INVC 195 8/12/98

THE MAKING OF ADMINISTRATIVE AND ECONOMIC DEVELOPMENT PLANS FOR MALAYSIA, 1945-1965: THE INTERNATIONAL HAND

YUNUS LUBEGA BUTANAZIBA

A DISSERTATION SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS UNIVERSITY OF MALAYA

DEPARTMENT OF SOUTHEAST ASIAN STUDIES FACULTY OF ARTS AND SOCIAL SCIENCES UNIVERSITY OF MALAYA

1997 Perpustakaan Universiti Malaya

Dimikrofiskan po No. Mikrofis Jumlah Mikrofis	14010
	BT. MOHAMAD ZAHARI
UPR	UNIT REPROGRAFI PERPUSTAKAAN UTAMA UNIVERSITI MALAYA

ACKNOWLEDGEMENTS

The principal debt in carrying out the research and putting up this volume is to the supervision and expert-advice of Professor Shahril Talib and Associate Professor Khadijah Hj Muhamed. They asked instrumental questions on the "international authority" in the making of Administrative and Economic Development Plans for Malaysia. There are various persons and institutions that have contributed to this thesis. Harold D. Lasswell left us the idea of "Who Gets What, When and How" as a political science strategy for organizing society. David Easton has been corresponding to inquiries of the research, we remember him for rephrasing Lasswell's idea as the theory of "authoritative allocation of value." Professor Martin Rudner has assisted in providing information on the rationale for the "authoritative allocation of value" in his answers to the inquiries of the research. The need to re-examine the "authoritative allocation of value," provided the opportunity to search for historical information on the Bretton Woods' institutions documented by Armand Van Dormael in his book, Bretton Woods: Birth of a Monetary System. This applies to the foundation of Malaysia's Administrative and Development Plans in Chapter Two of the thesis.

The National Archives has been a valuable source of original information that forms most of the texts and endnotes in Chapters Three-Six. The Libraries of the University of Malaya, the National Library, EPU and the United Nations Offices have been important sources of information.

The Education and Foreign Affairs Ministries of Uganda, the Public Service Division (PSD) and the Economic Planning Unit (EPU) of Malaysia extended financial and official support in the course of the research.

The Departmental and Faculty staff: Mr. Ismail, Mrs Rosna and Mrs Lily Ong have been very helpful. Thanks to Associate Professor Raduan and Miss Haniza Idris, Miss Rohana, for the general assistance.

Most importantly, the following persons: my mother Maymuna Naziwa; to the memories of my father Hassan Mayanja; Adnan Bukenya and Asha Nakanwagi; especially my wife, Rosanita bte Zakaria and my daughter Maymuna Nalubega-Rozanita Naziwa. To them all, I say, thank you.

Yunus Lubega Butanaziba

ABSTRACT

This thesis examines the making of administrative and economic development plans for Malaysia following the legal, formal and monetary authority of the International Bank for Reconstruction and Development (IBRD) and its agencies in the period 1945-65. This period saw the collapse of colonial and local authority at the hands of the IBRD, the "international authority", that emerged at Bretton Woods in July 1944, which shaped the future administrative and economic development plans for Malaysia.

The research premise of this thesis questions the political science theory of "authoritative allocation of value" that nation-states independently determined their administrative and economic affairs. The "ahistorical political science" approach confined states within their own bounds and hid the mechanisms by which they functioned. It was the Bretton Woods Global Order that organized New States such as Malaysia.

Explaining the processes and scope by which the "International Authority" decided Malaysia's strategies is not a debate with the "authoritative allocation of value". It is a critical inquiry into the purpose and trends of the Bretton Woods' Global Order that determined Malaysia's internal state system. The historical enquiry into "international authority" of the Bretton Woods system revealed that the international administrative and financial infrastructure is well-entrenched in the internal structures (administrative machineries) of New States which decided national goals pertinent to economic development plans. It is the Bretton Woods Global Order that required Malaysia and other developing nations in Asia, Latin America and Africa to draw strategies and finances by interacting with Global resource structures where the IBRD and its agencies are the architects and providers.

٠

PAGE **CONTENTS** i-ii Acknowledgments i. iii-iv Abstract ii. Abbreviations iii. CHAPTER ONE INTRODUCTION 1-2 Theme and Scope (a) 2-4 Methodology (b) Literature Review (c) 5-15 The Authoritative Allocation of Value 16 Source Materials (d) Bretton Woods Agreements: The Proclamations by the BMA 17 Bretton Woods Agreements: The Federal Ordinances, Rules and 17 Acts of Parliament Bretton Woods Agreements: The Federal Agreements and 18-19 Constitutions The Administrative and Development Plans 19-21 21-24 Organization of Chapters (e) 25-29 Endnotes

