkable increase of \$63 million or 21% during a year when only minor adjustments in tax rates were made. While a part of this increase could be attributed to the higher profits of rubber and tin companies in 1965, when gross national income was estimated to have increased by 9.7%, a substantial part of the increase was clearly due to improve collection and the success of the anti-evasion drive.

This anti-evasion drive is being spearheaded by a Senior Investigation Officer and 14 Colombo Plan experts,

seconded and contract officers specially recruited for their wide experience in income tax evasion work. They are ably assisted by Malaysian Revenue officers who at the same time are learning from the former the finer techniques of detection (*Laughter*). Revenue officers in pairs have been visiting business premises to make on-the-spot investigations. The plan is that over a given period every business will receive at least one visit from them and if there is any evidence of tax evasion, the full weight of the law will be brought to bear upon them. It would then be too late for the evaders to ask for mercy. The full rigour of the law will then be applied and its penal provisions will be invoked to mete out the penalties appropriate to them.

While the increase in revenue has been satisfactory, the growth in expenditure has been a major source of anxiety. Ordinary Budget expenditure is now estimated at \$1,720 million. This is \$36 million more than envisaged in my 1966 Budget speech, or 5.6% more than Federal Government ordinary expenditure for 1965. If, however, we exclude from the 1965 figure the Federal Government's expenditure in Singapore before the separation, and this is clearly fair for the purpose of comparison, the increase in 1966 is \$131 million, or 8.2%. There is considerable pressure to increase expenditure due mainly to the need to implement Government policies already decided upon, and to maintain completed development projects. The increase in 1966 has taken place in spite of Treasury efforts to limit or turn down demands for additional funds from various Ministries and Departments. I will refer again to these pressures and efforts to limit expenditure increases when dealing with the 1967 expenditure proposals.

From what I have already said, it is not surprising that the Ordinary Budget for 1966 is likely to end up with a deficit of \$80 million. Discounting the transfer of \$52 million from ordinary expenditure to the Development Fund and certain other Funds, there is then a current account deficit of \$28 million. Although this current account deficit is less than the \$78

million estimated in my 1966 Budget speech, the fact remains that the current account is not in balance, and this is an extremely serious trend which must clearly be reversed.

In my 1966 Budget speech, I estimated that actual development expenditure might turn out at \$615 million, although \$880 million was appropriated in the Development Budget. This allowed for shortfalls in disbursements for administrative and technical reasons. Despite our reluctance to reduce development expenditure, we have had to slow it down mainly because of the slow inflow of foreign loans and grants. As Honourable Members are aware, under the First Malaysia Plan, out of an estimated public sector development expenditure of \$4,550 million, a sum of \$1,900 million was expected to be financed from external sources in the form of loans and grants. Although several countries and international institutions have promised or agreed to provide aid, only a small sum has been received so far, and the first year of the Plan period has now elapsed. I should, however, add that the delay in translating promises into fulfilment is largely due to shortage of staff on our part, as a result of which we have not been able to get on with the job of negotiating and finalising the agreements required with the donor countries as quickly as we would wish to. Consequently, several projects which appeared in the 1966 Development Estimates have not been started or had to be phased out in view of the financial stringency. As a result, actual development expenditure is expected to total only \$600 million instead of the \$615 million originally envisaged.

Special receipts credited direct to the Development Fund during 1966 are now estimated at \$57 million. They include \$17 million of British Government grants for the development of East Malaysia, some \$35 million of reimbursements for British defence equipment, and \$5 million in repayment of loans granted to State Governments and other public authorities. Apart from this aid from Britain, significant grants in kind were received in the form of Australian defence

equipment, Canadian Caribou aircraft and motor cycles worth over \$12 million, and New Zealand military equipment. This defence assistance was given to expand Malaysian armed forces and in response to our requests for aid during the years of confrontation. I would like to take this opportunity to express our sincere appreciation of this valuable help from our allies in our hour of need (*Applause*).

With development expenditure at \$600 million and special receipts at \$57 million, the overall deficit for 1966, including the current account deficit of \$28 million, is now estimated at \$571 million. This will be financed by domestic and foreign loans totalling \$406 million and a rundown of \$165 million in the Federal Government's reserves.

#### **1967 Ordinary Expenditure Proposals**

As Honourable Members will observe from the Expenditure Estimates already tabled, ordinary expenditure for 1967 has been fixed at \$1,829 million, including a transfer of \$50 million to the Development Fund. The 1967 expenditure will, therefore, be 11.2% more than the Budget appropriation of \$1,644 million for 1966 but only 6.3% more than the anticipated 1966 expenditure outturn of \$1,720 million.

The difficulties of reducing ordinary expenditure will be appreciated when it is realised that out of an estimated total of \$1,829 million, \$463 million or 25% consists of expenditure that is charged by law and cannot, therefore be reduced. Of the balance of \$1,366 million, Defence received \$250 million, Internal Security \$147 million, Education \$385 million and Health \$140 million. This leaves a balance of only \$444 million or 24% of the total ordinary expenditure available for all other Federal Ministries and Departments. Details of the major changes in expenditure are to be found in the Treasury Memorandum on the Estimates of Ordinary Expenditure for 1967 which has been tabled as Command Paper No. 49 of 1966. I would, however, like to draw the attention of the House to those expenditure heads which impose the greatest strain on our resources.

Public debt charges have registered the steepest increase for 1967, rising from \$166.6 million in 1966 to a level of \$219.6 million in 1967, an increase of \$53 million or 31.8%. The public debt alone accounts for 12% of total ordinary Budget expenditure in 1967. This is due to an increase of \$7.9 million in the interest payable on loans and an additional provision of \$25 million, as compared to \$15 million in the 1966 Budget, to provide for the discounting of Treasury bills. The largest component of public debt charges, however, is the \$35.5 million provided for sinking funds in respect of two 5-year loans which will have to be redeemed this year. Although the cost of servicing the public debt is rising steadily and absorbs a major share of ordinary Budget expenditure, it is a liability which is unavoidable if we are to implement our development programme. So long as we borrow to finance income generating projects, the cost of servicing these loans will be fully justified by the higher level of economic activity and the new employment opportunities that will result, but as some of these loans are also used to finance defence and social projects, the alarming increase in debt charges is of some concern to the Treasury.

