CHAPTER TWO

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

In the historical context of Malaysia's Development Plans, this chapter situates the "international authority"[1] in the hands of the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF) in deciding strategies and allocating funds for the international community. The authority of these institutions and their agencies originate from the Bretton Woods Conference of July 1944. The origins of international funding has been hidden and sometimes misread in the prevalent literature on Development Plans.

American economist, Milton Friedman, argues that the Bretton Woods IBRD and IMF have outlived their purposes in contemporary times. He added that, "the IMF should have been abolished in 1971 or, if not then, now, as it has outlived its function of supervising a fixed exchange rate system after World War Two."[2] More significantly, he went on to assert that these international funding agencies have helped fashion government policies that tended to work against private businesses.[3] His strict economic prescription failed to recognise the deep influence these agencies had in determining development plans of the New States at their historical inception. Specialists on Development Plans such as Martin Rudner, puts aside the "international authority" of the Bretton Woods' IBRD and IMF and lends himself to the theory of "authoritative allocation of value" to explain that Malaysia's development plans were determined by the government of the day.[4]

It is against the above narrow based intellectual background of specialised research that this chapter positions the "international authority" of the Bretton Woods' IBRD and IMF and their agencies, which were created to make development strategies and allocate funds for the New States such as Malaya. It was the creation of IBRD and IMF that replaced the local and the British colonial authority in deciding economic and administrative affairs of Malaya and later Malaysia. The main text of this chapter outlines the processes by which Malaysia was brought under the legal, formal and monetary authority of the Bretton Woods' IBRD and IMF.

The theme relating to the penetration of the international funding agencies into the development plans of the New States is the concern of this chapter. The process begins with the need to create an International Monetary System: the Bretton Woods Conference of July 1944, the Anglo-American Loan Agreement of 1945 and the enforcement of the Bretton Woods Agreements under the British Military Administration In Malaya. The sub-headings of the chapter reflect on the beginnings of the process.

This process must be understood against an even wider canvass of regional reorganisation on a global scale for free markets. The Marshal Plan extended massive loans to war-torn Europe under the European Payment Union (EPU) to enable the participation and integration of European countries into an open world economy. It was connected to the demands of the IMF and IBRD on two principles. Firstly, Europeans had to be weaned from their systems of controls and bilateral trade by multilateralizing trade on a regional basis. Secondly, trade discrimination and currency controls were to be terminated, as in the case for instance between Britain and its colonial dependencies.[5] Thus, in 1945 the United States agreed to extend a loan of $3,750 million to Britain through the IBRD.[6]

Creation of an International Monetary System

The creation of Malaya's national agencies for receiving and dispensing international funds emerged from the Bretton Woods Agreements of July 1944.[7] The Agreement created international governmental financial organizations and their practices and legal and formal functions became operational as the "international authority" in allocating funds and providing strategies (policies) in the New States of Malaya that was created after World War Two.[8] These organization included the IBRD and the IMF and their related agencies: International Trade Organization (ITO) or General Agreement on Tariffs and Trade (GATT), and the International Finance Corporation.[9] These multilateral international financial agencies formed the economic core of the United Nations (UN), as provided by Article 57 of the International and Social Cooperation of the UN Charter, 26 June 1945:

> The various specialized agencies, established by intergovernmental agreement and wide international responsibilities, as defined in their basic instruments, in economic, social cultural educational, health and related fields, shall be brought into relationship with United Nations in accordance with the provisions of Article 63, i.e., defining the terms on which the agency concerned shall be brought into relationship with the United Nations.[10]

These institutions emerged to replace bilateral -colonial relations among nations.[11] In Malaya, the establishment and operation of the Bretton Woods Agreements replaced the authority and the old order of the government of Britain in allocating and determining national economic and administrative affairs. This new order of the "international authority" in the hands of the Bretton Woods' institutions

-IBRD and IMF, became effective in Malaya on December 29th, 1945.[12]

