1. In accordance with the Decision adopted by the CONTRACTING PARTIES at their fourteenth session that consultations should be held with the individual contracting parties regarding their agricultural policies, the Committee carried out the consultation with the Federation of Malaya. The Committee had before it (i) a synopsis, furnished by the Government of the Federation of Malaya, of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers, and (ii) a document giving detailed information on the commodities entering importantly into world trade on which the CONTRACTING PARTIES had agreed the consultation should in the main be concentrated. The consultation was conducted on the basis of an opening statement by the representative of Malaya, discussion on points arising from this opening statement and examination of the documentation furnished by the Government of Malaya. The consultation was completed on 9 November 1959.

A. GENERAL AGRICULTURAL POLICY

2. In his opening statement, the representative of the Federation of Malaya drew the Committee's attention to the statement on the agricultural policy of Malaya and the measures taken to implement it which had been furnished by his Government to the Committee and then outlined the salient features of Malaya's agricultural economy. Malaya was the world's largest producer of rubber and two-thirds of her total export earnings were derived from this commodity. Production of rubber had, therefore, received the full attention of the Government of Malaya and most governmental activities in trade matters involved the rubber industry. According to governmental studies on possible future demand, there was a good world market for rubber for some years to come, but the Government of Malaya was constantly aware of the possible effects on synthetic rubber development on trade in natural rubber. The foremost national problem of Malaya was that of the competition from synthetic rubber. The Government of Malaya had concentrated its efforts on the reduction of rubber production costs and had embarked on an extensive replanting programme which was partly financed by a cess on all exports of rubber; expenditure on rubber replanting up to the end of September 1959 had been about Malayan $112.6 million. Rubber growers were given grants with which they replanted their estates and small holdings with high quality seeds, and a large measure of success had been achieved in the replanting programme. Intensive research into the possibilities of production and treatment of different kinds of rubber was also being carried out by the Government.
3. The next most important agricultural commodity produced in Malaya was rice, which was the staple food of the peoples of Malaya. Rice planting was a national industry in the sense that each farmer devoted some small part of his acreage to rice production. Difficulties in securing rice during the war years and pressure in post-war years for action to make the staple food available to consumers at reasonable prices had brought about the adoption by the Government of measures to assist rice production in the country. Formerly, there had been large-scale exploitation of the peasant farmer by the local village shopkeeper, who extended credit to the peasant farmers for repayment in rice after the rice harvest. The Government's solution to this problem of exploitation had been the adoption of a guaranteed minimum price scheme. Immediately before each rice harvest, the Government declared the price it was prepared to pay to all sellers of paddy; this price was determined by the import price of rice. No grower was compelled to sell his crop to the Government but since the local shopkeeper was no longer the monopoly market for the farmer's rice harvest, the shopkeeper was now obliged to pay at least the guaranteed minimum price to secure supplies of rice with possibly some deduction for the cost of transport to mills. Because of the difficulties of holding stocks of rice in a tropical climate the stockpile had to be rotated, and the Government had solved this problem by the imposition of a regulation that imports of rice were conditional on purchase of a certain quantity from Government stocks; at the present time the ratio was 2 imports, 1 stock. The Government had therefore begun by attempting to solve the problem of exploitation of the peasant farmer and had in the process built up a national stockpile of rice which the lessons of former years had taught was a desirable institution. Since 1955, the Federation Government had appropriated Malayan $10 million to the eleven States of the Federation for the purpose of carrying out measures which would assist the peasant farmer to increase this production of rice. The subsidy schemes were operated directly by the State governments, subject to prior approval by the Federation Government, and a large part of the funds was devoted to the supply of fertilizers to paddy cultivators for the improvement of quality and increase in production of this crop.

4. The representative of Malaya concluded his statement by pointing out that the only quota restriction that existed on imports of agricultural products applied to eggs from Thailand. The Government of Malaya had been forced to resort to a restrictive quota because of the difficulties of competing with egg exports from that country. The Government was, however, anxious to remove this restriction as soon as possible.

