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 consultations 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 one of the world's largest producers of rubber and nearly 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 the rubber industry occupied an important position in the Government economic development programme. 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 of synthetic rubber development on trade in natural rubber. The important problem for Malaya as regards her rubber industry was that of 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. 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. Up to the end of September 1959, Government assistance on rubber replanting schemes had amounted to $112.6 million (Malayan). Besides the replanting programme the Government of Malaya had also embarked on intensive research into the possibilities of producing improved qualities of natural rubber for the market.
3. The next important agricultural commodity produced in Malaya was rice. It was the staple food of the people of Malaya and rice planting was a national industry in the sense that peasant farmers generally devoted some parts of their holdings to rice production. However, because of the existence of widespread exploitation of the rice growers by middlemen and shopkeepers, it was necessary for the Government to introduce measures to assist the rice growers. The Government solution to the problem of exploitation had been the adoption of a guaranteed minimum price scheme. Before each rice harvest the Government declared the price at which it was prepared to purchase rice. This price was determined by taking into account the estimated price level of imported rice. No grower was compelled to sell his crop to the Government at that price but the existence of the Government in the rice market tended to stabilize the price of local rice at the level declared by Government. This measure had been successful in solving the problem of exploitation but it had brought about the problem of stocks of rice held by Government. While stocks of rice were valuable in times of emergency as the experience of the war years and the immediate post-war years had shown, it was necessary to rotate them because of climatic conditions. To solve the problem of rotating stocks and to increase the consumption of domestically-produced rice the Government introduced another scheme which imposed an obligation on rice importers to purchase from Government a certain proportion of their requirements. Thus at present each importer was obliged to enter into an agreement with the Government to purchase one ton of rice from the Government stockpile for every two tons he wished to import. This ratio of one to two varied from time to time depending on the size of the stockpile held by Government. Another measure which had been introduced by the Federation of Malaya Government to assist rice growers was the fertilizer subsidy scheme. The original purpose of this scheme was to acquaint rice growers with the use of modern fertilizers to enable them to achieve higher production from their holdings. However, the Government having appropriated $10 million (Malayan) to the eleven States of the Federation left it to the State Government to formulate their own individual schemes for the benefit of the rice growers on the condition that such schemes were approved by the Federation Government. This had resulted in some states formulating fertilizer subsidy schemes and others assisting the growers in other ways such as improving drainage and irrigation and giving cash assistance to growers in time of drought.

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 poultry from Thailand. The Government of Malaya had been forced to resort to a restrictive quota because of the difficulties of competing with poultry imported from that country. The Government was, however, anxious to remove this restriction as soon as possible. Imports of eggs were subject to import licence, but licences were granted freely.

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 the mining industry (e.g. tin, iron ore, bauxite), 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 still 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. The policy of self-sufficiency in rice was essentially a long-term objective which might not be achieved in the near future. But the widespread exploitation of peasant farmers in the rice-growing industry had made it necessary for the Government to introduce measures to assist the rice growers. However, the Government had adopted active measures to increase the acreage of land under rice. Thus in the land and community development schemes adopted by the Government and which involved the clearing of virgin jungle which occupied about two-thirds of the country each new settler was given 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 surrounding countries such as Thailand and Cambodia, and the Government was investigating the possibilities of increased fish production. The Government also planned to promote increased production of other food products such as poultry, eggs, meat and a variety of minor products.

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 purchasing organization established for the distribution of rice to the consumer. The whole operation of purchasing paddy from the farmers, milling it into rice and storing the rice in Government godowns as well as of selling the rice to importers was undertaken by the Supplies Section of the Trade Division of the Ministry of Commerce and Industry. The organization of the operation was such as to offer effective possibilities to farmers even at distant points to avail themselves of the facilities offered by the Government. There was no Government control of the price at which rice was sold to the consumer by the wholesalers and retailers. 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 picul (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. about $17 (Malayan) for imported rice and about $15 (Malayan) 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 but to date the result of the experiment had not been too encouraging because of disease. If the disease were brought under control, a cocoa industry would come into being in the near future. As regards sugar, an enterprise which proposed to establish a 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-term plans. A Commission had been appointed to investigate conditions in the canned pineapple industry, and the report of the Commission was at present being studied. 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 and boats 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 neither fixed any production target nor imposed any limit on the acreage which a planter could replant. But he pointed out that Government assistance under the replanting scheme was limited to a certain proportion of the planter's acreage. Thus in the case of holdings of more than 100 acres in area the maximum acreage 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 the export of rubber would be suspended in the near future the representative of Malaya stated that suspension of the collection of cess was unlikely because it was a valuable source of income for the financing of the replanting schemes as well as the rubber research schemes. He pointed out that there was a close and happy co-operation between the Government and the rubber industry.

10. In reply to questions about the financing of assistance to the production of rubber on smallholdings, 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. Thus the smallholder was eligible for assistance under two schemes.

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 the stockpile on a self-financing basis.

12. In reply to questions about export restrictions on rice, the representative of Malaya stated that exports of rice and paddy 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. Imports of rice into Malaya were carried out by registered private traders, who were required to sign a purchase agreement to take one ton of Government stocks to every two 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.
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 assistance to domestic industry through tariffs and other measures less restrictive than import restrictions. Members of the Committee noted the requirement that eggs in shell imported from Thailand be marked with indelible ink with the name of the exporting country. The representative of Malaya stated that this requirement applied only to imports from Thailand and was designed to ensure that imported eggs were not sold to the consumer as fresh eggs.

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 mostly on very small peasant farms. No agricultural census of the country had yet been made and it would be many years before statistics would 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 gingerly 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.