In Malaya, the Bretton Woods Agreements about the establishment and operation of the IBRD and the IMF was enforced by the Bretton Woods Act, 1945.[13] This act was issued by the British Military Administration in Malaya under Proclamation, Number 29, entitled: "**Bretton Woods Agreements: A Proclamation to Give Effect to Certain Provisions of the Bretton Woods Agreements.**"[14] It provided the order by which the authority of the government of Britain in allocating monetary value in Malaya was replaced by the authority of the IBRD and its agencies in providing monetary currency and determining policies for the economic plans of Malaya. While the displacement of the authority of the Government of Britain in Malaya by the Bretton Woods' institutions was expressed among officials of the British parliament in debates on the Bretton Woods Agreements on December 6th, 1945,[15] such displacement was apparent in the Bretton Woods Act that enforced the establishment and operation of the IBRD and IMF in Malaya.[16] This transformation is articulated in the short and long-term objectives of the Bretton Woods Agreements that preceded the establishment of the IBRD as the supplier of multilateral international currency and the IMF as the stabiliser of such currency in Malaya and the entire Sterling Area.

(i) The Short-Term Objectives

The short-term plan of Bretton Woods Agreements was founded upon a policy of the United States providing a financial loan that enabled the Government of Britain "for the early reconversion of the sterling area [for instance, Malaya] ... by organising world commerce and foreign exchanges on a multilateral and non-discriminatory basis."[17] This short-term policy came to be known as the Anglo-American Loan Agreement which began in 1941 as "lend-lease" negotiations between Britain and the United States in discussions that took place between John Maynard Keynes, the then representative of the Exchequer of the British Government, and Hans Mogernthau, the then Secretary of the Treasury of the United States in 1941.[18] At these discussions, Keynes requested for a financial loan of $6,000 million from the government of the United States.[19] The purpose of this loan was to help the government of Britain to overcome financial difficulties after World War II.[20] This objective was the short-term policy of the Bretton Woods Agreements. In other words, the short-term objective of Bretton Woods Agreements was the Anglo-American Financial Loan Agreement that was negotiated in the period 1941-1946.

(ii) The Long Term Objectives

The long-term blueprint of the Bretton Woods Agreements was founded on a policy upon compelling Britain to suspend controls on current transactions in dollars throughout the sterling area. It was directed towards eliminating "currency disorders of the gold standard that was associated with it [in the sterling area]."[21] Before the United States extended the loan to Britain to reconstruct her war-devastated economy and the sterling area, Britain was required to agree to the authority of the IBRD and IMF in the economic reconstructing of the sterling area from bilateral economic structures to multilateral international economic structures.[22] Both the short and long-term policies became the basis for the foundation of the IBRD as the supplier of multilateral international currency and the IMF as the stabilizer of such currency in the international money market. As a result of these policies, the proposals to reconstruct world trade were made from 1941 by both the Governments of Britain and the United States for acceptance by their respective governments before its final presentation to the international community in July 1-22nd, 1944.[23]

In reference to specific period and international economic problems, the plan to replace bilateral trade relations with multilateral international currency was initiated by Germany in 1940.[24] Germany had made a plan to introduce a multilateral international monetary system that would have made the gold standard worthless.[25] This would have eradicated British bilateral-colonial control and monopoly of most of the world resource areas. The areas in which the gold standard functioned formed the entire Sterling Area, commonly known as the Commonwealth nations, for instance, Malaya. The gold standard restricted monetary transactions of nations outside the Sterling Area such as Germany. It was against this monopoly of the world resource areas under the gold standard on the side of Britain, that Germany initiated a proposal to create a new international monetary system.

Germany had announced a scheme to transform bilateral trade relations into multilateral trade.[26] Pre-war imperial Britain monopolized most of the world's resource areas. For instance, Malaya was a restricted trade area (colony) because of its bilateral relations based on the gold standard. "The gold standard is a system under which the external value of a national currency [for instance, Straits Settlements Dollar is rigidly tied to a fixed quantity of gold . . . it involves a financial policy which compels the internal value of the domestic currency to conform to this external value [i.e., the sterling] as fixed in terms of gold."[27] The United States and most nations in Europe resented the bilateral trade system. These countries were opposed to the requirements of the gold standard that restricted free access to international raw materials and markets such as Malaya.[28] Under these circumstances, Germany initiated a multilateral monetary plan in pursuit for freedom from currency restrictions to access world resource areas. In July 1940, the German Minister of Economic Affairs announced postwar multilateral plans to liberate Germany and Europe from bilateral trade relations. The Minister described a general monetary framework for postwar international trade:

