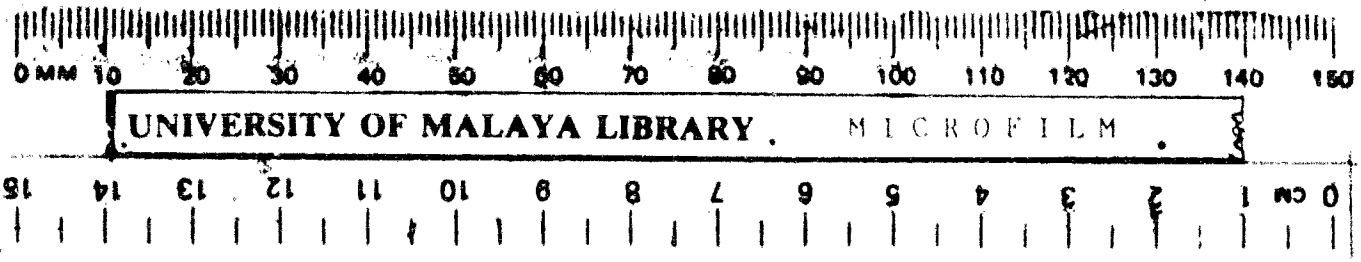
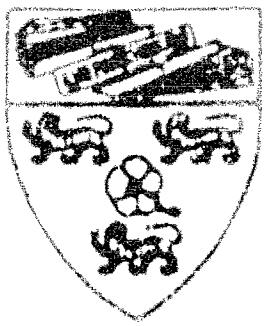
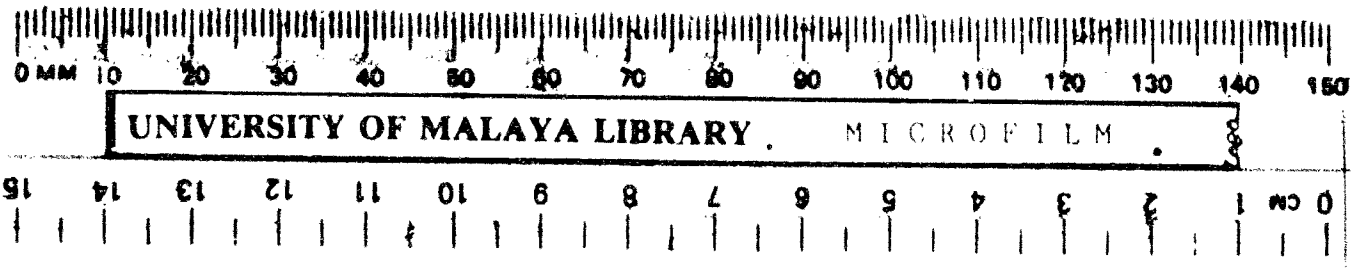




MULA



"FOREIGN TRADE STATISTICS OF MALAYA"

A STUDY OF THE USE OF STATISTICS IN THE ANALYSIS OF FOREIGN TRADE

by

Khong Kim Nyoon

A Graduation Exercise presented to the University of Malaya in part fulfilment towards the Degree of Bachelor of Arts with Honours in Economics (Statistics)

Division of Statistics,
Faculty of Economics and Administration,
University of Malaya.

August, 1956

SYNOPSIS

This Graduation Exercise is a study of how Malayan trade statistics are used to study the flow of goods in and out of the country during the period 1947-1965. The Gross Export Proceeds/Gross Domestic Production ratio and Gross Imports/Total consumption ratio being both half, it is obvious that trade is a very important sector of the Malayan economy.

Chapter I deals with a detailed examination of the definitions, concepts and methods of compiling trade statistics, giving the logic behind the present system used and, where possible, the faults in the system and how published data may have to be adjusted to present a true picture of the trade flow. This close examination of the definitions is fundamental in any analysis based on the published statistics for it is obvious that conclusions may be different had a different system been followed.

Trends in total imports and exports follow, with a more detailed analysis of exports by commodities and imports by sections in later sections in Chapter II. This study in the trends is to see how far external economic situations affect the trade of Malaya and whether the fluctuations in the value of trade is due more to fluctuations in price or volume. The chapter concludes with an analysis how the trade sector has affected the domestic economy of the country during the period mentioned.

An analysis of the patterns of trade by economic and geographical areas is relevant in understanding the trends of trade, for if we can trade the main consumption centres of our exports and the main sources of our imports we are able to trace the external causes for the fluctuations in external trade. The trade of Malaya with the main economic and geographical trades have been traced in Chapter III. But in doing this, we are faced with the major difficulty that separate trade statistics for Malaya alone are not published for the years before 1958. Accordingly, two methods have been suggested to estimate Malaya's trade by countries and, in most tabulations, separate sets of figures are given to show the results of the two methods used.

The fluctuations in the trade with these countries are analysed and the reasons traced in the remaining parts of this Chapter. Throughout, adjustments for exports to Singapore, the destination of which is not known at the time of export, have to be made to show the true picture.

Chapter IV attempts to project future exports and imports. In the case of exports, such projections are done by commodities, various variables affecting future export volume and value being taken

into account. For imports, projections are being done only be value for the various sections. The assumptions made for such projections and the reasons for such a set of assumptions are spelled out in detail throughout the whole analysis.

From a study of the trends, past and present patterns and future trade, conclusions are drawn as to the implications for Malayan trade.

TABLE OF CONTENTS

LIST OF TABLES

INTRODUCTION

"Never before have statistics of international trade been so important and so widely used".[1] Every country has increasingly recognised the scope and relevance of trade statistics in any analysis of its domestic economy. Not only are trade statistics important in understanding the domestic economy, they are vital in other than purely domestic problems. "Political and economic factors have become so interrelated that such economic data as trade statistics are needed in the determination, evaluation, and implementation of foreign policy".[2]

That Malaya has recognised the importance of trade statistics is reflected in the constant attempts to improve the method of compilation of the trade statistics. More commodity detail, and more sophistication in the information compiled has always been strived for.

This Graduation Exercise concerns the foreign trade statistics of Malaya. The definitions and concepts used in the collection and compilation of information on the flow of merchandise trade between Malaya and the rest of the world has been dealt with in the first chapter. The rest of the chapters deal with the derived use of the statistics in an analysis of the manner in which trade has affected the economy of Malaya and the implications past and present trade relationships with her trading partners has on future development.

The manner in which Malayan trade statistics are to be used, the reliance placed on the information published will have to depend a great deal on the definitions, concepts and methodology used in the compilation and publication of the trade statistics. Our present system is far from perfect and conclusions reached in later chapters must take into consideration the limitations and qualifications which the manner of compilation must have on the use of the statistics.

---

1 & 2 R.G.D. Allen and J.E. Ely (Ed.), "International Trade Statistics" (John Wiley & Sons, Inc., London, 1953), p. 1.

CHAPTER I

DEFINITIONS AND CONCEPTS IN MALAYAN FOREIGN TRADE STATISTICS

"Malaya" in the context of this graduation exercise refers to the "States of Malaya" used by the Department of Statistics in their publications. The Registration Area covered by the statistics therefore exclude Singapore, comprising only of the States of Perak, Selangor, Negri Sembilan, Pahang, Johore, Kedah, Perlis, Kelantan, Trengganu, Penang and Province Wellesley and Malacca. When we talk of "Malayan Foreign Trade Statistics", it should, in this context, be taken to refer only to the Registration Area mentioned above, unless otherwise stated.

Compilations of Malayan Foreign Trade Statistics provide information on the international movement of goods between the States of Malaya and foreign countries, but exactly what goods are included or excluded (coverage of the statistics) and how details of the different types of commodities in this trade are presented depend to a great extent on the practices followed and the commodity classification used in the compilation. The information also covers values of trade in Malayan currency and where export goods are bound for and where import goods come from. The compilation of the latter depends again on the principles and practices and the definitions adopted in obtaining the raw data from those supply it.

It is the purpose of this chapter to discuss the definitions and concepts used in the compilation of Malayan Foreign Trade Statistics. The information given in the Department of Statistics' publications are at best scanty, and we need to look into the definitions closely to see the logic behind them.

This chapter will also discuss the method of collection and compilation of the statistics briefly. Since the graduation exercise concerns the use of statistics of imports and exports from 1947 to the present day, i.e. before and after the introduction of the present system of commodity and country classification based on the SITC, it will be worthwhile to examine briefly the changes involved from the classification based on the Brussels convention (1913) classification and the comparability of the statistics of the two periods.

1) Method of Collection and Compilation

There are probably in each year thousands of shipments of merchandise from and into Malaya to and from other countries. Each of these shipments is recorded at the place where the shipment starts

and at the place it is finally completed. These records of the shipments are the raw data from which trade statistics are compiled.

Malayan "importers and exporters are required to prepare an import or export declarations in respect of every consignment of merchandise imported or exported".[1] For statistical purposes, the essential information on the import/export documents is the description of the commodity, the net quantity, value and the country of origin or destination. "Import and export declarations are verified by the Customs Department"[2] at the point of importation and exportation. In the verification, the Customs Department, with the help of suppliers' invoices and "such other supporting documents as may be available", examines the declarations for completeness and accuracy.

"Declarations in respect of consignments by road and rail are collected at the frontier of the registration area by the Customs Department."[3] For parcel post statistics, the declaration forms are obtained from the Postal Authorities. "Details of stores and bunkers loaded on board for non-Malayan ships' and aircrafts' own consumption are obtained from ships' and aircrafts' agents".[4] All these documents are sent to the Department of Statistics in Kuala Lumpur for compilation.

At the Department of Statistics, the documents are edited and coded after being received from the various sources. The editing and coding procedures take the form of translating the information into numerical codes. The information is then perforated into punch-cards, which after the usual procedures of verification, etc. are sorted in various ways to give trade statistics on a commodity-by-country basis, country-by-commodities basis, etc.

2) Period Covered by the Statistics

Declarations must flow from the Customs points on the borders of the registration area to the Department of Statistics in Kuala Lumpur where the information is processed and compiled. The flow of declarations are usually not in a chronological order and it may be sometime after the goods are imported or exported before the declarations are received. This situation is perhaps made more acute when "ship's and aircraft agents are, by law, allowed 24 hours after arrival and within two days from the date of departure of a ship or aircraft in which to supply the appropriate manifests of cargo together with relevant import and export documents".[5] That means that if a ship or aircraft, say, stays in the registration area for 2 months, and only within the last two days supplies the documents, the recording of the imports or exports may be two months late, if the goods were laden or unladen on the vessel's arrival.

---

1 to 4 Department of Statistics Publications: Section on Notes.

5 Op. cit: Notes.

The Statistics Department therefore faces the problem of determining which documents for which periods should be included in the report of the trade for a particular month. Like most countries, "the monthly import and export figures are compiled from documents received ... during the month and not according to the month of arrival or departure of the ship or aircraft".[6] On a yearly basis, it has been argued that the error is not substantial since the early/late recordings then to balance each other. In the case of exports, where an exception is made to the above procedure for rubber and tin and the "import/export figures relate to the actual quantities imported/exported during the month according to the date of arrival or departure of the vessel",[7] the figures obviously cannot be substantially in error since the two commodities form 80% of the exports. But in the case of imports, the situation is not so definite. To my knowledge, no one has, as yet, made a study of the matter and it would be beyond our scope to look into the matter more deeply.

Perhaps the Statistics Department should examine the situation and consider the suggestion of a "statistical month" for compilation of the figures. According to L.A. Lane and I. Weiss the "statistical month" corresponding as closely as possible to the month in which the shipments are actually made, "documents received after the end of the month if they represent shipment made during the month",[8] should be included. A variation of this procedure may be where the "statistical month" represents all or about all shipments made during an arbitrary 30-day period such as from the 24th of one month to the 23rd of the following.[9] This would of course increase difficulties in inter-country comparison but its worth cannot really be appraised without a deeper study.

3) Coverage of Merchandise

The coverage of merchandise has often led to many practical difficulties. This, says A. Maizels, is due to two conflicting views about international trade. "The first", he says, "conceives of foreign trade statistics as a complete record of the actual flow of goods across national frontiers, whereas the second would treat trade statistics as an adjunct of the balance of payments accounts, and would-on the extreme crew - include only those flows of goods for which payment is made".[10] In Malaya, the view, as can be deducted from the definitions, seems to regard trade statistics as showing the addition to, or deduction from, the currently available supply of goods in the country. This is not

---

[6] & [7] Op. cit.: Notes.

[8] L.A. Lane &I. Weiss in "International Trade Statistics", Edited by R.G.D. Allen and J.E. Ely (J. Wiley & Sons, New York, 1953), p. 23.

[9] Kane & Weiss, op. cit., p. 23.

[10] A. Maizels, Ibid, p. 28.

to say the balance of payments is unimportant, only that the basic aim of trade statistics had been borne in mind.

The trade statistics of Malaya include all goods imported and exported on public account, i.e. government municipalities, etc. as well as an account of enterprises and persons, but excludes:

a) Gold and issued currency and coins.

b) Goods imported and exported on account of the Naval, Military and Air Forces of the Commonwealth.

c) Personal effects of passengers, other than migrants, for their own private use.

d) Exposed cinematograph films imported or exported on a rental basis.

e) Stores and fuel supplied to Malayan ships and aircraft.

f) Goods imported or exported on behalf of diplomatic services.

g) Military aircrafts, ships, weapons and amunition".[11]

It can be seen from the definition of merchandise covered, that Malayan foreign trade statistics gives an actual record of the flow of merchandise, except perhaps for (g). The rest of the items excluded are normally excluded from the trade statistics of other countries, even accepting the definition of purpose above.

Examining the logic for the inclusion or exclusion of particular commodities, A. Maizels grouped the commodities involved into:

1) Trade in monetary reserves.

2) Extra-territorial and similar trade.

3) Trade representing difficulties of statistical recording, and

4) A miscellaneous category presenting classification difficulties.[12]

---

[11] Department of Statistics, op. cit.

[12] A. Maizels, op. cit., p. 30.

Gold an issued currency and coins come under "trade in monetary reserves". For Malaya, which do not produce any gold, this category is a "movement in monetary reserves" and should be recorded as a movement on capital account. Though such movement may have an indirect influence on the domestic supply of goods and services, they fall outside the scope of statistics of "merchandise trade".

The exclusion of goods imported/exported on behalf of foreign armed forces and diplomatic missions is an extension of the extra-territorial principle. Embassies of foreign government are regarded as part of the country they represent. Therefore goods brought into Malaya are not regard as "imported". This principle has been apparently extended to cover the armed forces as well.

Exposed cinematography films entering a leaving the country temporarily would come under "temporary trade", There are two views to this category of trade: firstly that such temporary trade is not part of a country's proper foreign trade and therefore should be excluded, and, secondly, that such trade is no different from ordinary trade. Since cinematography films are on a rental basis, this is good enough an assurance that they are not entering or leaving the country permanently. It is therefore logical and proper that they be excluded from the trade statistics.

Personal effects of passengers present statistical recording difficulties. Like most countries this item is excluded from the trade statistics. In Malaya, however, there is a further qualification that such personal effects be for their own private use. In practice it would be very difficult to distinguish between effects for private use or otherwise, especially if the items are minor ones. It may be better to exclude all together personal effects below a certain value limit.

There seems to be no justification for the exclusion of military weapons from the trade statistics. In fact, until 1964, the figures were published. If we were to look upon trade statistics as a complete record of the addition to, or deduction from, the total available supplies of goods within the country, such trade should be recorded. Perhaps, should the Government have objections to this for security reasons, the total figure at least should be published. A detailed breakdown by items and countries need not be given. Up till now, this has not been important, but with the rapid expansion of the Malaysian armed forces in mind, this kind of trade can make a large difference to the import figures.

Ships and aircraft and stores and fuel supplied to them present statistical difficulties and different systems of recording such transactions are followed by different countries. The difficulties arise from the definition of a "national frontier". Two lines of argument are possible on this question. "The first would regard shipping and aircraft movements as movements between and not across national frontiers, thus implying that all merchant shipping (including national shipping) lies outside the national frontier. The second would consider all national ships as being within the national frontier

at all times".[13] It will be outside our scope to go into the implications of the two view-points, so we shall confine our discussion to matters concerning our concepts.

From the definition for imports of ships and aircraft, viz:

"Details of commercial and pricate ships and aircraft are included in the statistics if:

a) They arrive as merchandise, under their own power or otherwise, from abroad to an owner in the registration area, or;

b) They leave as merchandise, under their own power or otherwise, consigned to an owner outside the registration area",[14]

it seems we look upon our ships and aircraft as within the national frontier at all times.* Yet stores and fuel supplies to Malayan ships and aircraft are excluded from the trade statistics. If we look upon over vessels as within the national frontier at all times stores and fuels supplied to Malayan ships in foreign ports should be regarded as imports. While stores and fuel s to Malayan ships are excluded, we include stores and bunkers for non-Malayan ships and aircraft. This procedure is a contradiction in logic. If one is included, the other must be included; or both be left out. It seems that our Statistics Department is following the most convenient course with no consistent principle in mind. Of course it would be difficult to obtain details of stores and fuel to our vessels at foreign ports. If this were so, stores and bunkers for non-Malayan vessels should not be included in the export totals, but shown separately.

Fish landed from Malayan fishing vessels direct from fishing grounds, are not regarded as imported.[15] This is an extension of the principle of extra-territoriality. Fish caught by Malayan fishing vessels are regarded as part of "national production" and not imports irregardless of where the fishing grounds lie. In this case, territorial waters are regarded as outside the national frontier for trade statistics purposes. Strictly speaking, if we regard territorial waters as within the national frontier, fish landed from foreign fishing grounds should be recorded as imports. Similarly fish caught in our territorial waters by foreign vessels should be regarded as exports.

---

[13] A. Maizels, op. cit., p. 33.

[14] Statistics Department, op. cit.

* The other view would exclude sales and purchases of <u>all</u> old ships; new ships purchased abroad would be exclude from imports, and new ships to both national and foreign purchaser would be regarded as exports (Maizels, Ibid.)

In practice this would be impossible to record, so it is best we make a differentiation only regarding the nationality of the vessel landing fish in Malaya.

4) Trade System

There are two systems of recording trade: the general trade system and the special trade system. "The general trade system is a record of all goods entering the country as imports and all goods leaving as exports, (i.e. all goods considered as genuine merchandise trade with other countries)".[16] "The special trade system on the other hand, regards clearance through the customs as the criterion for the recording of trade statistics".[17] Summing up the differences in the 2 systems, Maizels concludes "... although the general trade system regards the 'statistical frontier' as the port or other point of entry into a country, the special trade system puts the 'statistical frontier' at the clearance point of the Customs authorities".[18]

From the definitions of import, export and direct transit trade in the Department of Statistics' publications, it can be seen that we follow the general system of recording trade. The following definitions cover imports and exports:

> "For the purpose of these statistics:
>
> a) Goods are regarded as imported when they are brought into the registration area, whether direct or into bonded warehouse, by land, sea or air from places outside the registration area, except that:
>
> i) Goods in direct transit and
>
> ii) Fish landed from Malayan fishing vessels direct from fishing grounds; are not regarded as imported.
>
> b) Goods are regarded as exported when they are taken out of the registration area, whether direct or from bonded warehouse, by land, sea or air to places outside the registration area except that goods in direct transit are not regarded as exported".[19]

"Goods are regarded as in direct transit when they are brought into the registration area for the sole purpose of transport to another country and remain in the custody of shipping or aircraft agents or Port Authorities while in the registration area".[20]

---

[16] Maizels, op. cit., p. 47.

[17] Ibid., p. 47.

[18] Ibid., p. 47.

[19] Statistics Department, op. cit., Notes.

[20] Ibid.

There is, therefore, no distinction between imports for consumption and imports for re-export or between exports and re-exports.[21] Until 1963, no separate figures had been published on re-exports.

There will be a substantial effect on the trade figures if the method for recording trade is on the special trade system. If large stocks of goods were held in Customs warehouses and the stock change is very great, under the general trade system the import and export figures will be inflated by the value of such goods, which were not, in the first place really intended to be brought into registration area. Under the special trade system, imports for re-exports and re-exports will not be recorded.

The definitions do not cover goods in <u>indirect</u> transition. It is clear that a substantial port of our imports and exports is actually indirect transit trade but has not, to date been differentiated from genuine merchandise trade. The League of Nations 1928 convention on economic statistics defines indirect trade as:

"... goods arriving from abroad, warehoused and subsequently exported without being placed at the free disposal of the importers and without having undergone transformation, repair, or supplementary treatment other than re-packing, sorting or blending".[22] There is actually no real difference between indirect transit and re-export from Customs warehouse. Under our trade system, all such goods are recorded as imports so they must be recorded as exports when shipped out again.

No one has as yet made a exhaustive study of the extent to which our import and export statistics are inflated under the present system by such "disguised transit trade", but from W.M. Corden's and H.V. Richter's study[23] of the "approximate entrepot trade" of Malaya, we can get a rough idea of the value by which our statistics had been inflated.

In Corden's and Lichter's study, merchandise traded by Malaya are divided into 2 parts - "those where the value exported is greater than the value imported, such as rubber (Category A), and those where the value imported is greater than the value exported, such as rice (Category B)"[24]. Accordingly, merchandise is split into these two categories. They take the "approximate entrepot trade as gross imports of Category A plus gross exports of Category B.[25]

---

[21] Ibid.

[22] Quoted in Maizels, op. cit., p. 49.

[23] Refer source to Table 1.1, p. 282.

[24] Corden & Richter, op. cit., p. 282.

[25] Ibid., p. 285.

It is clear that Category A goods are not intended for home consumption since Malaya is a net exporter of these goods. Category B goods are not imported for consumption but for re-export. Under the special trade system, if all these goods entering the entrepot trade had not been "nationalised", they would not be recorded in the trade statistics. It follows that if Malaya were to follow the special trade system, the value of imports and exports would be lower.

Under the general trade system, Category A goods, amounting to $246.6 million (1961), are recorded as imports. When exported, they are recorded as exports. It seems, under the present system, imports and exports had been inflated by this amount. Similarly Category B ($240.0 million in 1961) inflates the imports and exports figures. Under the special trade system our import and export figures would go down by about $500 million. This conclusion will be valid if all these goods had not been "nationalised" by crossing the customs barrier. To what extent such goods are kept in bonded warehouses has not yet been studied but we can assume a good proportion (especially in cases where import and export duties are high not to have crossed the customs barrier.

If we are to take trade statistics as a record of addition to, or deduction from, the currently available supply of goods, and such goods, intended for re-export, are not intended to be available for consumption, then it seems such trade should be excluded from the trade statistics. The above conclusion of course rests on the assumption that all such goods are exported in the same form. In practice it will be difficult to make a study of what goods had been processed and what had not been processed.

The above discussion should not be taken to imply the advocation that all such goods be not recorded. But it is merely to point out that in order not to have misleading trade figures, imports for consumption and for re-exports and domestic exports and re-exports should be differentiated.

5) Commodity Classification

In international trade, "commodities" is defined as materials and articles movable and procurable.[26] They are defined as "movable" to distinguish then from real estate property and they are procurable because they have an exchange value and are therefore subject to commercial transactions. Commodity classification provides information in sufficient detail to permit users to know the characteristics of the commodities entering trade in sufficient volume.

Commodities in Malayan trade statistics are classified in accordance with the "Malaysian Trade Classification", which is based

---

[26] V.S. Kolesnikoff, "Commodity Classification" in Elly and Allen, op. cit., p. 55.

TABLE 1.1

MALAYA : APPROXIMATE ENTREPOT TRADE, 1957-1961,
(Excluding trade with Singapore) ($ mil)

Category A (import value)	1957	1958	1959	1960	1961
Rubber	26.6	52.4	63.4	104.4	76.6
Tin concentrates	87.4	50.4	56.1	134.7	119.6
Copra & copra cake	26.8	15.6	11.2	13.6	21.4
Oil seed, nuts, kernels (except copra)	-	8.5	7.4	7.3	-
Coconut Oil	3.3	0.1	0.7	0.8	3.8
Palm Oil	-	3.9	3.4	2.7	-
Sawn Timber	0.6	0.4	0.5	0.3	0.4
Other Category A products	n.a.	1.3	2.5	2.1	6.0
Category A imports from Singapore	22.2	25.4	36.2	36.5	18.8
Category B (export value)					
Coffee, tea, spices	7.3	7.0	7.9	9.7	10.1
Fish and fish products	1.2	0.9	1.0	2.8	2.2
Other food stuffs	21.7	12.4	10.2	11.7	11.3
Drink and tobacco	0.6	0.4	0.2	0.1	0.2
Petroleum products	16.5	11.3	10.9	7.8	9.1
Textile Manufactures	3.4	2.6	6.4	10.7	21.0
Machinery	9.7	2.7	2.2	4.2	8.7
Transport equipment	3.5	2.7	2.9	4.4	3.0
Chemicals	8.6	7.3	7.6	8.0	7.2
Other Manufactures & materials	26.7	24.3	23.7	27.4	11.3
Category B exports to Singapore	97.5	98.1	93.9	125.6	156.9
Total Category B	196.7	169.7	166.9	212.4	240.0
Total entrepot trade (including trade with Singapore)	363.6	327.7	347.9	514.8	487.6

Source: W.M. Corden and H.V. Richter: "Malayan Trade Statistics and the Entrepot Trade" in "The Political Economy of Independent Malaya", (Ed. T.H. Silcock and E.K. Fisk: Australian National University Press, Canberra, 1963).

on the Standard International Trade Classification. Some modifications have been made to meet local requirements, especially in some items not taken into account by the SITC.[27] A detailed classification by Sections, Divisions and Groups can be found in any publication on external trade statistics of Malaya.

In the "Malaysian Trade Classification", the universe of commodities entering trade is divided into 10 major sections, which are divided into 61 divisions, which are again subdivided into 185 commodity groups. The sections and divisions are the same as those of the SITC but Malaya has some additional items to take into account local conditions.

It is not intended to go into the principles that went into the construction of the SITC,[28] but we must go into some implications that follow in adopting the system. Section 2, "Crude Materials, Inedible, Except Fuels", includes manufactured materials which, according to usual trade practices, are handled as crude materials.[29] It was recognised that "... for actual hardling of items by crude materials distributors, stage of production has no significance as long as commodities remain in the form of materials to be used for further manufacturing".[30] By the same logic, tin blocks should have been included in Section 2, just as synthetic rubber is. By adopting the SITC, it gives a somewhat distorted picture of the exports of Malaya for tin blocks to be included in Section 6, "Manufactured goods classified chiefly by materials". As we all realise, Malaya is still in the infant stage of industrialisation, but anyone looking at our exports by Sections may derive a wrong conclusion when Section 6 is inflated by the inclusion of tin blocks. The latter item is not an item of final consumption but handled as a raw material for furthering manufacturing.

Before 1953, Malaya was following a classification system based on the Brussesl Convention (1913) Classification. The classification system then had 5 classes, viz: Class I - Animals, Food, Drink and Tobacco; Class II - Raw Materials and Articles Mainly Unmanufactured; Class III - Articles Wholly or Mainly Manufactured; Class IV - Parcel Post; and Class V - Coin and Bullion. The 5 main classes were divided into 40 groups. Because of this major switch in 1953, it is difficult to compare trade statistics of the 2 periods. A note on this is dealt with later in this chapter.

---

[27] See "Malaysian Trade Classification and Customs Tariff, p. 213.

[28] See Koleshnikoff, op. cit., pp. 61-65.

[29] Ibid., p. 61.

[30] Koleshnikoff, op. cit., p. 62.

6) Valuation

In Malaya, exports are valued on an f.o.b. point of exportation basis. According to the definition given in the Statistics Department's publications, "The value of exports is the f.o.b. value, i.e. the value represents the costs of the goods to the purchaser abroad up to the point where the goods are deposited on board the exporting vessel or aircraft. Export duty is therefore included".[31]

"The value of imports is the c.i.f. value, i.e. the value on arrival including the cost of the goods, f.o.b. the frontier of the exporting country plus any sums spent on their insurance and shipment to the Malayan port of discharge. Customs duty and other import charges payable in the States of Malaya are not included in the value of imports".[32]

As far as is known, most trading countries in the world uses these two methods of valuing exports and imports. The f.o.b. definition for exports has obvious advantages. The Malayan exporter will generally know the f.o.b. value. Furthermore, the "f.o.b.-type of valuation is ... an appropriate value definition from the point of view of relating export trade statistics to the domestic economy and for use in making up the international balance of payments statement".[33]

The c.i.f. cost measures the price at which goods come into competition with domestic products.[34] In comparing the various value definitions used for imports, J.E. Ely and N.M. Petruzelli add that the c.i.f. valuation has the advantage that ad valorem duties are assessed on the basis of a value more nearly comparable to domestic value than an f.o.b. or foreign market type of valuation.[35]

From the point of view of maximum international comparability of trade statistics, Ely and Petruzelli put forward the case that an f.o.b. value definition for both exports and imports would be best.[36] They say that universal f.o.b. value for imports and exports result in trading partners measuring the value of the transaction at the same point, thereby leading to greater comparability. No doubt this may be so, but a more useful concept (vis-a-vis the domestic economy) like the

---

[31] & [32] Statistics Department, op. cit., Notes.

[33] J.E. Ely & N.M. Petruzelli, "Valuation" in Allen and Ely; op. cit., p. 86.

[34] Ibid., p. 87.

[35] Ely and Petruzelli, op. cit., p. 87.

[36] Ibid., pp. 87 and 88.

c.i.f. valuation should not be lost sight off for the sake of increased international comparability. As they admitted, the use of trade statistics to measure the effect of trade on domestic industry, agriculture and commerce is best served by the c.i.f. valuation.

Malaya as an exporter of raw materials faces the difficulty that valuation may at times be incorrect in the case of consignment sales which are not actually sold until reaching an overseas point of consumption. No figures are available on what proportion consignment sales form of total exports or imports, so it is difficult to make any assessment of the magnitude of the problem. In the definition used, "Goods on consignment are valued at the latest import of export value of such goods depending on whether the goods are being imported or exported on consignment".[37]

Even in cases where there may be no export duty and hence little incentive to undervalue, the exporter cannot do any better than make an intelligent guest on the actual amount he will receive on the consignment. The definition uses does not specify who does the valuation. Presumably, the usual practice of accepting declared values, with the usual check against the invoices, is followed. Valuing consignment goods at the latest value seems the best we can do in such a situation. Considering the time gap for the bulkier commodities to reach the overseas point of consumption, prices may change during the time the exports are shipped. Malaya attempts to overcome this by connecting the first-released valuation figures at a later date when the goods have been sold. The inaccuracies as may be disclosed from time to time are connected in the cumulative totals of subsequent publications. This enables the statistics to have maximum accuracy and usefulness but involves extra revision and compilation work.

"Unissued bank notes and coins are shown at their values as goods, e.g. c.i.f. value on imports".[38] These items are therefore treated on the face value and not their purchasing power. Imports and exports of items less than $100 are compiled by Sections and the value is given, though not allocated to the various items. Since they form a negligible proportion of the total, it is not worthwhile to do so otherwise.

7) Country Classification

In the compilation of foreign trade statistics, there are 3 basic methods of reporting country of origin and destination:

a) The production-consumption method under which imports are credited to the country of primary origin and exports are credited to the country of ultimate consumption.

---

[37] Statistics Department, op. cit., Notes.

[38] Ibid.

b) The consignment method under which imports are credited to the country from which the goods are last directly consigned and exports to the country to which first directly consigned.

c) The purchase-sales method under which imports and exports are credited to the country with which the financial transaction of purchase and sale occurred.[39]

As far as is possible, Malaya uses the production-consumption method. "Imports, wherever possible are compiled by country of origin, which is defined as the country in which the goods were given the form in which they are finally imported into Malaya. If information regarding the country of origin of goods via Singapore is not available, such imports are included under the figures of imports from Singapore, i.e. under the same category as goods manufactured in Singapore".[40]

"Exports, wherever possible are compiled by country of destination, which is taken as the country where it is intended that the goods be consumed so far as this can be determined at the time of export. If information regarding the country of destination of goods via Singapore is not available, such exports are included under the figures of exports to Singapore, i.e. under the same category of goods consumed in Singapore".[41]

In the case of imports, defining the country of origin as that in which the goods were given the "form" in which they are "finally imported", is not precise enough. No doubt differences of opinion may exist as to the extent to which an article must be processed in a country in order to make it a product of that country. The Federation of Malaya Customs Duties Collection Ordinance specifies that it is enough to show the Comptroller - General, Royal Customs and Exercise, that "they have been grown, produced or manufactured in and consigned direct from a Commonwealth country ... and that 25 per cent of their value in their finished state is the result of material produced in or labour performed in the Commonwealth".[42] The definition gives the extent to which a product must be processed to qualify for preferential rates. Other than this rough guide, which is not entirely applicable to determine the country of origin, no other is given to determine to what extent an article must be processed to qualify as a "product" of the country.