Although the political situation in South East Asia has greatly improved, and peace has returned to our country after 3 years of confrontation, it has not been possible to reduce defence expenditure as much as we would wish to despite the most careful scrutiny. This is not to say that defence expenditure in certain sectors has not been cut. Honourable Members will be aware of the closure of the National Service Training Centres. Similarly, the establishment of the Local Defence Corps has been slashed by half and the intake of this force has been drastically reduced. Savings from these reductions alone are expected to amount to about \$34 million a year. We have tried to prune the defence budget even further but have had to accept the fact that the withdrawal of Commonwealth forces from East Malaysia has compelled us to augment

our forces there in order to deal effectively with incursionists and a growing Communist threat.

I should also add that the original bid from the Ministry of Defence came to \$380 million and I would like, at this stage, to pay a tribute to my Honourable Colleague, the Deputy Prime Minister and Minister of Defence, who, to the dismay of his own military advisers, helped the Treasury to reduce it to the final figure of \$250 million (*Applause*). Nevertheless, the 1967 allocation for ordinary defence expenditure represents not a decrease, but an increase of 5.2% over the 1966 Budget provision and constitutes 13.7% of ordinary budget expenditure for 1967. While there is no question that a sovereign nation such as ours must provide adequately for our own defence, we must also ensure that the cost of maintaining our forces is within our means; otherwise our objective of achieving higher living standards for our people will be jeopardised.

Although it has not been possible to effect any meaningful reduction of expenditure on defence as a result of the cessation of confrontation, reductions have, however, been made in other directions. Civil Defence shows a decrease of \$1.9 million, or 50% of its 1966 estimates, while the Head for the Ministry of Home Affairs has provided a decrease of \$1.7 million as a result of the disbanding of the Vigilante Corps and the cessation of tenant registration. These reductions in expenditure are, however, comparatively insignificant.

The expenditure on education in 1967 will amount to \$385 million, i.e. \$32 million or 9.1% more than the 1966 Budget provision of \$353 million. This is by far the largest allocation given to any one Ministry and constitutes 21% of total ordinary Budget expenditure. The expenditure on education is not only very large, its rate of annual increase has also been rapid. In 1964, expenditure was \$283 million, in 1965 \$320 million, and in 1966 \$353 million. The proposal for 1967 is \$385 million. In 1968 the bill will exceed \$400 million! The increase in expenditure cannot, of course, be avoided if existing policies

are pursued but in view of the fact that we are now coming to the limit of our resources, it will be necessary to reappraise such policies in the course of 1967 so that the expenditure can be accommodated within a figure which we can afford. While we would like to provide the best for our children we cannot ignore the facts of life and must accept that we can only provide what we can afford.

I have touched on the major items of ordinary Budget expenditure and the difficulties involved in restraining these expenditures. In my view, one of our chief troubles in the field of Government expenditure is that we are apt to forget that an Eastern economy cannot adopt Western standards of building construction and furnishing, among other things. This is, of course, a relic of our colonial past which we cannot erase too quickly, if we are to remain financially viable. The Costs and Standards Sub-committee of the National Development Planning Committee is looking into this question. If this Sub-Committee does its work properly, and I have every confidence that it will, because its composition includes not only Government officials but also well-known figures drawn from the University of Malaya and from the private sector of the economy, substantial savings should ensue. In so far as the Development Budget is concerned, no new expenditure will be allowed in 1967 unless such expenditure can be met from the existing vote.

In this connection, I must again emphasise the need for restraint in the matter of pay increases in the public sector. For example, the bill for personal emoluments in the Federal Government alone has risen to \$530 million in 1967, an increase of 8.1% over the 1966 estimate. If we include the provision for pensions, which amounts to \$60 million, the total figure will be \$590 million or 32% of ordinary budget expenditure for 1967. This is not all. The amounts shown under personal emoluments do not include the salaries of teachers which absorb the bulk of the statutory grants to schools, nor the wages of employees in the Industrial and Manual Group,

nor the salaries of employees of statutory bodies which obtain most of their funds from the Government. If all these payments are taken into account, and they should be, because they are salaries and wages paid for out of the public purse, the personal emoluments bill will amount to not less than 40% of the total budget.

We have reason to believe that in at least one major sector of the Public Service the salaries paid are comparable to those earned in some of the richest countries of the Western World. In 1966 alone pay increases cost the Government an additional \$16 million per annum. The sad part of the situation is that the overwhelming bulk of the Government's additional pay bill in recent years is not the result of more bodies working for it, it is merely the result of more pay given to the same bodies, and if the public is to be believed, too many of these same bodies are giving less service for more pay. This state of affairs clearly cannot go on indefinitely, and when the Report of the Salaries Commission comes to hand later this year, an agonizing reappraisal will have to be made, if I may adopt an expression which has become famous. The time is rapidly approaching when the Government will be faced with either a major retrenchment exercise, or with an overall pay cut from top to bottom or with both these measures.

In the course of 1965 and 1966, the Federal Treasury had, on a number of occasions, no choice but to issue money from the State Reserve Fund to some States, a few of which had literally no money to pay even the current salaries and wages of their employees, and this has been one of the reasons for increased Federal Government expenditure. Some of these States can justify their requests for assistance from the Federal Government as it was the decisions of the latter in the matter of pay increases which increased their financial commitments substantially. There are, however, others which have shown little sense of financing responsibility and which think nothing of indulging in deficit financial without even knowing how their deficits are to

be financed. These States have already been warned privately by me, but I should now like to state in public what I have stated so often privately, and that is that the Federal Government will not consider any request for help from any State unless the Treasury is satisfied that the State concerned has practised the utmost economy and done everything it could to help itself by increasing its revenue to the maximum extent possible from the sources available to it.

