

Conclusion

Foreign trade is important for the Federation of Malaya. In fact the Federation depends to a great extent on foreign trade especially in the exports of her materials, the earnings of which form about 40% of the country's Gross National Product. Such being the importance of foreign trade, the country is planning to increase her production of exportable materials.* To this end the Five Year Development Plan (1961-65) has provisions to increase production of the exports.**

The Federation of Malaya is in a special position as regards exports. The world demand for her exports and therefore their prices are subject to wide fluctuations. Any reduction in prices in prices have to be counter balanced by an expansion in production if export earnings are to be maintained.

In chapter II, it was seen that exports of the Federation to Japan of the raw materials will continue or even increase in the future.

Imports of the Federation from Japan have been mainly manufactured goods. The establishment of the Common Market will apparently have considerable effects on the imports from Japan.

The establishment of a Common Market will mean the unification of the existing separate domestic markets into one large market.***

* Second Five-Year Plan 1961-65. "Rubber production will increase by more than 10 percent for the period 1961-65, i.e. at almost the same rate as in the last five years, (1956-60) owing to the general improvement in yields. Output is expected to increase much more rapidly after 1965." "Output of mining industry is expected to increase by 15 percent above 1960 levels by 1965."

** A sum of \$165/- million has been allocated for the plan period for rubber replanting. A further sum of \$28.4 million will be spent on research and survey.

*** The extent of the market is indicated by the total population of the area. Population of the territories of Malaysia at the end of 1961 were as follows:-

Federation of Malaya	7,232,000
Singapore	1,700,000
Sarawak	780,000
North Borneo	<u>475,000</u>
Total	<u>10,187,000</u>

with the expanded domestic market, 'prospects will become much brighter for an accelerated and efficient expansion of production for that market.' It is therefore, clearly vital for manufacturing progress but this market should not be fragmented.'"

'It is, however, in the field of manufacturing that the greatest potential lies. Thailand and the Philippines, with average per capita incomes as half of that of Malaysia (and with total markets of about the same size), have developed manufacturing sectors which are significantly larger than that of Malaysia'.¹ It is evident that there is ample scope for expansion in this area especially when about 60 percent of net imports into Malaya consists of manufactured goods, excluding processed foodstuffs, tobacco and petroleum.

With the establishment of the Common Market and through industrialisation it is envisaged that there will be a decline in the ratio of imports to total consumption of manufactured goods. This means development and expansion of the manufacturing industry. Imports of manufactured goods from Japan, will therefore be affected.

Production of manufactured goods behind a well protected tariff wall will mean that imports of such goods being produced locally, will decline over a period of time.

According to the Ruoff Commission, 'the establishment of Common Market promises greater opportunities to local producers of all commodities which are consumed in significant quantities in Malaysia. In the case of agriculture, there are good possibilities for expanded output of a number of products such as vegetables, fruits, sugarcane, maize, fish and livestock products.'² In 1963 imports of such items

* Report on the economic aspects of Malaysia. July 1963 pg. 7.

" Political Economy of Independent Malaya. "The Malayan Balance of Payments Problem" by S.B. Gordon pg. 115.

1 Report on the economic aspects of Malaysia. "The Potential of a Common Market". Chapter II pg. 9.

2 The Ruoff Commission Report, recommends the establishment of a schedule of protective tariffs which would be applicable to Malaysia as a whole. The tentative list of protective tariffs contains no less than 50 items.

3 Report on the economic aspects of Malaysia. Chapter II pg. 9.

from Japan amounted to nearly \$20/- million. The expansion of manufactured goods production with the Common Market, will 'bear fruit in the form of import replacing and perhaps also export production.'* This would mean that a good proportion of the \$20/- million spent on imports of such goods will be reduced.

In time to come, when the Common Market proposals are fully implemented, and following a policy of import substitution, imports of the Federation from Japan as well as other Asian countries are likely to decrease. However, this applies mainly to manufactured goods and not to machinery and transport equipment.

From the analysis presented in the previous chapters, it is a reasonable conclusion that the visible trade between the Federation of Malaya and Japan will be maintained for the next few years after which period, there is a possibility of a slight decline in the trade.

* The Political Economy of Malaya. "Prospects for Malayan Exports" by C.N. Gordon. Pg. 93.