---

[39] E.D. Durand, "Country Classification" in Ely & Allen, op. cit. p. 121.

[40] Statistics Department, op. cit., Notes.

[41] Ibid.

[42] "Trade Classification and Customs Tariff", op. cit., p. 4.

In the case of exports, the country of destination is the one where it is "intended" that the goods be consumed. Why a more definite term than "intended" is not further explained nor the word "consumed" further elaborated. It is important to have precise definitions if the trade statistics are to present a correct picture of the flow of trade between Malaya and other countries. The International Convention Relating to Economic Statistics gives the country of consumption as that "... in which the goods will be put to the use for which they were produced, or in which they will undergo a process of transformation, repair or supplementary treatment, it being understood that repacking, sorting and blending do not constitute transformation or supplementary treatment".[43]

The latter definition is very precise about the term "consumed", and it spells out what processes the goods have to undergo to be termed as "consumed" and what processes do not entitle the goods to be termed as such.

The production-consumption method we follow is on its face value the most logical. By knowing where our imports come from and where our exports go to is a great help to the determination and administration of commercial policy. More so, when Malaya, being a Commonwealth country, has to administer preferential rates of duty to other members of the Commonwealth. In doing this it is obviously essential that Malaya should know what goods originate in the countries entitled to such preferred treatment.

Malaya has not yet come to the stage where we impose quantitative restrictions on imports and allocate permissible totals among the sources of supply. So such a policy be necessary, then it is essential that trade statistics as to the imports from each supply country be as accurate as possible.

Though the method followed now has its advantages, it also has its disadvantages. The conception of country of origin or production may usually be definite enough in the case of natural products, but may not often be so in the case of manufactured products.[44] Even in the case of natural products, the difficulties in ascertaining the true country of origin are in certain cases serious. Imports, however present less serious problems than exports. "Importers can usually, though by no means always, ascertain fairly accurately the true primary origin of the goods they import, even if they have passed through several countries en route".[45]

In the case of Malaya, trade statistics of imports and exports by countries classified by the production-consumption method is distorted by the entrepot trade of Singapore, though the distortion

---

[43] Quoted in Durand, op. cit., p. 122.

[44] Ibid.

[45] Ibid., p. 123.

for imports is not as great as that for exports. No estimates are published of the true country of origin of imports from Singapore, though one can theoretically, by a close examination of the import items, determine what actually originate from Singapore. This analysis will have to examine closely the products processed in Singapore and the industries involved, which is beyond the scrope of this Graduation Exercise. If information regarding the country of origin of goods via Singapore is not available, such imports are placed under the same category of goods manufactured in Singapore. It is conceivable that some entrepot items credited to Singapore do not originate from that country, though to what such items must be processed in order to make it a product of Singapore will be difficult to determine.

For exports, the distortion of trade with Singapore is far more serious. According to the definition if information regarding the destination of goods via Singapore is not available, such exports are included under the same category of goods consumed in Singapore. For the years, 1963-1965, exports to Singapore come to an average slightly below $600 million, but it has been estimated an about $250 million (average for 1963-1965), or 42% are actually consumed in Singapore.

Table 1.2 shows an estimate of the true countries of destination of goods exported to Singapore. A detailed estimate is only available in the case of rubber, coconut oil, palm oil and canned pineapple, which do not require much further processing other than perhaps sorting and blending before re-export. The table shows that of the exports credited to Singapore ($540.00 million, $568.6 million, and $650.0 million in 1963, 1964 and 1965 respectively), ~~and~~ $202.1 million, $237.6 million, and $307.3 million were goods actually consumed in Singapore for 1963, 1964 and 1965 respectively.

Table 1.3 shows the average figures for the last three years. None of the 4 main commodities analysed were estimated to be consumed in Singapore. Of the total exports, only 42.5% of the value of goods were actually consumed in that country. The magnitude of goods sent to other countries via Singapore is probably greater if a further breakdown of the export items were attempted.

It follows from the discussion above that for the countries involved, export figures from Malaya show less than they should, being most serious for countries like the United Kingdom, the U.S.S.R. and the United States. Though in tables of the balance of trade with certain major countries the estimated figures from exports to Singapore are added to the countries concerned, in the detailed published trade by countries, the uncorrected figures are given. In the case of U.K. the error may be a 10% undervalue; for the U.S. the figures are one-third undervalued. This represents a serious problem and users of statistics of trade by countries should beware of this.

For minor items of exports like bunker fuel and stores supplied to ships and aircraft for their own consumption, the country of registration of the vessel is taken as the country of destination. For second hand goods where the country of origin is not ascertainable, the country of

TAB

ANALYSIS OF MALAYA'S EXPORTS

Country	Rubber			Coconut Oil			Palm	
	1963	1964	1965	1963	1964	1965	1963	1
United Kingdom	27.1	29.3	30.2	-	-	-	8.5	
Union of S. Africa	6.2	9.4	10.5	0.4	0.4	0.6	-	
Canada	7.3	8.1	8.1	-	-	-	0.2	
Republic of India	5.5	4.5	5.7	-	-	-	4.5	
Australia	10.4	13.6	15.7	-	-	-	1.1	
Czechoslovakia	3.4	3.2	6.9	-	-	-	-	
France	14.5	14.5	13.0	-	-	-	-	
West Germany	16.7	15.0	17.4	-	-	0.2	-	
Italy	14.0	12.2	14.3	0.1	-	-	-	
Netherlands	3.3	2.4	2.4	-	-	-	-	
Poland	6.4	4.5	3.9	-	-	-	-	
Spain	5.7	6.0	7.9	-	-	-	-	
Sweden	3.3.	3.2	3.1	-	-	-	0.4	
U.S.S.R	41.1	31.3	56.2	-	-	-	-	
U.S.A.	39.0	27.2	20.2	-	-	-	-	
Argentina	4.1	10.3	9.0	-	-	-	-	-
China	4.2	0.1	9.4	0.4	-	-	-	
Iraq	0.1	0.1	0.1	-	-	0.2	5.7	
Japan	16.3	10.9	7.3	0.3	-	-	0.6	
Rest of World	51.5	59.6	56.9	4.0	4.8	5.0	0.6	
Singapore	-	-	-	- -	-	-	-	
Total	280.1	265.5	298.2	5.2	5.2	6.0	21.6	2

Source: States of Malaya: Exports and Imports for 1963,

TABLE 1.2

MALAYA'S EXPORTS TO SINGAPORE ($ M

1965	Palm Oil 1963	1964	1965	Pine 1963
-	8.5	7.6	18.4	13.5
0.6	-	-	-	-
-	0.2	-	-	5.1
-	4.5	4.1	1.1	-
-	1.1	0.8	0.5	-
-	-	-	-	-
-	-	-	-	-
0.2	-	0.2	0.2	1.2
-	-	-	-	-
-	-	-	0.4	-
-	-	-	-	-
-	-	-	-	0.1
-	0.4	-	0.5	-
-	-	-	-	-
-	-	-	-	6.6
-	-	-	-	-
-	-	-	-	-
0.2	5.7	-	8.5	-
-	0.6	0.8	1.5	-
5.0	0.6	9.7	6.3	5.1
-	-	-	-	-
6.0	21.6	23.2	37.4	31.6

ports for 1963,1964, 1965.

TABLE 1.2

MALAYA'S EXPORTS TO SINGAPORE ($ MIL)

1965	Palm Oil 1963	1964	1965	Pineapple 1963	196
-	8.5	7.6	18.4	13.5	13.
0.6	-	-	-	-	-
-	0.2	-	-	5.1	5.
-	4.5	4.1	1.1	-	-
-	1.1	0.8	0.5	-	-
-	-	-	-	-	-
-	-	-	-	-	-
0.2	-	0.2	0.2	1.2	3.
-	-	-	-	-	0.
-	-	-	0.4	-	0.
-	-	-	-	-	-
-	-	-	-	0.1	0.
-	0.4	-	0.5	-	0.
-	-	-	-	-	-
-	-	-	-	6.6	8.
-	-	-	-	-	-
-	-	-	-	-	-
0.2	5.7	-	8.5	-	-
-	0.6	0.8	1.5	-	0.
5.0	0.6	9.7	6.3	5.1	5.
-	-	-	-	-	-
6.0	21.6	23.2	37.4	31.6	37.

ports for 1963,1964, 1965.

-12-

SINGAPORE ($ MIL) 1963 - 1965

1965	Pineapple Canned 1963	1964	1965	All Other 1963	1964	1965	Total 1963	1964	1965
18.4	13.5	13.2	0.4	-	-	-	49.1	50.1	49.0
-	-	-	-	-	-	-	6.6	9.8	11.1
-	5.1	5.1	0.2	-	-	-	12.6	13.2	8.3
1.1	-	-	-	-	-	-	10.0	8.6	6.8
0.5	-	-	-	-	-	-	11.5	14.4	16.2
-	-	-	-	-	-	-	13.4	3.3	6.9
-	-	-	-	-	-	-	14.5	14.7	13.0
0.2	1.2	3.7	0.2	-	-	-	17.9	18.7	18.0
-	-	0.1	-	-	-	-	14.1	12.3	14.3
0.4	-	0.5	-	-	-	-	3.3	2.9	2.8
-	-	-	-	-	-	-	6.4	4.5	3.9
-	0.1	0.5	-	-	-	-	5.8	6.5	7.9
0.5	-	0.1	-	-	-	-	3.7	3.3	3.6
-	-	-	-	-	-	-	41.1	31.3	56.2
-	6.6	8.6	0.2	-	-	-	45.6	35.8	20.4
-	-	-	-	-	-	-	4.1	10.3	9.0
-	-	-	-	-	-	-	4.6	0.1	9.4
8.5	-	-	-	-	-	-	6.1	0.1	8.8
1.5	-	0.2	-	-	-	-	16.9	11.9	8.8
6.3	5.1	5.1	0.1	-	-	-	61.2	79.2	68.3
-	-	-	-	202.1	237.6	307.3	202.1	237.6	307.3
37.4	31.6	37.1	1.1	202.1	237.6	307.3	540.0	568.6	650.0

, 1965.

TABLE 1.

ANALYSIS OF MALAYA'S EXPORTS TO
AVERAGE VALUE AND

Country	$ mil (M) Rubber Average Value	% of Rubber	Coconut Oil Average Value	% of Coconut Oil	Ave Va
United Kingdom	28.9	10.3	-	-	
Union of S. Africa	8.7	3.1	0.5	9.1	
Canada	7.8	2.8	-	-	
Republic of India	5.2	1.8	-	-	
Australia	13.2	4.7	-	-	
Czechoslovakia	4.5	1.6	-	-	
France	14.0	5.0	-	-	
West Germany	16.4	5.8	0.1	1.8	
Italy	13.5	4.8	-	-	
Netherlands	2.7	0.9	-	-	
Poland	4.9	1.7	-	-	
Spain	6.5	2.3	-	-	
Sweden	3.2	1.1	-	-	
U.S.S.R.	42.9	15.3	-	-	
U.S.A.	28.8	10.2	-	-	
Argentina	7.8	2.8	-	-	
China	4.6	1.6	0.1	1.8	
Iraq	0.1	-	0.1	1.8	
Japan	11.5	4.1	0.1	1.8	
Rest of World	56.0	19.9	4.6	83.6	
Singapore	-	-	-	-	
Total	281.3	100.0	5.5	100.0	

Source: Computed from sources as in Table 1.2.

TABLE 1.3

SIS OF MAIAYA'S EXPORTS TO SINGAPORE,
AVERAGE VALUE AND PERCENTAGE

Coconut Oil		Palm Oil	
verage Value	% of Coconut Oil	Average Value	% Pa
-	-	11.5	
0.5	9.1	-	
-	-	0.1	
-	-	0.2	
-	-	0.8	
-	-	-	
-	-	-	
0.1	1.8	0.1	
-	-	-	
-	-	0.1	
-	-	-	
-	-	-	
-	-	0.3	
-	-	-	
-	-	-	
-	-	-	
0.1	1.8	-	
0.1	1.8	4.7	
0.1	1.8	1.0	
4.6	83.6	5.5	
-	-	-	
5.5	100.0	27.4	

as in Table 1.2.

TABLE 1.3

MAIAYA'S EXPORTS TO SINGAPORE, 196
AVERAGE VALUE AND PERCENTAGE

onut Oil		Palm Oil	
	% of Coconut Oil	Average Value	% of Palm O
	-	11.5	42.
	9.1	-	
	-	0.1	0.
	-	0.2	11.
	-	0.8	2.
	-	-	
	-	-	
	1.8	0.1	0.
	-	-	
	-	0.1	0.
	-	-	
	-	-	
	-	0.3	1
	-	-	
	-	-	
	-	-	
	1.8	-	
	1.8	4.7	17
	1.8	1.0	
	83.6	5.5	20
	-	-	
	100.0	27.4	10

able 1.2.

E 1.3

TS TO SINGAPORE, 1963 - 1965
AND PERCENTAGE

Palm Oil		Pineapple Canned		Total	
Average Value	% of Palm Oil	Average Value	% of Pineapple	Average Value	% of Total
11.5	42.0	9.0	38.8	49.4	8.4
-	-	-	-	9.2	1.6
0.1	0.4	3.5	15.1	11.4	1.9
0.2	11.7	-	-	8.5	1.5
0.8	2.9	-	-	14.0	2.4
-	-	-	-	7.9	1.3
-	-	-	-	14.1	2.4
0.1	0.4	1.7	7.3	18.2	3.1
-	-	-	-	13.6	2.3
0.1	0.4	0.2	0.9	3.0	0.5
-	-	-	-	5.0	0.9
-	-	0.2	0.9	6.7	1.1
0.3	1.1	-	-	3.5	0.6
-	-	-	-	42.9	7.3
-	-	5.1	22.0	33.9	5.8
-	-	-	-	7.8	1.3
-	-	-	-	4.7	0.8
4.7	17.2	-	-	5.0	0.9
1.0	3.6	0.1	0.4	12.5	2.1
5.5	20.1	3.4	14.7	69.6	11.9
-	-	-	-	249.0	42.5
27.4	100.0	23.2	100.0	586.2	100.0

shipment is recorded.[46]

It has been mentioned that Malayan trade statistics has been distorted by the entrepot trade of Singapore. If Malaya followed the consignment method, the distortion would have been worse. The picture will not at all reflect the origin of imports and destination of exports.

The list of countries with which Malaya has trading relationships can be found in any publication on external trade. The corresponding code number is also given. The code numbers are changed rather frequently but if we trade the countries by name, there should be no difficulty. The definition of the countries sometimes change, e.g. "Italy with Corcica" has been changed to "Italy with San Maxino", but since trade with the smaller islands is neglible, comparability of the statistics is not hampered greatly.

8) Index Numbers on Trade

For compilation of import and export trade indices, the Statistics Department uses Lasplyere's method with 1959 as the latest base year. Price and value indices are compiled and the volume indices are derived.

For imports a total of 74 items are selected. The selected items are apparently:

1) Homogeneous in nature.

2) Having high import values.[47]

A major supplying country is chosen for every selected item. The import value of a commodity group or groups according to the SITC is taken as a block value for a selected commodity pertaining to that group. The ratio of this block value attributed to a selected commodity to the total value of the commodity section is taken as the weight.

The weighted price relatives of the selected commodities are then obtained. Price relatives (weighted) = $\frac{P_1}{P_o} \times W$

where P_1 = unit value of commodity in current year

P_o = unit value of commodity in base year

W = weight.

The weighted price relatives are then summed up to obtain the price index for the section.

---

[46] Statistics Department, op. cit., Notes.

[47] Statistics Department, Unpublished Report.

The ratio of the value of each section to total imports is taken as the weight for that section. The price index for the section is again weighed by the section weight to obtain the price index for total imports. Thus:

$$\frac{P_1}{P_o} W \times 100 = P_s \text{ (price index for section)},$$

$$P_s W_s \times 100 = P \text{ (price index for total imports)}.$$

The value index is calculated thus:

$$V = \frac{P_1 q_1}{P_o q_o} \text{ (total for current period divided by total for base year)}.$$

The volume index is then derived thus:

$$\frac{V}{P} = Q \text{ (volume index)}, \text{ where } V = \text{value index}$$

$$P = \text{price index}.$$

The procedures for the export indices are exactly the same.

The Department only publishes the indices for rubber, tin and total exports; food and total imports and the terms of trade.

9) A Note on the Comparability of Trade Statistics, 1947 to 1965

In such a long period of 19 years, it is inevitable that there be changes in the definitions and concepts in the compilation of trade statistics. There was a major change in this respect in 1953 when the commodity classification was changed to the present are based on the SITC. In 1962, there were some changes in the classification of commodity groups but since the change is not fundamental and the statistics used in this Graduation Exercise do not go into such detailed classification, we shall mainly consider the change in 1953.

The registration area and the period covered by the statistics in publications on the trade of the Federation of Malaya are the same. So is the treatment of transit trade and the valuation of the commodities.[48]

Merchandise excluded from the trade statistics before 1953 are:

a) Personal luggage, other than duitable goods.

b) Fresh fish and shell fish arriving direct from local fishing grounds.

---

[48] Federation of Malaya, Imports and Exports, 1952 (Johore Bahru), Notes.

c) Mats, sacks, or cases used for packing.[49]

The average therefore differs materially from that of later years (see "Coverage of Merchandise" in this chapter). Items that have been excluded in later years were then included. Where these items are distinguishable, and materially affect the total value, e.g. gold and exposed cinematographic films (exposed) on rental, they have been excluded in the tables compiled for this Graduation Exercise. Where the items later excluded are mixed up with other merchandise, it is impossible to do anything about them or make any estimates of their value. It should therefore be borne in mind that comparability of values in the two periods (pre and post 1953) is affected to this extent.

In the "Federation of Malaya: Imports and Exports", trade with Singapore is included. In these publications, with the exception of rubber, exports from the Federation on a Through Bill of Lading with transhipment at Singapore are treated as foreign exports.[50] Exports of rubber for transhipment at Singapore are recorded as Singapore trade, i.e. to Singapore only.[51] As far as we are concerned, exports to Singapore comes under "foreign trade". Though before 1953, such exports are not regarded as "foreign", as long as the trade is distinguishable, there no difficulties encountered.

It is the change in commodity classification that has presented difficulties in any compilation of tables on trade statistics for the whole period. As mentioned before, commodity classification before 1953 was based on the Brussels Convention (1913) Classification. One can, by a thorough examination of each of the items reclassify and retabulate the data according to the later classification. An attempt to do this is in Chapter II of this Graduation Exercise where imports had been reclassified according to the SITC sections and divisions. In any such attempt, the result must not be taken to imply a great degree of accuracy. The figures must be taken as indication of treads only because no matter how much care is taken, it is impossible, on the information published, to have a very accurate effort. Certain items, which in later years had grown more important and hence shown separately, were in earlier years, grouped together with others. It is therefore impossible, without further details, to such items to their respective divisions and sections.

In the case of exports, this is not so serious, the analysis, being almost solely by commodities which can be easily traced. But the tables on imports in Chapter II must be taken with all the qualifications mentioned above.

---

[49] Ibid.

[50] Federation of Malaya, Imports and Exports; op. cit.

[51] Ibid.

CHAPTER II

IMPORT AND EXPORT TRENDS, 1947-1965

It is widely recognised that the Malayan economy, through fluctuations in its export earnings, is one of the most open in the world. The average Gross Export Proceeds/Gross Domestic Product ratio having been estimated at 47.7% for the period 1947-1960,[1] it is obvious export proceeds play a major role in the development of the Malayan economy. This Chapter will discuss the export and import trends for the period, giving emphasis to the fluctuating nature of exports and imports. A brief discussion on trends will be followed by a more detailed analysis of the import and export sectors. Finally, we shall relate the trade sector to the domestic economy and the implications this relationship will have on future development.

1) Total Gross Export and Total Gross Import Trends

The fluctuating nature of the value of exports and imports is evident from the figures on Malayan trade in Table 2.1. The export and import values for the United States and the United Kingdom have been included for comparison.

The highest percentage increase for Malayan exports* is +121.2% in 1950 and the highest rate of decline is -36.8% in 1952. The highest percentage increase for imports* is +42.5% in 1951 and the highest percentage decrease is -12.5% in 1953. This clearly illustrates the fluctuating nature of the trade sector.

In comparison, the highest percentage increase in United States and United Kingdom export proceeds is +46.7% (1951) and +36.5% (1948) respectively. On the other hand, the highest percentage decline for these countries is -17.6% (U.S.: 1948) and -10.9% (U.K.: 1952). Similarly, it can be seen that their imports do not fluctuate to as great an extent as Malayan imports.

It is interesting to note that the pattern of increases and decreases for Malayan imports follow a similar for Malayan exports though this relationship is not strictly followed for all the years.

---

[1] Lim Chong Yah, "Post-War Economic Development of Malaya - A Prelimary Study" in Ekonomi, Volume IV, No. 1, p. 20.

*"Exports" and "imports" in this section should be taken to mean export value and import value.

TABLE

EXPORT AND IMPORT TRENDS FOR MALAY

YEAR	MALAYA (1) Exports (f.o.b.) Value M $ mil.	Annual Percentage Charges	MALAYA (2) Imports (c.i.f.) Value M $ mil.	Annual Percentage Charges	UNI (3) Exports (f.o.b) Value US $ mil.	
1947	834.8		610.2		15,368	
1948	1,116.4	+33.7	846.6	+38.7	12,665	-17
1949	1,779.2	+ 5.6	926.5	+ 9.5	12,074	-
1950	2,607.9	+121.2	1,310.8	+41.5	10,282	-15
1951	3,379.0	+29.6	1,868.5	+42.5	15,041	+46
1952	2,134.4	-36.8	1,659.6	-11.2	15,206	+
1953	1,598.2	-25.2	1,451.4	-12.5	15,782	+
1954	1,625.4	+ 1.7	1,319.1	- 9.1	15,114	-
1955	2,370.2	+45.8	1,542.9	+17.0	15,556	+
1956	2,262.0	- 4.6	1,751.0	+13.5	19,102	+22
1957	2,179.5	- 3.6	1,814.4	+ 3.6	20,873	+
1958	1,882.3	-13.6	1,657.5	- 8.6	17,902	-1
1959	2,473.4	+31.4	1,739.3	+ 4.9	17,642	-
1960	2,923.9	+18.2	2,150.6	+23.6	20,584	+1
1961	2,622.4	-10.3	2,230.5	+ 3.7	21,000	+
1962	2,620.6	- 0.1	2,447.4	+ 9.7	21,643	+
1963	2,698.9	+ 3.0	2,516.9	+ 2.8		
1964	2,774.4	+ 2.8	2,521.4	+ 0.2		
1965	3,095.8	+11.6	2,608.3	+ 3.4		

Sources : Malayan data - Monthly Statistical Bulletin, States of

Other data - United National Yearbook of International

TABLE 2.1

IMPORT TRENDS FOR MALAYA, UNITED STATES AND

	UNITED STATES (3)		UNITED STATES (4
)	Exports (f.o.b.)		Imports (c
ual entage ges	Value US $ mil.		Value US $ mil.
	15,368		5,838
	12,665	-17.	7,215
	12,074	- 4.7	6,712
	10,282	-15.1	8,984
	15,041	+46.7	11,102
	15,206	+ 1.1	10,820
	15,782	+ 3.8	11,010
	15,114	- 4.2	10,372
	15,556	+ 2.9	11,564
	19,102	+22.8	12,903
	20,873	+ 9.3	13,413
	17,902	-14.2	13,388
	17,642	- 1.5	15,696
	20,584	+16.'	15,075
	21,000	+ 2.0	14,758
	21,643	+ 3.1	16,471

eal Bulletin, States of Malaya, various iss

arbook of International Trade Statistics, va

TABLE 2.1

T TRENDS FOR MALAYA, UNITED STATES A

UNITED STATES (3) (

Exports (f.o.b.) Imports

Value US $ mil. Value US $ mil.

15,368 5,838
12,665 -17. 7,215
12,074 - 4.7 6,712
10,282 -15.1 8,984
15,041 +46.7 11,102
15,206 + 1.1 10,820
15,782 + 3.8 11,010
15,114 - 4.2 10,372
15,556 + 2.9 11,564
19,102 +22.8 12,903
20,873 + 9.3 13,413
17,902 -14.2 13,388
17,642 - 1.5 15,696
20,584 +16.' 15,075
21,000 + 2.0 14,758
21,643 + 3.1 16,471

letin, States of Malaya, various iss

of International Trade Statistics, v

TABLE 2.1

T TRENDS FOR MALAYA, UNITED STATES AND UNITED KINGDOM

UNITED STATES (3) Exports (f.o.b.) Value US $ mil.		UNITED STATES (4) Imports (c.i.f.) Value US $ mil.		UNITED KING (5) Exports (f.o.b.) Value £ mil.		UNITED KING Imp Val £ m
15,368		5,838		1,201		1,80
12,665	-17.	7,215	+23.6	1,639	+36.5	2,07
12,074	- 4.7	6,712	- 7.0	1,847	+12.7	2,27
10,282	-15.1	8,984	+33.8	2,259	+22.3	2,60
15,041	+46.7	11,102	+23.6	2,709	+19.9	3,90
15,206	+ 1.1	10,820	- 2.5	2,729	+ 0.7	3,47
15,782	+ 3.8	11,010	+ 1.8	2,658	- 2.6	3,32
15,114	- 4.2	10,372	- 5.8	2,748	+ 3.4	3,35
15,556	+ 2.9	11,564	+11.5	2,993	+ 8.9	3,86
19,102	+22.8	12,903	+11.6	3,286	+ 9.8	3,86
20,873	+ 9.3	13,413	+ 4.0	3,425	+ 4.2	4,04
17,902	-14.2	13,388	- 0.2	3,318	- 3.1	3,74
17,642	- 1.5	15,696	+17.2	3,461	+ 4.3	3,98
20,584	+16.'	15,075	- 3.9	3,696	+ 6.8	4,55
21,000	+ 2.0	14,758	- 2.1	3,840	+ 3.9	4,39
21,643	+ 3.1	16,471	+11.6	3,949	+ 2.8	4,49

letin, States of Malaya, various issues.

of International Trade Statistics, various issues.

TED STATES AND UNITED KINGDOM

STATES (4)		UNITED KINGDOM (5)		UNITED KINGDOM (6)	
Imports (c.i.f.)		Exports (f.o.b.)		Imports (c.i.f.)	
Value US $ mil.		Value £ mil.		Value £ mil.	
5,838		1,201		1,802	
7,215	+23.6	1,639	+36.5	2,077	+15.3
6,712	- 7.0	1,847	+12.7	2,279	+ 9.7
8,984	+33.8	2,259	+22.3	2,609	+14.5
11,102	+23.6	2,709	+19.9	3,905	+49.7
10,820	- 2.5	2,729	+ 0.7	3,478	-10.9
11,010	+ 1.8	2,658	- 2.6	3,327	- 4.3
10,372	- 5.8	2,748	+ 3.4	3,359	+ 1.0
11,564	+11.5	2,993	+ 8.9	3,861	+14.9
12,903	+11.6	3,286	+ 9.8	3,862	+ 0.0
13,413	+ 4.0	3,425	+ 4.2	4,044	+ 4.7
13,388	- 0.2	3,318	- 3.1	3,748	- 7.3
15,696	+17.2	3,461	+ 4.3	3,983	+ 6.3
15,075	- 3.9	3,696	+ 6.8	4,541	+14.0
14,758	- 2.1	3,840	+ 3.9	4,395	- 3.2
16,471	+11.6	3,949	+ 2.8	4,492	+ 2.2

, various issues.

Statistics, various issues.

This is because it takes time for the impact of earnings in exports to make itself felt in the demand for imports and imports is not strictly a function of exports earnings but rather an expression of fairly constant needs, especially so in essential items like food. If imports do rise as a result of increase in export earnings, we can expect the rise to come about in income-elastic goods. This relationship will be examined further in this Chapter.

From 1947 to 1953, increases and decreases in imports follow the pattern of exports. The increase in imports in 1950, however, shows a rise of only 41.5% in comparison with the 121.2% increase in exports. Similarly, percentage increases in imports is less than that for exports in 1955 and 1958. From 1960 onwards, imports have been increasing irrespective of fluctuations in export earnings. As the development plans of the country go into full swing, we can expect this pattern of increase to be followed in later years.

The huge jumps in export earnings occurred during the years 1950, 1955, 1959 and 1965. The first three periods referred to were boom years for the Malayan economy when prices of rubber and tin, which contribute 80% of the export earnings, shot up because of international crises or increases in the rate of economic activity in the Developed Areas of the world. It is still too early to know the full implications of 11.6% increase in 1965.

The growth rates per annum for exports and imports are shown in Tables 2.2 and 2.3 respectively. The growth trends with 1948 as the base year have been computed for Malayan exports and imports with the compound interest formula. 1948 as the base year is a more appropriate basis for comparison with other countries especially those involved in World War II, for in 1947 most countries had not recovered yet. It should be clear that due to the great fluctuations in the trade sector, a straightforward comparison between two periods which are wide apart may be misleading but it does not mean that such comparisons are totally useless if the computed rates are taken as rough indications of growth.

Table 2.2 shows that the growth rate of Malayan exports for the period 1948-1963 is lower than that for the world as a whole and the Developed Area but higher than the rate for the Underdeveloped Area (refer footnote to Table 2.2). The Malayan growth rate is lower than that for most Western European countries, but in comparison with the countries in Asia (except Japan) we are better off.

This has serious implications. Malayan exports are not growing as fast as that of world exports and exports of the Developed Area. Though, compared to most countries in Asia, we have no cause for complaint, it draws attention to the constantly emphasized fact that the underdeveloped countries are not growing as fast as the developed ones.

In imports (Table 2.3), the Malayan growth rate is faster than the rates for the world as a whole and the Developed Area. Malaya, as

TABLE 2.2

MALAYA - EXPORTS GROWTH RATE PER ANNUM IN COMPARISON WITH OTHER COUNTRIES

Year	Malaya Growth per annum (1948=100)	Other Countries (1948 - 1963)	
1948	-	-	-
1949	5.6%	World	: 6.8%
1950	52.9	Developed Area+	: 7.2
1951	44.6	Underdeveloped Area++	: 4.2
1952	17.6	U.S.A.	: 4.1
1953	7.4	Canada	: 5.0
1954	6.4	West Germany	:11.9 (1953=100)
1955	11.4	United Kingdom	: 4.0
1956	9.2	Italy	:10.9
1957	7.7	Netherlands	:11.1
1958	5.4	France	: 9.3
1959	7.5	Sweden	: 7.4
1960	8.3	Belgium & Luxembourge	: 7.3
1961	6.8	India	: 1.1
1962	6.3	Indonesia	: 3.9
1963	6.0	Burma	: 0.7
1964	5.9	Philippines	: 5.9
1965	6.2	Japan	:15.6 (1953=100)

+United States, Canada, Western Europe, Japan, Aus-tralia, New Zealand, South Africa.

++Sum of areas other than Developed Area, Eastern Europe, China (Mainland), Mongolia, North Korea, and North Vietnam.

Sources: computed from sources as in Table 2.1

TABLE 2.3

MALAYA -IMPORTS GROWTH RATE PER ANNUM IN COMPARISON WITH OTHER COUNTRIES

Year	Malaya Growth per annum (1948=100)	Other Countries (1948-1963)		
1948	-	-	-	
1949	9.4%	World	: 6.4	
1950	24.5	Developed Area+	: 6.8	
1951	30.2	Underdeveloped Area+	: 4.2	
1952	18.3	U.S.A.	: 5.9	
1953	11.4	Canada	: 5.8	
1954	7.6	West Germany	: 12.2	(1953-100)
1955	8.9	United Kingdom	: 3.3	
1956	9.5	Italy	: 11.2	
1957	8.8	Netherlands	: 8.0	
1958	6.9	Belgium - Luxembourge	6.3	
1959	6.8	France	: 6.3	
1960	8.1	Sweden	: 6.2	
1961	7.7	India	: 1.3	
1962	7.8	Indonesia	: 0.7	
1963	7.5	Thailand	: 9.9	
1964	7.0	Burma	: 2.3	
1965	6.9	Philippines	: 0.3	
		Japan	: 10.8	(1953-100)

+Definitions as in Table 2.2

Sources: as in Table 2.1.

a developing country, has to import capital equipment. As public and private investment is increasing this is not surprising as the import content of investment is higher than that of consumption.