### 1967 REVENUE BEFORE TAX CHANGES

If no tax changes are made, Ordinary Budget revenue for 1967 will total an estimated \$1,685 million, which is only \$45 million or 2.7% more than the estimated outturn for 1966. The 1966 figure, however, includes 2 items, namely, the release of cash no longer required for a number of trust fund operations and arrears of 1965 turnover tax assessments, which together came to \$33 million and hence inflated the yield for 1966 unfairly for the purpose of comparison. Even if this once and for all windfall of \$33 million is excluded from 1966 revenue, the estimated revenue yield for 1967 would be \$78 million or 4.9% more than that for the previous year and this would clearly be unsatisfactory. The main reasons for this are to be found in the expectation of a very sharp drop of \$56 million or 25% in the yield from export duties and of a less buoyant increase in income tax revenue.

Export duty from rubber is expected to be \$18 million less in 1967 on the basis of a 6% increase in production at 1,050,000 tons but an average selling price of only 58 cents per lb. Export duty from tin is expected to be \$40 million less in 1967 on the basis of a total production of 66,000 tons, i.e., about 2,000 tons less than for 1966, and an average price of \$580 per pikul. While income tax, including tin profits tax, is estimated to yield \$400 million, an increase of \$35 million or about 10% more, this would be much less than the increase recorded in 1966, and reflects the slower rate of growth in the gross national product. Honourable

Members will note from Command Paper No. 55 of 1966, which gives detailed information on changes in revenue, that the yield from motor vehicle licences and fees is expected to increase by \$21 million or 16%, to \$150 million in 1967, as a result partly of the removal in August 1966 of preferential rates of registration fees on motor vehicles. Since ordinary expenditure proposals already total \$1,829 million, the Ordinary Budget will show a deficit of \$144 million if tax rates remain the same, or \$94 million if the transfer of \$50 million to the Development Fund is excluded.

The Development Estimates which are tabled separately show a proposed appropriation of \$836 million including \$40 million for the Contingencies Reserve. This compares with an appropriation of \$880 million for 1966. Actual expenditure in 1967 is, however, estimated to reach \$650 million against an estimated outturn of \$600 million for 1966. Special receipts credited direct to the Development Fund are estimated to amount to \$60 million during 1967 compared to \$57 million now estimated for 1966. On the basis of a development expenditure outturn of \$650 million, and allowing for special receipts of \$60 million, there will be an overall deficit of \$684 million for 1967 if no changes in taxation are made.

To finance the proposed development expenditure, it is hoped to raise loans of \$300 million internally and \$150 million from abroad. This makes a total borrowing target of \$450 million which is \$44 million more than the figure reached in 1966. During 1967 it is expected that Treasury bills outstanding will increase by a further \$50 million while medium and long term loans including conversions will provide the remaining \$250 million. Although a target of \$150 million of gross foreign borrowing may seem over-ambitious compared to the amount actually obtained in 1966, which was only \$6 million, it is not impossible of fulfilment as considerable ground work has already been laid for this purpose.

### Reasons for the Strain in the Federal Government's Financial Position

Let me pause here awhile to enumerate the major causes of our increasingly difficult financial position. In the first place, we have embarked on a massive development effort to raise national income in spite of a rapidly increasing population. During the first half of this decade we have more than trebled development expenditure in the public sector. As Honourable Members are aware, we have built up our economic infrastructure to a point where what is needed now is largely an adequate response from the private sector. We have spent and are continuing to spend vast sums on rubber replanting and land settlement. We are not neglecting our social infrastructure either and our education and health services have been the notable beneficiaries of this policy. Social projects not only require a large capital outlay, their cost of maintenance is a further burden on the recurrent budget. The public debt service charges incurred in the financing of social projects also mean increased recurrent expenditure and thus contributes further to the strain on current account.

Secondly, there is the problem of falling commodity prices. Rubber provides the most striking example of the dilemma which faces us. Although we expect to export 29% more rubber in 1967 than we did in 1960, the revenue from export duty is estimated at only \$55 million for 1967, namely only 28% of the \$196 million collected in 1960. These figures illustrate more vividly than mere words the validity of what I have repeatedly maintained, namely, that we have to run fast in order to stand still. This ominous trend also underlines all too clearly, if further underlining is still required, the absolute necessity to intensify research activity, and I sometimes wonder if enough is being done in this field.

Thirdly, we are faced with the increasing costs of defence, particularly since Malaysia. In 1962, which was the year immediately preceding the formation of Malaysia, expenditure on defence, both recurrent and capital, amounted to a mere \$109 million. The

comparable figure for 1967, only 5 years later, is \$360 million. Defence and internal security absorbed 14.6% of the total capital and recurrent budget for 1962 but 20.4% for 1967. Most of this increase would not have been necessary if we did not have to defend East Malaysia, a thousand miles away.

Fourthly, there is the undertaking to accelerate development in East Malaysia. I well remember the time when we were negotiating for the merger of Sarawak and Sabah with the former Federation of Malaya. We stated as our objective then that we would try to provide a total sum of \$500 million for the two States over a period of 5 years. I felt then that this target was over-ambitious. In the event, we are now providing more than what I regarded as an over-ambitious target less than 4 short years ago. The financial arrangements between the East Malaysian States and the Federal Government are such that there has been a net flow of funds to these two States of the order of \$50 million in 1964, \$80 million in 1965, and about \$140 million in 1966, after deducting the British development grant of \$17 million a year. Furthermore, these amounts do not include the cost of the defence of East Malaysia and other Federal services which are paid for by the Central Government. What we receive from them in the form of tax revenues is insignificant but what we pour into them in the form of Federal expenditure is becoming an increasingly onerous burden.

Last but by no means least, the introduction of what has been called comprehensive lower secondary education will be largely responsible for education in 1967 absorbing 18% of the total capital and recurrent budget. Neither should we forget the pay increases given in recent years to major segments of the Public Service.

In other words, not only have we taken on major new commitments in recent years, the almost intolerable strain has arisen because we have taken on all these major commitments at the same time, and, as if this were not enough, while Government expenditure

was rising progressively, export earnings from rubber, and hence Government revenues therefrom, were tumbling down as a result of steadily falling prices.