PAGE

CHAPTER TWO

BRETTON WOODS: THE ORIGINS OF POSTWAR INTERNATIONAL MONETARY SYSTEM IN MALAYA 1941-1945

Creation of an International Monetary System	30-33
The Short Term Objectives	34
The Long Term Objectives	35-38
Proposals for Postwar International Monetary System	38-40
The Proposals for the International Bank and Stabilization Fund	40-41
The Bretton Woods Conference July 1944	41-44
Anglo-American Loan Agreement & Elimination of Controls in Malaya 1945	44-48
Enforcement of the Bretton Woods Agreements under the British Military Administration (BMA)	48-49
Conclusion	49-50
Endnotes	51-56

CHAPTER THREE

THE PREPARATION OF ADMINISTRATIVE AND DEVELOPMENT PLANS FOR MALAYA 1945-1950

The Bretton Woods Arrangements	58-63
The Administrative Machinery Under the BMA	.64
The Centralization of States	64-67
The Citizenship Question	68-70
The Malayan Union (MU), 1946-1948	70-74
The Federation of Malaya, 1948	74-76
Administrative Machinery: The Public Service Commission 1949	76-77
The State of Federal, States and Settlement Governments	77-79
The Economic Development Plans for Malaya, 1946-1950	79-80
Bretton Woods Agreements: The Control and Management of Public Finances of the Federation	
IBRD-finance and the Colonial Development Cooperation (CDC)	82-83
The Development Plan 1946-1956	83-87
The Currency Board Commission	87-89
Conclusion	89-90
Endnotes	91-94

-

PAGE

CHAPTER FOUR

THE DRAFT DEVELOPMENT PLAN FOR MALAYA 1950-1960

The Administrative Machinery	96-97
The Central Bank (Bank Negara)	98
Pan-Malayan Central Bank	99-100
Terms of Reference of a Central Banking System	100-104
The Separate Central Bank (Bank Negara)	104-107
The Armed Forces Programme: The Emergency	107-114
The Defense Agreement & Aid for the Emergency 1956-1960	114-117
The IBRD Policies for Social and Economic Programmes	
IBRD multilateral funding: The Colonial Development Corporation	123-125
IBRD Multilateral Funds: The Colombo Plan	125-128
The Draft Development Plan for 1950-1955	128
Loan Development Expenditure and Revenue 1950-1955	130
The Development Education	133-137
The Draft Development Plan 1956-1960	138

.

PAGE

.

General (Federal) Revenue	
Federal Loan Development Expenditure	144-146
Conclusion	147-149
Endnotes	150-160

.

PAGE

CHAPTER FIVE

MALAYANIZATION SCHEME 1961-1965

Legislation of the Bretton Woods Agreements: The IBRD as the Source of Funds	
The Transaction of IBRD Funds via its Agencies	166
The Administrative Machinery	176-179
The Economic Planning Machinery	179-183
IBRD Mission: The Coordination of Policies	
The organization of Revenue and Expenditure 1961-65	
The Federal Armed Forces Programme	
Ending the Multilateral Armed Forces	
The Malayanisation of the Armed Forces Programme	
The Royal Malayan Air Forces and Armed Force	
The Indonesian Conflict and The Alternative to Co-Existence- Global War	197-198

PAGE

The Consolidated Fund: National Security Expenditure [Bills]	199-201
The Zone of Peace	202-203
Social Programmes: Educational and Training 1961-1965	204-208
Economic Programme: The Pioneer Industries	208-215
Industrial Protection: A Common Market and the Tariff Board	215-220
Conclusion	221-222
Endnotes	223-232

APPENDICES

Appendix 1:	PROCLAMATION NUMBER 29	
	BRETTON WOODS AGREEMENTS: A PROCLAMATION TO GIVE EFFECT TO CERTAIN PROVISIONS OF THE BRETTON WOODS AGREEMENTS	261-262
Appendix 2:	PROCLAMATION NUMBER 29	
	BRETTON WOODS AGREEMENTS: PROVISIONS OF AGREEMENTS WHICH ARE TO HAVE FORCE OF LAW	263-265
Appendix 3:	PROCLAMATION NUMBER 32	
	BRETTON WOODS AGREEMENTS: A PROCLAMATION TO PROVIDE FOR THE CONTROL AND REGULATION OF CURRENCY AND EXCHANGE	266-270
Appendix 4:	SECURITY LOAN ORDINANCE: NUMBER 65 OF 1952	271-274
Appendix 5:	ORDINANCE, NO. 75 OF 1957	
	BRETTON WOODS AGREEMENTS ORDINANCE, 1957	275-278
Appendix 6:	BRETTON WOODS AGREEMENTS AND PEACE TREATIES ORDERS (EXTENSION) ORDER 1964	279