The causes for the fluctuations in exports are to be found in external demand due to increased investment in the developed countries or international crises. An analysis of the Malayan economy has divided the post war period from 1947-1960 into 3 "big pushes".[2] The first big push started in mid-1950 with the outbreak of hostilities" when there was a sudden increase in stockpile demand for strategic raw materials such as rubber and tin, the prices of which skyrocketted.[3] Exports jumped from $1,179.2 million to $2,607.9 million in 1950 and $3,379.0 million in 1951. Other raw material producing countries also benefitted from the war-fear induced boom but those countries producing rubber, tin and wool benefitted most as the prices of these commodities rose more than those of other raw materials or foodstuffs.[4] Of the 3 commodities, rubber and tin were the principle exports of Malaya, so exports in 1950 rose 121% over that of 1949.

The second big push for Malayan exports occurred in 1955, when exports jumped from $1,625.4 million in 1954 to $2,370.2 million in 1955. 1955 was a properous year in the Developed countries and the impact of this was steep increases in the prices of rubber, petroleum and metals. The country again benefitted from the boom.

The third push came in 1959 and 1960 when exports increased due agair eases in the prices of rubber and tin.

There is a relationship between fluctuations in Malayan trade and conditions abroad. R. Nurkse says that the "export multiplier mechanism" accounts for the transmission of income and employment fluctuations from one country to another.[5] "Any expansion or contraction originating in the domestic economy tends to spread abroad through its effects on the demand for imports".[6] No doubt, fluctuations in Malayan exports are due to expansion or contraction originating in other countries. A increased demand for imports means increased exports for others. A domestic investment boom will spill over to other countries since part of the additional income is spent on imports.

---

[2] Lim Chong Yah, op. cit., pp. 15-16.

[3] Ibid., p. 21.

[4] Lim Chong Yah, op. cit., p. 22.

5 & [6] R. Nurkse, "Domestic and International Equilibrium" in "Equilibrium and Growth in the World Economy" (Harvard University Press, 1961), p. 47.

Before the development plans, i.e. before any concerted attempts to induce investment, we are certain a large proportion of the additional imports were consumption goods. Changes in domestic income induced by increased exports entail changes in the same direction for imports. That is why import fluctuations follow a similar pattern as that for exports.

The results of such periods of expansion in imports and exports may be seen in Tables 2.4 and 2.5. The post-war period has been split up into "boom" and "depression" periods and the tables analysis imports and exports according to such periods.*

In Table 2.4, with the period 1947-1949 as base, the results of the periods of rapid expansion are easily seen (column 3). Exports for the years 1950-1951, 1955-1956, 1959-1960 and 1963-1965, were 286.9%, 222.0%, 258.6% and 281.3% respectively of exports for the period 1947-1949. The fluctuations from period to period may be observed in column 2.

It would be interesting to see whether the peak and trough of each cycle is higher or lower than its predecessors. In columns 4 and 5, the exports for 1955-1956 are actually lower than that for the period 1950-1951. The exports for 1959-1960 are higher than that for 1955-1956 but still lower than that for the first peak period 1950-1951. The same goes for the period 1963-1965. It shows that even during the boom periods, export earnings fluctuate. During the boom period 1950-1951 export earnings are higher than that of any subsequent boom periods. Even at present, export earnings have not been able to match that of 1950-1951.

Comparing the average export proceeds of the first trough period with that of the second trough period, the latter shows an increase of 71.2% over the former, reflecting the result of the first big push in export earnings during the period 1950-1951. The third trough period is 13.7% more than that of the second but 94.6% more than that of the first and so on. It seems as though the first trough is moved to a higher one which is later moved further to a still higher one.

Even though Malayan exports are fluctuating violently, it can be seen that we are moving to a higher and higher level of exports.

In Table 2.5, the same tabulation has been done for imports. Though it is interesting to see how imports fluctuate as exports fluctuation,,such analysis on the same lines as exports is not as useful. As mentioned before, imports increases or decreases from year to year do not follow exports very closely because it takes time for increased income from exports to make itself felt through increased

---

*See, Lim Chong Yah, op. cit., pp. 13-17 for this method of analysis. Though his analysis covers the real Gross Domestic Product, the methodology is applied here to exports and imports.

TABLE 2.4

COMPARISON OF EXPORTS TROUGHS AND PEAKS OF MALAYA

Period	(1) Average Annual Exports $ mil (M)	(2) Periodic Changes (%)	(3) Index 1947-49=100	(4) Peak Periodic Changes (%)	(5) Peak Index 1950-51=100	(6) Trough Periodic Changes (%)	(7) Trough Index 1947-49=100
1947-49	1,043.5	100	100	-	-	100	100
1950-51	2,993.5	286.9	286.9	100	100	-	-
1952-54	1,786.3	59.7	171.2	-	-	171.2	171.2
1955-56	2,316.1	129.7	222.0	77.4	77.4	-	-
1957-58	2,030.9	87.7	194.6	-	-	113.7	194.6
1959-60	2,698.7	132.9	258.6	116.5	90.2	-	-
1961-62	2.621.5	97.1	251.2	-	-	129.1	251.2
1963-65	2.935.1	112.0	281.3	108.8	98.0	-	-

TABLE 2.5

IMPORTS DURING EXPORTS TROUGHS AND PEAKS

Period	(1) Average Annual Imports $ mil (M)	(2) Periodic Changes (%)	(3) Index 1947-49=100	(4) Peak Periodic Changes (%)	(5) Peak Index 1950-51=100	(6) Trough Periodic Changes (%)	(7) Trough Index 1947-49=100
1947-49	794.4	100	100	-	-	100	100
1950-51	1,589.7	200.1	200.1	100	100	-	-
1952-54	1,476.7	92.9	185.9	-	-	185.9	185.9
1955-56	1,647.0	111.5	207.3	103.6	103.6	-	-
1957-58	1,736.0	105.4	218.5	-	-	117.6	218.5
1959-60	1,945.0	112.0	244.8	118.1	122.4	-	-
1961-62	2,339.0	120.0	294.4	-	-	134.7	294.4
1963-65	2.548.9	109.0	320.9	131.0	160.3	-	-

imports. However, the effects of the periods of expansion of exports are clear enough.

Average imports fluctuate from period to period (column 2). However, with 1947-1949 as base, average imports have been increasing during each period irrespective of upswings or downswings in the cycles (column 3).

Comparing the changes during the boom periods, imports for the period 1955-1956 are 103.6% of imports for the period 1950-1951, while imports for 1959-1960 are 118.1% of that for 1955-1956 and 122.4% of that for 1950-1951. From each boom period to the other, we are importing more and more.

Similarly, from each depression period to the other (columns 6 and 7), we are also importing more. The second trough (or depression) period, 1952-1954, shows an increase in imports of 85.9% over that of the first trough, 1947-1949. The third trough (1957-1958) shows and increase of 17.6% over that of the second trough and 118.5% over that of the first trough and so on.

2) Exports

a) Price and Volume Changes

It has been mentioned that total exports increased tremendously during the boom periods 1950-1951, 1955-1956, 1959-1960 and 1964-1965. It is relevant to see whether such increases are due to price or volume changes. In the short-term period, the supply of rubber and tin, the 2 main export commodities of Malaya, is inelastic. It takes 7 years for a rubber tree to be mature enough to be tapped. It is therefore impossible to increase volume substantially though an increase can be affected through more intensive tapping. Similarly for tin, especially in mines using more capital intensive techniques, it takes time for the machinery to get into operation.

"Fluctuations in the value of world trade in primary products, and therefore the export proceeds of the non-industrial countries, ... mainly reflect changes in prices rather than changes in volume".[7] This conclusion by a panel of exports from G.A.T.T. is generally applicable to some commodities in Malaya.

The analysis in this section is on price and volume changes during the boom periods for Malayan exports. To explain this, data for value, price and volume for the boom years is compared with that for the years preceding the boom.

In Table 2.6, the reasons for the increases in export proceeds for the years 1950/1951 and 1955/1956 are traced to the increases for rubber and tin. This is hardly surprising for in these years the 2

---

[7] G.A.T.T., "Trends in International Trade" (Geneva, 1958), p.3.

TABLE

PRICE AND VOLUME CHANGES, R

Year	TOTAL EXPORTS		RUBBER				P
	Absolute Increase ($ mil.)	Percentage Increase	Value Increase ($ mil.)	Percentage Increase	Volume Increase ('000 tons)	Percentage Increase	In ($
(1949=100)							
1950	1,428.7	121.2	1,220.4	207.0	70.1	9.9	
1951	2,199.8	186.6	1,855.0	314.6	-18.3	-2.5	
(1954=100)							
1955	744.8	45.8	680.8	75.4	47.4	7.7	
1956	636.7	39.2	474.7	52.6	37.4	6.1	
(1958=100)							
1959	591.1	31.4	524.6	43.8	92.6	13.4	
1960	1,041.6	55.3	631.9	52.8	76.6	11.1	
(1963=100)							
1964	75.5	2.8	-70.5	-5.1	6.3	0.7	
1965	396.9	14.7	- 5.6	-0.4	45.4	5.4	

Sources : Data before 1959 computed from "Federation of Malaya I

: Monthly Statistical Bulletin.

: Publications on External Trade.

TABLE 2.6

AND VOLUME CHANGES, RUBBER AND TIN, 1949 -

B E R				
olume crease 000 tons)	Percentage Increase	Price Increase ($ per ton)	Percentage Increase	I (
70.1	9.9	1,491	179.6	
18.3	-2.5	2,705	325.9	
47.4	7.7	926	62.7	
37.4	6.1	646	43.8	
92.6	13.4	465	26.8	
76.6	11.1	651	37.5	
6.3	0.7	-96	-5.9	
45.4	5.4	-90	-5.5	

"Federation of Malaya Imports and Exports",

TABLE 2.6

CHANGES, RUBBER AND TIN, 1949 - 1965

rcentage Increase	Price Increase ($ per ton)	Percentage Increase	Value Increa ($ mi
9.9	1,491	179.6	150.4
-2.5	2,705	325.9	272.3
7.7	926	62.7	24.8
6.1	646	43.8	67.8
13.4	465	26.8	24.1
11.1	651	37.5	232.8
0.7	-96	-5.9	85.
5.4	-90	-5.5	229.

n of Malaya Imports and Exports", vari

-32-

IN, 1949 - 1965

	T I N					
centage ncrease	Value Increase ($ mil)	Percentage Increase	Volume Increase ('000 tons)	Percentage Increase	Price Increase ($ per ton)	Percentage Increase
179.6	150.4	51.6	17.3	29.9	852	17.0
325.9	272.3	93.4	6.9	11.9	3,657	72.9
62.7	24.8	7.6	3.1	4.4	161	2.7
43.8	67.8	16.8	4.2	6.1	591	10.1
26.8	24.4	8.9	-	-	545	8.9
37.5	232.8	84.0	31.8	70.8	495	8.1
-5.9	85.9	13.4	-13.4	-15.8	2,611	34.6
-5.5	229.4	35.7	-11.2	-13.2	4,249	56.3

d Exports", various issues.

commodities contribute 80% of the export proceeds. The increases in export proceeds of $1,428.7 million in 1950 and $2,199.8 million in 1951 are the result of increases of $1,220.4 million for rubber and $150.4 million for tin in 1950, and increases of $1,855.0 million and $272.3 million for rubber and tin respectively in 1951. Though some of the other export commodities show large percentage increases in export proceeds, they were then too insignificant compared to rubber and tin.

In latter years, however, increases in export proceeds are not totally accounted for by rubber and tin. In 1960 for instance, increases of both rubber and tin export proceeds come to $846.7 million, leaving a gap of $194.9 million which is covered by other commodities. In 1965, rubber export proceeds even shows a decline. Increases in tin export still leaves a gap of $173.1 million which must be explained by increases in other commodities. This pattern is significant. Whereas in previous years, export booms are induced by rubber and tin, it shows we are now depending less on these 2 commodities for increases in export earnings.

In 1950, the 207% increase in rubber export proceeds is explained by a 179.6% increase in price and only a 9.9% increase in volume. In 1951, export volume even shows a fall of 2.5% but this is more than overweighed by the 325.9% increase in price. Similarly for other years, increases in price are more than increases in export volume. In 1964 and 1965, decreases in value are due to decreases in price.

In the case of tin, volume changes are also affecting changes in value. In 1950 for instance, the volume percentage increase is more than the price percentage increase. So are volume percentage increases in 1955 and 1960. In 1964 and 1965, while export volumes are declining, export values are increasing because of the tremendous increases in prices.

The other export commodities (Tables 2.7 to 2.13 are also tabulated according to the boom periods so that the causes of the jumps in total export proceeds can be traced to the specific commodities. In cases like Iron Ore (Table 2.7), Timber (Table 2.8), canned pineapples (Table 2.10) and copra (Table 2.13) the generalisation that changes in export proceeds reflect changes in prices more than volume breaks down for volume changes in these commodities are more important than changes in prices. Increases in export volumes of these commodities have been tremendous and in some instances (Timber in 1959 - Table 2.8), increases in volume have more than compensated a decrease in price.

Due to the increasing export volumes of these other commodities, export proceeds in 1965 have been able to increase 14.7% over that of 1963 despite a decrease in export proceeds from rubber, the traditional reason for increases in Malayan exports. Together with increases in tin export proceeds, timber, palm oil and canned pineapple have been able to compensate for the decrease in rubber export proceeds.

TABLE 2.7

IRON ORE - PRICE AND VOLUME CHANGES, 1949-1965

Year	Value Increase ($ mil)	Percentage Increase	Volume Increase ('000 tons)	Percentage Increase	Price Increase ($ per ton)	Percentage Increase
(1949=100)						
1950	2.6	38.8	58.5	12.6	3	20.0
1951	10.1	150.7	320.2	69.2	6	40.0
(1954=100)						
1955	11.3	53.1	532.2	50.2	-	-
1956	30.9	140.4	1,329.2	125.4	1	5.0
(1958=100)						
1959	37.3	59.6	1,180.9	45.6	2	8.3
1960	77.6	124.0	2,908.8	112.2	1	4.2
(1963=100)						
1964	- 3.8	- 7.8	- 264.8	- 4.0	- 1	- 3.7
1965	- 5.0	- 8.5	- 52.4	0.8	- 3	-11.1

Sources: as in Table 2.6.

TABLE 2.8

TIMBER - PRICE AND VOLUME CHANGES, 1949 - 1965

Year	Value Increase ($ mil)	Percentage Increase	Volume Increase+ ('000 tons)	Percentage Increase	Price Increase ($ per ton)	Percentage Increase
(1949=100)						
1950	7.1	65.1	62.2	95.8	20	16.4
1951	10.4	95.4	60.1	92.6	47	38.5
(1954=100)						
1955	8.5	48.0	48.4	41.6	7	4.6
1956	12.2	68.9	70.5	60.6	8	5.3
(1958=100)						
1959	0.8	2.5	34.1	15.4	-14	-9.8
1960	23.3	73.0	133.4	60.2	-13	9.1
(1963=100)						
1964	21.9	33.9	116.5	25.7	10	7.0
1965	26.9	41.6	168.7	37.2	5	3.5

+ of 50 cu. foot

Sources: as in Table 2.6.

TABLE 2.9

PALM OIL - PRICE AND VOLUME CHANGES, 1949-1965

Year	Value Increase ($ mil)	Percentage Increase	Volume Increase ('000 tons)	Percentage Increase	Price Increase ($ per ton)	Percentage Increase
(1949=100)						
1950	-3.8	-10.5	-0.4	-0.7	-68	-9.8
1951	3.3	9.1	-6.4	-12.3	169	24.4
(1954=100)						
1955	4.9	15.6	4.8	9.5	34	5.4
1956	11.6	36.8	8.2	16.2	110	17.6
(1958=100)						
1959	4.3	9.1	2.6	3.5	35	5.5
1960	13.1	27.6	21.7	29.2	- 7	-1.1
(1963=100)						
1964	11.6	16.8	8.4	7.3	53	8.8
1965	37.0	53.6	24.4	21.2	160	26.6

TABLE 2.10

CANNED PINEAPPLE - PRICE AND VOLUME CHANGES, 1949 - 1965

Year	Value Increase ($ mil)	Percentage Increase	Volume Increase ('000 tons)	Percentage Increase	Price Increase ($ per ton)	Percentage Increase
(1954=100)						
1955	3.0	20.7	4.0	24.4	-26	-3.0
1956	4.9	33.8	6.4	39.0	-33	-3.8
(1958=100)						
1959	-3.1	-12.6	- 1.8	- 6.2	-56	-6.6
1960	1.5	6.1	4.0	13.8	-57	-6.7
(1963=100)						
1964	3.7	12.6	4.3	10.8	12	1.6
1965	11.1	37.8	14.5	36.7	6	0.8

TABLE 2.11

COCONUT OIL - PRICE AND VOLUME CHANGES, 1949 - 1965

Year	Value Increase ($ mil)	Percentage Increase	Volume Increase ('000 tons)	Percentage Increase	Price Increase ($ per ton)	Percentage Increase
(1949=100)						
1950	14.9	36.5	6.8	14.7	168	19.1
1951	38.0	93.1	16.9	36.6	366	41.5
(1954=100)						
1955	- 4.9	- 8.8	9.3	15.3	-190	-20.9
1956	1.1	2.0	20.3	33.3	-214	-23.5
(1958=100)						
1959	- 10.5	-26.1	-21.6	-43.0	234	29.1
1960	- 16.4	-40.7	-22.1	-43.9	44	5.5
(1963=100)						
1964	- 10.0	-45.5	-15.4	-51.4	90	112.2
1965	- 5.6	-25.5	-11.8	-39.6	166	122.5

TABLE 2.12

PALM KERNELS - PRICE AND VOLUME CHANGES, 1949 - 1965

Year	Value Increase ($ mil)	Percentage Increase	Volume Increase ('000 tons)	Percentage Increase	Price Increase ($ per ton)	Percentage Increase
(1949=100)						
1950	1.1	32.3	0.6	6.1	92	24.6
1951	3.4	100.0	2.1	23.2	233	62.3
(1954=100)						
1955	-0.9	-17.0	-1.7	-12.3	-20	- 5.3
1956	-0.2	3.8	0.2	1.8	8	2.1
(1958=100)						
1959	1.2	15.0	-1.2	- 5.7	84	22.0
1960	3.1	38.8	4.3	20.5	58	15.2
(1963=100)						
1964	-0.2	- 2.7	-1.4	- 7.4	19	5.1
1965	1.4	19.2	-0.8	- 3.9	90	24.0

TABLE 2.13

COPRA - PRICE AND VOLUME CHANGES, 1949 - 1965

Year	Value Increase ($ mil)	Percentage Increase	Volume Increase ('000 tons)	Percentage Increase	Price Increase ($ per ton	Percentage Increase
(1949=100)						
1950	10.3	103.0	12.6	60.8	126	26.2
1951	6.4	64.0	5.5	26.6	142	29.5
(1954=100)						
1955	-6.0	-76.9	-11.4	-75.0	-40	-7.8
1956	-5.1	-65.4	- 8.7	-57.3	-97	-19.0
(1958=100)						
1959	5.9	78.7	6.4	46.1	120	22.3
1960	27.0	360.0	47.5	341.3	23	4.3
(1963=100)						
1964	-9.7	-74.6	-19.8	-75.9	28	5.6
1965	-2.8	-21.5	-10.1	-38.7	140	28.2

b) Export Trends - Main Commodities

Export volume depends mainly on production but it also depends to a certain extent on imports. Many of the export commodities of Malaya are produced for foreign markets, little being consumed at home. Yet, we import substantial amounts of such commodities. These are part of the entrepot trade of the country. Commodities like rubber and tin for instance are import for re-export after grading or processing.

The export volume of rubber seems to depend on production mainly and, to a lesser extent, on imports (Table 2.14). Fluctuations in exports of rubber depend on fluctuations in production. There seems to be no relationship with price. Rubber supply is, of course, inelastic in the short run, though increased output can be obtained by more intensive tapping.

Export value fluctuates more than export volume because of fluctuations in price. It has been pointed out in previous section how these variables change during the boom years.

From 1950, production, and therefore export volume, has been declining 1953, after which for a few years there is some fluctuations in both. After 1959, production has been constantly on the increase and during the past 3 or 4 years annual production increases of 30,000-40,000 tons have been achieved. The fall in production from 1950-1953 is mainly due to the aging of rubbers in many estates. It was around this time also that replanting schemes were first initiated. Therefore, the proportion of immature trees was increasing. The increased output in recent years is due to the tremendous efforts at replanting.

Inspite of increased competition from synthetic, the government policy has been to encourage development in this sector while at the same time diversifying the economy. It is recognised that much as we may dislike to depend on one commodity, it is the principle source of foreign exchange. The result, as indicated in the last 2 or 3 years will be to have more and more rubber on the world market and the increased export volume will hardly compensate for the decrease in price.

Tin is the only commodity in Malaya governed by an international commodity stabilisation scheme. The first post-war International Tin Agreement was signed in 1953 and renewed from time to time. One of the main features of the Agreement is the system of export quotas which operates restrictively once the buffer stock fails to keep the price above the Agreement floor. Export quotas were imposed at the end of 1957 and it was not until the last quarter of 1960 that all restrictions were lifted. Export trends, therefore, depends to a large extent on the quotas imposed. Production and export volume had been rising steadily since 1947 until it took a sharp fall in 1958. Since 1960 production had been rising again.

Imports of tin ores is an important variable in export volume,

TABLE 2.14

RUBBER EXPORT TREND

Year	Production ('000 tons)	Imports ('000 tons)	Gross Exports ('000 tons)	Value $ mil
1947	645.2	54.5	711.6	586.8
1948	697.0	45.4	731.9	680.0
1949	670.3	32.2	710.0	589.6
1950	692.6	86.6	780.0	1,810.0
1951	603.6	99.4	691.6	2,444.6
1952	582.6	28.3	608.8	1,287.1
1953	572.8	23.0	596.2	896.0
1954	582.1	37.1	612.1	903.2
1955	637.1	33.3	659.5	1,584.0
1956	624.2	43.7	649.4	1,377.9
1957	635.9	39.9	655.1	1,304.1
1958	660.9	56.1	690.2	1,197.2
1959	695.5	53.4	782.8	1,721.8
1960	706.0	70.7	766.8	1,729.1
1961	734.6	64.9	790.6	1,442.4
1962	749.4	67.3	791.0	1,367.6
1963	786.7	53.2	841.5	1,373.9
1964	824.1	40.6	847.8	1,304.4
1965	859.2	46.1	886.9	1,368.3

and export volume must also take into account import volume. In 1961, imports of tin came to one third of the total volume. Export trends do not follow production trends very closely (Table 2.15), and export volume has fluctuated more than production.

Price fluctuations are evened out by the operation of the buffer stock. The Agreement has shifted fluctuations from price to quantity.

Iron ore exports has been increasing very rapidly since 1948. However, in 1964 there was a decline indicating that the period of rapid production expansion has come to an end with the exhaustion of the present reserves (Table 2.16). Little of the iron ore produced is consumed in Malaya. Therefore, production is the sole variable of export volume other than demand. From the table it can be seen that export volume has followed production very closely. The tremendous increase in volume has in many instances more than outweighted decreases in price with the net result export proceeds have been increasing fairly constantly.

Sawn Timber production (Table 2.17) has been increasing very rapidly also. But except during the last 3 or 4 years, export volume has not been increasing at the same rate. Consumption of this export product is very high in Malaya. Therefore export volume is a function of both production and home consumption. With the construction industry expanding rapidly, consumption has also been increasing with the result that less and less is available for export. However, production in the last few years has outpaced consumption.

Export proceeds from this commodity fluctuate between 1950 and 1954 but have been increasing since then except for the years 1960-1962.

Export of coconut oil does not show any consistent trend. Increasing to 81,000 tons in 1956, export volume has since then been on the decline. Production also fluctuates and coupled with fluctuations in consumption results in unstable export volume (Table 2.18).

The question of coconut oil production and export must be considered with that of copra (Table 2.19). From 1954 to 1958 Malaya has been a net importer of copra. For these years, production and export of coconut oil has been increasing. Estate production of copra for these years has been decreasing. Therefore, in order to have its supply of copra for milling, imports have to be increased. Total production of copra in Malaya is unknown because of the difficulty of collecting data from the smallholders. Therefore it is difficult to make an appraisal of the situation with production from the estates only.

Palm oil and palm kernels coming from the same industry, they will be considered together. Whereas the production and export for palm has been increasing from 1953 (Table 2.20), the export volume of palm kernels (Table 2.21) has been fluctuating. This perhaps reflects the

TABLE 2.15

TIN EXPORT TREND+

Year	Production (tons)	Imports (tons)	Gross Exports (tons)	Value $ mil
1947	27,026	-	-	-
1948	44,815	3,103	42,407	220.7
1949	54,910	6,020	58,066	291.5
1950	57,537	9,800	75,344	441.9
1951	57,167	7,606	64,956	563.8
1952	56,838	5,717	64,169	510.8
1953	56,254	6,020	62,213	382.8
1954	60,689	7,996	68,818	403.9
1955	61,295	10,810	71,872	433.7
1956	62,295	10,924	72,996	471.7
1957	59,293	13,853	69,772	439.4
1958	38,458	7,912	44,843	274.5
1959	37,525	8,702	44,847	298.9
1960	51,979	21,092	76,606	507.3
1961	56,028	16,623	74,615	553.1
1962	58,603	25,280	81,896	620.3
1963	59,947	20,171	85,102	642.4
1964	60,004	10,310	71,663	728.3
1965	63,570	7,867	73,889	871.8

+All data here refers to tin metal (Primary and tin-in-concentrates, the metal value of which has been estimated at 75.6% of tin-in-concentrates. In 1956-58: 75.2%, in 1955: 75.3% and prior to 1955: 75%.

TABLE 2.16

IRON ORE EXPORT TREND

Year	Production ('000 tons)	Export ('000 tons)	Value $ mil
1947	n.a.	-	n.a.
1948	n.a.	70.8	0.6
1949	n.a.	462.4	6.7
1950	n.a.	520.9	9.3
1951	846.8	782.7	16.8
1952	1,055.5	1,007.5	23.2
1953	1,062.7	1,018.3	20.5
1954	1,212.8	1,060.1	21.3
1955	1,466.2	1,592.3	32.6
1956	2,444.6	2,389.3	51.2
1957	2,972.4	2,919.7	65.5
1958	2,795.3	2,591.4	62.6
1959	3,760.7	3,772.3	99.9
1960	5,640.3	5,500.2	140.2
1961	6,733.5	6,435.1	163.8
1962	6,507.3	6,445.1	166.2
1963	7,264.5	6,581.8	176.3
1964	6,465.7	6,317.0	162.5
1965	6,872.7	6,634.2	161.3

TABLE 2.17

SAWN TIMBER EXPORT TREND

Year	Production ('000 tons of 50 cu. ft)	Gross Export ('000 tons of 50 cu. ft)	Value $ mil
1947	168.4	51.9	5.4
1948	188.4	65.9	6.2
1949	205.8	89.6	10.9
1950	271.4	127.1	18.0
1951	324.9	126.1	21.3
1952	361.6	122.3	18.9
1953	382.0	133.4	20.0
1954	390.4	116.4	17.7
1955	496.4	164.8	26.2
1956	524.8	186.8	29.9
1957	523.1	199.9	29.3
1958	503.1	221.5	31.9
1959	543.9	255.6	32.7
1960	729.4	354.9	55.2
1961	711.1	312.1	41.5
1962	755.7	348.5	47.6
1963	830.5	454.0	64.6
1964	946.5	570.4	86.5
1965	950.6	622.7	91.5

TABLE 2.18

COCONUT OIL EXPORT TREND

Year	Production (tons)	Import (tons)	Gross Export (tons)	Value $ Mil
1947	51,186	532	25,449	13.6
1948	51,164	126	28,213	25.2
1949	63,698	354	46,294	40.8
1950	72,800	900	53,119	55.7
1951	86,397	304	63,217	78.8
1952	81,183	199	54,310	42.5
1953	79.459	149	58,232	54.9
1954	96,800	248	60,968	55.9
1955	94,950	307	70,316	50.6
1956	108,373	657	81,270	56.6
1957	96,508	1,208	66,032	47.3
1958	78,552	1,706	50,352	40.3
1959	67,272	1,566	28,715	29.8
1960	73,613	1,595	28,225	23.9
1961	87,367	1,497	42,116	27.7
1962	91,666	2,014	33,870	22.1
1963	71,281	1,999	29,870	22.0
1964	62,132	1,566	14,517	12.0
1965	63,767	1,356	18,050	16.4

TABLE 2.19

COPRA EXPORT TREND

Year	Estate Production (tons)	Import (tons)	Gross Export (tons)	Value $ mil	Net Export (tons)	Value $ mil
1947	-	3,222	10,373	2.6	7,151	1.7
1948	-	12,948	20,406	10.8	7,458	3.1
1949	36,957	15,036	20,808	10.6	5,772	3.2
1950	39,612	17,585	33,454	20.3	15,869	10.6
1951	39,422	21,704	26,345	16.4	4,641	3.4
1952	39,523	13,244	18,596	9.0	5,352	3.1
1953	40,130	10,775	15,595	8.9	4,820	2.8
1954	39,864	29,013	15,253	7.8	-13,760	- 6.8
1955	40,464	39,036	3,820	1.8	-25,216	- 9.5
1956	39,009	54,856	6,515	2.7	-48,341	-20.7
1957	35,843	49,979	21,456	9.8	-28,523	-11.0
1958	34,820	43,242	13,909	7.5	-29,333	-11.8
1959	33,079	18,251	20,319	13.4	2,068	2.4
1960	32,309	26,248	61,380	34.5	35,132	21.7
1961	33,841	37,638	42,380	19.0	4,742	5.3
1962	33,214	25,672	20,587	9.8	- 5,085	- 0.3
1963	32,219	21,846	26,136	13.0	4,290	4.7
1964	29,670	960	6,288	3.3	5,328	2.9
1965	30,670	1,048	16,012	10.2	14,964	16.4

TABLE 2.20

PALM OIL EXPORT TREND

Year	Production (tons)	Import (tons)	Gross Export (tons)	Value $ Mil
1947	29,115	179	42,846	19.2
1948	45,257	232	48,106	31.6
1949	50,561	32	52,100	36.1
1950	53,171	511	51,734	32.3
1951	48,274	1,459	45,667	39.4
1952	45,095	49	46,360	44.8
1953	49,098	302	49,804	30.9
1954	53,950	232	50,431	31.5
1955	56,491	1,467	55,227	36.4
1956	55,922	3,310	58,619	43.1
1957	58,507	3,512	61,476	45.5
1958	69,671	6,349	74,339	47.4
1959	71,541	5,863	76,027	51.7
1960	90,343	5,482	96,027	60.5
1961	93,348	6,447	93,427	61.2
1962	106,462	5,461	105,686	65.1
1963	123,649	1,782	114,892	69.6
1964	120,106	534	123,269	80.6
1965	146,333	302	139,243	106.0

TABLE 2.21

PALM KERNELS EXPORT TREND

Year	Production (tons)	Expert (tons)	Value $ mil
1947	5,737	3,584	0.9
1948	8,471	4,065	1.1
1949	10,459	9,092	3.4
1950	11,437	9,647	4.5
1951	11,771	11,209	6.8
1952	11,248	10,864	4.5
1953	12,669	12,613	5.8
1954	14,471	13,940	5.3
1955	14,889	12,224	4.4
1956	14,956	14,185	5.5
1957	14,781	16,206	5.9
1958	18,273	20,931	8.0
1959	19,294	19,733	9.2
1960	23,672	25,213	11.1
1961	24,227	21,098	7.2
1962	27,844	20,284	6.8
1963	30,135	19,474	7.3
1964	30,001	18,042	7.1
1965	34,426	18,710	8.7

varying amount of palm kernels used in Malaya for palm kernel oil. The proportion of export to production of palm kernels (Table 2.21) has been declining, showing an increase in "consumption", and adding more value to export commodities.

Table 2.22 shows the changing pattern of exports from 1947-1965. The data in the table shows the contribution of each of the major export commodities to total export proceeds of the country. From depending or over 70% of our export proceeds on rubber alone, now the latter commodity only contributes about 44% of total export proceeds. Other commodities which have grown in importance in recent years are timber, canned pineapple, palm oil and iron ore. Tin has increased its importance from 1948. This trend is a healthy reflection on the effect the diversification plans has on the country. Especially in the case of manufactured productions, which now contribute 13.6% of export proceeds, the industrialisation and agricultural diversification schemes has made its impact on the export economy of the country.

Though rubber and tin still dominate exports, and will continue to do so in the foreseeable future, the progress made so for augers well for the future.

3) Import Trends

In the discussion on import trends, we are faced with the major difficulty because of non-comparability of the statistics published before and after 1953. As mentioned before in Chapter I, commodity classification in foreign trade was done according to the Federation of Malaya Import and Export List, which was based on the Brussels Convention (1913) Classification. The import statistics after 1953 are compiled according to a system of commodity classification based on the SITC. To have comparable statistics, therefore, data published in the trade reports have been, after a thorough examination, reclassified according to the SITC sections. It is clear that such attempts will not have a very high degree of precision but at least they produce results which are broadly indicative of the real situation.