### **Revenue Proposals for 1967**

Under these circumstances, the Government has no alternative but to impose for 1967 additional taxation estimated to yield \$115 million in 1967. To begin with, I should like to make it clear, though I feel that this should not be necessary, that it does not give me pleasure to impose additional taxation, however small. After all, even Finance Ministers are human (*Laughter*) and, like all politicians, do not court unpopularity for the fun of it. I am, however, convinced that there is no other course open to us if we are to maintain our financial viability and economic stability.

### **Inland Revenue Development Tax**

Before going further, I should make it clear that when giving revenue yield figures estimated yields for a full year are meant even though I may not say so specifically. I shall first deal with the proposals relating to Inland Revenue. The most important proposal in this field, in fact, the most important proposal of this Budget, will be the introduction of a new levy, known as a development tax, with effect from 1967. This new Malaysia-wide tax is to be levied at the rate of 5% on "development income" which is defined as income derived from any trade, business, profession or vocation, and also rent from the letting of properties. Income from salaries, wages and pensions, and dividends and interest, except where such dividends and interest constitute business income, will not be liable to this tax. Dividends will not be liable since resident company profits derived from Malaysia would already have been subject to development tax, and making dividends liable to this tax would, in effect, mean taxing the same income twice. Shareholders will not be given tax credits for development tax paid by resident companies on their

profits, and in this respect, development tax is in the nature of a corporation tax.

This proposal will have the same effect as increasing company tax by 5% to 45% except that, in addition, the development tax has been designed to widen the tax base and thus ensure a minimum contribution from all businesses, when coupled with the proposed amendment to the Registration of Businesses Ordinance. At present too many companies and businesses pay no income tax at all largely because they are not disclosing their true profits. Hence, there is to be a minimum development tax of \$500 per annum in the case of a company, and \$100 in the case of a taxpayer other than a company or an individual, i.e. clubs, associations, etc. Where an individual is a partner in one or more businesses, he will pay a minimum of \$100 per annum in respect of such businesses. Where he participates in more than one partnership, but his aggregate development income from all his partnerships would in the ordinary way attract a tax of less than \$100 per annum, his total liability would still be \$100 per annum. In all other cases, the 5% rule would apply. Individuals who are not partners and whose development income does not exceed \$500 per annum are exempted, but it should be noted that individual businesses are liable to business registration fees, the rates of which are to be increased.

Legal authority to impose this levy is being sought by amending the Income Tax Ordinances of Malaya, Sarawak and Sabah. The basis period for this tax will be the same as for income tax. It will be levied for each year of assessment commencing from 1st January, 1967, except that in the case of taxpayers other than companies in Sabah, the tax will be levied from 1st July, 1967. The income for development tax purposes will be ascertained in the same manner as statutory income under the Income Tax Ordinance, except for gifts of money to approved institutions, which will be deductible in the proportion that development income bears to total income. There will, however, be no deduction for personal allowances in

the case of an individual though, as I have stated earlier, exemption from development tax will be accorded to an individual who is not a partner and whose development income for the year of assessment does not exceed \$500. There will be the usual provision for marginal relief where the income is slightly more than \$500. I should add that a taxpayer, the whole of whose income is exempt from income tax, and a pioneer company to the extent that the income obtains relief from income tax, will also be exempted from development tax. This levy is estimated to yield \$50 million for 1967.

### **Business Registration Fees**

We propose to increase the fee on the registration of a business or on the issue or renewal of a certificate of registration in West Malaysia from \$20 on first registration and \$5 for a certificate of registration valid for 3 years, to \$25 on first registration and another \$25 for every year of operation. Although the period of validity of a certificate of registration will also be reduced from 3 years to 1 year, I should add that this new ruling will only affect registrations and renewals effected after 31st March, 1967. The new ruling will not affect current certificates issued before 1st April, 1967 which will continue to be valid until the end of the period for which they were issued without payment of any additional fee.

The smallest businesses, such as rubber small-holders with less than 25 acres, are exempt from registration. Apart from businesses like these, however, we think that it will be generally agreed that a business which cannot afford to pay \$25 per annum cannot be very efficient, and the country will not be much poorer even if it ceases to exist merely because it cannot afford to contribute this paltry sum to the national weal. In this connection, it is interesting to note that Sarawak and Sabah impose heavier fees under their Business, Professions and Trade Licensing Ordinances. The proposed increases in West Malaysian business registration fees are estimated to produce an additional \$1.2 million of

revenue for 1967, and \$3.6 million a year, when the rates become fully operative.

### **Disallowing Certain Payments Relating to Timber in Income Tax Computations**

It is proposed to amend the relevant Income Tax Ordinances in order to disallow as deductions, for the purpose of computing income tax, 50% of the amount of royalty paid or payable to a State Government for the extraction of timber, and the whole of any sum, by whatever name called, paid or payable to a person other than a State Government for the use of a licence or permit to extract timber from forest land. Where no such royalty is payable, 50% of the amount of any duty paid or payable on the export of the timber so extracted will be disallowed as deductions for income tax purposes. The purpose of this exercise is twofold. The disallowance of 50% of the royalty or duty paid to a State Government will have the effect of increasing significantly the tax yield from an industry which is making very large and easy profits and which could, therefore, well afford to make a larger contribution to the national exchequer. The disallowance we are proposing will apply throughout Malaysia.

The other object of this exercise is to discourage the growing practice of transferring or selling a licence or permit for the extraction of timber. This has sometimes been called an "Ali Baba" form of business. I think Honourable Members will agree that this practice is undesirable in any case. Furthermore, the Central Government stands to lose a considerable amount of revenue if payments of this nature continue to be treated as deductible expenses for income tax purposes. This measure should benefit the Revenue by \$4.5 million a year.