> "Money is of secondary importance, the management of the economy comes first. When the economy is not healthy, the currency cannot be healthy. In the framework of a healthy European economy and of an intelligent division of labour between the various European countries, the monetary problem will solve itself, simply by use of the right monetary technique."[29]

In the main, Germany wanted access to the world resource areas through a multilateral currency technique so that "Europe would continue to import raw materials, food, and other goods from all over the world, in exchange for high-grade products of its industry," as is explained by Armand Van Dormael.[30] This monetary technique presupposed a medium of payment that could determine the value itself without recourse to the gold standard. This was the monetary technique that would have made gold worthless for a currency and for payment purposes "within the clearing."[31]

Britain objected Germany's plan and blocked with minimum delay the advancement of a multilateral international currency plan in 1941. At this time, Britain sought assistance from the United States for a joint monetary plan for postwar international trade.[32] As a result, financial negotiations took place between Hans Mogernthau (the then Secretary of the Treasury of the United States) and Lord John Maynard Keynes (the then representative of the Exchequer of the Government of Britain).[33] The negotiations ushered in the epoch of the Anglo-American financial arrangements that created a postwar international monetary system between 1941-

1943. In the same period, Britain and the United States collaborated to replace bilateral trade (gold standard) with multilateral international currency.

Proposals for Postwar International Monetary System

The United States and Britain were united to replace the bilateral trade system because it brought economic depressions in international trade. In Britain, the government simultaneously expressed concern regarding the problems of bilateral trade and commitment to find a liberal monetary system for international trade:

> "We must make it our business, above most other purposes to prevent the starvation of the post-armistice period, the currency disorders throughout Europe and the wild fluctuations of employment, markets and prices which were the cause of so much misery in the twenty years between the two wars [i.e., Word War I and World War II]; and we shall see to it that this shall be compatible with the proper liberty of each country over its economic fortunes."[34]

Similarly, the government of the United States wanted an alternative monetary technique that provided free access to world resources or markets. Subsequently, Dean Acheson appealed to the Special Committee on Postwar Economic Planning of the House of Representatives to consider these measures in 1944:

> "We cannot go through another ten years like the ten years at the end of the twenties, and the beginning of the Thirties, without having the most far reaching consequences upon our economic and social system. The important thing is markets. We have got to see that what a country [of the United States] produces is used and is sold

> [abroad] under financial arrangements which make its production possible. You must look to foreign markets."[35]

It follows that the founding states of the Bretton Woods Conference wanted to access foreign markets and resources. This objective was to be achieved through a multilateral international monetary system. This plan provided a uniform motion for Congressional and Parliamentary debates in the United States and Britain. In the period 1941-1943, the monetary techniques and institutions thereof, were jointly constructed by Dexter White, the then Assistant to the Secretary of the Treasury for the Government of the United States, and Lord Maynard Keynes. Dexter White initiated the "International Bank" to supply an international monetary currency and an International "Stabilization Fund" to stabilize such a currency.[36] On the other hand, Keynes designed a Clearing Union on the behalf the British Government.

The Clearing Union proposed to grant credit facilities to nations experiencing deficits and it aimed at providing loans to a nation, if it had experienced bad terms of trade, i.e. whereby imports exceeded exports.[37] It meant also, "that even if the United States slipped into depression or ran a major export surplus, it would have little negative effects on the rest of the world economy."[38] Keynes designed the Clearing Union proposal in a way that it would have promoted bilateralism (i.e. characteristics of colonialism, for instance, currency restrictions, monopoly, and economic dominance of world resources of similar nature).[39] It also meant that if the United States agreed to the Clearing Union, then Britain would automatically have assumed control and supply of international finance.[40] Under these circumstances, the United States objected to the Clearing Union because it favoured Britain in a proposed postwar program of international trade.[41] This means that the Clearing

Union conflicted with the objective of providing free access to world markets. In 1943, Keynes abandoned the Clearing Union scheme. He adopted a plan that Dexter White initiated for the postwar multilateral international economic system (i.e., the plan that proposed an International Bank and International Stabilization Fund).[42]

The Proposals for the International Bank [IBRD] and Stabilization Fund [IMF]