Exclusions like cinematographic films (exposed), which have been excluded from subsequent tabulations, have also been excluded from section 8 (under which it should come under if included) in the reclassification from the previous system. Concerning other exclusions in later years but included earlier (see Chapter I), it has not been possible to make any adjustments.

Section 9 before 1953 does not include "miscellaneous transactions" as such trade was not tabulated separately. How this item has been treated is not clear but presumably, it must have been looked upon as normal trade. Section 6 has not been obtained directly but derived from the total imports and all the other sections after the latter has been compiled.

The relative importance of the various import commodities has changed tremendously during the period 1947-1965 (Table 2.23). In 1947,

TABLE 2.22

CHANGING PATTERN OF GROSS EXPORT, 1947 - 1
PERCENTAGE OF TOTAL EXPORTS OF MAIN COMMODIT

YEARS	1947	1949	1951	1953	1955	1957
Rubber	70.3	50.0	72.3	56.1	66.8	59.8
Palm Oil	2.3	3.1	1.2	1.9	1.5	2.1
Copra	0.3	0.8	0.5	0.6	0.1	0.4
Palm Kernels	0.1	0.3	0.2	0.4	0.2	0.3
Coconut Oil	1.6	3.5	2.3	3.4	2.1	2.2
Tin	n.a.	24.7	16.7	24.0	18.3	20.2
Iron Ore	n.a.	0.6	0.5	1.3	1.4	3.0
Timber	0.6	0.9	0.6	1.3	1.1	1.3
Caned pineapple and juice	n.a.	n.a.	n.a.	0.7	0.7	0.9
Others	n.a.	n.a.	n.a.	10.3	7.8	9.8
	-	-	-	100.0	100.0	100.0

Source : Computed from Monthly Statistical Bulletin, various issues.

TABLE 2.22

CHANGING PATTERN OF GROSS EXPORT, 1947 - 1
PERCENTAGE OF TOTAL EXPORTS OF MAIN COMMODIT

YEARS	1947	1949	1951	1953	1955	1957
Rubber	70.3	50.0	72.3	56.1	66.8	59.8
Palm Oil	2.3	3.1	1.2	1.9	1.5	2.1
Copra	0.3	0.8	0.5	0.6	0.1	0.4
Palm Kernels	0.1	0.3	0.2	0.4	0.2	0.3
Coconut Oil	1.6	3.5	2.3	3.4	2.1	2.2
Tin	n.a.	24.7	16.7	24.0	18.3	20.2
Iron Ore	n.a.	0.6	0.5	1.3	1.4	3.0
Timber	0.6	0.9	0.6	1.3	1.1	1.3
Caned pineapple and juice	n.a.	n.a.	n.a.	0.7	0.7	0.9
Others	n.a.	n.a.	n.a.	10.3	7.8	9.8
	-	-	-	100.0	100.0	100.0

Source : Computed from Monthly Statistical Bulletin, various issues.

TABLE 2.22

E PATTERN OF GROSS EXPORT, 1947 - 1965
E OF TOTAL EXPORTS OF MAIN COMMODITIES

1953	1955	1957	1959	1960	1962	1964	1965
56.1	66.8	59.8	69.6	62.6	52.2	47.0	44.2
1.9	1.5	2.1	2.1	2.1	2.5	2.9	3.4
0.6	0.1	0.4	0.6	0.2	0.4	0.1	0.3
0.4	0.2	0.3	0.4	0.4	0.3	0.2	0.3
3.4	2.1	2.2	1.2	0.8	0.8	0.5	0.5
24.0	18.3	20.2	12.1	17.4	23.0	26.3	28.2
1.3	1.4	3.0	4.0	4.8	4.3	5.9	5.2
1.3	1.1	1.3	1.3	1.9	1.8	2.1	3.0
0.7	0.7	0.9	0.9	0.9	1.1	1.2	1.3
10.3	7.8	9.8	7.8	7.9	10.9	12.8	13.6
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

lletin, various issues.

TABLE 2.2

CHANGING PATTERNS OF IMPORTS

YEARS	SECTION				
	0	1	2	3	4
1947	225.2	57.8	51.0	28.2	1.9
% of Total	36.9	9.5	8.4	4.6	0.3
1948	347.2	67.0	65.6	37.7	2.0
% of Total	41.0	7.9	7.7	4.5	0.2
1951	537.3	120.5	327.9	77.0	5.4
% of Total	28.8	6.4	17.5	4.1	0.3
1953	560.2	84.5	101.5	107.7	4.8
% of Total	38.6	5.8	7.0	7.4	0.3
1955	477.7	79.7	168.7	125.9	5.7
% of Total	31.0	5.2	10.9	8.2	0.4
1956	525.0	83.1	197.7	135.5	7.7
% of Total	30.0	4.7	11.3	7.7	0.4
1960	558.2	82.5	339.3	149.2	13.0
% of Total	26.0	3.8	15.8	6.9	0.6
1962	562.7	72.1	339.7	151.2	13.6
% of Total	23.0	2.9	13.9	6.2	0.6
1964	695.2	58.1	227.8	167.3	12.4
% of Total	27.6	2.3	9.0	6.6	0.5
1965	613.9	60.7	229.4	174.2	14.8
% of Total	23.5	2.3	8.8	6.7	0.6

Sources : Computed from (a) "Federation of Malaya Import and Exports",
(b) Current publications on external trade.
Refer Text : Chapter I and Chapter II for

-53-

TABLE 2.23

HANGING PATTERNS OF IMPORTS, 1947 - 65 ($ MIL.)

S E C T I O N S							
3	4	5	6	7	8	9	TOTAL
28.2	1.9	29.1	137.2	56.9	19.3	3.6	610.2
4.6	0.3	4.8	22.5	9.3	3.2	0.6	100.0%
37.7	2.0	37.7	168.2	92.0	21.6	7.6	846.6
4.5	0.2	4.5	19.9	10.9	2.6	0.9	100.0%
77.0	5.4	90.3	406.0	207.8	76.7	19.6	1,868.5
4.1	0.3	4.8	21.7	11.1	4.1	1.0	100.0%
107.7	4.8	62.1	246.4	172.8	81.6	21.7	1,451.4
7.4	0.3	4.3	17.0	11.9	5.6	1.5	100.0%
125.9	5.7	88.0	295.0	174.3	96.1	31.9	1,542.9
8.2	0.4	5.7	19.1	11.3	6.2	2.1	100.0%
135.5	7.7	103.4	312.2	231.5	108.7	45.2	1,751.1
7.7	0.4	5.9	17.8	13.2	6.2	2.6	100.0%
149.2	13.0	143.2	366.1	330.4	123.2	45.5	2,150.6
6.9	0.6	6.7	17.0	15.4	5.7	2.1	100.0%
151.2	13.6	152.5	471.9	482.1	140.9	60.4	2,447.4
6.2	0.6	6.2	19.3	19.7	5.8	2.5	100.0%
167.3	12.4	177.0	464.7	515.9	152.3	50.7	2,521.4
6.6	0.5	7.0	18.4	20.5	6.0	2.0	100.0%
174.2	14.8	208.3	510.2	580.2	165.3	51.3	2,608.3
6.7	0.6	8.0	19.6	22.2	6.3	2.0	100.0%

f Malaya Import and Exports", various issues for data up to 1957.

cations on external trade.

Chapter I and Chapter II for conversion into SITC for data before 1953.

food accounted for 36.9% of total imports, thereby being the most important import item. Manufactured articles classified chiefly by material (Section 6) was next and accounted for 22.5% of total imports. In 1965, Machinery (Section 7) became the most important item after food. The latter has declined in importance; it now constitutes 23.5% of total imports only.

Section 1 (Beverages and Tobacco) has dropped from 9.5% of imports to only 2.3% of imports. In value it has increased only very slightly. Petroleum and Petroleum Products (Section 3) is now 6 times its value in 1947, though as a percentage of the total, it is still relatively small. Miscellaneous Manufactured Articles (Section 8) is now 8 times is value in 1947 and double its importance in terms of being a percentage of total imports.

The changing pattern of imports reflect the changing structure of the economy. "Imports of non-industrial and industrial countries are of a different nature in that those of the former are less related to the current process of production and consumption than are imports of industrial countries".[8] A considerable portion of the imports of non-industrial countries now consist of capital goods which are related to the rate of development rather than to the current level of activity. It is an accepted fact that there are divergencies in per capita income between the developed countries and the less developed ones. In view of such gaps, and the necessity to accelerate development even to keep up with the population growth, the natural way is to increase the quantity and quality in the factors of production. This would mean an increase in capital equipment and qualitative improvement in man-power.

The development plans with their emphasis in increasing investment are responsible for the increasing importance of machinery in total imports. Though it will be difficult in practise to say exactly how much of this section is capital goods, we can be certain a large proportion of it is.

From Table 2.24, which shows the growth rate per annum for the import sections, it will be seen that Machinery has the fastest rate next to Section 9. The latter is not of much significance actually, so in our analysis we can ignore it. The growth rate for machinery is faster than that for all other sections.

Though food has increased more than twice, as a proportion of total imports it has fallen. The growth rate for food is lower than that for total imports. In addition to the increased importance of other import items, there is also a process of import substitution at work. Increasing rice production has been given emphasis again and again in the development plans. Largely to increases in output Malaya now only imports 30% of her rice requirements. In 1947, this import ratio was very much higher.

---

[8] "Trends in International Trade", op. cit., p. 45.

The reason why Beverages and tobacco has increased slightly only is due to import substitution of cigarettes. More and more of the cigarettes smoked in Malaya are being produced locally with the result that Section 1 has even declined in value from 1962. Not only will such a process save foreign exchange it will provide employment for the increasing working population.

Increases in Section 3 reflects the increasing motorisation of the country. With more transport facilities, requirements for petroleum products will go up. In 1963, crude petroleum was first imported into Malaya. Previously to that all the petroleum imported were finished products. This trend in imports show the increasing importance of secondary industries. Though increase in raw materials imported will be inevitable, the extra employment and income will benefit the country.

Chemicals (Section 5) have increased 7 times in value between 1947 and 1965. Together with Manufactured Production (Section 6) it reflects the increasing dependence of Malaya for foreign manufactured products. Industrialisation may have been able to replace some imports but it has created need for other imports.

Imports of Crude Materials, inedible (Section 2) has fluctuated violently from year to year. In 1948 it was only 7.7% of total imports, but in 1951, its value jumped to $327.9 million and accounted for 17.5% of total imports. There can be noticed a tendency for import of this to go up during years of property in the Malayan export sector. Most of the commodities in this section is not for consumption in Malaya but further processing or packaging and re-export. Crude rubber and tin ore are the main commodities imported in this section. During boom years, when the prices of these commodities rise, there will be more imports for re-export. As we have seen, changes in value of rubber and tin are more due to changes in price than volume. Similarly, import value of this section fluctuates more because of price than volume.

Import substitution for some commodities is shown in Table 2.25. Similar statistics are not available for other products such as batteries, acid, etc., etc. and compilations of such can only be done by an exhaustive analysis of trade publications which is beyond the scope of this graduation exercise. In the case of cigarettes, manufactured tobacco and aerated water, local production is meeting a greater and greater proportion of consumption. From being net importers of biscuits, soap, rubber compounds, cycle inner tubes and cement, we have now become net exporters. There must be other examples of import substitution, especially by the pioneers companies but as yet import replacement of manufactured goods can have hardly made a significant impact on total imports.[9] Though a start has been made, there is not sufficient evidence to show the "usual effects" of the early stages of

---

[9] E.L. Wheelwright, "Industrialisation in Malaya" in Silcock and Fisk, op. cit., p. 229.

	1954	1959	1961	1963
Cigarettes ('000 lbs.) *	3,403	4,133	9,517	12,834
Consumption ('000 lbs.)	12,012	11,853	13,454	14,226
D.P/Consumption +	28.3%	34.9%	70.7%	96.2%
Manufactured Tobacco ('000 lbs.)	3,073	2,150	2,326	2,151
Consumption ('000 lbs.)	4,285	2,706	3,527	2,832
D.P/Consumption	71.7%	79.5%	65.9%	76.0%
Aerated Water & Cordials ('000 gallons)	7,156	11,437	12,674	13,686
Consumption ('000 gallons)	8,785	12,464	13,570	14,627
D.P/Consumption	81.5%	91.8%	93.4%	93.6%
Soap ('000 cwts.)	264	320	378	450
Consumption ('000 cwts.)	349	327	375	376
D.P/Consumption	75.6%	97.9%	100.8%	119.7%
Rubber Compounds ('000 lbs.)	1,989	3,016	3,577	4,021
Consumption ('000 lbs.)	2,135	3,666	2,566	1,850
D.P/Consumption	93.2%	82.3%	139.4%	217.4%
Cycle Inner Tubes ('000)	758	962	1,822	2,125
Consumption ('000)	1,033	1,121	1,765	1,554
D.P/Consumption	73.4%	85.8%	103.2%	136.7%
Cement (tons)	102,261	189,518	325,571	355,963
Consumption (tons)	308,307	250,667	413,325	558,792
D.P/Consumption	33.2%	75.6%	78.8%	63.7%

* Production. + Domestic Production/Consumption x 100.

Source : Computed from "Monthly Statistical Bulletin, "States of Malaya", various issues.

1954	1959	1961	1963	1964	1965
3,403	4,133	9,517	12,834	13,537	13,140
12,012	11,853	13,454	14,226	14,898	14,361
28.3%	34.9%	70.7%	96.2%	90.9%	91.5%
3,073	2,150	2,326	2,151	2,160	2,566
4,285	2,706	3,527	2,832	2,747	3,305
71.7%	79.5%	65.9%	76.0%	78.6%	77.6%
Lons) 7,156	11,437	12,674	13,686	13,733	10,211
8,785	12,464	13,570	14,627	14,767	11,667
81.5%	91.8%	93.4%	93.6%	93.6%	87.5%
264	320	378	450	411	397
349	327	375	376	378	342
75.6%	97.9%	100.8%	119.7%	124.6%	116.1%
1,989	3,016	3,577	4,021	4,815	4,481
2,135	3,666	2,566	1,850	2,608	2,804
93.2%	82.3%	139.4%	217.4%	184.6%	159.8%
758	962	1,822	2,125	2,472	2,863
1,033	1,121	1,765	1,554	1,842	2,287
73.4%	85.8%	103.2%	136.7%	134.2%	125.2%
102,261	189,518	325,571	355,963	458,175	725,211
308,307	250,667	413,325	558,792	623,491	646,757
33.2%	75.6%	78.8%	63.7%	73.5%	112.3%

+ Domestic Production/Consumption x 100.

from "Monthly Statistical Bulletin, "States of Malaya", various issues.

industrialisation, namely an increase in the proportion of imports accounted for by raw materials and capital goods and a decline in the proportion of consumer goods.[10]

4) Export, Import Indices and Terms of Trade

So far, in the case of imports, we have been talking about the changes in value only. No consideration has been given to price or volume changes. It is important to know the price and volume indices for imports and exports and the terms of trade so that we can know whether a constant amount of our exports is buying more or less imports as time goes by.

The indices that are published by the Statistics Department have 1959 as the base year. It is not possible to have such indices for years before 1955 unless actual computation is attempted. The methods of compiling index numbers have been mentioned in Chapter I.

The terms of trade compiled by the Statistics Department represent the cost of a given quantum of imports in terms of exports. This is measured by dividing the export price index for a given period by the import price index. A rise in the terms of trade represents a favourable movement and a fall and adverse movement. From Table 2.26, it can be said that except for the years 1955 and 1960, the terms of trade have been moving against us, though there is a slight recovery in 1965.

The import volume index has been increasing since 1955 but the Import Price Index has been fluctuating. The Export Price Index has been falling since 1960 and is the cause of the present unfavourable terms of trade.

5) Foreign Trade and National Income

Foreign trade and national income has a two-way relationship. Changes in income generally entail changes in the demand for imports. On the other hand, changes in the volume of exports tend to produce changes in domestic income. In tracing the impact of foreign trade on the national income of Malaya, we must examine the relationship between Malaya's gross export proceeds and the corresponding gross domestic production and also the relationship between changes in the gross export proceeds and changes in the gross domestic product.[11]

Dr. Lim Chong Yah has estimated the average G.E.P./G.D.P. ratio for the period 1947/1960 to be 47.7%, nearly half the average G.D.P. He says the highest G.E.P./G.D.P. percentage was in 1950 (63.1%) and the

---

[10] Ibid., p. 229.

[11] Lim Chong Yah, Ekonomi, Vol. IV, No. 1, op. cit., p. 19.

TABLE 2.26

MALAYA - IMPORT AND EXPORT PRICE VOLUME AND TERMS OF TRADE INDICES

Year	Import Price	Export Price	Terms of Trade	Import Volume	Export Volume
1955	100	104	103	89	92
1956	103	96	94	98	95
1957	107	91	85	98	97
1958	102	83	82	94	92
1959 (Base)	100	100	100	100	100
1960	103	105	102	120	113
1961	101	87	86	126	122
1962	99	87	87	143	125
1963	103	82	79	142	134
1964	109	84	77	135	134
1965	95	86	91	158	146

Source: Federation of Malaya Monthly Statistics of External Trade, various issues.

lowest in 1947 (31.5%).[12] It is obvious then that exports had an important role in the growth and fluctuations of the national income* of the country.

The export multiplier mechanism in Keynesian economics account for the transmission of income and employment fluctuations from the rest of the world to Malaya. Increases in exports can be induced by a boom in foreign countries. There is no doubt that expansions or contractions originating in the Western Europe and American economies tend to spread their effects to Malaya through their demands for imports from Malaya and other primary producing countries. An investment boom in these areas will spill over to countries like Malaya since the increased money income leaks out for the purchase of additional imports. Of course, the size of such leakages is determined by the marginal propensity to import; if small, the boom will go on for long before it leads to additional imports; if large it will not be long before it spills over.

"The relative strength of the expansionist or contractionists impulses which a country imports to the outside world as a result of domestic income fluctuations is determined by its marginal propensity to import".[13] The relative amplitude of the fluctuations in its demand for imports may be wider or narrower than that of corresponding domestic fluctuations.[14] In investment booms in the western economies, their propensity of demand for raw materials like tin and rubber seems to be greater than unity, as is evidence by the booms of the 1950's.

---

[12] Ibid, p. 20.

* The gross domestic product (at market prices) has a relationship to Net National product at factor cost (National Income) in the following manner:

Gross Domestic Product (market prices)
- Indirect taxes
+ Subsidies
= Gross Domestic Product (factor cost)
+ Factor income payments from world
- Factor income payment to world
= G.N.P. (factor cost)
- Depreciation
= Net National product (at factor cost) = National Income.

Because of lack of readily available statistics, data on G.D.P. is used to analyse the relationship between trade and National Income, but the difference between the 2 terms should be recognised.

[13] R. Nurkse, "Domestic and International Equilibrium" in "Equilibrium and Growth in the World Economy", (Harvard University Press, 1961), p. 48.

[14] Ibid, p. 48.

In particular, the United States, where national income is relatively variable in itself, and where imports, in addition, have an income elasticity of demand greater than unity, is "particularly troublesome as a source of cyclical change in the world economy".[15]

Exports from Malaya has been fluctuating very violently during the period 1947-1965. The effect of these fluctuations on the gross domestic product is seen in Table 2.27. Though the data on the Gross Domestic Product has been adjusted to current prices (1963),[16] and the export values had not been so treated, the relationship between the 2 variables is clear enough. It is no surprise that the big jumps in the gross domestic product come during periods of export booms (1950, 1955 and 1959). These boom periods were touched off by increased economic activity in Western Europe and the United States and/or international crises. In addition, the United States stockpiling in the early fifties, especially during the Korean War, was also responsible for the increased exports and increased domestic product.

Growth or decline in the Western world is transmitted to Malaya through trade. If there is expansion, there will be an increase of imports, which means some of the additional money income will be spent on raw materials. The increase in exports in Malaya will lead directly to an expansion of income and employment in the export sector. Some of the additional income will be spent on imported goods, so there is a tendency towards increased imports to match the increase in exports. But not all the increased income will be spent on imports. A part will be spent on domestic products and therefore, the expansion in the export sector is transmitted to all the sectors of the economy.

Not all the additional income is spend on goods or services, domestic or imported. Some will inevitably be saved. Nurkse's assumption that the increased flow of spending on homemade goods is likely to have the "acceleration effect" of inducing a higher rate of capital expenditure, which will offset the additional saving,[17] seems to be unrealistic. That the total income flow is arrested before imports become equal to exports, shows that increased investment has not been enough to absorb the saving.

The central determinant of the process of income increase depends on the marginal propensity to import, i.e. the proportion of an increment in income devoted to imports. The larger this propensity, the smaller will be the expansion of national income. The reciprocal of the marginal propensity to import gives the export multiplier. If in Malaya, the import ratio of total goods and services consumed is about half, the increase in national income generated by an increment in export is about 2 times the increment in exports. Actually the

---

[15] Nurkse, op. cit., p. 48.

[16] Lim Chong Yah, op. cit., p. 12.

[17] Nurkse, op. cit., p. 44.

TABLE 2.27

FLUCTUATIONS IN TRADE AND REAL GROSS DOMESTIC PRODUCT, 1947 - 1960

Year	R.G.D.P. ($ mil)	Annual % changes	Exports ($ mil)	Annual % changes	Imports ($ mil)	Annual % changes
1947	2,982	+ 0.8	834.8	-	610.2	-
1948	3,005	+ 0.8	1,116.4	+ 33.7	846.6	+38.7
1949	3,027	+ 0.7	1,179.4	+ 5.6	926.5	+ 9.5
1950	4,867	+ 60.8	2,607.9	+121.2	1,310.8	+41.5
1951	5,000	+ 2.7	3,379.0	+ 29.6	1,868.5	+42.5
1952	4,153	- 16.9	2,134.4	- 36.8	1,659.6	-11.2
1953	3,883	- 6.5	1,598.2	- 25.2	1,451.4	-12.5
1954	3,949	+ 1.7	1,625.4	+ 1.7	1,319.1	- 9.1
1955	5,032	+ 27.4	2,370.2	+ 45.8	1,542.9	+17.0
1956	5,049	+ 0.3	2,262.0	- 4.6	1,751.0	+13.5
1957	4,852	- 3.9	2,179.5	- 3.6	1,814.4	+ 3.6
1958	4,700	- 3.1	1,882.5	- 13.6	1,657.5	- 8.6
1959	5,411	+ 15.1	2,473.4	+ 31.6	1,739.3	+ 4.9
1960	5,921	+ 9.4	2,923.9	+ 18.2	2,150.6	+23.6

Sources: Lim Chong Yah, Op.Cit; Page 14, Table 1;

: Table 2.1.

increase in the G.D.P. seems to be only 6/5 times that of the increment in exports (1950). So the marginal propensity to import is greater than half. The increase in national income in Malaya spills over to other countries, a good proportion back to the developed countries, where the process first started, in the form of increased demand in Malaya for imports.

The impact of increased exports is not as great as one would like it to be. This cannot be helped if imports form such a high proportion of consumption in Malaya. As domestic production increases we can expect the impact to be greater but such expansions of exports, as in the fifties, seem unlikely in the future.

CHAPTER III

PATTERNS OF TRADE

Statistics as to the provenance of imports and the destination of exports are essential to any broad grasp of world economics. Such data are one of the major bases for knowledge of economic geography. Accordingly, this Chapter will analyse the areas where goods are produced and where Malayan goods are consumed. The detailed analysis of country classification of trade has been done in Chapter I and the advantages/disadvantages of the method we follow have been pointed out. This Chapter will discuss the geographical and economic areas that produce Malayan imports and that consume Malayan exports. But in analysing trade by countries of Malaya, we are faced with a major difficulty. Trade statistics for Malaya alone are not available before 1958 and some methods have to be used to derive Malaya's trade from either the Pan-Malayan* figures or the figures on the direct trade of Malaya (i.e. excluding trade with Singapore). The first part of this Chapter will be devoted to the methods of estimating Malayan exports and imports from whatever figures are available. Following this will be a discussion on the patterns of trade by geographical and economic areas and the implications this has on our trade.

1) Availability of Statistics on Trade by Countries before 1958 and Methods of Estimating Malayan Trade before 1958

Trade statistics by countries for Malaya alone are not available before 1958. In the publications "Malayan Statistics, External Trade of the Registration Area of Malaya comprising of the Colony of Singapore and the Federation of Malaya", figures are available on Pan-Malayan+ trade and the direct trade of Malaya. The publications exclude trade between Malaya and Singapore. As we realise, a substantial proportion of Malaya's trade is via Singapore. As such, there is no direct method of deriving the trade statistics of Malaya alone. Fortunately, in 1958, trade statistics by countries for Malaya alone are available and these will be used to estimate the trade of Malaya by countries before 1958.

---

*"Pan-Malayan" refers to Malaya and Singapore.

+Later changed to "Malayan Statistics, External Trade of Malaya (Colony of Singapore and Federation of Malaya". In these publications, "Malaya" refers to Pan-Malayan and "Federation of Malaya" refers to Malaya alone.

The production-consumption method is also used before 1958. But for cargo declared on optional Bills of Lading, the first part nominated is taken as being the final destination.[1] Because of this methodology, trade statistics by countries do not include a large proportion of exports or imports via Singapore as Table 3.1 for a few countries shows.

Since for cargo on optional Bills of Lading the first part nominated is taken as being the final destination, the direct exports from Malaya are less than the actual exports. Presumably, exports from Malaya via Singapore the destination of which can be determined at the time of export is credited to Malaya. Presumably also, though this area is not defined, the practice in later years of including exports where the destination of such exports via Singapore is not available, under the same category of goods consumed in Singapore is also followed. As such, direct exports in column 3, Table 3.1 do not reflect the true state of affairs.

For imports, the situation is more complicated. "Goods entering the registration area (Malaya and Singapore) on a bill of lading to Singapore although consigned to the Federation of Malaya are recorded as an import proper into Singapore and vice versa".[2] Later, this definition is not included in the Notes to the publications, but presumably, the practice has been followed. As in the case of exports, since imports to Malaya is not included, import figures are less than they should be (Table 3.1). Since we are not certain whether even direct imports before 1958 should properly be credited to Malaya or Singapore, any estimate is more subject to error than in the case of exports.

An estimate of Malaya's trade by countries has to be made. We can do it in 2 ways:

1) By applying a constant ratio, Malayan trade/Pan-Malayan trade to the Pan-Malayan figures available before 1958.

2) By applying a constant ratio, Malayan trade/Malayan direct trade to the Malayan figures on direct trade.

a) Malayan Trade/Pan-Malayan Trade Ratio Method

In this method, the Malayan ratio of Pan-Malayan exports and imports is assumed to remain constant through all the years. Since statistics for Malayan exports and imports by countries for 1958 are available, we express these as a ratio of the Pan-Malayan exports and

---

[1] Statistics Department, "Malayan Statistics, External Trade", 1951 (Government Printing Office, Singapore); Notes.

[2] "Malayan Statistics", 1951, op. cit., Notes.

TABLE 3.1

TRADE BY COUNTRIES, MALAYAN FIGURES, PAN-MALAYAN FIGURES AND DIRECT TRADE, 1958

Country	Malayan Figures		Pan-Malayan Figures		Direct Trade	
	Exports ($ mil)	Imports ($ mil)	Exports ($ mil)	Imports ($ mil)	Exports ($ mil)	Imports ($ mil)
United Kingdom	349.7	414.8	509.0	700.7	253.0	300.2
United States	200.6	41.1	379.6	136.5	186.4	19.7
France	49.0	13.4	77.3	32.9	44.0	10.2
West Germany	94.2	40.0	155.8	85.1	87.2	27.1
China	53.8	94.1	116.4	195.6	51.6	45.3
Indonesia	11.5	228.5	363.3	1,103.1	10.0	137.9
Total	1,882.9	1,657.5	3.726.3	4,095.5	1,245.1	995.0

Source: Malayan Statistics, External Trade of Malaya (Colony of Singapore and Federation of Malaya), 1958 Federation of Malaya Statistics of External Trade, 1958.

imports. The method of deriving the ratio is shown for 5 countries in Table 3.2. To get the exports or imports for, say, 1955 to or from the United Kingdom, we apply this ratio to the Pan-Malayan exports or imports. Thus:

Pan-Malayan Exports to U.K. X R_1 = estimate of Malayan exports to U.K. in 1955, where R_1 is the ratio of Malayan exports to U.K. to Pan-Malayan exports to U.K. in 1958. Therefore:

$761.6 (m.) X 2006/3796 = $523.2 (m.)

The same is done for imports:

Pan-Malayan imports from U.K. in 1955 X R_1 = estimate of Malayan imports from U.K. in 1955, where R_1 is the ratio of Malayan imports from U.K. to the Pan-Malayan imports from U.K. in 1958. Therefore:

$690.5 (m.) X 4148/7007 = $408.8 (m.)

This method assumes that the ratio of Malayan trade with the countries concerned to the Pan-Malayan trade is the same as that for 1958 for all the years when separate data for Malaya alone is not available. The method is simple to apply but on close examination it has many defects, for example:

i) Direct exports to Burma (1953) - $12.7 m.
Estimated exports (1953) - $ 9.9 m.

ii) Direct exports to Thailand (1953) - $34.7 m.
Estimated exports (1953) - $27.1 m.

In many instances, it was found that the Malayan/Pan-Malayan ratio method gives a figure less than <u>direct</u> exports to the countries concerned. We know that direct exports is already an underestimate of the real exports. Therefore, the error is more substantial. It is impossible for exports to be less than the direct exports.

For imports, the situation is not so clear. For example, for Burma:

Year	Direct Imports	Estimated Imports
1951	$64.7 m.	$46.3 m.
1953	$67.1 m.	$56.2 m.
1955	$41.0 m.	$37.7 m.

We cannot, in the case of imports, say with certainty that it is impossible for the estimated imports to be less than direct imports because goods on a bill of lading to Malaya, although consigned to Singapore are regarded as imports proper into Malaya and vice-versa. It is not possible even to make an estimate, on the data available, of what proportion of the trade on a bill of lading to Malaya is ultimately consigned to Singapore and vice-versa. In the direct imports from Burma, we cannot say what proportion is consigned to Singapore.

TABLE 3.2

METHOD OF ESTIMATING MALAYA'S EXPORTS AND IMPORTS BY COUNTRIES BY THE MALAYAN/PAN-MALAYAN RATIO

(a) EXPORTS

Country	Pan-Malayan Exports, 1958 ($ mil)	Malayan Exports, 1958 ($ mil)	Ratio Applied ($ mil)
United States	379.6	200.6	2,006/3,996
Japan	351.9	177.2	1,772/3,519
Australia	135.6	32.1	321/1,356
United Kingdom	509.0	349.7	3,497/5,090
West Germany	155.8	94.2	942/1,558

(b) IMPORTS

Country	Pan-Malayan Imports, 1958 ($ mil)	Malayan Imports, 1958 ($ mil)	Ratio Applied ($ mil)
United States	136.5	41.1	411/1,365
Japan	95.1	307.6	951/3,076
Australia	89.2	164.8	892/1,648
United Kingdom	414.8	700.7	4,148/7,007
West Germany	40.0	85.1	400/ 851

Source: As in Table 3.1

It may be unrealistic to assume that the ratio of Malayan trade to Pan-Malayan trade is the same for all the years. As is well-realised, Singapore is an entrepot centre and re-exports a good proportion of her imports. Conditions affecting the trade of Singapore may not be the same as those for Malaya. If Singapore's share of exports or imports are more for certain years, then the estimated figures for Malaya will be inflated, and vice-versa.

b) Malayan Trade/Malayan Direct Trade Ratio Method

The second method assumes that the proportion of Malayan trade through Singapore and not recorded as Malayan trade is the same for all the years as that for 1958. In this method, the Malayan exports and imports to each country in 1958 is expressed as a ratio of the direct exports and imports to the countries concerned as in Table 3.3.

To obtain an estimate of exports and imports to, say, the United Kingdom in 1955, we apply the Malayan Export/Malayan Direct Export ratio to the Malayan direct exports to the United Kingdom in 1955. For instance:

Malayan Direct Exports in 1955 X R_2 = estimate of Malayan exports to U.K. in 1955, where R_2 is the ratio of Malayan exports to U.K. to the Malayan direct exports to U.K. in 1958. Therefore:

$324.0 m. X 3497/2530 = $447.8 m.