### **Minor Amendments to the Income Tax Ordinances**

The opportunity will be taken to make a number of minor amendments to the various Income Tax Ordinances. For Sabah the time limit for objections and payment of tax and penalty is to

be reduced from the existing grace period of 2 months to 1 month to fall in line with the practice in West Malaysia and Sarawak. At present a penalty for late payment equal to 5% of the amount of tax payable is exigible when the tax is not paid within the prescribed period of 1 month from the date of issue of the notice of assessment. It is felt that the penalty throughout Malaysia should be doubled i.e. increased to 10% of the amount of tax payable, because in recent years there has been a marked increase in the amount of tax arrears and in the number of civil suits that had to be instituted for the purpose of recovering overdue tax. It is, therefore, clear that the existing rate is not a sufficient deterrent and should be increased. Apart from the revenue aspects, excessive tax arrears and civil suits consume an inordinate amount of time of the senior officers of the Department which could be spent in more productive work. Section 22C of the West Malaysian Ordinance will be repealed as it is now obsolete, dealing as it does with the treatment of rehabilitation expenditures on plantations and mines in the immediate post-war years.

### **Unified Malaysian Income Tax Act**

I referred in my last Budget speech to the proposed introduction of a new unified Income Tax Act for the whole of Malaysia to replace the separate and different Ordinances of the three component regions. The new Act is in its final stage of preparation and it is hoped that it will be possible for this House to consider it some time in the middle of 1967 so that it can come into force as from 1st January, 1968. The new law will effect several major changes but I shall refer to only two of the most important. Firstly, residents, as defined in the Act, will be assessed to tax on their world income. This means that the resident will, from 1968, be assessed on his income, wherever it arises, whether in Malaysia or outside it, and whether or not it is remitted to this country.

Secondly, the assessment will be based on the income of the preceding year throughout, without the old commencing and cessation complications. There will, in the absence of a double taxation agreement, be provision in the new Act for tax credit relief to be given unilaterally in respect of any foreign tax paid. This change from a "derivation basis" to a "world scope basis" will not only give us a wider tax base and bring in much needed additional revenue, it will also be more equitable as it will remove the incentive which exists at present to the resident to invest his capital abroad and not remit to this country the income so obtained. This practice clearly does not help the national interest and should be discouraged.

### **Stamp Duty Rates**

It is proposed to harmonise the rates of stamp duty throughout Malaysia while taking opportunity, at the same time, to effect a number of minor revisions. A separate Bill will be introduced for this purpose and the new rate will be effective as from 1st April, 1967. For example, the duty on conveyances, assignments and transfers is 2% in Sabah and 1% in the rest of the Malaysia. It will be harmonised at 1%. The duty on cheques will remain the same at 10 cents per cheque. The duty on receipts is 10 cents in East Malaysia and 6 cents in West Malaysia. It will be harmonised at 10 cents (*Laughter*). The increase in revenue from these minor revisions is estimated at \$2 million a year. The proposed amendments to the various Stamp Duty Ordinances will also enable instruments which have paid duty in one part of Malaysia to be moved to any other part of Malaysia without being liable to additional duty. It is also hoped to improve the collection machinery during 1967.

### **Repeal of Turnover Tax**

For a variety of reasons, we now propose to repeal turnover tax (*Applause*) and substitute it (*Laughter*) with a new levy which I shall deal with when outlining the revenue proposals relating to the Department of Customs and Excise. To effect this proposal,

the Turnover Tax Act, 1965 is to be repealed with effect from 1st January, 1967, but without affecting the right of the Comptroller or Commissioner of Inland Revenue to assess and to enforce payment of turnover tax for the years of assessment 1965 and 1966 which remain to be assessed or collected as at the date of repeal of the Act.

### **Yield from Proposals Relating to Inland Revenue**

The Inland Revenue proposals which I have outlined are estimated to yield \$57.7 million in 1967, but if account is taken of the repeal of turnover tax, which is estimated to bring in \$30 million annually, the net yield will be \$27.7 million a year.

### **Customs and Excise**

#### **Surtax on Imports**

Let me turn now to the proposals relating to Customs and Excise. In view of the repeal of turnover tax, to which I have already referred, it will clearly be necessary to substitute a levy which could yield a comparable volume of revenue. We propose to do this by imposing a surtax at the rate of 2% on all imports, including imports into Penang Island (*Laughter*). In regard to liability to turnover tax, imports into Penang Island were treated exactly like imports into the rest of Malaysia and it is, therefore, felt that it is only fair, under such circumstances, for imports into Penang Island to attract surtax as well. The application of the surtax would hence be Malaysia-wide, apart from Labuan, for which no legal provisions for the imposition of surtax exist at the moment.

I should add that surtax will be levied on the value of imports, excluding import duty, whereas turnover tax, which it is meant to replace, was levied on sale prices which included any import duties that might have been paid. Consequently, surtax will be slightly less burdensome than turnover tax. Another advantage of this new levy is that it will apply to all imports including those retained by the importer which hitherto were exempt from

turnover tax. Honourable Members will note that since the introduction of the original form of turnover tax, chambers of commerce in many parts of the country have asked for a straight levy on imports as one which was simple, easy to collect and did not involve extra and complicated accounting on the part of taxpayers. It is, therefore, to be hoped that this proposal, which is in answer to their prayers, and which is estimated to yield \$40 million a year, will be warmly and universally welcomed by the business community (*Laughter*).

Goods exempted from Customs duties as specified under various exemption orders already made, goods imported directly by the Federal and State Governments and by the Diplomatic Corps, goods in transit and in bond, goods of Malaysian origin when moving from one customs area to another within Malaysia, rice, salt, crude petroleum and certain items of import whose duty levels have been bound as a result of trade agreements with Australia and New Zealand, will not be liable to surtax. Rice and salt are exempted since they are prime necessities of life, while in the case of crude petroleum, the Government has given an undertaking not to levy duties on such imports. In any case, the treatment proposed for the last named item will provide a margin of protection for internally refined petroleum *vis-a-vis* imported refined petroleum which will be liable to surtax. Consultations will be held with the Governments of Australia and New Zealand on the import items bound as a result of trade agreements with them. These include cheese, wheat flour and wheat, bran and pollard, tallow, meat, milk, butter, newsprint in rolls and zinc. The exemptions proposed for these bound items will be extended to similar imports from all sources. The reasons for the other exemptions announced are self-evident and I need not go into them. I should also state that when import duty drawbacks are given, such drawbacks will be extended to include surtax as well, and where specified imports are exempted from import duty, they will also be exempted from surtax.

