

S Y N O P S I S

This Graduation Exercise describes the new financial and economic relationships between Malaya, Sabah and Sarawak that have arisen as a result of the formation of the Federation.

The Constitutional framework is discussed and the special position of Sabah and Sarawak within the Federation of Malaysia is shown. The common currency system and the fact that financial institutions are less developed in the Borneo States is brought out.

The trading relationships amongst the three regions and the paucity of these trade flows are then discussed. The steps towards the formation of a Malaysian Common Market are then traced and their effects on these trading relationships are discussed. Other steps towards the economic integration of the three territories are also touched upon.

The fiscal relationships and the advantageous position which the Borneo States enjoy in the allocation of Federal Funds is shown. Their greater relative needs for economic development is outlined and the future development of the Malaysian economy is briefly touched upon.