A similar process for adjustment is done by Malayan imports from U.K. in 1955. For instance:

Malayan Direct Imports in 1955 X R_2 = estimate of Malayan imports from U.K. in 1955, where R_2 is the ratio of Malayan imports from U.K. to the Malayan direct imports from the same in 1958. Therefore:

$295.3 m. X 4148/3002 = $408.0 m.

The export and import ratios for 1958 has been worked out for the countries concerned and applied to the trade statistics for each year. The idea here is that if, say, 80% of Malayan exports go direct to a country, to adjust the direct exports to 100%.

This method takes into account the changing share of Malayan trade of Pan-Malayan trade but does not take into account the changing ratio of direct trade to total trade. It does not seem to have the defect of the other method that when the Malayan share of the Pan-Malayan trade changes, the estimates are too high or too low.

No one has yet made a study of the proportion of the Malayan trade going through Singapore for the boom and depression years. We are therefore not certain whether the proportion of direct exports or imports is the same as that for 1958.

TABLE 3.3

METHOD OF ESTIMATING MALAYA'S EXPORTS AND IMPORTS BY COUNTRIES BY THE MALAYAN TRADE/MALAYAN DIRECT TRADE RATIO

(a) EXPORTS ($ mil)

Country	Malayan Exports, 1958	Malayan Direct Exports, 1958	Ratio Applied
United States	200.6	186.4	2,006/1,864
Japan	177.2	164.1	1,772/1,641
Australia	32.1	23.9	321/ 239
United Kingdom	349.9	253.0	3,497/2,530
West Germany	94.2	87.2	942/ 872

(b) IMPORTS ($ mil)

Country	Malayan Imports, 1958	Malayan Direct Imports, 1958	Ratio Applied
United States	41.1	19.7	411/197
Japan	95.1	38.9	951/389
Australia	89.2	58.3	892/583
United Kingdom	414.8	300.2	4,148/3,002
West Germany	40.6	27.1	400/271

Sources: As in Table 3.2

Apparently, this method is better than the Malayan/Pan Malayan ratio method for exports. But for imports, the same uncertainty applies here; we are not certain what proportion of goods on bills of lading to Malaya or Singapore is actually consigned to the other area.

All in all, it must be emphasized that both methods are crude. But, in the absence of more reliable and available data, there is no other way of obtaining statistics of trade by countries. The trouble is that there is no way of checking whether our estimates are reliable or not. It might well be suggested that for Malayan exports, we look at the import statistics from Malaya of the countries. But, they may not give the correct picture. For example, goods which Singapore re-export from imports from Malaya are, in most cases, listed as imports from Singapore and not Malaya. Even if they were to list such goods as imports from Malaya, their statistics may present a wrong picture because of the different definitions and concepts. It may be possible to do this, but it will involve tremendous difficulty such as adjusting to general trade from the special trade system, import duties, freight, etc.

Tables 3.4 (a) and (b) gives the figures for the major trading partners of Malaya for the years 1948, 1951, 1953 and 1955. From Table 3.4 (a) it is clear that except for exports to the United Kingdom, the 2 methods give widely divergent results. This may give rise to mistrust of both the methods. It should be borne in mind that the figures so derived should be taken as indications of rough trends rather than a high degree of precision.

There seems to be closer results by the 2 methods in the case of imports (Table 3.4 (b)).

It is of course dangerous to make any conclusions about which is better, but the opinion is advanced that the total trade/direct trade ratio method should give better results. In a short space of 10 years (1948-1958), we can expect the proportion of Malayan trade through Singapore to vary to not as great an extent as the ratio of Malayan trade to Pan-Malayan trade.

Trade with Singapore being not available, we have to estimate this from the proportion Singapore takes of our exports and the proportion it contributes to our imports from the data available. The proportion of Malayan exports to and imports from Singapore is shown in Table 3.5.

From Table 3.5, it can be seen that exports to Singapore has maintained a constant 20% of total Malayan exports, though there is a tendency for the proportion to be more in the earlier years. It is conceivable that before 1958, when Malayan port facilities are not so well developed more goods must have been exported to Singapore for re-export in the earlier years. As such, exports to Singapore has been estimated to be 24% of the total exports of Malaya for the years such estimates are made.

TABLE 3.4

COMPARISON OF THE 2 METHODS OF ESTIMATING MALAYAN TRADE, MAJOR COUNTRIES, 1948-1955

(a) EXPORTS ($ mil)

Country of Destination		Adjusting Ratio Used	1948	1951	1953	1955
United States	i)	2,006/3,796	242.2	630.8	253.4	282.3
	ii)	2,006/1,864	239.9	433.9	249.8	351.6
Japan	i)	1,772/3,519	9.9	79.1	79.1	145.2
	ii)	1,772/1,641	9.7	52.3	65.8	97.0
Australia	i)	321/1,356	11.7	69.4	36.4	42.1
	ii)	321/239	3.0	45.3	13.2	26.3
France	i)	490/773	38.2	204.7	85.7	149.7
	ii)	490/440	23.8	173.2	79.8	113.1
West Germany	i)	942/1,558	28.3	110.2	67.4	138.4
	ii)	942/872	22.8	85.9	55.7	135.4
United Kingdom	i)	3,497/5,090	141.3	835.1	333.1	523.2
	ii)	3,497/2,530	138.5	841.2	313.5	447.8
Indonesia	i)	115/3,633	6.1	15.4	6.9	6.3
	ii)	115/100	18.2	32.0	4.0	13.0
Burma	i)	48/197	2.8	12.1	9.9	6.7
	ii)	1	6.5	16.4	12.8	7.4
Thailand	i)	283/1,097	12.6	24.8	27.1	23.3
	ii)	283/280	10.6	38.9	35.1	31.0
India	i)	509/1,010	31.9	58.6	49.6	48.9
	ii)	509/499	22.6	63.9	41.0	46.1
HongKong	i)	50/534	5.2	6.8	20.1	3.8
	ii)	50/47	7.8	58.6	3.9	3.7
China	i)	538/1,164	6.5	46.6	2.7	6.0
	ii)	538/516	0.3	16.8	1.8	2.1

Note: Ratio (i) is applied to Pan-Malayan exports.
(ii) is applied to Malayan Direct exports.

Sources: As in Table 3.4

TABLE 3.4

COMPARISON OF THE 2 METHODS OF ESTIMATING MALAYAN TRADE, MAJOR COUNTRIES, 1948-1955

(b) IMPORTS ($ mil)

Country of Origin		Adjusting Ratio Used	1948	1951	1953	1955
United States	i)	411/17,365	63.0	65.6	42.3	44.8
	ii)	411/197	51.5	59.7	51.7	37.3
Japan	i)	951/3,076	4.1	75.3	39.8	73.6
	ii)	951/389	0.5	87.3	57.5	107.3
Australia	i)	892/1,648	49.9	77.0	81.9	77.8
	ii)	892/583	42.2	78.5	100.1	79.7
France	i)	134/329	2.9	22.5	8.3	13.0
	ii)	134/102	1.8	20.8	8.4	14.5
West Germany	i)	400/851	0.8	35.7	21.9	31.9
	ii)	400/271	0.4	32.5	17.9	30.4
United Kingdom	i)	4,148/7,007	200.9	466.8	392.6	408.8
	ii)	4,148/3,002	167.7	463.0	391.4	408.8
Indonesia	i)	2,285/11,031	73.1	295.8	164.5	238.5
	ii)	2,285/1,379	94.6	326.1	175.3	220.9
Burma	i)	477/826	53.2	46.3	56.2	37.7
	ii)	477/406	81.4	74.8	78.8	48.2
Thailand	i)	1,819/2,840	82.4	245.6	192.0	175.1
	ii)	1,819/1,539	50.0	221.7	158.5	189.9
India	i)	418/1,037	14.1	83.1	34.2	34.5
	ii)	418/287	13.0	55.6	27.3	41.2
HongKong	i)	592/1,284	21.3	59.2	46.1	58.0
	ii)	592/393	11.1	24.4	28.9	50.9
China	i)	941/1,956	51.2	61.1	50.6	55.7
	ii)	941/453	25.6	58.6	48.6	50.9

Note: Ratio (i) is applied to Pan-Malayan imports.
(ii) is applied to Malayan Direct imports.

Sources: As in Table 3.4

TABLE 3.5

Exports to Singapore

Year	1965	1964	1963	1962	1960	1958
Value ($ m.)	650.0	568.6	540.6	521.3	633.8	449.6
% of Total	20.9	20.4	20.0	19.9	21.7	23.9

Imports from Singapore

Year	1965	1964	1963	1962	1960	1958
Value ($ m.)	274.2	247.9	236.0	242.7	192.2	162.1
% of Total	10.5%	9.8%	9.3%	9.9%	8.9%	9.8%

It must be borne in mind that such estimates of exports to Singapore, as even in the present day, include goods whose ultimate destination, at the time of export, is unknown. Such goods have, inevitably, to be placed under the same category of exports actually consumed in Singapore. No reliable estimate can be made of the ultimate destination of exports to Singapore. Therefore, it should always be borne in mind that Singapore as an entrepot centre distorts the true picture of the patterns of trade of Malaysia, as she does it even today.

Imports from Singapore for years before 1958 has been estimated at 10% of the total imports. Such imports, as in the case of exports, include goods, whose origin is unknown at the time of import, under the same category as goods actually produced in Singapore. Again no analysis of the true origin, as even in the present day, can be made.

2) Present and Changing Patterns of Trade

a) Trade by Currency Areas

It has often been said that Malaya, inspite of its geographical size, is an important member of the Sterling Area. Many estimates say that Malaya earn 10% of the dollars of the Whole Sterling Area. Table 3.6 gives the trade of Malaya by Currency Areas. From the Table, it is obvious that the balance of trade is adverse for Malaya only in-so-far as the Sterling Area itself, the Middle East Non-Sterling Area and the Far Eastern Countries are concerned. With all other currency areas, there is a favourable balance of trade.

Malaya exports more than $250 m. more than she imports from the dollar area and also exports more than she imports from the Western European non-sterling countries, though the latter balance is now being slowly whittled down. This serves to emphasize the triangular pattern

TABLE 3.6

TRADE BY CURRENCY AREAS, 1961 - 1965 ($

CURRENCY AREAS	IMPORTS (C. I. F.) 1961	1962	1963	1964	1965	EXPO 1961	1962
Sterling Area	1,027.3	1,110.0	1,148.6	1,201.3	1,249.0	986.8	942.3
Middle East Non-Sterling	16.3	24.4	47.2	45.2	62.5	10.3	21.7
Far Eastern Countries	783.3	861.1	877.9	823.8	802.5	454.7	425.0
Dollar Area	123.5	157.3	145.6	146.2	154.0	392.2	446.9
Latin American Non-Dollar	0.5	0.6	0.6	1.1	1.6	49.0	41.1
Western Europe (Continential)	255.9	273.0	274.0	282.2	320.7	476.6	440.4
Eastern Europe	19.1	14.3	18.1	15.3	13.8	225.2	273.4
Others	4.6	5.7	4.9	6.3	4.2	31.9	34.9
Total	2,230.5	2,447.4	2,516.9	2,521.4	2,608.3	2,626.1	2,625.7

Source: External Trade Publications.

LE 3.6

AS, 1961 - 1965 ($ MIL)

	EXPORTS (F.O.B.)					BALANCE OF TRADE				
	1961	1962	1963	1964	1965	1961	1962	1963	1964	1965
0	986.8	942.3	958.2	1,062.3	1,140.2	-40.5	-167.7	-190.4	-139.0	-108.8
5	10.3	21.7	19.8	33.0	46.6	- 6.0	- 2.7	- 27.4	- 12.2	- 15.9
5	454.7	425.0	437.4	458.2	453.2	-328.6	-436.1	-440.5	-365.6	-349.3
0	392.2	446.9	468.8	507.9	659.9	258.7	289.6	323.2	361.7	505.9
6	49.0	41.1	52.0	63.2	47.1	48.5	40.5	51.4	62.1	45.5
7	476.6	440.4	419.1	400.1	398.2	220.1	167.4	145.1	117.9	77.5
8	225.2	273.4	291.8	210.8	310.0	206.1	259.1	273.1	195.5	296.2
2	31.9	34.9	57.5	45.4	47.7	27.3	29.2	52.6	39.1	43.5
3	2,626.1	2,625.7	2,704.6	2,780.9	3,102.9	339.6	178.3	187.7	259.5	494.6

LE 3.6

AS, 1961 - 1965 ($ MIL)

	EXPORTS (F. O. B.)					BALANCE OF TRADE				
	1961	1962	1963	1964	1965	1961	1962	1963	1964	1965
0	986.8	942.3	958.2	1,062.3	1,140.2	-40.5	-167.7	-190.4	-139.0	-108.8
5	10.3	21.7	19.8	33.0	46.6	- 6.0	- 2.7	- 27.4	- 12.2	- 15.9
5	454.7	425.0	437.4	458.2	453.2	-328.6	-436.1	-440.5	-365.6	-349.3
0	392.2	446.9	468.8	507.9	659.9	258.7	289.6	323.2	361.7	505.9
6	49.0	41.1	52.0	63.2	47.1	48.5	40.5	51.4	62.1	45.5
7	476.6	440.4	419.1	400.1	398.2	220.1	167.4	145.1	117.9	77.5
8	225.2	273.4	291.8	210.8	310.0	206.1	259.1	273.1	195.5	296.2
2	31.9	34.9	57.5	45.4	47.7	27.3	29.2	52.6	39.1	43.5
3	2,626.1	2,625.7	2,704.6	2,780.9	3,102.9	339566	178.3	187.7	259.5	494.6

of trade between Malaya, Western Europe and the United States, and the Sterling Area. More of our imports come from the Sterling Area in the form of manufactures mainly but our raw materials exports to this area is less. On the other hand, we export raw materials to the Dollar Area and Western Europe but import less from them. The Sterling Area has to use dollars earned by Malaya to pay for its imports from the Dollar Area.

As we have mentioned before in Chapter I, Singapore distorts the patterns of trade of Malaya. Table 3.6 does not take into account the ultimate destination of a good proportion of Malaya's exports to Singapore. To get the true pictures, Table 3.7 gives the trade by currency areas taking into account estimates of the ultimate destination of Malayas exports to Singapore. It serves to add more weight to the fact pointed out earlier that the balance of trade with the Sterling Area and the Far Eastern countries is unfavourable for Malaya.

Estimates of Singapore's re-exports with imports from Malaya (refer Table 1.2) are subtracted from total exports to Singapore and added on to the relevant trading areas except for the last item in Table 1.2 "Rest of the World" where it is not possible to distinguish the countries and hardly worth the effort of a further breakdown.

Table 3.8 shows that 45% of our imports come from the Sterling Area and 35% from the Far Eastern Countries. On the other hand, only 30% of our exports go to the Sterling Area and 20% to the Far Eastern Countries. This relationship with the Sterling Area is a reflection of Malaya's colonial past. Commonwealth countries (most of which are in the Sterling Area) have a larger share of Malaya's trade.

b) Trade With the Developed and Underdeveloped Countries

R. Nurkse in his analysis of contrasting trends in world trade obtained what he calls an "interesting tableau economique" of world trade in 1957:

Exports of:

Industrial countries to each other (AA)	43%
Industrial to non-industrial countries (AB)	26%
Non-industrial to industrial countries (BA)	22%
Non-industrial countries to each other (BB)	9%
Total	100%[3]

The part relevant to our use is the trade of the non-industrial countries. Though Nurkse's analysis include such high-income countries like Australia, New Zealand and Argentina under "non-industrial countries",

---

[3] R. Nurkse, "Equilibrium and Growth in the World Economy", (Harvard University Press, 1961), p. 293.

TABLE 3.7

TRADE BY CURRENCY AREAS, 1961 - 1965 (
(Adjusted for Trade with Singapo

CURRENCY AREA	IMPORTS (C.I.F.) 1961	1962	1963	1964	1965	EXPOR 1961	1962
Sterling Area	1,027.3	1,110.0	1,148.6	1,201.3	1,249.0	1,761.6	737.1
Middle East Non-Sterling	16.3	24.4	47.2	45.2	62.5	16.1	26.2
Far Eastern Countries	783.3	861.1	877.9	823.8	802.5	483.5	447.3
Dollar Area	125.5	157.3	145.6	146.2	154.6	450.4	518.5
Latin American Non-Dollar	0.5	0.6	0.6	1.1	1.6	58.1	46.4
Western Europe	255.9	273.0	274.0	282.2	320.7	543.0	501.4
Eastern Europe	19.1	14.3	18.1	15.3	13.8	281.5	313.9
Others	4.6	5.7	4.9	6.3	4.2	31.9	34.9

Source: as in Table 3.6.

TABLE 3.7

NCY AREAS, 1961 - 19[illegible] ($ MIL)
ted for Trade with Singapore)

EXPORTS (F. O. B.)						BALANCE OF TRADE				
1965	1961	1962	1963	1964	1965	1961	1962	1963	1964	1965
249.0	1,761.6	737.1	759.6	894.4	948.3	-265.7	-372.9	-389.0	306.9	-300.7
62.5	16.1	26.2	24.4	33.1	56.0	- 0.2	- 1.8	- 2.8	-12.1	- 6.5
802.5	483.5	447.3	458.9	470.2	471.4	-299.8	-415.8	-419.0	-3536	-331.1
154.6	450.4	518.5	527.0	556.9	688.6	326.9	361.2	381.4	4107	534.6
1.6	58.1	46.4	56.1	73.5	56.1	57.6	45.8	55.5	72.4	54.5
320.7	543.0	501.4	478.4	458.5	457.8	287.1	228.4	204.4	176.3	137.1
13.8	281.5	313.9	342.7	249.9	377.0	262.4	299.6	324.6	234.6	363.2
4.2	31.9	34.9	57.5	45.4	47.7	27.3	29.2	62.6	39.1	43.5

PERCENTAGE OF TRADE WITH CURRENCY AREAS
(ADJUSTED FOR TRADE WITH SINGAPORE)

Currency Areas	1961	1962	1963	1964	1965	1961	1962
	IMPORTS					EXPORTS	
Sterling Area	46.1	45.4	45.6	47.6	47.9	29.0	28.1
Middle East Non-Sterling	0.7	1.0	1.9	1.8	2.4	0.6	1.0
Far Eastern Countries	35.1	35.2	24.9	32.7	30.8	18.4	17.0
Dollar Area	5.5	6.4	5.8	5.8	5.9	17.2	19.7
Latin American Non-Dollar	-	-	-	-	-	2.2	1.8
Western Europe	11.5	11.2	10.9	11.2	12.3	20.7	19.1
Eastern Europe	0.9	0.6	0.7	0.6	0.5	10.7	12.0
Others	0.2	0.2	0.2	0.3	0.2	1.2	1.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : Computed from Table 3.7

[illegible] the same.

[illegible] United Nations Statistical Office, "Yearbook of International Statistics" (New York) various issues, Summary 4.

TABLE 3.8

PERCENTAGE OF TRADE WITH CURRENCY AREAS
(ADJUSTED FOR TRADE WITH SINGAPORE)

IMPORTS					EXPORTS				
1961	1962	1963	1964	1965	1961	1962	1963	1964	1965
46.1	45.4	45.6	47.6	47.9	29.0	28.1	28.1	32.2	30.4
0.7	1.0	1.9	1.8	2.4	0.6	1.0	0.9	1.2	1.8
35.1	35.2	24.9	32.7	30.8	18.4	17.0	17.0	16.9	15.1
5.5	6.4	5.8	5.8	5.9	17.2	19.7	19.5	20.0	22.1
-	-	-	-	-	2.2	1.8	2.1	2.6	1.8
11.5	11.2	10.9	11.2	12.3	20.7	19.1	17.7	16.5	14.7
0.9	0.6	0.7	0.6	0.5	10.7	12.0	12.7	9.0	12.1
0.2	0.2	0.2	0.3	0.2	1.2	1.3	2.1	1.6	1.5
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

...mputed from Table 3.7

... or less the same.

...Statistical Office, "Yearbook of International
...) various issues, Summary A.

which, from his arguments, is synonymous with "underdeveloped countries, we have placed Australia and New Zealand out of the underdeveloped area (Table 3.9). Nurkse emphasizes the "basic lopsidedness" of the world economy. The non-industrial countries in group B, containing two thirds of the population of groups A and B combined, have very little trade with each other, "... as a result, no doubt, of their low purchasing power and low productivity".[4] "There exports to the A group (industrial) are two and a half times that of their exports to each other".[5]

Table 3.9 shows the trade of the underdeveloped area from 1948-1963. Though Australia and New Zealand are classified as "developed", it does not affect the lopsided pattern of world trade materially. The Table seems to confirm Nurkse's conclusion that the underdeveloped countries* have very little trade with each other.

Malaya, being an underdeveloped country, it would be natural to ask whether her patterns of trade conform to that of the Underdeveloped Area. Tables 3.10 and 3.11 shows Malayan trade with the two areas and the countries had been classified according to the "Yearbook of International Trade's" definition[6] so that we can compare the patterns of trade with that for the Underdeveloped Area. No reason has been given as to why the USSR and Eastern Europe, etc. has not been classified either way.

Tables 3.10 and 3.11, shows also the result of the two methods mentioned earlier or of estimating Malaya's trade. Malaya's trade pattern does seem to conform to the pattern for the Underdeveloped Area as a whole, i.e. trading more with the Developed Area. Even from the 2 different methods to derive trade statistics before 1958 Malaya exports more to the Developed Area than to the Underdeveloped Area, though the pattern is not as lopsided for the Underdeveloped Area as a whole. It can be noticed there is a tendency for the proportion of exports to the Developed Area to rise during boom years (1951, 1955, 1960) and for the proportion to the Underdeveloped Area to fall.

We must examine the manner in which the statistics are compiled and how they may distort the real picture. Chapter I has pointed out that Singapore distorts the patterns of trade of Malaya. The production/consumption being used for our trade, it is clear that exports that are not consumed in Singapore should not be credited to that country but the ultimate countries of destination. This situation will be encountered again and again and adjustments have to be made to assign exports to Singapore to their proper countries of destination.

---

4 & 5 Nurkse, op. cit., p. 284

*Though Nurkse refers to them as non-industrial countries, the elements of this group are more or less the same.

6 United Nations Statistical Office, "Yearbook of International Trade Statistics" (New York) various issues, Summary A.

TABLE 3.9

TRADE OF UNDERDEVELOPED AREA WITH DEVELOPED AND UNDERDEVELOPED AREA, 1948-1963
(Percentage of Total Imports and Exports)

Exports from/ Imports to	to/from	World Imports	World Exports	Developed Imports	Developed Exports	Underdeveloped Imports	Underdeveloped Exports
Underdeveloped Area	1948	100.0	100.0	60.9	66.6	27.1	29.1
	1951	100.0	100.0	63.7	69.1	26.9	25.7
	1953	100.0	100.0	66.0	72.6	23.8	24.3
	1955	100.0	100.0	66.1	72.2	23.7	24.3
	1958	100.0	100.0	70.8	72.3	20.3	22.9
	1960	100.0	100.0	70.8	72.3	20.2	22.2
	1962	100.0	100.0	68.3	72.0	20.3	21.8
	1963	100.0	100.0	69.8	72.6	20.6	21.1

Note: Developed Area: United States, Canada, Western Europe, Japan, Australia, New Zealand, South Africa.

Underdeveloped Area: Sum of regions other than Developed Area, U.S.S.R. and other Eastern Europe, China (Mainland), Mongolia, North Korea and North Vietnam.

++Exports from Developed Area to Underdeveloped Area taken as imports of Underdeveloped area, from the Developed Area.

+Exports from Underdeveloped Area to Underdeveloped area taken as imports of the area from the same.

Sources: Yearbook of International Trade Statistics, various issues.

TABLE 3.10

MALAYA : TRADE WITH DEVELOPED AND UNDERDEVELOPED AREAS, 1948 - 1965 ($ mil)

Imports to/ Exports from	From/ to	World Imports	World Exports	Developed++ Imports	Developed++ Exports	Underdeveloped++ Imports	Underdeveloped++ Exports
Malaya	1948@	846.6	1,116.4	378.4	548.8	412.7	500.0
	1951	1,868.5	3,379.0	892.7	2,275.0	909.4	969.2
	1953	1,541.4	1,598.2	675.9	1,017.4	810.2	560.7
	1955	1,542.9	2,370.2	765.7	1,635.7	717.9	710.4
	1948+	-	312.4	312.4	535.0	499.1	469.9
	1951	-	-	887.7	1,951.9	919.3	1,272.3
	1953	-	-	724.8	917.4	765.7	643.3
	1955	-	-	793.4	1,425.1	694.4	902.3
	1958	1,656.1	1,882.9	796.4	1,111.2	755.5	596.6
	1960	2,150.6	2,927.3	1,072.5	1,814.7	976.9	898.2
	1962	2,447.4	2,625.7	1,298.1	1,568.2	1,048.4	798.8
	1963	2,534.1	2,704.6	1,334.3	1,615.7	1,035.8	829.6
	1964	2,521.4	2,780.9	1,338.2	1,682.3	993.8	904.4
	1965	2,608.3	3,102.9	1,479.6	1,830.6	941.3	999.0

++According to definitions in Table 3.9.

@Tabulation according to Malayan/Pan Malayan ratio method.

+Tabulation according to Malayan trade/direct trade method.

Source: as in Table 3.1

TABLE 3.11

MALAYA : TRADE WITH DEVELOPED AND UNDERDEVELOPED AREAS, 1948 - 1965
(Percentage of total trade)

Imports to/ Exports from	From/ to	World Imports	World Exports	Developed Imports	Developed Exports	Underdeveloped Imports	Underdeveloped Exports
Malaya	1948	100.0	100.0	44.7	49.2	48.7	44.8
	1951	100.0	100.0	47.8	67.3	48.7	28.7
	1953	100.0	100.0	43.8	63.7	52.6	35.1
	1955	100.0	100.0	49.6	69.0	46.5	30.0
	1948	-	-	36.9	47.9	59.0	42.1
	1951	-	-	47.5	57.8	49.2	37.7
	1953	-	-	47.0	57.4	49.7	40.3
	1955	-	-	51.4	60.4	45.0	38.1
	1958	100.0	100.0	48.1	59.0	45.6	31.7
	1960	100.0	100.0	49.9	62.0	45.4	30.7
	1962	100.0	100.0	53.0	59.7	42.8	30.4
	1963	100.0	100.0	53.0	59.7	41.2	30.7
	1964	100.0	100.0	53.1	60.5	39.4	32.5
	1965	100.0	100.0	56.7	58.7	36.1	32.0

Computed from Table 3.10.

Table 3.12 is an attempt to adjust exports taking into account exports to Singapore.

TABLE 3.12

TRADE WITH DEVELOPED AND UNDERDEVELOPED AREAS, 1960-1965 (INCLUDING EXPORTS TO SINGAPORE THE DESTINATION OF WHICH IS UNKNOWN AT TIME OF EXPORT)

Year	Exports to Developed Area		Exports to Underdeveloped Area	
	Value ($ m.)	% of Total	Value ($ m.)	% of Total
1960	2,101.5	71.8	611.4	20.9
1962	1,785.4	68.0	581.6	22.2
1963	1,823.7	67.4	621.6	23.0
1964	1,880.4	67.6	706.3	25.4
1965	2,007.9	64.3	721.7	23.1

Source: Publications on external trade.

In Tables published by the Statistics Department on "Analysis of States of Malaya's Exports to Singapore", the exports to developed countries that can be distinguished have been subtracted from the Underdeveloped Area's share and added on to the Developed Area's share. A breakdown for earlier years is difficult as no data is available.

The extra information from Table 3.12 emphasizes the fact that Malaya's exports more to the Developed Area. If we were to do the same adjustment for earlier years, the pattern in Table 3.10 will be more pronounced for the earlier years.

The difference betwen Malaya and the Underdeveloped Area is very pronounced in the case of imports. Whereas the latter imports less than 30% from its counterparts, Malaya imports nearly half. Malaya imports more than she exports from Asian countries and the latter are mostly underdeveloped.

c) Trade with Industrial and Non-industrial Countries

Tables 3.13, 3.14 show Malaya's trade with the industrial countries, which are part of the developed countries mentioned earlier on. Table 3.15 shows the adjustment for exports taking into account the final destination of exports to Singapore. Fourteen countries in the world take up more than 60% of our exports in recent years. If the

TABLE 3.13

MALAYA : TRADE WITH INDUSTRIAL AND NON-INDUSTRIAL AREAS, 1948 1965 ($ mil)

Year	Total Trade Imports	Total Trade Exports	Industrial Area++ Imports	Industrial Area++ Exports	Non-industrial Area+ Imports	Non-industrial Area+ Exports
1948	846.6	1,116.4	(a) 322.2	527.8	524.4	588.6
1951	1,868.5	3,379.0	798.0	2,130.0	1,070.5	1,249.0
1953	1,541.4	1,598.2	575.8	939.2	965.6	659.0
1955	1,542.9	2,370.2	666.2	1,525.0	876.7	845.2
1948	-	-	(b) 267.6	509.1	570.0	607.3
1951	-	-	798.7	1,859.8	1,069.8	1,519.2
1953	-	-	603.1	889.0	938.3	709.2
1955	-	-	695.7	1,341.1	847.2	1,029.1
1958	1,656.1	1,882.9	686.6	1,028.1	969.5	854.8
1960	2,150.6	2,927.3	949.5	1,673.5	1,201.1	1,253.8
1962	2,447.4	2,625.7	1,174.4	1,469.7	1,273.0	1,156.6
1963	2,534.1	2,704.6	1,191.4	1,486.3	1,342.7	1,218.3
1964	2,521.4	2,780.9	1,176.8	1,554.6	1,344.6	1,226.9
1965	2,608.3	3,102.9	1,303.5	1,670.7	1,304.8	1,432.2

++Austria, Belgium-Luxembourge, Canada, Denmark, France, West Germany, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States.

+Sum of areas other than industrial.

Sources: as in Table 3.1.

(a) By Malayan/Pan Malayan trade ratio method.

(b) By Malayan/Direct trade ratio method.

TABLE 3.14

MALAYA : TRADE WITH INDUSTRIAL AND NON-INDUSTRIAL AREAS, 1948 - 1965
(Percentage of Total trade)

Year	Total Trade		Industrial Area		Non-industrial Area	
	Imports	Exports	Imports	Exports	Imports	Exports
1948	100.0	100.0	38.1	47.3	61.9	52.7
1951	100.0	100.0	42.7	63.0	57.3	37.0
1953	100.0	100.0	37.4	58.8	62.6	41.2
1955	100.0	100.0	43.2	64.3	56.8	35.7
1948	100.0	100.0	31.6	45.6	68.4	54.4
1951	100.0	100.0	42.7	55.0	57.3	45.0
1953	100.0	100.0	39.1	55.6	60.9	44.4
1955	100.0	100.0	45.1	56.6	64.9	43.4
1958	100.0	100.0	41.5	54.6	58.5	45.4
1960	100.0	100.0	44.2	57.2	55.8	42.8
1962	100.0	100.0	48.0	56.0	52.0	44.0
1963	100.0	100.0	47.0	55.0	53.0	45.0
1964	100.0	100.0	46.7	55.9	53.3	44.1
1965	100.0	100.0	50.0	53.8	50.0	46.2

Computed from Table 3.13

TABLE 3.15

EXPORTS TO INDUSTRIAL AND NON-INDUSTRIAL AREAS, 1960-1965
(INCLUDING EXPORTS TO SINGAPORE THE DESTINATION OF
WHICH IS UNKNOWN AT TIME OF EXPORT)

Year	Exports to Industrial Area		Exports to Non-industrial Area	
	Value ($mil)	% of total	Value ($mil)	% of Total
1960	1,920.4	65.6	1,006.9	34.4
1962	1,669.7	63.6	956.0	36.4
1963	1,664.0	61.5	1,040.6	38.5
1964	1,716.9	61.7	1,064.0	38.3
1965	1,808.9	58.3	1,294.0	41.7

Sources: publications on external trade.

adjustments made in Table 3.15 had been made for the earlier years, it will show the same result. On the other hand, more than 100 other countries take up less than 40% of our exports. It serves to illustrate Nurkse's point that the underdeveloped (or non-industrial countries) trade less with each other because their purchasing power is low. Another factor is that underdeveloped countries are mainly producers of primary commodities and they can hardly find markets for these commodities in countries at a low level of industrialisation. This pattern of exports is the main reason why the trade of Malaya (see Chapter II) fluctuates to such a great extent. Fluctuations in economic activity, investment and employment in the industrial countries transmit their growth or decline to Malaya through their imports from Malaya.

Imports from the non-industrial countries had always been more than that from the industrial countries. However, there is a significant tendency for this to change. From Table 3.14, it will be seen that we import an increasingly smaller proportion from the non-industrial countries. This reflects the changing pattern of imports into Malaya (Chapter II) and the industrialisation of the country. In the earlier years, manufactured goods were only a small proportion of imports. With consistent attempts to increase public and private investment, machinery and products of heavy industries become more and more important and these can only be obtained from the industrial countries. Though imports of food stuffs (mainly from non-industrial countries) have been increasing, as a proportion of total imports, their importance has declined.