### Import Duties and Excise

The Orders implementing the various tariff changes should shortly be in the hands of Honourable Members if they have not been distributed already. I shall, therefore, only refer to the major changes in this speech.

The most important duty change from the revenue point of view is the harmonisation of the rates of import duty and excise on high speed diesel oil (T.C. 332 301 and 332 309) at the Sarawak rate of 20 cents per gallon. This means an increase of 12 cents in West Malaysia and 11 cents in Sabah. At the same time, the rates for heavy oil (T.C. 332 400) are harmonised at the existing Sabah rate of 7 cents per gallon. This means a reduction for Sarawak of 8 cents per gallon, and a fractional increase in West Malaysia by about 0.3 cent per gallon. It is estimated that these changes will increase revenue by \$27.4 million.

In order to ensure that the increase in duties on high speed diesel oil will not affect public transport like buses and taxis, on which the lower income groups largely rely, the engine tax on diesel buses which now ranges from \$110 to \$280 per month will, as from tomorrow, be reduced to between \$80 and \$220 per month, (*Applause*) depending on the size of the engine. Taxis which have been paying passenger tax at the rate of \$5 per passenger per month will no longer have to pay this tax as from 20th January, 1967. The exemption of taxis from passenger tax should have a beneficial side effect in that it will reduce the financial incentive to operate pirate taxis which do not pay passenger tax but which cannot escape paying duty on diesel oil. These two concessions will cost the revenue \$3.3 million per year and should offset the increased costs which would be incurred by buses and taxis having to pay more duty on their diesel fuel. It should also be noted that the changes in duty rates on diesel oil should not affect the operations of the Malayan Railway, electrical undertakings, tin mines and other industries which use heavy fuel oils.

In February, 1966 the Government announced its intention to impose an import duty in West Malaysia at an ultimate rate of 30% for completely built up vehicles (subject to examination by the Tariff Advisory Board that such levels would be appropriate) within 18 months from the date of such announcement, as a protective measure, in view of the likely establishment of motor assembly plants in West Malaysia. For a start, it is, therefore, considered appropriate to impose a 5% import duty on completely built up vehicles imported into West Malaysia. These proposals will also have the advantage of bringing in much needed revenue in 1967, estimated at \$8 million.

As excise rates for both liquor and tobacco have already been harmonised, it is now proposed to harmonise their import duty rates as well. In addition, the rate of excise on beer and stout throughout Malaysia will be increased by 40 cents per gallon to \$5.20 per gallon. There is reason to believe that our domestic breweries are doing well enough to be able to afford this duty increase. The margin of protection, however, remains the same, as Commonwealth preference on beer and stout abolished last year effectively increased their margin of protection by the same figure of 40 cents per gallon which was the difference between the full rate and the preferential rate. These revised rates of duty on liquor and tobacco are expected to yield \$4.8 million of additional revenue.

We are also repealing the excise duty on one item of domestic manufacture and revising the duty rates for a number of import items which individually have insignificant revenue implications, though their combined effect will result in additional revenue of \$3 million. I do not intend to refer to every one of the items involved in duty changes, as this would take too much time, and are not of general interest. Those who are interested can study the Customs Orders which have been issued and which give full particulars. I shall, however, refer to those changes which are more than ordinary interest.

Import duties on 17 items are repealed because they are little more than irritants in the sense that they neither bring significant revenue nor are they necessary for protective purposes. They include duties on such goods as dried guts of animals, natural sausage casing, lard, wool, grease, carbon black, signalling glassware and optical elements, cameras specially designed for medical and surgical purposes, and so on. The duties on shotgun cartridges, other forms of firearm ammunition, revolvers and pistols are repealed in accordance with our policy not to tax goods used for sporting purposes. To reduce the incentive to smuggle, the rates of duty on silver and platinum are reduced from 25% to 10% *ad valorem*. The lower rate also happens to be the existing rate of duty on gold.

Rates of import duty on cameras, cinematographic equipment and allied goods, woods and furniture, essential oils, perfumes and flavouring materials, pineapples, synthetic and reclaimed rubber, pyrotechnic articles, i.e. fire crackers, will also be harmonised throughout Malaysia.

A duty of 30 cents per lb is to be imposed on fowls and poultry in West Malaysia only to encourage and protect domestic production. The duty on edible birds' nests is to be harmonised at \$1 per lb and the import duties on coffee berries and beans in West Malaysia are to be raised and harmonised at the levels prevailing in East Malaysia. The duty on kapok is to be harmonised at \$224 per ton as a protective measure, and for the same reason, the duty on absorbent lint, gauze and bandages will be harmonised at 10% *ad valorem*. Finally, the excise on playing cards is to be repealed since the revenue yield is small and the one factory we have is not doing well.

Under a separate Customs Order, we are extending the West Malaysian rates of import duty on sugar, matches, cigarette lighters and completely built up motor vehicles to Penang Island. Firstly, this can be seen as a revenue measure. Secondly, this has protective implications. For example, it was anomalous that until a few months ago Penang Island should get its refined

sugar from abroad rather than from a refinery in the same State only a few miles away! Since then, this domestic refinery has been able to sell its product on the Island only because the Government assisted it by granting it full drawback of duty paid on raw sugar used in the production of refined sugar sold in the Island. For the same reason, it is only right that matches manufactured in West Malaysia should be able to find a market on Penang Island also. The extension of the duty on completely built up motor vehicles to Penang Island has been specifically agreed to by the State Government. Honourable Members should note that the extension of these additional duties to Penang Island will not affect either its entrepot or its tourist trade, but they will yield \$3.7 million of additional revenue. I should also add that the Government will permit the establishment of bonded warehouse facilities to accommodate the imports involved in the entrepot trade so that such imports will not attract the duties that will now have to be paid. I should, however, make it clear that such duty exemption will only apply to the goods involved in this trade.