Dexter White completed his last draft for an international monetary plan in 1943. At the same time, Keynes produced his last draft of the Clearing Union. White proposed to establish two international monetary institutions for postwar multilateral international trade. He wrote the proposal for the two institutions in a twelve-page memorandum that he submitted to Hans Morgenthau in 1943. Fred L Block explains the founding objectives of the International Bank initiated by White:

> "The Bank [IBRD] was to have a capital stock of $10 billion, half paid in immediately by members in the form of gold and local currency. It was designed chiefly to supply the huge volume of capital to the United States and Associated Nations that will be needed for reconstruction, for relief, and for economic recovery. It was designed also to eliminate worldwide fluctuations of a financial origin and reduce the likelihood, intensity, and duration of worldwide depressions; to stabilize the prices of essential raw materials; and more generally to raise the productivity and living standards of its members. It was specifically empowered to buy and sell gold and securities of participating governments, to discount and re-discount bills and acceptances, to issue notes, and make long-term loans at very low rates of interests."[43]

The second financial institution that Dexter White proposed in the twelve-page memorandum was the International "Stabilization Fund." The purpose of which, was designed to regulate foreign exchange rates.[44] It was particularly designed to function in a monetary method of the Clearing Union as it was initiated to grant credit facilities to nations experiencing deficits.[45] The Bank and Fund formed the two monetary institutions agreed upon by Britain and the United States to replace direct colonial powers in supplying currency and materials to the world market. These two institutions replaced Britain's colonial authority in allocating monetary value in the Sterling Area such as the then British-Malaya.

Subsequently, the United States and Britain arranged an international conference at Bretton Woods and invited 42 nations to agree on membership of the Fund and the Bank as the basis of postwar international monetary organization and cooperation of individual states. Of the forty-four nations that attended the Bretton Woods Conferences from July 1st-22nd 1944, only the U.S. and Britain as founding members of postwar multilateral trade exactly understood and knew the plan. "Most of the countries invited, the majority of them from Latin America, knew little or nothing of international finance, [they] had nothing to contribute (to Bretton Woods agendas), and would merely encumber the ground."[46]

The Bretton Woods Conference July 1944

In July 1944, forty four nations converged at Bretton Woods to agree on the postwar international monetary system in the hands of the International Bank and the Fund. It was the first-United Nations Conference that attempted to pave the way for Europe and the United States to the world resource areas through multilateral international currency provided by both institutions. The secretary of the Treasury of the United Sates, Hans Morgenthau, highlighted the dangers of bilateralism, by that focusing participants to consider postwar international monetary arrangements of the Bank and the Fund. He said in his opening address to the Bretton Woods Conference on July 1 1944:

> "All of us have seen the great economic tragedy of our time. We saw the world wide depression of the 1930's. We saw currency disorders develop and spread from land to land, destroying the basis for international trade and international investment and even international faith. In their wake, we saw unemployment and wretchedness-idle tools, wasted wealth. We saw their victims fall prey, in places, to demagogues and dictators. We saw bewilderment and bitterness become the breeders of fascism, and finally, of war."[47]

President Roosevelt in his welcome speech to the delegates of the Conference, appealed to nations to share resources in individual nations: "The program you are to discuss ... is a vital phase, affecting ordinary men and women everywhere. For it concerns the basis upon which they will be able to exchange with one another the natural riches of the earth."[48] Similarly, the Secretary of the United States Treasury, Morgenthau, expressed satisfaction and gratitude to the achievement reached at Bretton Woods. At the closing plenary session of the conference he acknowledged the Bretton Woods success:

> "We came here to work out methods which would do away with the economic evils, the competitive currency devaluation and destructive impediments to trade [that] preceded the present war. We have succeeded in that effort."[49]

Lord Keynes, the founding head of the Clearing Union and Chair of the British delegation at Bretton Woods Conference, focused the future to multilateral international currency system. He acknowledged that such a system had been successfully established. He saw that the system was well set, launched to stay, and planned to expand from a conference of 44 nations to the entire world resource areas. In his farewell speech he envisaged:

> "We have shown that a concourse of 44 nations are actually able to work together at a constructive task in amity and unbroken concord. Few believed it possible. If we can continue in a larger task as we have begun in this limited task [of 44 nations only], there is hope for the world ...."[50]