For the years 1948-1955, there seems to be a tendency for the proportion of imports from the industrial countries to increase more than we would expect, if these imports had been following a consistent trend, during the boom years. This is because the import content changes during such periods, the proportion of manufactured goods being more.

d) Trade with the Commonwealth

Imports from the Commonwealth (Tables 3.16 (a) and 3.16 (b)) amounts to 45% of the total imports into Malaya. The Commonwealth, in the earlier period of our analysis takes about 50% of our exports, though of late, this proportion has fallen to less than 40%. The Commonwealth is an expression which covers many countries in the world at many levels of development and we are to see here how far mutual tariff agreements may affect the trade between countries. Until recently, Commonwealth imports enjoy preferential rates of duty. Due to this preference, goods from Commonwealth countries had been able to compete with goods from other countries. For example, cars and apparel, for which there are many alternative sources of supply, have been mainly from the Commonwealth. It is still too early to be certain what the effect of the scrapping of Commonwealth preference will have on the patterns of trade. Unless there is retaliation by other members, we can be certain the pattern of exports will not be affected very much but there will be a lowering of imports from the Commonwealth countries. It is only natural that when prices of Commonwealth imports go up, consumers in Malaya will find substitutes among products from other countries. Reliance (by importers of such goods) on "brand-consciousness" will not

Page 88 missing from the original copy.

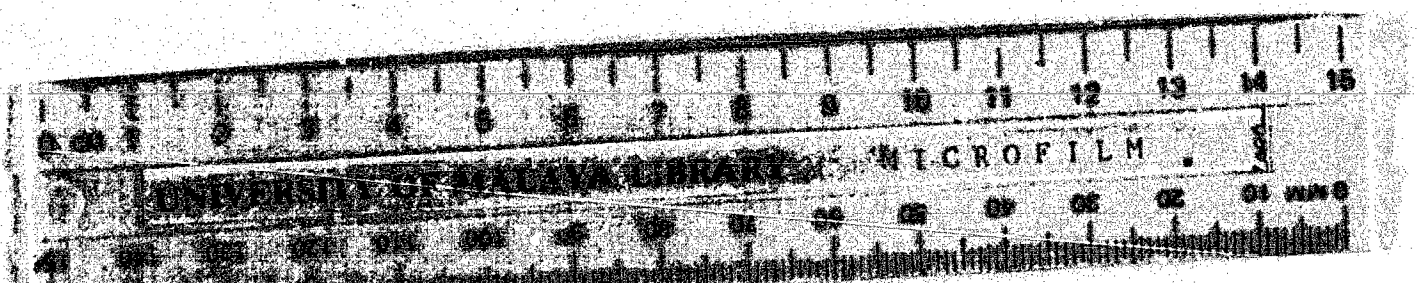


TABLE 3.16

TRADE WITH THE COMMONWEALTH, 1948 - 1965

(a) Value ($ mil)

Year	Developed Area+ Imports	Developed Area+ Exports	Others Imports	Others Exports	Total Imports	Total Exports
1948	227.9	182.2	142.6	301.4	370.5	483.6
1951	573.0	966.8	278.0	939.9	851.0	1,906.7
1953	519.1	354.3	240.2	433.6	750.3	787.9
1955	511.4	543.1	273.0	626.3	784.4	1,169.4
1958	529.3	433.6	278.3	510.1	801.6	943.7
1960	591.8	508.4	329.9	737.4	921.7	1,245.8
1962	++689.1	308.8	421.8	635.2	++1,110.9	986.0
1963	674.9	350.6	430.8	640.2	1,105.7	990.8
1964	657.8	410.1	524.7	685.5	1,182.5	1,095.6
1965	719.1	419.0	522.4	777.9	1,241.5	1,196.9

(b) Percentage of Total

Year	Developed Area Imports	Developed Area Exports	Others Imports	Others Exports	Total Imports	Total Exports
1948	26.9	16.3	16.9	27.0	43.8	43.3
1951	30.7	28.6	14.9	27.8	45.5	56.4
1953	33.7	22.2	15.6	27.1	49.3	49.3
1955	33.1	22.9	17.7	26.4	50.8	49.3
1958	34.0	23.0	17.9	27.1	51.9	50.1
1960	28.5	17.4	15.3	25.2	43.8	42.6
1962	28.2	13.4	17.2	24.2	45.4	37.6
1963	26.6	13.0	17.0	24.7	43.6	36.6
1964	26.1	14.7	20.8	24.7	46.9	39.4
1965	27.6	13.5	20.0	25.1	47.6	38.6

+United Kingdom, South Africa, Canada, Australia, New Zealand.

++After 1962, excludes South Africa. Data from 1948-1955 computed by Trade/Direct Trade method.

Sources: as in Table 3.1.

be enough to stem the tide.

Tables 3.16 (a) and 3.16 (b) shows a breakdown of the Commonwealth countries into "developed" and "underdeveloped" countries. Exports to the developed countries, the United Kingdom, South Africa, Canada, Australia and New Zealand, seem to be falling significantly, both absolutely and as a proportion of total exports. The exit from the Commonwealth of South Africa, which takes only about $70 million of our exports, hardly accounts for this drop. The United Kingdom taking the lion's share of our exports, seem to be importing less from Malaya and this accounts for the dropping off of exports to the developed countries.

Imports from the developed countries have also showed a significant drop. Trade with the Commonwealth has not been expanding as fast as trade with other countries.

On the other hand, imports from the less developed countries of the Commonwealth has been increasing and this has helped to maintain the proportion of imports from the Commonwealth as a whole.

In this discussion, no account has been taken of the exports to Singapore, the destination of which is unknown at the time of export. The Commonwealth is not an economic or geographical expression which has much meaning and it will not be as useful as in other instances.

(e) Trade with Southeast Asia and Asia

Trade relationships with Singapore, as is to be expected, is very strong. Exports to Singapore, as shown in Tables 3.5, 3.17 and 3.18 for the unadjusted exports to Singapore, account for about 90% of total exports to Southeast Asia and 20% of the exports of Malaya to the world. Of course, as we have pointed out in so many instances, not all these exports are consumed in Singapore. In Table 2.3, we saw that about half of Malaya's exports to Singapore are reconsigned elsewhere for consumption. Though no estimates are given for the time orgin of imports from Singapore,* we can be sure a good proportion is not produced in Singapore. Though distorting the true patterns of trade (according to production-consumption) method, it demonstrates the important position of Singapore in the trade of Malaya.

No-where is it so clearly demonstrated how Singapore, as an entrepot centre, poses difficulty in the compilation of trade statistics according to the present concepts used and no-where is the distortion of the patterns of trade so clear. As seen from Tables 3.17 and 3.18,

---

*In all instances "Exports to Singapore" and "Imports from Singapore" in connection with distortion of the patterns of trade should be taken to mean exports/imports whose destination/origin is unknown at the time of export/import, and which are included under the same category as goods consumed/produced in Singapore.

TABLE 3.17

TRADE WITH SOUTHEAST ASIA AND ASIA, 1948-1965 ($ mil)

Year	Southeast Asia+ Imports	Southeast Asia+ Exports	Asia Imports	Asia Exports
1948	++299.1	290.1	393.3	350.3
1951	779.6	865.2	1,064.2	1,110.0
1953	571.0	430.9	749.4	496.2
1955	609.7	607.8	839.9	821.1
1948	@357.0	304.9	412.7	347.1
1951	860.0	898.7	1,095.3	1,102.9
1953	600.8	437.3	822.3	557.4
1955	6621.5	621.6	901.9	779.7
1958	626.6	497.5	942.5	794.9
1960	813.7	595.2	1,229.9	1,189.0
1962	836.1	584.5	1,301.6	1,063.6
1963	764.5	586.7	1,347.1	1,093.4
1964	643.1	633.4	1,294.2	1,163.6
1965	614.4	728.1	1,277.6	1,242.3

+Singapore, Indonesia, Thailand, Burma, Philippines, Sabah, Sarawak, Brunei.

++Malayan/Pan Malayan ratio method.

@Malayan/direct trade method.

TABLE 3.18

TRADE WITH SOUTHEAST ASIA AND ASIA, 1948-1965
(Percentage of Total Trade)

Year	Southeast Asia		Asia	
	Imports	Exports	Imports	Exports
1948	35.3	26.6	46.5	31.4
1951	41.7	25.6	57.0	32.8
1953	37.0	27.6	48.6	31.0
1955	39.5	25.6	54.4	34.6
1948	42.2	27.3	48.7	31.1
1951	46.6	26.6	58.6	32.6
1953	39.0	27.4	53.3	34.9
1955	40.3	26.2	58.5	32.9
1958	40.3	26.4	6066	42.2
1960	38.6	20.3	58.4	40.6
1962	34.2	22.3	53.2	40.5
1963	30.2	21.7	53.2	40.4
1964	25.5	22.8	51.3	41.8
1965	23.6	23.6	49.0	40.0

Computed from Table 3.17

exports to Southeast Asia and Asia, without taking into account the ultimate destination of exports to Singapore*, account for 23.5% (1965) and 40.0% (1965) respectively of the total exports of Malaya. But when exports are reassigned (according to estimates by the Statistics Department) to the real countries of destination, exports to the above mentioned geographical areas account for only 14.6% (1965) and 32.3% (1965) of the total exports of Malaya.

Exports to Southeast Asia (Tables 3.17 and 3.18), as a proportion of total exports, seem to be falling in recent years. This may be due to the methods of estimating Malayan trade before 1958, where it is conceivable that our assumption that Singapore takes 24% of total exports before 1958, may have inflated the real situation. Actually, in the absence of more reliable statistics before 1958, it is dangerous to make such conclusions. Table 3.18 shows that in 1965, exports to Southeast accounts for less of total exports than in 1958, but in Table 3.19, it shows that it accounts for a larger proportion. It can be seen here that in more recent years Singapore consumes more (proportionately) of her imports from Malaya. But before 1960, we have no reliable data on the ultimate destination of exports to Singapore and adjustments cannot be made to the published statistics.

Indonesia's confrontation has affected imports from Southeast Asia. Imports from Indonesia has dropped from $324.6 million and $293.3 million in 1960 and 1962 respectively to $7.0 million in 1965. As a result of this the value of imports from Southeast Asia has declined, both absolutely and as a proportion of total imports. Although accounting for about 10% of total imports, stoppage of the Indonesian trade does not seem to have affected imports from Asia materially.

Imports from Indonesia consist mainly of crude rubber, tin ore and copra, which fluctuate accordingly to the prices of those commodities in the world market. The stopping of the barter trade has repercussions on the Malayan economy. We know the importance of value added on imports of crude rubber and tin ores. Without such imports, some of the processing industries in Malaya, and in Singapore, came to a stand-still. This has repercussions an employment and the national income of the country though an exhaustive study has not been made yet of the impact.

With the resumption of diplomatic relations with Indonesia, the normal pattern of trade, it is hoped, will be restored.

Exports to Asian countries other than Japan, Singapore, India, Thailand and Indonesia (before 1963) are, relatively speaking, insignificant. Most of the other countries are primary producers, and at their present level of economic development have little use for Malaya's exports, of which rubber and tin account for about 75%. On the other hand, being mainly food-producers they are important in Malaya's imports. More than half of Malaya's imports come from Asian countries and a good proportion of these imports consist of food, raw materials and simple manufactures (except, perhaps, some of the imports from Japan).

TABLE 3.19

EXPORTS TO SOUTHEAST ASIA AND ASIA, 1960-1965
(Adjusted for exports to Singapore)

Year	Southeast Asia Exports ($ mil)	Southeast Asia % of Total	Asia Exports ($ mil)	Asia % of Total
1960	190.2	6.5	754.5	25.8
1962	303.1	11.5	821.7	31.3
1963	309.4	11.4	853.7	31.6
1964	381.6	13.7	932.5	33.5
1965	453.7	14.6	1,001.7	32.3

Sources: as in Table 3.15.

f) Trade with Europe

Most of the countries in Europe being developed and industrial it can be seen that exports to this area follow a similar relationship as that which exist with the Developed and Industrial Areas during the "boom" and "normal" years, i.e. proportion of exports go up during the boom years and fall during the normal years.

Europe being industrial, it is an important market for rubber and tin, though the proportion of exports is falling in recent years. Economic conditions in Europe affect the exports, and the economy, of Malaya. The rapid post-war recovery and economic expansion of Europe during the 1950's seem unlikely to continue at the same rate for long. Therefore, this factor, improved technology in the use of raw materials and the introduction of synthetic substitutes will affect exports to this area. Exports to Western Europe and Europe (Table 3.22) has been declining in value and as a proportion of total exports from 1960. If it is argued that 1960 was boom year, Tables 3.20 and 3.21 shows a tendency for exports to decline during the sixties. The export value of rubber and tin is unlikely to rise in the future. This, coupled with the increasing importance of export of manufactured products from Malaya, will tend to make the proportion of exports to Europe even less.

Exports to Eastern Europe have been growing in importance. It should therefore be the deliberate policy of the government to encourage this, as it has been during recent years.

Imports from Eastern Europe are less than 1% of total imports. Western European countries, in particular the United Kingdom, has been dominating the Malayan market. Here is an opportunity whereby we can increase exports to Eastern Europe. Political ideology should play no part in the development of trade. By having reciprocal trade agreements with Eastern European countries, like Singapore did recently, it may be possible to export more in return for importing more from Eastern Europe.

g) Trade with North America

Exports to the United States and Canada at first accounted for about 24% of Malayan exports. This proportion declined later on and, in recent years, is rising. During the late forties and early fifties imports by the United States of rubber and tin were unrelated to her consumption then. The United States then was building up her strategic stockpile and Malaya's exports then had a windfall.

The United States in recent times seems to correspond to Nurkse's case of a country where national income is relatively variable in itself and where imports, in addition, have an income elasticity of demand greater than unity,[7] in which case the relative amplitude of the fluctuations in its demand for imports is greater than the corresponding domestic fluctuations. This, says Nurkse, is "... particularly trouble-some as a source of cyclical change in the world economy",[8] especially to primary producers like Malaya. Exports to the United States and

7 & 8 Nurkse, op. cit., p.48.

TABLE 3.20

TRADE WITH EUROPE, 1948-1965 ($ mil)

Year	Western Europe Imports	Western Europe Exports	Eastern Europe+ Imports	Eastern Europe+ Exports	Total, Europe Imports	Total, Europe Exports
1948 ++	242.1	258.0	4.3	61.1	256.4	319.1
1951	639.2	1,366.9	5.3	88.8	644.5	1,455.7
1953	488.8	586.6	4.7	17.4	493.5	604.0
1955	542.3	981.5	3.5	18.1	545.8	999.6
1948 @	200.2	241.7	9.5	64.8	209.7	306.5
1951	630.4	1,338.7	2.9	138.0	633.3	1,476.7
1953	487.9	561.0	2.3	35.7	490.2	596.7
1955	545.4	881.2	4.2	40.7	459.6	921.9
1958	545.0	647.5	4.8	121.1	549.8	768.6
1960	678.5	999.3	8.9	204.7	687.4	1,204.6
1962	806.6	701.3	14.3	258.2	820.9	959.5
1963	796.9	675.1	17.9	259.3	814.8	934.4
1964	769.1	689.9	15.3	184.2	784.4	874.1
1965	858.2	688.5	13.6	271.2	866.8	959.7

+Includes U.S.S.R.

++By Malayan/Pan-Malayan ratio method.

@By Malayan/direct trade ratio method.

Source: as in Table 3.1

TABLE 3.21

TRADE WITH EUROPE, 1948-1965
(Percentage of Total Trade)

Year	Western Europe Imports	Western Europe Exports	Eastern Europe Imports	Eastern Europe Exports	Total, Europe Imports	Total, Europe Exports
1948	28.6	23.1	0.5	5.5	29.1	28.6
1951	34.2	40.5	0.3	2.6	34.5	43.1
1953	31.7	36.7	0.3	1.1	32.0	37.8
1955	35.1	41.4	0.2	0.8	35.3	42.2
1948	23.6	21.6	1.1	5.8	24.7	27.4
1951	33.7	39.6	0.2	4.1	33.9	43.7
1953	31.7	35.1	0.1	2.2	31.8	37.3
1955	35.3	37.2	0.3	1.7	35.6	38.9
1958	32.9	34.4	0.3	6.4	33.2	40.8
1960	31.5	34.1	0.4	7.0	31.9	41.1
1962	33.0	26.7	0.6	9.8	33.6	36.5
1963	31.4	25.0	0.7	9.6	32.1	34.6
1964	30.5	24.8	0.6	6.6	31.1	31.4
1965	32.7	22.2	0.5	6.7	32.2	30.9

Computed from Table 3.20.

TABLE 3.22

EXPORTS TO EUROPE, 1960-1965
(INCLUDING EXPORTS TO SINGAPORE THE DESTINATION OF WHICH IS UNKNOWN AT TIME OF EXPORT)

Year	Western Europe Value ($ mil)	Western Europe % of Total	Eastern Europe Value ($ mil)	Eastern Europe % of Total	Total Value ($ mil)	Total % of Total
1960	1,137.7	38.9	255.4	8.7	1,393.1	47.6
1962	809.9	30.8	298.7	11.4	1,108.6	42.2
1963	783.5	29.0	310.2	11.5	1,093.7	40.5
1964	795.5	28.6	223.3	8.0	1,018.8	36.6
1965	797.1	25.7	347.5	11.2	1,144.6	36.9

Source: as in Table 3.15.

Canada have therefore fluctuated widely (Table 3.23) during the years 1948-1955, mainly due to economic conditions in the former country.

The strategic stockpile and the development of synthetic rubber are the main reasons why exports to these countries are not expanding as fast as it should, had conditions been otherwise. Stockpile policy, and synthetic rubber has pegged the price of rubber down and it is because of them that prospects for Malayan exports are dim.

Imports from the United States and Canada are increasing in recent years.

h) Trade with Other Regions

Trade with Africa and South America is to-date not very important (Tables 3.24 and 3.25). Imports from Africa form only about 1% of total imports and imports from South America only slightly over 1%. Exports (including exports to Singapore) to Africa and South America constitute 1.5% and over 2% respectively. Again, because of the level of economic development of these countries (except South Africa) the demand for tin and rubber is not important.

i) Summary - Trade by Continents

Trade by continents had been summarised in Table 3.26 for the years 1960-1965. It can be seen that Asia, Europe and North America take more than 90% of our exports and produce also more than 90% of our imports. Europe and North America consisting mainly of industrial countries, the reason for this pattern of trade has been discussed.

j) Recent Changes

Table 3.27 shows some drastic changes in the patterns of trade in recent years. In the case of Indonesia, trade dwindled to a trickle when she started her policy of confrontation after the formation of Malaya. Imports from South Africa were banned in protest against her apartheid policy in 1962. However, exports to South Africa does not seem to have been adversely affected by such a move by Malaya.

Trade with Sabah and Sarawak has been increasing so rapidly after 1963 that there can be no other reason to explain this except the formation of Malaysia. Before their joining Malaysia, the trade of the States of Eastern Malaysia with Malaya was only of small value. Exports to Sabah and Sarawak has increased 12 and 15 times (1962-1965). Though imports from Sabah does not seem to have increased, imports from Sarawak showed a big jump. With political union, we can expect the trade relationships to be even stronger in future.

3) Implications of the Patterns of Trade

In the previous section, we have seen how strong our trade relationships are with a handful of countries of the industrial area of Western Europe and North America. On the other hand, we trade much less with the less developed countries. This phenomenon is by no means

TABLE 3.23

TRADE WITH NORTH AMERICA,[+] 1948-1965

Year	Imports $ mil	Imports % of Total	Exports $ mil	Exports % of Total	Adjusted Export $ mil	Adjusted Export % of Total
1948 [++]	26.7	10.0	263.8	23.6	-	-
1951	85.9	4.6	705.8	20.9	-	-
1953	49.9	3.3	283.5	17.7	-	-
1955	53.4	3.5	427.3	18.9	-	-
1948 [@]	67.4	8.0	268.0	24.0	-	-
1951	82.4	4.4	491.4	14.5	-	-
1953	59.5	3.9	271.8	17.3	-	-
1955	45.1	2.9	398.0	16.8	-	-
1958	49.2	3.0	231.1	12.3	-	-
1960	96.0	4.4	342.3	11.7	427.3	14.6
1962	156.6	6.4	432.5	16.5	501.6	19.1
1963	143.9	5.7	455.1	16.8	514.2	19.0
1964	143.0	5.7	485.1	17.5	534.1	19.2
1965	151.8	5.9	634.7	20.5	663.4	21.4

[+]Canada and United States only.

[++]Malayan/Pan-Malayan ratio method.

[@]Malayan/Direct Trade ratio method.

Source: as in Table 3.15.

TABLE 3.24

TRADE WITH AFRICA, 1958 - 1965

Year	Imports $ mil	Imports % of Total	Exports $ mil	Exports % of Total	Adjusted Exports+ $ mil	Adjusted Exports+ % of Total
1958	18.1	1.2	18.9	1.0	-	-
1960	27.8	1.3	27.3	0.9	39.4	1.3
1963	17.9	0.7	41.9	1.5	48.5	1.5
1964	223.1	0.9	48.7	1.8	56.5	1.8
1965	25.6	0.9	39.1	1.3	50.2	1.3

+Takes into account exports to Singapore the destination of which is unknown at time of export.

Source: as in Table 3.15.

TABLE 3.25

TRADE WITH SOUTH AND CENTRAL AMERICA, 1958-1965

Year	Imports $ mil	Imports % of Total	Exports $ mil	Exports % of Total	Adjusted Exports $ mil	Adjusted Exports % of Total
1958	0.8	0.04	27.6	1.4	-	-
1960	1.2	0.05	51.3	1.8	64.9	2.2
1963	1.0	0.04	57.8	2.1	61.9	2.3
1964	1.6	0.06	67.4	2.4	77.7	2.8
1965	2.0	0.08	53.5	1.7	62.5	2.0

Source: as in Table 3.15

TABLE 3.26

TRADE BY CONTINENTS, 1960 - 1965 (% of Total)
(Adjusted for exports to Singapore)

Year	Asia		Europe		North America		South America		Africa		Australiasia	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
1960	58.4	25.8	31.9	47.6	3.4	20.2	0.1	2.2	1.3	1.3	4.9	2.9
1962	53.2	31.3	33.6	42.2	7.1	20.6	0.1	2.1	1.0	1.2	5.0	2.6
1963	53.2	31.6	32.1	40.5	8.4	23.7	-	2.3	0.7	1.5	5.6	2.7
1964	51.3	33.6	31.1	36.6	10.3	22.3	0.1	2.8	0.9	1.8	6.3	3.0
1965	49.0	32.3	32.2	36.9	11.1	24.4	0.1	2.0	0.9	1.3	6.7	3.1

Source: publications on external trade.

TABLE 3.27

RECENT CHANGES IN TRADE WITH CERTAIN COUNTRIES
(1960 - 1965)

(a) Indonesia and South Africa ($ mil)

Year	Indonesia		South Africa	
	Imports	Exports	Imports	Exports
1960	324.6	23.1	18.3	19.9
1962	293.3	26.5	0.1	15.3
1963	212.5	6.0	-	25.3
1964	42.8	2.9	-	32.6
1965	7.0	0.1	-	23.9

(b) Sabah and Sarawak ($ mil)

Year	Sabah		Sarawak	
	Imports	Exports	Imports	Exports
1960	-	0.9	0.1	1.7
1962	0.6	1.1	0.2	1.0
1963	0.1	4.7	5.7	3.3
1964	0.2	7.8	15.9	6.5
1965	0.6	12.9	23.2	15.7

Source: as in Table 3.15.

confined to Malaya only; it seems to be common among the underdeveloped countries.

We also saw how trade can affect the national income of the country in Chapter II. The prosperity of Malaya depends, therefore, to a great extend on prosperity in the Western world. We saw how exports to the industrial countries increased during periods of boom and decreased during periods of depression.

The present structure of Malayan exports being what it is, the present lopsided trade just cannot be helped. Raw materials, which Malaya produces, are in great demand only in industrial countries. There are indications that factors are at work, emanating from industrial countries, which are preventing a fast-enough growth of the export demand for products of the underdeveloped countries.[9] Some of the factors put forward by Norkse are well-known to students of economic development: a shift in the composition of output from industries with a high-raw material content to those with a low raw material content; low income elasticities of consumer demand for many agricultural commodities, once a high standard of living has been reached; growing technological advances leading to economies in industrial use of primary raw materials, and the displacement of natural raw materials by synthetic and other substitutes.[10]

Though it may be argued how for Nurkse's analysis applies to Malaya, there is no doubt that some of these factors are at work. The fifties is a period of rapid recovery and expansion of the European economies and this has contributed to the export growth in Malaya. However, the chances are that such rapid expansion will not continue for long. Malaya is then faced with the situation where increased export earnings are desparately needed to finance increased imports for development, but exports are not likely to increase in the future.

In such circumstances, it might be suggested that trade be developed with countries with which are, have little trade now. Superficially, it is a good suggestion for we now trade very little with Africa and South America. But the difficulties encountered will be tremendous. Nurkse has suggested that the most realistic alternative to primary production for export is industrialisation. He distinguishes industrialisation which aims at producing manufactured goods for export to the industrial countries and that which caters mainly for domestic markets in the underdeveloped countries.[11]

In the first alternative, the reaction of the industrial countries gives cause for concern. If the country were to manufacture and export goods with a rapidly rising total demand, these may find markets without hurting present producers there. But in such fields,

---

[9] Nurkse, "Patterns of Trade and Development", op. cit., pp. 294, 295.

[10] Ibid, p. 295.

[11] Nurkse, op. cit., p. 307.

the advanced industrial countries have already an overwhelming comparative advantage.[12] We may concentrate on the cruder and simpler types of manufactures. But these products are likely to displace present high-cost producers in the industrial countries and protectionist policies may be imposed.

The other alternative of exporting manufactures to other underdeveloped countries does not seem too realistic either. The main reason for the present lopsided patterns of trade is the low purchasing power of the underdeveloped countries. It is difficult to foresee any drastic change in the future. Anyway, most countries have development plans and industrialisation plays a key role in all. We may be faced with a situation where each underdeveloped country tries to export its manufactures to each other!

It is well enough to talk of industrialisation for the home market. But such a programme needs capital investment which has a high import content. The question is how to find money to pay for such imports in the face of declining exports. Perhaps Malaya is more fortunate in that she has large foreign exchange reserves, but it is difficult to see how these may last forever if no other means were found to increase exports to pay for the imports.

CHAPTER IV

PROJECTION OF EXPORTS AND IMPORTS

After studying the trends and patterns of trade, it is relevant to investigate the prospects for Malayan exports and how imports may rise in future. Future export volume is mainly a function of production, though other variables, such as imports (for re-export) and home consumption, can, in some commodities also affect export, at times even more than production. Imports, unlike exports, cannot be studied in greater detail than by sections. The import commodities are so numerous that in a Graduation Exercise of this scope, it is hardly worth the effort.

Projections of exports are calculated on several variables such as future production, import volume, consumption, etc. Export value has been calculated by using estimates of prices in the Malaysian Plan. In the case of imports it is only possible to project the values by sections, taking into account future consumption needs, investment, etc. This method assumes that prices of import commodities will be constant. But is necessary if we are not to be entangled in the details.

This Chapter analyses the problem of export proceeds and how the latter will have to be increased to pay for future imports.

1) Projections of Exports

Projections of exports give the estimated total trade of Malaya by major commodities. Detailed projections are given for the 9 major export commodities: rubber, tin, timber, iron ore, palm oil, palm kernels, copra, coconut oil and canned pineapple and juice. Collectively these items constituted 90% of Malaya's export earnings to the rest of the world. The residual, amounting to 10% of the export earnings, is projected as a group since it is difficult to have a more detailed breakdown.

Projections of exports are estimated on the following variables: production in Malaya plus imports from outside Malaya minus apparent consumption in the country gives the export volume.[1] Apparent consumption includes stock changes, loses through theft and fire and other forms of deterioration and destruction as well as consumption in Malaya. In cases (e.g. canned pineapple and juice) where production data is not available export data is taken to represent production data.

---

[1] Statistics Department, Unpublished Report.

These estimates should not be taken to imply a high degree of precision but rather only indicative of broad trends.

In six of the commodities here, projections are done with statistical means. In others (tin, iron ore, and coconut oil) where it is meaningless to have this done, a careful estimate is made based on published projections in the First Malaysian Plan. / P.S. Report

Projections for imports of these commodities (to add to the total available for export) are all assumed to be constant for the next 5 years. In all cases, an average figure for the past 10 years is taken. This is because import figures fluctuate and do not show an definite trend of increase. To take the figures for any year will be arbitrary so it is felt that the safest way is to have an average figure.

"Apparent consumption and stock changes" in Tables 4.1 to 4.9 is obtained by deducting the "Export Volume" from "Total Available". Where this does not show any definite pattern of increase, it is again assumed to be constant, an average figure from data in the past ten years being applied to future years.

In the case of "F.O.B. Unit Price", the most serious difficulties are encountered, there being no sure means of estimating future price other than a very detailed study of future world demand and supply of the commodities concerned which is outside the scope of this Graduation Exercise. Where possible, future prices are taken from the projected prices given in the First Malaysian Plan and a constant rate of increase or decrease is applied to the last actual price (in 1965).

It is realised that projections of "Export Volume" and "Export Value" is by no means certain since many unknown variables are concerned and, at times, rather, arbitrary assumptions have to be made. However, it is the best anyone can do in such circumstances.

a) Rubber Exports

Projection of future exports of rubber must be based on the most important variable, a projection of rubber production in Malaya. From the production data available, it can be seen that production is increasing at a very rapid rate, especially from 1956 onwards. As such, the trend rate of growth and projection of future production has been done with a second-degree polynomial of the form $Yc = a + b x + cx^2$.

Due to the rapidly increasing rate of increase, a second-degree polynomial gives the best fit. The projection has been done with data from 1956 only because it is felt that in prior years, the replanting scheme with high yielding clones had not, as yet, made its full impact on the rubber industry. The production conditions render a straight line projection unrealistic. In fact, the latter had been first tried and it was found that the projection for 1975 does not even reach the 1965 actual!

W.M. Corden rightly points out that "a forecast of natural rubber production cannot be based on a simple extrapolation of past trends".[2] In his opinion, any forecast "... must be based on an assessment of expected rates of replanting and new planting of rubber trees, on the age distribution of existing trees and on expected yields from trees planted at different times".[3]

Of course if one assumes a given rate of replanting and new plant, and takes into account the seven year lack between planting and tapping a tree, one can obtain for every year in the future a division of acreage between old trees, immature new trees, and mature new trees.[4] With a further knowledge of the type of seedlings used, one can deduce their yields. No doubt all these factors must be considered in any forecast but it will be outside our scope to go any further into the details of the industry. In the author's opinion, these factors are already considered when we use a second degree polynomial to extrapolate future production.

PS Survey

From Table 4.1, it can be seen that our forecast for 1970, using the statistical method mentioned above agrees closely with that of Corden's and Paardekoopers.[5]

Import volume for past years had been fairly constant except during the boom years of 1950 and 1951, 1956 and 1960, when the price of rubber shot up. "With the advent of the steoro-regular synthetic rubbers in 1961, the price fluctuations for natural rubber have been markedly reduced".[6] If prices for natural rubber in future years are geared to the relatively stable prices of its synthetic counterpart, then, with no likelihood of any sudden upsurge in rubber price, we can expect import of rubber to be fairly stable, though it has declined slightly in the last two years due to stoppage of the barter trade with Sumatra during confrontation. As such imports in Table 4.1 are assumed to be constant at 50,400 tons for future years. This figure had been arrived at by taking the average figure from 1956.

"Apparent consumption and stock changes" does not show any definite pattern, so again average of 13,000 tons is arrived at and applied to future years. Stock changes are more important than consumption in Malaya, even with rubber manufacturing industries in

---

[2] W.M. Corden, "Prospect for Malayan Exports" in "Political Economy of Independent Malaya", op. cit., p. 93.

[3] Corden, op. cit., p. 93.

[4] Ibid, p. 94.

[5] Ibid, p. 95, Table 4.1 and footnotes.

[6] Khoo Swee Joo, "The Malayan Oil Palm Industry" in "Kajian Ekonomi Malaysia", Vol. I, No. 1, p. 1.