### Export Duties

In regard to export duties, the changes to be effected are relatively minor. Export duties on 31 items of foodstuffs levied at rates ranging from 5% to 10% in East Malaysia are repealed. These include items like fish, oysters, abalone and even blachan. Export duties on coconuts and coconut products, jelutong and rattans are harmonised at rates which should provide some incentive for domestic processing. The most important change here is the imposition of export duty at the rate of 10% *ad valorem* on sawlogs and veneer logs exported from West Malaysia. The Government sees no reason why the Malaysian timber industry should not be encouraged to process such logs. These exports duty changes are expected to yield \$1 million of additional revenue during 1967.

Customs duty changes, including the new surtax, should yield \$87.9 million of additional revenue in a full year.

### Road Transport

Apart from the reduction of engine tax on diesel buses and the abolition of the passenger tax in respect of taxis, another major change proposed in the field of road transport is the increase of the *ad valorem* registration fee on motor cycles and scooters from 15% to 20% *ad valorem*, compared with a rate of 25% for passenger motor vehicles. This increase is dictated not only by revenue considerations, it is also a measure which should encourage the domestic assembly of these vehicles. For 1967, the benefit to the Revenue is estimated at \$1.4 million.

In addition, the Minister of Transport is revising the rates of 6 minor fees to keep them in line with other fees. He is also raising the fees on school buses carrying more than 20 passengers to discourage buses larger than these from carrying school children. These minor changes and enhanced fees are estimated to increase revenue by only \$300,000 a year.

### Aerodrome Service Fees

At the moment, passengers going on international flights other than to Singapore, have to pay \$3 each in the shape of an aerodrome service fee. It is proposed to increase, as from 1st March, 1967, the fee for international flights other than to Singapore to \$5 per passenger. A flight to Singapore will attract \$2 per passenger while domestic flights will cost \$1 per passenger. I am sure Honourable Members are aware that many countries impose this form of tax, and it is, therefore, only right that a Government which has incurred considerable capital expenditure in providing up-to-date facilities for air travel, apart from the heavy costs of maintaining them, should receive a rather larger return for providing such facilities. Further, passengers who travel by air should not be more lightly taxed than those who travel by road and rail, and in any case those who travel by air are normally much better off financially than those who travel by other means of transport. These changes are estimated to yield \$1 million during 1967.

### Incentives for Manufacturing Industry and Exports

In my Budget speech last year, I announced that the Government had already accepted the principle of 100% drawback of duties on imported raw materials utilised in the manufacture of goods intended for export. To assist exports further, the Government has agreed in principle to the following incentives:

- (a) Expenses incurred by approved Malaysian resident companies on export promotion will be eligible for double deduction for income tax purposes. This concession will be on a year to year basis, subject to satisfactory export performance by Malaysian industries; and
- (b) Special depreciation allowances for machinery and equipment will be granted to factories which require to modernise their production techniques.

In addition, the Government is considering the setting up of export credit and insurance schemes. The export drive should also be greatly assisted by the posting of Trade Commissioners to the countries of the Middle East and our neighbours in South East Asia, particularly those which do not produce the manufactured goods which we are producing. It is clear that it is to these countries that we must look for the expansion of our export markets rather than to the countries of the Western world where, for obvious reasons, our goods are not likely to be competitive either in terms of price or quality.

On top of all this, a Government Committee which has been studying the question of the incentives that are considered necessary to stimulate a higher rate of investment in the economy, especially in the field of industrial development and agricultural diversification, has now completed its report. Although it would be premature to anticipate the Government's decisions on all its recommendations, it would not be premature to

say that some are likely to be acceptable with or without modification. I shall briefly refer to two which fall in the latter category.

In the first place, development allowances on qualifying buildings and plant have been recommended. The rate of allowance may be varied according to the need to develop a particular area or to encourage the setting up of industries which are less attractive to a potential investor, or to encourage a greater degree of utilisation of domestic raw materials. The development allowances will be additional to any capital allowances given, and will not be withdrawn when the qualifying asset is sold. This relief will be supplementary to that given under our pioneer industry legislation and will be given to those enterprises which cannot in the ordinary way qualify for pioneer status. When the enterprise incurs a loss, the relief can be carried forward and set off against future profits.

Secondly, accelerated depreciation allowances have been recommended. I do not need to dwell at length on their benefits as they are self-evident. The main advantage to be derived therefrom is that this concession enables the investor to recover his capital outlay in a shorter period and this permits him to have more funds available for both working capital and further expansion. These and other recommendations which have been made in the report will be considered by the Government and it is hoped to reach decisions on them as soon as possible. Their implementation will require the repeal of the existing Pioneer Industries (Relief from Income Tax) Ordinance, 1958 and the enactment of a new law which, it has been suggested, should be entitled "Investment Incentives Act", and which will incorporate the essential provisions of the existing pioneer industry legislation.

Tariff protection is, of course, one of our most potent weapons. It is the Government's intention to use this weapon more extensively. This will become increasingly evident as more items of the Malaysian Tariff Code are considered by the Tariff Advisory Board which, during 1966 alone, held

hearings on a total of 132 items and sub-items. In addition, an Action Committee on Tariffs and Industrial Development has been established for the purpose of processing applications for Government assistance which require urgent action and early decision. Last but by no means least, the Government will establish an Export Promotion Council. Honourable Members will, I think, agree that the new measures I have announced should accelerate industrial development and assist exports greatly. In any case, the Government will consult representatives of the industries concerned on them.

To generate additional employment opportunities and income, attention has also been given to the possibilities of processing more of our own raw materials and handling and shipping more of our own exports. I have already referred to the imposition of an export duty of 10% *ad valorem* on logs exported from West Malaysia. In addition, the rates of import duty on furniture and other wood manufactures are being raised to 25% and 20% respectively throughout Malaysia. The Government is ready to consider additional fiscal and other incentives for the establishment and expansion of integrated timber industries. Malayan Railway will also be ready to grant special rates for the carriage of timber logs to Kuala Lumpur, Klang, and the Port Swettenham area, and to other areas whenever and wherever sawmilling capacity is established along any of its routes. I have also referred earlier to the rationalisation of export duty on fresh coconuts and coconut products, jelutong and rattan to encourage domestic processing of these raw materials.