Appendix 7:	BRETTON WOODS AGREEMENTS ACT 1957 (REVISED-1991)	280
Appendix 8:	[Extracts] FEDERAL CONSTITUTION OF MALAYA, 1957: CONTROL AND MANAGEMENT OF PUBLIC FINANCES OF THE FEDERATION	281-282
Appendix 9:	[Extracts] FEDERAL CONSTITUTION MALAYSIA, 1987: CONTROL AND MANAGEMENT OF PUBLIC FINANCES OF THE FEDERATION	283-285
Appendix 10:	MILITARY GOVERNMENT SECRETARIAT 1946-1947	286-293
Appendix 11:	[Extracts] RECOMMENDATIONS BY THE MISSION OF THE IBRD CONCERNING THE ESTABLISHMENT OF A COMMON MARKET AND THE ORGANIZATION OF A TARIFF BOARD	294-295

CHART PAGE Chart 1: Development Expenditure for the Regular Army (Defence) 1961-1965 201 FIGURE

Figures 1:	Malaysia's Administrative Machinery: The	
	International Authority of the IBRD and IMF	184

No.	TABLES	PAGE
Table 1:	Colonial Development and Welfare Funds: The Allocations for the Development of the Sterling Area	86
Table 2:	Colonial Development and Welfare Funds: The Allocations for Economic Development of Malaya	86
Table 3:	Strength of External and Local Armed Forces Engaged in the Emergency, 1950-1951	111
Table 4:	Strength of External and Local Armed Forces Engaged in the Emergency 1952-1955	112
Table 5:	Projects Started & Completed on IBRD Finance, 1950- 1955	119
Table 6:	The Colombo Plan: Funds for Projects of Development 1950-1955	128
Table 7:	Funds Authorized & Raised Under Loan Ordinances 1949- 1955	131
Table 8:	Federal Revenue and Expenditure 1950-1955	132
Table 9:	Educational Projects Started & Completed on IBRD Finance, 1950-1955	135
Table 10:	Educational (School) Projects Completed on IBRD Finance 1956-1960	136
Table 11:	Capacities of Rubber Production Vs. Price Estimates 1956- 1960	139
Table 12:	Percentages of Total Revenue	141
Table 13:	Federal Public Debt due Funds	143

No.	TABLES	PAGE
Table 14:	Statements of Capital Commitments 1956-1960 Raised under Loan Ordinances 1949-1960	144
Table 15:	Revenue & Expenditure Excluding Armed Forces Programmes (TheEmergency)1956-1960	145
Table 16:	Revenue & Expenditure Including Armed Forces Programmes (The Emergency) 1956-1960	147
Table 17:	The Supply Act (No. 28) 1961: Development Expenditure (\$ Million)	168
Table 18:	The Supply Act (No. 28) 1961: Development Expenditure (\$ Million)	169
Table 19:	The Supply Act (No. 13), 1962: Development Expenditure (\$ Million)	170-171
Table 20:	The Supply Act (No. 15), 1963: Development Expenditure (\$ Million)	172
Table 21:	The Supply Act No. 31, 1964: Development Expenditure (\$ Million)	173-174
Table 22:	The Supply Act (No. 2) 1965: Development Expenditure (\$ Million)	175-176
Table 23:	Growth of Exports and Production for Domestic Use	190
Table 24:	Financial Aid for the Emergency and the Armed Forces Programme, 1957-1961	194
Table 25:	Development Expenditure for the Regular Army (Defence) 1961-1965	199
Table 26:	IBRD- Funds & Policies: Educational Projects 1961-1965	208

No.	TABLES	PAGE
Table 27:	Domestic Production as Proportion of Total Consumption, Selected Industrial Products, 1960 and 1965	212

ABBREVIATIONS

ADB	Asian Development Bank
BMA	British Military Administration
CDC	Colonial Development Corporation
CO	CO Colonial Office
ECAFE	Economic Commission for Asia and the Far East
EPU	Economic Planning Unit
ESCAP	Economic and Social Survey of Asia and the Pacific
FDI	Foreign Direct Investment
GATT	General Agreements on Tariffs and Trade
GDP	Gross National Product
GNP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
ITO	International Trade Organization
MU	Malayan Union
NDPC	National Development Committee
PSD	Public Service Division
RM	Ringgit Malaysia
RP	Reconstruction Policy
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational Scientific and Cultural Organization

.

i.	Acknowledgments	i-ii			
ii.	Abstract	iii-iv			
iii.	Abbreviations	xix			
	CHAPTER ONE				
	INTRODUCTION				
(a)	Theme and Scope	1-2			
(b)	Methodology	2-4			
(c)	Literature Review				
	The Authoritative Allocation of Value	5-15			
(d)	Source Materials	16			
	Bretton Woods Agreements: The Proclamations by the BMA	17			
	Bretton Woods Agreements: The Federal Ordinances, Rules and Acts of Parliament	17			
	Bretton Woods Agreements: The Federal Agreements and Constitutions	18-19			
	The Administrative and Development Plans	19-21			
(e)	Organization of Chapters	21-24			
	Endnotes	25-29			

xix