PROJECTION OF RUBBER EXPORTS [illegible]
1956-1970

	A	C	T	U	A	L					
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	196
Production ('000 tons)	624.4	635.9	660.9	695.5	706.0	734.6	749.4	786.7	824.1	859.2	882
Imports ('000 Tons)	43.7	37.9	56.1	53.3	70.7	664.9	67.3	53.2	40.6	46.1	50
Total Available ('000 tons)	667.9	673.8	717.0	748.8	776.7	809.5	816.7	849.9	864.7	905.3	933
Export Volume ('000 tons)	649.4	655.1	690.2	782.8	766.8	790.6	791.0	841.5	847.8	886.9	920
Apparent Consumption and Stock Changes ('000 tons)	18.5	18.7	26.8	-34.0	9.9	18.9	25.7	8.4	16.9	18.4	13
Export Value ($ mn)	1,377.9	1,304.1	1,197.2	1,721.8	1,829.1	1,442.4	1,367.6	1,373.9	1,303.4	1,368.3	1,380
F.O.B. Unit Price ($ per ton)	2,122	1,990	1,734	2,199	2,385	1,825	1,729	1,633	1,537	1,543	1,50

NOTES:

1) Production figures projected by second degree polynomial.

2) Imports are assumed to be a constant; figure was arrived at by taking average of past 10

3) Production plus imports gives Total Available.

4) Total Available minus Export Volume gives Apparent Consumption and Stock Changes. Figure by taking average of past 10 years.

5) Unit Price: Projection in Fisrt Malaysia Plan gives a unit price of 55¢ per lb.. Assumi 1966, a constant decrease of 3¢ per lb. in each year was assumed. The price in pounds wa in tons.

6) Projected Export Values are obtained by multiplying the projected Export Volume by the es

Sources: Computed from data in "Monthly Statistical Bulletin, States of Malaya," various issues, and

PROJECTION OF RUBBER EXPORTS AND EXPORT EARNINGS
1956-1970

A C T U A L										P R O J E C T E D				
1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
624.4	635.9	660.9	695.5	706.0	734.6	749.4	786.7	824.1	859.2	882.6	916.2	951.5	988.5	1,027.1
43.7	37.9	56.1	53.3	70.7	664.9	67.3	53.2	40.6	46.1	50.4	50.4	50.4	50.4	50.4
667.9	673.8	717.0	748.8	776.7	809.5	816.7	849.9	864.7	905.3	933.0	966.6	1,001.9	1,038.9	1,077.5
649.4	655.1	690.2	782.8	766.8	799.6	791.0	841.5	847.8	886.9	920.0	953.6	988.9	1,025.9	1,064.5
18.5	18.7	26.8	-34.0	9.9	18.9	25.7	8.4	16.9	18.4	13.0	13.0	13.0	13.0	13.0
1,377.9	1,304.1	1,197.2	1,721.8	1,829.1	1,442.4	1,367.6	1,373.9	1,303.4	1,368.3	1,380.7	1,367.1	1,351.2	1,332.8	1,311.5
2,122	1,990	1,734	2,199	2,385	1,825	1,729	1,633	1,537	1,543	1,501	1,434	1,366	1,299	1,232

Production figures projected by second degree polynomial.

Imports are assumed to be a constant; figure was arrived at by taking average of past 10 years.

Production plus imports gives Total Available.

Total Available minus Export Volume gives Apparent Consumption and Stock Changes. Figure for 1966 onwards arrived at by taking average of past 10 years.

Unit Price: Projection in Fisrt Malaysia Plan gives a unit price of 55¢ per lb.. Assuming a price of 67¢ per lb. in 1966, a constant decrease of 3¢ per lb. in each year was assumed. The price in pounds was then converted to price in tons.

Projected Export Values are obtained by multiplying the projected Export Volume by the estimated Unit Price.

omputed from data in "Monthly Statistical Bulletin, States of Malaya," various issues, and First Malaysian Plan.

existence. The former is difficult to predict, so the average is applied.

Export receipts depend mainly on the price and many forecasts about the latter are pessimistic. Though for better equipped to meet the threat from synthetic now, "... it is necessary to face the fact that synthetic rubber technology will continue to be improved and production of synthetic rubber will rise, depressing the price of natural rubber on the world market".[7] The First Malaysian Plan estimates the price to fall from 70¢ per pound to 55¢ per pound in 1970.

Corden comes to more or less the same conclusion about future price after a very detailed analysis of world production and demand.[8] At the current price relationship between natural and the stereo -regular rubbers, he estimates a surplus of 500,000 tons of natural rubber in 1970. Therefore, "... 61 Malayan cents ... this would seem to be the highest price which could be sustained - and 50 Malayan cents seems indeed a more likely figure if natural rubber has to expand its share of the market".[9] And expand it must, if the projected increase in output is to be absorbed.

In our estimation of the export value therefore, we have used a declining price from 67¢ per pound in 1966 to 55¢ in 1970. The price is assumed to decline by 3¢ per pound every year.

The projection of rubber export and export value is shown in full detail in Table 4.1. The implication of such a price decline has serious consequences for Malaya. Inspite of Malayan production rising rapidly as more and more replanted areage comes into bearing, the price decline means that we will be earning only $1,312 million with the greatly increase production - a decline of $66 million*

b) Tin Exports

In the case of future tin production it is felt that a statistical method to project future production will have little meaning. Unlike the case of rubber, tin is a wasting asset and past production trends are not indicative of the future. By taking full advantage of the favourable prices in the last two years, Malayan producers are able to work the lower-grade deposits and this has resulted in increased production. "However, known tin reserves are gradually being depleted and even if prices remain high it will become increasingly difficult to maintain production at the current level".[10]

---

[7] First Malaysian Plan, 1966-1970 (Kuala Lumpur, 1965, p. 43).

[8] Corden, op. cit., p. 95-103.

[9] Corden, Ibid, p. 101.

* The Malaysian Plan projections for Malaya gives an estimated yield in 1970 of 1,286,000 tons and value $1,584 million - an increase of $130 million in export value. However, this covers the whole of Malaysia.

[10] Malaysian Plan, op. cit., p. 44.

Though the situation appears to be rather grim at present, Corden cautions that "The possibility of discovery of new deposits cannot be ruled out, for little prospecting has been carried out in the last thirty years or so".[11] Though one must agree with him that we must hestitate in our pessimism, unless the situation changes, we must base any assessment, if it were to be realistic, on present circumstances. And it appears that a gradual decline in output is unavoidable over the next few years.[12]

We have therefore assumed a yearly decline of output of 1,500 tons. How realistic this estimate is remains to be seen. The Malaysian Plan gives an export volume of 57,000 tons in 1970.[13] In the author's opinion, the whole question of export volume in future hinges upon the import volume. The estimates in the plan assumes a constant import volume of 2,000 tons for the next 5 years.[14] This is rather unrealistic judging from past trends. Even with the completion of the smelter in Southern Thailand, we have estimated imports to be higher. The estimated import volume in Table 4.2 is estimated on the assumption future imports of tin from Thailand will stop (refer footnotes to Table 4.2).

According to our estimates, the export volume in 1970 will come up to 61,500 tons.

Price is assumed to be constant from the 1965 figure of $11,800 per ton. This seems to be a realistic one in view of the continuing shortage of tin in the world market in relation to demand.

From Table 4.2, it can be seen that even assuming the present high price to continue export receipts from this commodity will decline due to decline in output. Unless price rises higher, there will be a decline of $70 million in export receipts by 1970.

Rubber and tin constituting 70% of our exports receipts, the picture for the two commodities seems grim. It can be safely concluded that there seems little prospect of a dramatic increase in future export earnings.

c) Timber

Projected exports of sawn timber are given in Table 4.3 (a). From the production data, it can be seen that Malayan production has been increasing at a very rapid rate, especially during the last few years. It is expected that this rapid expansion will continue. Therefore, a second degree polynomial has been fitted to project future production.

---

[11] Corden, op. cit., p. 104.

[12] Malaysian Plan, ibid, p. 44.

[13] Op. cit., Table 3.2, p. 45.

[14] Statistics Department, Unpublished Report.

PROJECTION OF TIN EXPORTS AND EXPORT EARNINGS
1956-1970

	ACTUAL										
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Production ('000 tons) *	62.3	59.3	38.5	37.5	52.0	56.0	58.6	59.9	60.0	63.7	62.
Imports ('000 tons) @	10.9	13.9	7.9	8.7	21.1	16.6	25.3	20.2	10.3	7.9	5.
Total Available ('000 tons)	73.2	73.2	46.4	46.2	73.1	72.6	83.9	80.1	70.3	71.6	67.
Export Volume ('000 tons)	73.0	69.8	44.8	44.8	76.6	74.6	81.9	85.1	71.7	73.9	67.
Apparent Consumption and Stock Changes ('000 tons)	0.2	3.4	1.6	1.4	-3.5	-2.0	2.0	-5.0	-1.4	-2.3	-
Export Value ($ mn)	471.7	439.4	274.5	298.9	507.3	553.1	620.3	642.4	728.3	871.8	796.5
F.O.B. Unit Price ($ per ton)	6,462	6,009	6,127	6,672	6,622	7,413	7,574	7,552	10,163	11,801	11,800

* Production figures are for tin-in-concentrates. The estimated metal content of tin concentrates is 75
In 1956-58, this was estimated at 75.2%.

@ Imports from Thailand for the years 1956-65 are:

	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	
('000 tons	9.9	12.8	6.3	6.5	9.8	9.0	9.3	8.9	8.6	6.7	('000 tons)

Projected Imports are taken by averaging past imports without those from Thailand. With the completio
Thailand, this seems a valid assumption.

NOTE: Refer text for assumptions in projeetion.

Sources: as im Table 4.1.

PROJECTION OF TIN EXPORTS AND EXPORT EARNINGS
1956-1970

A C T U A L									P R O J E C T E D				
1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
59.3	38.5	37.5	52.0	56.0	58.6	59.9	60.0	63.7	62.0	60.5	59.0	57.5	56.0
13.9	7.9	8.7	21.1	16.6	25.3	20.2	10.3	7.9	5.5	5.5	5.5	5.5	5.5
73.2	46.4	46.2	73.1	72.6	83.9	80.1	70.3	71.6	67.5	65.5	64.5	63.0	61.5
69.8	44.8	44.8	76.6	74.6	81.9	85.1	71.7	73.9	67.5	65.5	64.5	63.0	61.5
3.4	1.6	1.4	-3.5	-2.0	2.0	-5.0	-1.4	-2.3	-	-	-	-	-
439.4	274.5	298.9	507.3	553.1	620.3	6642.4	728.3	871.8	796.5	772.9	761.1	743.4	725.7
6,009	6,127	6,672	6,622	7,413	7,574	7,552	110,163	111,801	11,800	11,800	11,800	11,800	11,800

res are for tin-in-concentrates. The estimated metal content of tin concentrates is 75.6% tin-in-concentrates.
s was estimated at 75.2%.

ailand for the years 1956-65 are:

1957	1958	1959	1960	1961	1962	1963	1964	1965	
12.8	6.3	6.5	9.8	9.0	9.3	8.9	8.6	6.7	('000 tons)

ts are taken by averaging past imports without those from Thailand. With the completion of the tin smelter in
seems a valid assumption.

for assumptions in projeetion.

able 4.1.

TABLE 4.3A

PROJECTION OF EXPORTS OF SAWN TIMBER AND EXPORT
1947-1970

	A C T U A L							
	1956	1957	1958	1959	1960	1961	1962	1963
Production ('000 tons)@ *	524.8	523.1	503.1	543.9	729.4	711.1	755.7	830.5
Imports ('000 tons)	9.2	4.3	3.1	4.3	5.0	3.9	3.5	7.4
Total Available ('000 tons)	534.0	527.4	506.2	548.2	734.4	715.0	759.2	837.9
Export Volume ('000 tons)	112.8	112.0	124.8	140.9	214.5	168.0	192.4	240.0
Apparent Consumption and Stock Changes ('000 tons)	421.2	415.4	381.4	407.3	519.9	547.0	566.8	597.9
Export Value ($ mn)	19.9	18.0	19.6	20.5	39.0	25.3	29.7	39.1
F.O. B. Unit Price ($ per ton)	176	160	157	145	182	150	154	163

@ All data on volume refers to 1000 tons of 50 cu. ft.

* Export data for 1956-1965 refers to "Sawn Timber, Nonconifer". Since expo
Conifer" it is not possible to take the latter into account. However, the
that quantity can be obtained.

NOTES: 1) Production projection done with second degree polynomial.

2) Imports - assumed to be constant; average for past 10 years taken

3) Apparent Consumption - assumed to increase by 40,000 tons yearly

4) UHnit Price: data for 1956-65 obtained by dividing F.O.B. value by
increase from 1965 by same percentage as price for Sawn Timber in

Sources: as in Table 4.1 .

[14] Ibid, p. 45, Table 5.2.

TABLE 4.3A

PROJECTION OF EXPORTS OF SAWN TIMBER AND EXPORT
1947-1970

	A C T U A L							
	1956	1957	1958	1959	1960	1961	1962	1963
Production ('000 tons)@ *	524.8	523.1	503.1	543.9	729.4	711.1	755.7	830.5
Imports ('000 tons)	9.2	4.3	3.1	4.3	5.0	3.9	3.5	7.4
Total Available ('000 tons)	534.0	527.4	506.2	548.2	734.4	715.0	759.2	837.9
Export Volume ('000 tons)	112.8	112.0	124.8	140.9	214.5	168.0	192.4	240.0
Apparent Consumption and Stock Changes ('000 tons)	421.2	415.4	381.4	407.3	519.9	547.0	566.8	597.9
Export Value ($ mn)	19.9	18.0	19.6	20.5	39.0	25.3	29.7	39.1
F.B. B. Unit Price ($ per ton)	176	160	157	145	182	150	154	163

@ All data on volume refers to 1000 tons of 50 cu. ft.

* Export data for 1956-1965 refers to "Sawn Timber, Nonconifer". Since expo
Conifer" it is not possible to take the latter into account. However, the
that quantity can be obtained.

NOTES: 1) Production projection done with second degree polynomial.

2) Imports - assumed to be constant; average for past 10 years taken

3) Apparent Consumption - assumed to increase by 40,000 tons yearly

4) Unit Price: data for 1956-65 obtained by dividing F.O.B. value by
increase from 1965 by same percentage as price for Sawn Timber in

Sources: as in Table 4.1.

[16] Ibid, p. 45, Table 3.2.

-113-

TABLE 4.3A

RTS OF SAWN TIMBER AND EXPORT EARNINGS
1947-1970

U A L						P R O J E C T E D				
960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
29.4	711.1	755.7	830.5	946.5	950.6	1,013.7	1,076.9	1,142.0	1,209.0	1,278.0
5.0	3.9	3.5	7.4	3.1	3.8	5.0	5.0	5.0	5.0	5.0
34.4	715.0	759.2	837.9	949.6	954.4	1,018.7	1,081.9	1,147.0	1,214.0	1,283.0
14.5	168.0	192.4	240.0	316.6	325.9	350.2	373.4	398.5	425.5	454.5
19.9	547.0	566.8	597.9	633.0	628.5	668.5	708.5	748.5	788.5	828.5
39.0	25.3	29.7	39.1	58.0	58.7	66.5	74.7	84.1	94.5	106.4
182	150	154	163	183	180	190	200	211	222	234

cu. ft.

ber, Nonconifer". Since export quantity is not give in later years for "Sawn Timber, r into account. However, th. mount to only a negligible proportion in the years

nd degree polynomial.

erage for past 10 years taken.

ncrease by 40,000 tons yearly from 1965.

ed by dividing F.O.B. value by quantity exported. Prices for later years assumed to ge as price for Sawn Timber in Malaysian Plan

Imports volume for the past 10 years had been fairly stable, so an average for the past 10 years is applied to future years.

"Apparent consumption" has been showing a fairly rapid rate of increase. With increased construction and other activities in Malaya, we can well expect this figure to rise. The timber consumed in Malaya is assumed to increase at a constant rate of 40,000 tons of 50 cubic feet yearly from 1965.

With world demand likely to outstrip supply, prices for sawn timber should rise. The projected prices for sawn timber is assumed to have the same yearly percentage increase as projected prices for the same commodity in the Malaysian Plan, e.g. the increase in price in 1970 is expressed as a percentage of the 1965 price. This figure is divided by 5 to get the average percentage increase. This rate is applied to the price in 1965.

The prospects for sawn timber seem bright. It offers promising growth prospect during the next 5 years.

Table 4.3 (b) shows the projection future export of round timber. Production data shows production increasing at a fairly constant rate so a logarithmic curve has been used for the projection.

Import data shows a significant drop in the last 2 years. However, it is too early to say whether this trend will be continued, so the average import figure for the last 10 years is applied to future years.

It is expected that the country will be moving increasingly into sawmilling and the further processing of round timber,[15] so we can expect consumption in Malaya to rise. Accordingly, "apparent Consumption" in the table assumes a constant increase of 100,000 tons from 1964.

The price of the commodity is also assurred to have the same yearly percentage increase as the projected price in the Malaysian Plan.

d) Iron Ore

Iron ore, Malaya's third largest export, failed to expand its production volume after 1963, when its period of rapid production growth came to an end. As such, it will be meaningless to project future production with past trends. The Malaysian Plan[16] shows the export volume declining to 3,000,000 tons in 1970. No details are given as to how his figure is arrived at.

The projected production assumes that the same output for 1965 will be maintained in 1966, after which there will be a constant decline

---

[15] Malaysian Plan, op. cit., p. 44.

[16] Ibid, p. 45, Table 3.2.

TABLE 4.3B

PROJECTION OF EXPORTS OF ROUND TIMBER AND EXPORT E
1947-1970

	A C T U A L							
	1956	1957	1958	1959	1960	1961	1962	196
Production ('000 tons) @ *	1,192.3	1,146.3	1,151.6	1,177.4	1,589.0	1,563.5	1,632.5	1,4
Imports ('000 tons)	6.4	5.7	5.1	7.5	5.5	n.a.	9.7	
Total Available ('000 tons)	1,198.7	1,152.0	1,156.7	1,184.9	1,594.5	1,563.5	1,642.2	1,9
Export Value ('000 tons) +	148.0	172.3	192.8	220.5	275.5	282.4	305.1	4
Apparent Consumption and Stock Changes ('000 tons)	1,050.7	979.7	963.9	964.4	1,319.0	1,281.1	1,337.2	1,4
Export Value ($ mn)	9.8	11.0	11.7	11.7	15.5	15.5	17.0	2
F.O.B. Unit Price ($ per ton)	66	64	60	53	56	55	56	

@ All data on volume refers to 1000 tons of 50 cu.ft.

* Production figures for 1956-1965 and projected production figures have been

+ Export data refers to "Sawlogs, Veneer logs, Nonconifer." Since data for q in later years, it is not possible to take the latter into account.

NOTES: 1) Production projected with logarithmic curve.

2) Imports - average taken for past 10 years.

3) Apparent Consumption - assumed to increase by 100,000 tons yearly f

4) Unit Price - data for 1965 and before obtained by dividing F.O.B. v from 1965 by same percentage as that in Malaysian Plan for Round Ti

Sources: as in Table 4.1.

-115-

- 116 -

- 116 -

TABLE 4.3B

ORTS OF ROUND TIMBER AND EXPORT EARNINGS
1947-1970

U A L						P R O J E C T E D				
1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
1,589.0	1,563.5	1,632.5	1,405.3	2,105.1	n.a.	2,386.0	2,582.0	2,792.0	3,020.0	3,264.0
5.5	n.a.	9.7	9.1	1.9	1.8	6.0	6.0	6.0	6.0	6.0
1,594.5	1,563.5	1,642.2	1,914.4	2,107.0	n.a.	2,392.0	2,588.0	2,798.0	3,026.0	3,270.0
275.5	282.4	305.1	417.1	492.8	574.4	592.0	688.0	798.0	926.0	1,070.0
1,319.0	1,281.1	1,337.2	1,497.3	1,614.2	n.a.	1,800.0	1,900.0	2,000.0	2,100.0	2,200.0
15.5	15.5	17.0	24.3	26.8	30.9	33.7	41.3	50.3	61.1	73.8
56	55	56	58	54	54	57	60	63	66	67

cu.ft.

ed production figures have been converted to 1,000 tons of 50 cu. ft.

Nonconifer." Since data for quantity for conifer sawlogs is not given in export statistics he latter into account.

c curve.

years.

crease by 100,000 tons yearly from 1964.

e obtained by dividing F.O.B. value by quantity..Those for later years assumed to increase in Malaysian Plan for Round Timber.

of 900,000 tons yearly. It is very likely that, with present known reserves, this will be the trend. The rapid exploitation of known reserves in the last few years has exhausted the reserves and it will be difficult to maintain the same production in the next few years.

Apparent consumption for the past 10 years has shown no definite pattern of increase, so a constant figure of 190,000 tons is arrived at by taking the average for the last 10 years.

Price in the Malaysian Plan shows a decrease down to $20 per ton in 1970. The projected prices in Table 4.4 assumes a constant decrease of $1 per ton yearly from 1966.

e) Palm Oil and Palm Kernels

Palm oil and kernel production can be expected to increase very rapidly in the next 5 years. Palm oil has been recommended by the World Bank Mission and recently by a team of experts from the Ford Foundation[17] as a good supplement to rubber in the diversification of the agricultural economy of Malaya.

With the Government's active promotion aimed at a rapid expansion of Malaya's existing palm oil acreage, and in particular to enable smallholder participation on a large scale,[18] we can expect palm oil production to increase. Moreover, if the trend of shifting from cocconut planting to palm oil[19] is continued, there is good reason to expect a rapid increase.

The projected production in Table 4.5 has been doned with a second degree polynomial.

Imports and Apparent Consumption are assumed to be constant for the next 5 years. Average figures for the past 10 years are taken for these.

Though production will rise rapidly, a decline of export prices from its present high level may keep export receipts from rising as radpidly as output.[20] The projected prices in Table 4.5 are assumed to follow the same decline in the Malaysian Plan,[21] a constant amount of decrease being applied to each year.

---

[17] "Policies and Measures leading toward greater Diversification of the Agricultural Economy of the Federation of Malaya", a report by the Survey Team provided by the Ford Foundation (Kuala Lumpur, 1963) p. 7.

[18] Khoo Swee Joo, op. cit; p. 2.

[19] Ford Foundation Survey, op. cit; p. 14

[20] Malaysian Plan, op. cit., p. 44.

[21] Ibid, p. 45, Table 3.2.

TABLE 4.4

PROJECTION OF IRON ORE EXPORTS AND EXPORT EARNIN
1956-1970

	A C T U A L							
	1956	1957	1958	1959	1960	1961	1962	1963
Production ('000 tons)	2,444.6	2,972.4	2,795.3	3,760.7	5,640.3	6,733.5	6,507.3	7,264.
Imports ('000 tons)	-	-	-	-	-	-	-	-
Total Available ('000 tons)	2,444.6	2,972.4	2,795.3	3,760.7	5,640.3	6,733.5	6,507.3	7,264.
Export Volume ('000 tons)	2,389.3	2,919.7	2,591.4	3,772.3	5,500.2	6,435.1	6,441.1	6,581.
Apparent Consumption and Stock Changes ('000 tons)	55.3	52.7	203.9	-11.6	140.0	298.4	66.2	682.
Export Value ($ mn)	51.2	65.5	62;6	99.9	140.2	163.8	166.2	176.
F.O.B. Unit Price ($ per ton)	21	22	24	26	25	25	26	27

NOTES: 1) Production for 1966-1970 assumed to decrease by 900,000 tons yearly fr
2) Apparent Consumption - average for past 10 years taken.
3) Unit Price: assumed to decrease by $1.00 per ton from 1966.

Sources: as in Table 4.1.

TABLE 4.4

ON ORE EXPORTS AND EXPORT EARNINGS
1956-1970

A C T U A L						P R O J E C T E D				
1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
,640.3	6,733.5	6,507.3	7,264.5	6,465.7	6,872.7	6,800.0	5,900.0	5,000.0	4,100.0	3,200.0
-	-	-	-	-	-	-	-	-	-	-
,640.3	6,733.5	6,507.3	7,264.5	6,465.7	6,872.7	6,800.0	5,900.0	5,000.0	4,100.0	3,200.0
,500.2	6,435.1	6,441.1	6,581.8	6,317.0	6,634.2	6,610.0	5,710.0	4,810.0	3,910.0	3,010.0
140.0	298.4	66.2	682.7	148.7	238.5	190.0	190.0	190.0	190.0	190.0
140.2	163.8	166.2	176.3	162.5	161.3	158.6	131.3	105.8	182.1	60.2
25	25	26	27	26	24	24	23	22	21	20

ecrease by 900,000 tons yearly from 1966.
st 10 years taken.
.00 per ton from 1966.

TABLE 4-3

PROJECTION OF PALM OIL EXPORTS AND EXPORT EARNINGS, 1947-1970

	A C T U A L										
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	196
Production ('000 tons)	55.9	58.5	69.7	71.5	90.3	93.3	106.5	123.9	120.1	146.3	154
Imports ('000 tons)	3.3	3.5	6.3	5.9	5.5	6.4	5.5	1.8	0.5	0.3	4
Total Available ('000 tons)	59.2	62.0	75.0	77.4	95.8	99.7	112.0	125.7	120.6	146.6	158
Export Volume ('000 tons)	58.6	61.5	74.3	77.0	96.0	93.4	105.7	114.9	123.3	139.2	155
Apparent Consumption and Stock Changes ('000 tons)	0.6	0.5	0.7	0.4	-0.2	6.3	6.3	10.8	-2.7	7.4	3
Export Value ($ mn)	43.1	45.5	47.4	51.7	60.5	61.2	65.1	69.0	80.6	106.0	110
F.O.B Unit Price ($ per ton)	735	740	637	672	630	658	616	601	654	761	709

NOTES: 1) Projected production done with second degree polynomial.

2) Imports - average figure for 1956-1965 used for future years.

3) Apparent Consumption - same procedure as in Imports.

4) Unit Price - assumed to decrease by constant amount to level envisage by First Mal

Sources: as in Table 4.1.

TABLE 4.5

PROJECTION OF PALM OIL EXPORTS AND EXPORT EARNINGS, 1947-1970

ACTUAL										PROJECTED				
1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
55.9	58.5	69.7	71.5	90.3	93.3	106.5	123.9	120.1	146.3	154.3	168.6	183.9	200.0	217.0
3.3	3.5	6.3	5.9	5.5	6.4	5.5	1.8	0.5	0.3	4.0	4.0	4.0	4.0	4.0
59.2	62.0	75.0	77.4	95.8	99.7	112.0	125.7	120.6	146.6	158.3	172.6	187.9	204.0	221.0
58.6	61.5	74.3	77.0	96.0	93.4	105.7	114.9	123.3	139.2	155.3	169.6	184.9	201.0	218.0
0.6	0.5	0.7	0.4	-0.2	6.3	6.3	10.8	-2.7	7.4	3.0	3.0	3.0	3.0	3.0
43.1	45.5	47.4	51.7	60.5	61.2	65.1	69.0	80.6	106.0	110.1	111.4	111.9	111.2	109.2
735	740	637	672	630	658	616	601	654	761	709	657	605	553	500

Projected production done with second degree polynomial.

Imports - average figure for 1956-1965 used for future years.

Apparent Consumption - same procedure as in Imports.

Unit Price - assumed to decrease by constant amount to level envisage by First Malaysian Plan.

s in Table 4.1.

If the price should decline as expected, even with greatly increased production, we can hardly expect export receipts to rise by any great amount. Palm oil hardly seems to justify all the attention given to it at the present moment.

Projected production data for palm kernels in Table 4.6 has been found with a logarithmic curve. Price has been assumed to decline by a constant amount to $350 per ton, as estimated in the Malaysian Plan. As in the case of palm oil, though production will rise rapidly, a fall in price will affect to some extent the increase in export receipts.

It will be seen from Tables 4.5 and 4.6 that inspite of increased export volume, export receipts will be only $3.2 million and $4.7 million over that of 1965 for palm oil and kernels respectively. Great hopes had been placed on this industry in the diversification of the Malayan agricultural economy. In terms of export receipts, the faith seems to be unjustified. In light of this, S.J. Khoo, in his analysis of the industry,[22] has come to the conclusion that even at a price of 50¢ per pound (and assuming a price of $500 per ton for palm oil) rubber will still be more profitable. "The wisdom of continued emphasis on accelerated increase in oil palm acreage needs to be critically examined".[23] "On the grounds of agricultural diversification alone, if on no other, ..., it would be prudent ... to support a gradual and limited expansion of the oil palm acreage, and support for this expansion should be confined only to the smallholders ..."[24]

f) Copra

Export receipts from copra will decline in future years, as a result of decline in export volume and export price (Table 4.7). Estate production of copra has been slowly, especially from 1955. This decline can be expected to continue in future years as coconut estates are shifting to oil palm; and this shift can be expected to continue.[25] Accordingly, estate production will decline to 28,200 tons in 1970.

Imports has shown a significant drop in the last 2 years, mainly as a result of Confrontation which stopped imports of copra from Sumatra. With the ending of Confrontation in sight, it is expected that the past pattern of trade will be re-established. Therefore, imports for future years are taken to be at 28,000 tons yearly, an average figure for the past 10 years.

Price is assumed to decrease by a constant amount yearly to the level envisaged by the Malaysian Plan in 1970.

---

[22] Khoo Swee Joo, op. cit.

[23] Ibid., p. 12.

[24] Ibid., p. 12.

[25] Report by Ford Foundation Team, op. cit., p. 14.

TABLE 4.6

PROJECTION OF PALM KERNELS EXPORTS AND EXPORT EARNINGS
1947-1970

	A C T U A L									
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	19
Production ('000 tons)	15.0	14.8	18.3	19.3	23.7	24.2	27.8	30.1	30.0	34.4	37
Imports ('000 tons)	-	-	-	-	-	-	-	-	-	-	-
Total Available ('000 tons)	15.0	14.8	18.3	19.3	23.7	24.2	27.8	30.1	30.0	34.4	37
Export Volume ('000 tons)	14.2	16.2	20.9	19.7	25.2	21.1	20.3	19.5	18.0	18.7	24
Apparent Consumption and Stock Changes ('000 tons)	0.8	-1.4	-2.6	-0.4	-1.5	3.1	7.5	10.6	12.0	15.7	5
Export Value ($ Mn)	5.5	5.9	8.0	9.2	11.1	7.2	6.8	7.3	7.1	8.7	11
F.O.B. Unit Price ($ per ton)	388	364	382	466	440	341	335	375	394	465	4

NOTES: Projected production done with logarithmic curve.

Apparent Consumption for 1966-1970 - average for past 10 years used.

Price: assumed to decrease by constant amount to that projected in Malaysian Plan in 1

Sources: as in Table 4.1.

TABLE 4.6

PROJECTION OF PALM KERNELS EXPORTS AND EXPORT EARNINGS
1947-1970

A C T U A L									P R O J E C T E D				
1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
15.0	14.8	18.3	19.3	23.7	24.2	27.8	30.1	30.0	34.4	37.8	41.1	44.8	48.8	51.2
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15.0	14.8	18.3	19.3	23.7	24.2	27.8	30.1	30.0	34.4	37.8	41.1	44.8	48.8	51.2
14.2	16.2	20.9	19.7	25.2	21.1	20.3	19.5	18.0	18.7	24.8	28.1	31.8	35.8	38.2
0.8	-1.4	-2.6	-0.4	-1.5	3.1	7.5	10.6	12.0	15.7	5.0	5.0	5.0	5.0	5.0
5.5	5.9	8.0	9.2	11.1	7.2	6.8	7.3	7.1	8.7	11.0	11.8	12.6	13.4	13.4
388	364	382	466	440	341	335	375	394	465	442	419	396	373	350

d production done with logarithmic curve.

: Consumption for 1966-1970 - average for past 10 years used.

ssumed to decrease by constant amount to that projected in Malaysian Plan in 1970.

Table 4.1.

TABLE 4.7

PROJECTION OF COPRA EXPORTS AND EXPORT EARNINGS.
1947-1970

	A C T U A L										
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1
Production ('000 tons)@	39.0	35.8	34.8	33.1	32.3	33.8	33.2	32.2	29.7	30.7	3
Imports ('000 tons)	54.9	50.0	43.2	18.3	26.2	37.6	25.7	21.8	1.0	1.0	2
Total Available ('000 tons)	93.9	85.8	78.0	51.4	58.5	71.4	58.9	54.0	30.7	31.7	5
Export Volume ('000 tons)	6.5	21.5	13.9	20.3	61.4	42.4	20.6	26.1	6.3	16.0	2
Apparent Consumption and Stock Changes ('000 tons)	87.4	64.3	64.1	31.1	22.9	29.0	38.3	27.9	24.4	15.7	3
Export Value ($ mn)	52.7	49.8	47.5	13.4	34.5	19.0	29.8	23.0	13.3	10.2	12
F.O.B. Unit Price ($ per ton)	414	457	539	659	562	448	476	497	525	637	59

@ The production figures are those for estates only. Since total copra production figures are impossible to make a projection otherwise. However, very little of smallholding copra is expor be far from wrong if assessment is based on estate production only.