The central components of the final act of the Bretton Woods Agreements reflected the critical plan to access the world resource areas through multilateral aid. These included the agreement to eliminate bilateral control of the world resource areas; the agreement to multilateral aid; and the agreement defining the role of the IBRD and the IMF (agencies for multilateral international currency aid to the world resource areas).[51] The Bretton Woods Conference resolved the critical problem of accessing the world resource areas. This was achieved by the establishment of the IBRD and IMF and their agencies. These institutions provided access for industrial products from the United States and Europe to the "Sterling Area" such as Malaya. The financial and administrative function of the IBRD and IMF has been conducted by executing agencies, for example:

1. International Trade Organization (ITO), later named the General Agreement on Tariffs and Trade (GATT);

2. United Nations (UN) with its organs, e.g. the United Nations Relief and Rehabilitation Agency, United Nations Development Program (UNDP), the Food and Agriculture Organization (FAO);

3. International Development Association (IDA);

4. International Finance Corporation (IFC), etc.

The International Bank was titled the International Bank for Reconstruction and Development. The International Stabilization Fund was titled the International Monetary Fund. The Bank and the Fund were the two institutions agreed upon as multilateral aid agencies that replaced bilateral trade relations among nations. The following were terms of agreement relating to the membership to the IBRD and IMF:

(i) agree not to enter upon any bilateral clearing arrangements;

(ii) agree not to permit gold to circulate as a medium of exchange within the country, and to concentrate all gold in the central bank or in the treasury;

(iii) agree after a certain period of adjustment to operate without foreign-exchange controls, exempting possibly exchange to be used for short-term capital movements.[52]

The Anglo-American Loan Agreements & Elimination of Controls in Malaya, 1945

The Anglo-American Loan is predicated on the Bretton Woods Agreement which provided that the United States extended a Financial Loan to the Government of Britain on condition that it converted the Sterling Area by reorganising world commerce from bilateralism to multilateralism. That is to say, the Anglo-American Loan has to understood clearly in the context of the Bretton Woods Agreements.[53]

The establishment of the IBRD and IMF signifies the processes by which Britain abandoned the gold standard. It also explains the manner by which Britain passed her colonial authority over the then Sterling Area (e.g. Malaya) into the hands of the IBRD and IMF. This constituted the Anglo-American Agreement as short-term and long-term policy of the Bretton Woods Agreements. Bretton Woods Global order was shaped by the IBRD and IMF. It became the basis upon which nations organised their internal administrative and economic affairs. This order was enforced by legislating the Bretton Agreements that began in 1945. The history of postwar Malaya's administrative and economic development plans emerged in 1945 with the legislation of the Anglo-American Agreement. This is reflected in the joint multilateral aid programs that the United States and Britain established for the reconstruction program of Malaya that was translated into the economic development plans for Malaya in the period 1945/56-65.

The IBRD which is the fountain-head of the Bretton Woods' multilateral monetary institutions was empowered to invest large volumes of capital in the world resource areas. In Malaya, expanded-production of resources is manifested in the establishment of 546 projects of economic development under the organization and funding of the IBRD. This constituted the economic recovery of Europe (Britain) and the United States. In part, Britain and the United States achieved the formation of postwar multilateral aid programs in the first United Nations to the Bretton Woods Conference, 1944, and to a larger extent in the Anglo-American Financial Loan Agreement or the short-term plan of the Bretton Woods Agreements. On December 27, 1945, the representative of only 28 nations ratified the Bretton Woods Agreements suggesting that they had paid 65% of the total quotas of membership to the International Monetary Fund. This in part indicated the extent to which the long-term blueprint of the Bretton Woods Agreements had been achieved.[54] President Harry Truman acknowledged to the Board of Governors of the IMF the foundation of present governments subject to the relationship between multilateral international currency and the making of economic development plans of member states:

> "Your governments have accepted the Bretton Woods ['] Plans and have put substantial funds at your proposal to carry them out. Let us put both plans and funds to work."[55]