5. The Committee expressed appreciation for the clear account of the difficulties facing Malaya and the policies which had been adopted to overcome these difficulties. At the outset of the discussion on the opening statement of the representative of Malaya, members of the Committee noted that agriculture, together with forestry and fisheries, accounted for about 40 per cent of the gross national product of Malaya, and requested information on the items that formed the most important contribution to the balance of 60 per cent. In reply, the representative of Malaya stated that products of mines (e.g. tin, iron ore, tauxite), were the most important contributors to the balance. Members of the Committee noted references in the background
documentation furnished by the Government of Malaya to the full achievement of self-sufficiency in essential foodstuffs as the main objective of agricultural policy and requested information on the products other than rice, which had been described in the opening statement, to which the policy of self-sufficiency was directed. They noted that production of rice in 1958 had been 495,400 tons and that imports of 350,900 tons had been necessary in the same year and expressed their view that, while there was justification for some measure of governmental intervention in ordinary market forces for the purpose of eliminating exploitation of the peasant farmer, nevertheless they doubted whether in view of the wide gap between present production and requirements it was realistic to press for a policy of self-sufficiency. They also expressed their concern at the possible effects on traditional exporters of rice of policies of self-sufficiency being adopted by traditional importers of this commodity. They noted that the guaranteed minimum price for rice was directly related to market prices and that therefore the system did allow the effect of imports to be reflected and enquired whether pursuance of a policy of self-sufficiency would involve any change in the price support system.

6. In reply, the representative of Malaya agreed that his country was far from reaching self-sufficiency in rice but he could not agree with the view that it was not realistic to pursue this aim in the long term. There was no intention on the part of the Government to reach self-sufficiency in the short term and it would doubtless be many years before the aim was realized, particularly while the rubber industry dominated the whole economy in Malaya. Meanwhile, however, the Government was operating a community development scheme which involved the clearing of areas of virgin jungle which occupied two-thirds of the country. Attempts were being made to disperse population from the west coast into the interior of the country and under the community development scheme every farmer was ensured of sufficient acreage of land to produce rice not only for his family needs but also for marketing. As to other products to which the aim of self-sufficiency was directed, the country was at present largely dependent on imports of fish from Thailand, Cambodia and Indonesia to supply the other staple food of the Malayan peoples and the Government was investigating the possibilities of increased fish production. The Government also planned eventual self-sufficiency in sugar, and there was at the present time a joint venture, involving Japanese and Malayan firms, to set up a sugar-milling industry; in the Government's view there were good prospects for the production of sugar cane in the Penang area of the country.

7. In response to requests from members of the Committee for information on the mechanism of distribution and the price of rice to the consumer, the representative of Malaya stated that there was no special purchase organization in operation for the distribution of rice to the consumer. The Supply Section of the Trade Division of the Ministry of Agriculture, which had originally been created for the purpose of administering rationing schemes and price control, now only administered and controlled the collection of rice from the farmers, its transport to Government mills and sales to importers.
Importers and local shopkeepers were responsible for supplying rice to the Malayan consumer and there was no governmental control of the price of rice to the consumer. In reply to questions about the level of the guaranteed minimum price for rice in 1959 and the percentage of the average value of imported rice that the guaranteed minimum price represented in 1958, the representative of Malaya stated that the guaranteed minimum price in 1959 was Malayan $15 (i.e. US $3) per tical (133.5 lbs.) approximately Malayan $1 or $2 below the price of imports. It was difficult to provide the Committee with the exact figures on the average value of imported rice in 1958, but the relationship between the guaranteed minimum price and the price of imported rice was usually of the same order, i.e. Malayan $17 for imported rice, Malayan $15 for local rice.

8. Members of the Committee noted the references in the documentation furnished to the Committee to the greater emphasis that was being placed by the Government of Malaya on the diversification of crops to protect the agriculturalist as much as possible from the adverse effects of fluctuating prices and requested information on the commodities which were affected by this policy. In reply, the representative of Malaya stated that the coconut growers were now seeking a governmental assistance scheme for replanting of coconut similar to that in operation for rubber, but this proposal was still under discussion. As part of the community development scheme, the Government was trying to increase the acreage under palm oil by encouraging for the first time the production of this crop by small holders. An experimental plantation for the production of cocoa was now in operation on the north-east coast of Malaya and, despite difficulties which had been encountered, the Government expected that a cocoa industry would come into being in the near future. As regards sugar, of which there had already been mention, the enterprise which had established the sugar milling industry had been granted pioneer status, i.e. relief from income tax for a certain period. In the application which had been made to the Government for further assistance the enterprise had indicated its immediate and long term plans and the production of sugar cane in Malaya formed part of these long terms. A Commission had been appointed to investigate conditions in the canned pineapple industry, and there was a possibility that as a result of the Commission's recommendations, some governmental assistance might be afforded to this industry. So far as the fishing industry was concerned, the Government was attempting to solve the problem of exploitation of the fishing population by the provision of loans at nominal rates of interest for the purchase of nets, boats and foodstuffs and was attempting to encourage the fishing population to form co-operatives. The representative of Malaya stated that at the present time, no governmental assistance was being granted to the production of any of these commodities; the only commodities which received assistance to production were rubber and rice.
9. In the course of discussion of the subsidy provisions for rubber, members of the Committee enquired whether any production target had been established in the rubber replanting scheme. The representative of Malaya stated that the Government had not fixed any production target; the replanting scheme would continue in operation until all areas had been replanted with high quality rubber. He drew the Committee's attention to the fact that there was a limit on the assistance granted by the Government in that the maximum area eligible for assistance was restricted to 21 per cent of the total area planted with live rubber on 31 December 1954. In reply to questions as to whether the existing cess on exports of rubber would be suspended in the near future, the representative of Malaya stated that the export cess was a very valuable source of revenue since Malaya was a low tariff country. Negotiations were at present taking place between the Government and the rubber industry about the rate of the cess, and the Government would take account of the views of the industry in determining the future level of the cess.