It should therefore be borne in mind that all other figures, e.g. Total Available, Apparent Changes, relate only to imports plus estate production.

NOTES: 1) Production projected with logarithmic curve.

2) Imports - average for past 10 years applied to years 1966-1970, refer text.

3) Apparent Consumption - proje ction as in imports.

4) Unit Price - assumed to decrease by constant amount yearly to level envisaged by Ma

Sources: as in Table 4.1.

TABLE 4.7

PROJECTION OF COPRA EXPORTS AND EXPORT EARNINGS.
1947-1970

A C T U A L										P R O J E C T E D				
1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
39.0	35.8	34.8	33.1	32.3	33.8	33.2	32.2	29.7	30.7	30.3	29.8	29.3	28.7	28.2
54.9	50.0	43.2	18.3	26.2	37.6	25.7	21.8	1.0	1.0	28.0	28.0	28.0	28.0	28.0
93.9	85.8	78.0	51.4	58.5	71.4	58.9	54.0	30.7	31.7	58.3	57.8	57.3	56.7	56.2
6.5	21.5	13.9	20.3	61.4	42.4	20.6	26.1	6.3	16.0	20.3	19.8	19.3	18.7	18.2
87.4	64.3	64.1	31.1	22.9	29.0	38.3	27.9	24.4	15.7	38.0	38.0	38.0	38.0	38.0
52.7	49.8	47.5	13.4	34.5	19.0	29.8	23.0	13.3	10.2	12.1	11.1	10.0	9.0	8.0
414	457	539	659	562	448	476	497	525	637	598	569	520	4482	442

n figures are those for estates only. Since total copra production figures are not available, it is
ke a projection otherwise. However, very little of smallholding copra is exported. So we will not
g if assessment is based on estate production only.

ere fore be borne in mind that all other figures, e.g. Total Available, Apparent Consumption and Stock
only to imports plus estate production.

uction projected with logarithmic curve.

orts - average for past 10 years applied to years 1966-1970, refer text.

arent Consumption - proje ction as in imports.

Price - assumed to decrease by constant amount yearly to level envisaged by Malaysian Plan.

Table 4.1.

Export receipts from this commodity will decline to $8 million in 1970. Copra will be a less important export item than it is now.

g) Coconut Oil

Estimate future production and exports are shown in Table 4.8. Export receipts will decline in future years as a result of reduction in price and increased consumption in Malaya.

On the trends of production in previous years, it has been found to be impossible to have a meaningful projection by an statistical method. As such future production has been estimated at 63,000 tons per annum. Though there has been a shift from coconuts to other crops by estates, it is expected that production will be maintained through supply of copra by smallholders. Smallholders with coconut operating a mixed farming system will be expected to plant more inspite of a lower oil yield than palm oil because of additional income from other sources.[26]

Apparent consumption has been increasing over the past 10 years and it is expected that this will continued. Increased consumption will mean a lower export volume and lower export receipts, as is evident from the Table.

h) Canned Pineapple and Juice

No data on production of canned pineapple and juice in Malaya is available. In view of this, export volume is taken as the production figure for the years concerned. Projected production has been done with a logarithmic curve.

This commodity offers bright growth prospects. The Malaysian Plan reports that production can be stepped up just as fast as foreign markets can be developed for the canned fruit.[27] If this were so, future expansion will have to rely heavily on this. From Table 4.9, export receipts from this export commodity in 1970 will be one and a half times that in 1965.

The value of projected exports has been summarised in Tables 4.10 and 4.11. Malaya's present wealth is largely due to its exports, particularly of rubber and tin. It is thus important to note the implications of the fact that combined export earnings from these commodities are unlikely to rise during the next 5 years.[28] The high degree of dependence on these two commodities will eventually be lessened by progressive development and diversification of the export sector. However, that does not mean these two commodities will still not dominate the export sector. It does not take much arithmetic to see that even on very optimistic assumptions for large percentage expansions of other

---

[26] Ford Foundation Team, op. cit., p. 14

[27] Malaysian Plan, op. cit., p. 44.

[28] Malaysian Plan, op. cit., p. 43.

TABLE 4.8

PROJECTION OF COCONUT OIL EXPORTS AND EXPORT EARNINGS
1956-1970

	A C T U A L									
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
Production ('000 tons)	108.4	96.5	78.6	67.3	73.6	87.4	91.7	71.3	62.1	63.8
Imports ('000 tons)	0.7	1.2	1.7	1.6	1.6	1.5	2.0	2.0	1.6	1.4
Total Available ('000 tons)	109.1	97.7	80.3	68.9	75.2	88.9	93.7	73.3	63.7	65.2
Export Volume ('000 tons)	81.3	66.0	50.4	28.7	28.2	42.1	33.9	29.9	14.5	18.1
Stock Changes ('000 tons)										
Apparent Consumption and Stock Changes ('000 tons)	27.8	31.7	29.9	20.2	47.0	46.8	59.9	43.4	49.2	47.1
Export Value ($ mn)	56.6	47.3	40.3	29.8	23.9	27.7	22.1	22.0	12.0	16.4
F.O.B. Unit Price ($ per ton)	696	716	804	1,038	848	658	652	737	827	903

NOTES: 1) Future production estimated to be same as for 1965.

2) Projected imports - estimated at 1,500 tons based on average for past 10 years.

3) Apparent Consumption - estimated to rise at 2,000 tons yearly.

4) Unit Price - assumed to fall by constant amount to level envisaged by Malaysian E

Sources: as in Table 4.1
Statistics Department: Unpublished Report.

PROJECTION OF COCONUT OIL EXPORTS AND EXPORT EARNINGS
1956-1970

A C T U A L														
1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
108.4	96.5	78.6	67.3	73.6	87.4	91.7	71.3	62.1	63.8	63.0	63.0	63.0	63.0	63.0
0.7	1.2	1.7	1.6	1.6	1.5	2.0	2.0	1.6	1.4	1.5	1.5	1.5	1.5	1.5
109.1	97.7	80.3	68.9	75.2	88.9	93.7	73.3	63.7	65.2	64.5	64.5	64.5	64.5	64.5
81.3	66.0	50.4	28.7	28.2	42.1	33.9	29.9	14.5	18.1	14.5	12.5	10.5	8.5	6.5
27.8	31.7	29.9	20.2	47.0	46.8	59.9	43.4	49.2	47.1	50.0	52.0	54.0	56.0	58.0
56.6	47.3	40.3	29.8	23.9	27.7	22.1	22.0	12.0	16.4	12.5	10.4	8.3	6.4	4.6
696	716	804	1,038	848	658	652	737	827	903	865	828	790	753	715

Future production estimated to be same as for 1965.

Projected imports - estimated at 1,500 tons based on average for past 10 years.

Apparent Consumption - estimated to rise at 2,000 tons yearly.

Unit Price - assumed to fall by constant amount to level envisaged by Malaysian Plan.

in Table 4.1
atistics Department: Unpublished Report.

PROJECTION OF COCONUT OIL EXPORTS AND EXPORT EARNINGS
1956-1970

A C T U A L														
1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
108.4	96.5	78.6	67.3	73.6	87.4	91.7	71.3	62.1	63.8	63.0	63.0	63.0	63.0	63.0
0.7	1.2	1.7	1.6	1.6	1.5	2.0	2.0	1.6	1.4	1.5	1.5	1.5	1.5	1.5
109.1	97.7	80.3	68.9	75.2	88.9	93.7	73.3	63.7	65.2	64.5	64.5	64.5	64.5	64.5
81.3	66.0	50.4	28.7	28.2	42.1	33.9	29.9	14.5	18.1	14.5	12.5	10.5	8.5	6.5
27.8	31.7	29.9	20.2	47.0	46.8	59.9	43.4	49.2	47.1	50.0	82.0	54.0	56.0	58.0
56.6	47.3	40.3	29.8	23.9	27.7	22.1	22.0	12.0	16.4	12.5	10.4	8.3	6.4	4.6
696	716	804	1,038	848	658	652	737	827	903	865	828	790	753	715

uture production estimated to be same as for 1965.

rojected imports - estimated at 1,500 tons based on average for past 10 years.

pparent Consumption - estimated to rise at 2,000 tons yearly.

nit Price - assumed to fall by constant amount to level envisaged by Malaysian Plan.

in Table 4.1
atistics Department: Unpublished Report.

TABLE 4.9

PROJECTION OF CANNED PINEAPPLE AND JUICE EXPORTS AND EXPORT

		A C T U A L					
	1956	1957	1958	1959	1960	1961	1962
(1) Production ('000 tons)+	22.3	26.0	28.8	27.1	32.8	32.8	35.6
(2) Imports ('000 tons)	-	-	-	-	-	-	-
(3) Total Available ('000 tons)	22.3	26.0	28.8	27.1	32.8	32.8	35.6
(4) Export Volume ('000 tons)	22.3	26.0	28.8	27.1	32.8	32.8	35.6
(5) Apparent Consumption and Stock changes ('000 tons)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
(6) Export Value ($ mil)	19.4	19.8	24.7	21.6	26.2	26.2	28.0
(7) F.O.B. Unit Price ($ per ton)	845	755	851	795	794	776	765

+No production data is available, so export figures are taken as tho

Notes: (1) Projected production done with logarithmic curve.

(2) Future price assumed to be same as that for 1965 as in

Sources: as in previous table.

-124-

TABLE 4.9

JUICE EXPORTS AND EXPORT EARNINGS 1953 - 1970

C T U A L							P R O J E C T E D				
59	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
.1	32.8	32.8	35.6	36.7	42.9	53.0	55.7	61.5	67.9	75.1	83.9
-	-	-	-	-	-	-	-	-	-	-	-
.1	32.8	32.8	35.6	36.7	42.9	53.0	55.7	61.5	67.9	75.1	83.9
.1	32.8	32.8	35.6	36.7	42.9	53.0	55.7	61.5	67.9	75.1	83.9
a.	n.a.	n.a.	n.a.	naa.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
.6	26.2	26.2	28.0	29.4	33.1	40.5	41.8	46.2	51.0	56.4	63.0
95	794	776	765	745	757	751	751	751	751	751	751

t figures are taken as those for production.

h logarithmic curve.

me as that for 1965 as in Malaysian Plan.

TABLE 4.9

JUICE EXPORTS AND EXPORT EARNINGS 1953 - 1970

C T U A L							P R O J E C T E D				
9	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
.1	32.8	32.8	35.6	36.7	42.9	53.0	55.7	61.5	67.9	75.1	83.9
-	-	-	-	-	-	-	-	-	-	-	-
.1	32.8	32.8	35.6	36.7	42.9	53.0	55.7	61.5	67.9	75.1	83.9
.1	32.8	32.8	35.6	36.7	42.9	53.0	55.7	61.5	67.9	75.1	83.9
a.	n.a.	n.a.	n.a.	naa.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
.6	26.2	26.2	28.0	29.4	33.1	40.5	41.8	46.2	51.0	56.4	63.0
95	794	776	765	745	757	751	751	751	751	751	751

t figures are taken as those for production.

h logarithmic curve.

me as that for 1965 as in Malaysian Plan.

TABLE 4.10

VALUE OF PROJECTED EXPORTS, 1966 - 1970
$ mil (M)

	1965	1966	1967	1968	1969	1970
Rubber	1,368.3	3,380.7	1,367.1	1,351.2	1,332.8	1,311.5
Tin	871.8	796.5	772.9	761.1	743.4	725.7
Sawn Timber	58.7	66.5	74.7	84.1	94.5	106.4
Round Timber	30.9	33.7	41.3	50.1	61.1	73.8
Iron Ore	161.3	158.6	131.3	105.8	82.1	60.2
Palm Oil	106.0	110.1	114.4	111.9	111.2	109.2
Palm Kernels	8.7	11.0	11.8	12.6	13.4	13.4
Copra	16.4	12.1	11.1	10.0	9.0	8.0
Coconut Oil	16.4	12.5	10.4	8.3	6.4	4.6
Canned Pineapple and juice	40.5	41.8	40.2	51.0	56.4	63.0
Others[+]	421.1	447.7	496.9	550.2	607.6	669.1
Total	3,095.8	3,071.2	3,079.1	3,096.3	3,117.9	3,144.9

[+]Projected by value with second degree polynominal.

Source: Tables 4.1 to 4.9.

TABLE 4.11

PERCENTAGE OF PROJECTED EXPORTS TO TOTAL, 1966-1970

	1965	1966	1967	1968	1969	1970
Rubber	44.2	45.0	44.4	43.6	42.7	41.7
Tin	28.2	25.9	25.1	24.6	23.8	23.1
Sawn Timber	1.9	2.2	2.4	2.7	3.0	3.4
Round Timber	1.0	1.1	1.3	1.6	2.0	2.3
Iron Ore	5.2	5.2	4.3	3.4	2.6	1.9
Palm Oil	3.4	3.6	3.6	3.6	3.6	3.5
Palm Kernals	0.3	0.4	0.4	0.4	0.4	0.4
Copra	0.5	0.4	0.4	0.4	0.3	0.3
Coconut Oil	0.5	0.4	0.3	0.3	0.2	0.1
Canned Pineapple and juice	1.3	1.4	1.3	1.6	1.8	2.0
Others	13.6	14.6	16.1	17.8	19.5	21.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Computed from Table 4.10.

commodities, the main burden as a provider of foreign exchange will still fall on these two commodities.

The products of manufacturing industries in Malaya offer good prospects of growth. These items form a large proportion of the value of other commodities than the traditional primary export commodities in Table 4.10. As the country becomes more industrialised, we can expect this sector to grow in importance.

The other commodities with good growth prospects are timber and canned pineapple. However, it is difficult for increases in this to offset the decline in the main commodities.

2) Projection of Imports

Unlike exports, projection of imports is not so simple as it has to take into account many factors such as investment, national expenditure in future years, rate of import replacement, etc., some of which cannot be determined. While an attempt has been made to project imports by sections (Table 4.12), we will only deal with a general discussion on future imports.

Nearly half the goods and services Malayans consumed in recent years have been imported from abroad. The need for imported goods will continue to rise in future as Malaya's population, income level and degree of modernisation increase. Corden argues that if the population is growing at 3.2% per annum and if "... national expenditure per head stayed constant and the proportion of this expenditure, whether private or public, which is spent on imports did not change, imports would also grow at 3.2 per cent".[29] In fact, he says, expenditure is not likely to remain constant because there will be a rise in consumption standards and it will be necessary to increase the rate of investment in order to maintain even constant incomes per head with a rapidly rising population.[30]

Table 4.12 on the project of imports show total imports rising at 3.7% per annum and Table 4.13 shows the planned increase in Total Expenditure. The data in Table 4.13 are the author's own estimates. No separate figures for Malaya alone is given in the Malayan Plan except for those on investment expenditure in 1965. In light of this, the other data on expenditure for 1965 and 1970 are estimated from the Malaysian figures by applying the ratio which Malayan investment expenditure bears to the Malaysian figures in 1965. The Gross National Income for 1970 is obtained again by applying the ratio which the Malayan figure bears to the Malaysian one to the projected total in 1970. The population for 1970 is estimated by assuming a 3% increase per annum from 1965.

---

29 & 30 W.M. Corden, The Malayan Balance of Payments Problem in Silcock and Fish, op. cit., p. 112.

TABLE 4.12

PROJECTION OF FUTURE IMPORTS BY COMMODITY SECTIONS
($ mil)

	1965	1966	1967	1968	1969	1970
Section 0	613.9	632.3	651.3	670.8	690.9	711.6
Section 1	60.7	61.1	61.5	61.9	62.3	62.7
Section 2	229.4	234.0	238.7	243.5	248.4	253.4
Section 3	174.2	179.4	184.8	190.3	196.0	201.9
Section 4	14.8	15.2	15.7	16.2	16.7	17.2
Section 5	208.3	216.5	224.6	237.0	241.8	250.9
Section 6	510.2	533.2	557.2	582.3	608.5	635.9
Section 7	580.2	609.2	639.7	671.7	705.2	740.6
Section 8	165.2	172.7	180.5	188.6	197.1	206.0
Section 9	51.3	52.3	53.3	54.3	55.3	56.3
Total	2,608.3	2,705.9	2,807.3	2,912.6	3,022.3	3,136.5
Yearly Percentage Increase	-	+3.7%	+3.7%	+3.8%	+3.8%	+3.8%

Computed from data in 'Monthly Statistical Bulletin', Refer Text.

TABLE 4.13

PUBLIC AND PRIVATE EXPENDITURE - MALAYA
1965 and 1970 ($ mil)

	1965	1970	Growth per annum %
Consumption Expenditure	5,484	7,510	6.5%
Private	4,214	5,746	6.4%
Public	1,270	1,765	6.8%
Investment Expenditure	1,645	1,811	4.2%
Private	860	1,196	6.9%
Public	605	614	0.3%
Total Expenditure	6,949	9,321	6.0%
Gross National Income	7,663	9,398	4.2%
Investment/G.N.I.	19.11	19.3	-
Population ('000s)	8,052	9,334	3%
Expenditure per head ($)	863	1,007	3.1%

Source: Computed from data in Malaysia Plan. Refer Text.

According to the estimates in Table 4.13, total expenditure will increase by 6% per annum and the expenditure per head will increase to $1,007 in 1970, a growth rate of 3.1% per annum. If expenditure per head were to increase, then we can expect imports to increase faster than population. But Corden's assumption that "demand imports will grow even faster than total expenditure"[31] is unrealistic because he assumes the import expenditure ratio to increase. He argues that the demand for imports is likely to be income elastic and the import content of investment is probably greater than the import content in consumption".[32] If we take his analysis, imports will have to grow at a rate of 6% or more per annum! Though imports will increase faster than population growth, it will not be as fast as the rate of expenditure increase because there will be some import replacement.

Table 4.12 is projected with the following assumptions:

a) Section 0 - Food and Live Animals - 3% growth per annum in conjunction with the estimated population growth.

b) Section 1 - Beverages and Tobacco - an increase of $2 m. from 1965 to 1970.

c) Section 2 - Crude Materials inedible - 2% growth per annum.

d) Section 3 - Mineral Fuels - 3% growth per annum.

e) Section 4 - Animal and Vegetable Oils and fats - 3% growth per annum.

f) Section 5 - Chemicals - assumed to maintain the same proportion of total imports as in 1965, i.e. 8%.

g) Sections 6 and 8 - Manufactured Goods - 4.5% growth per annum.

h) Section 7 - Machinery and Transport Equipment - 5% growth per annum.

i) Miscellaneous transactions - an increase of $1 million yearly.[33]

Projection for food assumes a growth rate of 3% of per annum. Though there may be some rise in consumption standards, imports are likely to be the same as that for population growth because there will be some import replacement, though it is difficult to determine the exact

---

31 & 32 Corden, op. cit., p. 112

33 Projections for (a), (b), (e) (f) and (i) are based on an Unpublished Report on projected trade of Malaysian. Source: Statistics Department. The rest are estimated by the author.

rate. The Malaysian Plan emphasizes on expanding production for the domestic market and opportunities for such expansion are extremely favourable as the nation produces only a part of the food it consumes, leaving a wide range of possibilities for import substitution.[34] With the establishment of flour and sugar mills, this will be realised. If import of sugar (amounting to $60 m. yearly) were reduced, we can expect import of food to maintain the same rate as population growth.

Rice forms 8% of total imports. Though there is a physical limit to production set by suitable land available, it is expected that Malayan production will keep up with the increase in population. Corden estimates that assuming a production limit of 850,000 tons (milled rice equivalent), and then related to the average of production in the last 2 years, a 44% potential can be obtained. If consumption grows at 3½% per annum and imports stay constant, in 8 years (from 1963), rice output will have reached its limits.[35] That may be so, but in the next 5 years, that limit will not be reached yet.

The Malaysian Plan envisages extensive irrigation works which will add greatly to productive capacity. If these plans are realised, rice imports will not be faster than population growth. Imports of other food items, such as fruit and vegetables have not increased very much in the last few years so that (with population growth) there must be a decline in the import/consumption ratio.

All in all, a 3% per annum increase for food seems realistic enough.

There has been a significant import replacement of items in Section 1, mainly due to development of local manufacture of cigarettes. It is therefore expected that imports of beverages and tobacco have only a slight increase of $2 m. from 1965 to 1970. It is expected that increases in production of locally manufactured tobacco and beverages would level off rate of increase of imports.[36]

The import content of materials in Section 2 is mainly for further processing and re-export. On one hand, with the increase in processing industries, one would expect these to increase; on the other, development of such industries in other countries will mean a fall in such imports. A 2% increase per annum is expected. However, with the completion of a tin smelter in Southern Thailand, this may be a bit unrealistic.

About 60% of net imports into Malaya consist of manufactured goods, excluding processed foodstuffs, tobacco and petroleum.[37] Clearly

---

[34] Malaysian Plan, op. cit., p. 8.

[35] Corden, op. cit., p. 113.

[36] Statistics Department, Unpublished Report.

[37] Corden, op. cit., p. 116.

some import replacement, in the sense of a decline in the ratio of imports to total consumption, will be necessary to prevent an increase in total imports of manufactures. Though the Plan envisages an acceleration of the process of industrialisation of the country it is unlikely the total increase in demand for manufactured goods can be met. Though consumption expenditure (Table 4.13) is expected to increase at a rate of 6.5% per annum, a projected rate of increase of 4.5% for Sections 6 and 8 seems realistic enough. Imports for these will rise faster than the population growth but not as fast as the rate of increase of consumption expenditure. There will be some import replacement as from the assembly of imported components industrialists move to the manufacture of some and eventually all of the components in the country.

If the plans for the industrialisation of the country were realised, imports of capital equipment will increase. Though it may be possible to replace manufactured goods to some extent, this will mean imports of machinery to produce the goods. The import content of investment in manufacturing is likely to be much higher than that in either agriculture or in most forms of social overhead,[38] since there is no likelihood, even in the distant future of Malaya producing machinery. Table 4.13 shows that the rate of investment expenditure is 4.2%; and for private investment it is 6.9%. The assumption of a 5% per annum growth rate for Section 7, therefore seems quite justified.

TABLE 4.14

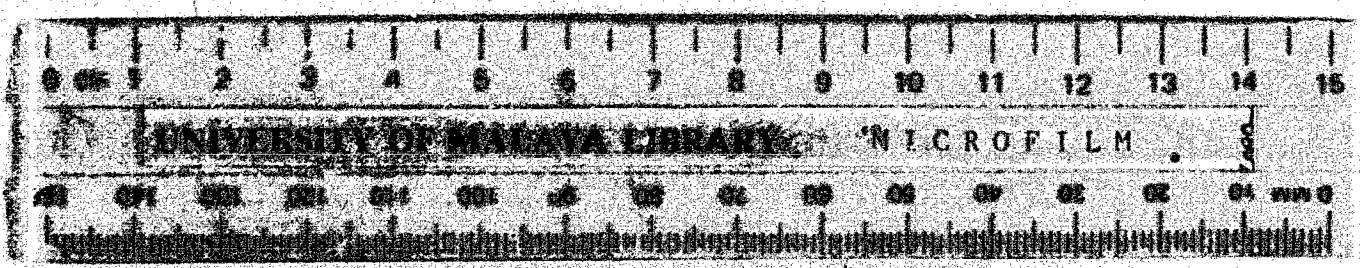
PROJECTED IMPORTS AND EXPORTS, 1966-1970

Year	Exports	Imports	Balance of Trade
1965	3,095.8	2,608.3	+ 487.5
1966	3,071.2	2,705.9	+ 365.3
1967	3,079.1	2,807.3	+ 271.8
1968	3,096.3	2,912.6	+ 183.7
1969	3,117.9	3,022.3	+ 95.6
1970	3,144.9	3,136.5	+ 8.4

[38] Corden, op. cit., p. 116.

See my Bangkok paper

Table 4.14 gives in summary form, the discussion in the Chapter so far. Exports are unlikely to increase in value in the future. But on the other hand, demand for imports is growing. If the development of the country were not to be hamper, imports must not be restricted. However, can we pay for the imports? The balance of trade has been favourable to Malaya all these years. It appears that in even, we may not even to able to pay for merchandise imports from export earnings. The situation is serious and measures will have to be found to increase export earnings.



CHAPTER V

CONCLUSION

From our study of the trends and patterns of exports and future exports, the prospects for the export sector seem dim. We are slowly but surely moving into balance of payments difficulties as, while exports seem unlikely to increase very much, imports are more and more needed for development. The boom periods of the 1950's seem unlikely to occur again as the price of rubber is being pegged down by its synthetic counterpart. The traditional reliance on rubber and tin for such windfalls have to be done away with. But, without these two commodities, there seems to be hardly any other to rely on.

Such difficulties are currently reflected in the move to utilise every mean to raise enough revenue for current expenditure and development, for instance, the scrapping of Commonwealth preference to raise the small sum of $27 million. Fervent attempts are also being made to raise overseas loans to finance the Malaysian Plan at its envisaged scale.

Rubber and tin have been traditionally the pillars of the Malayan economy and windfalls during the past 19 years are mainly due to them. Though there may be possibilities of expansion in certain of other exports, there is little sign of large enough increases or unexploited possibilities to compensate for the decline in export proceeds from these two commodities. Increases in iron ore, timber, canned pineapple and palm oil exports have been spectacular. Yet, it is difficult to see how, even assuming they live up to the best expectations, they can solve the problem. Efforts are being made to develop manufacturing, but there is as yet no clear evidence that the manufacturing development so far has had any significant effect on the balance of payment.[1] Even when bearing in mind that several years has lapsed and the situation has changed considerably, Corden's conclusion that "... manufacturing is unlikely to have a significant favourable effect on the balance of payments within the next five years or so",[2] still holds, though it must be added that it is due not so much to the dim prospects for large-expansion as to the need for imports such an expansion creates. Imports of capital equipment has increased tremendously during the past few years and the net saving of foreign exchange from manufacturing for import substitution seems small.

The economic pattern of Malayan exports is such that if the rate of economic development were left to be determined by the rate of

---

1 & 2 W.M. Corden, op. cit., p. 114.

growth of foreign demand, the pace of development must be unnecessarily slow.[3] Since international trade cannot be an effective "engine of economic growth", some economists in underdeveloped countries have adopted Nurke's emphasis on "balanced growth"- a co-ordinated development of local industries in accordance with the growth and structure of domestic demand.[4] But the acceptance of such emphasis does not mean that foreign trade will have no part to play in economic development. The very application of the Nurkse formula for growth will require a tremendous increase in import requirements. The available stock of capital equipment and other resource imports in Malaya is at present still insufficient to be able produce for the home market. The "hump" in import demand is unlikely to be a temporary phenomenon.[5] In some cases import substitution may be physically impossible because of an insufficient diversity of resources and the present level of economic development and in others it may be unduly wasteful. It is difficult to see how even in the distant future, imports of many categories of capital equipment can be substituted with local products. It may be possible to replace consumer goods but this will entail increased imports of machinery and other raw materials which Malaya may not be able to produce.

History provides us with very few examples where import requirements of an economy have been reduced in the wake of successful development. A U.N. Report[6] analysed the import requirements of 8 semi-industrialised countries. Whereas before the war, this group imported 4 categories of goods: raw materials, semi-manufactured goods, capital goods and finished consumer goods, each of equal importance, in 1954-1955, the share of capital goods had increased while that of consumer goods declined. "A similar development", the Report Opines, "may be expected, at a later stage, for the non-industrial countries".[7] With the strong desire in Malaya, as evidenced in the development plans, to accelerate development, it is clear that the need for imported capital goods will rise.

In the case of India where exports and imports of goods and services amount to less than 10% of the national income, it has been stressed that in terms of its contribution towards that country's development, international trade is playing a much more important role

---

[3] Manmohan Singh, "India's Export Trends and the Prospects for Self-Sustained Growth", pp. 1-5. Though Manmohan Singh's arguments are for underdeveloped countries, some of his arguments seem applicable to Malaya, though, of course, modifications have to be made.

[4 & 5] Manmohan Singh, op. cit., p. 2.

[6] "Trends in International Trade", op. cit., pp. 45-50.

[7] G.A.T.T., op. cit., p. 46.

than is suggested by such a ratio.[8] What more of Malaya where imports form half of the goods and services consumed and exports also half of the gross domestic product? In order that development be not held up by bottlenecks in the domestic sources of supplies, imports have to provide some of the vital needs for our country's development. However, imports have to be paid for either out of current export earnings, or withdrawals from our sterling reserves or a fresh capital inflows.

From our previous analysis, current export earnings seem increasingly unlikely to be able to pay for imports. Capital inflows are now deliberately courted and the response to-day has been far from discouraging. But it is difficult to see how Malaya can depend on foreign loans for long. Loans ultimately lead to higher service charges and repayment obligations and it seems to be postponing present problems.

The often flauntered foreign assets, said to be able pay for over one year's of imports at the current rate, cannot be expected to last forever. It is true that Malaya, under the present currency agreement, can utilise $300 million of the foreign assets without having to reduce the money supply. But how far will this amount go?

In the ultimate analysis, the main burden of financing increased imports for development seem to fall on export earnings, which is incapable of any spectacular increase.

Very good.

[8] Manmohan Singh, op. cit., p. 3.

BIBLIOGRAPHY

1. R.G.D. Allen and J.E. Ely (Ed.): "International Trade Statistics" (John Wiley and Sons, Inc., London, 1953).

   R.G.D. Allen and J.E Ely: 'Introduction'

   L.A. Lane & I. Weiss: "Compilation".

   A. Maizels: "Coverage".

   V.S. Kolesmkoff: "Commodity Classification".

   J.E. Ely & N.M. Petruzelli: 'Valuation.'

   E.D. Durand: "Country Classification".

2. T.H. Silcock and E.K. Fisk: "The Political Economy of Independent Malaya" (Australian National University Press, Canberra, 1963).

   W.M. Corden: "Prospects for Malayan Exports".

   - do - : "The Malayan Balance of Payments Problem",

   E.L. Wheelwright: "Industrialisation in Malaya",

   W.M. Corden & H.V. Richter: "Malayan Trade Statistics and the Entrepot Trade".

3. "First Malaysian Plan, 1966-1970" (Pemangku Pendetak Kerajaan, Kuala Lumpur, 1965).

4. G.A.T.T.: "Trends in International Trade" (Geneva, 1958).

5. Lim Chong Yah: "Post-War Economic Development of Malaya - A Preliminary Study" (Ekonomi, Volume IV, No. 1, December, 1963).

6. R. Nurse: "Equilibrium and Growth in the World Economy."

   'Patterns of Trade and Development".

   "Domestic and International Equilibrium".

7. Manmohan Singh: "India's Export Trends and the Prospect for Self-Sustained Growth", (Clarenden Press, Oxford, 1964).

8. Ford Foundation Survey Team: "Policies and Measures Leading Toward Greater Diversification of the Agricultural Economy of the Federation of Malaya - A Report submitted to the Government of the

Federation of Malaya" (Penchetak Kerajaan Persekutuan Tanah Melayu, 1963).

9. Khoo Swee Jo: "The Malayan Oil Palm Industry" (Kajian Ekonomi Malaysia, Vol. 1, No. 1, June, 1964).

10. Royal Institute of International Affairs: "New Directions for World Trade" (Oxford University Press, London, 1964).

11. E. Devons: "An Introduction to British Economic Statistics" (Cambridge University Press, London, 1956).

12. U.N. Statistical Office: "Yearbook of International Trade Statistics", (New York), various issues.

13. Statistics Department: "Monthly Statistical Bulletin, States of Malaya", various issues.

"States of Malaya, Monthly Statistics on External Trade", various issues.

"Federation of Malaya: Exports and Re-Exports (Volume I - yearly; Imports (Volume II) - yearly" various issues.

"States of Malaya: Quarterly Statistics on External Trade", various issues.

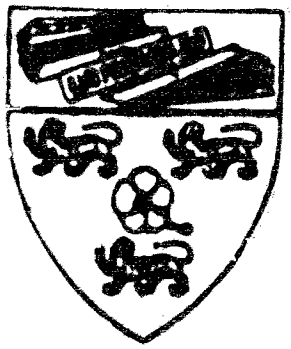
"Malayan Statistics: External Trade of the Registration Area of the Colony of Singapore and the Federation of Malaya", various issues.

"Federation of Malaya Imports and Exports", various issues.

"Malaya: External Trade of Singapore and the Federation of Malaya (Excluding Trade with Singapore)", various issues.

Unpublished Reports.

14. "Malayan Trade Classification and Customs Tariff" (Government Printers, Kuala Lumpur, 1964).



TAMAT