Between December 27th-30th 1945, United States compelled Britain to eliminate controls on current transactions in dollars throughout the sterling area.[56] This was the way forward to the fulfillment of the Anglo-American Financial Agreement relating to the sterling area.[57] Like any other commonwealth nation, the Federation of Malaya embraced the Bretton Woods' multilateral aid programs through the Anglo-American Loan Agreement of 1945. In this Agreement, Britain requested for an interest-free loan of $6,000 million from United States to reconstruct her devastated economy (including her colonial dependencies). The government of the United States reduced the $6,000 million to $3,750 million in 1945.[58] The British Chancellor of the Exchequer, Hugh Dalton, appealed on the desperate conditions for which Britain needed the loan from the United States in December 1945. He urged the British government to accept multilateral aid:

> "But ... if we got no dollar credit we would go into the dark valley of austerity than any time during the war. Less food, except bread and potatoes, less meat and sugar, little cotton and therefore, less clothes and less exports."[59]

Despite the problems of shortages in currency that characterized the Government of Britain, the Government of the United States set conditions to Britain's request for the loan to reconstruct her war devastated economy and that of her colonial dependences. In addition, Sir. Roy Harold who had succeeded Keynes as the the Editor of the "**Economic Journal,**" related the conditions of the Anglo-American Loan Agreement or the lend-lease terms that obliged Britain to lift bilateral currency restrictions (gold standard) in the sterling area for postwar multilateral aid:

> "Keynes 'had originally asked for $6,000 million as a gift [interest free loan].' He ended with a Loan of $3,750 million, subject to the extremely onerous terms of the Financial Agreement, and also subject to the *Proposals for Consideration by an International Conference on Trade and Employment, as Transmitted by the Secretary of State of the U.S.A to His Majesty's Ambassodor at Washington*, on the same day- 6 December 1945- as that on which the Financial Agreement was completed, together with a *Joint Statement* in which the British Government accepted the *Proposals* as a basis for international discussion."[60]

Between 27th and 30th December, 1945, the United States convinced Britain to eliminate controls on current transactions in dollars through out the sterling area.[61] In the event, Britain adopted the monetary programmes of Bretton Woods' IBRD and IMF because she wanted to use the facilities of the Anglo-American Loan Agreement of 1945 for her economic reconstruction program at home and in her colonial dependences.[62] On 31st December 1945, Britain agreed to restore current account convertibility and elimination of controls on current transactions in dollars throughout the sterling area, within one year from 6th December 1945, as was required by the Bretton Woods Agreements.[63] Britain was bound by the terms and conditions for membership to the IMF and the IBRD. These provisions provided the conducive climate for multilateral financial plans of the IBRD and its founding states to be brought into play within the British Empire, including Malaya.

Enforcement of the Bretton Woods Agreements under the British Military Administration (BMA)

In the Federation of Malaya, the Bretton Woods Agreements was enforced by military command of the BMA. On 29th December 1945, the BMA legislated the "Bretton Woods Agreements "Under Proclamation and Notices Under Proclamation," Number 29: **"Bretton Woods Agreements: A Proclamation to Give Effect to Certain Provisions of the Bretton Woods Agreements"**[64] and Proclamation Number 32: **"A Proclamation to Provide For the Control and Regulation of Currency and Exchange."**[65] These proclamations detailed the foundation of the legal and formal practices of the IBRD and the IMF in the economic administration of the New State of Malaya.

Britain agreed to restore "current account convertibility" and "elimination of controls on current transactions in dollars throughout the sterling area," within one year from 6th December 1945 by order of the Bretton Woods Agreements. In Malaya, the "international authority" of the IBRD and IMF in providing funds and deciding policies was declared on December 29th, 1945. It only became operational in Malaya and the entire sterling area within one year from December 6th, 1945. From this day, it took one year for Britain to secure the loan of $3,750 million for the reconstruction and economic development of Britain and the sterling area. The purpose of which, accomplished the Anglo-American Loan Agreement or the short-term policy of the Bretton Woods Agreements. On the same day, the Government of Britain passed a Bill entitled the "**United Kingdom and Welfare Act.**"[66] The Act provided a sum of £120 million for reconstruction and economic development of the sterling area including Malaya.[67]