Further, the Government has decided to impose an additional export duty of 2 cents a lb on all loose rubber exported from West Malaysia on and after 1st April, 1967. There is no reason at all why such rubber cannot be packed in this country, thereby increasing employment opportunities for our own people. After all, we have the expertise and it is only a question of providing more facilities and this should be possible within the next 2.

months or so. It has also been noted that rubber from Kelantan, Trengganu and Pahang does not at present flow to Port Swettenham to be exported. Since that port has the necessary capacity and should be the natural outlet for rubber originating from these States, the Government has decided, with the concurrence of the relevant authorities, to effect the following changes, also as from 1st April, 1967:

Firstly, Malayan Railway will introduce special new rates for the carriage of dry rubber from these States to Port Swettenham which will be about \$2 a ton less than existing rates; simultaneously all other existing special rates for this traffic will be cancelled; and

Secondly, the Port Swettenham Authority will reduce its port charges on dry rubber, the principal reduction being one amounting to \$1.30 per ton.

Those interested in the details of these rate changes will be able to obtain all the information they require from Malayan Railway and the Port Swettenham Authority. To secure the fullest co-operation of the rubber trade, my Honourable colleague, the Minister of Commerce and Industry and I will meet representatives of the trade and Industry soon in connection with these measures.

### Conclusion

It is clear that the task ahead of us is formidable. When we bear in mind that in spite of steadily falling rubber prices, and the health of our economy is so heavily dependent on the maintenance of a stable price for this commodity, we have still managed to accelerate the pace of economic and social development throughout Malaysia, and in the case of East Malaysia, to do better than what we promised in the Inter-Governmental Committee Report, there is cause for some sober satisfaction. What is required from all of us is a sense of responsibility. I, therefore, hope that the response to this Budget, both inside and outside this House, will not be blind opposition to the additional tax measures proposed, it will not be requests for more social services in the form of more

schools, more hospitals and the like, and, above all, it will not be "You should not do this" and "You should not do that", and so on. If there is to be any criticism, and it is right that there should be, I hope it will not be destructive criticism, but constructive advice as to what we should do to make ends meet. I, of course, continually receive numerous suggestions on the spending of money but few, if any, suggestions on how to get it in adequate quantity (*Laughter*). As for certain sections of the business community, the stock response is "So long as you do not tax me, you can do anything you like; so long as I am spared, the rest of the country is not my concern".

The Government on its part will do everything it can to economise. We will have to continue to cut out the frills, we will have to keep on reducing non-essential expenditure, if not eliminate it altogether, and last but by no means least, we must continue to cut out waste, as it is also clear that taxation exercises of the magnitude proposed in this Budget cannot be imposed every year. The size of the task facing us can be more readily grasped if we remember that East Malaysia is more than 50% larger in area than West Malaysia and separated from it by about one thousand miles of water. A comparable situation would be the United States of America merging with the South American continent. Under such circumstances, the former would have to accelerate the expansion of her armed forces and economic and social development in South America at the same time. I venture to suggest that even the mighty U.S.A. would feel the financial strain of such a vast double undertaking. At the moment the task of developing and defending East Malaysia lies largely on the shoulders of West Malaysia.

To add to our difficulties, we are trying to make up for the neglect of centuries in one generation. In about 80,000 sq. miles of territory, there is not a single trunk road, in the sense that there are no roads outside the main towns and villages, and there is no railway worthy of the name. As if

this were not enough, the Sarawak Communist Organisation is superbly efficient and extremely well directed and is, in fact, a credit to the world Communist movement. These were the liabilities which we inherited in 1963 when Malaysia was formed!

What we cannot afford to forget is that we cannot accelerate economic development in West Malaysia, provide for the development and defence of East Malaysia, continue with our comprehensive schools policy, and give increased pay to the Public Service, all at the same time and all in the face of stagnant export earnings. This is clearly a physical impossibility. We can afford two, and with a bit of luck, we could even afford three of these targets, but we obviously cannot afford four at the same time. In other words, we have to make a choice. Economic development in West Malaysia must clearly go on, because otherwise there is no hope for the future. We must provide for the development and defence of East Malaysia because we have no other choice. We can, however, choose between comprehensive schools and increased pay for the Public Service. With some strain, we might be able to afford one or the other but we simply cannot afford both. In short, we must have an order of priorities and it is for this House and this country to choose.

At the same time, it is also well to bear in mind that in spite of the additional taxation measures proposed in this Budget, this country is by no means overtaxed. In 1967, Federal taxation as a percentage of gross national product would come to 16.5%. In 1956, the year before independence, it was 15.3%. In 1960, i.e. at the beginning of the Second Malayan Five Years Plan, the comparable figure was 16%. I will not say that the 1967 figure puts us in the category of countries which

are extremely lightly taxed, neither would it be correct to say that it puts us on a par with those countries which are heavily taxed. Considering the increasing scale of benefits which we have provided for our people, I would say that they have received a fair return for their money.

It is the future which counts. We must make up our minds that we are going in the right direction, and if we are satisfied on this score, we must also satisfy ourselves that the pace is neither too fast nor too slow. We must then ensure that we are receiving full value for money spent and if we are satisfied on this point also, then we must be prepared to bear the cost. That cost clearly entails sacrifice and toil to-day in order to ensure a better tomorrow. We cannot afford to mortgage our economic future by wasting scarce resources on matters which are not essential either for our economic growth or for national survival. To do this we must be able to distinguish between what is merely desirable and what is absolutely necessary. Above all, let us remember that the law of Nature decrees that nothing worthwhile is achieved without sacrifice. So long as the sacrifices asked for are commensurate with the ability to bear them, and so long as the Government is prepared to play its part, the people of this country too must play their part. We cannot do more and they cannot ask for more (*Applause*).

Sir, I beg to move.

**The Deputy Prime Minister (Tun Haji Abdul Razak):** Sir, I beg to second the motion.

**Mr (Deputy) Speaker:** The meeting is adjourned till 9.30 a.m. tomorrow.

*Adjourned at 5.00 p.m.*