10. In reply to questions about the financing of assistance to the production of rubber on small-holdings, the representative of Malaya stated that part of the proceeds of the cess of 4½ cents per lb. on all rubber exports was used to finance a fund (Fund B) from which the smallholders were granted Malayan $500 per acre, payable in five instalments, for rubber replanting and an additional Malayan $100 per acre was granted from other Government revenues. In addition, a further scheme was in operation under which smallholders with an acreage of under thirty acres were granted Malayan $600 to replant an area up to a maximum of five acres. It was, therefore, now possible for a smallholder to be granted assistance under the two schemes of Malayan $1200 per acre, of which Malayan $500 would be paid from part of the proceeds of the export cess and the balance of Malayan $700 from other Government revenues. The smallholder was now, in fact, receiving more assistance than the estate farmer.

11. In reply to questions about the cost of Governmental trading activities in rice and the size of the stocks of this commodity now held by the Government, the representative of Malaya stated that details of the finances involved in governmental trading activities in rice could not be revealed to the Committee. He was, however, able to inform the Committee that because of minimum storage facilities, stocks were planned in such a way that they did not exceed a certain level and the Supplies Department of the Ministry of Agriculture Trade Division had been able to operate without incurring losses in recent years.

12. In reply to questions about export restrictions on rice, the representative of Malaya stated that exports of rice and padi were in general not allowed to take place since the Government wished to ensure that there were sufficient stocks of rice in the country at all times. Some small quantities were exported to Northern Sumatra and Borneo through the free port of Penang when stocks were satisfactory. Imports of rice into Malaya were carried out by registered private traders, who were required to sign a purchase agreement to take 1 ton of Government stocks to every 2 tons imported.
There was no minimum price imposed on imported rice nor any governmental control on the sale price of imported rice. Rice from Government stocks to importers was sold at a price which took account of market prices at the time of the sale and, in general, the price of rice in Malaya was usually in line with world market prices.

A. COMMODITIES

13. This section of the report summarizes the additional points which arose during the consultation on those commodities, entering importantly into world trade, on which the Committee had agreed the consultations should in the main be concentrated.

Eggs and Dairy Products

14. Members of the Committee noted the statement in the documentation furnished to the Committee that the purpose of import licensing for eggs was to keep watch on the trend of imports including price, in keeping with the Government policy to encourage domestic production of eggs. They asked whether it was the intention of the Government to reduce or ban imports of eggs if the trend of imports, including price, developed in a direction which the Government deemed undesirable. The representative of Malaya stated that licences for import of eggs had so far been granted freely and there was little expectation that import restrictions would be imposed for the protection of the local industry. Such restrictions would run counter to the Government's basic policy of affording only tariff protection to domestic industries.

15. Members of the Committee noted that no statistics had been made available on production and consumption of eggs and dairy products and expressed their interest in trends in production of all commodities within this group. The representative of Malaya stated that it was not possible at the present time to furnish such statistics. There was no production of any of the items within this group except for eggs and poultry, and production of these two commodities was carried out on very small peasant farms. No agricultural survey of the country had yet been made and it would be many years before statistics could be available.

Vegetable Oils

16. In reply to a question about production of vegetable oils, the representative of Malaya stated that there was no production of groundnut oil and gingili oil in Malaya.
Fish

17. In reply to a question about the quantities and types of fish exported and imported by Malaya, the representative of Malaya stated that there was an entrepot trade in fresh and salted fish through Penang. Penang imported fish from Southern Thailand, and Southern Burma and re-exported to Northern Sumatra; little was retained for local consumption.