Conclusion

In the beginning of the administrative and economic development for Malaya, the BMA legislated new treaties [Federal Agreements] in the period 1945-46. The treaties were concluded with the bewildered Malay Rulers who signed away their sovereignty to the British Crown (British Government) which then imposed a new constitution as was required by the Bretton Woods Agreements by "**Order in Council under the Foreign Jurisdiction Act.**"[68] This Act was passed by the British Parliament by order of the Bretton Woods Agreements to give effect to the legal, formal and monetary operations of the IBRD and IMF in Malaya. The enforcement of the Bretton Woods [Anglo-American] Agreements enabled the BMA to depose the Malay Rulers in order to prepare the old (colonial) administrative and economic structures to fit new international monetary programmes.[69]

These Agreements provided a new order for the administrative and economic organization of Malaya. While this new order replaced the local authority of the Malay Rulers, it shifted Britain's colonial authority into the "international authority" of the Bretton Woods' IBRD and IMF. The processes, scope and authority by which these international monetary authorities determined strategies and funded the administrative and developments plans for Malaya are detailed in the British Military Administration of Malaya, 1945-46. This means that the economic and administrative foundation of Malaya does not identify itself to the idea that the "authoritative allocation of value" in the strict sense that Malaya's economic development strategies are determined by the prevailing regime or government of the day.[70] In the next four chapters, the thesis establishes the mechanisms and scope by which the IBRD and its executing agencies as the "international [hand] authority" determined strategies and allocated finances that went into the making of development plans and administrative machinery for the Government of Malaysia in the period 1945-65.

Endnotes

1.On the concept "international authority" relating to the Bretton Woods' IBRD and IMF, see Gordon L. Weil, et. al., **The Gold War: The Story of the World's Monetary Crisis**, London, Secker & Warburg, 1972, p. 3. See also Andrew Walter, **World Power and World Money: The Role of Hegemony and International Monetary Order**, New York, St. Martin's Press, Inc., 1991.

2."US Economist Tells IMF and World Bank to Disappear," **New Strait Times**, Friday 19, September, 1997, p. 1.

3.**Ibid.**

4.Martin Rudner, **Malaysian Development: A Retrospective**, Ottawa, Carleton University Press, 1994, p. 1.

5.Fred L. Block, **Origins of International Economic Disorder: A Study of the United States International Monetary Policy from World War II to Present**, Berkeley, University of California Press, 1977, p. 100.

6. A. P. Thirwall, (ed.), **Keynes and International Monetary Relations: The Second Keynes Seminar held at the University of Kent at Canterbury 1974**, London, The Macmillan Press Limited, 1976, p. 8.

7.**British Military Administration, Malaya, Gazette of the Malay Peninsular**, Vol. 1, No. 5, 29th December, 1945, pp. 49-50.

8.**Ibid.**

9.In Malaysia, the International Finance Corporation (IFC) opened in 1959 one year after the establishment of the Central Bank as both multilateral monetary agencies of the IBRD. The Federation of Malaya accepted the monetary operations of the IFC in order to promote development by encouraging the growth of productive private enterprise in member countries, particularly in the less developed areas, thus supplementing the activities of the International Bank for Reconstruction and Development. In carrying out this purpose, the Corporation outlined the following provisions:

> "(i) in association with private investors, assist in financing the establishment, improvement and expansion of productive private enterprises which would contribute to the development of its member countries by making investments, without guarantee, in cases where sufficient private capital is not available on reasonable terms;
> (ii) seek to bring together investment opportunities, domestic and foreign private capital, and experienced management; and
>
> (iii) seek to stimulate, and to help create conditions conducive to, the flow of private capital, domestic and foreign, into productive investment in member countries."

See, **Federation of Malaya, International Finance Corporation, Articles of Agreement, No. 75, 1957**, Kuala Lumpur, Government Printer, 1958, pp. 1-20.

10.**Charter of the United Nations and Statute of the International Court of Justice**, New York, Department of Public Information, 1965, pp. 31-35.

11.Armand Van Dormael, **Bretton Woods: Birth of a Monetary System**, London, Macmillan Press, 1978, pp. 1-9.

12.**British Military Administration, Gazette, Op. Cit.**, p. 1.

13.**Ibid.**

14.**Ibid.**

15.On December 6th, 1945, Mr. Stanley Evans expressed concern about the loss of British control over her former colonies (namely, Malaya). He raised the subject at the House of Commons in Parliamentary Debates on the short and long-term objectives of the Bretton Woods Agreements:

> "In view of the fact that many hon. Members and many people

throughout the country [Britain], regard Bretton Woods as economic strangulation for British Commonwealth of Nations will the Government consider taking Whips off on the occasion of this debate?"

See, **Parliamentary Debates, (Hansard), House of Commons**, Vol. 416, Series, No. 5, November 19th-December 7, 1945, p. 2674.

16.**British Military Administration, Gazette, Op. Cit.**, p. 1.

17.**Parliamentary Debates, (Hansard), House of Lords**, Vol. 138, Series, No. 28, Monday, 26th November 1945, p. 778.

18.Armand Van Dormael, **Op. Cit.**, pp. 3-9.

19. A. P. Thirwall, (ed.), **Op. Cit.**, p. 8.

20.**Parliamentary Debates, (Hansard), House of Lords**, Vol. 138, No. 28, Monday, 26th November, 1945, p. 780.

21.**Ibid.**

22.**Ibid.**

23.**Parliamentary Debates, (Hansard), House of Commons**, Vol. 416, Series, No. 5, November 19th-December 7, 1945, pp. 2673-2674.

24.Armand Van Dormael, **Op. Cit.**, p. 7.

25.**Ibid.**, p. 7.

26.**Ibid.**

27.**Ibid.**, p. 148. See also Robert Trifin, **The World Money Maze: National Currencies in International Payments**, New York, The Colonial Press Inc., 1966.

28.**Ibid.**

29.**Ibid.**, p. 6.

30.**Ibid.**, p. 6.

31.**Ibid**.

32.**Ibid.**, pp. 6-10.

33.**Ibid.**, pp. 7-40.

34.**Ibid.**, p. 8.

35.Fred L. Block, **Op. Cit.**, p. 40.

36.Armand Van Dormael, **Op. Cit.**, pp. 41-43.

37.Fred L. Block, **Op. Cit.**, pp. 68-70.

38.**Ibid**.

39.**Ibid**.

40.**Ibid**.

41.**Ibid**.

42.**Ibid**.

43.**Ibid.**, p. 43.

44.**Ibid.**, p. 42.

45.**Ibid**.

46.Armand Van Dormael, **Op. Cit.**, p. 153.

47.**Ibid.**, p. 1.

48.**Ibid.**, p. 6.

49.**Ibid.**, p. 2.

50.**Ibid.**, p. 2.

51.**Ibid.**, pp. 172-215.

52.**Ibid**.

53. Fred L Block, **Op.Cit.,** p. 100.

54.**Ibid**.

55.Margaret, Garristsen, De Vries, **The International Monetary Fund, 1945-65,** Washington, DC., International Monetary Fund, 1966, p. 1.

56.Fred L. Block, **Op. Cit.**, p. 64; see also, A. P. Thirwall, **Op. Cit.**, p. 8.

57.**Parliamentary Debates, (Hansard), House of Lords**, Vol., 138, No. 28, Monday, 26th November, 1945, pp. 779-780.

58.A. P. Thirwall, **Op. Cit.**, p. 8.

59.Fred L. Block, **Op. Cit.**, p. 64.

60.A. P. Thirwall, **Op. Cit.**, p. 8.

61.**Parliamentary Debates, (Hansard), House of Lords, Vol. 138, No. 28, Monday**, 26th November, 1945, p. 779-780.

62.**Ibid.**, pp. 779-780.

63.Armand Van Dormael, **Op. Cit.**, p. 275.

64.**British Military Administration, Gazette, Op. Cit.**, p. 1.

65.**Ibid.**, pp. 55-56.

66.CO 1022/337: Progress Report, Development Plans, Federation of Malaya, 1950-1952, para 1.

67.Ibid.

68. See J. de V. Allen, et. al.,(eds.), **A Collection of Treaties and other Documents Affecting the States of Malaysia, 1761-1963**, Vol. II, New York, Oceana Publications, 1981, pp. 495-496.

69.**British Military Administration, Gazette, Op. Cit.**, p. 1.

70.Martin Rudner, **Op. Cit.**, p. 1.